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CARES Act Reporting-Part 2

Central Office Cost Center(COCC) and
Financial Data Schedule (FDS) Reporting

October 1, 2020



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CARES Act Reporting – Part 2

Introduction & Agenda

- Introduction to CARES Act Reporting – Part 2
 - *David Vargas, Deputy Assistant Secretary, PIH Real Estate Assessment Center (REAC)*
- CARES Act Waiver for COCC Fees Above Safe Harbor Rates
- Financial Data Schedule (FDS) Reporting
 - *Quincy Riley, Director, REAC's Financial Assessment Sub-system for Public Housing (FASS-PH)*
- Quarterly Reporting Requirements
 - *Wendell Conner, Director, REAC's Quality Assurance Sub-system (QASS) / Chief Risk Officer*
- HCV Program CARES Act Questions
 - *Miguel Fontanez-Sanchez, Director, Office of Housing Voucher Programs, Financial Management Division*
- Question and Answers



CARES Act Reporting – Part 2

Goal

- Provide further examples and guidance associated with PIH Notice 2020-24 (issued 9/14/2020)
- Answer question from PHAs on the notice

Audience

- PHA Financial Types – PHA finance officers, PHA accountants, fee accountants, PHA auditors, etc.
- PHA Management – Executive Directors, HCV, and Public Housing program managers, etc.
- HUD financial analysts, auditors, and reviewers

Focus of Session

- COCC Fees Above the Safe Harbor Waiver
- Financial Data Schedule (FDS) Reporting
 - Examples of Specific Accounting Transactions
 - Example of Public Housing CARES Act Reporting
- Quarterly Reporting
- HCV Program – CARES Act Questions



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Central Office Cost Center (COCC): CARES Act Waiver for COCC Fees Above Safe Harbor Rates



CARES Act Waiver for COCC Fees Above Safe Harbor Rates

1. What Fees Is HUD Allowing to be Above the Safe Harbor Rates?

Fee Type	Public Housing Program	Capital Fund Program	HCV and Mainstream Voucher Program	MTW Program
Management Fee	Yes	Yes	Yes	Yes
Bookkeeping Fee	Yes	N/A	Yes	Yes
Asset Management Fee	Yes	N/A	N/A	N/A
Frontline Service Fee	No	N/A	No	No
Development Fee	No	N/A	N/A	No

Refer to

- PIH Notice 2020-24 (Section 4 & 8)
- PIH Notice 2020-07 (Section 4)



CARES Act Waiver for COCC Fees Above Safe Harbor Rates

2. What Does the Phrase “Safe Harbor” Refer to?

- HUD provides the maximum fee rate that a PHA can charge and how the fee is to be earned
- The maximum fee rates and how the fees are earned are published in
 - Public Housing Management Fee Schedules
 - Chapter 7 of the Financial Management Handbook
- The term “safe harbor” means that as long the PHA uses a fee rate at or below the maximum, the fee charged is considered reasonable and eligible

▪ For Example:

Management Fees

- 2020 Schedule of Management Fees
- 2019 Schedule of Management Fees
- 2018 Schedule of Management Fees

PH Management Fee Schedule	Field Office	Mgmt. Fee (PUM)	Field Office	Mgmt. Fee (PUM)
	Albuquerque	\$52.26	Little Rock	\$58.55
	Anchorage	\$71.44	Los Angeles	\$90.49
	Atlanta	\$57.84	Louisville	\$62.56

HCV Bookkeeping Fee (chapter 7 of handbook) PHAs can also charge the HCV Program a \$7.50 PUM bookkeeping fee for the program accounting function in addition to the management fee



CARES Act Waiver for COCC Fees Above Safe Harbor Rates

3. Is there a Limit to the Amount of Excess Fees our COCC Can Charge?

The excess fee rate that can be charged by the COCC is limited by three factors:

➤ Factor 1: Maximum Rate Increase

- Limited to a 50% increase of the maximum rate and
- Must still be reasonable (2 CFR 200.404)

➤ Factor 2: Eligible COCC Expenses

- Coronavirus-related activity
- Enhanced COCC costs; and
- Normal COCC costs - Where expected COCC **fees income could not be realized because of COVID-19, the PHA can use a reasonable increase** in its fees above the safe harbor amount to cover expenses

➤ Factor 3: Available CARES Act Funds

- Except for the CFP management fee, fees paid above the safe harbor rates must be paid from CARES Act funds



In applying these requirements, a PHA's COCC should not be any better/worse off financially due to the pandemic



CARES Act Waiver for COCC Fees Above Safe Harbor Rates

4. Can you Provide an Example?

October 2020 PH Management Fee				
	Project 1	Project 2	Project 3	Total
Total Units	100	150	200	450
Leased	99	130	180	409
Approved Vacancies	1	9	8	18
Approved Special Use Units	0	1	2	3
Eligible Units	100	140	190	430

Fees In Excess of the Safe Harbor Amounts

450
409
18
3
430

- **Fee is still earned by monthly unit status each month**
 - Section 8d of Notice 2020-24: The waiver increases the fee rate but does not change how the fee is earned
- **Reported**
 - As a fee expense in 14.PHC
 - As revenue in 14.CCC
 - Eliminated at the entity wide level like any other fee transaction

Published PH Mgmt. Fee Rate	\$60.00	\$60.00	\$60.00
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PH Management Fee	\$6,000	\$8,400	\$11,400	\$25,800
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\$30.00	Max Fee Rate Limited to 50%
\$12,900	Max Fee Allowed
\$11,000	Limited Immediate COCC Needs

- Normal monthly fee calculation as the PH management fee is earned each month
- Continued to be reported as:
 - Fee expense in each project, and
 - Fee revenue in the COCC

- Fees paid above the safe harbor rates must be for an immediate need and use
- May not be comingled with reserves

\$	COCC Costs
\$5,000	COVID-19
\$6,000	Enhanced Costs
\$0	Normal Costs (Fee Income Loss)
\$11,000	Immediate Need Calculation



CARES Act Waiver for COCC Fees Above Safe Harbor Rates

5. Can you Summarize the Requirements Around COCC Fees Above the Safe Harbor Rates Waiver?

CARES Act Funding Requirements Apply

- ✓ Fees paid above the safe harbor rates:
 - Remain CARES Act funds
 - Must comply with cost reasonableness standards found at 2 CFR 200.404
 - Shall not exceed the safe harbors by more than 50 percent
- ✓ Fees paid above the safe harbor rates must be for an immediate need and use (think Treasury rule)
 - Fees paid above the safe harbor rates may not be included in / comingled with reserves
 - Fees paid above the safe harbor rates must be returned to HUD if not used
- ✓ Fees paid above the safe harbor rates must be tracked and accounted for separately
- ✓ The waiver increases the fee rate but does not change how the fee is earned.
- ✓ The authority to use this provision starts on March 27, 2020 and currently ends on 12/31/2021
 - PHAs may retroactively apply this authority for COCC expenses incurred on or after March 27, 2020
- ✓ CARES Act Funds transferred to the COCC:
 1. Must be used for COCC COVID-19 related costs, or
 2. To cover incremental higher operational costs of the COCC due to COVID-19 , or
 3. To cover normal costs where the expected fee income is less due to COVID-19



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CARES Act Waiver for COCC Fees Above Safe Harbor Rates

6. Why Can't a PHA Increase its Frontline Service Fees?

- A PHA can increase its frontline service fees but a waiver from HUD is not needed
- The rate for a frontline service fee is still determined by the PHA through local market costs studies
 - PHA may not charge its properties or programs in excess of what the project would incur for the service if obtained through the market
 - Therefore, a PHA that determines, and documents that market rates have increased during this time, can update their frontline service fee rates to reflect its local market
 - PHAs will need to reassess their rates once the pandemic no longer has an impact on their local market
 - Frontline service fees are not subject to being capped at a 50% increase or having the requirement of immediate use as outline in Section 4 of PIH Notice 2020-07



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FDS Reporting Examples



Reporting Operating Expenses Paid from CARES Act Funding

1. How Should Operating / Administrative Expenses Paid with CARES Act funds be Reported on the FDS?

- Normal administrative / operating expenses and enhanced/increased expenses (i.e., non-COVID-19 eligible activity whose costs are higher than normal due to the pandemic (e.g., higher payroll costs because the PHA is providing hazard pay) will be reported in the proper FDS expense line item based on the type of expense
 - There will be no distinction between the two categories

Example: Operating Expense Paid by CARES Act Operating Funds				
Account	Account Name	Expense		
		Normal	Increased	Total
91100.01	Administrative Salary & Wages	\$25,000	\$0	\$25,000
91100.02	Administrative Overtime	\$0	\$3,000	\$3,000
91100.03	Administrative Hazard Pay	\$0	\$2,500	\$2,500
	Total	\$25,000	\$5,500	\$30,500

	14.PHC
FDS Reporting: 91100 Administrative Salaries	\$30,500



Reporting of COVID-19 Costs Paid from CARES Act Funding

2. How Should COVID-19 Expenses Paid with CARES Act Funds be Reported on the FDS?

- All COVID-19 related costs should be reflected in the 92xxx FDS line item series (Tenant Services)
 - COVID-19 related costs associated with services for program participants or PHA staff / operations (e.g., childcare costs for staff performing essential functions should be reported under the tenant services lines)
 - Section 4 of PIH Notice 2020-18 and Section 6 of PIH Notice 2020-07 provides a list and examples of eligible COVID-19 activity (i.e., preparing for, preventing, and responding to COVID-19)

Example: COVID Activity Expense Paid by CARES Act Operating Funds					
Account	Account Name	Expense			
		Preparing for	Preventing	Responding To	Total
92400.07C	Resident Travel Expense for COVID Testing	\$4,000	\$0	\$0	\$4,000
91900.21C	Staff - PPE	\$0	\$3,000	\$0	\$3,000
91500.12C	Staff - Child Care	\$0	\$0	\$12,000	\$12,000
	Total	\$4,000	\$3,000	\$12,000	\$19,000

	14.PHC
92400 Tenant Services - Other	\$19,000



Reporting of COVID-19 Costs Paid from **Non-CARES** Act Funding

3. How Should COVID-19 Expenses Paid with Non-CARES Act Funds be Reported on the FDS?

- All program COVID-19-related costs should be reported in 14.PHC, 14.HCC, 14.MSC and/or 14.MSC, regardless of the funding source
- This reporting will allow HUD to specifically determine all expenses used for preparing for, preventing and responding to COVID-19
 - All COVID-19 costs should be reflected in the 92xxx series (Tenant Services)
 - The PHA will report a transfer in to 14.PHC, 14.HCC, 14.MSC and/or 14.MSC from the respective funding source (i.e., typically the HCV program or COCC)
 - The transfer in will match the expense incurred, meaning there should be no increase in equity in 14.HCC or 14.MSC due to these transactions

Example: COVID Activity Expense Paid by 2020 HCV Administrative Fees					
Account	Account Name	Expense			Total
		Preparing for	Preventing	Responding To	
92400.07C	Resident Travel Expense for COVID Testing	\$4,000	\$0	\$0	\$4,000
91900.21C	Staff - PPE	\$0	\$3,000	\$0	\$3,000
91500.12C	Staff - Child Care	\$0	\$0	\$12,000	\$12,000
	Total	\$4,000	\$3,000	\$12,000	\$19,000

	14.871	14.HCC
FDS Reporting: 10020 Operating Transfer Out	\$19,000	
FDS Reporting: 10020 Operating Transfer In		\$19,000
FDS Reporting: 92400 Tenant Services - Other		\$19,000



Reporting Purchased of Capital Assets with CARES Act Funding

4. How Should the Purchase of Capital Assets with CARES Act Funds be Reported on the FDS?

- CARES Act used for capital activity will be reported as an equity transfer out of the respective CARES Act columns (14.PHC, 14.HCC, 14.MSC, 14.MRC, 14.CCC, and /or 14. CMT) and into actual program (i.e., 14,871, projects, COCC, etc.)
 - Equity transfer in and out lines (FDS line items 11040-070 through 11040-110)
- Once the asset is placed into service, the PHA should transfer the asset to the actual respective program and report any associated depreciation expense in the program and not the CARES Act columns

Example: CARES Act HCV Admin Fees Used to Purchase Laptops for HCV Staff		
	HCV	14.HCC
FDS Income Statement		
FDS Reporting: 97400 Depreciation Expense	\$500	
FDS Reporting: 11040-070 Equity Transfer	\$10,000	-\$10,000
FDS Balance Sheet		
FDS Reporting: 164 Furniture, Equipment & Machinery - Administration	\$10,000	
FDS Reporting: 166 Accumulated Depreciation	-\$500	
FDS Reporting: 160 Total Capital Assets, Net of Depreciation	\$9,500	
FDS Reporting: 508_4 Net Investment in Capital Assets	\$9,500	



Example – PH CARES Act Funding

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Example Information

1. HUD obligated \$44,000 in CARES Act supplemental Operating Fund to the PHA (Transaction #1: Obligations are not reported on the FDS. The PHA used \$6,000 of the supplemental administrative fees to purchase IT equipment to allow employees to work from home. These costs were capitalized.
2. The PHA used \$15,000 of supplemental Operating Fund to purchase a maintenance vehicle for a project (Transaction #2).
3. The PHA used \$10,000 of supplemental Operating Fund to pay for management fees to the COCC which are above the safe-harbor amounts (Transaction #3).
4. The PHA also used \$8,000 of supplemental Operating Fund to pay for COVID-19 related activity (Transaction #4).
5. The PHA used \$4,000 of operating reserves to fund COVID-19 costs (Transaction #5).
6. The PHA has incurred \$6,000 in costs for a maintenance contract. The supplemental Operating Funds will be drawn down from eLOCCS next month (Transaction #6).
7. The PHA has \$5,000 of unobligated CARES Act funds remaining in eLOCCS (Transaction #7; this amount would not be reported on the FDS in any manner).
8. The table below provides a summary of the transactions described above.

CARES Act Supplemental Operating Fund	14.PHC
Total Amount of Funding Made Available	\$ 44,000
Management Fees to COCC	(10,000)
Capital Expenditures	(15,000)
COVID-19 Related Expenses - CARES Act	(8,000)
Maintenance Contract	<u>(6,000)</u>
Total CARES Act Expenses	\$ (39,000)
Unobligated CARES Act Funds in eLOCCS	\$ 5,000
COVID-19 Related Expenses - Other Funds	(4,000)



Example – PH CARES Act Funding

(continued)

New Reporting Column



INCOME STATEMENT

Trans #	Projects (Entity Wide)	PH CARES Act Funding 14.PHC	Total
	Dwelling Rent	\$ 160,000	\$ 160,000
	HUD Operating Fund	240,000	279,000
	Total Income	400,000	439,000
	Admin. Salaries	150,000	150,000
	Employee Benefits	45,000	45,000
3	Management Fees to COCC	40,000	50,000
4, 5	Tenant Services - Other	1,000	13,000
6	Maintenance Contract	64,000	70,000
	Depreciation Expense	40,000	40,000
	Total Expense	340,000	368,000
	Net Operating Income	60,000	71,000
5	Operating Transfer In (out)	(4,000)	-
2	Equity Transfer In (out)	15,000	(15,000)
	Net Change to Net Position	\$ 71,000	\$ 71,000

1. \$39,000 of operating funds that are recognized as revenue as the PHA incurred \$39,000 of eligible expenses.

2. \$10,000 of CARES Act Operating funds used to support the COCC (over the safe harbor amounts)

3. \$12,000 of expenses used to prepare for, prevent and responded to COVID-19.

4. \$6,000 of CARES Act Operating funds spent on a maintenance contract

5. \$4,000 of operating fund reserves that were used to support COVID-19 relief (i.e., supports the \$12,000)

6. \$15,000 of CARES Act Operating funds use to purchase of maintenance vehicle (capitalized costs)



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Example – PH CARES Act Funding

(continued)

New Reporting Column

BALANCE SHEET

	Projects (Entity Wide)	PH CARES Act Funding 14.PHC	Total
Cash - Unrestricted	\$ 200,000	\$ -	\$ 200,000
Cash - Tenant Security Deposit	12,000	-	12,000
Cash - Restricted - Other	-	-	-
Accts Rec. - HUD	6	6,000	6,000
Prepaid Insurance	3,000	-	3,000
Total Current Assets	215,000	6,000	221,000
Building and Equipment	2,000,000	-	2,000,000
Accumulated Depreciation	1,825,000	-	1,825,000
Total Noncurrent Assets	175,000	-	175,000
Total Assets	390,000	6,000	396,000
Accounts payable <= 90 days	6	7,500	13,500
Tenant Security Deposit	12,000	-	12,000
Total Current Liabilities	19,500	6,000	25,500
Net Investment in Capital Assets	175,000	-	175,000
Restricted Net Position (HAP Equity)	-	-	-
Unrestricted Net Position	195,500	-	195,500
Total Net Position	370,500	-	370,500
Total Liabilities & Net Position	\$ 390,000	\$ 6,000	\$ 396,000

1. \$6,000 of incurred expenses of a maintenance contract, which have yet to be draw-down from eLOCCS

2. No Equity / Net Position as CARES Act funds cannot build reserves

Other Notes

- Current assets should match current liabilities.
- Except for possible timing issues around some capital asset transactions, equity balance should be \$-0-.



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Quarterly Reporting Requirements



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October Quarterly Reporting

1. Are Instructions / Training Available so our PHA can Submits its July – September Data?

- The Quarterly Reporting Portal has not been implemented at this time, therefore
 - PHAs will not be required to report by October 10, 2020
 - Until the reporting portal becomes available to PHAs, PHA quarterly reporting is suspended
 - HUD will continue to utilize data already available to HUD to complete the required reporting
 - It is expected that when PHAs can report in the portal, PHAs may be required to include either retroactive reporting or accumulative amounts



Quarterly Reporting \$150,000 Threshold

2. Do ALL PHAs have to Report Quarterly?

- No – Only PHAs considered to have “Large Covered Funds”
 - “Large Covered Funds” are CARES Act awards over \$150,000
 - For PHAs:
 - The \$150,000 threshold is to be calculated at the entity-wide level
 - Include all HUD (i.e., HUD - PIH and HUD non-PIH CARES Act awards) and non-HUD (i.e., other federal agencies) CARES Act awards
 - CARES Act awards made to a PHA’s component units (blended or discrete) are not part of the \$150,000 calculation

#	CARES Act Funds	Awarded	Disbursed	Revenue
1	Public Housing	\$40,000	\$35,000	\$35,000
2	HCV Administrative Fees	\$25,000	\$25,000	\$25,000
3	HCV HAP	\$50,000	\$50,000	\$40,000
4	Mainstream Administrative Fees	\$10,000	\$10,000	\$7,000
5	HUD CDBG through State	\$35,000	\$15,000	\$15,000
6	Sub-Total PHA CARES Act Funds	\$160,000	\$135,000	\$122,000
7	HHS Grant to Component Unit (Blended)	\$25,000	\$25,000	\$25,000
8	HUD CDBG to Component Unit (Discrete)	\$15,000	\$10,000	\$8,000
9	Sub-Total Component CARES Act Funds	\$40,000	\$35,000	\$33,000
10	Total Cares Act Funds	\$200,000	\$170,000	\$155,000

• Once the aggregate of individual CARES Act funding awarded to a PHA is over \$150,000, the PHA is required to provide quarterly reporting on each CARES Act grant, regardless of the individual award amount and amount spent.

• In addition, since all the CARES Act funds have not yet been awarded, a PHA may be required to provide retroactive reporting due to awards provided in later quarters that may take the PHA over the \$150,000 threshold.



Multiple Awards & Quarterly Reporting

3. Will a PHA have to Report Separately on Different Awards from the Same Appropriation?

- No
 - For PIH provided CARES Act funding, only HCV and Mainstream Administrative fees and possibly HAP, will have multiple awards under each category
 - For quarterly reporting, the PHA will be instructed to report the total of the multiple awards together as single award

For example:

PHA	Date	HCV Admin Fee Supplemental	HAP Supplemental
AB123	May 1	\$3,000	
	August 20	<u>\$3,500</u>	\$40,000
	September 4		<u>\$ 3,000</u>
		\$6,500	\$43,000

AB123 will report \$3,000 in the July 10 reporting period, and \$46,500 as a single award (\$3,500 in fees and \$43,000 in HAP) in the October 10 reporting period.



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HCV Program – CARES Act Questions



1. We have earned interest on CARES Act Administrative Fees, is the interest considered program income and can it be used by the PHA to support administrative costs/COVID19 costs of the HCV Program?

➤ Yes, it can.

PHAs will retain up to \$500 in interest earned, per guidance on 2 CFR 200.305 – Payments, section (9). *Interest earned amounts up to \$500 per year may be retained by the non-Federal entity for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. <https://www.law.cornell.edu/cfr/text/2/200.305>.*

(For interest earned from CARES Act HAP, the PHA will follow the same guidance above.)



2. If the interest is not used by the end of period of availability, will it need to be returned to HUD?

- No, unspent interest earned (up to \$500) will not be returned to HUD.

At the end of the period of availability, PHAs will follow guidance on 2 CFR 200.305 – Payments, section (9). *Interest earned amounts up to \$500 per year may be retained by the non-Federal entity for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. <https://www.law.cornell.edu/cfr/text/2/200.305>.*



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CARES Act Reporting - Other

3. Can you spend all your CARES Act HAP funding first or only 1/12 each month?

- HUD has not placed restrictions on the amount of CARES Act HAP supplemental that can be used on a monthly basis.

4. I asked for additional HAP funding in April. Does this need to be reported? Or, is only extraordinary HAP funds received considered CARES Act funds?

- Only Supplemental HAP funds awarded in response to a PHA submitted application for supplemental CARES Act HAP for Extraordinary Circumstances: PUC Increases or Prevention of Shortfall should be considered CARES Act funds.

5. When the PHA is paying HAP under an eviction waiver, should the PHA use CARES Act HAP funds to cover these costs or regular HAP funds?

- CARES Act Supplemental HAP can be used for PUC increases or regular HAP; therefore, either source of funds can be used for HAP payments made during the eviction moratorium.



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CARES Act Reporting - Other

6. How are HCV CARES Act administrative fees and HAP funding supposed to be reported in VMS?

- Additional VMS reporting guidance will be forthcoming in order to meet CARES Act reporting needs.



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Questions and Answers