



FASS - PH

Spring/Summer 2022

Session 1:
PHA Financial
Reporting
Training:
Public Housing



Introduction

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- Welcome
- Course Objectives
- Purpose of the Training
- Instructor – Les Sparks, president of AHACPA



- Session 1 – Introduction & Financial Management
- Session 2 – Financial Reporting Models and Reporting Requirements
- Session 3 – HCV and Related Programs
- Session 4 – Uniform Guidance
- Session 5 – Interim Public Housing Assessment System (PHAS)
- Session 6 – Pension and OPEB



- Session 7 – Public Housing
- Session 8 – Capital Fund Reporting
- Session 9 – COCC & Elimination Columns
- Session 10 – Asset Repositioning
- Session 11 – Introduction of the REAC PHA Excel-based Upload Tool



Ground Rules

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- Please Turn off Cell Phones
- Please Ask Questions
- Please Enter and Leave Quietly
- Take your Materials with you at the End of the Day





PHA - Portfolio Snapshot

Portfolio Snapshot: PHA Type

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Public Housing Authority Inventory						
#	PHA Type	PHA Count	% of PHAs	# of Units	% of Units	Average # of Units
1	Combined	1,381	37%	2,736,770	78%	1,945
2	Public Housing Only	1,636	43%	172,484	5%	103
3	Section 8 Only	739	20%	604,931	17%	773
	Total	3,756	100%	3,514,185	100%	940

- Nationally, there are 3,756 PHAs that administer almost 3.1 million PH units and Housing Choice Vouchers.
- Nationally 80% of all PHAs (3,017 of 3,756) manage the Public Housing program.
- Nationally 56% of all PHAs (2,120 of 3,756) manage the Housing Choice Voucher program.
- There are 39 Moving-to-Work PHAs nationally; most manage both the PH and HCV programs.



Portfolio Snapshot: PH Program

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Public Housing Inventory						
#	PH Size Category	PHA Count Total	% of PHAs	# of Units	% of Units	Average # of Units
1	< 50 units	777	27%	22,880	2%	29
2	50 – 99 units	581	20%	42,982	4%	74
3	100 – 299 units	858	30%	153,923	16%	179
4	300 – 999 units	383	13%	195,707	20%	511
5	1,000 – 4,999	111	4%	209,886	22%	1,891
6	> 5,000 units	137	5%	334,130	35%	2,439
	Total	2,847	100%	981,384	100%	

- Count excludes 500 PHAs listed as Low Rent or combined but have no units shown



Portfolio Snapshot: HCV Program

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Section 8 Inventory						
#	Section 8 Size Category	PHA Count	% of PHAs	# of Vouchers Leased	% of Vouchers	Average # of Vouchers
1	Less than 50 vouchers	160	8%	4,822	<1%	30
2	50 – 99 vouchers	230	11%	17,149	1%	75
3	100 – 299 vouchers	594	28%	110,082	5%	185
4	300 – 999 vouchers	630	30%	357,088	17%	567
5	1,000 – 4,999 vouchers	392	19%	803,394	38%	2,049
5	> 5,000 vouchers	88	4%	848,557	40%	9,643
	Total	2,094	100%	2,274,105	100%	12,549

- Vouchers leased data per VMS on Sep 30, 2021. Total ACC vouchers at that time were 2.6 million for an overall leasing percentage of 87.5%



Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Why is the number of PH units decreasing?



Common PHA Findings



Insufficient Internal Controls

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- Misuse use of **credits cards, petty cash** and **vehicles**
- Lack of **internal control policies** or policies were not followed
 - **Travel** policies were not followed
- Improper use / monitoring of **times sheets** resulting in overpayment of unused leave for staff that had left the PHA
- **Bank reconciliations** not completed timely
- **Tenant account receivables and FSS escrow** balances improperly carried on the books because the subsidiary ledger was not reconciled to the general ledger
- Lack of **segregation of duties**
- **Conflict of interest**
- Lack of **Board oversight**



Ineligible Program Expenses

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- **Improper cost allocation** (lack of adequate documentation) as federal programs were charged for more than the program's fair share of expenses
- **Lack of supporting documentation** for transactions, such as a vendor payment
- **Procurement policy** was not followed or needs to be updated
- **Use of funds for personal use**
- **Unreasonable salaries**



● Improper Financial Management

- While the PHA followed its policy, the policy is inappropriate or not current (non-compliant). Examples include:
 - ◆ FSS escrow accounts not held in a separate bank account, PHA policy allowed employee payroll advances, and the Executive Director received an unreasonable amount of salary.
- Lack of planning or follow-through (normally associated with actions of senior management (i.e., Executive Director)). Examples include:
 - ◆ PHA failed to complete and file its audit within nine months, operating budget not prepared/approved before the start of the fiscal year, CFP drawdowns not requested in a timely manner.
- Issues related to the PHA likely due to not understanding program rules. Examples include:
 - ◆ Ineligible costs, FSS participants not notified of their FSS escrow balances, and Declaration of Trusts were not renewed.



● Rent Calculation Errors

- Wrong payment standards were used
- 50058 reflects different amounts than income and assets information in the tenant file
- Medical expense deductions were incorrectly calculated
- Wrong utility allowance schedule applied to the unit (which was the most common finding)
- Utility allowance schedule was outdated



- **Rent Calculation – Other Errors**

- Findings related to rent reasonableness standards were not properly applied, resulting in overpayments of HAP to the landlords.
- Unexplained / unsupported payments to landlords
- Ineligible person allowed into the program
- Recertifications not completed in a timely manner

- **Tenant Files – Improper Documentation in Tenant Files**

- 3rd party income verification not in the file
- Income discrepancies not documented
- No community service documentation
- No background check information
- No lease



HUD's OIG Report: Oversight of Small PHAs (2015-FW-0802)

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- Selected PHAs from Region 6
- 75% of PHAs are classified as very small or small (2,279 PHAs)
- Of the 26 PHAs that were reviewed, 24 had common violations of HUD and other requirements
 - Did not have adequate financial controls (18 housing agencies)
 - Did not follow procurement regulations or maintain documentation to support the PHA's procurement functions (15 housing agencies)
 - Did not properly administer tenant rents (7 housing agencies)



- 11 PHAs boards and EDs violated HUD requirements
- Choose to either
 - Ignore requirements
 - Lacked sufficient knowledge to administer programs
- 10 investigations were a result of criminal activities
 - Unapproved pay raises
 - Credit cards
 - Fictitious land-lords
 - Improper pay and overtime



HUD's OIG Report, continued

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- 26 audits were examined
- Results were:

Questioned Costs / Better Use

Questioned Costs	Ineligible Costs	Unsupported / Unreasonable Costs	Funds Put to Better Use
	\$2,286,659	\$7,506,375	\$8,746,547
% of PHAs in Study	65%	65%	31%

Schedule of Deficiencies

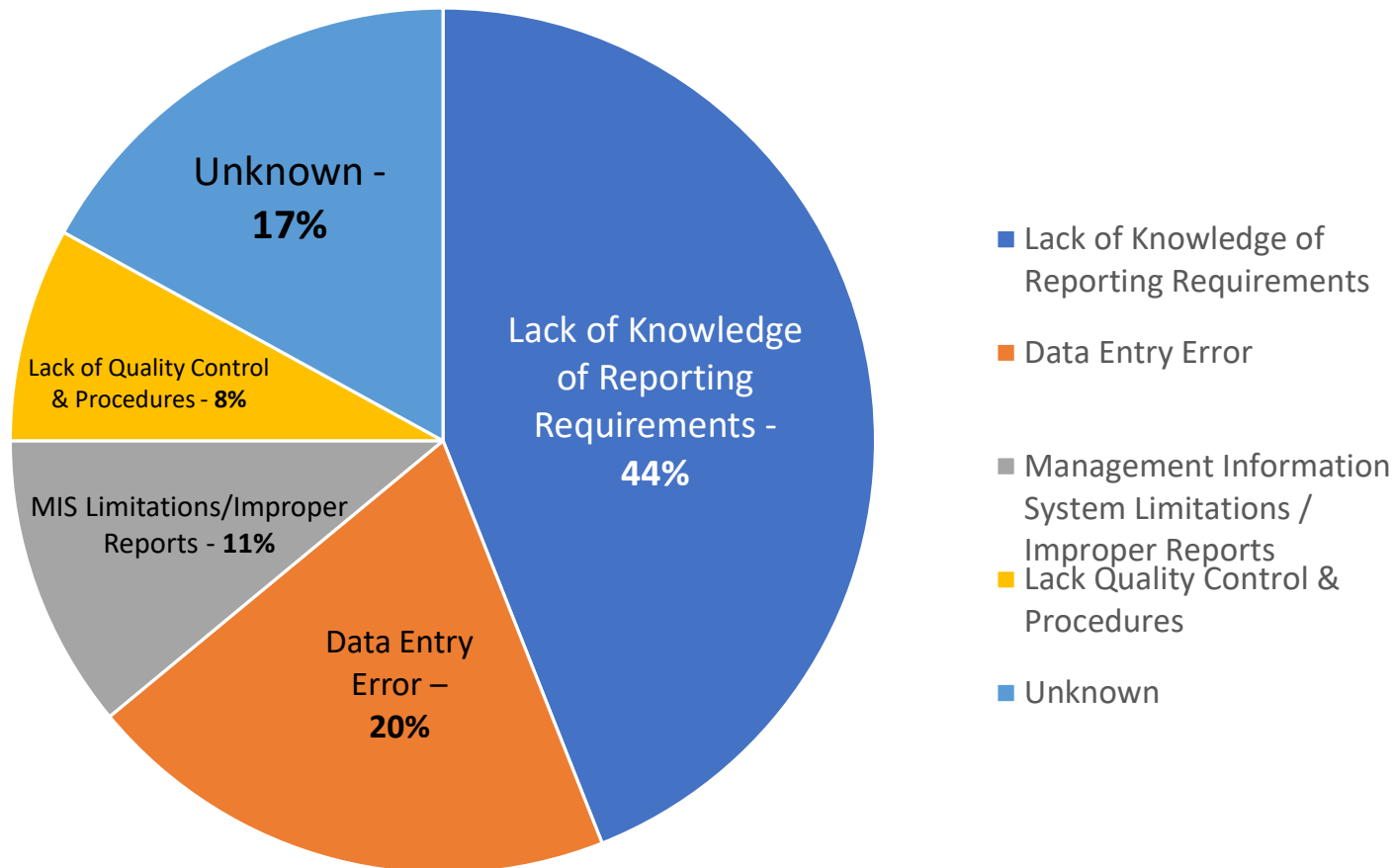
	Lack of Control	Procurement Violations	Tenant Rents	Board & Executive Violations
# of PHAs	18	15	5	11
% of PHAs	69%	58%	19%	42%



PIH - Quality Assurance Division Reviews

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- QAD Review Results – Root Cause of PHA Reporting Errors



Live Content Slide

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Poll: What do you think is the most serious issue with improper financial management?



Program Requirements

- **Law:** Usually not self-implementing, typically needs new regulation or regulatory change to become effective
- **HUD Federal Regulations (24 CFR xxx):** Further defines and clarifies law.
- **PIH Notices:** Clarifies and provides implementation detail of regulation
- **Annual Contribution Contract:** Binding legal agreement between HUD and PHA. Establishes / defines requirements
 - Major programs (i.e., Public Housing, Capital Fund, HCV) have their own ACC
- HUD handbooks, website postings, accounting briefs, etc. Provides data, information best practices, examples, safe harbors



- **OP Fund - Operating Costs** - Costs incurred by the HA for the necessary administration, operation and maintenance of a public housing Project; and which may be charged against operating receipts in accordance with the CACC and HUD requirements.
 - **Excluding** - any costs, expenses, expenditures, or charges incurred as part of the development or modernization of a public housing Project; or payment of principal or interest of bonds or notes related to the development or modernization of public housing.
- **HCV** - The HA must use funds in the administrative fee reserve to pay administrative expenses in excess of program receipts. If any funds remain in the administrative fee reserve, the HA may use the administrative reserve funds for other housing purposes if permitted by State and local law.
 - However - If the HA is not adequately administering any Section 8 program in accordance with HUD requirements, HUD may:
 - (1) Direct the HA to use the funds to improve administration of the Section 8 program or for reimbursement of ineligible expenses.
 - (2) Prohibit HA use of administrative fee reserve funds



Requirements of Cost Eligibility

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OMB Uniform Guidance (Federal Regulation)		
HUD Requirements	State and Local Law	PHA Requirements
<ul style="list-style-type: none">• HUD Regulations• ACC Contract• PIH Notices• Annual Appropriations	<ul style="list-style-type: none">• Procurement Requirements• Cost Eligibility	<ul style="list-style-type: none">• Operating Budget• PHA Policy

- The strictest policy in the above listed documents will be used to determine eligibility



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1. OMB's Uniform Guidance

2 CFR 200 – Uniform Guidance

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- Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards 2 CFR 200:
 - U.S. Office of Management & Budget (OMB) Regulation referred to as “Uniform Guidance”
 - Set the general framework for eligible costs for all non-Federal entities
 - ◆ The purpose of the regulation is to provide uniform administrative requirements, cost principles, and audit requirements for Federal awards to all non-Federal entities
 - Rule Covers
 - ◆ Pre-Federal Award Requirements
 - ◆ Post Federal Award Requirements
 - ◆ **Cost Principles**
 - ◆ Audit Requirements



2 CFR 200.4xx – Eligible Cost Guidelines

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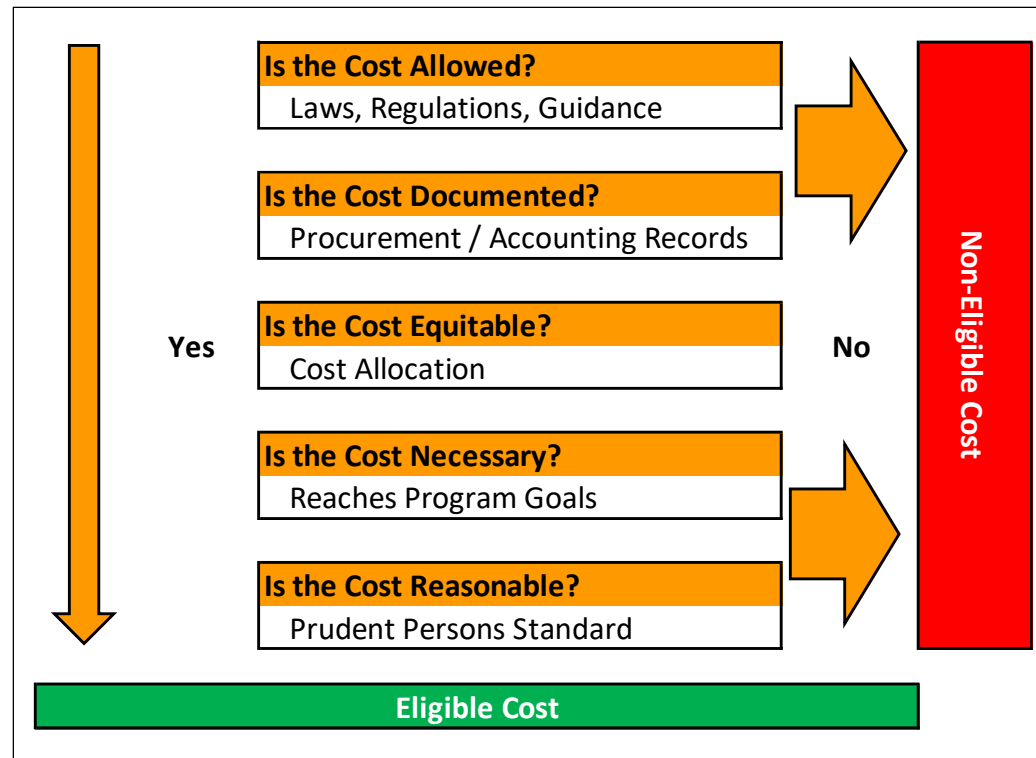
- Must be adequately documented (i.e., accounting and procurement records)
- Must be allocable to Federal awards (i.e., an eligible use of the federal grant)
- Must conform to limitations set forth under other governing regulations
- Must be authorized or not prohibited under State or local laws
- Must be consistent with other activities of the governing unit
- Must be charged consistently between programs for similar expenditures (i.e., cost allocation)
- Must be necessary and reasonable for efficient administration of Federal awards
 - Prudent Person Standard - Cost must be reasonable such that the cost does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost
 - ◆ Ordinary and necessary for proper and efficient performance of the program



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Eligibility of Costs: OMB Rule 2 CFR 200

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Poll: Which of the following cost guidelines to you consider the most important?

2 CFR 200 – Specific Costs

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#	Specific Costs	#	Specific Costs
1	Entertainment Costs - Costs of entertainment, including amusement, diversion, and social activities and any associated costs are <u>unallowable</u>	2	Alcoholic Beverages - Costs of alcoholic beverages are <u>unallowable</u>
3	Goods or services for personal use - Costs of goods or services for personal use of the PHA's employees are <u>unallowable</u>	4	Automobiles - Portion of automobile costs furnished by the PHA that relates to personal use by employees (including transportation to/from work) is <u>unallowable</u>
5	Fines, penalties, damages, and other settlements - Costs resulting from PHA violations of, alleged violations of, or failure to comply with, Federal, state, local laws and regulations are <u>unallowable</u>	6	Interest - Interest costs for interest on borrowed capital is <u>unallowable</u>
7	Training and education costs - The cost of training and education provided for employee development is <u>allowable</u>	8	Travel costs - Travel costs incurred by employees who are in travel status on official business are <u>allowable</u> : <ul style="list-style-type: none"> Such costs may be charged on an actual cost basis, on a per diem or mileage basis <ul style="list-style-type: none"> Results in consistent charges Federal vs. non-federal programs, conforms to PHA travel policy Costs are deemed reasonable and necessary



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2 CFR 200.430 – Compensation: Personal Services

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- **Compensation – Personal Services**

- Is reasonable for the services rendered and **conforms to the established written policy** of the non-Federal entity **consistently applied to both Federal and non-Federal activities**
- Compensation will be considered reasonable to the extent that it is **comparable to that paid for similar work in the labor market** in which the non-Federal entity competes for the kind of employees involved
 - ◆ **Executive compensation requirements also apply to PHAs**
- Incentive compensation to employees **based on cost reduction, or efficient performance, suggestion awards, safety awards**, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-Federal entity and the employees **before the services were rendered**, or pursuant to an established plan followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment



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Reasonable Cost?

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The Executive Director wants to purchase a desk for their office. The ED is looking at buying one of the four desks shown below. **What desk would you recommend and what did you consider in making your recommendation?**

#	Desk	Desk Description
1		Paramount 72" Desk Gray - \$250 Description - 1 inch thick scratch resistant laminate work surfaces; 2-3/16" diameter cable management opening and modesty panel and adjustable leveling glides.
2		The Harbor View L-desk - \$500 Description - Engineered wood with a melamine top surface; Pull-out keyboard tray and two utility drawers; One file drawer that accepts hanging files; Storage area designed to hold a CPU tower. Hutch has two concealed storage areas along with one wide storage shelf.
3		Sauder Executive Office Set - \$2,000 Description - Set includes an executive desk, a credenza and hutch, a lateral file; two tone laminate surfaces. Credenza w/ two drawer mobile file and a three-drawer mobile file. Credenza hutch w/ four hidden storage cabinets and four open cubbies. Lateral file w/ two file drawers. All of the drawers lock for security.
4		Belmont L-Shape Executive Desk - \$4,500 Description – Cherry wood. Base moulding and double reeded crown moulding; fully locking and extending drawers w/ felt liner (75 lb. load capacity); drawers accept letter, legal side-to-side and letter front-to-back files; tower CPU storage cabinet in return component w/ power manager; and mortise and tenon construction with wood cleats.

- A documented plan to allocate indirect costs and sometimes front-line costs to various programs.
- A cost allocation plan must be mathematically supported using cost drivers to determine the rate.
 - The allocation plan cannot be estimated.
- Cost drivers typically used include:
 - Direct payroll cost
 - Number of units
 - Tenant case load
 - Office space



Example of Cost Allocation

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Example Cost Allocation of Executive Director Salary			
<i>Description</i>	<i>Number of Units</i>	<i>% of Units</i>	<i>Monthly Charge to Program</i>
Monthly Salary			\$6,000
Programs			
Public Housing	100	50%	\$3,000
Rural Housing	60	30%	\$1,800
Other Housing	40	20%	\$1,200
Total	200	100%	\$6,000

Cost Driver

Indirect Cost and Overhead Cost

Allocated Costs

Common Cost Allocation Problems

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- Cost allocation plans are not supported.
- Costs are not allocated as described in the allocation plan.
- Cost drivers used do not adequately allocate costs in a fair method between the programs.
 - New allocation methodology used to help ensure program expenses can be covered by program revenue (cost shifting) but allocation method is not reasonable.
- Indirect costs (overhead) charged to a grant or program are above the allowed amount.
 - Some grants do not allow any indirect cost to be charge to the grant (i.e. HUD's FSS Coordinator grant).



Reasonable Cost Allocation?

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- Facts

- A PHA administers two programs - 600 Low Rent units and 400 Rural Development units
- The PH cost of the Executive Director is allocated at a rate of 60% (600/1,000 units)
 - ◆ Question - Does this cost allocation appear to be adequate?

- Facts

- A PHA administers two programs – 600 Low Rent units and 400 Housing Choice vouchers
- The PH cost of the Executive Director is allocated at a rate of 60% (600/1,000 units)
 - ◆ Question - Does this cost allocation appear to be adequate?





Waste, Fraud, and Abuse

- (Commissioner Name) was arrested back in February in connection to a fraud and money laundering investigation related to the (PHA Name). He was charged with wire fraud, conspiracy to commit wire fraud, money laundering, and conspiracy to commit money laundering.
- (Former Commissioner Name) of the Board of Commissioners of the (PHA Name) was convicted by a jury on Tuesday of multiple corruption charges.
- (PHA Employee Name), a housing authority employee, used money intended to help the poor, disabled and needy to pay for cruises, cars, jewelry, cable and even a prom dress. She plead guilty in U.S. District Court to wire fraud for diverting into her own hands nearly \$150,000 in funds meant for improvements on low-rent housing.
- Federal auditors would be arriving at (PHA Name) offices to conduct an investigation following a report from the Office of Inspector General last month that determined the agency had written off \$2 million in accounts receivables and could not account for another \$200,000 in additional write-offs. Surveillance video shows (ED Name) on at least two separate occasions removing documents from file cabinets in a common outer office area and disposing of them after cursory inspection.



Association of Certified Fraud Examiners - 2018 National Report

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- 89% of fraud committed was asset misappropriation.
 - Normally billing schemes and check tampering schemes
 - Where the organization had cash transactions, fraud from misappropriation of cash was the largest scheme.
- Median duration of fraud scheme was 18 months.
- 28% of all fraud was committed most frequently in small organizations (fewer than 100 employees).
 - 30% of the fraud was committed by owner / executive.
 - Median loss is \$200,000.
- Of the 15 industries surveyed, the government and public and administration industry had the 3rd highest cases of fraud at 11.8%.
 - 50% of fraud is corruption (bribery, kickbacks, bid rigging conflicts of interest, illegal gratuities) in the government and public and administration industry.
- In 95% of the cases, the perpetrator took some effort to conceal the fraud.
 - Most common concealment was creating and altering physical documents and records.



Association of Certified Fraud Examiners - 2018 Report on Fraud

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- How Did Fraud Occur?
 - Lack of Internal Controls (30%)
 - Override of Existing Controls (19%)
 - Lack of Management Review (18%)
 - Poor Tone/Culture at the Top (10%)
 - All Other (23%)
- Fraud detection method
 - Tip (40%)
 - Various Internal Controls (22%)
 - Internal Audit (15%)
 - By Accident (7%)
 - External Auditor (4%)
 - All Other (12%)



Defining Waste, Fraud, and Abuse

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Waste

- Government funded activity (i.e. taxpayer dollars) not receiving reasonable value for the money used due to an inappropriate act or omission by the PHA
- Relates to mismanagement, inappropriate actions and inadequate oversight

Fraud

- Illegal act that involves obtaining something of value through willful misrepresentation
- Willful misrepresentation includes false representation of facts, false or misleading allegations/statements, or concealment of that which should have been disclosed
- Associated with accounting irregularities (fraudulent financial reporting) or misappropriation of assets

Abuse

- Behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice given the facts and circumstances
- Misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate

A Tale of New Kitchen Faucets

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- There is a 300-unit project where all the faucets in the units were very old, resulting in a high number of work-orders each year to fix leaks and other related problems.
- Working with the maintenance lead, the property manager purchased 300 kitchen faucets with the goal that over the course of the spring and summer, a new faucet would be installed in each unit, eliminating the problem.
- The overall implementation plan:
 - The overall implementation plan was that when a tenant called in a work order for a kitchen faucet, maintenance would replace the faucet, regardless of the problem.
 - Maintenance would also replace the faucet anytime a work order was called in by a tenant, since maintenance would be in the unit anyway. This would leave a small group of units where a new faucet has not been installed.
 - For these units, maintenance would provide notice to the tenant that they would be replacing the faucet.



A Tale of New Kitchen Faucets, cont'd

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- In February, the property manager purchased 300 kitchen faucets at the cost of \$24,000 (\$80.00 per faucet – no discount).
- Maintenance staff at this project has a history of buying substantial amounts of materials that never gets used and the project has very poor inventory controls.
- At the end of August, only 70 faucets were installed with 230 faucets still waiting to be installed in the units. There were 210 in inventory.
- Maintenance could not provide a report showing in which units the 70 faucets were installed.

Has waste occurred in this case?

Waste is defined as government funded activity not receiving reasonable value for the money used due to an inappropriate act or omission by the PHA.



Deterrents to Waste, Fraud and Abuse

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- The responsibility for the prevention and detection of fraud, waste, and abuse rests primarily with the Board and management.
- A PHA culture that embodies integrity, ethical values, and accountability along with proper effective internal controls is the single most successful deterrent to waste fraud and abuse.



Sample of Circumstances that Increase the Possibility of Waste, Fraud, and Abuse

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- Is there a lack of appropriate PHA management oversight (for example, inadequate supervision or inadequate monitoring of remote locations)?
- Inadequate procedures (i.e., criminal background checks, credit checks, reference calls, etc.) to screen job applicants for positions where employees have access to assets susceptible to misappropriation?
- Is there evidence of the following?
 - Lack of availability of other than photocopied documents when original documents should exist
 - Inconsistent, vague, or implausible responses from PHA management or employees arising from inquiries or analytical or data analysis procedures
 - Handwritten alterations to documentation, or handwritten documentation that ordinarily is electronically printed
- (See Handout 1)



Sample Conditions or Events that Increase the Risk of Irregularities

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- Is there a motivation for PHA management to engage in fraudulent financial reporting? For example:
 - Executive Director compensation contingent upon achieving performance targets
 - Aggressive use of accounting practices to achieve performance targets
- Has there been a failure by PHA management to display and communicate an appropriate attitude regarding internal control and the financial reporting process? For example:
 - PHA management is dominated by a single person or small group without effective oversight
 - Inadequate monitoring of significant controls or failure to correct material weaknesses in controls
 - PHA management disregards regulatory authorities
- Are there inadequate computer skills among relevant PHA staff and/or the concentration of computer knowledge in a individual or a few individuals?
- (See Handout 2)



Classic Fraud Example

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- An example from a 2016 HUD OIG report indicated misspending of more than \$16,000 and more than \$94,000 in unsupported expenditures
- Alleged improper usage of purchase cards
- The Federal awards were as follows:

Purchase type	2013	2014	2015
Operating subsidies	\$155,984	\$164,986	\$164,986
Capital Fund program	\$103,591	\$104,796	\$ 63,337
Totals	\$259,575	\$269,782	\$228,323



Classic Fraud Example, continued

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- OIG noted the following
 - Over \$100k in purchase card transactions
 - \$16k for personal expense (meals, clothing, payments to employees)
 - Home Depot personal charges
 - Checks to former employees (no specific reason shown)
 - Shredded documents related to the specific accounts
 - No controls over cash
 - ◆ Improper petty cash
 - ◆ Rent payments paid in cash despite policy



Reasons Given

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- Former ED unaware of meal requirements – relied on staff for rules
- No review of charges
- No board meetings (2 in 2013, 2 in 2014 and, 0 in 2015)
- No oversight of the agency or the ED by the commissioners
- Allowed use of chairman's electronic signature for checks without review
- Unaware of shredding
- Board unaware of lack of policies



Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Session 1 Q4 - Which is likely the highest risk of fraud?



The Financial Management Concept



What is Financial Management?

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- Financial Management refers to the planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization.
- Objectives of Financial Management
 - To ensure a regular and adequate supply of funds
 - To ensure optimum use of funds
 - To ensure safety of investments and assets
 - To plan sound capital outlays
 - To comply with laws and regulations



- The Board and management's directives, attitudes, and behavior reflect the integrity and ethical values expected throughout the PHA.
- The Board and management actions demonstrate the PHA's values, philosophy, and operating style, which sets the tone and culture throughout the PHA and is fundamental to an effective internal control system.
- Tone and culture at the PHA is either the top driver or largest barrier to effective internal controls and management.
- Management must enforce accountability of staff through:
 - Clear communication of expectations and outcomes
 - Performance appraisals
 - A fair system of rewards and disciplinary actions





Notes



Spring/Summer 2022



FASS - PH

Spring/Summer 2022

Session 2: Financial Reporting Models & Reporting Requirements



- Describe the financial reporting requirements under UFRS
- Provide a brief introduction to the FASS-PH System
- Discuss the different financial reporting models
 - A description of each reporting model
 - The applicability of each model based on a PHA size
 - FDS reporting requirements for each model
- GASB Reporting Model
- Component Units





FASS Reporting Requirements

Uniform Financial Reporting Standards

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- Applicability
- Submission of Financial Information
- Reporting Compliance Dates
- Annual Financial Report Filing Dates
- Responsibility for Submission of the Financial Report



- UFRS Rule is applicable to all entities that receive HUD Financial Assistance:
 - Low-rent, Section 8, Combined, and Multifamily
 - PHAs that are non-profits, part of non-profits, or part of another government (e.g., department of a city)
 - Moving to Work PHAs



Normal Submission Due Dates

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Financial Reporting Schedule Due Date

Fiscal Year End (FYE)	06/30	09/30	12/31	03/31
Unaudited (due 2 months after FYE)	08/31	11/30	02/28	05/31
Audited (due 9 months after FYE)	03/31	06/30	09/30	12/31



2020-2021 Audited Extended Due Dates

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PHA FYE	Normal Due Date to HUD	Extended Due Date to HUD	Guidance
6/30/2019	3/31/2020	9/30/2020	OMB-M-20-17/PIH Notices 2020-13 & 33
9/30/2019	6/30/2020	12/31/2020	
12/31/2019	9/30/2020	3/31/2021	PIH Notices 2020-13 & 33 ¹
3/31/2020	12/31/2020	6/30/2021	PIH Notices 2020-13 & 33 / OMB M-21-20 ²
6/30/2020	3/31/2021	9/30/2021	OMB M-21-20 (IX. Extension of Single Audit submission, issued March 19, 2021)
9/30/2020	6/30/2021	12/31/2021	
12/31/2020	9/30/2021	3/31/2022	
3/31/2021	12/31/2021	6/30/2022	
6/30/2021	3/31/2022	9/30/2022	

No current extensions related to periods subsequent to those listed in the table.

Recognize that there are no further extensions related to unaudited submissions



Extension Request

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- Request Additional Time for an Unaudited Submission
- Request is Due 15 days prior to the Submission Due Date

iNtegrated Assessment SubSystem

REAC Home Systems Menu

Individual Reports Correspondence Administrative

PHA Extension Request

PHA Code: DC777

Fiscal Year: 2010

Submit

PHA Code: DC777 Fiscal Year: 2010

PHA Name: CARLSBURG

Notify the PHA that the extension request applies to Un-audited Financial submissions only. Responses will be sent to the Executive Director's email address. Extension requests must be received by the REAC no later than 15 days prior to the PHA's due date.

Extensions granted will be applied to this PHA's submission due date based on its fiscal year end date and not on the date that the extension is requested or granted.

Days Extension Requested: TAC Call Number:

Comments:

Submit



Waiver Request

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- Request Additional Time for an Audited Submission
- PIH Notice 2009-41
- Written request to local field office
 - Request is Due 30 days prior to Submission Due Date
 - Include Verifiable Justification
 - Include Reference to Applicable Regulation





The FASS-PH System

Introduction to the FASS-PH System

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- Meets UFRS Requirements
 - GAAP-based System
 - Web-based Electronic System
 - In Form and Substance as prescribed by HUD
- In conformity with Final Rule: Revisions to Public Housing Operating Fund Program
 - Asset Management Model
 - Project Level Reporting
 - All PHAs must use the same FDS Template



Introduction to the FASS-PH System, cont'd.


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- Part of HUD's Monitoring and Oversight Responsibilities
 - Helps Assess Financial Health & Compliance
 - Identifies Possible Instances of Waste, Fraud, and Abuse
 - Helps in Risk Ranking of Portfolio
 - Used to Inform Policy Decisions
 - Used in Funding Formulas



FASS-PH Website

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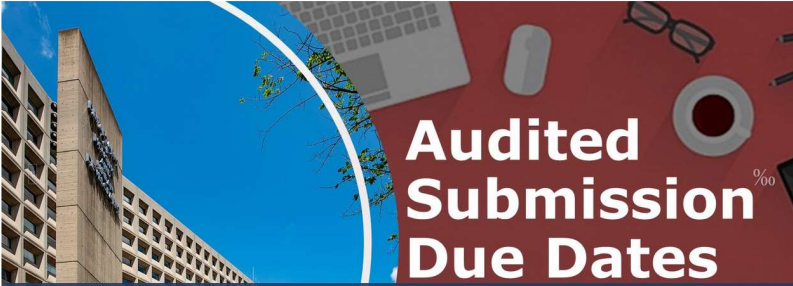
U.S. Department of
Housing and Urban Development

About UsWhat We Do

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Home / Program Offices / Public and Indian Housing / Real Estate Assessment Center (REAC) / REAC / Financial Assessment of Public Housing Agencies



Audited Submission Due Dates

Audited Submission Due Dates

[LEARN MORE](#)

Questions about CARES Act Reporting?

[SUBMIT AN ONLINE INQUIRY](#)

Useful Links

- Covid-19 Resources
- GASB Pronouncements
- GAO Yellow Book
- Other REAC Systems
- PIH Notices
- PIH One Stop Tool
- Repositioning Public Housing
- Single Audit Compliance
- 24 CFR HUD Programs
- 2 CFR 200 (Uniform Guidance)

FINANCIAL ASSESSMENT OF PUBLIC HOUSING (FASS PH)

FASS PH reviews the annual financial reports of over 4,000 public housing agencies and section 8 only entities to assess their financial condition and risk

Financial Submission Tools

- Extended Due Dates for Audited Submissions
- Extension Request (unaudited submissions)
- Financial Reporting Due Dates
- FASS PH XML Interface
- FDS Submission Upload Tool
- Waiver Request Process (audited submissions)

Other Information

- Appeal Process for FASS & MASS scores
- CARES Act for PHAs
- FASS PH Library
- FASS PH System Information
- Financial Reporting Training
- REAC Technical Assistance Center (TAC)

Asset Management/ Project-Based Accounting Website

14

Project-Based Accounting

Print Friendly Version SHARE

Overview

The third core reform under asset management is project-based accounting. Project-based accounting provides the ability to track financial performance at the project-level. Ultimately, project-based accounting provides the necessary information to make effective decisions at the project-level.

- As with other federally-assisted housing programs, PHAs will be required to submit to HUD year-end financial statements on each project. These financial statements will include revenue, expense, and balance sheet items.
- Further, PHAs will only be able to charge projects for services actually received. For example, in accounting for project costs, PHAs will not be permitted simply to spread the cost of central maintenance across projects.
- Lastly, any overhead fees and any fees for centrally-provided property management services, must be considered reasonable. This means that the costs must not exceed what other efficient operators would incur for those same services in the local market.

Resources and Links

- ▶ **(NEW) Special Instructions for Preparing Financial Data Schedules for Moving to Work Agencies**
- ▶ Guidance on Asset Management Provisions in the Consolidated Appropriations Act, 2008
- ▶ Special Year-End Financial Reporting Issues for Demolition/Disposition Projects (08-17-2009)
- ▶ Information Regarding the September 2009 System Release and the Impact on Public Housing Agency (PHA) Annual Financial Submissions
- ▶ Capital Fund Stimulus Grant Reporting
- ▶ Clarification of Phase-in-Fees (11-24-2008)
- ▶ Financial Data Schedule Line Definition Guide, November 2008 (Updated May 2012)
- ▶ Asset Management FASS-PH Submitting a Financial Data Schedule Pre-view Demonstration
- ▶ FASS PH - Excel Version of the Financial Data Schedule
- ▶ PIH Notice 2007-9 - Updated Changes in Financial Management and Reporting for Public Housing Agencies Under the New Operating Fund Rule (24 CFR Part 990), issued April 10, 2007.
 - ▶ PIH Notice 2007-9 Supplement to Financial Management Handbook Office of Public and Indian Housing (PIH) Revised April 2007
 - ▶ PIH Notice 2007-9 Comments
- ▶ Capital Fund Reporting
- ▶ Eligible Uses of Funds
- ▶ FDS Under Asset Management & Reporting Briefs
- ▶ Eligible Uses of Operating Fund Program Receipts
- ▶ Fiscal Year End Changes
- ▶ Insurance
- ▶ Schedule of Key Asset Management Provisions
- ▶ 2013 Schedule of Management Fees

Indian Housing

ONAP ensures that safe, decent and affordable housing is available to Native American families and creates economic opportunities for Tribes and Indian housing residents.

LEARN MORE

Housing Choice Voucher

Housing Choice Vouchers allow very low-income families to choose and lease or purchase safe, decent, and affordable privately-owned rental housing.

LEARN MORE

Public Housing

Providing decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities.

LEARN MORE



- **Housing Choice Voucher Program**

Additional financial and accounting related information, including information on the Voucher Management System (VMS) related to the HCV program and other PIH voucher programs (i.e., Disaster Voucher program (DVP)), can be found at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv

- **Public and Indian Housing One-Stop Tool (POST) for PHAs**

POST website provides in one place, commonly used links to PIH systems, tools, training, opportunities, program requirements, and commonly used external websites. The website can be found at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/post





Financial Reporting Models

Four Reporting Models

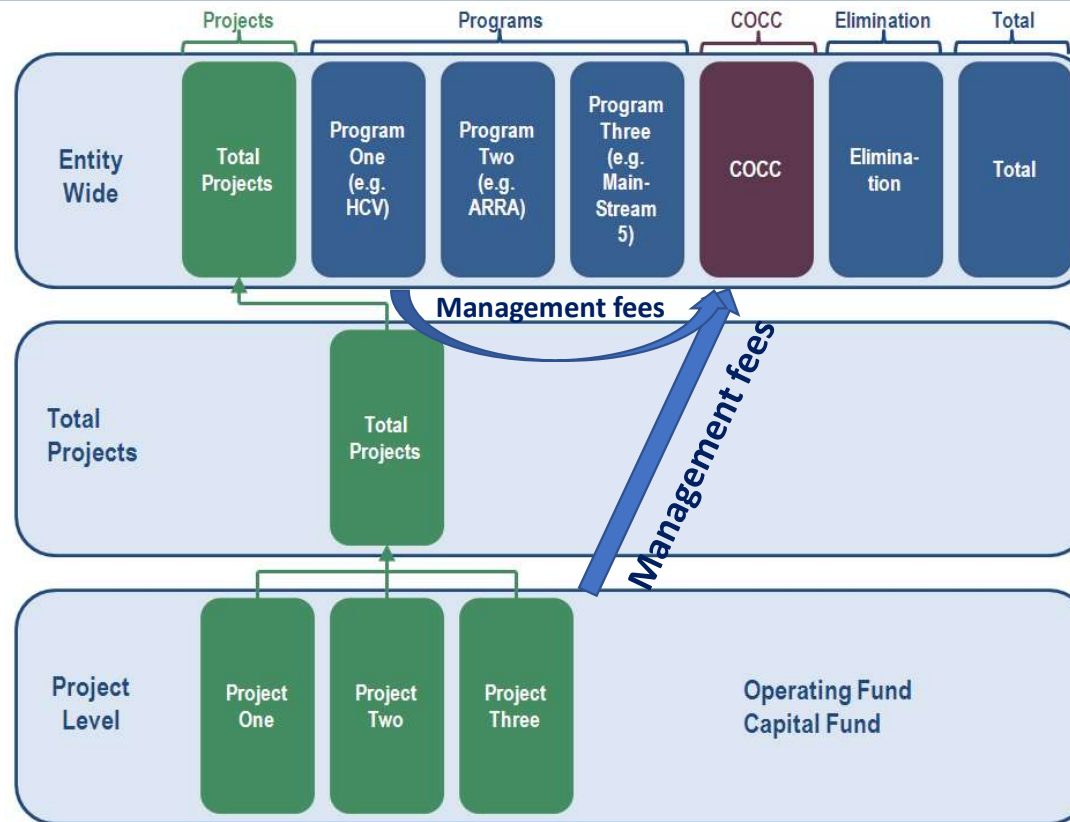
17

- Model 1 – Asset Management with COCC
- Model 2 – Asset Management using Allocated Overhead
- Model 3 – Non-asset Management
- Model 4 – Small PHAs under Asset Management
- HUD Accounting Brief #16



FDS Template – Model 1

18

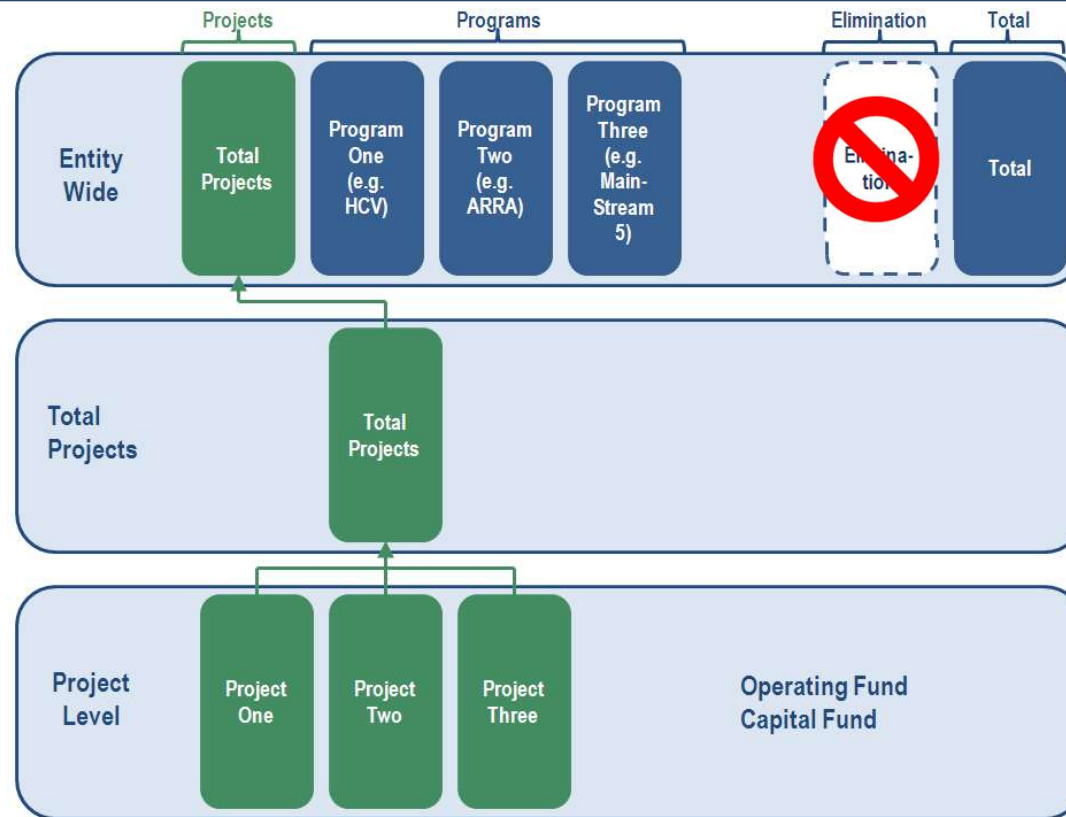


All overhead from COCC are recovered by fees



FDS Template – Model 2

19



All overhead expenses allocated according to cost allocation plan



FDS Template – Model 3

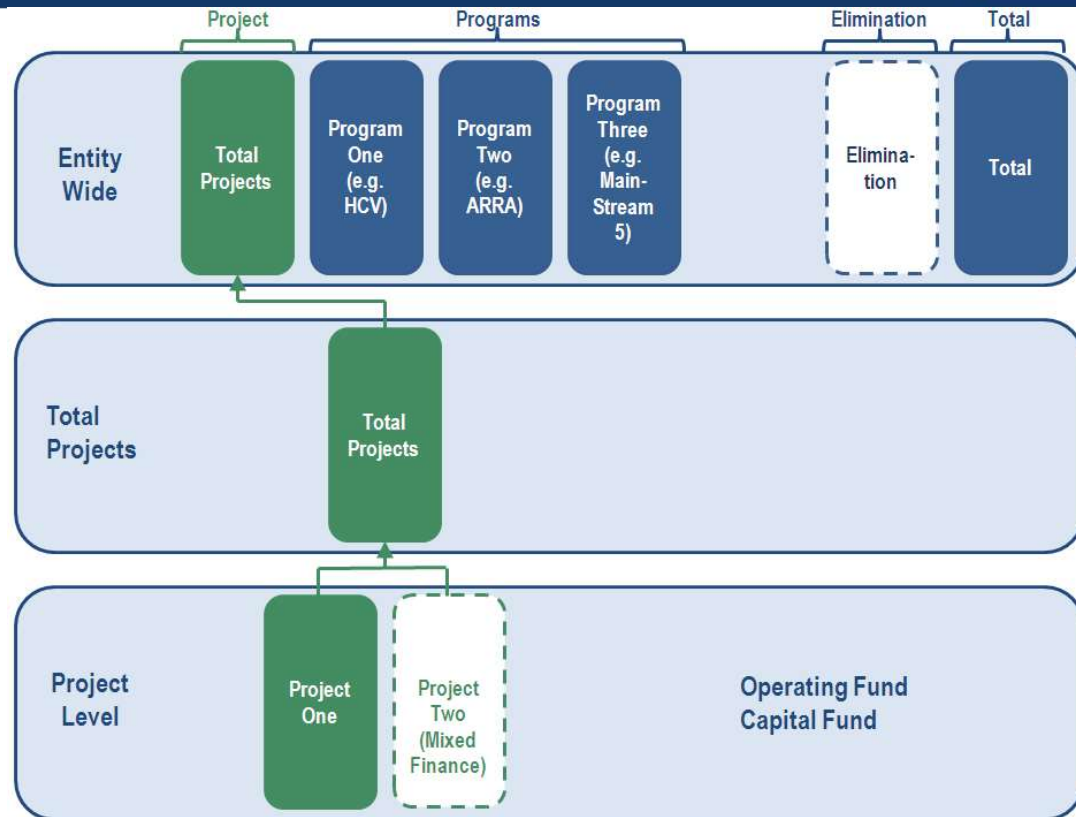
20

Not Allowed for PHAs

- > 400 units
- < 401 units by applied for Stop Loss

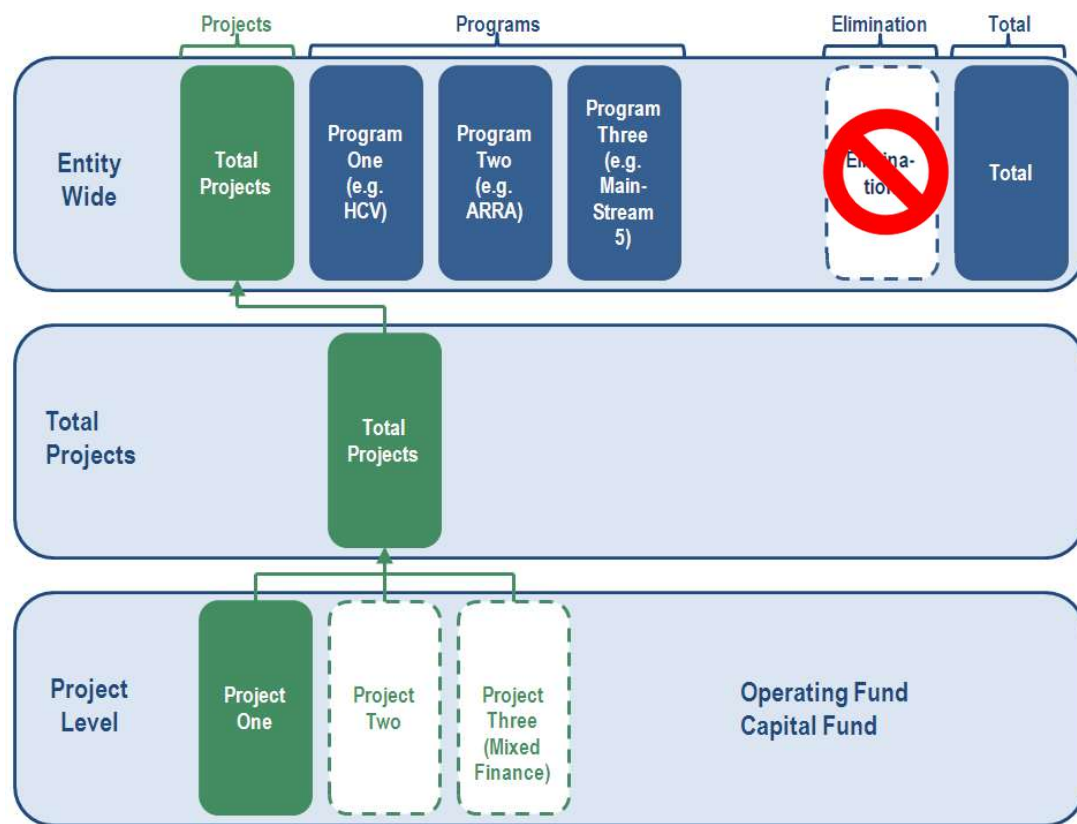
Also used for Section 8 only PHAs

Overheads allocated by cost allocation plan



FDS Template – Model 4

21



Model 4 is used by Small PHAs (i.e. 249 units or less) as an option to qualify under Stop Loss. Under this model, the PHA will not establish a COCC or have allocated overhead.

However, the PHA's administrative costs must be reasonable as compared to HUD's established limits.



Asset Management Reporting Models and FDS Reporting Types

22

FDS Reporting Types	Model 1 PHAs under Asset Management <u>with</u> COCC	Model 2 PHAs under Asset Management with Allocated Overhead and no COCC	Model 3 PHAs not under Asset Management	Model 4 Small PHAs under Alternate Asset Management Method
1. Non-Asset Mgmt with Elimination Only			•	
2. Non-Asset Mgmt with COCC/Elimination			•	
3. Non-Asset Management			•	
4. Asset Mgmt without COCC/Elimination		•		•
5. Asset Mgmt with Elimination		•		•
6. Asset Mgmt with COCC/Elimination	•			



Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 2-1 - What is the primary difference between the reporting models?



Understanding the Unaudited Submission Process

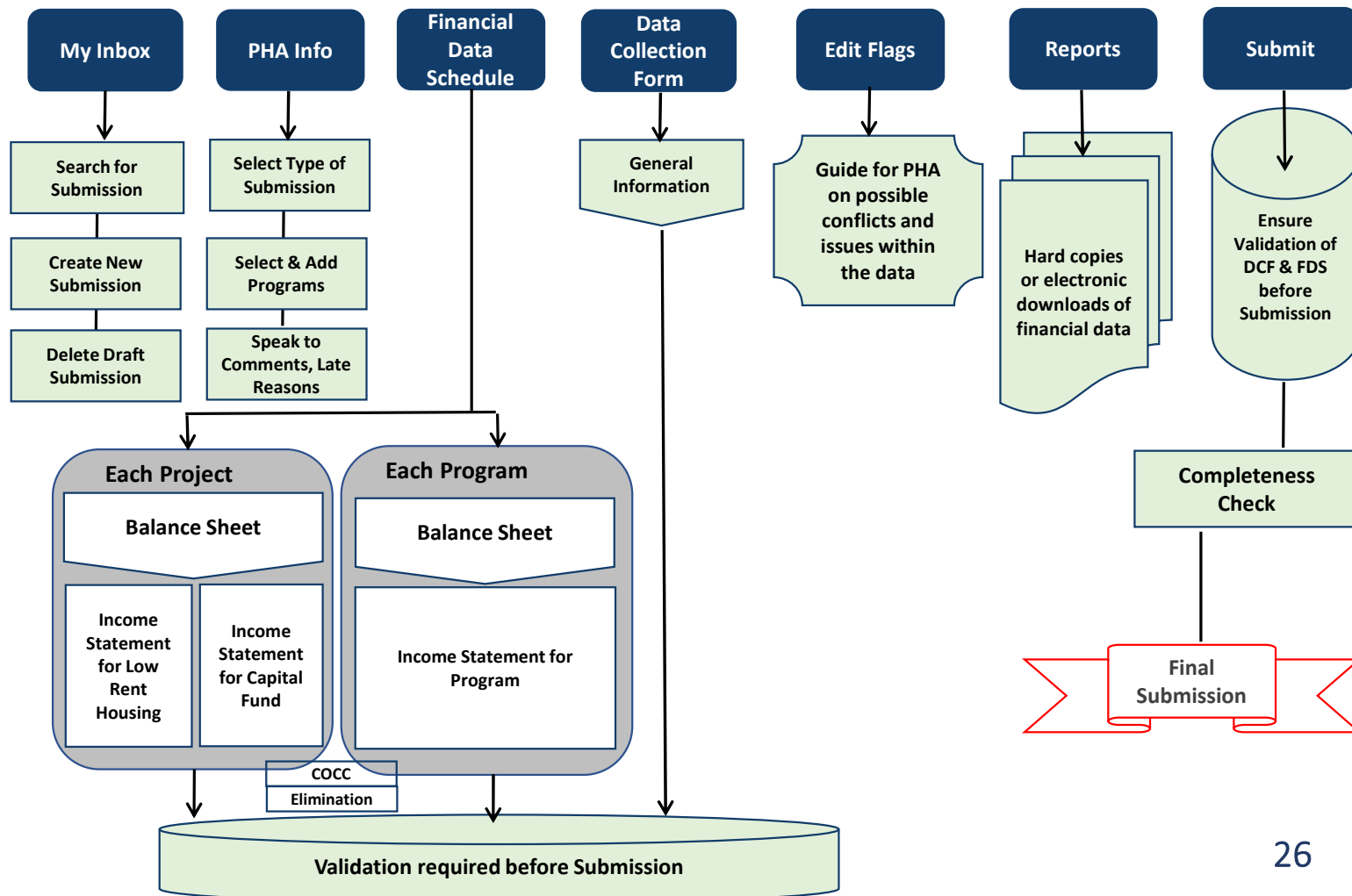
Unaudited Submission Overview

25

- All PHAs are required to submit unaudited financial data to HUD.
- The unaudited submission generally consists of:
 - Financial Data Schedule (FDS)
 - Data Collection Form (DCF) – General Information tab only
 - Submission Comments
- Submission Comments
 - While optional, it is strongly suggested that the PHA address any issues that were questioned in prior REAC reviews and any other reporting requirements that may cause the submission to be rejected.



Unaudited Submission Process



PHA Info Screen: Asset Management Types

27

- Asset management is a business model that is used by PHAs administering public housing.
- The PHA must select an asset management type on the PHA Info Screen.

Asset Management

- ☐ Non-Asset Management with Elimination Only
- ☐ Non-Asset Management with COCC/Elimination
- ☐ Non Asset Management
- ☒ Asset Management without COCC/Elimination
- ☐ Asset Management with Elimination Only
- ☐ Asset Management with COCC/Elimination





Understanding the Audited Submission Process

Audited Submission: 3-Step Procedure

29

1. Draft Status

- PHA creates a draft “Audit Submission” (Upload unaudited submission and make any changes required)
- Unlike Unaudited Submissions, the Audited Submission must include:
 - ◆ Notes to Financial Statements
 - ◆ Audit Info
 - ◆ Action plan, if applicable
 - ◆ Audited Financial Statements
 - ◆ Management Discussion & Analysis (MD&A)
 - ◆ Audit Findings
- Once submitted, status changes to “IPA Review”



Audited Submission: 3-Step Procedure

30

2. IPA Review Status

- IPA performs agreed upon procedures (AUP)
- Status changes to “IPA Agree” or “IPA Disagree”
- If IPA disagrees, PHA must edit “IPA Disagree Submission”

3. Submission to HUD

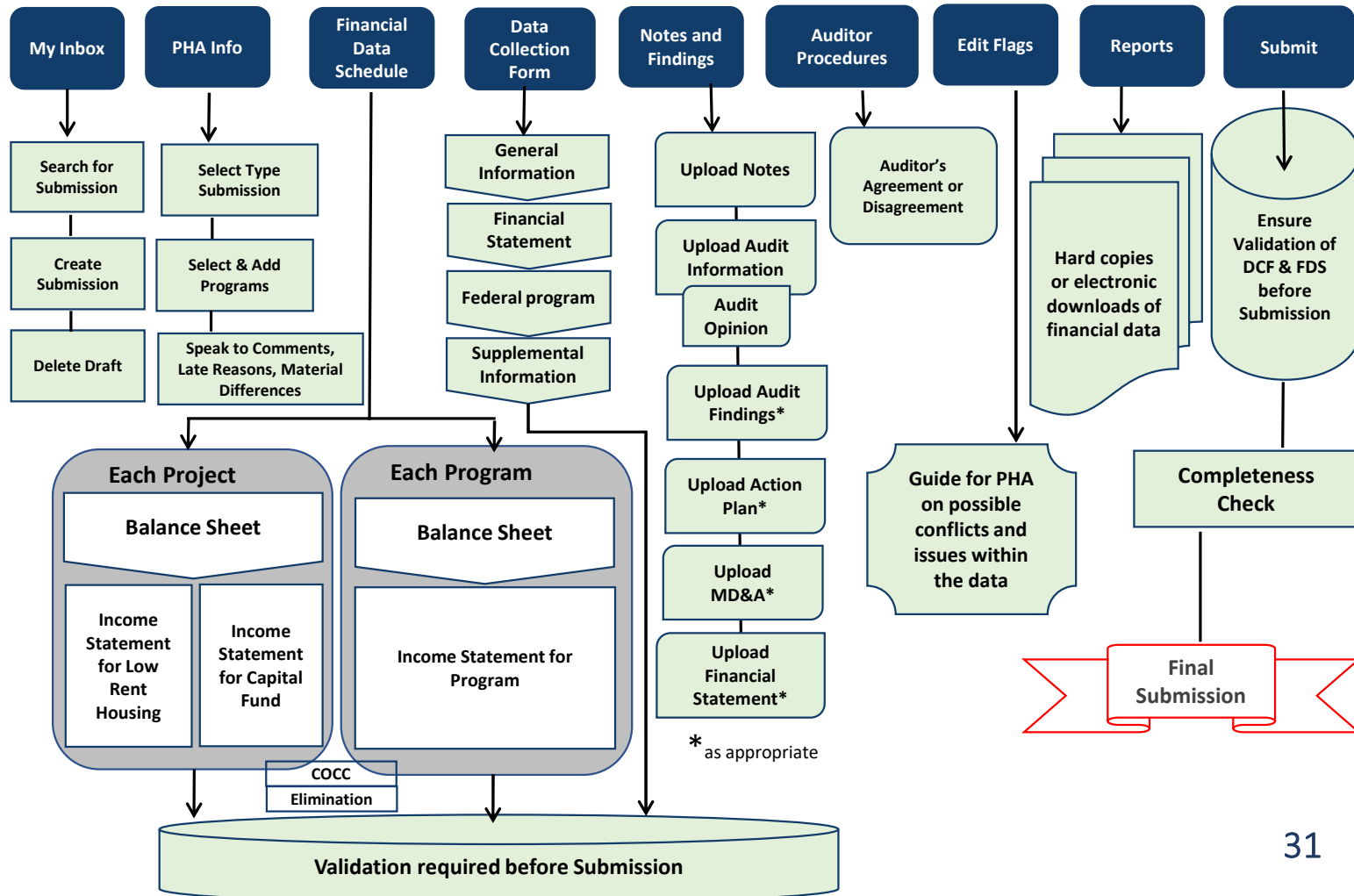
- One CPA approves the AUP (Step 2), PHA must Submit the Audited Statements

4. HUD Review and Acceptance

- PIH-REAC reviews and approves or rejects submission
- Process is complete once audited submission is approved



Audited Submission Process





Data Collection Form

- Unaudited Submission

- Includes General information for PHA

- ◆ Name, address, contact info, etc.
 - ◆ Auditor information
 - ◆ Fee Accountant information
 - ◆ Federal Awards expended data

- Audited Submission

- The DCF consists of the following 4 tabs:

- ◆ General Information
 - ◆ Financial Statements
 - ◆ Federal Programs
 - ◆ Supplemental Information



DCF – General Information Tab

34



Real Estate Assessment Center Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS **DCF** Submit Edit Flags Reports Logout

General Information

PHA Information

PHA Code	CA999
PHA Name	Hometown Housing Authority
Fiscal Year End Date:	06/30/2015
Submission Type:	Unaudited/A-133

Unaudited / Single Audit

General Information			
Element#	Description	Value	Details
*G9000-010	Fiscal Year Ending Date	06/30/2015	---
*G2000-021	Reporting Period Covered	None	---
*G2000-031	Reporting Period Covered - Months		---
*G9000-020	Employer Identification Number		---
*G2000-040	Multiple EIN Indicator	None	---
*G9000-030	Data Universal Numbering System (DUNS) Number		---
*G2000-050	Multiple DUNS Indicator	None	---



- Audit Details Page requests Fund Type and Fund Opinion
 - PHAs are required to enter the Fund Type and Fund Opinion for each opinion unit
 - An opinion unit is a major fund or group of non-major funds that receive a financial statement opinion by the auditor
 - If the PHA is reporting only a single fund – all fund types should be marked as “major”
- The DCF is requesting information on the fund type and fund opinion that the CFDA Program is contained in. The DCF is NOT asking for a financial statement audit opinion of the CFDA Program.



DCF – Financial Statements Tab: Audit Details, cont'd.

36

CFDA#	NAME OF PROGRAM	DETAILS
14.850	Fund Type and Opinion of the Fund containing Low Rent Public Housing	
*G3000-200	Fund Type	Major Fund ---
*G3000-210	Fund Opinion	Unqualified Opinion ---
*G3000-220	Is the Departure or qualification related to the Low Rent Program?	No ---
14.872	Fund Type and Opinion of the Fund containing Public Housing Capital Fund Program	
*G3000-200	Fund Type	Major Fund ---
*G3000-210	Fund Opinion	Unqualified Opinion ---
*G3000-220	Is the Departure or qualification related to the Capital Fund Program?	Yes ---
14.866	Fund Type and Opinion of the Fund containing Revitalization of Severely Distressed Public Housing	
*G3000-200	Fund Type	Major Fund ---
*G3000-210	Fund Opinion	Unqualified Opinion ---
8	Fund Type and Opinion of the Fund containing Other Federal Program 1	
*G3000-200	Fund Type	Major Fund ---
*G3000-210	Fund Opinion	Unqualified Opinion ---
14.871	Fund Type and Opinion of the Fund containing Housing Choice Vouchers	
*G3000-200	Fund Type	Major Fund ---
*G3000-210	Fund Opinion	Unqualified Opinion ---

Save Reset

All public housing funds are treated as one enterprise funds. Accordingly, the fund types should all be the same.



Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 2-2 - In the DCF how many funds are to be shown?

DCF – Financial Statements Tab

38



Real Estate Assessment Center Financial Assessment Subsystem (FASS-PH)

My Inbox	PHA Info	FDS	DCF	Notes and Findings	Submit	Edit Flags	Reports	Logout
General Information		PHA Information						
Financial Statement		PHA Code: CA999						
Federal Program		PHA Name: Hometown Housing Authority						
Supplemental Information		Fiscal Year End Date: 12/31/2015						
		Submission Type: Audited / Single Audit						

Basic Auditor's Report
on Statements

Yellow Book

Financial Statement			
Element#	Description	Value	Details
*G3000-005	Financial Statements Using Basis Other Than GAAP	No	---
*G3000-010	Type of Audit Report	<input type="checkbox"/> Modified Opinion <input checked="" type="checkbox"/> Unmodified Opinion <input type="checkbox"/> Adverse Opinion <input type="checkbox"/> Disclaimer of Opinion	Details
*G3000-020	Going Concern Indicator	Yes	---
*G3000-030	Significant Deficiency Indicator	Yes	Details
*G3000-040	Material Weakness Indicator	Yes	Details
*G3000-050	Material Noncompliance Indicator	Yes	Details
*G3000-060	Fraud	Yes	Details
*G3000-070	Illegal Acts	Yes	Details
*G3000-080	Abuse	Yes	Details

[Save](#) [Reset](#)

*mandatory field



DCF – Financial Statements Tab, cont'd.

39

- Values selected on financial statements tab must match:
 - Auditor's Report on Financial Statements
 - Auditor's Report on Compliance and Internal Control over Financial Reporting
 - If the auditor notes any significant deficiencies (G3000-030) or material weaknesses (G3000-040), the respective box should be marked with a "Yes" on the financial statements tab.
- Remember, CPA reports are all changed for fiscal years beginning after December 15, 2020
- This is due to the adoption of Statements on Auditing Standards N0. 134. Primarily affects the basic auditors report and the report on compliance



DCF - Federal Programs Tab

40



Real Estate Assessment Center

Financial Assessment Subsystem (FASS-PH)

My Inbox	PHA Info	FDS	DCF	Notes and Findings	Submit	Edit Flags	Reports	Logout
General Information								
Financial Statement								
Federal Program								
Supplemental Information								

PHA Information			
PHA Code:	PHA	Fiscal Year End Date:	12/31/2015
PHA Name:	Housing Authority	PHA	County
Submission Type: Audited/Single Audit			

Federal Program			
Element#	Description	Value	Details
*G4000-020	Dollar Threshold Used to Distinguish Type A and Type B Programs	\$750,000	---
*G4000-030	Low-Risk Auditee Indicator	Yes	---
*G4000-040	Indicator-Any Audit Findings Disclosed that are Required to be Reported	Yes	---
*G4000-080	Was a Schedule of Prior Audit Findings prepared?	Yes	---
*G4100-040	Total Federal Awards Expended	\$8,885,997	[Details]

*mandatory field



- The Federal Programs page includes dollar threshold, opinion and findings, agency risk indicator, and Total Federal Awards Expended (TFAE).
- Information reported should match:
 - Auditor's Report on Compliance and Internal Control (Major Program),
 - Auditor's Schedule of Expenditure of Federal Awards (SEFA), and
 - Auditor's Schedule of Findings and Questioned Costs



DCF – Federal Programs

TFAE Details


42

14.871	Housing Choice Vouchers		
*G4100-030	Amount Expended	\$7,338,716	---
*G4200-010	Major Federal Program Indicator	Yes	---
*G4200-050	Type of Opinion on Major Federal Program	Unmodified Opinion	---
*G4200-060	Number of Single Audit Compliance Audit Findings	0	[Details]
G4200-070	Audit Finding Reference Number		---
*G4200-090	Are Awards Received Directly from a Federal Agency?	Yes	---
*G4200-100	Significant Deficiency Indicator	No	---
*G4200-110	Material Weakness Indicator	No	---
*G4200-120	Material Non-compliance Indicator	No	---
*G4100-050	Total Amount of Questioned Costs	\$0	---



DCF – Supplemental Information Tab

43



Real Estate Assessment Center

Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS **DCF** Notes and Findings Submit Edit Flags Reports Logout

General Information

Financial Statement

Federal Program

Supplemental Information

PHA Information

PHA Code: Fiscal Year End Date 12/31/2015

PHA Name:

Submission Type: Audited / Single Audit

Supplemental Information			
ELEMENT#	DESCRIPTION	VALUE	DETAILS
"G3100-040	SAS 119 "in relation to" Opinion on the Financial Data Schedule	Fairly Stated	---
Required Supplemental Information			
"G3100-050	Is MD & A omitted? (For PHAs reporting as a non-profit, select "No" for this element. This question should be skipped for all component unit submissions.)	No	---
"G3100-060	Are other supplemental Information Omitted?	No	---

*mandatory field





PHA Information Screen and Component Unit Check Box

The Component Unit Check Box

45

- Checkbox relates only to PHAs who are component units of another government and not issuing their own financial statements. Generally, applies only to Section-only PHAs
- Two criteria must be met in order to select the Component Unit box on the PHA Info page:
 - PHA is a component unit, department or program of a local government or jurisdiction or nonprofit agency.
 - PHA will not have its own separate Single Audit (or non Single Audit).
- Checking the CU box is not simply an issue of whether the entity is a component unit as defined by GASB.



The Component Unit Check Box, cont'd.

46

- For PHAs that select the Component Unit box, there are 4 required attachments:
 - Notes to Financial Statements,
 - Audit information (currently mandatory),
 - Audit Findings (if applicable), and
 - Action Plan (if applicable)
- All other PHAs must submit the required audit attachments based on the audit type selected.





Required Audit Attachments

Required Audit Attachments: Uniform Guidance (UG) Audit

48

- Uniform Guidance Audit:

1. RSI (MD&A and GASB 68)
2. Basic Financial Statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows
3. Notes to the Basic Financial Statements
4. Auditor's Report on Financial Statements
5. Auditor's Report on Compliance and Internal Control (Government Auditing Standards)
6. Auditor's Report on Compliance and Internal Control (Major Program)
7. Schedule of Expenditure of Federal Awards
8. Schedule of Findings and Questioned Costs
9. Schedule of Prior Audit Findings
10. Corrective Action Plan



Required Audit Attachments: Non UG Audit

49

- Non Non-Single Audit (Yellow Book Audit):

1. Required Supplemental Data (MD&A and GASB 68)
2. Basic Financial Statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows
3. Notes to the Basic Financial Statements
4. Auditor's Report on Financial Statements
5. Auditor's Report on Compliance and Internal Control (Financial Reporting)



Required Audit Attachments

50

- Audit Information must be attached to the appropriate section of the Notes & Findings page
 1. RSI (MD&A and GASB 68)
 2. Financial Statements
 3. Notes to the Financial Statements
 4. Audit Information
 5. Audit Findings
 6. Action Plan



Required Audit Attachments: MD&A

51

- Provides an analytical overview of the PHA's financial activities
- Topics prescribed by GASB 34 to be included in the **MD&A**:
 - Brief discussion of basic financial statements
 - Comparative analysis of current and prior year financial information
 - Known information expected to impact financial operations
 - Reported figures and data must be consistent with FDS, F/S, DCF

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF **Notes and Findings** Submit Edit Flags Reports Logout

Notes
Audit Information
Action Plans
Financial Statements
MD&A
Audit Findings

PHA Information

PHA Code	CA999
PHA Name	Hometown Housing Authority
Fiscal Year End Date:	06/30/2008
Submission Type:	Audited/A-133

MD & A

Element	Description	Value
G5050-010	Management's Discussion & Analysis	<input type="text"/> <input type="button" value="Browse..."/> <input type="button" value="Upload File(Max size is 30MB)"/>



Required Audit Attachments: GASB 68

52

- New FDS Lines in REAC template
 - 200 – Deferred Outflows
 - 357 – Accrued pension and OPEBs
 - 400 – Deferred Inflows
- 10-year schedules regarding:
 - Sources of changes in the components of NPL
 - Ratios that assist in the assessing the magnitude of the NPL
 - Comparisons of actual employer contributions to actuarially required amounts



Required Audit Attachments: Financial Statements

53

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF **Notes and Findings** Submit Edit Flags Reports Logout

PHA Information

PHA Code	CA999
PHA Name	Hometown Housing authority
Fiscal Year End Date:	06/30/2008
Submission Type:	Audited/A-133

■ Government-wide Financial Statements

- Statement of Net Position
- Statement of Activities
- Statement of Cash Flows (full accrual)

Financial Statements		
Element	Description	Value
G5150-010	Government-wide AND OR Fund Financial Statements	<input type="text"/> <input type="button" value="Browse..."/> <input type="button" value="Upload File(Max size is 30MB)"/>

■ Fund Financial Statements

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows



Required Audit Attachments: Notes to Financial Statements

54

- **The attached Notes tab:**
 - Should be Completed and Properly Presented
 - Amounts should tie to FDS and/or F/S
- **Topics include:**
 - Summary of Significant Accounting Policies
 - All Other Disclosures



Real Estate Assessment Center Financial Assessment Subsystem (FASS-PH)

My Inbox	PHA Info	FDS	DCF	Notes and Findings	Submit	Edit Flags	Reports	Logout
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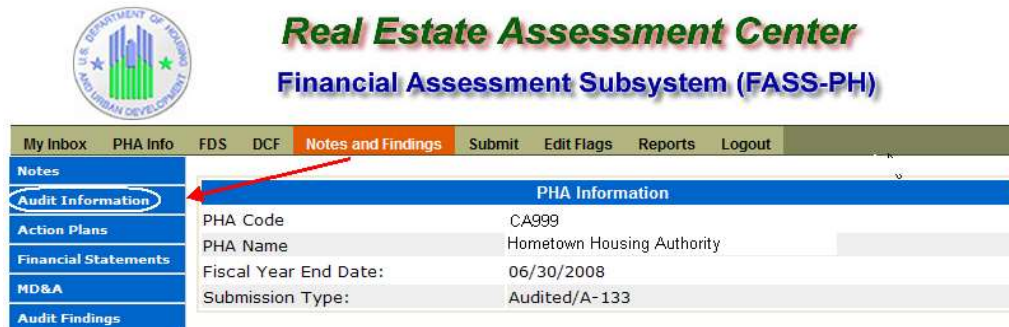
Notes	PHA Information	
Audit Information	PHA Code	CA999
Action Plans	PHA Name	Hometown Housing Authority
Financial Statements	Fiscal Year End Date:	06/30/2016
MD&A	Submission Type:	Audited/A-133
Audit Findings		

Notes		
Element	Description	Value
G5000-010	Foot Notes	<input type="text"/> <input type="button" value="Browse..."/>
<input type="button" value="Upload File(Max size is 30MB)"/>		



Required Audit Attachments: Audit Information

55



The screenshot shows the Real Estate Assessment Center (REAC) Financial Assessment Subsystem (FASS-PH) interface. At the top is the U.S. Department of Housing and Urban Development logo. Below it, the title "Real Estate Assessment Center" is in green, and "Financial Assessment Subsystem (FASS-PH)" is in blue. A navigation bar includes "My Inbox", "PHA Info", "FDS", "DCF", "Notes and Findings" (highlighted in orange), "Submit", "Edit Flags", "Reports", and "Logout". On the left, a sidebar menu lists "Notes", "Audit Information" (circled in blue with a red arrow pointing to it), "Action Plans", "Financial Statements", "MD&A", and "Audit Findings". The main content area, titled "PHA Information", displays the following details:

PHA Code	CA999
PHA Name	Hometown Housing Authority
Fiscal Year End Date:	06/30/2008
Submission Type:	Audited/A-133

- The following attachments belong in the Audit Information Tab:
 - Auditor's opinion and Financial Statements
 - Auditor's Report on Compliance Internal Controls (Yellowbook Report)
 - Auditor's Report on Internal Compliance and Internal Control (Major Programs)
 - SEFA should match TFAE (including CFDA #) on DCF

Audit Information		
Element	Description	Value
G5100-010	Opinion on Supplemental Information	None <input type="button" value="Save Opinion Type"/>
G5100-020	Auditor Opinions and Schedule of Expenditure of Federal Awards	<input type="button" value="Browse..."/> <input type="button" value="Upload File(Max size is 30MB)"/>



Required Audit Attachments: Audit Findings

56



Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF **Notes and Findings** Submit Edit Flags Reports Logout

PHA Information

PHA Code: CA999
PHA Name: Hometown Housing Authority
Fiscal Year End Date: 06/30/2008
Submission Type: Audited/A-133

Audit Findings

Element	Description	Value
G5200-010	Audit Finding(Current & Prior Year Findings)	<input type="text"/> Browse... Upload File(Max size is 30MB)

- Summary Schedule of Prior Audit Findings
- Auditor's Schedule of Findings and Questioned Costs
 - Summary
 - Financial Statement Findings
 - Federal Program Findings
- Verify that all opinions and findings match DCF



Required Audit Attachments: Action Plan

57



Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF **Notes and Findings** Submit Edit Flags Reports Logout

Notes
Audit Information
Action Plans
Financial Statements
MD&A
Audit Findings

PHA Information

PHA Code: CA999
PHA Name: Hometown Housing Authority
Fiscal Year End Date: 06/30/2008
Submission Type: Audited/A-133

Action Plans		
Element	Description	Value
G5300-010	Corrective Action Plan (Current & Prior Year Findings)	<input type="text"/> Browse... Upload File(Max size is 30MB)

- Required if findings are reported for financial reporting and (or) federal programs
- **Corrective Action Plan** should include:
 - Identification of each finding and reference
 - Description of action taken or explanation
 - Name of contact person responsible for corrective action (BE SURE!!)
 - Anticipated completion date of corrective action



Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 2-3 - Which of the following is NOT a required submission attachment?



AU-C 725 and Auditor Attestation

Supplementary Information (SI) and AU-C 725 Opinion

60

- SI is presented for purposes of additional analysis and is not a required part of the financial statements:
 - ◆ SEFA – required by Uniform Guidance
 - ◆ FDS – required by HUD
- SI is presented based on AU-C 725: Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents



- Auditors are required to perform Agreed Upon Procedures (AUP) in order to assure the accuracy and completeness of the data submitted to PIH-REAC.
- Auditor compares the electronic data in the draft FASS-PH submission to the hard copy of the basic financial statements, audit reports, and FDS.





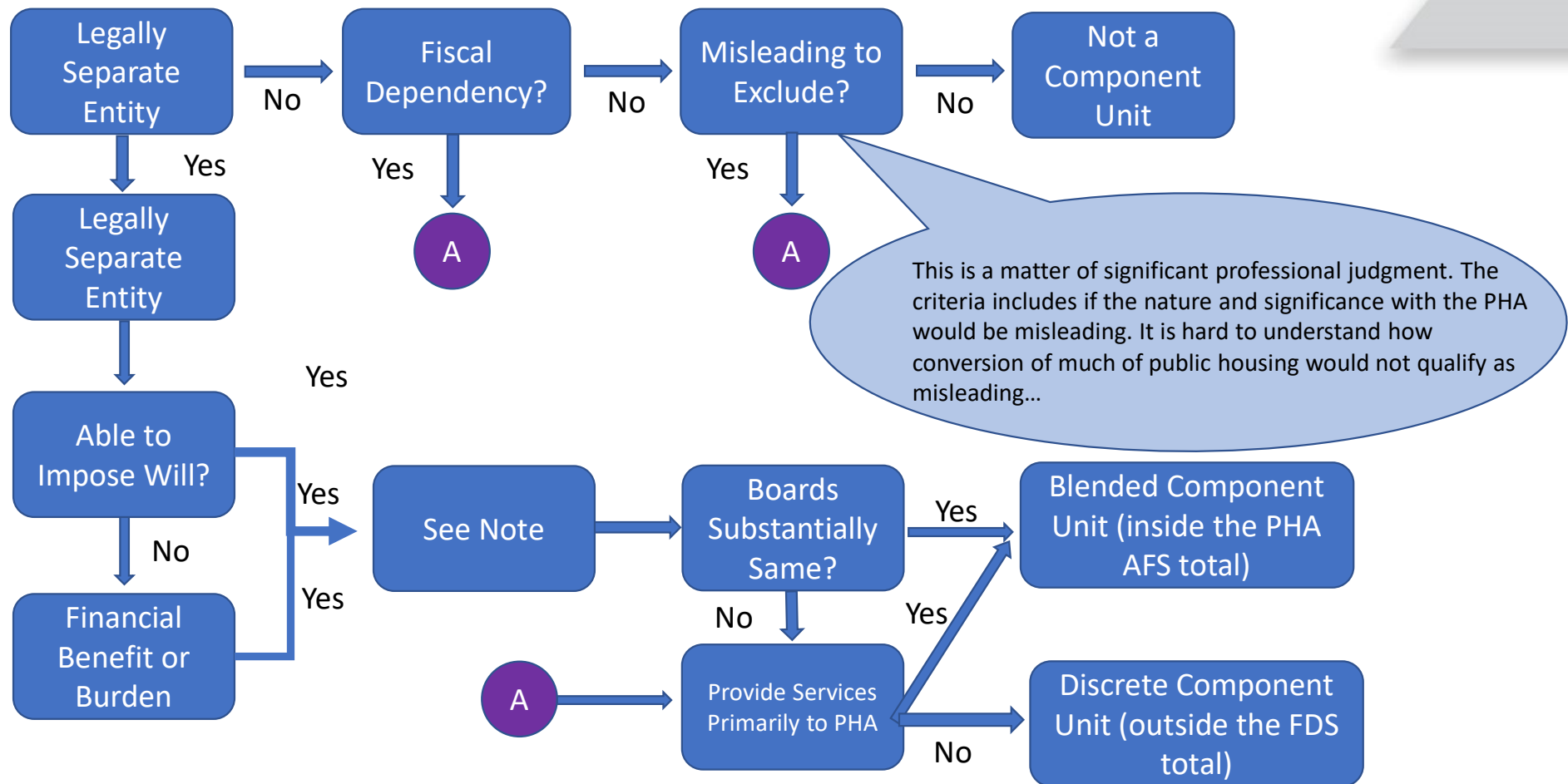
Reporting Entity

Defining the Reporting Entity

- Reporting entity represents all business units the entity has financial responsibility for
- Responsible for organizations that make up its legal entity
- Also legally responsible for legally separate entities if the PHA can appoint a majority of the governing body or is able to impose its will on that entity
- May also be included if exclusion would mislead users of the of the PHAs financial statements
- One of the challenges being reported is what parts of the PHA are included in the PHA's financial statements
- Primary issues involve component units



GASB Component Unit Decision Process



- Organizations have separate legal standing if it is created as a *body corporate* or a *body corporate and politic*
 - Body Corporate - corporation consisting of a body of persons authorized to act as one person, while being distinct from that person
 - *Body Corporate and Politic* – corporation established as a separate entity (body) by a political entity with powers and duties of government
- Applies particularly to NFP entities established separate entities (different TINs)

- Questions for determining include
 - Power to have its own name?
 - Right to sue and be sued in its own name without recourse to a state or local government?
 - Right to buy, sell, lease and mortgage property in its own name
 - May still be legally separate despite answers to the previous questions
- Some PHAs question whether these entities should either:
 - Be included as a component units
 - Proper application of GAAP basis (FASB v. GASB)



- Special-purpose entity must have the ability to complete certain fiscal events with substantive approval by a primary government
- Must meet all 3 of the following:
 - Determine its budget
 - Levy taxes
 - Issue bonded debt
- If not independent it is fiscally dependent regardless of whether any financial assistance is received

Most PHA potential component units will not meet this criteria



- Can be imposed in a variety of ways
- Following conditions must exist
 - PHA is legally entitled to access resources
 - PHA is obligated to finance deficits
 - PHA is obligated for debt
- Exchange transactions between entities are benefits or burdens
- Impacts can be direct or indirect
 - Indirect benefits exist if another component unit of the PHA can access resources



Misleading to Exclude

69

- Temporary financial assistance – not typically applicable to PHAs
- Closely related
- Matter of professional judgment
- Can a PHA convert all of its PH units to another entity and then claim that it is not misleading to exclude them all?



Appropriate GAAP Basis – GASB v. FASB

70

- GASB Concepts Statement No. 1
- Much confusion of the proper GAAP treatment of component units
 - Most LIHTC entities are organized as for-profit entities (for tax purposes) and are generally accounted for under FASB GAAP
 - However, there are other situations that are not as clear
- You are a governmental entity if:
 - Election of officers or appointment of a controlling majority by the PHA
 - Potential for unilateral dissolution with net assets reverting to the PHA
 - Power to levy taxes

(Also included is the ability to debt whose interest is tax-exempt)



- Our major decision is whether an entity is either a government or a non-profit
- Government is accounted for under GASB
- NFPs use FASB
- If a PHA can unilaterally terminate a component unit it is a governmental entity and accounted for under GASB
- Otherwise, it is FASB



- **100.8 – Definition**
- *Paragraph 1.01 of the AICPA Audit and Accounting Guide, State and Local Governments (SLG), indicates that the following organizations are governmental organizations:*
 - *All public corporations and bodies corporate and politic*
 - *Other organizations that have any of the following characteristics:*
 - ◆ Officers of the organization are elected by popular vote
 - ◆ A controlling majority of the organization's officers are appointed by officials of one or more state governments
 - ◆ A government could unilaterally dissolve the organization and retain the organization's remaining net assets
 - ◆ The organization has the power to levy taxes. (That includes being able to enact and enforce the levy.)



- PHA converts units from public housing to PBRA
- No LIHTC's
- Transferred assets to a public benefit corporation with a separate TIN
- Should these entities be accounted for under GASB or FASB?



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Poll: 2-4 - What do you believe is the most important criteria for determining component units?



Common Reporting Issues: Unaudited & Audited Submissions

Common Reporting Problems: Unaudited Submission

76

- FASS Data is Materially Different than Other Independent Data Sets
 - Voucher Management System (VMS) examples include:
 - ◆ Housing Assistance Payments
 - ◆ Vouchers Leased
 - ◆ Interest Income
 - ◆ Port-in Information
 - ◆ NRP, UNA, and Cash Balances
 - ◆ Fraud
 - ◆ FSS Escrow Forfeitures
 - Revenue doesn't agree to HUD
 - ◆ HUDCAPS
 - ◆ ELOCCS



Common Reporting Problems: Unaudited Submission, cont'd.

77

- HCV Compliance and Financial Distress (not rejected if correctly reported)
 - ◆ Due From's and Operating Transfers Out
 - ◆ Negative Equities
 - ◆ Unit months leased greater than unit months available
- Submission Fails Basic Business Rules



Common Reporting Problems: Unaudited Submission, cont'd.

78

- Other General Reporting Problems

- PHA failed to report programs or programs are comingled with other programs
- NRP Adjustment is not reflected in submission
- Elimination column incorrect
- Bank overdrafts
- Debt reported incorrectly
- Interfund amounts on lines 144 & 347
- Management fee calculations
- Security deposits liability & cash
- Equity accounts



Common Reporting Problems: Unaudited Submission, cont'd.

79

- Other general reporting problems:
 - Restricted cash vs. Unrestricted cash
 - Validation errors
 - Capital funds – Hard & soft costs and revenue
 - Negative expense lines
 - DCF differences
 - Memo fields
 - Prior period adjustments
 - Transfers
 - Unreported PH units



Common Reporting Problems: Audited Submission

80

- AU-C 725 opinion on FDS is missing.
- PHA submission type is incorrect, therefore, the wrong attachments were submitted.
- Federal Awards Expended reported in Audit Report is different that what was reported on the Data Collection Form in the system.
- Financial Statements and associated information do not meet minimum professional requirements.



Common Reporting Problems: Audited Submission, cont'd.

81

- Auditors Reports do not reconcile to the Data Collection Form (opinions, findings, federal awards expended).
- Financial Statements do not reconcile to the FDS and the differences are material.
- MD&A, Financial Statements, and Notes to the Financial Statements do not reconcile to each other.





Submission Decision

Submission Decision

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- REAC's goal is to approve a financial submission that is properly classified and shows data that is a fair reflection of the PHA's financial condition.

Recommendation	Description
Accept	No errors noted and all prior issues corrected
Conditionally Accept	Issues noted, but deemed immaterial
Reject	Errors and/or issues noted that are material or a significant number of small issues are present that cause the submission to be unreliable



- Keeping in mind REAC's goal, submissions are generally conditionally accepted unless the errors or issues noted are material, meaning the FDS may not provide a fair reflection of the PHA's financial condition.
- Conditionally accepted issues need to be addressed on the audited submission (or next submission).
- Rejected submissions need to be corrected and re-submitted within 15 calendar days of rejection.



Notification and Follow-Up

85

- PHAs receive notification of conditional acceptance and rejections via NASS.
- Reminder, past due and other notifications are automatically sent to PHAs.
- These notifications are sent using the PHA's email address as reported in PIC.







FASS - PH

Spring/Summer 2022

Session 3: HCV & HCV- Related Programs





Introduction to the
Housing Choice Voucher
Program



HAP Equity Offset



Funding the HCV Program



Accounting and Reporting
for Admin Fees



HAP Funding & Restricted
Net Position



Portability



Fraud Reporting



VMS Reporting Issues



Miscellaneous





Introduction to the Housing Choice Voucher Program

Introduction to the HCV Program

4

- The Housing Choice Voucher (HCV) Program

- Established in 1974
- Is the largest federal low-income housing assistance program
- Since 1998, program expenditures (i.e., outlays) account for 47% to 55% of HUD's overall budget.
- Is a tenant-based program (i.e., the program provides vouchers that are attached to the family who use these vouchers to help pay the cost of renting housing on the open market)
- Is administered by 2,181 PHAs as of June 30, 2018
- 2.5 million vouchers are authorized as of June 30, 2018 (and growing)
 - ◆ In contrast, the public housing program has roughly 1.1 million units and the portfolio is shrinking.



5

-
- ```
graph TD; A["Section 8
(Tenant Based Assistance)
Appropriations"] --> B["Emergency HCV Program (ARPA)"]; A --> C["Housing Stability Vouchers"]; A --> D["HCV Program"]; A --> E["Mainstream 5 Program"]; B --> B1["CFDA # 14.???"]; B1 --> B2["EHV"]; C --> C1["CFDA # 14.???"]; D --> D1["CFDA # 14.871"]; D1 --> D2["General Vouchers"]; D1 --> D3["Special Purpose Vouchers"]; D1 --> D4["Tribal VASH"]; D2 --> D21["CFDA # 14.871"]; D21 --> D22["MTW Vouchers"]; D22 --> D23["CFDA #14.881"]; E --> E1["CFDA # 14.879"];
```
- The organizational chart for Section 8 (Tenant Based Assistance) Appropriations is structured as follows:
- Section 8 (Tenant Based Assistance) Appropriations**
    - Emergency HCV Program (ARPA)**
      - CFDA # 14.???
      - EHV
    - Housing Stability Vouchers**
      - CFDA # 14.???
    - HCV Program**
      - CFDA # 14.871
        - General Vouchers**
          - CFDA # 14.871
            - MTW Vouchers**
              - CFDA #14.881
        - Special Purpose Vouchers**
          - CFDA # 14.871
        - Tribal VASH**
          - CFDA # 14.871
    - Mainstream 5 Program**
      - CFDA # 14.879

1. PHAS report by CFDA # in FASS-PH. CFDA # are now known as “Assistance Listings”.
2. Currently, all special purpose vouchers are reported under CFDA #14.871 (historically not always the case)
3. CFDA # are now known as “Assistance Listings” – [beta.sam.gov](https://beta.sam.gov) replaced CFDA.gov



# Voucher Leased Portfolio Snapshot

| #  | PHA Vouchers Leased – September 2021 | Count            | % of Total   |
|----|--------------------------------------|------------------|--------------|
|    | <b>General Vouchers</b>              |                  |              |
| 1  | General Vouchers                     | 1,487,905        | 65.3%        |
| 2  | Project-based (includes RAD)         | 275,535          | 12.1%        |
| 3  | MTW                                  | 234,770          | 10.3%        |
| 4  | Portability Out Provision            | 43,129           | 1.9%         |
|    | <b>Total General Vouchers</b>        | <b>2,041,339</b> | <b>89.6%</b> |
| 5  | Veterans Affairs Supportive Housing  | 79,288           | 3.5%         |
| 6  | Tenant Protection                    | 71,125           | 3.1%         |
| 7  | Non-Elderly                          | 42,414           | 1.9%         |
| 8  | Family Unification                   | 21,295           | 0.9%         |
| 9  | Homeownership                        | 10,288           | 0.5%         |
| 10 | Mainstream 1-year                    | 5,564            | 0.2%         |
| 11 | Other                                | 6,336            | 0.3%         |
|    | <b>Total Special Purpose</b>         | <b>236,310</b>   | <b>10.4%</b> |
|    | <b>Total Housing Choice Vouchers</b> |                  |              |



# HCV Program Dashboard

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## Housing Choice Voucher Program

Welcome to the Housing Choice Voucher Program Dashboard!

These reports attempt to portray detailed information on Public Housing Authorities' current budget and unit utilization, spending and leasing trends over time, and examine HUD-Held Reserves, and Leasing Potential. All data is sourced from HUD Administrative Systems including HUDCAPS, VMS and PIC and is current as of June 2020. These reports default to not include [Moving-to-Work \(MTW\)](#) agencies.

To navigate this report please click on the tabs below to examine various aspects of this dashboard.



- Just Google: Housing Choice Voucher Data Dashboard
  - Dashboard provides (both nationally and at the individual state/PHA level):
    - ◆ Budget and leasing trends,
    - ◆ Reserve balances,
    - ◆ Attrition rates, and
    - ◆ Leasing potential





# Funding the HCV Program

# Funding the HCV Program – General

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- Congress has created two separate funding streams to cover the cost of the HCV program.
  - Administrative fees to cover PHA costs of administering the program
  - HAP to cover the costs of rental assistance payments (i.e., payment to landlords)
  - Appropriation language ties the funding and formulas to a calendar-year basis
- 99% of all available funds for the program are from these two appropriations line items (almost no program income).
- Renewal / ongoing funding is provided via formulas.
- New voucher increments are provided via a competitive grant (NOFA) and then becomes part of the formula in subsequent years.



# 2021 Appropriations (in millions)

10

| # | Program                                       | Purpose                   | Amount        |
|---|-----------------------------------------------|---------------------------|---------------|
| 1 | HCV Program – HAP                             | Renewal (Ongoing) Funding | \$23,080      |
| 2 | HCV Program – Administrative Fees             | Ongoing and New Vouchers  | \$2,159       |
| 3 | Tenant Protection Vouchers                    | New Vouchers (HAP)        | \$116         |
| 4 | Veterans Affairs Supportive Housing           | New Vouchers (HAP)        | \$40          |
| 5 | Family Unification Program                    | New Vouchers (HAP)        | \$25          |
| 6 | Mainstream 5 Program                          | Ongoing HAP & Admin. Fees | \$314         |
| 7 | Other                                         | Ongoing HAP & Admin. Fees | \$38          |
| 8 | <b>Total Available CY 2021 Appropriations</b> |                           | <b>25,777</b> |






***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 3.1 - What percent are special purpose vouchers of the total?**

# VMS Data is Used for Major Components of Funding Formula

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| VMS Category                                                                      | Total       | Jan-20    | Feb-20    | Mar-20    | to                                                                                    | Sep-20    | Oct-20    | Nov-20    | Dec-20    |
|-----------------------------------------------------------------------------------|-------------|-----------|-----------|-----------|---------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Rental Assistance Component 1 (RAD1)                                              | 584         | 0         | 0         | 0         |    | 0         | 0         | 0         | 0         |
| Rental Assistance Component 1 (RAD1 - HAP)                                        | \$218,862   | \$0       | \$0       | \$0       |                                                                                       | \$0       | \$0       | \$0       | \$0       |
| Homeownership                                                                     | 12          | 1         | 1         | 1         |                                                                                       | 1         | 1         | 1         | 1         |
| Homeownership HAP                                                                 | \$6,795     | \$569     | \$566     | \$566     |                                                                                       | \$566     | \$566     | \$566     | \$566     |
| Portable Vouchers Paid                                                            | 50          | 5         | 5         | 5         |                                                                                       | 2         | 2         | 2         | 2         |
| Portable Voucher Paid HAP                                                         | \$56,965    | \$5,266   | \$4,778   | \$4,778   |                                                                                       | \$2,913   | \$2,913   | \$2,913   | \$3,133   |
|  |             |           |           |           |                                                                                       |           |           |           |           |
| Veterans Affairs Supported Housing (VASH) Voucher                                 | 114         | 10        | 9         | 8         |  | 9         | 10        | 11        | 11        |
| Veterans Affairs Supported Housing (VASH) HAP                                     | \$48,668    | \$4,246   | \$3,534   | \$2,962   |                                                                                       | \$3,937   | \$4,900   | \$4,980   | \$4,980   |
| All Other Vouchers                                                                | 14,309      | 1,274     | 1,239     | 1,245     |                                                                                       | 1,140     | 1,118     | 1,103     | 1,141     |
| All Other Vouchers HAP                                                            | \$6,828,253 | \$599,976 | \$595,817 | \$588,661 |                                                                                       | \$548,460 | \$537,958 | \$531,336 | \$528,149 |
| All Voucher HAP Expenses After the First of Month                                 | \$19,899    | \$2,242   | \$2,241   | \$2,016   |                                                                                       | \$1,099   | \$897     | \$698     | \$698     |
| All Voucher HAP Expenses After the First of Month                                 | \$82,307    | \$7,115   | \$2,281   | \$5,482   |                                                                                       | \$4,928   | \$3,214   | \$14,796  | \$16,570  |
| Total Vouchers                                                                    | 14,485      | 1,290     | 1,254     | 1,259     |                                                                                       | 1,152     | 1,131     | 1,117     | 1,155     |
| HAP Total                                                                         | \$7,042,887 | \$619,414 | \$609,217 | \$604,465 |                                                                                       | \$561,903 | \$550,448 | \$555,289 | \$554,096 |

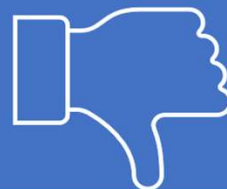
# Eligible Use of HAP Funds (PIH Notice 2021-10)

Use of HAP for any purpose other than eligible HAP needs is a violation of law, and such illegal uses or transfer may result in sanction and possible declaration or a breach of the ACC



- Housing Assistance Payments
- Family Self-Sufficiency
- Utility Reimbursements

Note 1. Eligible use of HAP funds extends to PHA-held program reserves (restricted net position (RNP) and HUD-held program reserves



- Administrative expenses
- Loaned, advanced or transferred to another program or component units
- HAP funding may not be used for prior calendar year costs



# Prohibition on Augmentation of HAP Funds

(PIH Notice 2013-28)

14

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- Allowed Funding Sources to Cover HAP Expenses is Limited to:
  - Annual Budget Authority
  - HUD Held Program Reserves
  - PHA Held Program Reserves (RNP)
  - Administrative Fee Reserves (UNP)
- Examples of Prohibited Funds include:
  - HOME funds
  - Proceeds from PH disposition
  - COCC funds
  - State funds
  - Donations
- Exception – HUD Approval PH Shortfall Position (discussed later)





# Eligible Use of Administrative Fees (PIH Notice 2015-17)

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- Administrative fees may only be used to cover costs incurred to perform a PHA's HCV administrative responsibilities in accordance with HUD regulations and guidance (24 CFR 982.152)

## During Fiscal Year

Any administrative fees received in the PHA's fiscal year may only be used for the administrative purposes of the HCV program.

## End of Fiscal Year

If a surplus of administrative fee remains at the end of the PHA's fiscal year, the amount is added to the PHA's administrative fee reserve.

## Administrative Fee Reserves<sup>1</sup>

Post-2003 Administrative Fee Reserves  
1. May only be used for activities related to the HCV program, including related development activities.

Pre-2004 Administrative Fee Reserves  
1. May be used for other housing purposes permitted by State and local law.  
2. HUD may prohibit use of the funds for certain purposes.

### **Note:**

Non-federal, non-restricted funds may be loaned to the HCV program to cover shortfalls in the administrative fee account

Subsequent administrative fees may be used to reimburse the funding source

### <sup>1</sup> Administrative Fee Reserves Notes:

- PHAs must maintain a single administrative fee reserve account (24 CFR 982.155).
- Pre-2004 Administrative fee should not increase.
- All current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves.

|            |                                           |           |
|------------|-------------------------------------------|-----------|
| 11170-003  | Administrative Fee Equity- Ending Balance | \$3177850 |
| *11170-005 | Pre-2004 Administrative Fee Reserves      | \$886018  |
| *11170-006 | Post-2003 Administrative Fee Reserves     | \$2291832 |



# HAP Disbursement Schedules (PIH Notice 2017-06)

16

- HUD provides each PHA a HAP disbursement schedule that shows the amount of HAP funds that will be made available to the PHA on the first of every month
  - The number of disbursements schedules PHA will receive each year will vary
  - The number of months of disbursements shown on the schedule will vary
- HUD is required to disburse HAP funding to PHAs under the Cash Management rules of the U.S. Treasury
  - 100% of ABA is no longer automatically disbursed to PHAs
  - HUD's disbursement of ABA is based on PHA need minus known PHA-held program reserves
  - Undisbursed HAP funds are termed **HUD-held program reserves**
  - Undisbursed HAP funds accumulate with previous years' undisbursed HAP funds (if any) and remain available for future HAP payments or Congressional offset/reallocation

# Example 1: 2021 HAP Disbursement Schedule

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| ENCLOSURE A                                             |                                                                                                |                           |           |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------|-----------|
| CY 2021 March HAP Disbursement Enclosure                |                                                                                                |                           |           |
| 1                                                       | PHA Name                                                                                       | EXAMPLE HOUSING AUTHORITY |           |
| 2                                                       | PHA Number                                                                                     | NA999                     |           |
| 3                                                       | Program Type                                                                                   | Non-MTW                   |           |
|                                                         |                                                                                                |                           |           |
|                                                         |                                                                                                |                           |           |
| <b>Total VMS HAP Costs Reported:</b>                    |                                                                                                |                           |           |
| 4                                                       | November 2020                                                                                  | \$546,132                 |           |
| 5                                                       | 2% Margin                                                                                      | \$10,923                  |           |
| 6                                                       | Total Calculated Monthly Need (Line 3 + Line 4)                                                |                           | \$557,055 |
|                                                         |                                                                                                |                           |           |
| <b>Available Funds for CY 2021 Monthly Disbursement</b> |                                                                                                |                           |           |
| 7                                                       | Net HAP Renewal Obligations currently in process through March 2021                            | \$607,959                 |           |
| 8                                                       | HUD-HELD Funds as of February 1, 2020                                                          | \$94,271                  |           |
| 9                                                       | Funds Available to Disburse (Line 6 + Line 7)                                                  |                           | \$702,230 |
|                                                         |                                                                                                |                           |           |
| <b>Disbursements</b>                                    |                                                                                                |                           |           |
| 10                                                      | Calculated Monthly Need (Line 5)                                                               |                           | \$557,055 |
| 11                                                      | Cash on Hand as of 06/30/2020 to be transitioned to HUD-Held Funds                             | \$0                       |           |
| 12                                                      | Net March 2021 Disbursement (Line 9 - Line 10, Minimum \$0, Limited to Funds Available Line 8) |                           | \$557,055 |
| 13                                                      | Remaining to Offset for Remaining Months                                                       | \$0                       |           |

If the scheduled disbursement amount is not expected to cover the actual HAP expense of the PHA, taking into consideration any unspent HAP funds at the PHA, the PHA should be working with HUD's FMC to adjust the disbursement amount, if possible

# Example 1: 2021 HAP Disbursement Schedule, continued

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| ENCLOSURE A                                            |                                                                                                |                           |           |           |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------|-----------|-----------|
| CY 2021 March HAP Disbursement Enclosure               |                                                                                                |                           |           |           |
| 1                                                      | PHA Name                                                                                       | EXAMPLE HOUSING AUTHORITY |           |           |
| 2                                                      | PHA Number                                                                                     | NA999                     |           |           |
| 3                                                      | Program Type                                                                                   | Non-MTW                   |           |           |
| <b>Disbursements - No Transition to HUD-Held Funds</b> |                                                                                                |                           |           |           |
| 10                                                     | Calculated Monthly Need (Line 5)                                                               |                           |           | \$557,055 |
| 11                                                     | Cash on Hand as of 06/30/2020 to be transitioned to HUD-Held Funds                             |                           | \$0       |           |
| 12                                                     | Net March 2021 Disbursement (Line 9 - Line 10, Minimum \$0, Limited to Funds Available Line 8) |                           |           | \$557,055 |
| <b>Disbursements - Transition to HUD-Held Funds</b>    |                                                                                                |                           |           |           |
| 10                                                     | Calculated Monthly Need (Line 5)                                                               |                           |           | \$557,055 |
| 11                                                     | Cash on Hand as of 06/30/2020 to be transitioned to HUD-Held Funds                             |                           | \$354,874 |           |
| 12                                                     | Net March 2021 Disbursement (Line 9 - Line 10, Minimum \$0, Limited to Funds Available Line 8) |                           |           | \$202,181 |

## Example 2: 2021 HAP Disbursement Schedule

19

HA Name:

HA Number:

FYE:

06/30

| Month         | HAP Disbursement | AF Disbursement |
|---------------|------------------|-----------------|
| February 2021 | \$575,194        | \$64,337        |
| March 2021    | \$557,055        | \$95,004        |
| April 2021    | \$557,055        | \$64,919        |
| May 2021      |                  | \$64,919        |

# Example: 2020 Calendar Year End HAP Reconciliation

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|    |                                                                                                |                          |             |
|----|------------------------------------------------------------------------------------------------|--------------------------|-------------|
|    | PHA Name                                                                                       | EXAMPLEHOUSING AUTHORITY |             |
|    | PHA Number                                                                                     | NA999                    |             |
|    |                                                                                                |                          |             |
|    | This enclosure is intended to provide the accumulated Program Reserves as of December 31, 2020 |                          |             |
|    |                                                                                                |                          |             |
|    |                                                                                                |                          |             |
|    | <b>PART I: December 31, 2019 Program Reserves (HUD-Held &amp; PHA-Held)</b>                    |                          |             |
| 1  | December 31, 2019, HUD-Held Funds                                                              | \$263,115                |             |
| 2  | Prior Period Adjustments / Corrections to Line 1                                               | \$0                      |             |
| 3  | Adjusted December 31, 2019, HUD-Held Funds (Line 1 + Line 2)                                   |                          | \$263,115   |
| 4  | Calculated PHA-Held HAP Funds as of December 31, 2019, (or Deficit)                            | -\$113,320               |             |
| 5  | Prior Period Adjustments / Corrections to Line 4                                               | \$0                      |             |
| 6  | Adjusted PHA-held Funds as of December 31, 2019, (or Deficit)<br>(Line 4 + Line 5)             |                          | -\$113,320  |
| 7  | Program Reserves as of December 31, 2019 (HUD-held and PHA-held)<br>(Line 3 + Line 6)          |                          | \$149,795   |
|    |                                                                                                |                          |             |
|    | <b>PART II: Total Funds Available for Calendar Year 2020</b>                                   |                          |             |
| 8  | Program Reserves as of December 31, 2019 (Line 7)                                              |                          | \$149,795   |
| 9  | 2020 Prorated Renewal Eligibility                                                              |                          | \$6,635,320 |
| 10 | Non-Renewal funds (TP actions, VASH, RAD1, RAD2, etc.) *                                       |                          | \$277,959   |
| 11 | Fraud Recovery & FSS Forfeitures, January - December, 2020                                     |                          | \$45,839    |
| 12 | Total Funds Available in CY 2020 (Sum of Lines 8 through 11)                                   |                          | \$7,108,913 |

# Example: 2020 Calendar Year End HAP Reconciliation

(continued)

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|    | <b>PART III: CY 2020 Activity (January - December, 2020)</b>                        | <b>HUD-Held</b> | <b>PHA-Held</b> |
|----|-------------------------------------------------------------------------------------|-----------------|-----------------|
| 13 | Beginning Balances                                                                  | \$263,115       | -\$113,320      |
| 14 | Prorated Obligations *                                                              | \$6,913,279     |                 |
| 15 | Disbursements *                                                                     | \$7,176,259     | \$7,176,259     |
| 16 | Allowable HAP Expenses from line 25 *                                               |                 | \$7,042,887     |
| 17 | VMS Reported Fraud Recovery & FSS Forfeitures                                       |                 | \$45,839        |
| 18 | Adjustments (If Applicable)                                                         | \$0             | \$0             |
| 19 | Balances through December, 2020 *                                                   | \$135           | \$65,891        |
|    |                                                                                     |                 |                 |
|    | <b>PART IV: Over Leasing Calculation</b>                                            |                 |                 |
| 20 | HAP Expenses as reported in VMS as of February 16, 2021 *                           | \$7,042,887     |                 |
| 21 | Unit Months Available CY 2020                                                       | 14,431          |                 |
| 22 | Unit Months Leased January - December, 2020                                         | 14,485          |                 |
| 23 | Overleased Unit Months CY 2020 (Line 22 less Line 21 if PHA is Overleased)          | 54              |                 |
| 24 | Disallowed HAP for Overleased Units                                                 | \$0             |                 |
| 25 | Allowable HAP Expenses January - December, 2020 (Line 20 Less Line 24) *            |                 | \$7,042,887     |
|    |                                                                                     |                 |                 |
|    | December, 2020, PHA Reported Restricted Net Position (RNP) - For Information Only   |                 | \$341,119       |
|    | December, 2020, PHA Reported Unrestricted Net Position (UNP) - For Information Only |                 | \$1,524,650     |
|    | December, 2020, PHA Reported Cash / Investment - For Information Only               |                 | \$1,348,770     |

# Year End HAP Reconciliation and Shortfall

22

|                                                                                                |                                                                                       |                                                                                    |
|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| This enclosure is intended to provide the accumulated Program Reserves as of December 31, 2020 |                                                                                       |                                                                                    |
| <b>PART I: December 31, 2019 Program Reserves (HUD-Held &amp; PHA-Held)</b>                    |                                                                                       |                                                                                    |
| 1                                                                                              | December 31, 2019, HUD-Held Funds                                                     | \$118,618                                                                          |
| 2                                                                                              | Prior Period Adjustments / Corrections to Line 1                                      | \$0                                                                                |
| 3                                                                                              | Adjusted December 31, 2019, HUD-Held Funds (Line 1 + Line 2)                          | \$118,618                                                                          |
| 4                                                                                              | Calculated PHA-Held HAP Funds as of December 31, 2019, (or Deficit)                   | -\$124,571                                                                         |
| 5                                                                                              | Prior Period Adjustments / Corrections to Line 4                                      | \$0                                                                                |
| 6                                                                                              | Adjusted PHA-held Funds as of December 31, 2019, (or Deficit)<br>(Line 4 + Line 5)    | -\$124,571                                                                         |
| 7                                                                                              | Program Reserves as of December 31, 2019 (HUD-held and PHA-held)<br>(Line 3 + Line 6) | -\$5,953                                                                           |
| <b>PART II: Total Funds Available for Calendar Year 2020</b>                                   |                                                                                       |                                                                                    |
| 8                                                                                              | Program Reserves as of December 31, 2019 (Line 7)                                     | \$0                                                                                |
| 9                                                                                              | 2020 Prorated Renewal Eligibility                                                     | \$3,905,575                                                                        |
| 10                                                                                             | Non-Renewal funds (TP actions, VASH, RAD1, RAD2, etc.)                                | \$20,512                                                                           |
| 11                                                                                             | Fraud Recovery & FSS Forfeitures, January - December, 2020                            | \$1,525                                                                            |
| 12                                                                                             | Total Funds Available in CY 2020 (Sum of Lines 8 through 11)                          | \$3,927,612                                                                        |
| <b>PART III: CY 2020 Activity (January - December, 2020)</b>                                   |                                                                                       |                                                                                    |
| 13                                                                                             | Beginning Balances                                                                    | <div>HUD-Held</div> <div>\$118,618</div> <div>PHA-Held</div> <div>-\$118,618</div> |



- HUD and other decision makers have a need for timely and accurate HCV financial data.
- The Financial Data Schedule (FDS) and the data contained in the Voucher Management System (VMS) are two important sources of this financial information.
- The general rule is the information reported in each system should be reported under GAAP. However:
  - GAAP departures exists
  - VMS now has a focus more aligned to cash basis accounting
  - Each system has some reporting nuances



- The selected accounts / line items presented are based on feedback received from:
  - HCV program office: Quality Assurance Division
  - HCV program office: Financial Management Center
  - REAC: FASS-PH



- The HCV program has two main sub-accounts
  - Restricted Net Position / HAP Equity – For all activity around HAP funding and uses of HAP funds
  - Unrestricted Net Position / Administrative Fee Equity – For all activity around the receipt and use of administrative fees and other non-HAP funding
- Two memo accounts exist on the FDS HCV income statement to distinguish the HAP balances from administrative fee balances:
  - FDS Line 11170 – Administrative Fee Equity (also referred to as UNP)
  - FDS Line 11180 – HAP Equity (also referred to as RNP)
- All HCV transactions will affect either one or both sub-accounts



# FDS Line - 11180 HAP Equity

26

| #  | FDS Line  | FDS Line Description                                          | FDS Line (Pre-populated)         |
|----|-----------|---------------------------------------------------------------|----------------------------------|
| 1  | 11180-001 | <b>Housing Assistance Payments Equity - Beginning Balance</b> | <b>Prior year Line 11180-003</b> |
| 2  | 11180-010 | Housing Assistance Payment Revenues                           | FDS Line 70600-010               |
| 3  | 11180-015 | Fraud Recovery Revenue                                        | FDS Line 71400-010               |
| 4  | 11180-020 | Other Revenue                                                 | PHA Entered                      |
| 5  | 11180-021 | Comment for Other Revenue                                     | PHA Entered                      |
| 6  | 11180-025 | Investment Income                                             | FDS Line 71100-010               |
| 7  | 11180-030 | <i>Total Housing Assistance Payment Revenues</i>              | <i>Sum of Lines 2-4</i>          |
| 8  | 11180-080 | Housing Assistance Payments                                   | FDS Line 97300                   |
| 9  | 11180-090 | Other Expenses                                                | PHA Entered                      |
| 10 | 11180-091 | Comment for Other Expense                                     | PHA Entered                      |
| 11 | 11180-100 | <i>Total Housing Assistance Payment Expenses</i>              | <i>Sum of Lines 8 and 9</i>      |
| 12 | 11180-002 | <b>Net Housing Assistance Payments</b>                        | <b>Line 7 minus Line 11</b>      |
| 13 | 11180-003 | <b>Housing Assistance Payments Equity - Ending Balance</b>    | <b>Line 1 plus line 12</b>       |



# FDS Line 11170 - Administrative Fee Equity

27

| #        | FDS Line         | FDS Line Description                                 | FDS Line (Pre-populated)           |
|----------|------------------|------------------------------------------------------|------------------------------------|
| <b>1</b> | <b>11170-001</b> | <b>Administrative Fee Equity - Beginning Balance</b> | <b>Prior year Line 11170-003</b>   |
| 2        | 11170-010        | Administrative Fee Revenue                           | FDS Line 70600-020                 |
| 3        | 11170-020        | Hard to House Fee Revenue                            | FDS Line 70600-030                 |
| 4        | 11170-021        | FSS Coordinator Grant                                | FDS Line 70600-031                 |
| 5        | 11170-030        | Audit Costs                                          | FDS Line 70600-040                 |
| 6        | 11170-040        | Investment Income                                    | FDS Line 71100-020 or<br>72000-020 |
| 7        | 11170-045        | Fraud Recovery Revenue                               | FDS Line 71400-020                 |
| 8        | 11170-050        | Other Revenue                                        | PHA Entered                        |
| 9        | 11170-051        | Comment for Other Revenue                            | PHA Entered                        |
| 10       | 11170-060        | <i>Total Admin Fee Revenues</i>                      | <i>Sum of Lines 2 - 8</i>          |
| 11       | 11170-080        | Total Operating Expenses                             | FDS Line 96900                     |
| 12       | 11170-090        | Depreciation                                         | FDS Line 97400                     |
| 13       | 11170-095        | Housing Assistance Payment Portability In            | FDS Line 97350                     |
| 14       | 11170-100        | Other Expenses                                       | PHA Entered                        |
| 15       | 11170-101        | Comment for Other Expense                            | PHA Entered                        |
| 16       | 11170-110        | <i>Total Expenses</i>                                | <i>Sum of Lines 11 - 14</i>        |
| 17       | 11170-002        | <b>Net Administrative Fee</b>                        | <b>Line 10 minus Line 16</b>       |
| 18       | 11170-003        | <b>Administrative Fee Equity- Ending Balance</b>     | <b>Line 1 plus line 17</b>         |
| 19       | 11170-005        | <b>Pre-2004 Administrative Fee Reserves</b>          | <b>PHA Entered</b>                 |
| 20       | 11170-006        | <b>Post-2003 Administrative Fee Reserves</b>         | <b>PHA Entered</b>                 |



# HCV Program Equity: Use of Other Revenue and Expense Accounts

28

- A limited number of memo accounts associated with FDS lines 11170 & 11180 will need to be entered manually.
- Generally made up of the following:
  - FDS Line 70800 – Other Government Grants
  - FDS Line 71500 – Other Revenue
  - FDS Line 11040 – Prior Period Adjustments
  - Any reclassification of HAP or Administrative Fee Equity
  - Transfer of Administrative Fee Equity to pay for HAP Equity
- PHAs need to ensure that the Other Revenue and Other Expense detail lines are properly completed with explanatory comments.




# REAC Financial Review #01

29

**Instructions:** You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's submission. The PHA reported the following amounts in their HCV program and provided the following comments:

|                                         |          |
|-----------------------------------------|----------|
| Operating Transfer In (FDS line 10010)  | \$20,000 |
| Operating Transfer Out (FDS line 10020) | \$15,000 |
| Equity Transfer (FDS line 11040_070)    | \$90,000 |

line 973 to fu  – operating transfer is subject to restrictions. PHAs should use business activities and blended component units



- The PHA provided the following comments:
  - This “Operating Transfer In” of \$20,000 was from our COCC. Our HAP expense over the course of the last few months has dramatically increased, HUD is aware of the issue and is in the processing of releasing additional HUD-held program reserves as our current disbursement schedule does not cover the increase.
  - The \$15,000 “Operating Transfer Out” are HAP payments made to our non-profit, which is reported as a blended component unit. The non-profit was part of the public housing program but was converted to project-based voucher development through a RAD conversion.
  - The \$90,000 of “Equity Transfer” was provided by our business activity in order to increase the number of families served by the voucher program due to insufficient HAP funds that are provided by Congressional funding. Our PHA is authorized 1,000 vouchers but we are now only funded enough to lease 950 vouchers.
- **Question:** Assume the comments are factual. What transfers would seem to indicate non-compliance or improper reporting and why?





- HUD provides each PHA a HAP disbursement schedule that shows the amount of HAP funds that will be made available to the PHA on the first of every month.
- The number of months of disbursements shown on the schedule varies due to the U.S. budget process and amount of funds made available to HUD from OMB.
- Based on current methodology, cash disbursed would only equal PHA need by coincidence.
- HCV program and HUD CFO continue to have open OIG findings around non-compliance with cash management.



# HAP Funding Revenue Recognition (GASB 33)

32

- Revenue should be recognized in F/S when:
  - Measurable
  - Probable of collection
- Eligibility Requirements for Voluntary Nonexchange Transactions:
  - Criterion 1: Required Characteristics of Recipients
  - Criterion 2: Contingencies
  - Criterion 3: Time Requirements
  - Criterion 4: Reimbursements
- PHA must have an enforceable legal claim to resources (need).
- Funds must be available as defined by GASB Statement No. 33 as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (additional modified accrual criteria).



## Application of Revenue Recognition Criteria HAP Disbursement Equals or Greater than Need

33

- HAP revenue will equal actual HAP disbursements received by the PHA.

| HUD HAP Disbursement Equal to or Greater Than PHA HAP Need |                                |           |           |
|------------------------------------------------------------|--------------------------------|-----------|-----------|
| FDS Line Item                                              |                                | Debit     | Credit    |
| 113                                                        | Cash - Other Restricted        | \$200,000 |           |
| 70600-010                                                  | HUD PHA Operating Grants - HAP |           | \$200,000 |

- There will be no accounts payable to HUD if the PHA received disbursements from HUD greater than actual HAP expense.
  - In this case, HUD disbursements will equal HAP revenue for the year.
  - The difference (unspent HAP funds) will accrue to the PHA's RNP / HAP Equity account.



## Application of Revenue Recognition Criteria HAP Disbursement Less than Need

34

- In the case where a PHA's HAP need exceeds disbursements from HUD (i.e., PHA needs more HAP funding than what was disbursed):
  - HAP revenue for the year would equal HUD HAP disbursements plus the amount of need not funded less any amounts in the PHA's RNP / HAP equity account
  - Limited to the PHA's HUD held program reserves

| HUD HAP Disbursement Less Than PHA HAP Need |                                          |         |         |
|---------------------------------------------|------------------------------------------|---------|---------|
| FDS Line Item                               |                                          | Debit   | Credit  |
| 122                                         | Accounts Receivable - HUD Other Projects | \$5,000 |         |
| 70600-010                                   | HUD PHA Operating Grants - HAP           |         | \$5,000 |



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 3.2 - Next months HAP disbursement is based on...?**

- For FDS reporting, unspent HAP funds are considered restricted as the funds are:
  - **Contractually and legally unavailable** for use in the day-to-day operations of the program and
  - The restrictions on the use of the funds is **imposed by the source of the funding** and not the PHA
- Unspent HAP Funds should be reported in FDS Lines
  - Other Restricted Cash (FDS line 113)
  - Restricted Investments (FDS line 132)



# Relationship of RNP – HAP Equity - Cash

37

| Relationship of Restricted Net Position - HAP Equity - Restricted Cash |          |                   |                   |                     |
|------------------------------------------------------------------------|----------|-------------------|-------------------|---------------------|
| Description                                                            | Amount   |                   | Balance Sheet     | FDS Line            |
| Beginning PHA-held Program Reserves                                    | \$50,000 |                   | Cash              | 113, 511.4, 11180   |
| HUD HAP Disbursements                                                  |          | \$1,000,000       | Cash              | 113, 70600-010      |
| FSS Escrow Forfeitures                                                 |          | \$5,000           | Cash              | 113, 71500          |
| Fraud Recovery                                                         |          | \$10,000          | Cash & Receivable | 128, 113, 71400-010 |
| HAP Expense                                                            |          | <u>-\$975,000</u> | Cash              | 113, 97300          |
| Net HAP                                                                |          | \$40,000          |                   | 11180-002           |
| Ending PHA-held Program Reserves                                       | \$90,000 |                   | Cash              | 113, 511.4, 11180   |

- Except in very unusual situations, RNP (511.4) and HAP equity (11180) should be the same.
- Except for the amount of fraud recovery booked as revenue via a repayment agreement and not yet collected but still collectable, RNP and HAP equity should be fully supported by unspent cash.



## HAP Expense

### FDS Reporting

- FDS line 97300 HAP Expense and 97350 HAP Portability-In
- The FDS lines represents housing assistance payments accrued to the owners of dwelling units leased to eligible families (regardless of whether it is paid)
- Also included in both FDS lines are HAP-related expenses such as contributions to FSS escrow accounts, utility reimbursements, and mortgage payments paid using HAP subsidy for a HCV homeownership program

### VMS Reporting

- All HAP expense amounts for the various voucher categories are to be reported in these voucher categories as of the first day of the month (initial check run for that month)
- HAP expenses are entered for the month for which the payment is applicable, regardless of the month in which it is actually paid
- HAP expenses are only entered after the payment has been made (i.e., cash basis)
- There is only one separate line for reporting after the first of the month HAP expenses





# Restricted Net Position – FDS Reporting

39

## Restricted Net Position – FDS Reporting

### FDS – RNP (FDS line 511.4)

- Total restricted current and long-term assets minus total restricted current and long-term liabilities (Typically associated with unspent HAP)
- Besides HAP activity, any other GAAP restricted items are reported in this account:
  - Debt issued for renovation of administrative building,
  - Certain homeownership activity, and
  - Net Pension and OPEB asset (some states require this asset to be reported as restricted)
- Cannot be negative
- Reported on an accrual basis (i.e., includes HAP funds earned but not received)

### HAP Equity (FDS line 11180)

- Includes only HAP equity activity (i.e., other non-HAP restricted activity is reported in FDS line 11170)
- Can be negative if PHA has used all funding and is no longer paying landlords

### Notes

- Provide comments and notes to describe unusual transactions in reporting



# Restricted Net Position – VMS Reporting

40

## Restricted Net Position – VMS Reporting

### VMS Reporting

- Report the cumulative sum of total HAP revenues received minus the total cumulative HAP expenses for eligible unit months that have been paid
  - Beginning RNP plus
  - Total HAP revenue (as defined as total HUD HAP disbursements, portion of fraud recovery revenue collected in cash, FSS forfeitures and other allowable sources of revenue (PIH Notice 2013-28)) minus
  - Eligible HAP paid

### Notes

- Does not include Mainstream 5 or port-in activity
- Does not include interest earned on RNP balances
- Can be zero or negative
  - A negative RNP balances in the VMS indicates that an additional HUD disbursement may be needed to support HAP expenses



# Interest Income on Unspent HAP (RNP)

41

## Interest Income on RNP

### FDS Reporting

- Report the first \$500 earned in the calendar year on:
  - FDS line 72000-020 Investment Income - Restricted - Administrative Fee or
  - FDS line 71100-020 Investment Income - Unrestricted - Administrative Fee
  - Do not use FDS lines 71100-010 or 72000-010 as these accounts incorrectly credits the interest to RNP
- Interest amounts earned on RNP above \$500 must be remitted to the Treasury and is not considered revenue to the PHA and should be reported in FDS line 115 Cash - Restricted for Payment of a Current Liability and FDS line 331 Accounts Payable – HUD PHA Programs until the interest earned is actually remitted to Treasury

### VMS Reporting

- Report the amount of interest earned on the RNP funds in the Interest Earned or Other Income Earned this Month from the Investment of HAP Funds and Restricted Net Position line
- The first \$500 earned per calendar year is credited to UNP and the remainder is returned to Treasury. Therefore, RNP is not affected by interest earned





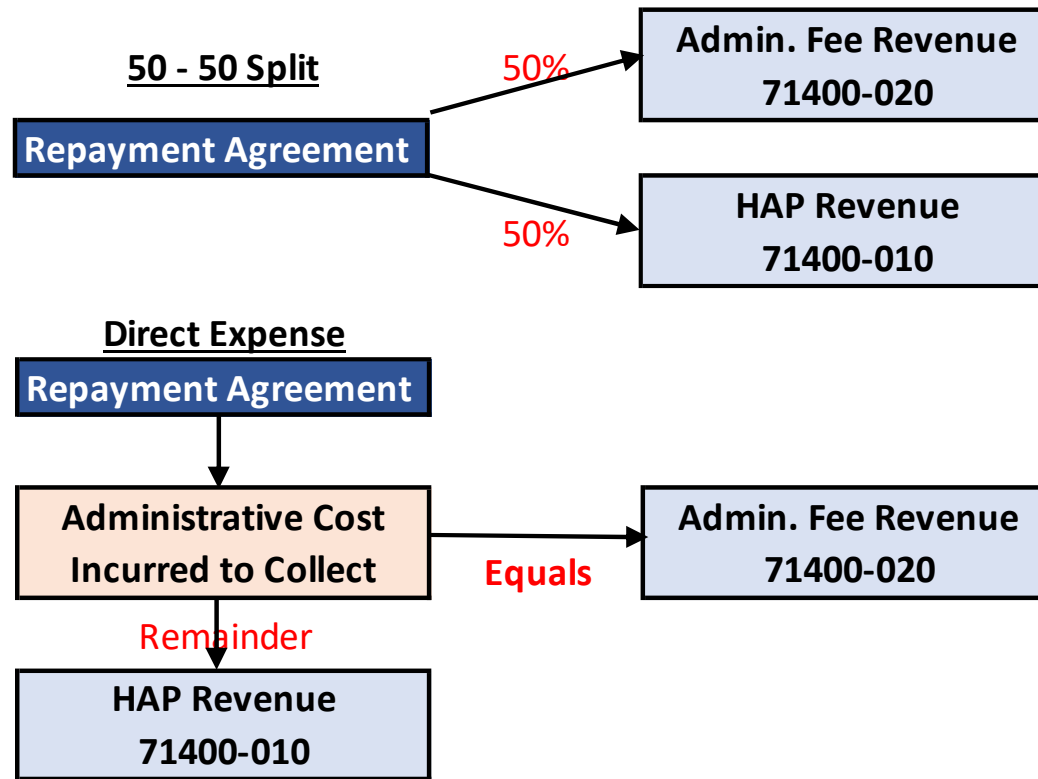
# Fraud Recording

- 24 CFR Part 792 – Public Housing Agency Section 8 Fraud Recoveries
  - Allows a PHA to retain a portion of any funds collected from a family that resulted from the overpayment of HAP by the PHA due to fraud committed by the family
  - The regulation allows two methods to determine the amount of funds a PHA can keep.
    - ◆ 50 – 50 split method
    - ◆ Direct expense method
  - PHA does not remit funds back to HUD, the funds are classified as either HAP equity (RNP) or administrative fee equity (UNP).



# Fraud Recovery Methods

44



# Accounting for Fraud Recovery

45

## Fraud Recovery – FDS Reporting

### Income Statement

- Report the full amount of fraud recoveries earned by the PHA (total repayment agreement entered into during the year) (FDS line 71400 Fraud Recovery)
- Split the amount between the Administrative (UNP) and HAP (RNP) accounts using appropriate detail accounts (71400-010 HAP and 71400-020 Admin Fee)

### Balance Sheet

- Report the full amount of the receivable from program participants who committed fraud or misrepresentation and now owe additional rent for prior periods or retroactive rent (FDS line 128 Fraud Recovery Receivable)
- Report the reasonably anticipated loss (not likely to be collected) inherent in the fraud recovery account receivable balance (FDS line 128.1 Allowance for Doubtful Accounts – Fraud and 96600 Bad Debt – Other)

### Notes

- Through the use of the other revenue and expense lines, adjust the Administrative Fee and HAP Equity Memo Accounts (FDS line 11170 and 11180) for the “split” to ensure that bad debt expense is appropriately allocated to each account



# Booking Fraud Recovery Accounts Receivable (method 2)

46

- It may be simpler to just net the amounts and record revenue as received due to the uncertainty of receipt of fraud funds.

| To record fraud revenue:                           |  |         |         |
|----------------------------------------------------|--|---------|---------|
| Description                                        |  | Debit   | Credit  |
| 128 - Accounts Receivable - Fraud Recovery         |  | \$2,000 |         |
| 128.1 - Allowance for Doubtful Accounts - Fraud    |  |         | \$2,000 |
| Record Fraud A/R                                   |  |         |         |
| 111 - Unrestricted Cash                            |  | \$500   |         |
| 113 Cash Restricted                                |  | \$500   |         |
| 128 - Accounts Receivable Fraud Recovery           |  |         | \$1,000 |
| 128.1 Allowance for Uncollectible Accounts - Fraud |  | \$1,000 |         |
| 71400-010 - Fraud Recovery Revenue HAP             |  |         | \$500   |
| 71400-020 - Fraud Recovery Revenue Admin           |  |         | \$500   |





# Fraud Recovery – FDS Reporting

47

| Record Fraud Recovery |                                      |          |          |
|-----------------------|--------------------------------------|----------|----------|
| FDS Line Item         |                                      | Debit    | Credit   |
| 128                   | Accounts Receivable - Fraud Recovery | \$20,000 |          |
| 71400-010             | Fraud Recovery Revenue - Admin Fees  |          | \$10,000 |
| 71400-020             | Fraud Recovery Revenue - HAP         |          | \$10,000 |

| Allowance for Doubtful Accounts |                                      |          |          |
|---------------------------------|--------------------------------------|----------|----------|
| FDS Line Item                   |                                      | Debit    | Credit   |
| 96600                           | Bad Debt Expense - Other             | \$18,000 |          |
| 128.1                           | Allowance for Doubt Accounts - Fraud |          | \$18,000 |



# Fraud Recovery – Example Adjustment to Memo Accounts

48

| Line Item 11170 Details (readonly mode) |                                               |           |
|-----------------------------------------|-----------------------------------------------|-----------|
| Line Item #                             | Description                                   | Value     |
| *11170-001                              | Administrative Fee Equity - Beginning Balance | \$19074   |
| 11170-010                               | Administrative Fee Revenue                    | \$2040144 |
| 11170-020                               | Hard to House Fee Revenue                     | \$0       |
| 11170-021                               | FSS Coordinator Grant                         | \$101287  |
| 11170-030                               | Audit Costs                                   | \$0       |
| 11170-040                               | Investment Income                             | \$9       |
| 11170-045                               | Fraud Recovery Revenue                        | \$56782   |
| *11170-050                              | Other Revenue                                 | \$0       |
| 11170-051                               | Comment for Other Revenue                     |           |
| 11170-060                               | Total Admin Fee Revenues                      | \$2198222 |
| 11170-080                               | Total Operating Expenses                      | \$2095694 |
| 11170-090                               | Depreciation                                  | \$0       |
| 11170-095                               | Housing Assistance Payment Portability In     | \$0       |
| *11170-100                              | Other Expenses                                | \$0       |
| 11170-101                               | Comment for Other Expense                     |           |
| 11170-110                               | Total Expenses                                | \$2095694 |
| 11170-002                               | Net Administrative Fee                        | \$102528  |
| 11170-003                               | Administrative Fee Equity- Ending Balance     | \$121602  |
| *11170-005                              | Pre-2004 Administrative Fee Reserves          | \$0       |
| *11170-006                              | Post-2003 Administrative Fee Reserves         | \$121602  |

- PHA uses the 50 / 50 split method
- PHA reported \$55,650 in bad debt expense related to fraud recovery

- PHA should have reported \$27,825 as Other Revenue for a bad debt expense; adjustment would increase Admin. Fee Equity
- A similar adjustment to the Other Expense account should have been made to account 11180 HAP Equity (not shown)

- Total expense, includes 100% of bad debt expense and therefore the Admin. Fee Equity balance is reduced by the full \$55,650



# Fraud Recovery – VMS Reporting

49

## Fraud Recovery – VMS Reporting

### VMS Reporting

- Report total dollar amount of cash collected as fraud recoveries during the month that is applied to the RNP account

### Notes

- Fraud recovery amounts should not be netted / deducted from HAP expenses
- RNP reported in VMS should include the amount associated with the cash collected (not the amount associated with amount earned and associated bad debt expense as under FDS reporting)



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 3.3 - HAP repaid is listed in which account?**



# FASS - PH

Spring/Summer 2022

## HAP Funding Formula: HAP Equity Offset



# HAP Funding Formula – HAP Equity Offset

- The 2021 Appropriations Act provides for an offset of PHA's CY 2021 allocations based on excess amounts of RNP, including HUD-held reserves ([PIH Notice 2021-10, Item 4, Step 5](#))
- PIH will perform a small offset to ensure PHAs are able to receive as close to 100% proration of HAP funding as possible
- Offsets were included in the HAP renewal funding spreadsheet
- In accordance with PIH Notice 2020-17, amounts received from CARES Act HAP awards will not be included with program reserves
- PHAs that received 2020 Shortfall Set-Aside funds or Lower-than-average Leasing funds are exempt from this calculation



# Net Effect on PHA

53

- The offsetting rates for prior calendar years are as follows:

|                      | 2017<br>Appropriations | 2018<br>Appropriations | 2019<br>Appropriations | 2020<br>Appropriations | 2021<br>Appropriations |
|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Offset<br>Percentage | 14.601%                | 16.274%                | 52%                    | 0%                     | 70%                    |

- The risk is that a PHA may attempt to over lease in the current year to prevent future offsets from being applied
  - It is recommended that the revised offset rates be included in your two-year tool projections for the current and future years
- For PHAs that have an offset, there are no accounting entries required. The offset will simply result in less obligations added to the HUD-held reserve



# Step 1: Calculate HAP Equity

- HAP equity is taken from the following combination of the previous calendar year balances:
  - HUD-held Reserve
  - Restricted Net Position (HAP Equity)
- Cash Reconciliation spreadsheets were emailed on March 19, 2021
  - Total HAP Equity - \$66,026

|                                                                                                |                          |             |
|------------------------------------------------------------------------------------------------|--------------------------|-------------|
| PHA Name                                                                                       | EXAMPLEHOUSING AUTHORITY |             |
| PHA Number                                                                                     | NA999                    |             |
| This enclosure is intended to provide the accumulated Program Reserves as of December 31, 2020 |                          |             |
| PART I: December 31, 2019 Program Reserves (HUD-Held & PHA-Held)                               |                          |             |
| 1 December 31, 2019, HUD-Held Funds                                                            | \$263,115                |             |
| 2 Prior Period Adjustments / Corrections to Line 1                                             | \$0                      |             |
| 3 Adjusted December 31, 2019, HUD-Held Funds (Line 1 + Line 2)                                 |                          | \$263,115   |
| 4 Calculated PHA-Held HAP Funds as of December 31, 2019, (or Deficit)                          | -\$113,320               |             |
| 5 Prior Period Adjustments / Corrections to Line 4                                             | \$0                      |             |
| 6 Adjusted PHA-held Funds as of December 31, 2019, (or Deficit)<br>(Line 4 + Line 5)           |                          | -\$113,320  |
| 7 Program Reserves as of December 31, 2019 (HUD-held and PHA-held)<br>(Line 3 + Line 6)        |                          | \$149,795   |
| PART II: Total Funds Available for Calendar Year 2020                                          |                          |             |
| 8 Program Reserves as of December 31, 2019 (Line 7)                                            |                          | \$149,795   |
| 9 2020 Prorated Renewal Eligibility                                                            |                          | \$6,635,320 |
| 10 Non-Renewal funds (TP actions, VASH, RAD1, RAD2, etc.) *                                    |                          | \$277,959   |
| 11 Fraud Recovery & FSS Forfeitures, January - December, 2020                                  |                          | \$45,839    |
| 12 Total Funds Available in CY 2020 (Sum of Lines 8 through 11)                                |                          | \$7,108,913 |
| PART III: CY 2020 Activity (January - December, 2020)                                          |                          |             |
|                                                                                                | HUD-Held                 | PHA-Held    |
| 13 Beginning Balances                                                                          | \$263,115                | -\$113,320  |
| 14 Prorated Obligations *                                                                      | \$6,913,279              |             |
| 15 Disbursements *                                                                             | \$7,176,259              | \$7,176,259 |
| 16 Allowable HAP Expenses from line 25 *                                                       |                          | \$7,042,887 |
| 17 VMS Reported Fraud Recovery & FSS Forfeitures                                               |                          | \$45,839    |
| 18 Adjustments (If Applicable)                                                                 | \$0                      | \$0         |
| 19 Balances through December, 2020 *                                                           | \$135                    | \$65,891    |
| PART IV: Over Leasing Calculation                                                              |                          |             |
| 20 HAP Expenses as reported in VMS as of February 16, 2021 *                                   | \$7,042,887              |             |
| 21 Unit Months Available CY 2020                                                               | 14,431                   |             |
| 22 Unit Months Leased January - December, 2020                                                 | 14,485                   |             |
| 23 Overleased Unit Months CY 2020 (Line 22 less Line 21 if PHA is Overleased)                  | 54                       |             |
| 24 Disallowed HAP for Overleased Units                                                         | \$0                      |             |
| 25 Allowable HAP Expenses January - December, 2020 (Line 20 Less Line 24) *                    |                          | \$7,042,887 |
| December, 2020, PHA Reported Restricted Net Position (RNP) - For Information Only              |                          |             |
|                                                                                                |                          | \$341,119   |
| December, 2020, PHA Reported Unrestricted Net Position (UNP) - For Information Only            |                          |             |
|                                                                                                |                          | \$1,524,650 |
| December, 2020, PHA Reported Cash / Investment - For Information Only                          |                          |             |
|                                                                                                |                          | \$1,348,770 |





## Step 2: Calculate Sum of Protected Categories

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- Calculate Sum of Protected Categories:
  - A. Difference between the PHA's total eligibility and prorated eligibility
  - B. Amounts needed to fully lease VASH units
  - C. Difference in unit months leased
  - D. New incremental Budget Authority
  - E. Set-aside protection
  - F. CARES Act HAP Awards protection
  - G. Portion of CY 2021 renewal eligibility (based on number of HCV units under ACC)
  - H. PHAs with CY 2020 inflation factors that were higher than the CY 2020 national weighted average
  - I. Protect 50% of RAD 1 HAP for Projects in their 1<sup>st</sup> full year of funding during CY 2020



# Step 2A: Prorated Eligibility Adjustment

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- For protected category A, HUD calculates the difference between the total renewal eligibility and the amount prorated (holds PHA harmless for proration)
- As the proration level is 100%, the amount listed is \$ -0-

| CY 2020 Offset Reallocation                                                                                  |                           | Appendix I |             |
|--------------------------------------------------------------------------------------------------------------|---------------------------|------------|-------------|
| HA Number:                                                                                                   | NA999                     |            |             |
| HA Name:                                                                                                     | EXAMPLE HOUSING AUTHORITY |            |             |
| CY 2020 End of Year Reserves                                                                                 |                           |            | \$66,026    |
| <b>PROTECTED CATEGORIES</b>                                                                                  |                           |            |             |
| A. Difference between the PHA's Eligibility and Prorated Eligibility                                         |                           |            | \$0         |
| B. CY 2021 Amounts needed to fully lease VASH units                                                          |                           |            | \$0         |
| C. Difference between higher of December 2020 UMLs x 12 or CY 2020 UMLs up to baseline on units under CACC   |                           |            | \$0         |
| D. CY 2020 New incremental BA- 1/2 of Eligibility                                                            |                           |            | \$15,037    |
| E. CY 2020 Set Aside Protection- 1/2 of Eligibility                                                          |                           |            | \$0         |
| F. CARES Act HAP Awards protection- Total Eligibility                                                        |                           |            | \$250,255   |
| G. Portion of CY 2021 Renewal Eligibility (Based on units under CACC):                                       |                           |            | \$292,707   |
| 4% - 500 and above units                                                                                     |                           |            |             |
| 6% - 250 to 499 units                                                                                        |                           |            |             |
| 12% - Less than 250 units                                                                                    |                           |            |             |
| H. PHAs with CY 2020 Inflation factors that were higher than the CY 2020 national weighted average inflator. |                           |            | \$0         |
| Difference between CY 2020 Inflated Funding and CY 2021 Renewal funding.                                     |                           |            |             |
| I. Protect 1/2 of RAD 1 HAP for Projects in their 1st Full Year of CY 2020                                   |                           |            | \$0         |
| J. Total Funds Available for Offset                                                                          |                           |            | \$0         |
| K. Offset Amount (Total Funds Available for Offset x 70%)                                                    |                           |            | \$0         |
| L. Prorated Eligibility After Offset                                                                         |                           |            | \$7,317,682 |



# Step 2B: Difference in Units Months Leased

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- Protected Category C takes the difference between the following items times the funded per unit cost (holds PHA harmless for increases in leasing):
  - December 2020 unit months leased times 12 months
  - Units leased reported in VMS per the 2020 calendar year

| CY 2020 Offset Reallocation                                                                                |             | Appendix I |
|------------------------------------------------------------------------------------------------------------|-------------|------------|
| HA Number:                                                                                                 | EX002       |            |
| HA Name:                                                                                                   | Example PHA |            |
| CY 2020 End of Year Reserves                                                                               |             | \$300,362  |
| <b>PROTECTED CATEGORIES</b>                                                                                |             |            |
| A. Difference between the PHA's Eligibility and Prorated Eligibility                                       |             | \$0        |
| B. CY 2021 Amounts needed to fully lease VASH units                                                        |             | \$0        |
| C. Difference between higher of December 2020 UMLs x 12 or CY 2020 UMLs up to baseline on units under CACC |             | \$405,531  |
| D. CY 2020 New incremental BA- 1/2 of Eligibility                                                          |             | \$0        |
| E. CY 2020 Set Aside Protection- 1/2 of Eligibility                                                        |             | \$0        |

|                                     |                          |
|-------------------------------------|--------------------------|
| December, 2020 units leased per VMS | 830.00                   |
| Multiplied by 12 months             | 9,960.00                 |
| Unit months leased during CY 2020   | <u>9,074.00</u>          |
| Net difference                      | 886.00                   |
| Funded PUC (line 28)                | <u>\$ 457.71</u>         |
| Total amount protected              | <u><u>\$ 405,531</u></u> |



# Step 2C: CARES Act HAP Funding

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- CARES Act HAP Awards are totally protected as described in PIH Notice 2020-17

| CY 2020 Offset Reallocation  |                                                                                                           | Appendix I                |             |
|------------------------------|-----------------------------------------------------------------------------------------------------------|---------------------------|-------------|
| HA Number:                   |                                                                                                           | NA999                     |             |
| HA Name:                     |                                                                                                           | EXAMPLE HOUSING AUTHORITY |             |
| CY 2020 End of Year Reserves |                                                                                                           |                           | \$66,026    |
| <u>PROTECTED CATEGORIES</u>  |                                                                                                           |                           |             |
| A.                           | Difference between the PHA's Eligibility and Prorated Eligibility                                         |                           | \$0         |
| B.                           | CY 2021 Amounts needed to fully lease VASH units                                                          |                           | \$0         |
| C.                           | Difference between higher of December 2020 UMLs x 12 or CY 2020 UMLs up to baseline on units under CACC   |                           | \$0         |
| D.                           | CY 2020 New incremental BA- 1/2 of Eligibility                                                            |                           | \$15,037    |
| E.                           | CY 2020 Set Aside Protection- 1/2 of Eligibility                                                          |                           | \$0         |
| F.                           | CARES Act HAP Awards protection- Total Eligibility                                                        |                           | \$250,255   |
| G.                           | Portion of CY 2021 Renewal Eligibility (Based on units under CACC):                                       |                           | \$292,707   |
|                              | 4% - 500 and above units                                                                                  |                           |             |
|                              | 6% - 250 to 499 units                                                                                     |                           |             |
|                              | 12% - Less than 250 units                                                                                 |                           |             |
| H.                           | PHAs with CY 2020 Inflation factors that were higher than the CY 2020 national weighted average inflator. |                           | \$0         |
|                              | Difference between CY 2020 Inflated Funding and CY 2021 Renewal funding.                                  |                           |             |
| I.                           | Protect 1/2 of RAD 1 HAP for Projects in their 1st Full Year of CY 2020                                   |                           | \$0         |
| J.                           | Total Funds Available for Offset                                                                          |                           | \$0         |
| K.                           | Offset Amount (Total Funds Available for Offset x 70%)                                                    |                           | \$0         |
| L.                           | Prorated Eligibility After Offset                                                                         |                           | \$7,317,682 |



## Step 2D: Size of HCV Program

- In protected category G, HUD has established thresholds for limiting the amount of reserves that can be offset
- The threshold is based on the size of the PHA's HCV program
- Different categories were established to accommodate the needs of smaller PHAs

| Program Size            | Percent | In HAP Expense |
|-------------------------|---------|----------------|
| Less 250 units          | 12%     | 1 ½ months     |
| Between 250 & 499 units | 6%      | 3 weeks        |
| 500 and above units     | 4%      | ½ month        |



# Step 2E: Size of HCV Program

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- Here's an example calculation of the size category (G)

|    |                                                                                                         |  |  |           |
|----|---------------------------------------------------------------------------------------------------------|--|--|-----------|
|    | CY 2020 End of Year Reserves                                                                            |  |  | \$66,026  |
|    |                                                                                                         |  |  |           |
|    | <b>PROTECTED CATEGORIES</b>                                                                             |  |  |           |
| A. | Difference between the PHA's Eligibility and Prorated Eligibility                                       |  |  | \$0       |
| B. | CY 2021 Amounts needed to fully lease VASH units                                                        |  |  | \$0       |
| C. | Difference between higher of December 2020 UMLs x 12 or CY 2020 UMLs up to baseline on units under CACC |  |  | \$0       |
| D. | CY 2020 New incremental BA- 1/2 of Eligibility                                                          |  |  | \$15,037  |
| E. | CY 2020 Set Aside Protection- 1/2 of Eligibility                                                        |  |  | \$0       |
| F. | CARES Act HAP Awards protection- Total Eligibility                                                      |  |  | \$250,255 |
| G. | Portion of CY 2021 Renewal Eligibility (Based on units under CACC):                                     |  |  | \$292,707 |
|    | 4% - 500 and above units                                                                                |  |  |           |
|    | 6% - 250 to 499 units                                                                                   |  |  |           |
|    | 12% - Less than 250 units                                                                               |  |  |           |

|                             |                   |
|-----------------------------|-------------------|
| ACC Units                   | 1,204             |
| 2021 CY Renewal Eligibility | \$ 7,317,682      |
| Size Category Percent       | <u>4%</u>         |
| Total Amount Protected      | <u>\$ 292,707</u> |



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 3.4 - Equity Offset is designed to...?**

# Accounting and Reporting of Administrative Fees





- PHAs are paid a fee by HUD to administer the HCV program.
- Administrative fees are not subject to cash management as the law requires each PHA to be provided a fee for each voucher that is under HAP contract as of the first day of each month.



# Administrative Fees

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- Formula:

- Administrative fees will be paid based on units leased as of the first day of each month per the Voucher Management System (VMS).
- Two administrative fee rates are provided for each public housing authority (PHA). The first rate, Column A, applies to the first 7,200 unit months leased in the calendar year. The second rate, Column B, applies to all remaining unit months leased in the calendar year, subject to proration.

| PHA Code     | 2019 A Rate    | 2019 B Rate    |
|--------------|----------------|----------------|
| AK901        | \$98.76        | \$92.18        |
| ID005        | \$67.21        | \$62.73        |
| <b>ID013</b> | <b>\$83.52</b> | <b>\$77.95</b> |
| ID016        | \$83.52        | \$77.95        |
| ID021        | \$83.52        | \$77.95        |

ID013: 1,000 vouchers leased & 78% proration  
12,000 UMLs

\$601,344 = \$83.52 \* 7,200 (A rate calculation)

\$374,160 = \$77.95 \* (12,000 – 7,200) (B rate calculation)

\$975,504 = Total Fee Earned

\$760,893 = Total Prorated Fee Earned (78%)



# Administrative Fee Rates

65

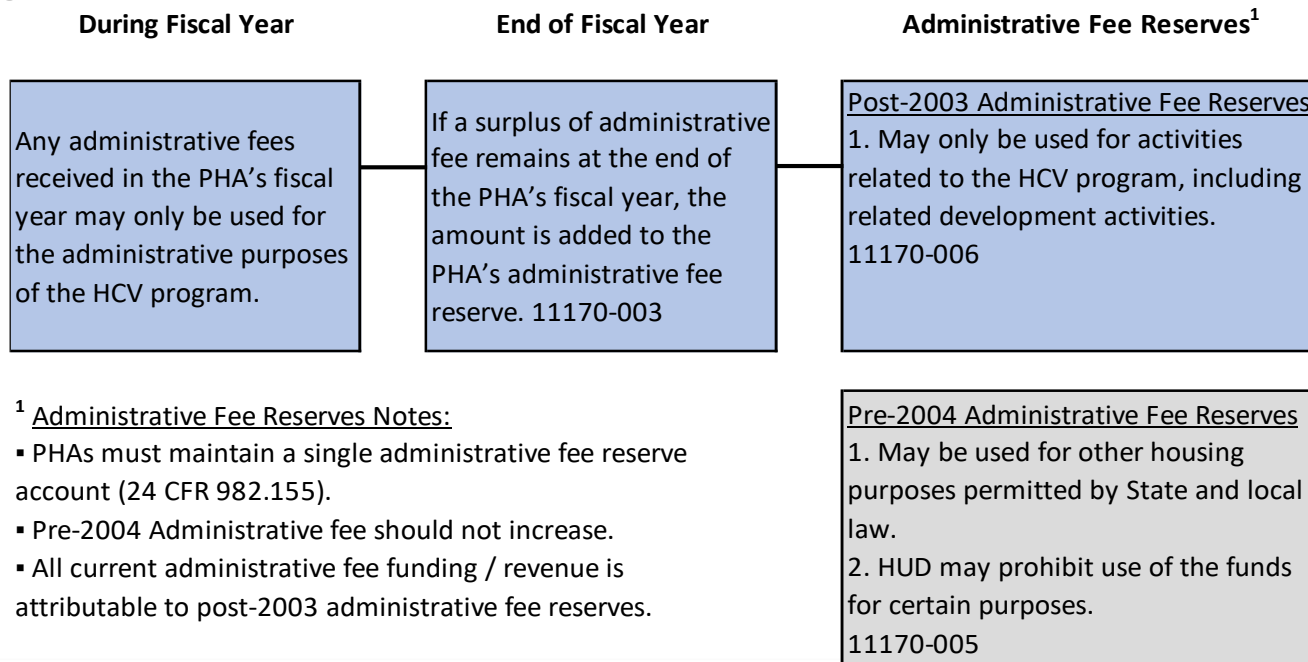
| State                       | 2017    |         | 2018    |         |             | 2019     |         |             |
|-----------------------------|---------|---------|---------|---------|-------------|----------|---------|-------------|
|                             | A Rate  | B Rate  | A Rate  | B Rate  | % Increase  | A Rate   | B Rate  | % Increase  |
| <b>Alaska (1 PHA)</b>       |         |         |         |         |             |          |         |             |
| Min                         | \$94.54 | \$88.24 | \$96.19 | \$89.78 | <b>1.7%</b> | \$98.76  | \$92.18 | <b>2.7%</b> |
| Max                         | \$94.54 | \$88.24 | \$96.19 | \$89.78 | <b>1.7%</b> | \$98.76  | \$92.18 | <b>2.7%</b> |
| Average                     | \$94.54 | \$88.24 | \$96.19 | \$89.78 | <b>1.7%</b> | \$98.76  | \$92.18 | <b>2.7%</b> |
| <b>Idaho (5 PHAs)</b>       |         |         |         |         |             |          |         |             |
| Min                         | \$63.82 | \$59.56 | \$64.88 | \$60.56 | <b>1.7%</b> | \$67.21  | \$62.73 | <b>3.6%</b> |
| Max                         | \$79.30 | \$74.02 | \$80.63 | \$75.25 | <b>1.7%</b> | \$83.52  | \$77.95 | <b>3.6%</b> |
| Average                     | \$74.15 | \$69.21 | \$74.79 | \$69.80 | <b>0.9%</b> | \$77.47  | \$72.30 | <b>3.6%</b> |
| <b>Oregon (21 PHAs)</b>     |         |         |         |         |             |          |         |             |
| Min                         | \$73.82 | \$68.90 | \$75.44 | \$70.42 | <b>2.2%</b> | \$77.62  | \$72.46 | <b>2.9%</b> |
| Max                         | \$89.76 | \$83.78 | \$92.96 | \$86.77 | <b>3.6%</b> | \$96.28  | \$89.86 | <b>3.6%</b> |
| Average                     | \$80.42 | \$75.06 | \$82.88 | \$77.35 | <b>3.1%</b> | \$85.64  | \$79.93 | <b>3.3%</b> |
| <b>Washington (28 PHAs)</b> |         |         |         |         |             |          |         |             |
| Min                         | \$61.12 | \$57.05 | \$62.83 | \$58.64 | <b>2.8%</b> | \$65.20  | \$60.86 | <b>3.8%</b> |
| Max                         | \$95.05 | \$88.70 | \$97.82 | \$91.28 | <b>2.9%</b> | \$101.38 | \$94.60 | <b>3.6%</b> |
| Average                     | \$80.18 | \$74.83 | \$82.51 | \$77.00 | <b>2.9%</b> | \$85.52  | \$79.82 | <b>3.7%</b> |



# Eligible Use of Administrative Fees

66

- Administrative fees may only be used to cover costs incurred to perform a PHA's HCV administrative responsibilities in accordance with HUD regulations and guidance (24 CFR 982.152)



<sup>1</sup> Administrative Fee Reserves Notes:

- PHAs must maintain a single administrative fee reserve account (24 CFR 982.155).
- Pre-2004 Administrative fee should not increase.
- All current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves.



# Eligible Use of Administrative Fees, cont'd

67

- Post-2003 Administrative fees reserves may be used to cover shortfalls in HAP if the fee is not needed to cover administrative expenses.
- Non-federal, non-restricted funds may be loaned to the HCV program to cover shortfalls in the administrative fee account. Subsequent administrative fees may be used to reimburse the funding source.
- Once pre-2004 administrative fees have been spent on an eligible activity, FDS line 11170-005 Pre-2004 Administrative Fee Reserves should not be increased.
  - All current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves.



# Administrative Fee FDS Lines

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- 70600-060 All Other Fees - Homeownership Fees; Special Fees for Multifamily Housing Conversion Actions; Special Fees for Portability; Disaster Fee Adjustments; and One-Time Costs Associated with adoption of Small Area Fair Market Rent

| Line Item 70600 Details (readonly mode) |                                                  |                       |
|-----------------------------------------|--------------------------------------------------|-----------------------|
| Line Item #                             | Description                                      | Value                 |
| <del>*70600-010</del>                   | <del>Housing Assistance Payments</del>           | <del>\$21785635</del> |
| *70600-020                              | Ongoing Administrative Fees Earned               | \$2263630             |
| <del>*70600-030</del>                   | <del>Hard to House Fee Revenue</del>             | <del>\$0</del>        |
| <del>*70600-031</del>                   | <del>FSS Coordinator Grant</del>                 | <del>\$0</del>        |
| *70600-040                              | Actual Independent Public Accountant Audit Costs | \$0                   |
| <del>*70600-050</del>                   | <del>Total Preliminary Fees Earned</del>         | <del>\$0</del>        |
| *70600-060                              | All Other Fees                                   | \$0                   |
| 70600-070                               | Admin Fee Calculation Description                |                       |
| Total Amount                            |                                                  | \$24049265            |
| <a href="#">Back to IncomeStatement</a> |                                                  |                       |



# Administrative Fee Revenue Recognition(GASB 33)

69

- Same criteria as used for HAP Funding
- For administrative fee, specifically
  - Timing and enforceable legal claim requirement apply because the appropriation language requires that a fee be earned only based on the number of vouchers leased on the **first of the month**.
- PHAs in practice, recognize administrative fees based on disbursements from HUD (cash basis) and then reconcile to actual fees earned at year-end.
  - Book accounts receivable from HUD for fees earned but not received
  - Book unearned revenue for fees received but not earned
    - ◆ Should not be reported as an accounts payable back to HUD



- Administrative fees are disbursed/available on the first of each month.
- Since HUD does not know the number of vouchers leased on the first of the month, the fee disbursed is based on past months voucher leased reported in VMS.
- Throughout the year, this funding mechanism results in a small overpayment or underpayment of fees each month, but essentially corrects itself in later months, as VMS data for prior month becomes available.
- At the end of the calendar year, when all calendar year VMS data is available and re-certified
  - HUD recalculates a final administrative fee for each PHA, reducing / increasing the administrative fee disbursed as necessary.





# Illustration of Vouchers Leased in a Disbursement Schedules

71

| Housing Authority of the Anywhere - Voucher Leased Data |        |                                |                        |            |              |                      |
|---------------------------------------------------------|--------|--------------------------------|------------------------|------------|--------------|----------------------|
| #                                                       | Month  | HUD Estimate of Voucher Leased | Actual Vouchers Leased | Difference | % Difference | Payment              |
| 1                                                       | Apr-17 |                                | 482                    |            |              |                      |
| 2                                                       | May-17 |                                | 479                    |            |              |                      |
| 3                                                       | Jun-17 |                                | 477                    |            |              |                      |
| 4                                                       | Jul-17 |                                | 476                    |            |              |                      |
| 5                                                       | Aug-17 |                                | 480                    |            |              |                      |
| 6                                                       | Sep-17 |                                | 486                    |            |              |                      |
| 7                                                       | Oct-17 | 482                            | 480                    | 2          | 0.4%         | Over-Payment         |
| 8                                                       | Nov-17 | 479                            | 475                    | 4          | 0.8%         | Over-Payment         |
| 9                                                       | Dec-17 | 477                            | 490                    | -13        | -2.7%        | Under-Payment        |
| 10                                                      | Jan-18 | 476                            | 488                    | -12        | -2.4%        | Under-Payment        |
| 11                                                      | Feb-18 | 480                            | 481                    | -1         | -0.2%        | Under-Payment        |
| 12                                                      | Mar-18 | 486                            | 484                    | 2          | 0.4%         | Over-Payment         |
| 13                                                      | Apr-18 | 480                            | 479                    | 1          | 0.2%         | Over-Payment         |
| 14                                                      | May-18 | 475                            | 476                    | -1         | -0.2%        | Under-Payment        |
| 15                                                      | Jun-18 | 490                            | 489                    | 1          | 0.2%         | Over-Payment         |
| 16                                                      | Jul-18 | 488                            | 488                    | 0          | 0.0%         | n/a                  |
| 17                                                      | Aug-18 | 481                            | 484                    | -3         | -0.6%        | Under-Payment        |
| 18                                                      | Sep-18 | 484                            | 486                    | -2         | -0.4%        | Under-Payment        |
| <b>Total Oct 17 - Sept 18</b>                           |        | <b>5,778</b>                   | <b>5,800</b>           | <b>-22</b> | <b>-0.4%</b> | <b>Under-Payment</b> |



# Administrative Fee Reporting - Underpayment

72

| VMS and Fee Calculation Data |                                   |          |           |                     |                  |
|------------------------------|-----------------------------------|----------|-----------|---------------------|------------------|
| Data                         | Vouches Leased<br>on 1st of Month | Fee Rate | Proration | Amount<br>Disbursed | Amount<br>Earned |
| Older VMS Data               | 500                               | \$60     | 75%       | \$22,500            |                  |
| Actual                       | 550                               | \$60     | 75%       |                     | \$24,750         |

| FDS Reporting |                                                |          |          |
|---------------|------------------------------------------------|----------|----------|
| FDS Line Item |                                                | Debit    | Credit   |
| 111           | Cash - Unrestricted                            | \$22,500 |          |
| 122           | Accounts Receivable - HUD Other Projects       | \$2,250  |          |
| 70600-020     | HUD PHA Operating Grants - Administrative Fees |          | \$24,750 |



# Administrative Fee Reporting - Overpayment

73

| VMS and Fee Calculation Data |                                   |          |           |                     |                  |
|------------------------------|-----------------------------------|----------|-----------|---------------------|------------------|
| Data                         | Vouches Leased<br>on 1st of Month | Fee Rate | Proration | Amount<br>Disbursed | Amount<br>Earned |
| Older VMS Data               | 550                               | \$60     | 75%       | \$24,750            |                  |
| Actual                       | 500                               | \$60     | 75%       |                     | \$22,500         |

| FDS Reporting |                                                  |          |          |
|---------------|--------------------------------------------------|----------|----------|
| FDS Line Item |                                                  | Debit    | Credit   |
| 111           | Cash - Unrestricted                              | \$22,500 |          |
| 115           | Cash Restricted for Payment of Current Liability | \$2,250  |          |
| 70600-020     | HUD PHA Operating Grants - Administrative Fees   |          | \$22,500 |
| 342           | Unearned Revenue                                 |          | \$2,250  |



# Unspent Administrative Fees

74

- For FDS reporting, unspent and earned administrative fees are considered unrestricted as the funds are
  - **Available** for full use in the day-to-day operations of the program, including the payment of HAP (as needed)
- Unspent and earned Administrative fees should be reported in FDS Lines
  - Unrestricted Cash (FDS line 111)
  - Unrestricted Investments (FDS line 131)
- Port-in payments (both HAP and administrative fees from the initial PHA) are not considered restricted and should be reported in the PHA's administrative fee account.



# REAC Financial Review #03

75

- **Instructions:** You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's financial submission. The table below provides HUD funding information for the PHA you are reviewing.

| FDS Line  | FDS Description                    | Amount      | %    |
|-----------|------------------------------------|-------------|------|
| 70600-010 | Housing Assistance Payments        | \$3,920,000 | 91%  |
| 70600-020 | Ongoing Administrative Fees Earned | \$375,000   | 9%   |
| 70600     | Total HUD Revenue                  | \$4,295,000 | 100% |

- Other information: The PHA **reported unearned revenue of \$105,000** and provided the following information.
  - The PHA's beginning HAP equity was zero and the PHA's HAP need / expense for the year was \$3,820,000.
  - The PHA does not operate an FSS program and no repayment agreements were entered into this year or prior years.
  - HUD disbursed \$380,000 in administrative fees in the year but the PHA only earned \$375,000 in fees.

**Question:** Based on the above information, is there a reporting or problem? Why or why not?



# Unrestricted Net Position – FDS Reporting

76

## Unrestricted Net Position – FDS Reporting

### FDS – UNP (FDS line 512.4)

- Total unrestricted current and long-term assets minus total unrestricted current and long-term liabilities
- Does not include net investments in capital assets

### Administrative Fee Equity (FDS line 11170)

- Should normally equal the sum of unrestricted net position (512.4) and net investments in capital assets (508.4)
- Some GAAP restricted items may be reported in this account, such as:
  - Debt issued for a renovation of administrative building,
  - Certain homeownership activity,
  - Net Pension and OPEB asset and liabilities (some states require this asset to be reported as restricted; but is reported under 11170 for FDS reporting)

### Notes

- Can be zero or negative



# Unrestricted Net Position – VMS Reporting

77

## Unrestricted Net Position – VMS Reporting

### VMS Reporting

- At the end of the PHA's fiscal year, report the difference between the HCV program's asset and liabilities that do not meet the definition of restricted net assets or invested in capital assets
- In all other months, the PHA's UNP should reflect any administrative fee net loss for the year and the income or loss of other activity reported under UNP (i.e., portion of fraud recovery, interest income, etc.)

### Notes

- Include all port-in activity
- Interest earned on RNP up to \$500 is considered UNP / admin activity
- Pensions and OPEB liabilities should be included in UNP with comment
- FSS grants should not be reported as UNP
- Does not include Mainstream 5 activity or other non-HCV programs (i.e. Mod Rehab)
- Can be zero or negative



# REAC Financial Review #02

78

**Instructions:** You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's financial submission. The PHA under review has a June 30th fiscal year end with annual budget authority of \$2.5 million. The PHA reported the following HCV balances on their FDS submission to REAC.

- Restricted Net Position (FDS line 511.4) \$0
- Housing Assistance Payment Equity (FDS Line 11180) -\$65,194

**Question:** Is this a reporting problem and why?





# UNP/RNP Reporting Example #1

79

- Small Net Income (any fiscal year end)
  - PHA starts the year with:
    - ◆ RNP of \$20,000 (assumes fully supported by cash)
    - ◆ UNP of \$10,000 (assumes fully supported by cash)
    - ◆ HUD Held Reserves of \$40,000
  - Net HAP activity for the year is a profit of \$5,000
  - Net Admin Fee activity for the year is \$0 (breakeven)

| Fiscal Year End Reporting             |          |             |          |
|---------------------------------------|----------|-------------|----------|
| FDS Account                           | Balance  | VMS Account | Balance  |
| FDS – Restricted Net Position (511.4) | \$25,000 |             |          |
| FDS – HAP Equity (11180)              | \$25,000 | VMS – RNP   | \$25,000 |
| FDS – UNP (512.4)                     | \$10,000 | VMS – UNP   | \$10,000 |



# UNP/RNP Reporting Example #2

80

- Small Net Loss Absorbed by RNP (any fiscal year end)
  - PHA starts the year with:
    - ◆ RNP of \$20,000 (assumes fully supported by cash)
    - ◆ UNP of \$10,000 (assumes fully supported by cash)
    - ◆ HUD Held Reserves of \$40,000
  - Net HAP activity for the year is a loss of \$15,000
  - Net Admin Fee activity for the year is \$0 (breakeven)

| Fiscal Year End Reporting             |          |             |          |
|---------------------------------------|----------|-------------|----------|
| FDS Account                           | Balance  | VMS Account | Balance  |
| FDS – Restricted Net Position (511.4) | \$5,000  |             |          |
| FDS – HAP Equity (11180)              | \$5,000  | VMS – RNP   | \$5,000  |
| FDS – UNP (512.4)                     | \$10,000 | VMS – UNP   | \$10,000 |



# UNP/RNP Reporting Example #3

81

- Net Loss to be Paid by HUD Held Reserves (any fiscal year end)
  - PHA starts the year with:
    - ◆ RNP of \$20,000 (assumes fully supported by cash)
    - ◆ UNP of \$10,000 (assumes fully supported by cash)
    - ◆ HUD Held Reserves of \$40,000
  - Net HAP activity for the year is a loss of \$35,000
  - Net Admin Fee activity for the year is \$0 (breakeven)

| Fiscal Year End Reporting             |          |             |            |
|---------------------------------------|----------|-------------|------------|
| FDS Account                           | Balance  | VMS Account | Balance    |
| FDS – Restricted Net Position (511.4) | \$0      |             |            |
| FDS – HAP Equity (11180)              | \$0      | VMS – RNP   | (\$15,000) |
| FDS – UNP (512.4)                     | \$10,000 | VMS – UNP   | \$10,000   |

1. PHA pays HAP using UNP and other eligible sources of funding (e.g., COCC)
2. HUD-held reserves will be reduced by \$15,000 (\$35,000 loss minus \$20,000 RNP balance)
3. Under cash management, PHAs should report negative RNP under VMS to reflect the need to have further funds disbursed (up to those available funds), which is different than when HUD disbursed the full annual budget authority



- PHAs should be requesting HAP funds from the FMC to cover any deficit ahead of time and not wait for HUD to provide additional funds as part of the reconciliation process.
- Deficits will be covered through additional release of HAP funds:
  - Annual Budget Authority
  - HUD Held Reserves
  - Set- aside Funds
  - Cost Saving Measures
- The use of UNP to cover HAP deficits is optional.

The previous examples are the reporting possibilities that would exist if the PHA is managing its HAP costs, requesting HAPs funds ahead of time, and applying for set-aside funding if needed.



# REAC Financial Review #02

83

**Instructions:** You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's financial submission. The PHA under review has a June 30th fiscal year end with annual budget authority of \$2.5 million. The PHA reported the following HCV balances on their FDS submission to REAC.

- Restricted Net Position (FDS line 511.4) \$0
- Housing Assistance Payment Equity (FDS Line 11180) -\$65,194

**Question:** Is this a reporting problem and why?



# UNP/RNP Reporting Example #1

84

- Small Net Income (any fiscal year end)
  - PHA starts the year with:
    - ◆ RNP of \$20,000 (assumes fully supported by cash)
    - ◆ UNP of \$10,000 (assumes fully supported by cash)
    - ◆ HUD Held Reserves of \$40,000
  - Net HAP activity for the year is a profit of \$5,000
  - Net Admin Fee activity for the year is \$0 (breakeven)

| Fiscal Year End Reporting             |          |             |          |
|---------------------------------------|----------|-------------|----------|
| FDS Account                           | Balance  | VMS Account | Balance  |
| FDS – Restricted Net Position (511.4) | \$25,000 |             |          |
| FDS – HAP Equity (11180)              | \$25,000 | VMS – RNP   | \$25,000 |
| FDS – UNP (512.4)                     | \$10,000 | VMS – UNP   | \$10,000 |



# UNP/RNP Reporting Example #2

85

- Small Net Loss Absorbed by RNP (any fiscal year end)
  - PHA starts the year with:
    - ◆ RNP of \$20,000 (assumes fully supported by cash)
    - ◆ UNP of \$10,000 (assumes fully supported by cash)
    - ◆ HUD Held Reserves of \$40,000
  - Net HAP activity for the year is a loss of \$15,000
  - Net Admin Fee activity for the year is \$0 (breakeven)

| Fiscal Year End Reporting             |          |             |          |
|---------------------------------------|----------|-------------|----------|
| FDS Account                           | Balance  | VMS Account | Balance  |
| FDS – Restricted Net Position (511.4) | \$5,000  |             |          |
| FDS – HAP Equity (11180)              | \$5,000  | VMS – RNP   | \$5,000  |
| FDS – UNP (512.4)                     | \$10,000 | VMS – UNP   | \$10,000 |



# UNP/RNP Reporting Example #3

86

- Net Loss to be Paid by HUD Held Reserves (any fiscal year end)
  - PHA starts the year with:
    - ◆ RNP of \$20,000 (assumes fully supported by cash)
    - ◆ UNP of \$10,000 (assumes fully supported by cash)
    - ◆ HUD Held Reserves of \$40,000
  - Net HAP activity for the year is a loss of \$35,000
  - Net Admin Fee activity for the year is \$0 (breakeven)

| Fiscal Year End Reporting             |          |             |            |
|---------------------------------------|----------|-------------|------------|
| FDS Account                           | Balance  | VMS Account | Balance    |
| FDS – Restricted Net Position (511.4) | \$0      |             |            |
| FDS – HAP Equity (11180)              | \$0      | VMS – RNP   | (\$15,000) |
| FDS – UNP (512.4)                     | \$10,000 | VMS – UNP   | \$10,000   |

1. PHA pays HAP using UNP and other eligible sources of funding (e.g., COCC)
2. HUD-held reserves will be reduced by \$15,000 (\$35,000 loss minus \$20,000 RNP balance)
3. Under cash management, PHAs should report negative RNP under VMS to reflect the need to have further funds disbursed (up to those available funds), which is different than when HUD disbursed the full annual budget authority





- PHAs should be requesting HAP funds from the FMC to cover any deficit ahead of time and not wait for HUD to provide additional funds as part of the reconciliation process.
- Deficits will be covered through additional release of HAP funds:
  - Annual Budget Authority
  - HUD Held Reserves
  - Set- aside Funds
  - Cost Saving Measures
- The use of UNP to cover HAP deficits is optional.

The previous examples are the reporting possibilities that would exist if the PHA is managing its HAP costs, requesting HAPs funds ahead of time, and applying for set-aside funding if needed.



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 3.5 - Admin fee adjustments are based on...?**

# Portability



- Section 8(r) of the US Housing Act of 1937, as amended by the Quality Housing and Work Responsibility Act of 1998 (QHWRA)
  - Allows a family with a housing choice voucher, but with certain restrictions, to use that voucher to lease a unit anywhere in the United States where there is a PHA operating the HCV program
  - This feature of the HCV program is referred to as portability and is the process of leasing an HCV unit outside of the jurisdiction of the PHA that initially issued the family its voucher.

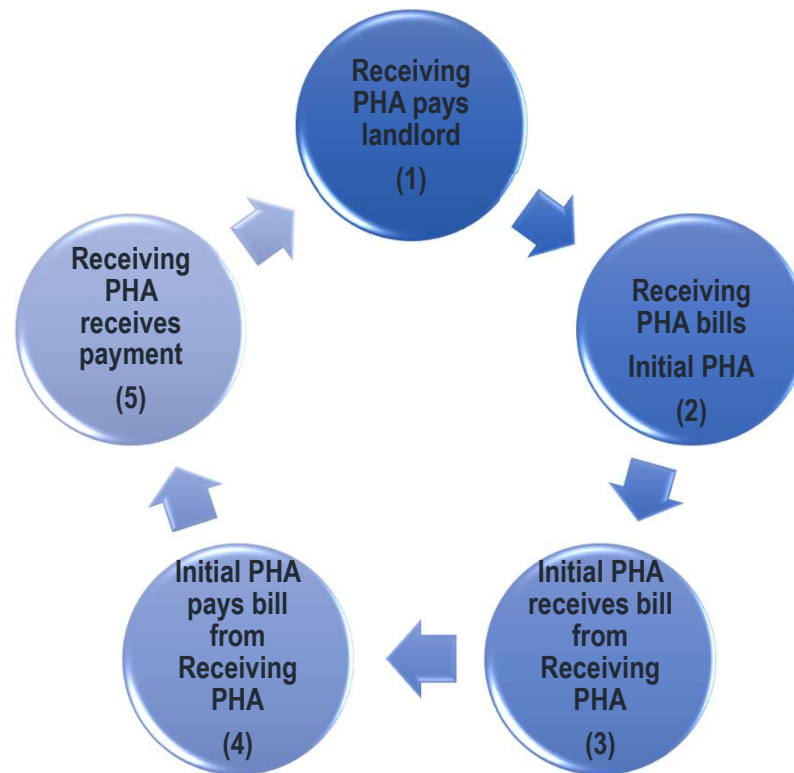


- **Initial PHA:** The PHA that issues the ACC voucher to a family that wants to move to a different jurisdiction.
- **Receiving PHA:** The PHA in the jurisdiction to which the family wishes to relocate
  - The receiving PHA may bill the Initial PHA for the HAP and administrative costs of the voucher, the voucher remains an ACC voucher of the initial PHA or
  - The receiving PHA may absorb the voucher into its own program. The voucher used is now the receiving PHA's ACC
- **Port In (Family):** Refers to program participant at the receiving PHA
- **Port Out (Family):** Refers to program participant that no longer resides in the initial PHA's jurisdiction but is under the receiving PHA's jurisdiction, i.e., a family ports out of the initial PHA's jurisdiction and ports into the receiving PHA's jurisdiction



# Portability Accounting and Billing Cycle

92



- The initial PHA is required to pay the receiving PHA
  - HAP: 100% of the HAP paid by the receiving PHA
  - Administrative Fee: Lessor of
    - ◆ 80% of the initial PHA's ongoing administrative fee; or
    - ◆ 100% of the receiving PHA's ongoing administrative fee

## Administrative Fee Details

- ◆ Fee rate is based on column B rate of the fee schedule
- ◆ Proration is applicable
- ◆ PHAs can agree to another amount



# Portability – FDS Line Items

94

| FDS Line | Account Description                                    |
|----------|--------------------------------------------------------|
| 121      | Accounts Receivable - PHA Projects                     |
| 332      | Accounts Payable - PHA Projects                        |
| 71500    | Revenue Portability (HAP & Admin Fees - Receiving PHA) |
| 96200    | Other General Expense (Admin Fees - Initial PHA)       |
| 97300    | HAP Expense (Initial PHA)                              |
| 97350    | HAP Portability-In (Receiving PHA's Landlord Payment)  |





# Portability – Journal Entry

95

| HAP Payment to Landlord by the Receiving PHA:  |       |        |
|------------------------------------------------|-------|--------|
| FDS Account & Description                      | Debit | Credit |
| (97350) Housing Assistance Payment Portability | XXX   |        |
| (111) Cash - Unrestricted                      |       | XXX    |

| Receiving PHA Invoices the Initial PHA:                              |       |        |
|----------------------------------------------------------------------|-------|--------|
| FDS Account & Description                                            | Debit | Credit |
| (121) Account Receivable - PHA Projects (HAP and Administrative Fee) | XXX   |        |
| (71500) Revenue Portability (HAP and Admin Fee)                      |       | XXX    |



# Portability – Journal Entry

96

| Initial PHA Records Payment to the Receiving PHA:                                                               |       |        |
|-----------------------------------------------------------------------------------------------------------------|-------|--------|
| FDS Account & Description                                                                                       | Debit | Credit |
| (97300) Housing Assistance Payments<br>(Reimbursement for Landlord Payment)                                     | XXX   |        |
| (96200) Other General Expense (Admin Fee Paid)<br>(332) Accounts Payable - HUD PHA Programs (HAP and Admin Fee) | XXX   | XXX    |

| Initial PHA Makes Payment to the Receiving PHA:                                                          |       |        |
|----------------------------------------------------------------------------------------------------------|-------|--------|
| FDS Account & Description                                                                                | Debit | Credit |
| (332) Accounts Payable - HUD PHA Programs<br>(Reimbursement for Landlord Payment and Administrative Fee) | XXX   |        |
| (111) Cash - Unrestricted (Admin Fee)                                                                    |       | XXX    |
| (113) Cash - Other Restricted (HAP)                                                                      |       | XXX    |



# Portability – Journal Entry

97

| Receiving PHA Records Payment from the Initial PHA:                                            |       |        |
|------------------------------------------------------------------------------------------------|-------|--------|
| FDS Account & Description                                                                      | Debit | Credit |
| (111) Cash - Unrestricted                                                                      | XXX   |        |
| (121) Accounts Receivable - PHA Projects<br>(Reimbursement for landlord payment and Admin Fee) |       | XXX    |



# VMS Reporting Issues



- Reporting of Cash/Investment Balances
- Reporting of Administrative Expenses
- Reporting of HAP Expenses
- Reporting of UNP Balances
- Reporting of RAD Vouchers
  - VMS Quality Audits
  - Units Leased
  - Reporting of RNP



- The Voucher Management System (VMS) is an online system created to track voucher unit and HAP cost data.
- Used for funding purposes
- VMS submissions are due on the 22nd of the following month.
  - The amounts reported in VMS follow specific rules that do not necessarily follow GAAP accounting principles.
  - Data fields in VMS have a “?” If you click on it, it gives a description of what should be reported in that field.



# VMS Cash/Investments Definition

85

- Cash/Investments as of the last day of the month – Voucher Program only.
- Cash/Investments as of the last day of the month are the total amount of HAP and AF cash and investments for the HCV program.
  - Amounts reported
    - ◆ Cash and investments as they relate to NRP and UNP balances as of the last PHA FYE
    - ◆ any additional funds that may have been reported in the UNP and NRP fields through the month being reported.
  - This total amount must include only those HAP and AF funds (including any interest or revenue derived) received for the HCV program, including interest earned, fraud recovery and Family Self-Sufficiency (FSS) forfeitures.
  - Funds received for an FSS Coordinator and not expensed must not be included.
  - **Cash and investments for FSS escrows must not be included, nor should any cash or investments representing other current liabilities to the PHA, such as outstanding checks and “accrued compensated absences – current period.”**
    - ◆ These funds are already restricted for specific purposes and are not available for use to pay HAP or other administrative costs.



# VMS Reporting – Cash & Investments Example

102

|                                           |               |
|-------------------------------------------|---------------|
| Cash                                      | 60,000        |
| Cash - FSS Deposits                       | 6,000         |
| Prepaid Insurance                         | 1,500         |
| Equipment - (Net of Depre.)               | 4,500         |
| <b>Total Assets</b>                       | <b>72,000</b> |
| Accounts Payable                          | 2,000         |
| Accrued Leave - Current                   | 3,000         |
| Interprogram - Due to                     | 15,000        |
| FSS Escrow Liabilities                    | 6,000         |
| Accrued Leave - Noncurrent                | 12,000        |
| Pension Liability (GASB 68) - Noncurrent  | 14,000        |
| <b>Total Liabilities</b>                  | <b>52,000</b> |
| Unrestricted Net Position                 | 8,000         |
| Restricted Net Position (HAP)             | 7,500         |
| Investment in Capital Assets              | 4,500         |
| <b>Total Net Position</b>                 | <b>20,000</b> |
| <b>Total Liabilities and Net Position</b> | <b>72,000</b> |

| Item                                | Balance    |
|-------------------------------------|------------|
| Cash                                | \$60,000   |
| Add: Investments                    | -----      |
| Less: Accounts Payable              | \$(2,000)  |
| Less: Accrued Leave-Current Portion | \$(3,000)  |
| Less: Inter-Program Due To          | \$(15,000) |
| Net Cash to Report in VMS           | \$40,000   |

The cash amount reported in VMS differs from the balance reported on the FDS due to VMS requirements mandating that current liability balances be deducted from cash balances to arrive at a net balance available.





- Total administrative expenses, direct and indirect, incurred by the PHA for the Voucher Program. This amount excludes:
  - Expenses covered by FSS/Homeownership Coordinator grants
  - Housing Conversion fees
  - Mobility Counseling
  - ROC fees (and other special purpose one time fees provided)
  - Preliminary Expenses and Portability Payments due from another Housing Authority.



# VMS Reporting – Admin Expenses

104

- A PHA may need to include capitalized expenditures, as these costs have a direct impact to the unrestricted net position balance.
- Depreciation expense does not impact unrestricted net position. It impacts Investment in Net Capital Assets.
- Portability HAP payments (port-in) are not being included as a cost due to the reimbursement nature of the program transaction.



# Calculate VMS Admin Expenses

105

|                               |                             |   |
|-------------------------------|-----------------------------|---|
| Admin. Salaries               | 12,000                      | ★ |
| Employee Benefits             | 4,100                       | ★ |
| Audit                         | 700                         |   |
| Office Rent                   | 400                         | ★ |
| Office Supplies               | 350                         | ★ |
| Insurance                     | 500                         | ★ |
| Port-out Admin. Fees          | 250                         | ★ |
| Port-in HAP Payments          | 1,380                       |   |
| Capitalized Expenditures      | 1,200                       | ★ |
| Depreciation                  | 600                         |   |
| Transfer of Pre-2004 Reserves | <u>5,000</u>                |   |
| <b>Total Admin. Costs</b>     | <b><u><u>26,480</u></u></b> |   |

★ Administrative expenses to be reported to VMS total \$18,800.



- AF revenue used to calculate the UNP reported in this field does not include AF received during the current PHA FY.
  - Excess AF received does not accumulate to the UNP until the end of the PHA's FY. The excess fees received during the PHA's current FY will not be reported in the UNP field until after the PHA's FYE.
- The monthly amount reported is the UNP balance at the beginning of the year plus any interest earned and fraud recovery allocated to the UNP account for the months in the current year.
  - PHAs must include in this field their pre-2005 AF balance, formerly referred to as their operating reserve (also known as their AF reserve).



# VMS Reporting – UNP Balance

107

- In a nutshell, PHAs are prohibited from including any administrative fee profits generated from HUD funding (HCV Admin. Fees) in the unrestricted net position balance.
- However, net losses related to administrative fees should still be included as a reduction to the unrestricted net position balance.





# Miscellaneous

- PHAs are reminded that a number of accounting transactions do not automatically flow into FDS accounts:
  - 11170 Administrative Fee Equity
  - 11180 HAP Equity(e.g., other state/local grants, transfers, other revenue, prior period adjustments, corrections of errors, etc.)
- PHAs need to ensure that the Other Revenue and Other Expense detail lines are properly completed with explanatory comments.
- Audit adjustments and other errors, especially related to HAP will normally require the PHA to revise VMS reporting.



# Pre-2004 Administrative Fee Equity

110

- Once pre-2004 administrative fees have been spent on an eligible activity, FDS line 11170-005 pre-2004 Administrative Fee Reserves should not be increased.
  - Ancillary all-current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves.





# New VMS RAD Leasing and HAP Lines

111

- Effective April 2016, RAD Component 1 and 2 leasing and expense information is no longer reported in the Tenant Protection voucher lines.
- Effective April 2016, RAD HAP and Leasing information should be reported in
  - Rental Assistance Component 1 (RAD 1) - Total HAP paid / units leased beginning January 1 of the first full calendar year for all RAD Component 1 awards
  - Rental Assistance Component 2 (RAD 2) - Total HAP paid / units leased beginning January 1 of the first full calendar year for all RAD Component 2 awards
- (Note – Do not revise Tenant Protection data for January – March of 2016)



- It is recommended that PHA accounting and HCV staff review **quarterly**:
  - Last two of years of VMS and FDS
  - Other in-house reports
  - The data for:
    - ◆ Consistency in reporting
    - ◆ Variances that cannot be explained
  - Known variances
  - Known variances where a correction should have already been applied
  - Known variances where a correction will be applied at a future time



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 3.6 - Which of the following expenses is not included in VMS?**



# QAD Findings & Concerns

# Improper Cash Reporting

115

- Cash in FDS does not match VMS
- Commingling of accounts
- Insufficient cash balance
- General Depository Agreement
- Due To and Due From balances

| Item                           | Amount     |
|--------------------------------|------------|
| Bank Balance                   | \$50,000   |
| Investment Balance             | \$28,000   |
| MINUS                          |            |
| Unspent FSS Coordinator Grants | \$-----    |
| FSS Escrow balances            | \$(12,500) |
| Outstanding checks             | \$(3,200)  |
| Other current liabilities      | (4,200)    |
| QAD validated cash             | \$58,100   |



- FSS Escrows
- Retroactive HAP Expenses
- Equity Transfers
- Portability
- Administrative Expenses
- Inappropriate use of HCV funds
- Cost Allocations
- Peer-to-Peer Analysis
- Equity Balances
- Other Programs
  - Home Buying
- Reporting of RNP and UNP Balances
- Failure to Correct VMS
- Failure to Maintain Internal Control
- Management Fees
- Failure to Carry Fidelity Bond



# Pre-2004 Admin. Fee Reserves

117

- Pre-2004 admin. fee reserves are being replenished with current admin. fees earned after resources have been used in the previous year.





## **Reporting of HCV Program on the SEFA**



- Determining Federal Awards Expended on the Schedule of Expenditure of Federal Awards (SEFA) (2 CFR 200.502 (a))
  - For a Federal award to be considered expended, it must be based on when the activity related to the Federal award occurred.
  - Activity pertains to events that require the non-federal entity to comply with federal statutes, regulations, and the terms and conditions of Federal awards.



# SEFA and HCV Program Expenses

120

- For the HCV program, REAC will accept the federal awards expended reported on the SEFA/DCF as either:
  - 1) equal to FDS line 70600 (HUD PHA Operating Grants); or
  - 2) equal to FDS line 90000 (Total Expenses) less FDS line 97400 (Depreciation Expense) plus transfers out of Federal funds plus balance sheet only activities

| FDS Line Items                                                                                                                                                                                                           | Description                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| FDS Line 70600 (HUD PHA Operating Grants)                                                                                                                                                                                | Annual Budget Authority or HUD Revenue Recognized |
| FDS Line 90000 (Total Expenses) less FDS Line 97400 (Depreciation Expense) plus any transfers out of Federal funds plus federal funds used for balance sheet only activities, such as the acquisition of capital assets. | Program Expenditures                              |



- It is HUD's recommendation that federal funds involved in both port-in and port-out activity be:
  - Included in each PHA's (Initial and Receiving) SEFA
  - Subject to audit procedures if the PHA meets the Single Audit requirements
- Specifically, including the port-in activity and the associated HAP expense on the Schedule of Expenditure of Federal Awards ensures the port-in is properly included in the universe for audit testing.



- PIH Notice 2018-09: Implementation of the Federal Fiscal Year (FFY) 2018 Funding Provisions for the Housing Choice Voucher Program
- PIH Notice 2013-28: Guidance on the Use of Outside Sources of Funds in the Housing Choice Voucher (HCV) Program
- Accounting Brief #19: Revenue Recognition for Housing Assistance Payments and Administrative Fees for the Housing Choice Voucher Program
- 24 CFR Part 792 – Public Housing Agency Section 8 Fraud Recoveries



- FSS program

- 24 CFR 984: Family Self-Sufficiency Regulation
- FFY 2014, 2015 and 2017 Notice of Funding Availability (NOFA) for Family Self-Sufficiency Program
- Accounting Brief #23: Financial Reporting for the Family Self-Sufficiency Program

- Portability Provision

- 24 CFR 982.353 through 982.355
- Accounting Brief #18: Accounting Procedures for Recording Portability Transactions for the Housing Choice Voucher (HCV) Program
- PIH Notice 2016-09: Housing Choice Voucher (HCV) Family Moves with Continued Assistance, Family Briefing, and Voucher Term's Suspension







FASS - PH

Spring/Summer 2022

# Session 4: Uniform Guidance



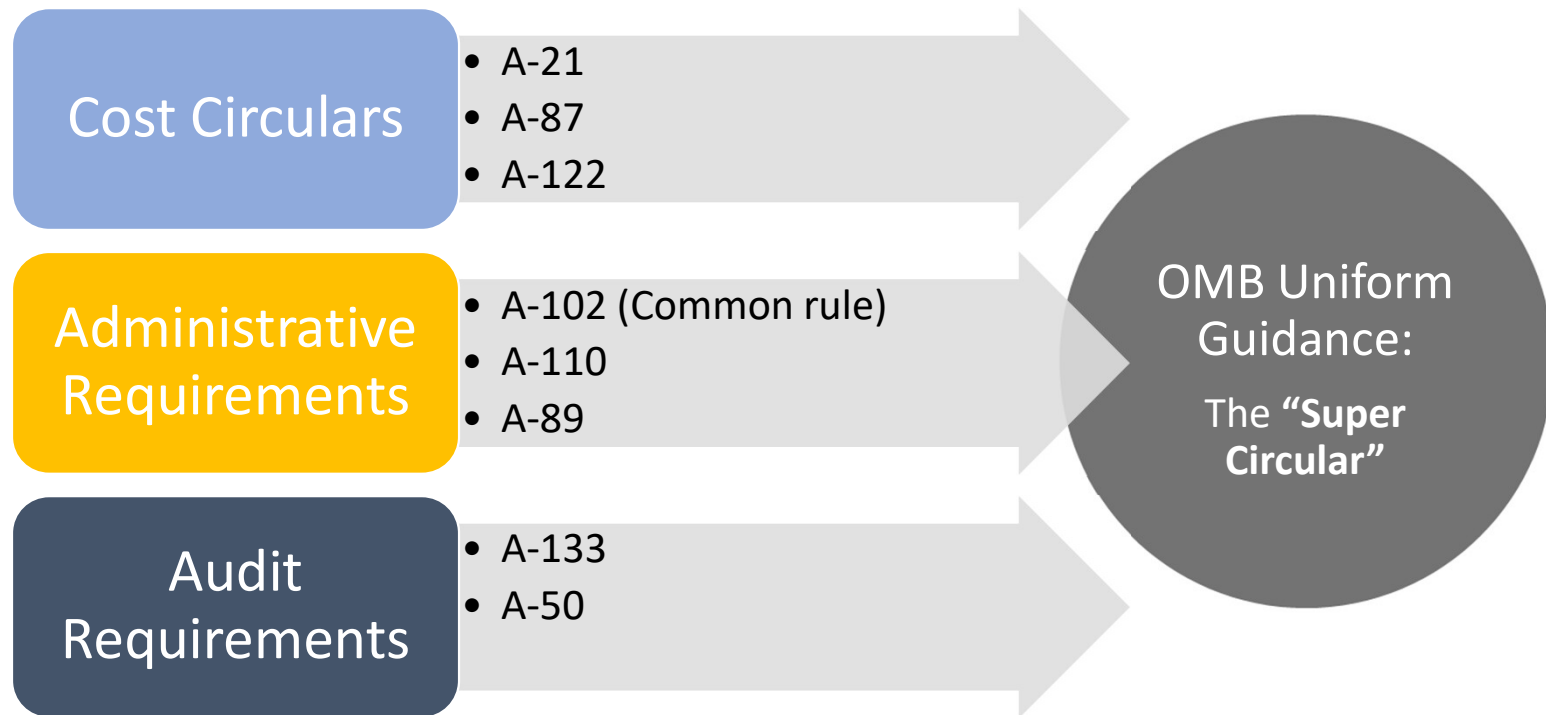
# 2 CFR Part 200 – OMB Uniform Guidance: Cost Principles, Audit and Administrative Requirement for Federal Awards (OMB Uniform Guidance)





# 2 CFR Part 200 Replaces

3



# Uniform Grant Guidance

4

- Subpart D: Post-Award Requirements for and Program Management

- Internal controls: explicit IC requirements for awardees
- Procurement standards: must be used by awardees
  - ◆ Simplified acquisition
  - ◆ Micro-purchase
  - ◆ Seal bids
  - ◆ Competitive proposals
  - ◆ Noncompetitive proposals
- Sub-recipient monitoring and management
  - ◆ Risk assessment before sub-award
  - ◆ Information to be provided to sub-awardee
  - ◆ Monitoring procedures

Financial





# Purchasing – 2 CFR 200.317-325

# Subrecipient or Contractor?

6

The relationship, rather than the document title, is the basis for determining which requirements are applicable

- Subrecipient *means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program (§200.93)*
- Contractor *means an entity that receives a contract as defined in 200.22 Contract (§200.23)*
- §200.330 explains the roles of subrecipients and contractors



# §200.88 Simplified Acquisition Threshold

7

- The dollar amount below which a non-Federal entity may purchase property or services using small purchase methods
- Set by the Federal Acquisition Regulation (FAR) (§200.88)
- Equals \$150,000--adjusted periodically for inflation



# §200.318 General Procurement Standards

8

Non-Federal entities must:

- Use own documented procurement procedures,
- Maintain oversight to ensure contractor compliance, and
- Maintain written standards of conduct covering, conflicts of interest—real and or perceived—for staff engaged in the selection, awarding or the administration of a contract



# Conflicts of Interest – §200.318(c)(1)

9

A conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of those parties, has a financial or other interest in or receives a tangible personal benefit from a firm considered for a contract

- Non-Federal entities may set standards for situations in which the financial interest is not considered substantial or the gift is an unsolicited item of nominal value
- The standards of conduct must provide for disciplinary actions to be applied for violations of such standards



# Organizational Conflicts of Interest

10

- Conflicts arise when a non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization
  - Written standards of conduct must address organizational conflicts of interest
  - Does not apply when related organization is a local government, state or Indian tribe





# Responsible Contractors §200.318(h)

11

- The non-Federal entity must award contracts only to responsible contractors who are able to perform successfully under the terms and conditions the contract
- Consider:
  - Contractor integrity, compliance with public policy,
  - Record of past performance, financial & tech resources, and
  - Possible exclusions (See § 200.180—Suspension and Debarment)



# Recordkeeping - §200.318(i)

12

- The non-Federal entity must maintain records sufficient to detail the history of procurement
- Records include, but not limited to the following:
  - Rationale for the method of procurement,
  - Selection of contract type,
  - Contractor selection or rejection, and
  - The basis for the contract price



## §200.319 Competition

13

- All procurement transactions must be conducted in a manner providing full and open competition
- Real or perceived unfair advantages must be avoided
- New change to address real or perceived unfair advantage impacts certain contractors



- Section 200.319(a) introduction provides that contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals **must be excluded from competing for such procurements** (this insider information is the very essence of organizational conflicts of interests)



# Examples of Restricting Competition

15

- Placing unreasonable requirements on firms to qualify,
- Unnecessary experience and excessive bonding,
- Noncompetitive pricing practices between firms, and
- Specifying only a “brand name” product instead of allowing an equal product to be offered



- Provide a clear and accurate description of the technical requirements to be procured
  - The description must not unduly restrict competition
  - When impractical to otherwise describe the technical requirements, a “brand name or equivalent” description may be used as a means to define the procurement
  - Specific features of the named brand that must be achieved are to be clearly stated



# §200.320 Methods of Procurement

17

The non-Federal entity must use one of the following:

- Micro-purchases,
- Small purchase procedures,
- Sealed bids,
- Competitive proposals, or
- Non-competitive proposals (severely limited)



## §200.67 Micro-purchases

18

- Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold

- As of October 1, 2015 the micro-purchase threshold currently is \$10,000

Per Section 200.320 (a), micro-purchases:

- Must be distributed equitably among qualified suppliers
- May be awarded without soliciting quotations if the price is considered to be reasonable





- Simple, informal methods for securing needed material that do not cost more than Simplified Acquisition Threshold (\$250,000)
- Price or rate quotations, when used, must be obtained from an adequate number of qualified sources



# Sealed Bids (Formal Advertising)

20

- Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid:
  - Conforms with all the material terms and conditions and
  - Is the lowest in price
- Preferred method for procuring construction



# Competitive Proposals

21

- Must use adequate number of sources, and either a fixed price or cost-reimbursement type contract is awarded
- Generally used when conditions are not appropriate for the use of sealed bids



# Noncompetitive Proposals (Sole Source)

22

Solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- The item is available only from a single source;
- An emergency or other exigency for the requirement will not permit a delay resulting from competitive solicitation



# Noncompetitive Proposals (Sole Source)

23

- The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; and/or
- After solicitation of a number of sources, competition is determined inadequate



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*When playing as a slideshow, this slide will display live content*

**Poll: 4.1 - What is the simplified acquisition threshold?**

## §200.323 Contract Cost and Price

25

- If procurement exceeds the Simplified Acquisition Threshold, the non-Federal entity must perform a cost or price analysis
- The method and degree of analysis depends on the facts surrounding the particular procurement
- The non-Federal entity must make independent estimate before receiving of any bids or proposals





## Subpart E – Cost Principles



# Subpart E – Cost Principles

27

- Allowable costs
  - Time and effort reporting
  - Prior Approval Requirements
- Direct Costs – Admin
- Indirect costs/allocation plans
- Required certifications
- Written policy for determining allowable costs



# 2 CFR 200.404 – Prudent Person Standard

28

**Cost:** An amount or resource that has to be paid or spent to buy or obtain something

**Reasonable Cost Standard:** A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost

- In determining reasonableness of a given cost, consideration must be given to:
  - Whether the cost is of a type generally recognized as ordinary and necessary:
    - ◆ For the operation of the program or
    - ◆ For proper and efficient performance of the program
  - The restraints or requirements imposed by such factors as: sound business practices; arms-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal award
  - Market prices for comparable goods or services
  - Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the PHA, its employees, the public at large, and the Federal government
  - Whether the PHA significantly deviates from its established practices and policies regarding the incurrence of costs



# 2 CFR 200.4xx – Eligible Cost Guidelines

29

- OMB's eligible cost rules must be used to determine allowable costs
  - Must be adequately documented
  - Must be allocable to Federal awards (i.e., an eligible use of the federal grant)
  - Must conform to limitations set forth under other governing regulations
  - Must be authorized or not prohibited under State or local laws
  - Must be necessary and reasonable for efficient administration of Federal awards
  - Must be consistent with other activities of the governing unit
  - Must be charged consistently between programs for similar expenditures

Cost  
Allocation  
Requirement



- Direct Cost (2 CFR 200.413)
  - Costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, and can be directly assigned to such activities relatively easily with a high degree of accuracy
  - Further distribution of the cost is not required
- Direct costs represent costs directly associated with a project or program
  - Project Manager
  - HCV Housing Specialist or Inspector
  - Maintenance Contracts (work order)
- These costs typically coincide with HUD's definition of frontline costs



# Indirect Costs

31

- Indirect costs
  - Represent costs that are not readily identified with a specific program or function but are incurred for the benefit of all programs
  - Indirect costs are grouped into common pool(s) and distributed to benefiting activities by a cost allocation process
- Examples include:
  - Accounting/Finance
  - Information Technology
  - Telephone/Office supplies
  - Executive Director
- Typically, these costs are more “management” in nature and are not defined as frontline costs



# Direct vs. Indirect (Generally)

| #  | Example                                                    | Direct | Indirect |
|----|------------------------------------------------------------|--------|----------|
| 1  | Cost of attending an open meeting training course          |        | X        |
| 2  | Salary of Public Housing Property Manager                  | X      |          |
| 3  | Office Supplies for the Property Manager                   | X      |          |
| 4  | Copier Lease for the Finance Department                    |        | X        |
| 5  | Cost of attending a Public Housing or HCV training session | X      |          |
| 6  | Temporary office staffing for Finance                      |        | X        |
| 7  | Telephone cost for office                                  |        | X        |
| 8  | Annual dues to NAHRO                                       |        | X        |
| 9  | Flooring for public housing unit turnaround                | X      |          |
| 10 | Plumbing contract                                          | X      |          |
| 11 | Repair of public housing maintenance vehicle               | X      |          |
| 12 | Computer software                                          |        | X        |
| 13 | Annual post office box fees                                |        | X        |

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**Poll: 4.2 - Which of the following is NOT an eligible cost guideline?**

## 2 CFR 200.28 – Cost Objective

34

- Cost Objective

- A program, function, activity, award, organizational subdivision, contract, or work unit
  - ◆ For which cost data are desired and
  - ◆ For which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc.





# Direct Costs vs Indirect Costs

| Administrative Personal |                          |              | Project / Program     |               |               |     | Central-Office Staff |
|-------------------------|--------------------------|--------------|-----------------------|---------------|---------------|-----|----------------------|
| Employee                | Position                 | Salary       | PH: Garden Town Manor | PH: Mapleport | Rural Housing | HCV |                      |
| G. James                | Property Manager         | \$ 52,000.00 | X                     |               |               |     |                      |
| T. Smith                | PH Housing Specialist    | \$ 42,000.00 | X                     |               |               |     |                      |
| M. Flores               | Property Manager         | \$ 50,000.00 |                       | X             |               |     |                      |
| R. Whitley              | Asst Property Manager    | \$ 44,000.00 |                       | X             | X             |     |                      |
| W. Clay                 | Work Order Clerk         | \$ 35,000.00 | X                     | X             | X             |     |                      |
| C. Owens                | HCV Program Director     | \$ 65,000.00 |                       |               |               | X   |                      |
| B. Jones                | HCV Housing Specialist   | \$ 40,000.00 |                       |               |               | X   |                      |
| S. Monta                | HCV Housing Specialist   | \$ 40,000.00 |                       |               |               | X   |                      |
| U. Rider                | HCV Housing Specialist   | \$ 45,000.00 |                       |               |               | X   |                      |
| L. Sanders              | Waitlist Specialist      | \$ 38,000.00 | X                     | X             | X             | X   |                      |
| F. Sanchez              | Executive Director       | \$ 85,000.00 |                       |               |               |     | X                    |
| P. Baker                | Deputy Director/ Finance | \$ 65,000.00 |                       |               |               |     | X                    |
| M. Brigman              | Office Generalist        | \$ 45,000.00 |                       |               |               |     | X                    |

|   |   |   |   |   |
|---|---|---|---|---|
| ↑ | ↑ | ↑ | ↑ | ← |
| X | X | X | X |   |

Final Cost Objectives

Gray shading are indirect costs that must be allocated to the final cost objective

# OMB Requirements - Cost Allocation

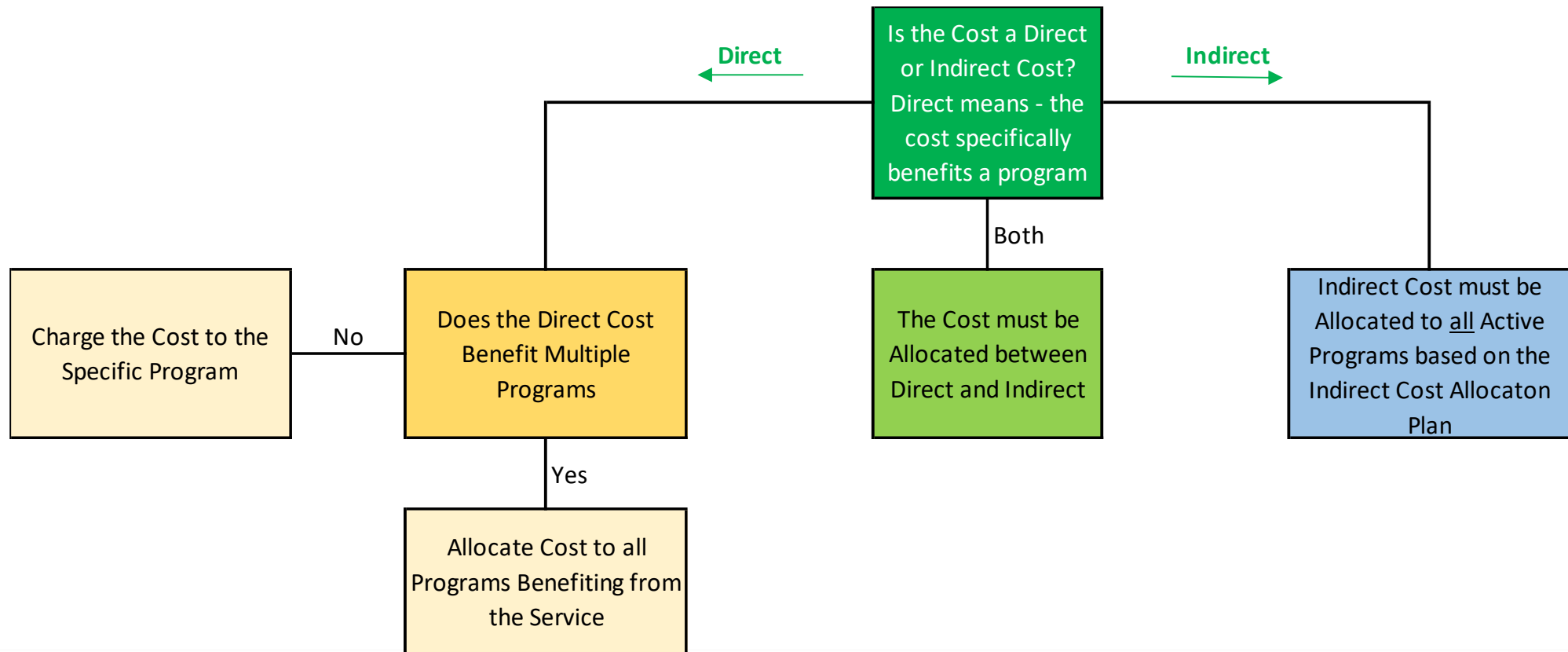
36

- Cost allocation is a method to distribute indirect costs (i.e., non-frontline) between various projects and programs (i.e., cost objective)
  - Costs must be allocated to all projects and programs, including federal and nonfederal programs, if the project or program received a benefit
  - Cost allocations must accurately reflect actual expenses of the individual projects and programs
  - The cost incurred should be reasonable for the actual benefits received
    - ◆ An allocation of indirect costs is not just made to overcome funding deficiencies or to avoid restrictions imposed by law or terms of a particular Federal award



# Cost Allocation Flow Chart

37



- A cost driver is a measurement unit used to establish a basis for allocating a specific type of cost
- Cost drivers typically used include:
  - Direct payroll cost
  - Number of units
  - Tenant case load
  - Counts (phones, computers, number of staff)
- The cost driver must be equitable and have a relationship to the type of cost that is allocated
  - For example, the number of work orders between projects should not be used to allocate costs related to the intake function





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## **Development of Cost Allocation Plans**



# Cost Allocation Plan

## ● Cost Allocation Plan

- A cost allocation plan is a documented process used to determine how indirect costs will be spread to departments, programs, or projects
- A cost allocation plan must incorporate aspects of the following components:

| # | Cost Allocation Plan Components                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Organization chart                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 2 | Certification confirming the Finance Director or other official has reviewed and approved the cost allocation plan                                                                                                                                                                                                                                                                                                                                                            |
| 3 | Definition and general listing of direct and indirect costs                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 4 | For all allocated costs: <ol style="list-style-type: none"> <li>1. A brief description of the service</li> <li>2. Identification of the unit rendering the service and the operating agencies receiving the service</li> <li>3. Items of expense included in the cost of service</li> <li>4. Method used to distribute the cost of service to benefitting agencies</li> <li>5. Summary schedule showing the allocation of each service to the benefitting agencies</li> </ol> |



# Developing a Cost Allocation Plan - Reminders

41

- The cost allocation plan must be supported, reasonable, and documented
  - The purpose of the plan is to verify that programs are paying their fair share of the costs  
It is not fair for one program to pay most of the costs just because that program has more funding
- Prepare the cost allocation plan in conjunction with the budget preparation
- Be careful; all programs, regardless of funding, must be allocated their share of indirect costs
- A cost allocation plan must be mathematically supported based on actual data to determine the rate
  - However, some estimates may be used to develop the plan



# Steps in Developing a Cost Allocation Plan

42

- Step 1: Determine Final Cost Objectives
- Step 2: Identify Direct Costs
- Step 3: Identify Indirect Costs
- Step 4: Determine appropriate cost driver to allocate indirect costs
  - The allocation basis must be appropriate
- Step 5: Use the allocation plan for indirect costs





# Step 1. Determine Final Cost Objective

43

- Identify the programs, projects and budgets where there is a requirement, need or desire to account for costs
  - HCV vs Mainstream Vouchers vs Emergency Housing Voucher
  - Individual PH projects, including operations vs CFP
  - Central Office Costs Center or Cost Pool
  - Other Federal programs administered by the PHA
  - Component Units
  - Business Activity's
  - State / Local Programs
  - Other
    - ◆ Needed Cost Pools
    - ◆ Modernization Budgets
    - ◆ Development Budgets
- Understand what these programs and projects do and what type of costs do they incur



# Step 2. Identify Direct Costs

44

- ◆ Identify all direct costs (costs that are associated to one and only one cost objective) to their final cost objective
  - ▶ Project manager to project
  - ▶ Plumbing invoice for a specific unit repair to project)
  - ▶ Case manager for HCV Program to HCV program
  - ▶ Utility bills to projects and / or program
- ◆ List and Document Direct Cost

| # | Direct Cost                            | Method                                                                                                                                                            |
|---|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Project Manager                        | Actual salary and benefits earned                                                                                                                                 |
| 2 | Contractual Services                   | Actual usage                                                                                                                                                      |
| 3 | Program supplies                       | Programs are charged to project as costs are incurred                                                                                                             |
| 4 | Printing and Postage                   | Actual usage                                                                                                                                                      |
| 5 | Renovations, Equipment, & Improvements | Actual Cost                                                                                                                                                       |
| 6 | Travel                                 | Charged based on actual administrative and program use of vehicles. Costs include mileage, transportation, per diem, gas, oil, repairs, and insurance on vehicles |



# Step 3. Identify Indirect Costs

45

- Most PHAs have Three (3) Type of Indirect Costs

- General Administrative / Central Office Costs (i.e., overhead)
- Indirect Frontline Costs
- Both General Administrative and Frontline Costs

## General Administrative Costs

### SALARIES

Listed below are the positions, functions, and budgeted annual salaries for the people who comprise the Administrative Services Pool. These positions are charged 100% to Administrative Services.

| <u>Position</u>                                | <u>Function</u>                                                                                               | <u>Salary</u> |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------|
| Executive Director                             | General Management                                                                                            | \$48,754      |
| Deputy Director                                | General Management                                                                                            | \$30,664      |
| Administrative Assistant to Executive Director | General Management                                                                                            | \$21,566      |
| Administrative Secretary / Personnel Officer   | Clerical support to the Executive Director and Administrative Assistant Responsible for personnel information | \$17,087      |
| Finance Officer                                | Accounting and related activities                                                                             | \$26,484      |
| Bookkeeper                                     | Accounting                                                                                                    | \$20,797      |
| Bookkeeper                                     | Accounting                                                                                                    | \$17,215      |
| Bookkeeper / Payroll Clerk                     | Payroll accounting and general disbursements                                                                  | \$16,560      |
| Custodian                                      | Cleaning                                                                                                      | \$2,936       |
| Receptionist                                   | Switchboard / Clerical                                                                                        | \$14,232      |
| Total Administrative Services Pool Salaries:   |                                                                                                               | \$216,295     |

## Indirect Frontline Costs

- Case manager / tenant file case manager with a Low Rent and HCV Program case load
- Maintenance technician that services both Low Rent and Rural Development projects or multiple projects
- Administrative Cash Receipt Clerk that services both Low Rent and Rural Development projects or multiple projects

## Both General Administrative & Frontline Costs

- Computer Servers and Licensing
- Management Information Systems
- Payroll Provider Fees
- Telephone Bills



## Step 4. Determine appropriate cost driver to allocate indirect costs

46

- A cost driver must be equitable and related to the type of cost allocated
  - Public Housing & HCV Programs are NOT similar
- When selecting a cost driver consider:
  - The amount of costs that will be driven to the final cost objective (i.e., how material is the amount?)
  - The amount of effort needed to create the cost driver
  - Ability to justify the cost driver



# Cost Drivers

47

| # | Indirect Costs                                  | Cost Driver                                                                                                                     |
|---|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| 1 | Executive Director, Accounting, Human Resources | <ul style="list-style-type: none"> <li>• Direct Payroll</li> </ul>                                                              |
| 2 | Administrative Cash Receipt Clerk               | <ul style="list-style-type: none"> <li>• Number of Cash Receipts</li> <li>• Number of Units Leased</li> </ul>                   |
| 3 | Tenant File Specialist                          | <ul style="list-style-type: none"> <li>• Number of Units / Voucher Leased</li> <li>• Number of Case File per Program</li> </ul> |
| 4 | Work Order Clerk                                | <ul style="list-style-type: none"> <li>• Number of Project Work Order</li> </ul>                                                |
| 5 | Computers / Telephones                          | <ul style="list-style-type: none"> <li>• Count of Employees</li> <li>• Number of Desks</li> </ul>                               |
| 6 | Rent of Common Space                            | <ul style="list-style-type: none"> <li>• Square Footage</li> </ul>                                                              |
| 7 | Utilities for Common Space                      | <ul style="list-style-type: none"> <li>• Square Footage</li> </ul>                                                              |
| 8 | Maintenance Staff                               | <ul style="list-style-type: none"> <li>• Number of work orders</li> <li>• Actual or scheduled time</li> </ul>                   |
| 9 | Construction Supervision Costs                  | <ul style="list-style-type: none"> <li>• Actual Time</li> </ul>                                                                 |



# Example: Indirect Cost Allocation Method

48

- Direct payroll cost allocation method
- The direct payroll method uses all salaries except for indirect staff, including the Executive Director, Finance Officer, etc.
- The Executive Director & Finance Officer will also be allocated using the indirect rates

| Direct Payroll Method          | Amount                | % by Salaries |
|--------------------------------|-----------------------|---------------|
| <b>Low Rent</b>                |                       |               |
| Admin. Salaries                | 116,720               |               |
| Maint. Salaries                | <u>150,592</u>        |               |
| <b>Total Low Rent Salaries</b> | <b><u>267,312</u></b> | <b>94%</b>    |
| <b>HCV</b>                     |                       |               |
| Admin. Salaries                | 12,130                |               |
| Maint. Salaries                | <u>4,688</u>          |               |
| <b>Total HCV Salaries</b>      | <b><u>16,818</u></b>  | <b>6%</b>     |
| <b>Total Salaries</b>          | <b><u>284,130</u></b> |               |

Assuming the PHA is administering just a Public Housing and HCV program, the calculations means that 94% of the ED's and finance officer's salary and benefits will be billed to the public housing program and 6% will be billed to the HCV program



# Example: Indirect Cost Allocation, continued

49

- Example unit method allocation rate
- The unit method calculates the allocation rate based on the number of units for similar programs

| Unit Method       |            |             |
|-------------------|------------|-------------|
| Program           | # Units    | % by Units  |
| Low Rent          | 134        | 87%         |
| Rural Development | <u>20</u>  | <u>13%</u>  |
| Total Units       | <u>154</u> | <u>100%</u> |



# Document Indirect Cost and Cost Driver in Costs Allocation Plan

50

## ◆ List and Document Indirect Cost and Cost Driver

- ▶ Remember to document and archive the underlying data used, calculation of the cost drivers

| # | Indirect Cost          | Method              |
|---|------------------------|---------------------|
| 1 | Executive Director     | Direct Payroll      |
| 2 | Finance and Accounting | Direct Payroll      |
| 3 | Human Resources        | Number of Employees |
| 4 | Payroll Processing Fee | Number of Employees |
| 5 | Shared Vehicle         | Mileage             |





## Uniform Guidance Requirements

- Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
  - Be supported by a system of internal control which provides reasonable assurance that the charges are *accurate, allowable, and properly allocated*;
  - Be incorporated into the *official records*
  - Reasonably reflect the *total* activity for which the employee is compensated
  - Encompass both federally assisted and all other activities compensated on an integrated basis, but may include the use of subsidiary records
  - Comply with the *established* accounting policies and practices of the Organization
  - Support the *distribution* of the employee's salary or wages among specific activities or cost objectives



## New Requirements (cont'd.)

- Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
  - (viii) Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
    - ◆ (A) **Reasonable** approximations of the activity actually performed
    - ◆ (B) Significant changes are identified and entered into the records in a **timely** manner
    - ◆ (C) **internal controls** includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates
  - (ix) Can be expressed as a percentage distribution of total activities



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**Poll: 4.3 - What is the last step in the Cost Allocation Plan process?**



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## **HUD's Asset Management Model**



## HUD Asset Management

- For PHAs that implement asset management
- Fees will be charged to programs
- Fee rates are set by HUD
- Indirect costs are accounted for in the COCC

## Traditional Indirect Cost Allocation Plan

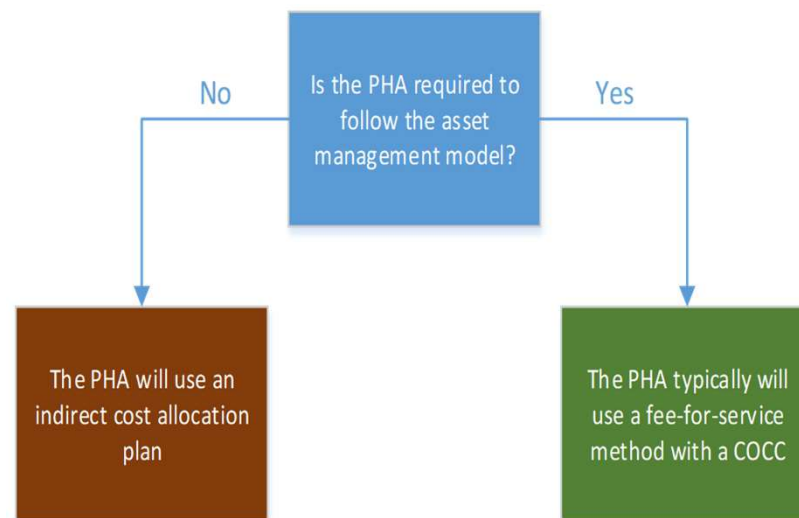
- Indirect costs are allocated to all programs based on an established and supported rate
- Can be allocated based on expenditure or with the use of a cost pool



# HUD Asset Management Model

56

- PHAs with 400 units or more are required to convert to the asset management model
- Asset management requires the PHA to develop and maintain a system of budgeting and accounting for each project in a manner that allows for analysis of the actual revenues and expenses associated with each property and to replace the cost allocation method with a series of fees
- Costs are separated into four distinct categories:
  - Fee Expense
  - Frontline Expense
  - Shared Resource Allocations
  - Front-Line Allocated Costs



Note: The 400-unit requirement is contingent upon renewal of this provision in the annual Congressional appropriations.



- Fee expenses represent costs related to operating the Central Office Cost Center (COCC)
  - Fee expenses are HUD defined expenses, which must be accounted for in the PHA's COCC
  - Normally associated with PHA overhead activity and would be indirect in nature, except the PHA must establish a COCC for accounting and reporting purposes
  - COCC is a final cost objective

*HUD Classification: Changes in Financial Management and Reporting for Public Housing Agencies Under the New Operating Fund Rule (24 CFR part 990) Supplement to HUD Handbook 7475.1 REV., CHG-1, Financial Management Handbook*



# Frontline Expense

58

- Frontline expenses are HUD defined expenses as which must be accounted for in the PHA's projects and programs
  - Normally associated with direct mission of the project or program (i.e., waitlist, rent collection, HAP payments, rent calculations, management, etc.
  - Many of these costs are direct in nature

*HUD Classification: Changes in Financial Management and Reporting for Public Housing Agencies Under the New Operating Fund Rule (24 CFR part 990) Supplement to HUD Handbook 7475.1 REV., CHG-1, Financial Management Handbook*





- Shared resources expenses are costs incurred where it is not economical to have full-time personnel dedicated to a specific project/program
- These costs must be prorated between the projects/programs receiving the benefit using a documented and reasonable allocation method that is supported
- This type of cost is typically used to expense costs between two small projects



# Frontline Allocated Costs

60

- Frontline allocated costs consist of specific HUD allowed project/program costs that can be performed centrally with the costs charged to the projects/programs benefiting from the service in a reasonable and documented cost allocation model
- A prorated function must not cost more than what the project would incur if performed on-site
- Front-line allocated activities are limited to:
  - Rent Collection
  - Resident Services
  - Security/Protective Services
  - Waiting List, Screening, Leasing, and Occupancy
  - Work Order Processing
- Centralized maintenance services do not qualify as a front-line cost that can be allocated. These services must be accounted for as a fee-for-service activity



# Cost Principles – Certifications and Written Procedures

61

|                         | What Is New?                                                                                                                                                                                                                                                                                  | What Does This Mean To You?                                                                                                                                                                                                                                                                                       |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Required certifications | <ul style="list-style-type: none"><li>• Annual and final fiscal reports or vouchers requesting payment must include a certification signed by an official authorized to legally bind the organization</li><li>• Indirect cost rates and cost allocation plans require certification</li></ul> | <ul style="list-style-type: none"><li>• Certifications need to be established and processes designed to ensure continuing compliance</li><li>• Certification needs to be made regardless of whether plans require federal approval</li><li>• Individual at a level no lower than VP or CFO must certify</li></ul> |
| Written procedures      | <ul style="list-style-type: none"><li>• Grants reform requires written procedures for determining allowability of costs</li></ul>                                                                                                                                                             | <ul style="list-style-type: none"><li>• Your organization will need to develop these procedures</li></ul>                                                                                                                                                                                                         |



# Cost principles - Certifications

62

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious or fraudulent information, or the omission of any material fact, **may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.**”



***Live Content Slide***

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**Poll: 4.4 - What is the purpose of HUD's Asset Management Model**



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## **2 CFR 200.500 – Audit Requirements**



- Subpart F: Audit Requirements
  - Basis for determining expenditures
  - Frequency
  - Audit costs
  - Auditee responsibilities
  - Auditors
    - ◆ Scope
    - ◆ Reporting and findings
    - ◆ Documentation
    - ◆ Major program determination
    - ◆ Risk assessment



# Audit Requirements

66

| Single Audit Requirement | Current Requirements                                                                                                                                                                                                                 |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Single Audit threshold   | \$750,000, below threshold records available to agency and OMB                                                                                                                                                                       |
| Type A/B threshold       | \$750,000                                                                                                                                                                                                                            |
| High-risk Type A         | <ul style="list-style-type: none"><li>• Not audited as major program in last 2 years</li><li>• No material weakness</li><li>• Unqualified opinion on compliance</li><li>• Questioned costs &gt; 5% of program expenditures</li></ul> |





# Audit Requirements, continued

67

| Single Audit Requirement | Current Requirements                                                                                                                                                                                                                                                                                                                                    |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type B programs          | <ul style="list-style-type: none"><li>¼ of number of low-risk Type A programs</li><li>No additional risk assessment</li><li>Small Type B = 25% of Type A/B threshold</li></ul>                                                                                                                                                                          |
| Coverage rule            | <ul style="list-style-type: none"><li>40% (normal)</li><li>20% (low-risk auditee)</li></ul>                                                                                                                                                                                                                                                             |
| Low-risk auditee         | <ul style="list-style-type: none"><li>• Audited in previous two audit periods</li><li>• Unqualified opinion on f/s and SEFA</li><li>• No material weakness in YB report</li><li>• SA report no material weakness</li><li>• No noncompliance</li><li>• No questioned costs &gt; 5% of program expenditures</li><li>• No late submission of DCF</li></ul> |



- Corrective Action Plan

- Separate document which must address each audit finding
- Name of person responsible, action planned, completion date
- Statement if auditee doesn't agree with the finding
- Statement if auditee believe that correction action not required



- Summary of Prior Audit Findings

- Status of prior financial statement audit findings as well as status of prior year noncompliance
- If prior year findings repeated reason for recurrence
- Standardized numbering system; identify prior year finding number

- Schedule of Expenditures of Federal Awards

- Must report amount passed-through to sub-recipient by program
- **\*Notes to SEFA must disclose indirect cost rate used\***



- Audit Findings reported in more detail
  - If use sampling, required to report whether sample was statistically valid
  - Threshold for reporting known or estimated likely question costs raised to \$25,000 from \$10,000
  - Abuse as defined in the Yellow Book now a part of the “OMB Uniform Guidance”



- Incorrect determination of major programs
  - Failure to properly cluster programs
  - Failure to combine programs with the CFDA# when determining Type A programs
  - Incorrect threshold calculation
  - Failure to meet % coverage test
  - Failure to test Type A programs as a major program once every 3 years
  - Failure to apply risk-based approach to selecting major programs
  - Incorrect low risk auditee determination



# Common Single Audit Peer Review Findings, cont'd

72

- Failure to adequately test or document testing of internal control over compliance and compliance
- Failure to distinguish IC testing from compliance testing
- Failure to identify key controls
- Failure to follow agency audit guides and compliance supplements
- Use of Compliance Supplement as safe harbor
- Deficient assessment of fraud risk
- No determination of compliance materiality at three levels



# Common Single Audit Peer Review Findings, cont'd

73

- Current compliance requirements not considered
- Management rep letter not tailored or is misdated
- Unreported audit findings
- Deficiencies in the SEFA
- Misreported coverage of major programs
- Prior audit findings not updated
- Improper wording on findings
- Lag release in separate Single Audit report



- In addition to peer review findings
  - Missed major program based upon Type A program 2-year look back
  - Missed major program based on Type A program with prior year finding
  - Improper determination of low-risk auditee
  - Improper determination of low-risk program





# Subpart D – Administrative Requirements

75

|                                                   | What Is New?                                                                                                   | What Does This Mean To You?                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Requirements for non-federal entities (continued) | <ul style="list-style-type: none"><li>• Establish and maintain effective internal controls (200.303)</li></ul> | <ul style="list-style-type: none"><li>• Evaluate and monitor compliance</li><li>• Take prompt action on audit findings</li><li>• Safeguard protected personally identifiable/sensitive information</li><li>• <b>Best practice guidance Standards for Internal Control in the Federal Government (Green book) Internal Control Framework (COSO) Compliance Supplement, Appendix XI, Part 6</b></li></ul> |





# Internal Controls

# What are Internal Controls?

77

- Internal controls are processes adopted by an organization's board, management, and other personnel to provide reasonable assurance regarding the achievement of:
  - Effectiveness and efficiency of operations
  - Reliability of financial reporting
  - Compliance with laws and regulations
  - Protection of assets
- Internal controls consist of two separate but related efforts
  - A structure of clearly written organizational policies and procedures to foster recordkeeping and to identify and delineate authorities, responsibilities, and duties
  - A system of checks and balances to assure that every member of the organization adheres to the written guidelines
- Together written policies and procedures that include appropriate checks and balances for the implementation of these procedures provides an organization with internal controls



# Internal Control Objectives

78

- Adequacy of audit trail
  - Can a transaction be traced from the accounting records back to the original documentation (invoice, timesheet)?
- Segregation of duties
  - Various aspects of a process separated and performed by more than one person provides checks and balances, ensure integrity of information, and to help prevent loss and theft
- Physical safeguard of assets
  - Protection of the assets of the organization to ensure its mission can be carried out
- Adequacy of Records
  - Are adequate records maintained to provide a proper trail for the audit?



# Why are Internal Controls Important?

79

- An organization should be concerned with internal controls to:
  - Protect its assets
  - Reduce the risk of fraud

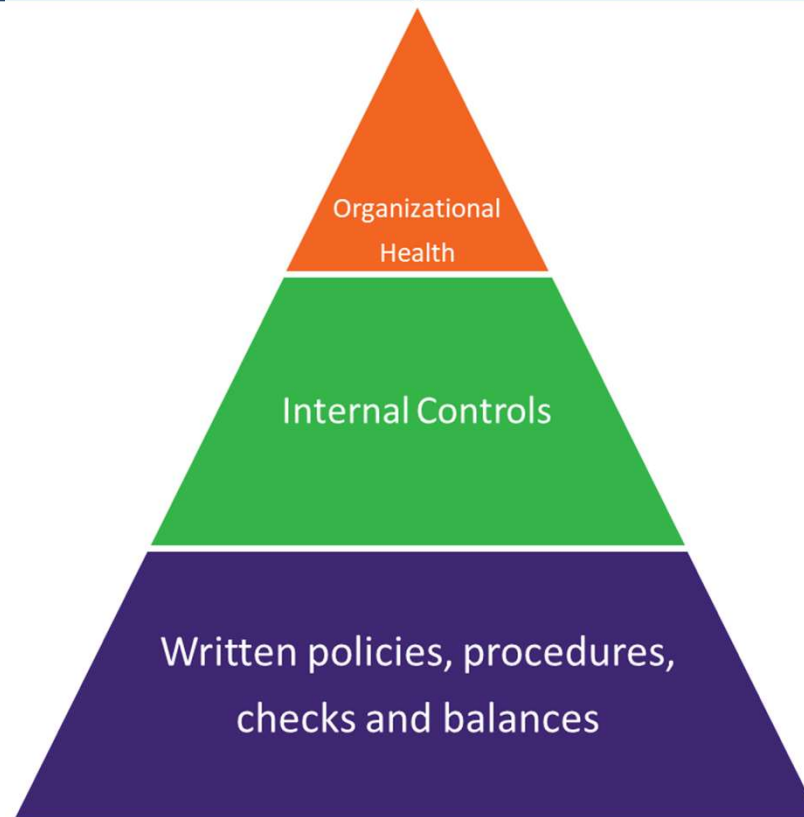


# Purpose of Internal Control

80

## ENSURE:

- Accountability
- Operational efficiency
- Financial integrity
- Reliability of financial reporting
- Compliance with laws, regulations and requirements
- Justification, review, approval and documentation of decisions, actions, and transactions



## MINIMIZE:

- ◆ Waste
- ◆ Fraud
- ◆ Mismanagement
- ◆ Legal liability
- ◆ Loss of resources
- ◆ Loss of public trust and assets



# Internal Controls Requirements

81

- The PHA must establish and maintain effective internal controls (OMB 2 CFR 200.303). Section 200.303 Internal Controls states:
  - The non-Federal entity must: establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award
  - These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)



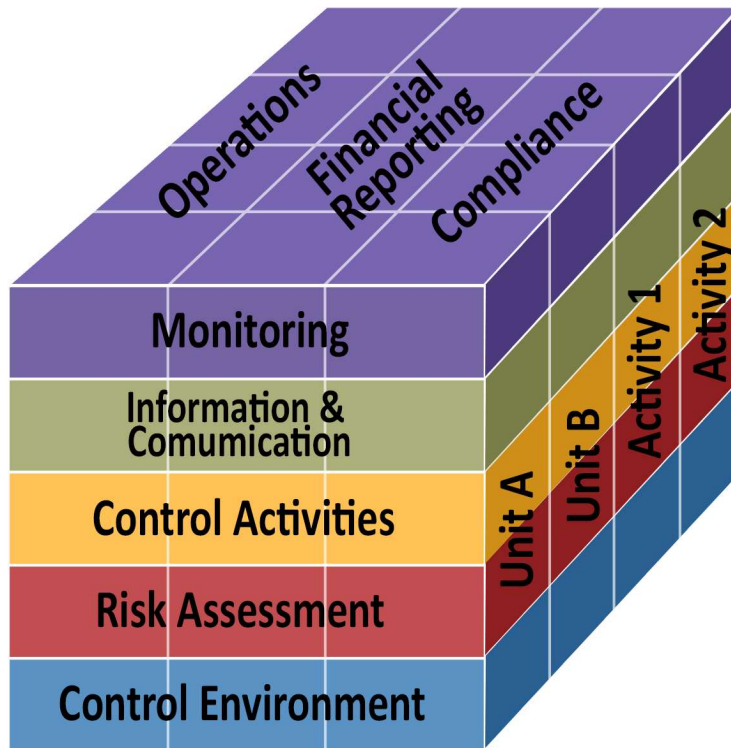
- In simple terms, this means that the PHA must have policies and procedures in place which will help ensure:
  - Effective and efficient administration of the program
  - Establishment and attainment of operational and financial performance goals
  - Assets are safeguarded against loss
  - Reliability (i.e., the information is correct), timeliness, and transparency in both internal and external reports
  - Adherence to laws and regulations to which the entity is subject





# Subpart D – Internal Controls

83



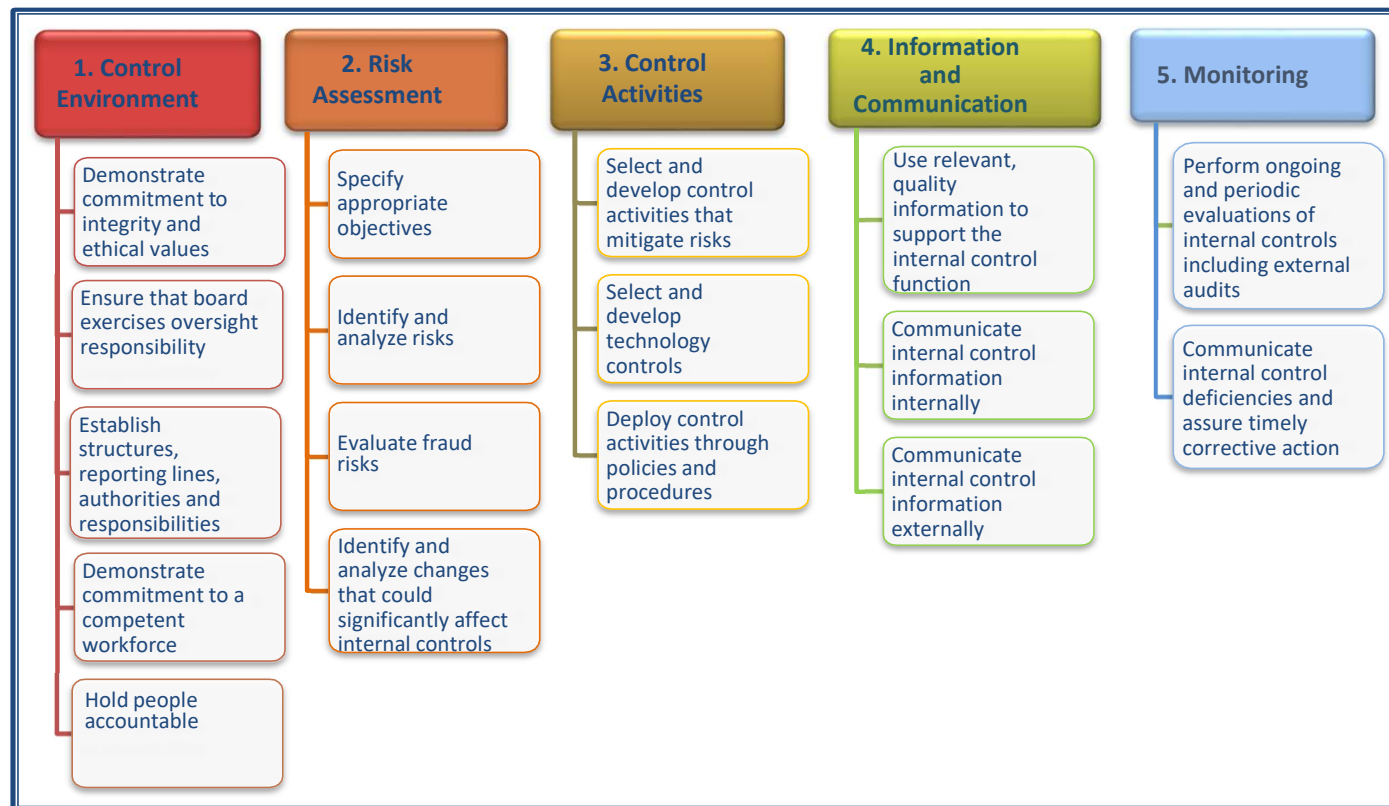
## Component of Internal Controls

- Both control systems have the following components:
  - Control Environment
  - Risk Assessment
  - Control Activities
  - Information & Communication
  - Monitoring Activities



# Components of Internal Controls - Detail

- The framework has 5 components of internal control and 17 sub-principles





- **Control environment** is the foundation of the PHA. The control environment represents the structure (i.e., staffing, systems, organizational structure, etc.) to carry out the internal controls across the PHA
- The Board of Commissioners and senior management set the *tone at the top* regarding the importance of following procedures
- Control environment principles include:
  - Existence of a code of conduct and code of ethics
  - Board setting mission, goals, and objectives (strategic planning) so the organization knows what it needs to accomplish
  - Establishing structure, organizational responsibilities, and reporting chains (organization chart, written job descriptions)
  - Hiring competent and trustworthy staff members and providing necessary training for staff
  - Providing leadership and good governance by staying on top of operations and performance and correcting problems when identified
  - Holding people accountable for their responsibilities



- **Risk assessment** can be defined as a process to identify events that may occur that would adversely affect the achievement of PHA objectives. Risks could be related to objectives throughout the PHA or be specific within a department or program
- **Enterprise Risk Management (ERM)** looks at the entirety of an organization and everything that could affect it
- Risk assessment principles include the following:
  - Management should establish objectives to identify risk and define tolerances
  - Identification, analysis, and response to noted risks (document)
  - Consider the potential for fraud in assessing risks
  - Analyze and respond to significant changes that could impact the internal control system



- **Control activities** are the policies and procedures put in place to identify and manage risks in the internal control system, including the PHA's information system
- Basic internal control methods are as follows:
  - Establish responsibility
    - ◆ Assign each task to only one person
    - ◆ Establish organizational structure
  - Implement separation of duties
    - ◆ Do not have one employee responsible for all parts of a process
    - ◆ Use compensating controls, such as additional monitoring or secondary sign-offs, when separation is not possible
  - Restrict access
    - ◆ Do not provide access to systems, information, assets, etc. unless needed
  - Create policies and procedures
    - ◆ Implement written instructions with directives to follow them
    - ◆ Assure controls cover all areas of compliance
    - ◆ Assure controls cover security of assets and technology
  - Establish record-keeping
    - ◆ Document all expenditures and the justification for them



- The **information and communication** component is defined as the use of quality information to support the achievement of the objectives
  - Communication is a continuous process of providing, sharing, and obtaining necessary information
  - Internal communication includes the sharing of information throughout the PHA, flowing up, down, or across the entity. Communication enables employees to receive a clear message that internal controls and objectives must be taken seriously
- Principles of information and communication include the following:
  - Management should use quality information to track operations, goal progress, and compliance
  - Management should broadly distribute information throughout the organization to ensure that critical information is delivered to the right staff in a timely manner
  - Management should establish both outgoing and incoming lines of communication with external entities. Be aware of external events that could pose a risk
  - Establish separate lines of communication (e.g., fraud/ethics hotline) for confidential information

# Monitoring Activities

89

## 5. Monitoring

Perform ongoing and periodic evaluations of internal controls including external audits

Communicate internal control deficiencies and assure timely corrective action

- **Monitoring** is the verification of the effectiveness of the internal controls to ensure that the components are present and functioning to achieve the objectives
  - Monitoring includes assessing the quality of performance over time and promptly resolving the findings of audits and other reviews
- Principles of the monitoring activities include:
  - Establishing a system of quality control over all processes such as supervisory reviews, approvals, and automated exception checks
  - Conducting routine reviews of actual performance compared to goals and budgets
  - Conducting separate management reviews of a function to determine whether it is working as intended, or does the control needs to be redesigned
  - Arranging for external audits and being responsive to findings
  - Tracking all corrective actions, and ensuring that they are implemented and working as intended
  - Using monitoring to tie corrective actions back to improvements in internal controls



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 4.5 - Which COSO Component is the most important to you?**



- Auditor's Responsibility
  - An auditor should obtain an understanding of internal control relevant to the audit
  - The auditor should evaluate the design of the controls and determine whether they have been implemented by performing procedures in addition to inquiry of management
  - An improperly designed control may represent a significant deficiency or material weakness
- In the design of the internal control system, an entity cannot use the role of the auditor to supplement their internal control system
- The absence of identified noncompliance does not provide evidence that identified noncompliance are not significant deficiencies or material weaknesses in internal control over compliance



# Management's General Role in Internal Controls

92

Management should provide for reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations



# The Board's Oversight Role in Internal Controls

93

- Review budget variance to ensure actual costs are in line with budget estimates
- Review PHA action on tenant accounts receivable
- Review discussion of PHA payment status for accounts payable
- Review write-offs to ensure all are board approved
- Review bank statements to ensure all disbursements are approved, including electronic debits and cash withdrawals
- Review credit card statement detail—not just the summary
- Review petty cash reconciliation to verify all receipts are for valid expenses



# Examples of Risk Factors

94

- The table provides examples of specific risk factors and how they can be categorized

| Noted Risk                                 | General<br>PHA | Low Rent<br>Program | HCV<br>Program |
|--------------------------------------------|----------------|---------------------|----------------|
| PHA not following Open Meeting Act         | X              |                     |                |
| SEMAP not supported by documentation       |                |                     | X              |
| Improper use of vehicles                   | X              |                     |                |
| Utility allowance amounts not current      |                | X                   | X              |
| CFP funds not obligated in a timely manner |                | X                   |                |
| Cost allocation plan not supported         | X              |                     |                |
| Operating budgets not utilized             | X              |                     |                |



# Step 2 – Identify Resources / Personnel

95

- Resources can include the following:
  - Personnel at the PHA
  - Board members
  - Information/technology (software system)
  - Fee accountant
  - Neighboring PHAs
  - Use of contractors
- A cost/benefit analysis should be conducted prior to implementing a change in control
  - For example, a very small PHA may not have sufficient funding to hire an additional employee to prevent a segregation of duties audit finding



# Develop Control Policies & Procedures

96

- Management has the task of designing and implementing controls in an *effective and efficient manner* to achieve an operational internal control system
- Management determines the control activities such as policies, procedures, and techniques that are used to achieve the entity's goals and objectives



- Control activities consist of different types of actions. Control activities aid management in fulfilling responsibilities associated with an identified risk
- There are basically two (2) types of controls:
  - **Preventive Controls:** Controls designed to discourage errors or irregularities from occurring. These are proactive controls that help to ensure programmatic objectives are met
  - **Detective Controls:** Controls designed to find errors or irregularities after they have occurred



# Control Examples

98

- Examples of preventive and detective control activities include the following:

| Preventive Controls                   | Detective Controls                                        |
|---------------------------------------|-----------------------------------------------------------|
| • Segregation of duties               | • Review of performance, both financial and non-financial |
| • Review & approvals                  | • Reconciliations                                         |
| • Authorizations                      | • Annual inventory                                        |
| • Verifications                       | • Audits/quality control                                  |
| • Security of assets/security cameras | • Use of control totals                                   |
| • Policies & procedures               | • Surprise reviews                                        |
| • Education & training                |                                                           |
| • Use of IT passwords                 |                                                           |





# Documentation of Control Procedures

99

- Control procedures should be documented to provide evidence that the implemented control is achieving the objective
  - Also acts as a succession plan
- The procedures themselves should also include written verification of reviews and approvals
  - For example, the Executive Director can initial and date the monthly financial statements to indicate that the financial statements have been prepared timely and have been reviewed by senior management



# Monitor Policies & Procedures

100

- Management should perform ongoing monitoring efforts to verify the effectiveness of the designed controls
- The monitoring efforts may include the review of automated tools, use of quality control reviews, external auditors, review of financials comparing actual results to budgets and the previous year's actuals
- Monitoring efforts can also be required at the program and project level



# Internal Control System Limitations

101

- **Management Override** - Managers may purposefully go outside established practices for illegitimate reasons
- **Breakdowns** - People with control responsibilities may not carry them out effectively or efficiently
- **Cost vs. Benefit** - Resources are limited. Managers properly accept a degree of risk when the cost of controlling the risk exceeds the benefit
- **Inadequate Segregation of Duties** - Systems in place may not adequately separate the responsibility for physical custody of an asset from the record keeping
- **Lack of Knowledge of Policies and Procedures** - Having a system of internal controls is not sufficient if all personnel are not knowledgeable of the proper policies and procedures



- Information and communication encompasses the identification, capture, and exchange of financial, operational, and compliance information in a timely manner
- People within an organization who have timely and reliable information are better suited to conduct, manage, and control the organization's operations



- Monitoring helps to ensure that control activities and other planned actions to affect internal controls are executed in a proper and timely manner
- Ongoing monitoring activities evaluate and improve the design, execution, and effectiveness of internal control





# Internal Control Suggestions

- In assessing internal controls, practical areas for consideration include:
  - Segregation of duties
  - Bank reconciliation
  - Supporting documentation
  - Employees
  - Safeguarding assets



- Certain accounting and bookkeeping functions are designed to cross-reference each other for accuracy
  - If the same person is responsible for multiple duties, the natural checks and balance of your financial system is compromised
- Giving a single person unbridled authority over your resources is not a wise practice





- Bank statements can only help you find discrepancies if they are reviewed in a timely manner
- At a minimum, bank statements should be reconciled once a month



- Never sign checks, or any other document for that matter, without reviewing the supporting information
- Though grantees often face a hectic work environment, it is not a wise practice to “take someone’s word for it”



Though this sounds complex, it is quite simple...

- Safeguarding the organization's assets includes small tasks such as:
  - Locking up blank checks
  - Depositing all cash and checks daily
  - Password-protecting all your sensitive electronic data
  - Maintaining an inventory list of office furniture, electronics, etc.
  - Ensuring you have adequate insurance coverage for all your assets



- All HUD grantees are required to establish internal controls
  - Internal controls are the plans, methods, and procedures adopted by management to help PHAs manage financial assets and adhere to an approved budget
  - Internal controls help to prevent and detect loss of funds that the PHA could otherwise use for housing



# HUD IC and How it Relates to Financial Management

111

- HUD Internal Controls, as it relates to financial management internal controls, is divided into six basic functions:
  - Payroll
  - Revenue
  - Expenditure
  - Property
  - Treasury/Cash management
  - Financial reporting



- A **design deficiency** exists when a control necessary to meet the control objective is missing or an existing control is not properly designed
  - Even if the control operates as designed, the control objective is not always met
- An **operation deficiency** exists when a properly designed control does not operate as designed or when the person performing the control is not qualified or properly skilled to perform the control effectively



# You Have Effective Controls If...

113

- Your organization has developed and communicated rules of operations to employees and members
- Follow-up is done to ensure expectations are met
- Financial duties are properly segregated
- The accounting system tracks grant and matching funds separately
- The accounting system is used to create financial reports
- Proper safeguards over assets exist





# Risk Management – Developing Internal Controls



# Focus of Risk Management

115

- The focus of good risk management is the identification and treatment of risks.



- **Step 1:** Identify risks related to transaction types, accounts, and compliance items
- **Step 2:** Identify possible resources/personnel to mitigate the risk
- **Step 3:** Develop control policies and procedures that target the noted risk
- **Step 4:** Monitor the implemented policies and procedures



# Step 1 – Identify Risks, continued

117

- Identification of risks should not just be related to financial controls. Risks can be identified for additional areas including the following:

| Program Level Compliance                                                                       | PHA Level Compliance                                                                                 | Organizational Risk                                                             | Financial/<br>Budget Risk                                                                 | Data                                                                                            |
|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Tenant file documentation / rent calculation</li></ul> | <ul style="list-style-type: none"><li>• Procurement procedures</li><li>• Investment policy</li></ul> | <ul style="list-style-type: none"><li>• Director of Finance to retire</li></ul> | <ul style="list-style-type: none"><li>• Funding concerns or excessive HAP costs</li></ul> | <ul style="list-style-type: none"><li>• Tenant SSN</li><li>• Bank account information</li></ul> |



# A Good Risk Management Process Involves:

118

- Methodically identifying the risks surrounding your business activities
- Assessing the likelihood of an event occurring
- Understanding how to respond to these events
- Putting systems in place to deal with the consequences
- Monitoring the effectiveness of your risk management approaches and control

This helps to :

- Improve decision-making, planning, and prioritization
- Allocate capital and resources more efficiently
- Improve the probability that you will deliver your services on time and in accordance with your budget



- Internal controls are formal operating policies and procedures for mitigating risk
- These are calculated, discussed, refined, and incorporated into how an organization operates



# Purpose of Formal Written Internal Control Documents

120

- Create and expand guidance for implementation of the controls
- Reduce the risk of errors and fraud
- Focus on high-risk areas in order to lessen the chances of errors and fraud
- Examine conflicting policies and duties (i.e., segregation of duties issues)
- Provide a system to create cross-training procedures
- Provide support for operational and performance decisions



# Purpose of Internal Control Over Financial Reporting

121

- Internal controls facilitate the preparation of reliable financial statements
- Reliable financial statements must be materially accurate in all respects
- Internal controls over financial reporting is a formal system of checks and balances, monitored by management and reviewed by an outside auditor



- Written internal control document(s) should be continuously reviewed and updated for changes within an organization's environment
- Regular internal audits are needed to ensure that personnel are aware of the internal controls procedures and the process requirements that it documents
- Writing internal control procedures without the necessary awareness and follow-up is counterproductive





- All nonprofits exist for a specific purpose with a defined mission
  - Management is responsible for ensuring that the organization stays focused on its mission
    - ◆ An excellent way to monitor an organization's progress is through its use of funds
  - Many HUD grantees receive funding with restrictions or limitations on its use
    - ◆ The improper use of these funds can cause HUD to withdraw the money, require repayment of the expended funds, and refuse to provide future funding



# Examples of Risk Factors

124

- The table provides examples of specific risk factors and how they can be categorized

| Noted Risk                                 | General PHA | Low Rent Program | HCV Program |
|--------------------------------------------|-------------|------------------|-------------|
| PHA not following Open Meeting Act         | X           |                  |             |
| SEMAP not supported by documentation       |             |                  | X           |
| Improper use of vehicles                   | X           |                  |             |
| Utility allowance amounts not current      |             | X                | X           |
| CFP funds not obligated in a timely manner |             | X                |             |
| Cost allocation plan not supported         | X           |                  |             |
| Operating budgets not utilized             | X           |                  |             |



# Step 2 – Identify Resources / Personnel

125

- Resources can include the following:
  - Personnel at the PHA
  - Board members
  - Information/technology (software system)
  - Fee accountant
  - Neighboring PHAs
  - Use of contractors
- A cost/benefit analysis should be conducted prior to implementing a change in control
  - For example, a very small PHA may not have sufficient funding to hire an additional employee to prevent a segregation of duties audit finding



## Step 3 – Develop Control Policies & Procedures

126

- Management has the task of designing and implementing controls in an *effective and efficient manner* to achieve an operational internal control system
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- Examples of preventive and detective control activities include the following:

| Preventive Controls                                                                   | Detective Controls                                                                                        |
|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Segregation of duties</li></ul>               | <ul style="list-style-type: none"><li>• Review of performance, both financial and non-financial</li></ul> |
| <ul style="list-style-type: none"><li>• Review &amp; approvals</li></ul>              | <ul style="list-style-type: none"><li>• Reconciliations</li></ul>                                         |
| <ul style="list-style-type: none"><li>• Authorizations</li></ul>                      | <ul style="list-style-type: none"><li>• Annual inventory</li></ul>                                        |
| <ul style="list-style-type: none"><li>• Verifications</li></ul>                       | <ul style="list-style-type: none"><li>• Audits/quality control</li></ul>                                  |
| <ul style="list-style-type: none"><li>• Security of assets/security cameras</li></ul> | <ul style="list-style-type: none"><li>• Use of control totals</li></ul>                                   |
| <ul style="list-style-type: none"><li>• Policies &amp; procedures</li></ul>           | <ul style="list-style-type: none"><li>• Surprise reviews</li></ul>                                        |
| <ul style="list-style-type: none"><li>• Education &amp; training</li></ul>            |                                                                                                           |
| <ul style="list-style-type: none"><li>• Use of IT passwords</li></ul>                 |                                                                                                           |

- Control procedures should be documented to provide evidence that the implemented control is achieving the objective
  - Also acts as a succession plan
- The procedures themselves should also include written verification of reviews and approvals
  - For example, the Executive Director can initial and date the monthly financial statements to indicate that the financial statements have been prepared timely and have been reviewed by senior management



## Step 4 – Monitor Policies & Procedures

130

- Management should perform ongoing monitoring efforts to verify the effectiveness of the designed controls
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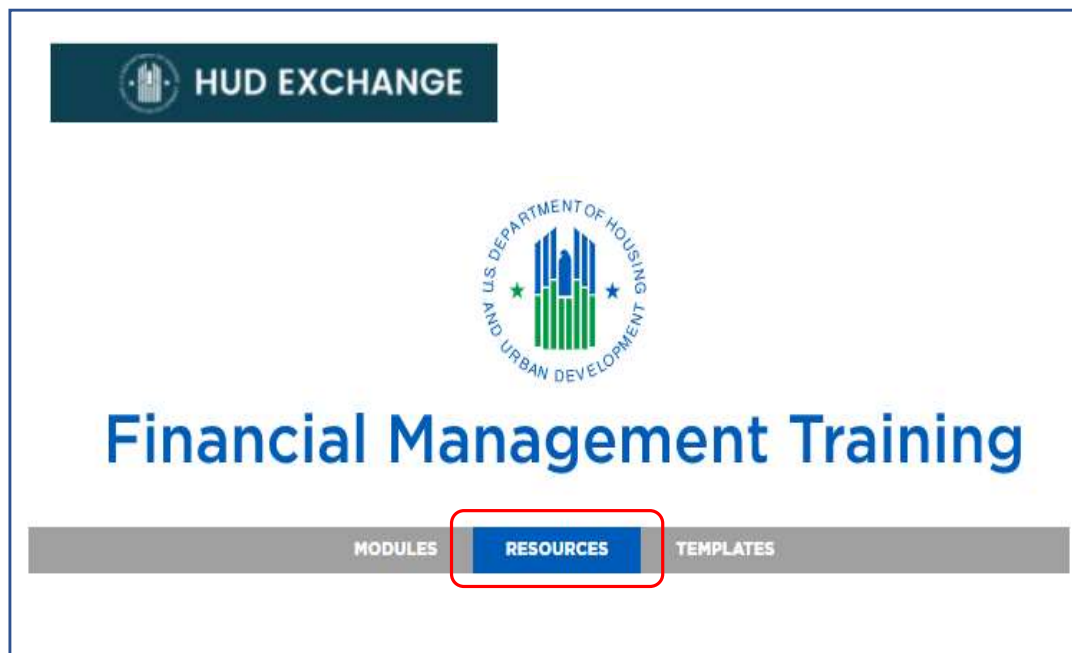


# Policy Development – HUD Exchange

132

- Example policies are available on the **HUD EXCHANGE** to aid PHAs in developing specific policy types

<https://www.hudexchange.info/trainings/pha-financial-management/policy-and-procedures.html>



PHA Financial Management Training



# Policy Development – HUD Exchange, continued

133

- Policies are classified in highest priority order of risk (i.e., more colored bars = more risk)

Priority: 0 **List of Policies and Procedures** This document lists all policies and procedures available, grouping them in areas of: Accounting Policies and Financial Management Policies. The list also identifies high risk areas that could be used as a starting point for PHAs to develop and implement individual policies and procedures.

Priority: 4 **Board Reporting** Policy for the timing of and items to be provided to the Board.

Priority: 5 **Capital Asset** Proper tracking and recording of fixed assets.

Priority: 6 **Capital Fund Processing** Proper coding and accounting for Capital Fund Program expenditures.

Priority: 7 **Capitalization Policy** Proper identification of assets to be capitalized.



| C. Specific Items                                  |                                                                         |             |
|----------------------------------------------------|-------------------------------------------------------------------------|-------------|
| Financial Policy and Procedures                    | Description                                                             | Risk Factor |
| Payroll Processing Policy                          | Proper processing and monitoring of payroll transactions                | Low         |
| Due to/Due from and Inter-program Transfers Policy | Proper recording of due to/due from balances and transfers of funds     | High        |
| Tenant Accounts Receivable Processing              | Policy for accurately recording dwelling rents and other tenant charges | Low         |
| Capital Fund Policy                                | Proper coding and accounting for Capital Fund Program expenditures      | Moderate    |
| HAP Processing Policy                              | Proper HAP payment process and monitoring of disbursements              | Moderate    |



# HUD Example Policies

134

**Handout:** List of Financial Policies & Procedures

**Risk factors** were determined from discussions with HUD's field offices, auditors, and fee accountants. The risk ranking identifies high risk areas that could be used as a starting point for PHAs to develop and implement individual policies and procedures.

| I. Accounting Policies                                     |                                                                                 |             |
|------------------------------------------------------------|---------------------------------------------------------------------------------|-------------|
| A. General Policies                                        |                                                                                 |             |
| Financial Policy and Procedures                            | Description                                                                     | Risk Factor |
| Revenue Cycle for Cash Management / Program Funding Policy | Proper flow of resources into the PHA                                           | Low         |
| Expenditure Cycle Policy                                   | Proper and timely purchase of goods and services                                | High        |
| Bank Reconciliation Policy                                 | Proper preparation and review of bank reconciliations                           | Low         |
| General Ledger Interfacing Policy                          | Proper interface of PHA software with general ledger reporting                  | Moderate    |
| Transactions Processing Policy                             | Proper recording of financial transactions that affect the financial statements | Low         |
| Financial Close and Reporting Cycle Policy                 | Proper monthly and annual reporting processes                                   | Moderate    |
| B. Payments / Disbursement of Funds                        |                                                                                 |             |
| Financial Policy and Procedures                            | Description                                                                     | Risk Factor |
| Disbursements Policy                                       | Proper payment of goods and services purchased                                  | High        |
| Accounts Payable Policy                                    | Proper reporting vendor accounts payable liabilities                            | Low         |
| Check Writing/Signatories Policy                           | Proper process for writing checks and payment                                   | Moderate    |
| Uncash Check Policy                                        | Policy for checks issued but not yet cleared                                    | Moderate    |
| C. Specific Items                                          |                                                                                 |             |
| Financial Policy and Procedures                            | Description                                                                     | Risk Factor |
| Payroll Processing Policy                                  | Proper processing and monitoring of payroll transactions                        | Low         |
| Due to/Due from and Inter-program Transfers Policy         | Proper recording of due to/due from balances and transfers of funds             | High        |
| Tenant Accounts Receivable Processing                      | Policy for accurately recording dwelling rents and other tenant charges         | Low         |



# Policy Development – Items for Consideration

135

- In most cases, more than one sample policy is provided to account for PHAs size and circumstances. Example: *Maintenance Inventory Policy*

**This document provides 3 examples of a PHA maintenance inventory policy and procedures.**

**Sample 1 – Small PHA with a Manual System.** The sample provides an example maintenance policy for a small PHA that does not track inventory using a software system.

**Sample 2 – Large PHA with a Manual System.** The sample provides an example maintenance inventory policy for a large PHA that does not track inventory using a software system.

**Sample 3 – Large PHA with a Software System.** The sample provides an example maintenance inventory policy for a large PHA with a software system that tracks maintenance inventory in real time.



- Financial policies and procedures direct how a housing authority will use and manage its funds
- The documents establish financial controls within the housing authority that ensure accuracy, timeliness, and completeness of financial data
  - Helps bring order and cohesiveness to the housing authority (everyone knows what is expected)
  - Prevents or reduces fraud and theft within the housing authority
  - Provides for a system of checks and balances
  - Keeps financial and management information organized
  - Helps the housing authority reduce errors
- There is no universal set of financial policies and procedures
  - While there is a common set of topics that need to be addressed, each housing policy and procedure list is unique to that PHA
  - Most PHAs should have between 20-30 financial policies, depending on how the policies are grouped



# Financial Management Policies & Procedures, continued

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| Example Policies      |                                 |                         |                                 |
|-----------------------|---------------------------------|-------------------------|---------------------------------|
| • Bank Reconciliation | • Rent Collection               | • Tenant A/R Processing | • Petty Cash                    |
| • Investment          | • Write-Off                     | • Vehicle Use           | • HAP Processing                |
| • Credit Card         | • General Ledger Interfacing    | • Travel                | • Conflict of Interest          |
| • Cost Allocation     | • Disbursement                  | • Cell Phone/Laptop Use | • Payroll Processing            |
| • Disposition         | • Revenue Cycle/Cash Management | • Month End Closing     | • Transaction Processing        |
| • Accounts Payable    | • General Internal Control      | • Capital Asset         | • Inter-Program Due to/Due From |
| • Board Reporting     | • Security Deposit              | • Capitalization        | • Budgeting                     |

# Example 3. Bank Reconciliation Policy

138

| Key Components                                                                                                                                                                                                              |                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <b>Risk Factors</b>                                                                                                                                                                                                         | Late financial reporting; missing bank transactions in financial statements; lack of review |
| <b>Scenarios</b>                                                                                                                                                                                                            |                                                                                             |
| <b>Sample 1</b> - A PHA with a fee accountant                                                                                                                                                                               |                                                                                             |
| <b>Sample 2</b> – A PHA with in-house accounting                                                                                                                                                                            |                                                                                             |
| <u>Key Control Procedure Issues:</u>                                                                                                                                                                                        |                                                                                             |
| <ul style="list-style-type: none"><li>• Provides PHA a timeline for preparation of bank reconciliations</li><li>• Provides a process for reviewing reconciliations</li><li>• Prescribe software system to be used</li></ul> |                                                                                             |





## Example 3. Bank Reconciliation Policy, continued

139

| Risks                                                                                                  | Preventive Control                                                                                                                                                                        | Detective Control                                                                                                                     |
|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Bank reconciliations are late.</li></ul>                       | <ul style="list-style-type: none"><li>• Provide a deadline. Bank accounts will be reconciled by the 15th of the following month.</li></ul>                                                | <ul style="list-style-type: none"><li>• Have an audit conducted on an annual basis.</li></ul>                                         |
| <ul style="list-style-type: none"><li>• Bank accounts are not reconciled to the G/L.</li></ul>         | <ul style="list-style-type: none"><li>• The bank reconciliation must be signed and dated certifying the reconciliation matches the general ledger and is free of discrepancies.</li></ul> | <ul style="list-style-type: none"><li>• Discuss with fee accountant any issues or concerns related to bank reconciliations.</li></ul> |
| <ul style="list-style-type: none"><li>• Bank reconciliations have questionable items listed.</li></ul> | <ul style="list-style-type: none"><li>• The Executive Director will also sign and date the bank reconciliation as approved.</li></ul>                                                     |                                                                                                                                       |
| <ul style="list-style-type: none"><li>• Bank accounts are comingling funds between programs.</li></ul> | <ul style="list-style-type: none"><li>• Bank reconciliations will be made available to the board members or finance committee members.</li></ul>                                          |                                                                                                                                       |



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 4.6 - Which of the following is the greatest limitation to internal control?**



# FASS - PH

Spring/Summer 2022

## Internal Controls - Other Items to Consider



# Use of a Fee Accountant

- Several smaller PHAs use a fee accountant to provide accounting services to the PHA. Typical fee accounting services include the following:
  - Maintaining accounting records including producing financial statements, general ledgers, and year end entries
  - Processing and submitting the FDS
  - Reconciling bank accounts
  - Preparing operating budgets



# Use of a Fee Accountant, continued

143

- There are inherent limitations with using a fee accountant that may result in accounting errors or untimely financial statements
  - Fee accountants do not typically review invoices for ineligible costs. In many cases, the fee accountants do not receive copies of the invoices
  - Fee accountants are not responsible for drawing down HUD funds or filing CFP reports
  - Fee accountants are not looking for fraud
  - Fee accountants typically do not discuss financial concerns with the Board of Commissioners



# Establish an Annual Management Plan

144

- As with many government entities, requirements for report filing, training, audit scheduling, and major compliance reviews can be daunting
- An annual management plan provides a strategic approach for tracking major scheduled items throughout the year
- The plan can easily be added to and separated by program or departments
  - Through proper scheduling, many activities can be accomplished throughout the year to prevent bottlenecks of multiple tasks that must be completed
- The plan can be provided to the Board of Commissioners for monitoring purposes



# Annual Management Plan

145

- HUD provides a Calendar of Due Dates which contains a list of reporting requirements for the public housing and HCV programs with fixed due dates
  - Available to print and download in Excel
  - Can organize/sort by PHA FYE

| Due Date  | FYE 12/31 | FYE 3/31 | FYE 6/30 | FYE 9/30 | Description                                                                                  | HCV | PH | Grants | ONAP | Authority               | Form      |
|-----------|-----------|----------|----------|----------|----------------------------------------------------------------------------------------------|-----|----|--------|------|-------------------------|-----------|
| June 2021 |           |          |          |          |                                                                                              |     |    |        |      |                         |           |
| 4         | X         | X        | X        | X        | VMS Reporting Opens                                                                          | X   |    |        |      | PIH 2012-21             | n/a       |
| 22        | X         | X        | X        | X        | VMS Submissions Close                                                                        | X   |    |        |      | PIH 2012-21             | n/a       |
| 30        |           | X        |          |          | IHBG Funds Annual Performance Report                                                         |     |    |        | X    | 24 CFR 1000.514         | HUD-52737 |
| 30        |           |          |          | X        | Annual Audited Financial Submission Report                                                   | X   | X  |        |      | 24 CFR § 902.33(c)      | n/a       |
| 30        |           |          | X        |          | Submit Board Resolutions Approving Operating Budget                                          |     | X  |        |      | PIH 2011-55             | HUD-52574 |
| 30        |           | X        |          |          | Moving to Work Report                                                                        | X   | X  |        |      | Key Dates for MTW Sites | HUD-50900 |
| July 2021 |           |          |          |          |                                                                                              |     |    |        |      |                         |           |
| 1         | X         | X        | X        | X        | Due date for requesting obligation end date extension for FY2017 Capital Fund formula grants |     | X  |        |      | 24 CFR § 905.306        | n/a       |
| 1         |           |          | X        |          | Maintenance Wage Rate Recommendation                                                         |     | X  |        |      | Davis-Bacon Related Act | HUD-4750  |
| 4         | X         | X        | X        | X        | VMS Reporting Opens                                                                          | X   |    |        |      | PIH 2012-21             | n/a       |
| 15        |           |          |          | X        | Moving to Work Plan                                                                          | X   | X  |        |      | Key Dates for MTW Sites | HUD-50900 |
| 18        |           |          | X        |          | Indian Housing Plan                                                                          |     |    |        | X    | 42 U.S.C. § 4112        | HUD-52737 |
| 18        |           |          |          | X        | 5-year PHA Plan                                                                              | X   | X  |        |      | 24 CFR § 903.5(a)       | HUD-50075 |

Link to HUD Calendar of Due Dates:  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/post/calendar](https://www.hud.gov/program_offices/public_indian_housing/post/calendar)



- PHAs can use the Calendar of Due Dates to develop an Annual Management Plan
  - Add additional non-HUD tasks and due dates
    - ◆ Due Dates for payroll, quarterly and year-end federal/state taxes, and employee filings
    - ◆ Insurance (auto, general liability, property, etc.)
    - ◆ REAC Inspection
  - Assign responsibility to department / individual





# Internal Controls - Recap

147

- As you implement controls, be mindful that all internal controls are dependent upon people
  - The effectiveness of internal controls is directly proportional to staffs' willingness to adhere to them
- Review agency's accounting system to ensure that the accounting system provides sufficient detail to:
  - Identify income and expenditures by grant and program year
  - Identify costs by budget category (personnel, travel)
  - Distinguish between direct and indirect costs
- Review agency's organization chart and job descriptions
  - The job description should clearly state what a specific position is authorized to do (i.e., segregation of duties)
    - ◆ For example, the position descriptions for someone authorized to approve the expenditure and issue the payment should be different and distinct







FASS - PH

Spring/Summer 2022

**Session 5:**  
Interim Public  
Housing Assessment  
System (PHAS)



Emphasis on Financial and Management

- Discuss scoring under Interim PHAS Rule, including:
  - The financial condition scoring methodology used in determining the FASS score
  - The management operations scoring methodology used in determining the MASS score
  - The key aspects of the PHAS Interim Rule (informational only)





# Interim PHAS Scoring Methodology

# PHAS Scoring

4

- Only scored on projects column of FDS
  - No COCC
  - No RAD Projects



# PHAS Indicators

5

| PHAS Indicator              | Interim PHAS Rule | Transition Year 2    |
|-----------------------------|-------------------|----------------------|
|                             | Max Points        | Max Points           |
| 1. Physical Condition       | 40 points         | <del>30 points</del> |
| 2. Financial Condition      | 25 points         | <del>30 points</del> |
| 3. Management Operations    | 25 points         | <del>30 points</del> |
| 4. Capital Fund Program     | 10 points         | 10 points            |
| <b>Overall PHAS Score =</b> | <b>100 Points</b> | <b>100 Points</b>    |

- Interim PHAS scores assess only the public housing program (the financial assessment is no longer based on an entity-wide assessment).
- Mixed-finance projects will not receive financial or management scores; they will receive a physical score.





## FINANCIAL CONDITION INDICATOR (FASS) SCORING METHODOLOGY



# FASS Scoring Overview & Asset Management

7

- Under Interim PHAS Rule, the financial condition of each PHA is evaluated to determine whether the PHA
  - Has sufficient financial resources
  - Is managing those resources effectively to support the provision of decent, safe, and sanitary housing in the PHA's public housing projects
- Low Rent and Capital Fund (CFP) activities are reported at the project level
  - All other programs and activities (entity-wide) are reported separately from the projects in their own columns on the Financial Data Schedule (FDS).
- There are three new FASS sub-indicators under Interim PHAS.



# Changes in FASS Scoring

8

## Prior PHAS

|                                 |             |
|---------------------------------|-------------|
| Current Ratio                   | 9.0         |
| Months Exp. Fund Balance (MEFB) | 9.0         |
| Tenant Rec. Outstanding (TRO)   | 4.5         |
| Occupancy Loss (OL)             | 4.5         |
| Net Income (NI)                 | 1.5         |
| Expense Management (EM)         | 1.5         |
| <b>TOTAL POINTS</b>             | <b>30.0</b> |

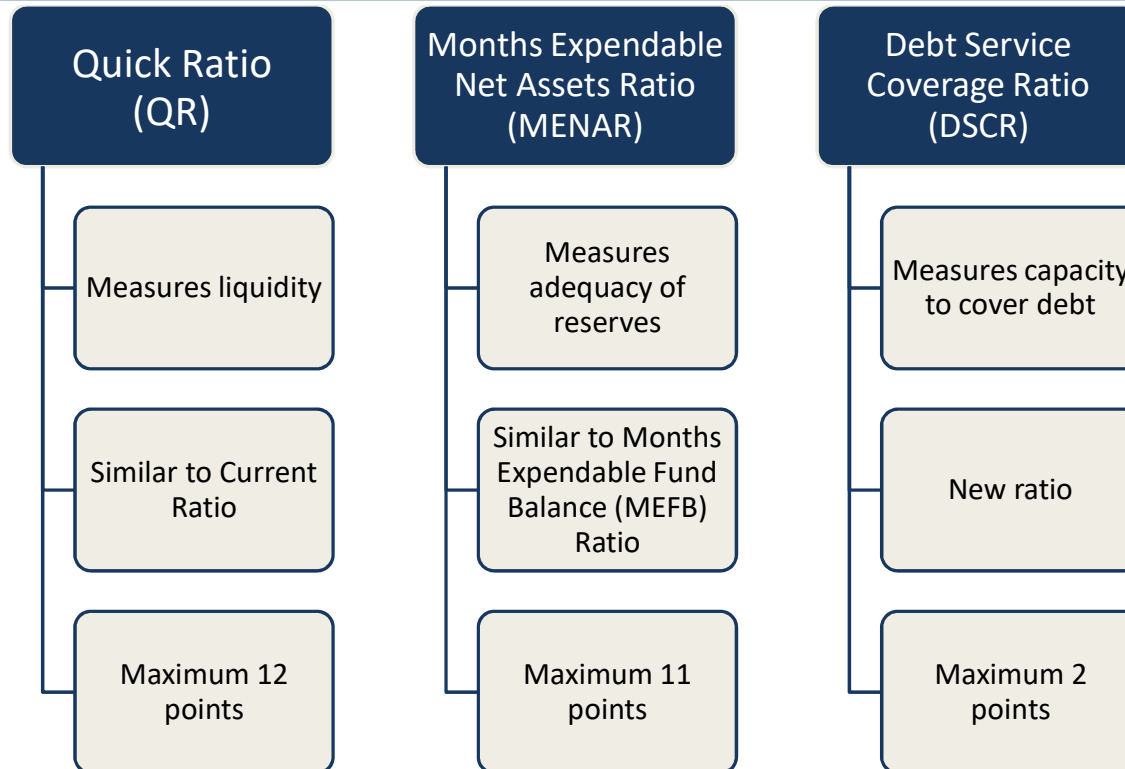
## Interim PHAS

|                                |             |
|--------------------------------|-------------|
| Quick Ratio                    | 12.0        |
| Months Exp. Net Assets (MENAR) | 11.0        |
| Debt Service Coverage (DSCR)   | 2.0         |
| <b>TOTAL POINTS</b>            | <b>25.0</b> |



# FASS Financial Condition Sub-Indicators

9



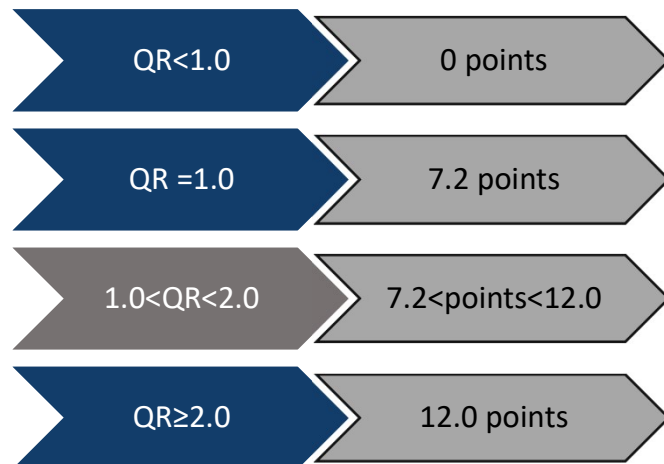
# Quick Ratio Calculation (12 Points)

10

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{\text{Cash} + \text{Cash Equivalents} + \text{Current Receivables}}{\text{Current Liabilities}}$$
$$\frac{111 + 114 + 115 + 120 + 131 + 135 + 142 + 144}{310 - 343.010}$$

## How QR is Scored



When the QR calculates to a value > 1.0 but < 2.0, the number of points that will be assigned for this ratio can be calculated as follows:  $7.2 + ((QR - 1) \times 4.80)$



# Quick Ratio Calculation (12 Points) on FDS

11

**Real Estate Assessment Center**  
**Financial Assessment Subsystem (FASS-PH)**

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Review Score

**PHA Information**

PHA Code: NY029 Fiscal Year End Date: 06/30/2010  
PHA Name: Lackawanna Municipal Housing Authority  
Submission Type: Audited/Single Audit

**Quick Ratio (QR) Details**

Organization: NY029000001 Overall Score: 17.38  
Score: 10.70 Value: 1.73  
Formula: Adjusted Unrestricted Current Asset/Current Liabilities  
(111+114+115+120+131+135+142+144)/(310-343-010)

| Line Item   | Description                                                | Amount    |
|-------------|------------------------------------------------------------|-----------|
| Numerator   |                                                            |           |
| 111         | Cash - Unrestricted                                        | \$400,026 |
| 114         | Cash - Tenant Security Deposits                            | \$29,228  |
| 115         | Cash - Restricted for Payment of Current Liabilities       | \$        |
| 120         | Total Receivables, Net of Allowances for Doubtful Accounts | \$34,930  |
| 131         | Investments - Unrestricted                                 | \$        |
| 135         | Investments - Restricted for Payment of Current Liability  | \$        |
| 142         | Prepaid Expenses and Other Assets                          | \$28,095  |
| 144         | Inter Program Due From                                     | \$        |
| Sub-Total   |                                                            | \$492,279 |
| Denominator |                                                            |           |
| 310         | Total Current Liabilities                                  | \$285,204 |
| 343-010     | CFFP                                                       | \$        |
| Sub-Total   |                                                            | \$285,204 |

[Back to Review Score Details](#)

Each Project ID will have its own quick ratio

Note: This is the total score for all three ratios, not just the QR



# Quick Ratio: FDS Reporting

12

- Ensure that the long-term portion of accrued compensated absences, FSS escrow liabilities, and any other long-term debt is reported as non-current on the FDS.
- Ensure that cash and investments are properly reported between unrestricted and restricted, paying special attention to any restricted cash and investments that will be used for payment of a currently liability.
  - For PHAs that have multiple projects and excess cash, consider transferring excess cash to those projects that have a quick ratio of 2.0 or less
  - Ensure CFFP & EPC debt is identified separately on the FDS detail lines.



# Quick Ratio: FDS Reporting, cont'd.

13

- Since it is only scored on projects look at allocation of expenses between projects and COCC
  - Also look at allocation of Assets & Liabilities between projects and COCC
    - ◆ Prepaid expense
    - ◆ Payables
    - ◆ Receivables
- Review current liabilities
  - Are they really current?



# Months Expendable Net Asset Ratio Calculation (11 Points)

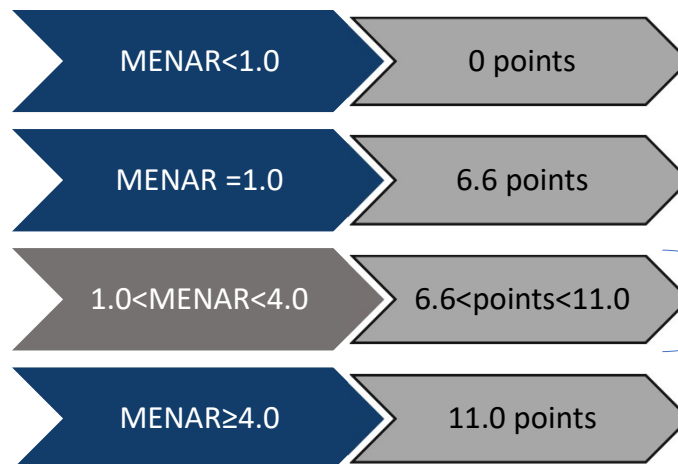
14

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{\text{Unrestricted Resources}}{\text{Average Monthly Operating and Other Expenses}} \\ \frac{[(111 + 114 + 115 + 120 + 131 + 135 + 142 + 144) - 310]}{[(96900 + 97100 + 97200 + 97800)/12]}$$



## How MENAR is Scored



For the MENAR calculation, the denominator is from the Low Rent column of the project only and does not include any amounts reported in the Capital Fund column for these line items

When the MENAR calculates to a value > 1.0 but < 4.0, the number of points that will be assigned for this ratio can be calculated as follows:  $6.6 + ((\text{MENAR} - 1) \times 1.46667)$





# MENAR: Based on Low Rent Only

15


- For the MENAR calculation, the denominator (FDS Lines 96900, 97100, 97200, and 97800) is from the Low Rent column of the project only and does not include any amounts reported in the Capital Fund column for these line items.

|                                                           | Low Rent    | Capital Fund         | Total Project          |
|-----------------------------------------------------------|-------------|----------------------|------------------------|
| → 96900 Total Operating Expenses                          | \$2,327,013 | <del>\$184,119</del> | <del>\$2,491,132</del> |
| 97000 Excess of Operating Revenue over Operating Expenses | -\$204,598  | \$158,795            | -\$45,801              |
| → 97100 Extraordinary Maintenance                         | \$30,724    | <del></del>          | <del>\$30,724</del>    |
| → 97200 Casualty Losses - Non-capitalized                 |             | <del></del>          | <del></del>            |
| 97300 Housing Assistance Payments                         |             |                      |                        |
| 97350 HAP Portability-In                                  |             |                      |                        |
| 97400 Depreciation Expense                                | \$455,323   |                      | \$455,323              |
| 97500 Fraud Losses                                        |             |                      |                        |
| 97600 Capital Outlays - Governmental Funds                |             |                      |                        |
| 97700 Debt Principal Payment - Governmental Funds         |             |                      |                        |
| → 97800 Dwelling Units Rent Expense                       |             | <del></del>          | <del></del>            |



# Months Expendable Net Asset Ratio Calculation (11 Points) on FDS

16



### Real Estate Assessment Center

#### Financial Assessment Subsystem (FASS-PH)

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**PHA Information**  
PHA Code: NY029 Fiscal Year End Date: 06/30/2010  
PHA Name: Lackawanna Municipal Housing Authority  
Submission Type: Audited/Single Audit

**Months Expendable Net Assets Ratio (MENAR) Details**  
Organization: NY029000001 Overall Score: 17.38  
Score: 6.68 Value: 1.05  
Formula: Adjusted Unrestricted Current Asset - Current Liabilities/Monthly Operating Expense  
$$\frac{((111+114+115+120+131+135+142+144)-(310))}{((96900+97100+97200+97800)/12)}$$

| Line Item    | Description                                                | Amount      |
|--------------|------------------------------------------------------------|-------------|
| Numerator:   |                                                            |             |
| 111          | Cash - Unrestricted                                        | \$400,026   |
| 114          | Cash - Tenant Security Deposits                            | \$29,228    |
| 115          | Cash - Restricted for Payment of Current Liabilities       | \$          |
| 120          | Total Receivables, Net of Allowances for Doubtful Accounts | \$34,930    |
| 131          | Investments - Unrestricted                                 | \$          |
| 135          | Investments - Restricted for Payment of Current Liability  | \$          |
| 142          | Prepaid Expenses and Other Assets                          | \$28,095    |
| 144          | Inter Program Due From                                     | \$          |
| 310          | Total Current Liabilities                                  | \$285,204   |
| Sub-Total    |                                                            | \$207,075   |
| Denominator: |                                                            |             |
| 96900        | Total Operating Expenses                                   | \$2,327,013 |
| 97100        | Extraordinary Maintenance                                  | \$30,724    |
| 97200        | Casualty Losses - Non-capitalized                          | \$          |
| 97800        | Dwelling Units Rent Expense                                | \$          |
| Sub-Total    |                                                            | \$2,357,737 |

[Back to Review Score Details](#)

Note: the Income Statement items below are pulled only from the Low Rent Income Statement



- See Quick Ratio
- Ensure that Capital Fund Management fees or other CFP Administration expenses (BLI 1410) are reported in the CFP column of the project.
- Ensure that CFFP Debt transactions are reported in the CFP column of the project.
- Check Extraordinary Maintenance expense
  - Should any of it be capitalized?



# Debt Service Coverage Ratio Calculation (2 Points)

18

- Calculation Methodology
- Detail Line-Item Calculation

$$\frac{\text{Adjusted Operating Income}}{\text{Annual Debt Service, excluding CFFP Debt}} \\ \frac{(97000 + 96700)}{(96710 + 96720 + 11020)}$$

## How DSCR is Scored


|                  |          |
|------------------|----------|
| DSCR < 1.0       | 0 points |
| ≥ 1.0 but < 1.25 | 1 point  |
| DSCR ≥ 1.25      | 2 points |
| NO DEBT AT ALL   | 2 points |

NOTE: The numerator and denominator are derived from the "Operations Column" of the project only and do not include any amounts reported in the "Capital Fund" column for those line items



# Debt Service Coverage Ratio Calculation (2 Points)

19



## Real Estate Assessment Center

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#### PHA Information

|                  |                                        |                       |            |
|------------------|----------------------------------------|-----------------------|------------|
| PHA Code:        | NY029                                  | Fiscal Year End Date: | 06/30/2010 |
| PHA Name:        | Lackawanna Municipal Housing Authority |                       |            |
| Submission Type: | Audited/Single Audit                   |                       |            |

**Note:** the Income Statement items below are pulled only from the Low Rent Income Statement

#### Debt Service Coverage Ratio (DSCR) Details

| Organization:                                                                               | NY029000001                                         | Overall Score: | 17.38               |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------|----------------|---------------------|
| Score:                                                                                      | 0.00                                                | Value:         | Income Zero or Neg. |
| Formula: Adjusted Operating Income/Annual Debt Service<br>(96700+97000)/(96710+96720+11020) |                                                     |                |                     |
| Line Item                                                                                   | Description                                         | Amount         |                     |
| Numerator                                                                                   |                                                     |                |                     |
| 96700                                                                                       | Total Interest Expense and Amortization Cost        | \$206,240      |                     |
| 97000                                                                                       | Excess of Operating Revenue over Operating Expenses | \$-204,596     |                     |
| Sub-Total                                                                                   |                                                     | \$1,644        |                     |
| Denominator                                                                                 |                                                     |                |                     |
| 11020                                                                                       | Required Annual Debt Principal Payments             | \$0            |                     |
| 96710                                                                                       | Interest of Mortgage (or Bonds) Payable             | \$206,240      |                     |
| 96720                                                                                       | Interest on Notes Payable (Short and Long Term)     | \$             |                     |
| Sub-Total                                                                                   |                                                     | \$206,240      |                     |

[Back to Review Score Details](#)



- Ensure that CFFP Debt transactions are reported in the CFP column of the project.



- PIC contains a list of PHA's projects and the project's status:
  - "In Management"
  - "In Development"
  - "Terminated"
    - ◆ RAD Inventory Removal
- Projects designated as "In Management" are available for selection in the FASS system.
- Projects shown as "In Management" are the only projects that are scored under the Financial Condition Indicator.



# Projects Not Scored

22

- The following project types are not scored under the Interim PHAS Financial Condition Indicator:
  - FDS Line 513 Total Equity/Net Assets = 0
  - Project “In Development”
  - Mixed Finance Projects
  - Other Project
    - ◆ Terminated
    - ◆ In Development
    - ◆ Activities not project-specific (example: Homeownership program)
    - ◆ COCC
    - ◆ RAD





# Projects Scored/Not Scored

23

| ID | Project Type          | Description                                                                                                                                                                                                                                                                                                                                | Financial Condition Indicator |            |
|----|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------|
|    |                       |                                                                                                                                                                                                                                                                                                                                            | Project Scored                | Not Scored |
| 1  | In Management         | Is the only project type that is scored under FASS. These projects are contained in PIC and are available for selection in the FASS-PH System                                                                                                                                                                                              | ●                             |            |
| 2  | In Development        | Active projects that are not yet in management status are termed "in development". These projects are contained in PIC but the "in development" projects are not available for selection in the FASS-PH System.                                                                                                                            |                               | ●          |
| 3  | Mixed Finance Project | Self-identified by PHA based on "Y" for yes response on Project Statement screen. Screen is only displayed if the PHA has more than (1) project available.                                                                                                                                                                                 |                               | ●          |
| 4  | Other Project         | PHAs have the option to add an "other project" column. "Other Projects" are coded with a project code of "999999999" and are typically used to identify projects that are: 1) Terminated; 2) In development phase but not displayed in PIC; and 3) associated with activities that are not project-specific (e.g., homeownership program). |                               | ●          |
| 5  | "9999" Project        | PHA created projects that reflect land and buildings of the Public Housing program that are used by the COCC (i.e., administrative offices, central warehouses) and are not reflected in any of the other PHA's projects.                                                                                                                  |                               | ●          |



# Calculating PHA-wide FASS Indicator Score

24

- **Step 1:** Calculate FASS Indicator score (QR, MENAR, and DSCR) for each project. Mixed finance projects are excluded from scoring.

| Project   | Mixed Finance | QR                               |              | MENAR |             | DSCR     |             | Project Score |
|-----------|---------------|----------------------------------|--------------|-------|-------------|----------|-------------|---------------|
|           |               | Value                            | Score        | Value | Score       | Value    | Score       |               |
| Project 1 | No            | 6.65                             | <b>12.00</b> | 2.31  | <b>8.57</b> | N/A      | <b>2.00</b> | <b>22.57</b>  |
| Project 2 | No            | 1.22                             | <b>8.26</b>  | 1.23  | <b>6.95</b> | Negative | <b>0.00</b> | <b>15.21</b>  |
| Project 3 | No            | 3.75                             | <b>12.00</b> | 1.55  | <b>7.43</b> | N/A      | <b>2.00</b> | <b>21.43</b>  |
| Project 4 | Yes           | Excluded (Mixed Finance Project) |              |       |             |          |             | N/A           |



# Calculating PHA-wide FASS Indicator Score, cont'd.

25

- **Step 2:** Convert the UMAs for each Project into Units (UMAs/12)
- **Step 3:** Calculate the weighted value for each project (Col 3 x Col 4)
- **Step 4:** Calculate unit weighted FASS score by summing the weighted value and then dividing this amount by the total number of units ( $8,570.50/450 = 19.05$  FASS Score)
- Note: For the audited submission, the unit weighted FASS score is then adjusted by the results of the audit (i.e., audit adjustments) and other score adjustments, such as the significant change penalty (A reduction in score of 10%)

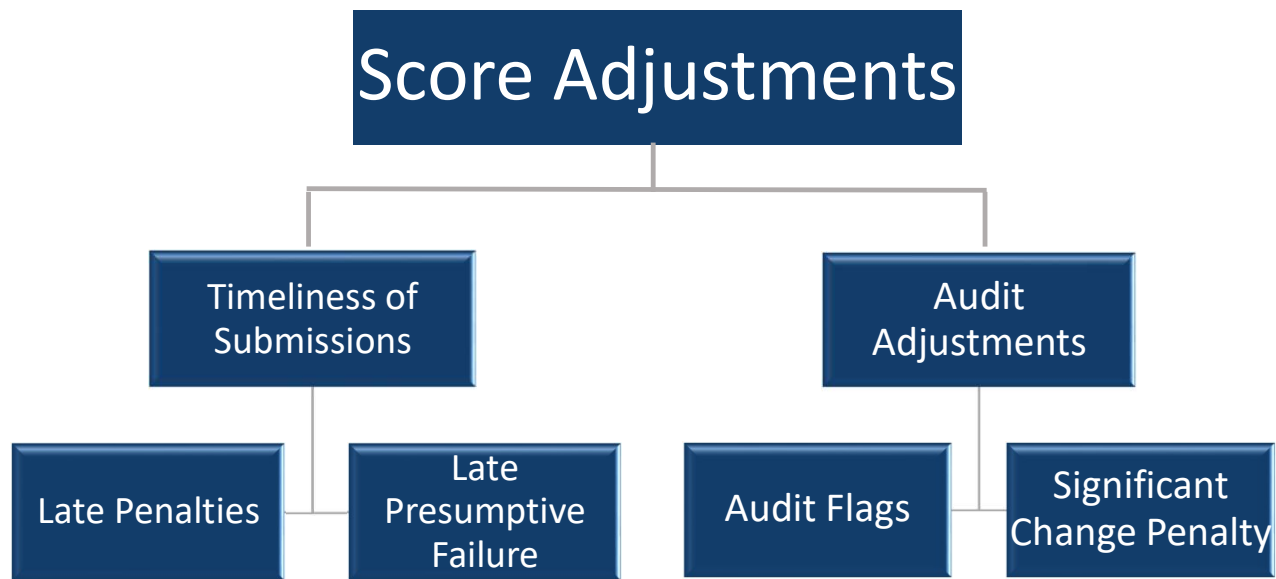
| 1                                                                        | 2                                         | 3                            | 4                                 | 5                                 |
|--------------------------------------------------------------------------|-------------------------------------------|------------------------------|-----------------------------------|-----------------------------------|
| Project                                                                  | Unit Months Available<br>(FDS Line 11190) | Units<br>(Col 2 ÷ 12 months) | Project Score<br>(Previous slide) | Weighted Value<br>(Col 3 × Col 4) |
| Project 1                                                                | 1,800                                     | 150                          | 22.57                             | 3,385.50                          |
| Project 2                                                                | 2,400                                     | 200                          | 15.21                             | 3,042.00                          |
| Project 3                                                                | 1,200                                     | 100                          | 21.43                             | 2,143.00                          |
| PHA Totals                                                               |                                           | 450                          |                                   | 8,570.50                          |
| PHA Unit Weighted FASS Score<br>(PHA Total Weighted Total / Total Units) |                                           |                              |                                   | 19.05                             |



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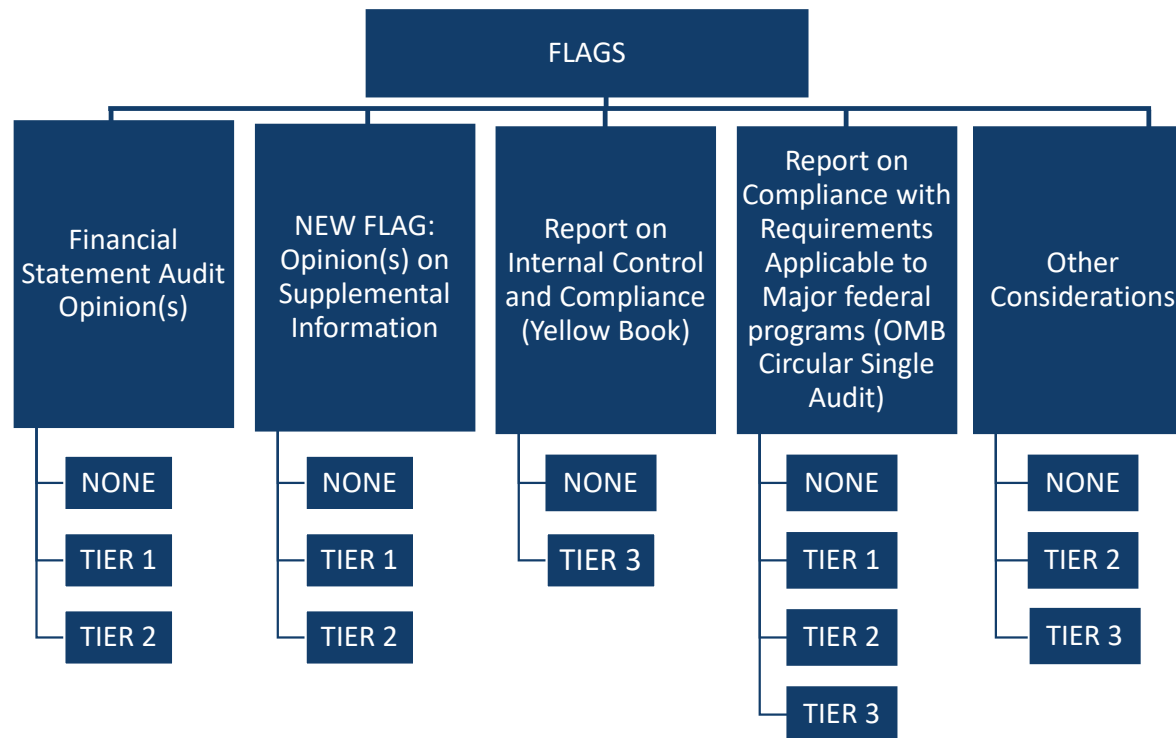
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**Poll: 5.1 - Which PHAS indicator measures liquidity?**



# Types of Audit Flags

28



# Tier Classification

29

Each tier assesses point deductions of varying severity

## Tier 1

- Any Tier 1 finding assesses a 100% deduction of the PHA's financial condition indicator score

## Tier 2

- Any Tier 2 finding assesses a point deduction equal to 10% of the unadjusted financial condition indicator score

## Tier 3

- Each Tier 3 finding assess a 0.5 point deduction per occurrence to a maximum of 4 points of the financial condition indicator score

Unmodified Opinion (no penalty)



# Financial Statement Audit Flags

30

| Financial Statement |                                                  |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                         |
|---------------------|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Element#            | Description                                      | Value                                                                                                                                                                                                                               | Details                                                                                                                                                                                                                                                                                                                 |
| *G3000-005          | Financial Statements Using Basis Other Than GAAP | No                                                                                                                                                                                                                                  | ---                                                                                                                                                                                                                                                                                                                     |
| *G3000-010          | Type of Audit Report                             | <div> <div>Tier 2. Assesses a point deduction equal to 10% of the unaudited financial condition indicator score</div> <div>Tier 1. Assesses a 100% (25 pts) deduction of the PHA's financial condition indicator score</div> </div> | <div> <div>Tier 2</div> <div>None</div> <div>Tier 1</div> <div>Tier 1</div> </div> <div> <input type="checkbox"/> Modified Opinion<br/> <input checked="" type="checkbox"/> Unmodified Opinion<br/> <input type="checkbox"/> Adverse Opinion<br/> <input type="checkbox"/> Disclaimer of Opinion                 </div> |
|                     |                                                  |                                                                                                                                                                                                                                     | <a href="#">Details]</a>                                                                                                                                                                                                                                                                                                |
|                     |                                                  |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                         |
|                     |                                                  |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                         |
| *G3000-020          | Going Concern Indicator                          | No                                                                                                                                                                                                                                  | ---                                                                                                                                                                                                                                                                                                                     |
| *G3000-030          | Significant Deficiency Indicator                 | No                                                                                                                                                                                                                                  | ---                                                                                                                                                                                                                                                                                                                     |
| *G3000-040          | Material Weakness Indicator                      | No                                                                                                                                                                                                                                  | ---                                                                                                                                                                                                                                                                                                                     |
| *G3000-050          | Material Noncompliance Indicator                 | No                                                                                                                                                                                                                                  | ---                                                                                                                                                                                                                                                                                                                     |
| *G3000-060          | Fraud                                            | No                                                                                                                                                                                                                                  | ---                                                                                                                                                                                                                                                                                                                     |
| *G3000-070          | Illegal Acts                                     | No                                                                                                                                                                                                                                  | ---                                                                                                                                                                                                                                                                                                                     |
| *G3000-080          | Abuse                                            | No                                                                                                                                                                                                                                  | ---                                                                                                                                                                                                                                                                                                                     |





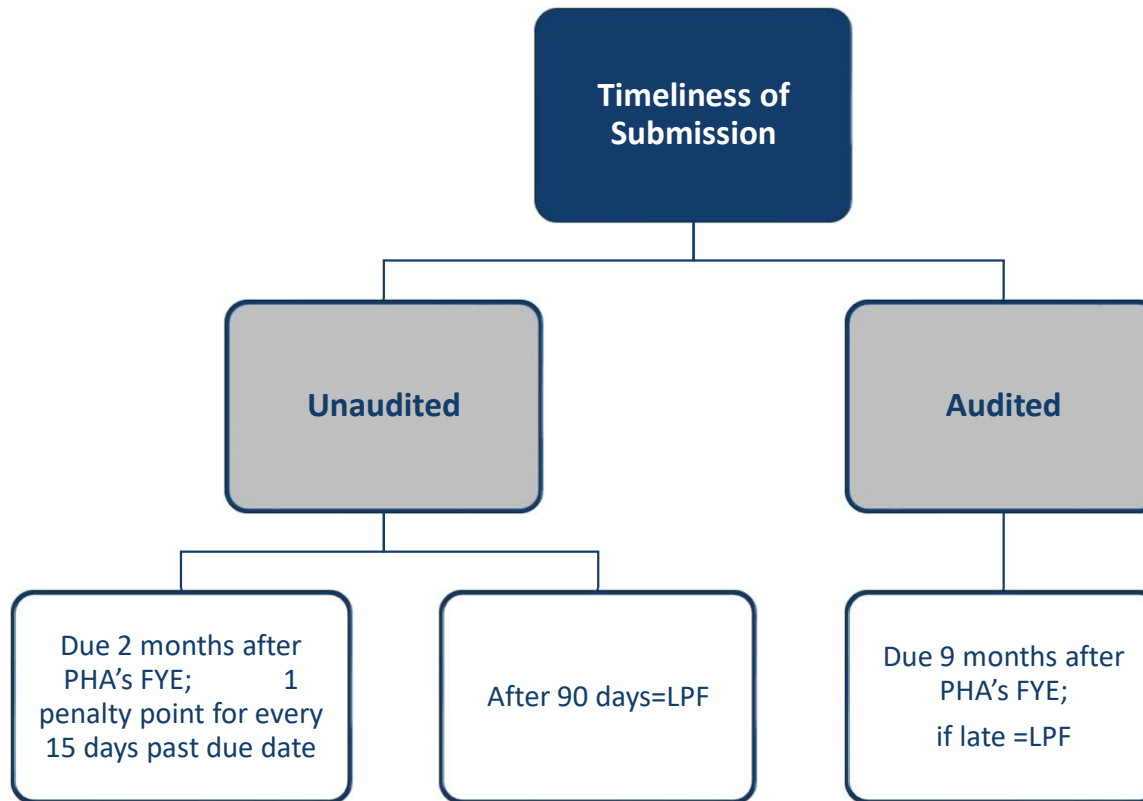
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**Poll: 5.2 - For an unaudited submission, how many days before LPF?**

# Timeliness of Submission

32





# MANAGEMENT OPERATIONS (MASS) SCORING METHODOLOGY

- The Interim Rule removes the requirement for a PHA to submit and self-certify to management indicators using the form HUD-50072.
- The management capability of a PHA is assessed annually based on detailed information submitted electronically to REAC through the FASS system (unaudited and audited submissions).
- The PHA is assessed under three management performance indicators.



# Changes in MASS Scoring

35

## Prior PHAS

|                             |             |
|-----------------------------|-------------|
| Vacant Unit Turnaround Time | 4.0         |
| Capital Fund                | 7.0         |
| Work Orders                 | 4.0         |
| Annual Inspections          | 4.0         |
| Security                    | 4.0         |
| Economic Self-Sufficiency   | 7.0         |
| <i>Total Points</i>         | <i>30.0</i> |

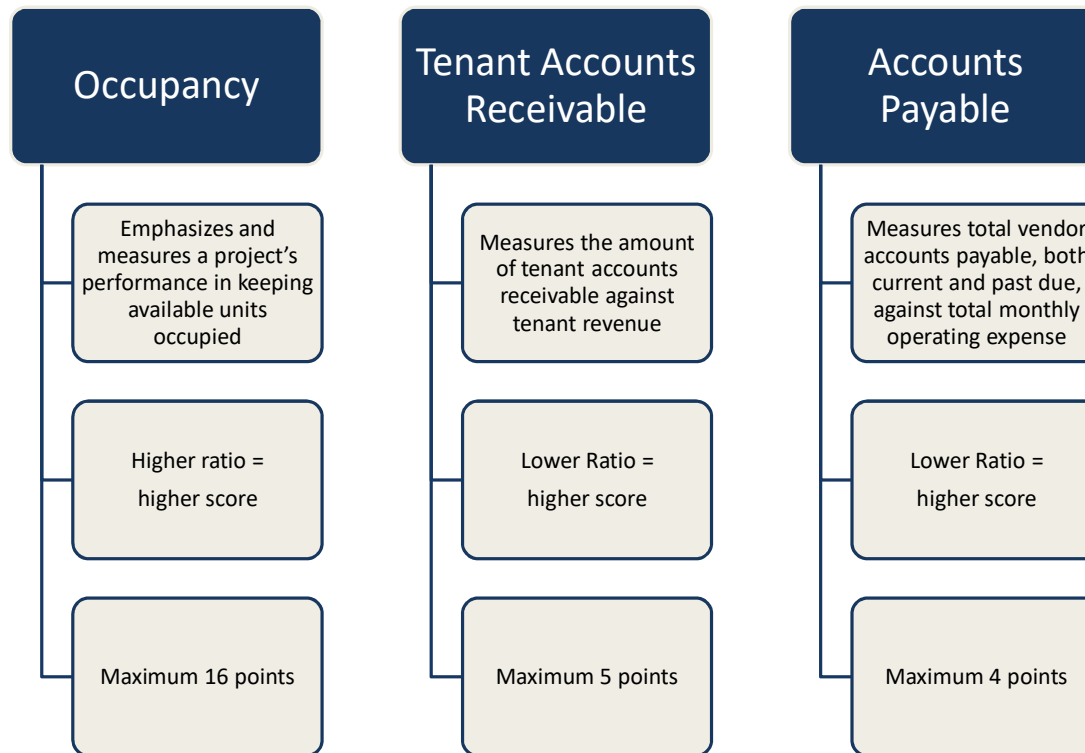
## Interim PHAS

|                            |             |
|----------------------------|-------------|
| Occupancy                  | 16.0        |
| Tenants Account Receivable | 5.0         |
| Account Payable            | 4.0         |
| <i>Total Points</i>        | <i>25.0</i> |



# MASS Sub-Indicators

36



# Occupancy (16 points)

37

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{\text{Unit Months Leased}}{\text{Unit Months Available}} \\ \frac{11210}{11190}$$

## How Occupancy is Scored

|                |           |
|----------------|-----------|
| ≥98%           | 16 points |
| 98% >but ≥ 96% | 12 points |
| 96% >but ≥ 94% | 8 points  |
| 94% >but ≥ 92% | 4 points  |
| 92%> but ≥ 90% | 1 point   |
| <90%           | 0 points  |



# Occupancy (16 points)

38

- Types of HUD-approved vacant units (per 24 CFR 990.145)
  - Vacant units undergoing HUD approved modernization
  - Special use units
  - Vacant units as a result of court litigation
  - Vacant units due to natural disaster
  - Vacant units due to casualty loss





# Occupancy: FDS Reporting

39

- Track units leased monthly and support them with underlying data (the rent roll or rental register)
- Track, document, and report the number of HUD approved vacancy unit months

| Occupancy                                       | Unit Months |
|-------------------------------------------------|-------------|
| Base units available<br>(100 units * 12 months) | 1,200       |
| Units occupied                                  | 1,090       |
| Vacant units under CFP repair                   | 42          |
| Vacant units being turned                       | 66          |
| Police unit (1 unit)                            | 12          |

- Based on the table above, the PHA's occupancy rate was 95.1% resulting in an occupancy score of 8 points out of a possible 16 points.  $[1,090 \div [(1,200 \text{ base units available}) - 42 \text{ vacant unit months} - 12 \text{ special unit months}]$



# Tenant Accounts Receivable (TAR) (5 points)

40

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{\text{Accounts Receivable - Tenants}}{\text{Total Tenant Revenue}^*}$$
$$\frac{126}{70500}$$

## How Tenant Accounts Receivable is scored

*\*Includes rents and other charges to the tenants*

|                    |          |
|--------------------|----------|
| <1.5%              | 5 points |
| ≥ 1.5 % but < 2.5% | 2 points |
| ≥ 2.5%             | 0 points |



# Tenant Accounts Receivable: FDS Reporting

41

- Write off non-collectable tenant accounts receivable in accordance with the PHA's policy before the end of the fiscal year.
- Separate any fraud receivable balance accrued from tenant accounts receivable balances from tenants that
  - Have committed fraud
  - Owe additional rent from prior periods (retroactive adjustments)
- Report additional tenant income such as misc. charges, late fees, excess utilities on FDS line 70400 (Tenant revenue – other), not on FDS line 71500 (Other Revenue)



# Accounts Payable (AP) (4 points)

42

- Calculation Methodology

$$\frac{(\text{Current Accounts Payable} < 90 \text{ days} + \text{Past Due Accounts Payable} > 90 \text{ days})}{(\text{Total Operating Expenses} / 12)}$$

- Detail Line Item Calculation

$$\frac{312 + 313}{96900 \div 12}$$

| How Accounts Payable is scored |          |
|--------------------------------|----------|
| <.075                          | 4 points |
| ≥ .075 but < 1.5               | 2 points |
| ≥ 1.5                          | 0 points |



# Accounts Payable: FDS Reporting

43

- Make sure that all CFP liabilities have been paid by the end of the fiscal year
- Ensure that accounts payable lines (FDS lines 312 and 313) do not contain accrual transactions that are to be reported in FDS lines 321-325 and 346.
- Commonly misreported items
  - Accrued employee benefits and payroll
  - Construction premiums
  - Utilities
- Review A/P to see if any amounts can be allocated to COCC



# Physical Condition & Neighborhood Environment (PCNE)

44

## Prior PHAS

|                          |          |
|--------------------------|----------|
| Max Points               | 3 points |
| Category under           | PASS     |
| Physical Condition       | 10 years |
| Neighborhood Environment | 51%      |
| Via PHA Certification    |          |

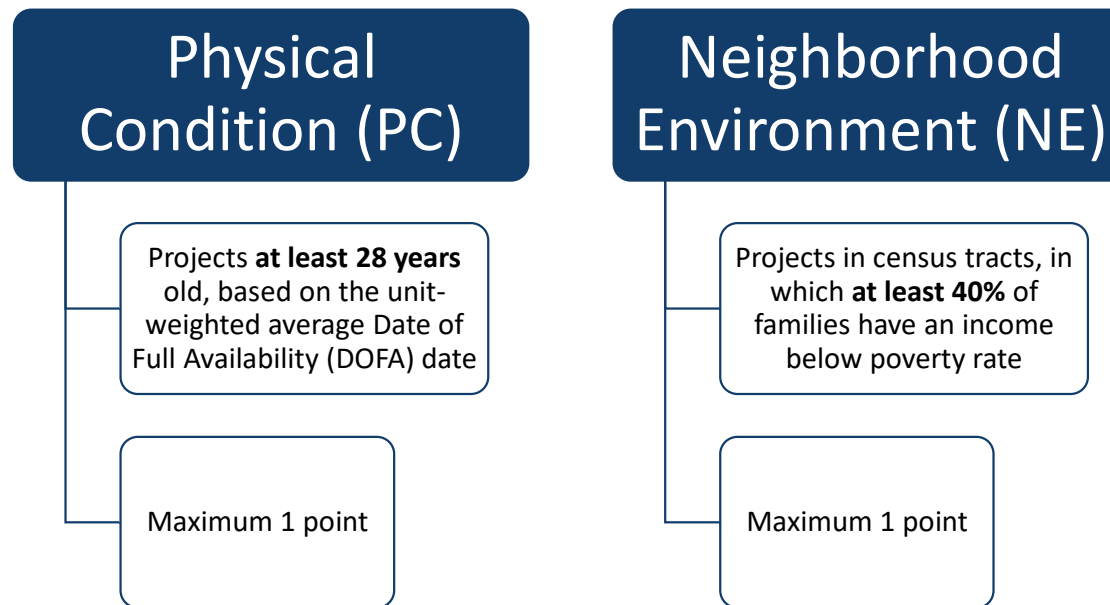
## Interim PHAS

|                          |          |
|--------------------------|----------|
| Max Points               | 2 points |
| Category under           | MASS     |
| Physical Condition       | 28 years |
| Neighborhood Environment | 40%      |
| Via Data from PIC        |          |



# Physical Condition & Neighborhood Environment (PCNE), cont'd

45



- The PCNE adjustment cannot exceed the maximum number of possible MASS points (i.e., 25 points)
- A PCNE adjustment, if warranted, will be made to each individual project scores



# Calculating PHA-wide MASS Indicator Score

46

- **Step 1:** Calculate MASS Indicator score (Occupancy, TAR, and AP) for each project, including any PCNE adjustment. Mixed-finance projects are excluded from scoring.

| MASS Project Scores |               |                                  |      |    |               |
|---------------------|---------------|----------------------------------|------|----|---------------|
| Project             | Mixed Finance | MASS Score                       | PCNE |    | Project Score |
|                     |               |                                  | PC   | NE |               |
| Project 1           | No            | 24.00                            | 1    | 1  | 25.00         |
| Project 2           | No            | 16.50                            | 1    | 1  | 18.50         |
| Project 3           | No            | 22.68                            | 0    | 1  | 23.68         |
| Project 4           | Yes           | Excluded (Mixed Finance Project) |      |    | N/A           |





# Calculating PHA-wide MASS Indicator Score

47

- **Step 2:** Convert the UMAs for each Project into Units (UMAs/12 – same as FASS)
- **Step 3:** Calculate the unit weighted value for each project (Col 2 x Col 3)
- **Step 4:** Calculate unit weighted MASS score by summing the weighted value and then dividing this amount by the total number of units ( $9,818.00/450 = 21.82$ )

| Calculation of PHA-wide Management Score                                 |       |                                   |                                   |
|--------------------------------------------------------------------------|-------|-----------------------------------|-----------------------------------|
| 1                                                                        | 2     | 3                                 | 4                                 |
| Project                                                                  | Units | Project Score<br>(Previous slide) | Weighted Value<br>(Col 2 × Col 3) |
| Project 1                                                                | 150   | 25.00                             | 3,750.00                          |
| Project 2                                                                | 200   | 18.50                             | 3,700.00                          |
| Project 3                                                                | 100   | 23.68                             | 2,368.00                          |
| PHA Totals                                                               | 450   |                                   | 9,818.00                          |
| PHA Unit Weighted MASS Score<br>(PHA Total Weighted Value / Total Units) |       |                                   | 21.82                             |



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**Poll: 5.3 - What is the cause of the greatest score deduction?**

# Conclusion

49

- Thoughts
- Questions?
- Comments?





FASS - PH

Spring/Summer 2022

## Session 6: Pension/OPEBs for PHAs



- Why a Return to this topic?
- Background and History
- Review of the Pension/OPEB fundamentals
- Increasing Impact of OPEBs
- Impact to PHA programs
- Impact on Repositioning
- What-ifs on funding plans
- What should a PHA do now?



# Why This Topic?

3

- This presentation coincides with a guidebook developed by HUD to initiate a discussion about concerns related to liabilities for post employment benefits
- This follows previous efforts to highlight concerns over the lack of funding to cover these liabilities
- Builds on previous efforts to call attention to these concerns
- Calls on PHAs to address these issues



- No specific controls related to employee benefits
- Department of Labor reports average hourly salary and benefit costs for state and local governments were \$31 and \$14, respectively
- Equaled 31% of total compensation
- OIG attempted to determine if these costs were reasonable
- Many PHAs had benefits in excess of 40%
- Recommendations:
  - Evaluate the Risk that benefits may be unreasonable, and if necessary, establish and implement controls to reduce risk
  - Develop and implement guidance to ensure the PHAs enter correct date in FASS-PH





# Introduction



- Most PHAs offer some form of retirement benefit. Many of those are sponsored by the state in which the PHA resides. In that case participation is usually mandatory.
- Most of these plans promise a specific benefit after retirement
- Given the focus on the cost of medical insurance, many PHAs also offer retiree medical or other post-employment benefits (OPEBs)
- These plans have actuarially determined obligations
- With the implementation of GASB 68, participants became more focused on the total of promised liabilities



# GASB Standards Evolution

7

| Standard                                                                                   | Issued Date    | Pension | OPEBs |
|--------------------------------------------------------------------------------------------|----------------|---------|-------|
| GASB 25 & 27 – Accounting for Pensions (25-Plans & 27—Employers)                           | November, 1994 | X       |       |
| GASB 26 – Financial Reporting for OPEBs Administered by Defined Benefit Plans              | November, 1994 | X       | X     |
| GASB 45 – Accounting and Financial Reporting by Employers for OPEBs                        | June, 2004     |         | X     |
| GASB 67 & 68 – Accounting and Financial Reporting for Pensions (67-Plans and 68-Employers) | June, 2012     | X       |       |
| GASB 74 & 75 – Accounting and Financial Reporting for OPEBs (74-Plans & 75-Employers)      | June, 2015     |         | X     |



# GASB Standards Evolution, continued

8

- Previous standards required only the cost of the annual contribution in the financial statements known as the annually required contribution (ARC)
- The amount coincided with the budgeting process
- Footnotes included a description of the plan, actuarial assumptions, and certain financial data
- Actuarially determined liability was not generally disclosed



# GASB 68 – A New Pension Standard

9

- Adopted in 2012 and effective for June 2014 year ends
- Represented a significant change in the method of accounting and reporting
- Highlighted the total liability/asset on the balance sheet
- Changed the calculation of benefit expense
- Model ultimately adopted for OPEBs





# Overview of Standards

## Defined Benefit

**promises a specific benefit at a future point in time.**

Employers make annual contributions to a fund to offset the actuarial determined liability

Invested assets grow in value

Plan remains liable for benefits regardless of investment performance or contributions made

---

## Defined Contribution

**employer/employee contributes to plan based on a formula.**

Future assets dependent on the return on investment

No specific benefit promised

- Plan Types
  - Single employer
  - Multi-employer cost sharing
  - Multi-employer agent
- Generally, plans have established trusts to segregate and maintain plan assets (not necessarily true for OPEBs)





**Single Employer**  
established plan for  
only one employer  
(commonly seen  
in OPEB plans)



**Agent Employer**  
participates in a plan  
where assets are pooled  
for investment purposes,  
but separate accounts  
are maintained for each  
employer



**Cost-sharing employer**  
assets and obligations  
are both pooled (many  
PHAs have these)





# Standards Overview

***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 6.1 - The previous pension standard was...?**

# GASB 27 vs. GASB 68

## **GASB 27**

**Objective to match pension expense to employer contributions**

- PHAs financial statements were focused on the ARC
- ARC = expense
- Disclosed (?) the total actuarial determined liability

## **GASB 68**

**Objective was to present the total pension obligation of the employer**

- Required employers to record a net pension liability if assets < liabilities or an asset if assets > liabilities
- Expense is now the difference between the current and prior year liability

- Most PHAs recorded a significant pension liability as funding was not 100 percent
- However, most plans have significant funding

- Retiree benefits other than pensions – could include:

**Health & dental  
insurance**



**Life  
Insurance**



**Prescription  
benefits**



**Other**



- Many PHAs offer these benefits
- Most are single employer plans
- Under GASB 45 most were funded on a pay-as-you-go model
- GASB 76 adopted the GASB 68 valuation model to determine and measure the liability and assets
- Few are funded



- **Actuarial accrued liability:** “The portion of [the] actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs.”



- **Actuarial present value of projected benefit payments:** “Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.”



- **Contributions:** “Additions to a pension plan’s fiduciary net position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.”



- **Discount rate:** “The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:
  1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan’s fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.
  2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.”
- **Net pension liability:** “The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.”



# Pension Definitions (cont.)

20



- **Projected benefit payments:** “All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.”



- **Real rate of return:** “The rate of return on an investment after adjustment to eliminate inflation.”



- **Service costs:** “The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.”

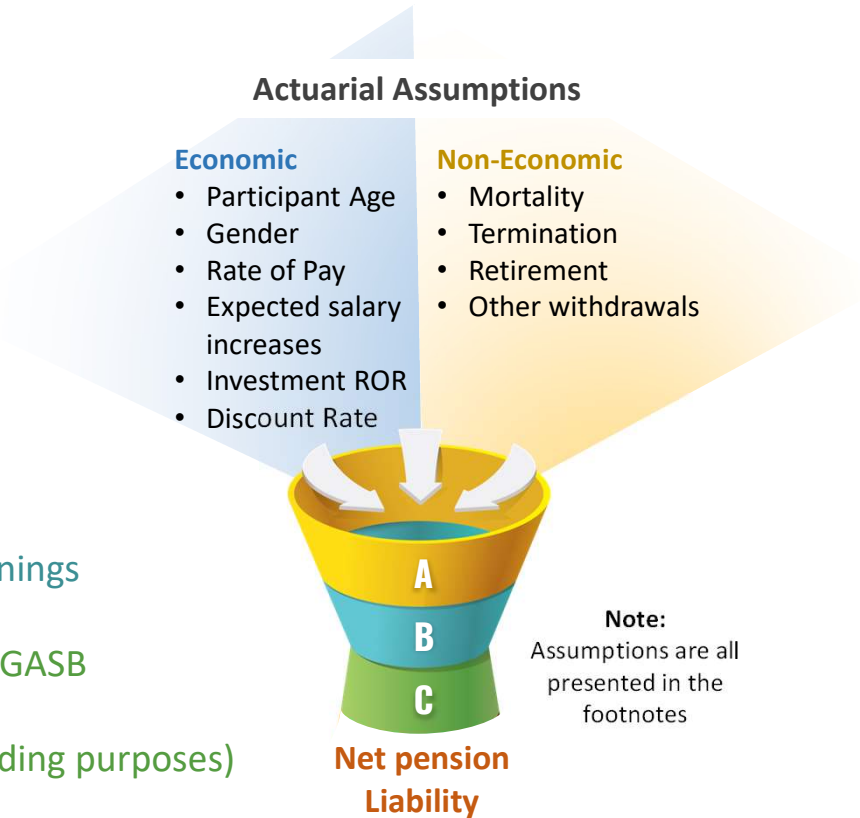


- **Total pension liability:** “The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement.”

# Calculation of Plan Amounts

21

- Calculation of benefits is based on plan documents
  - Made by Actuary
  - Determines appropriateness of assumptions
- A. Actuary calculates projected actuarially pension liability
- B. Applies a discount rate to get the actuarial present value of the liability
- Discount rate approximates asset earnings
- C. Reviews the asset values
- Market value on measurement date (GASB presentation)
  - Actuarial valuation (estimates for funding purposes)





# Example Footnote Disclosure

22

## Benefits Provided

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

| <u>Class Initial Enrollment, and Retirement Age / Years of Service</u> | <u>% Value</u> |
|------------------------------------------------------------------------|----------------|
| Regular Class members initially enrolled before July 1, 2011           |                |
| Retirement up to age 62 or up to 30 years of service                   | 1.60           |
| Retirement up to age 63 or with 31 years of service                    | 1.63           |
| Retirement up to age 64 or with 32 years of service                    | 1.65           |
| Retirement up to age 65 or with 33 or more years of service            | 1.68           |

A retiree with 35 years of service and retiring after age 65 would earn 58.8% of their average highest earnings ( $35 \times 1.68 = 58.8\%$ )



## Actuarial Assumptions

The plan actuarial valuation that determined the total pension liability as of June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2013–June 30, 2018.

|                           |       |                                                          |
|---------------------------|-------|----------------------------------------------------------|
| Inflation                 | 2.60% |                                                          |
| Salary Increases          | 3.25% | average, including inflation                             |
| Investment Rate of Return | 6.90% | net pension plan investment expense, including inflation |

Mortality rates were based on the PUB2010 base tables (varies by member category and sex). Projected generationally with scale MP-2018 details.



- ***Discount Rate***

- The discount rate used to measure the net pension liability of the Plan was 6.90 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The Plan's Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), state statutes. The 6.90% rate of return assumption used in the June 30, 2019 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes, which differs from the rate used for funding purposes, which is used to establish the contribution rates for the Plan.



# Discount Rate, continued

25

## Sensitivity of the Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the Department's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Department's proportionate share of the net pension liability would be if it calculated using a discount rate that is one percentage point lower (5.90 percent) or one percentage point higher (7.90 percent) than the current rate:

|                                                                  | 1% Decrease -<br>5.90% | Current<br>Discount<br>Rate - 6.90% | 1% Increase -<br>7.90% |
|------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Department's proportionate share<br>of the net pension liability | \$ 24,585,964          | \$ 14,222,498                       | \$ 5,567,250           |

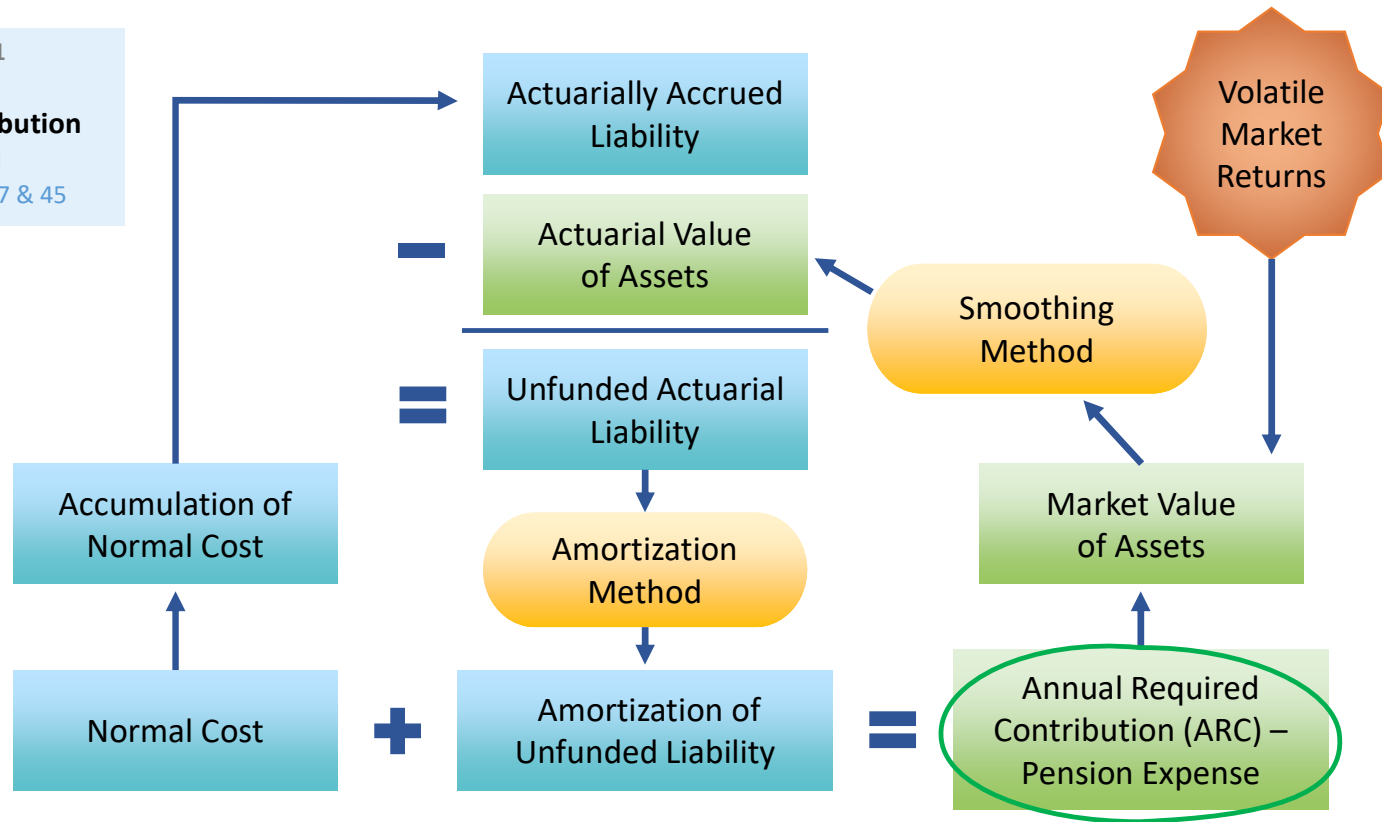
As you can see, the selection of a discount rate has a tremendous impact on the determination of the NPL. For most PHAs this rate is set by the actuary with the assistance of the plan governance.



# Pension Calculations

26

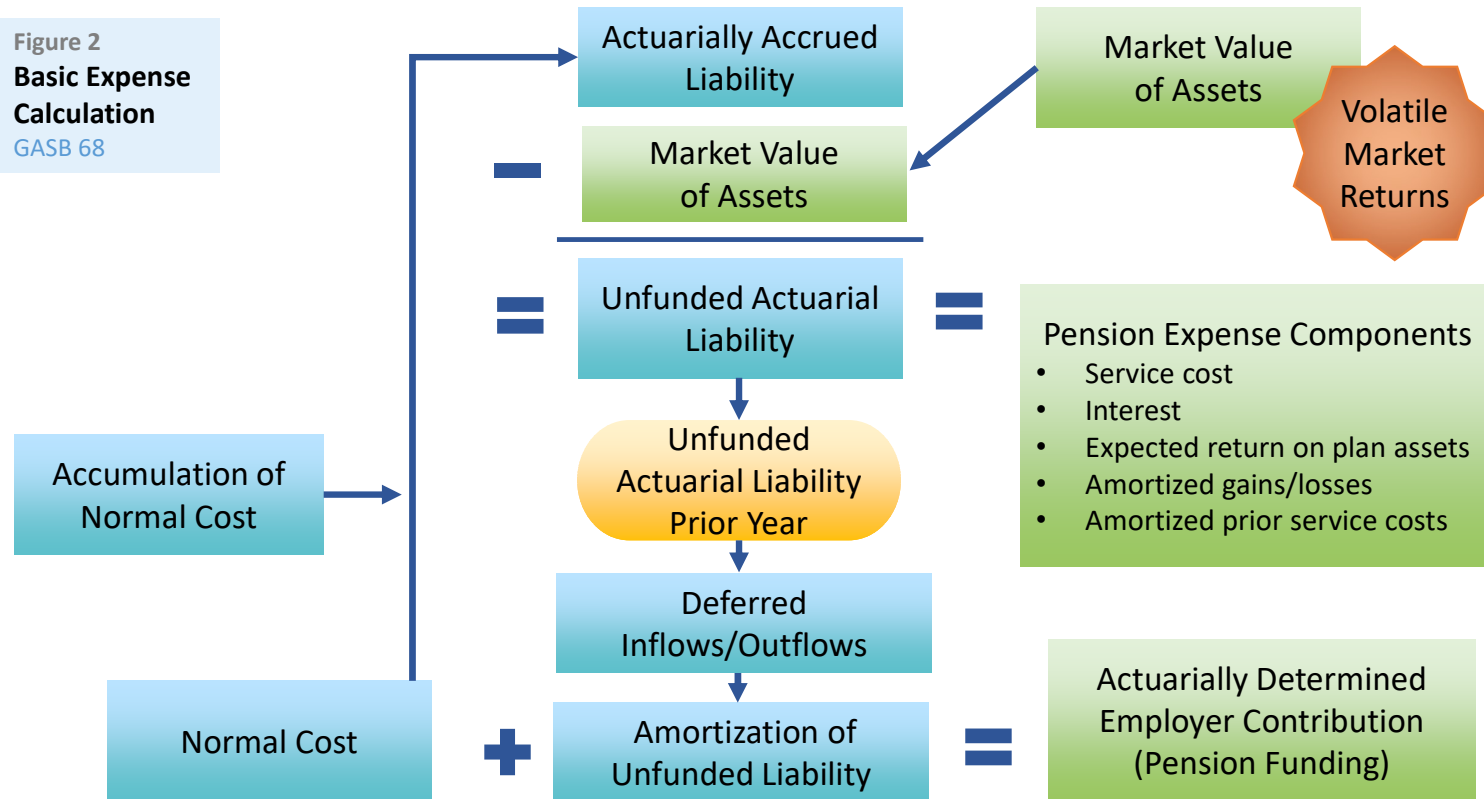
**Figure 1**  
**Basic**  
**Contribution**  
**Model**  
GASB 27 & 45



# GASB 68/75 Expense Calculation

27

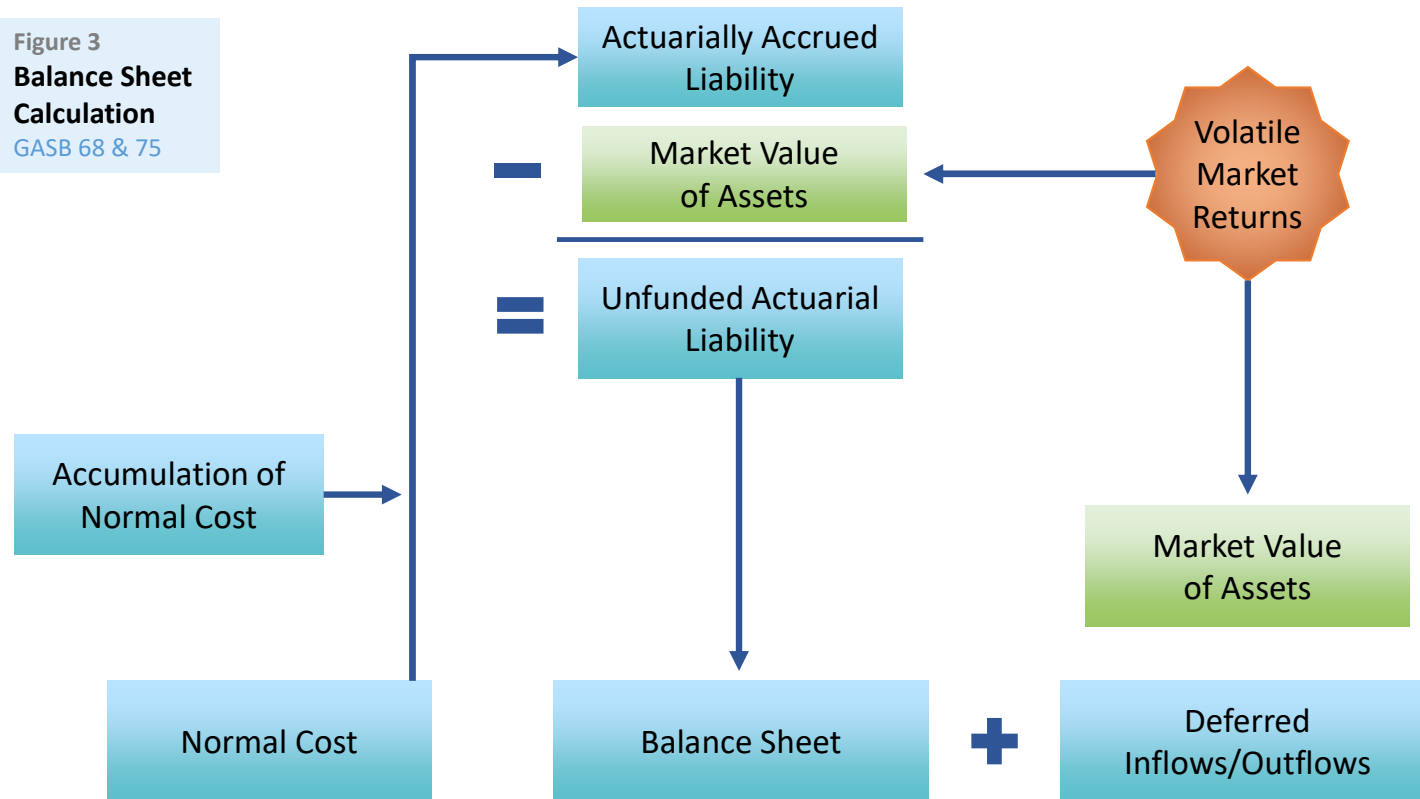
**Figure 2**  
**Basic Expense**  
**Calculation**  
GASB 68



# GASB 68/75 Balance Sheet

28

**Figure 3**  
**Balance Sheet**  
**Calculation**  
GASB 68 & 75

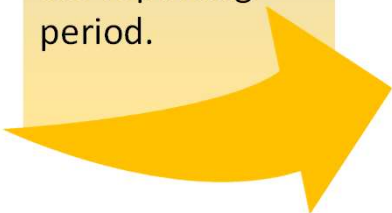


# Inflows & Outflows Defined

29



An **inflow** of resources is an acquisition of net assets by the government that is applicable to the reporting period.



An **outflow** of resources is a consumption of net assets by the government that is applicable to the reporting period.





# Why Does This Exist?

30

- Items that were reported as assets and liabilities that did not meet the definitions of those elements
  - Assets—resources with present service capacity that the government presently controls.
  - Liabilities—present obligations to sacrifice resources that the government has little or no discretion to avoid.
- Issue was first raised within the context of Statement 33—Nonexchange Transactions



# Deferred Inflows & Outflows

31



**Deferred Inflow of Resources: Recipient**  
Resources *received in advance* from another government in relation to a government-mandated nonexchange transaction or a voluntary nonexchange transaction when time requirements are the only eligibility requirements that have not been met by the government



**Deferred Outflow of Resources: Provider**  
Resources *advanced to* another government in relation to a government-mandated nonexchange transaction or a voluntary nonexchange transaction when time requirements are the only eligibility requirements that have not been met by *the other* government



# Pension Expense – Deferred Outflows/Inflows

- Pension Expense

1. Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total pension liability
  2. Changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs).
- The portion of 1) and 2) not recognized in pension expense are reported as deferred inflows and outflows



# Pension Expense – Deferred Outflows/Inflows, continued

- Effects of differences between expected and actual experience of economic and demographic factors & changes in assumptions are recognized as follows:
  - Effects related to TPL of all employees recognized as a deferred outflow or inflow recognized as pension expense based on average expected remaining service life of all employees



# Pension Expense – Deferred Outflows/Inflows, continued

- Difference between actual investment earnings and projected earnings should be recognized as follows:
  - Differences will be deferred and recognized as expense over a five-year period beginning in the period in which the difference occurred



# Pension Expense – Deferred Outflows/Inflows, continued

- Employer contributions made subsequent to the measurement date of the NPL and before the end of the employer's reporting period should be reported as a deferred outflow of resources.



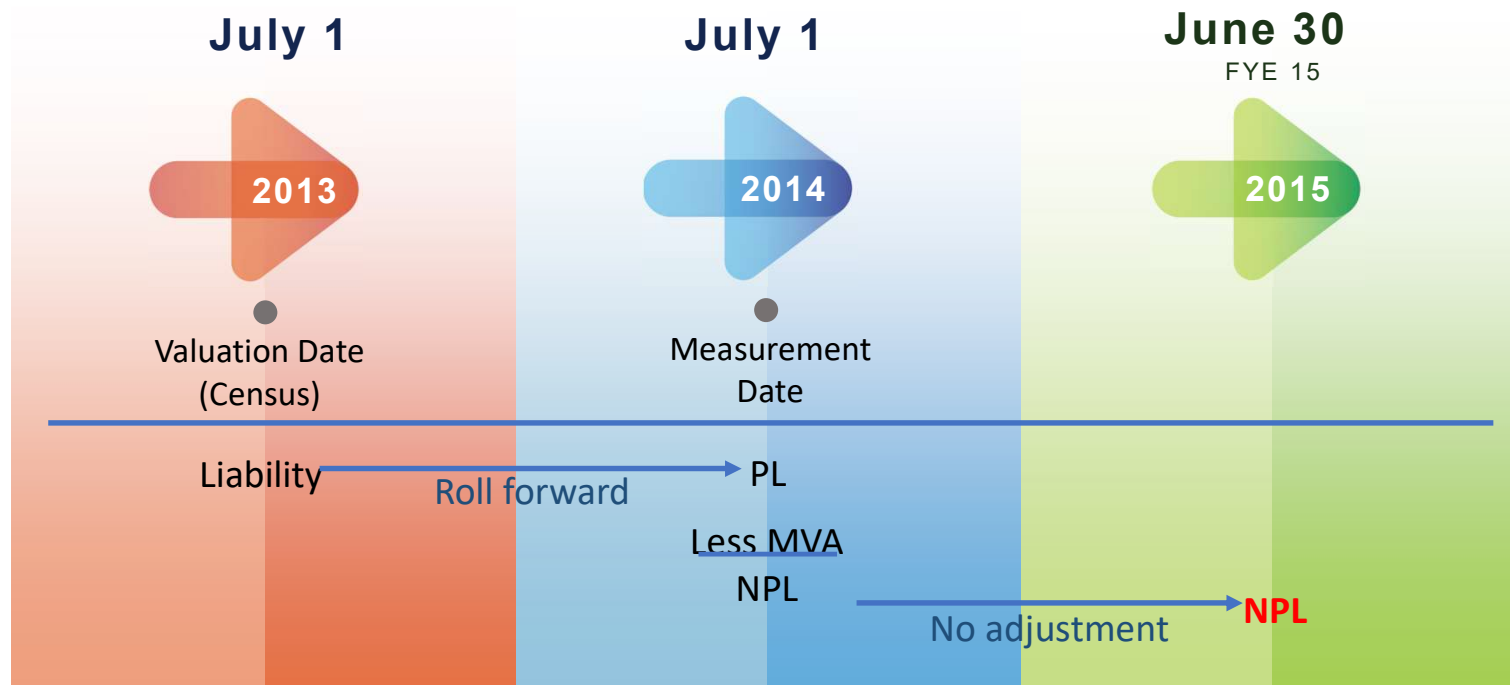
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**Poll: 6.2 - GASB 68 expense is essentially...?**

# Measurement Dates

37



The net pension liability should be measured as of a date (measurement date) **no earlier** than the end of the employer's prior fiscal year, consistently applied from period to period.





# Pension vs. OPEB Liabilities

38

**Table 1. Sample PHA Pension and OPEB Liabilities**

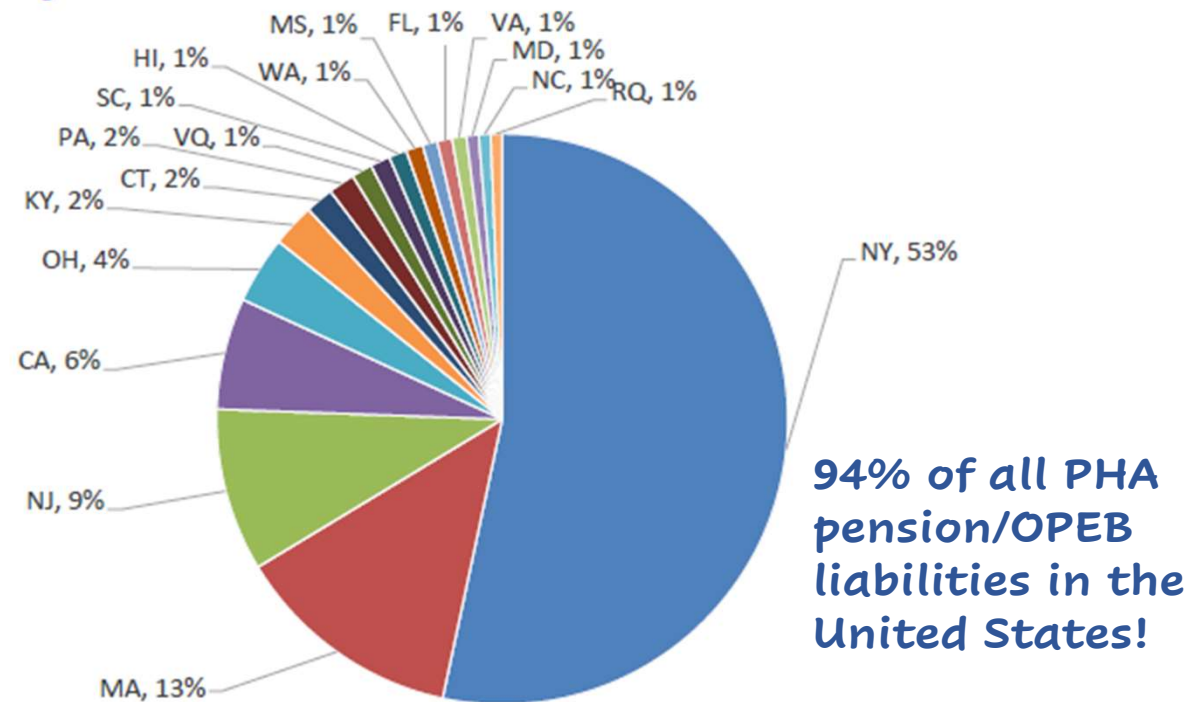
|                                | Value                  | Percentage of Total |
|--------------------------------|------------------------|---------------------|
| Pension Liability              | \$1,807,955,362        | 34%                 |
| OPEB Liability                 | \$3,548,864,263        | 66%                 |
| <b>Total Liability Sampled</b> | <b>\$5,356,819,625</b> |                     |

HUD attempted to estimate the amount of liabilities recorded between Pension and OPEB plans. To estimate HUD selected a sample of the entities with the largest pension and OPEB balances. We also selected an additional sample of smaller PHAs. A review of the audited financial statements was performed to determine the split between pension and OPEB liabilities.

**FURTHER, THE MAJORITY OF THE OPEB LIABILITIES ARE IN SINGLE-EMPLOYER PLANS AND MOST HAVE LITTLE-TO-NO ASSETS ACCUMULATED IN THE PLAN.**



Figure 4. FDS Line 357 – Accrued Pension and OPEB Liabilities



# How Funded is My Plan?

40

Many of the state plans have significant funding. Other have much smaller funded amounts. Risk to the PHA and their employees increase with limited funding. For instance, PHAs in New Jersey are at significantly greater risk than those in New York due to a much smaller funding percentage. At 4% it will take a long time to accumulate enough assets to fund the plan.

**Table 2. Unspecified New Jersey PHA Pension and OPEB Liabilities**

| Contribution Type | FDS Line 357 Liability Recorded | PHA Contribution | Percentage Funded Per Year |
|-------------------|---------------------------------|------------------|----------------------------|
| Pension           | \$2,611,261                     | \$131,916        | 5%                         |
| OPEB              | \$5,188,107                     | \$216,467        | 4%                         |
| <b>Total</b>      | <b>\$7,799,368</b>              | <b>\$348,383</b> | <b>4.5%</b>                |



- Plans must continuously challenge plan assumptions due to:
  - Longer life spans
  - Reduced returns on investments
  - Increases in health care costs
- In 2020 the New York State Retirement System revised its contributions percentage from 14.6% of payroll to 16.2% of payroll – for pension only!
- Represents a 16% increase<sub>1</sub>



# Cost of Providing Benefits

# Benefit Costs vs. Liabilities

43

- GASBs 68 and 75 disconnected funding from expense
- This may “mask” the true costs of providing these benefits
- As mentioned previously New York’s contribution rates for pension alone are now 14.6 percent of payroll
- Consider the true cost of providing these benefits along with all other benefits
  - Vacation
  - Sick leave
  - Holidays
  - Unemployment



# Increasing Benefits Cost

44

Benefits costs are increasing substantially across the board. The following is taken from the plan footnotes for a state-sponsored multi-employer plan.

## Schedules of Employer Contributions

(dollars in thousands)

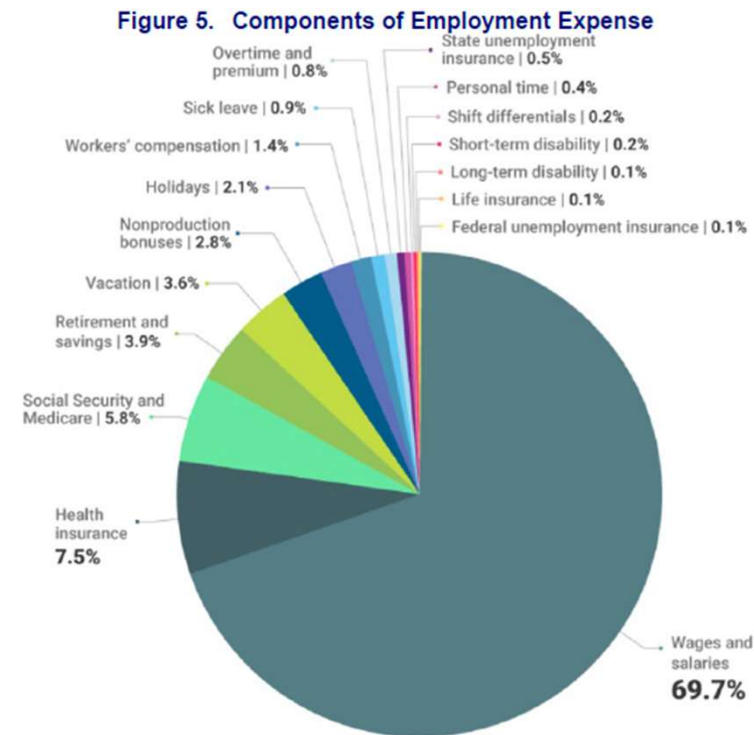
| System                                           | Year Ended<br>December 31 | Actuarial<br>Determined<br>Contribution* | Contributions<br>in Relation to<br>the Actuarial<br>Determined<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Projected<br>Covered<br>Payroll | Contributions<br>as a<br>Percentage<br>of Covered<br>Payroll** |
|--------------------------------------------------|---------------------------|------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------|---------------------------------|----------------------------------------------------------------|
| <b>Noncontributory<br/>Retirement<br/>System</b> | 2010                      | \$ 564,154                               | 564,154                                                                        | —                                      | 3,888,179                       | 14.51%                                                         |
|                                                  | 2011                      | 610,270                                  | 610,270                                                                        | —                                      | 3,900,106                       | 15.65                                                          |
|                                                  | 2012                      | 644,907                                  | 644,907                                                                        | —                                      | 3,794,929                       | 16.99                                                          |
|                                                  | 2013                      | 710,933                                  | 710,933                                                                        | —                                      | 3,705,771                       | 19.18                                                          |
|                                                  | 2014                      | 772,420                                  | 772,420                                                                        | —                                      | 3,570,912                       | 21.63                                                          |
|                                                  | 2015                      | 813,449                                  | 813,449                                                                        | —                                      | 3,458,286                       | 23.52                                                          |
|                                                  | 2016                      | 831,631                                  | 831,631                                                                        | —                                      | 3,406,567                       | 24.41                                                          |
|                                                  | 2017                      | 854,255                                  | 854,255                                                                        | —                                      | 3,375,321                       | 25.31                                                          |
|                                                  | 2018                      | 858,444                                  | 858,444                                                                        | —                                      | 3,330,548                       | 25.77                                                          |
|                                                  | 2019                      | 888,078                                  | 888,078                                                                        | —                                      | 3,328,314                       | 26.68                                                          |

It is noted that although covered payroll has decreased, the cost of providing this benefit has increased 84% in the last 10 years. Further, this is pension only! OPEBs are still unknown.



# Breakdown of Benefits Costs – Commercial Entities

45



[Benefitspro.com/2019/01/28/benefit-costs-broken-down-into-the-numbers](https://benefitspro.com/2019/01/28/benefit-costs-broken-down-into-the-numbers)





# How Do You Compare?

- If private businesses average less than 30% for benefits, including payroll taxes, how do PHAs compete when they offer pension, OPEBs and excessive paid time off?

- Average PTO policy:

- ◆ Two weeks vacation
- ◆ Two weeks sick leave (PTO)
- ◆ Holidays

| New Years        | Veteran's Day            |
|------------------|--------------------------|
| Equal Rights     | Thanksgiving             |
| Presidents Day   | Day After (floating day) |
| Memorial Day     | Christmas Eve            |
| Independence Day | Christmas Day            |
| Labor Day        |                          |

- 33 days of paid time off – That's 7 weeks, plus pension/OPEBs



# How Do You Compare?, continued

47

- Employment Cost
  - \$60,000 salary (really ten months of work)
  - Employment taxes (7.65% = \$4,950)
  - Health insurance (average \$495 per employee month = \$5,940)
  - Average pension (18% = \$10,800 – [18% could be low])
  - Other – Unemployment, Workers Comp, etc. (3% = \$1,800)
  - OPEB (????)
- Total cost = \$83,490 plus OPEB
- For 10 months of work!
- Average benefit cost of 39.15% of salary. National PHA average is 43%
- This % is less than many PHAs have



# How Do You Compare?, OPEBs

48

- OPEB Costs are difficult to predict
- 2020 COVID pandemic is an excellent case-in-point
- How can these costs be predicted
- Costs are rising rapidly
- Many states are attempting to reduce these costs
- Single –employer plans will be easier to re-evaluate



# Pension/OPEBs by Program Impact on PHA Programs

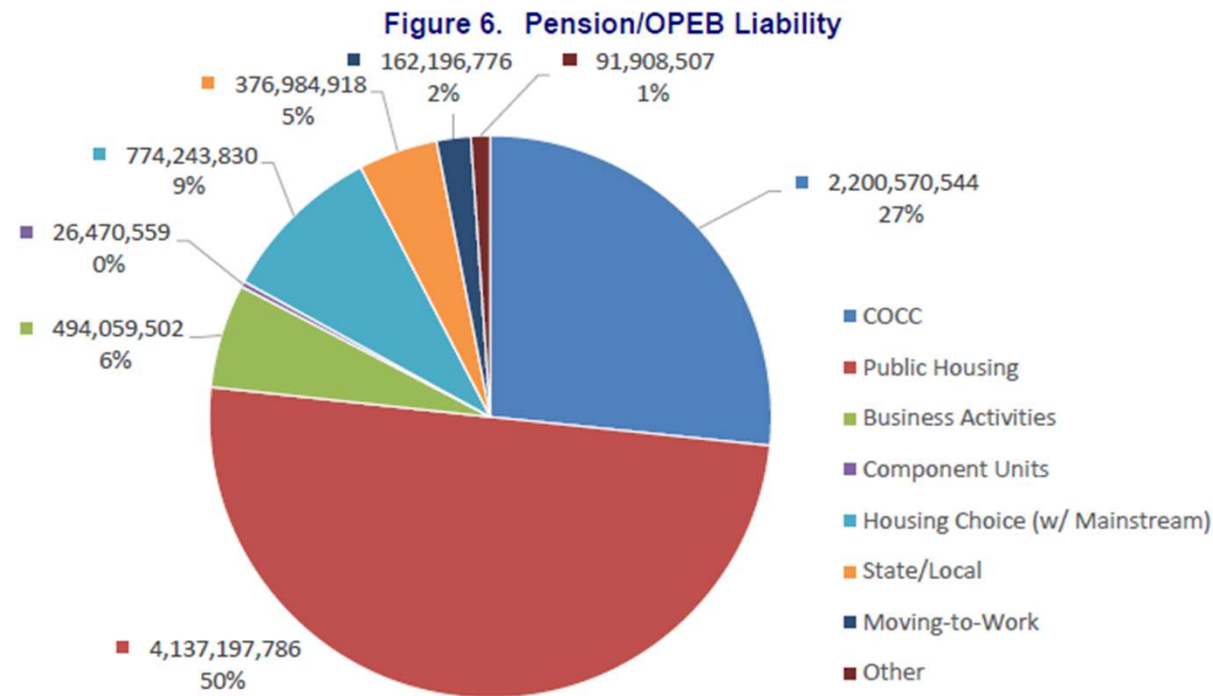
49

- HUD requires pension/OPEBs costs to be allocated to the programs
- No specific methodology required
- Majority of costs are allocated to Public Housing and the COCC
- See following table



# Pension/OPEB Liability by Program

50



# Issues With This Allocation

51

- Public Housing bears the largest burden
- As Public Housing ends the COCC will also end
- Where do those liabilities go once Public Housing and the COCC are gone?
- Even if PHA remains in Public Housing, will you be able to afford increasing pension/OPEB costs?



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 6.3 - The difference between Pension and OPEBs for PHAs is...?**



## Pension/OPEBs & Asset Repositioning



# PIH Notice 2019-13 – Public Housing ACC Termination and PHA Closeout

54

- Asset Repositioning Options

|                                   |                                                                                 |
|-----------------------------------|---------------------------------------------------------------------------------|
| Demo/Dispo – Section 18           | Retention – 2 CFR 200.311                                                       |
| Voluntary Conversion – Section 22 | Personal Property Dispositions as part of unit removal under 2 CFR 200.313-.314 |
| Home Ownership – Section 32       | Eminent Domain – PIH Notice 2012-8                                              |
| Required Conversion – Section 33  | RAD Program – Consolidated and Continuing Appropriations Act of 2012            |
| Choice Neighborhoods – Section 34 |                                                                                 |

- Under the above requirements pension/OPEB liabilities must be transferred to another program/funding source



# Appendix A of the Notice

55

## Appendix A:

### Overview of Options for PHAs with Zero Public Housing (PH) Units

*PHAs indicate selected option on HUD form 5837*

| Option                      | Requirements                                                                                                                                                                                                     | Pros                                                                                                                                                                                                                                                                                                               | Cons                                                                                                                                                                                                                                                                                                                    |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Develop New PH Units</b> | <ul style="list-style-type: none"> <li>Development Proposal approved by HUD under 24 CFR 905</li> <li>PH units may be developed conventional or mixed-finance</li> <li>Restricted by Faircloth limit.</li> </ul> | <ul style="list-style-type: none"> <li>New PH units could later be repositioned through RAD, homeownership (Sec 32), or disposition</li> <li>Eligible use of remaining PH program resources, including any DDTF/ARF funds.</li> </ul>                                                                              | <ul style="list-style-type: none"> <li>Not available if repositioning authority requires closeout</li> <li>Restricted by Faircloth limit</li> <li>New units start with a new DOFA date with lower PH formula funds</li> </ul>                                                                                           |
| <b>ACC Termination</b>      | <ul style="list-style-type: none"> <li>Closeout activities described at Section 6A-I</li> </ul>                                                                                                                  | <ul style="list-style-type: none"> <li>Requires no collaboration with other PHAs</li> </ul>                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>HUD approval to sell or retain non-dwelling/personal property</li> <li>Requires PHA to closeout Cap and Op grants</li> <li>Return unused PH funds to HUD</li> <li>Faircloth limits lost</li> <li>Loss of future DDTF/ARF if ACC terminates prior to fund distribution</li> </ul> |
| <b>PHA Full Transfer</b>    | <ul style="list-style-type: none"> <li>Complete transfer of PH assets/liabilities to receiving PHA.</li> <li>Both PHAs must have a PH program.</li> <li>Requirements described in PIH Notice 2014-24</li> </ul>  | <ul style="list-style-type: none"> <li>Preserves PH resources (equipment, non-dwelling property, PH funds) and Faircloth units with nothing returned to HUD</li> <li>Preserves potential future funding (DDTF and ARF) to receiving PHA</li> <li>Transfer can occur even after all PH units are removed</li> </ul> | <ul style="list-style-type: none"> <li>Prior PHA governance has no control over PH resources after transfer</li> <li>Requires collaboration between divesting and receiving PHAs.</li> <li>May require transfer of liabilities such as pensions and use agreements to the receiving PHA.</li> </ul>                     |
| <b>PHA Consolidation</b>    | <ul style="list-style-type: none"> <li>Complete transfer of PH assets/liabilities to newly created PHA</li> <li>Requirements described in PIH Notice 2014-24</li> </ul>                                          | <ul style="list-style-type: none"> <li>Same as PHA transfers above</li> <li>Creates a new PHA which did not formerly operate PH (e.g., State Housing Finance Agencies).</li> </ul>                                                                                                                                 | <ul style="list-style-type: none"> <li>Same as PHA transfers above</li> </ul>                                                                                                                                                                                                                                           |



# Options for Allocations

56

| Option               | FDS Line 357 Treatment                                                                                                                                        |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Develop new PH Units | Previous liabilities could remain in the public housing program. However, it is highly unlikely that revenues would be sufficient to cover the benefit costs. |
| ACC Termination      | All pension/OPEB liabilities will be required to be transferred to other programs/FDS columns and funded from other revenues.                                 |
| PHA Full Transfer    | Pension/OPEB liabilities would remain. The transferring PHA and receiving PHA would negotiate the ownership of the liability obligation.                      |
| PHA Consolidation    | Similar to PHA full transfer.                                                                                                                                 |



- Pension/OPEB benefits are allocated to Federal Awards in accordance with benefits received
- Allocations must follow allowed cost allocation methodologies from 2 CFR 200.
- Transfer of PHA assets to Section 8 associated proceeds may not be used to pay Public Housing Legacy costs
- Employees transferred from PH to new entities may be ineligible for state-sponsored pension/OPEB plans



- Component unit transfers – new TIN
- Assets separated
- Employee may lose eligibility
- Current liabilities remain, but will not get larger for new service costs
- Remember to consider the status of the COCC and those related costs
- HUD is NOT responsible for unreimbursed prior service costs as it never mandated the level of benefits promised to employees





## Inability to Pay for Liabilities

# What Happens to PHAs That Cannot Pay?

60

- No notable examples of PHAs failing
- One PHA taken over by City – San Francisco
- PHA transferred employees to the City
- City could not absorb pension obligations without voter approving the absorption
- Luckily for PHA employees, the resolution was approved



# City of Detroit Bankruptcy

61

- July 2013, Detroit filed for bankruptcy
- The City's employees retirement plan was the largest single unsecured creditor
- Bankruptcy does not eliminate pension liabilities, must negotiate
- Employees lost \$7.8 billion in pension and \$4.3 billion in OPEBs
- City faced liquidating the assets of the Art Museum to fund pensions
- Only averted by donations from various local trusts (\$400 million)
- Still not sure that the City can make the payments





# To Summarize

62

- Cost of benefits are significantly higher than private employers
  - NO medical benefits
  - 401(k) retirements (defined contribution plans)
- Majority of liabilities on PHA/COCC programs
- Current HUD assessment of HCV program indicate significantly in excess of funding
- Asset Repositioning highlights the inability to absorb costs



# To Summarize, continued

63

- Regulations prohibit transferring legacy costs to other programs
- Once asset repositioning is complete, Public Housing and the COCC will be gone and revenue will be unavailable to pay for benefits
- Liabilities for Pension and OPEBs will be difficult to dispose of





# Moving Forward



# What Should PHAs Do Now?

- Read and utilize HUD-sponsored guidance already issued
- Governance review of provided benefits and actuarial assumptions
- Although a PHA may not be able to change assumptions it can plan for alternatives
- Review and evaluate benefits provided to employees and understand the true cost of providing them
- CPAs and other advisors should discuss all benefits with governance



# What Should PHAs Do Now?, continued

66

- Consider eliminating all OPEB plans
  - Excessive healthcare costs
  - Unpredictable future
  - Funding issues. Since most are unfunded, it will be difficult to fund in the future
  - No similar benefit in the private sector
  - Many are single-employer plans with no risk sharing as do pensions
- Board should evaluate costs of benefits and develop an overall strategy. This could involve freezing plans
- Review allocation methodologies among programs
- Consider benefit costs in repositioning decisions



# Conclusion

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- Thoughts?
- Questions?
- Comments?





FASS - PH

Spring/Summer 2022

# Session 7: Public Housing Operating Fund Reporting



- This session will cover:
  - Overview of PH Program
  - Eligible Uses of PH Funds
    - ◆ Operating Fund Flexibility
  - CARES Act Close-out
  - Other PH Operating Fund Requirements
  - Establishment of projects and project types
  - Mixed Finance Projects
  - PH Revenue and Expenses
  - Common reporting issues in low rent
    - ◆ Cash and investments
    - ◆ Specific revenue and expense line items
    - ◆ Operating transfers & due to / from
    - ◆ Memo accounts





# Overview - Public Housing Program

- Public Housing
  - Established starting with the U.S. Housing Act of 1937 to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities
  - Serves approximately 941,757 households
  - Managed by roughly 2,783 PHAs
    - ◆ Managing 6,560 projects
- Public Housing – 2 major funding programs
  - Public Housing Operating Fund
  - Public Housing Capital Fund
  - Other funding is available via competitive grants
    - ◆ Choice Neighborhood, Self-Sufficiency Programs (Family Self-Sufficiency, Resident Opportunity and Self-Sufficiency, and Jobs Plus), and Lead-Based Paint Hazard Reduction



# 2022 Appropriations

- **2022 Appropriations.** Funded under continuing resolution through February 18, 2022 at 2021 Appropriations level
  - **Operating Fund - Shortfall Funding** includes \$30 million request for PHAs that experience or at risk of financial shortfalls
- Beginning in 2021, there is a consolidated account, “Public Housing Fund” that combines the Public Housing Operating Fund, Capital Fund, and set-aside funding
  - Operating Fund and Capital Fund programs and formulas remain separate

| # | Program                                       | Purpose / Description                                                          | 2020 Enacted           | 2021 Enacted           | 2022 Request           |
|---|-----------------------------------------------|--------------------------------------------------------------------------------|------------------------|------------------------|------------------------|
| 1 | Operating Fund – Formula Grant                | Ongoing operations of public housing                                           | \$4,549,000,000        | \$4,839,000,000        | \$4,887,000,000        |
| 2 | Shortfall Funding                             | PHAs at risk of financial shortfalls                                           | \$25,000,000           | \$25,000,000           | \$30,000,000           |
| 3 | Estimated/Actual Proration Funding Percentage | Funding level (appropriations) provided vs. Operating Fund formula eligibility | 112%*                  | 96.74%                 | 95%<br>(Jan & Feb)     |
| 4 | <b>Total Available, (without CARES Act)</b>   |                                                                                | <b>\$4,574,000,000</b> | <b>\$4,864,000,000</b> | <b>\$4,917,000,000</b> |

\* Includes CARES Act funding. Proration was 97% without CARES Act Funding.





# FASS - PH

Spring/Summer 2022

## Eligible Uses of Operating Funds – General Activities



# Requirements of Cost Eligibility

6

| OMB Uniform Guidance (Federal Regulation)                                                                                                      |                                                                                                       |                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| HUD Requirements                                                                                                                               | State and Local Law                                                                                   | PHA Requirements                                                                        |
| <ul style="list-style-type: none"><li>• HUD Regulations</li><li>• ACC Contract</li><li>• PIH Notices</li><li>• Annual Appropriations</li></ul> | <ul style="list-style-type: none"><li>• Procurement Requirements</li><li>• Cost Eligibility</li></ul> | <ul style="list-style-type: none"><li>• Operating Budget</li><li>• PHA Policy</li></ul> |

- The strictest policy in the above listed documents will be used to determine eligibility



# Eligible Use of Operating Subsidy - ACC

7

| #  | General Category                         | 1937 Act / Quality Housing and Work Responsibility Act (QHWRA) of 1998                                                                                                   |
|----|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | Administration<br>General Expenses       | Procedures and systems to maintain and ensure the efficient management and operation of public housing                                                                   |
| 2  | Maintenance                              | Activities to ensure a program of routine preventative maintenance                                                                                                       |
| 3  | Utilities<br>Utility incentives          | Energy costs associated with public housing units, with an emphasis on energy conservation                                                                               |
| 4  | Insurance                                | Cost of insurance                                                                                                                                                        |
| 5  | Protective Services                      | Anti-crime and anti-drug activities, including the costs of providing adequate security for public housing residents, including above-baseline police service agreements |
| 6  | Tenant Services                          | Activities related to the provision of services, including service coordinators for elderly persons or persons with disabilities                                         |
| 7  | Computer Centers                         | Cost of operating computer centers in public housing through a Neighborhood Networks initiative                                                                          |
| 8  | Resident Hiring                          | Cost of administering a public housing work program including the cost of any related insurance needs                                                                    |
| 9  | Resident Management<br>and Participation | Activities to provide for management and participation in the management and policymaking of public housing by public housing residents                                  |
| 10 | Mixed Finance                            | Costs associated with the operation and management of mixed finance projects, to the extent appropriate                                                                  |
| 11 | Operating Fund<br>Financing Program      | Cost of repaying, together with rent contributions, debt incurred to finance the rehabilitation and development of public housing units                                  |

- Section 9(e) of the United States Housing Act of 1937 (the 1937 Act); Section 3(c) of the 1937 Act and the Quality Housing and Work Responsibility Act (QHWRA) of 1998, and Operating receipts as defined in section 2 of the Annual Contributions Contract (7/95) (ACC)
- Operating receipts include tenant rents, Operating subsidy, and other program revenues

# Eligible Use of Operating Subsidy

8

- Operating subsidy can be used to cover costs associated with the **operations** of the ACC projects
  - Operations** is defined as any or all undertakings appropriate for the management, operation, services, maintenance, security (including the cost of security personnel), or financing in connection with a low-income housing project
- The eligible use authority for operating subsidy extends to operating reserve balances accumulated through the operation of public housing (general fund), including all program income

| Typical Operating Budget<br>Expense Line Description |
|------------------------------------------------------|
| <b>Administrative Expenses:</b>                      |
| Administrative Salaries                              |
| Auditing Fees                                        |
| Management Fee                                       |
| Bookkeeping Fee                                      |
| Asset Management Fee                                 |
| Employee Benefits-Admin                              |
| Office Expense                                       |
| Legal Expense                                        |
| Staff Training                                       |
| Travel                                               |
| Other Sundry                                         |
| <b>Utilities:</b>                                    |
| Water & Sewer                                        |
| Electricity                                          |
| Gas                                                  |
| <b>Ordinary Maintenance and Operation:</b>           |
| Labor                                                |
| Materials                                            |
| Contract Costs                                       |
| Employee Benefits-Maintenance                        |
| <b>Protective Services:</b>                          |
| Contract Costs                                       |
| <b>General Expenses:</b>                             |
| Property Insurance                                   |
| Liability Insurance                                  |
| Workers' Comp Insurance                              |
| Other Insurance                                      |
| Payments in Lieu of Taxes                            |



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 7.1 - Which of the following can generally be purchased with Operating Funds?**

# Capital Items Supporting Operations

10

- A PHA must use Operating Funds (not Capital Funds) for non-expendable capital expenditures that support operations of the program. For example, a PHA may use Operating Funds to purchase a:
  - Maintenance truck
  - Computers
  - Office furniture
  - Snow Removal / Grass Cutting Equipment





# Funding Maintenance Activities

11

## Eligible Operating Fund Activity

- Routine Maintenance
- Preventive Maintenance
- Routine Vacant Unit Turnaround
- Non-routine Maintenance (with limitation)
- Extraordinary Maintenance (with limitation)

## Eligible CFP Activity

- Non-routine Maintenance, includes deferred maintenance
- Extraordinary Maintenance (with limitation)
- Vacancy Reduction (Plan)

### Limitations on Non-Routine/ Extraordinary Maintenance:

- Non-routine /Extraordinary maintenance is an allowable use of operating funds as long as the work does not go beyond simple repair, upgrade and / or replacement of equipment
- The work item is essentially maintenance of an unusual nature

- Non-Routine Maintenance is a Capital Fund eligible activity and is specifically defined in the Capital Fund rule at 24 CFR 968.105, as:
  - “Work items that,
    - ◆ ordinarily would be performed on a regular basis in the normal course of upkeep of the property,
    - ◆ **but have become substantial in scope because they have been put off**, and
    - ◆ involve expenditures that would otherwise materially distort the level trend of maintenance expenses”
    - ◆ Examples – Replacement of obsolete utility systems and dwelling equipment





# FASS - PH

Spring/Summer 2022

## PH Operating Funds: Flexibility



- **Operating Funds for Capital Expenses** – PHAs with less than 250 public housing units (small PHAs) that are not troubled can use their operating funds for capital activity
  - Capital items to be paid for through operating funds must be included in an approved CFP 5-Year Action Plan and budget submitted to HUD
  - Operating Funds are defined as operating subsidy, tenant rents and all other PH program income (i.e., operating reserves)

Source: PIH Notice 2016-18 (HA)



# Transfer of Capital Funds to Operations: Small PHAs

14

- **Capital Funds to Operations** – PHAs with less than 250 public housing units that are not troubled can transfer up to 100% of their CFP to operations (full flexibility) if the PHA does not have debt service payments, significant capital needs or emergency needs
  - PHA must have written determinations and provide records upon request that there are no debt service payments, significant capital needs, or emergency needs that must be met
  - Determination of significant capital needs:
    - ◆ Field Office Review
    - ◆ Physical Assessment Sub-system Score
    - ◆ PHA assessment of capital needs (i.e., capital needs assessment report)
  - Small PHAs ineligible to exercise full flexibility are subject to a 20% limitation on transfers of Capital Funds to operations

**Source:** PIH Notice 2016-18 (HA)



- **Operating Subsidy for Capital Fund Eligible Activities** – PHAs with 250 or more public housing units (large PHAs) can use up to 20% of their 2018 operating subsidy and thereafter, for eligible activities of the Capital Fund Programs
  - These funds are still considered operating subsidy, with expanded uses
  - Exception: Operating subsidy used for Capital fund activities cannot be used to pay additional CFP management fee (BLI 1410) or as a transfer to other project(s) to support operations (BLI 1406)

Source: PIH Notice 2018-03(HA)



# Operating Funds for Capital Activity – Large PHAs, continued

16

- Use of Operating Subsidy for CFP activities is limited to 20% of the PHA's total annual obligated operating subsidy and the amount cannot exceed the amount of operating subsidy obligated at the project level
- Example: PHA is obligated \$400,000 of operating subsidy. Maximum amount of operating subsidy to be used for capital activities is \$80,000 (20% of \$400,000)

| Allowable Budgets of CFP Activity | Project A | Project B | Project C | PHA Total |
|-----------------------------------|-----------|-----------|-----------|-----------|
| Total Obligated Operating Subsidy | \$200,000 | \$150,000 | \$50,000  | \$400,000 |
| Example 1                         | \$40,000  | \$30,000  | \$10,000  | \$80,000  |
| Example 2                         | \$80,000  | \$0       | \$0       | \$80,000  |
| Example 3                         | \$0       | \$40,000  | \$40,000  | \$80,000  |
| Example 4                         | \$30,000  | \$10,000  | \$20,000  | \$60,000  |
| Example 5                         | \$0       | \$20,000  | \$50,000  | \$70,000  |





FASS - PH

Spring/Summer 2022

## Close-out of CARES Act Operating Funds



# CARES Act Operating Fund Close Out PIH Notice 2021-36

18

- Provides close-out procedures for supplemental CARES Act Operating Fund
- Period of Performance Ended on December 31, 2021
  - No new obligations on or after 12/31/2021
  - PHAs must liquidate all CARES Act obligations by 3/31/2022
- PHA must submit SF-425 by April 30, 2022 (via Operating Fund Web Portal)
  - Report the status of the CARES Act funds as of 12/31/2021
  - Unobligated funds will be recaptured by HUD
  - On April 30, 2022, CARES Act Funds will be locked in eLOCCs
    - ◆ Once funds are locked PHA must submit supporting document to field office
    - ◆ Documentation
      - Description of expenditures and justification of use
      - Invoice, contract, purchase order, cancelled check or receipt
      - Statement as to whether the draw down will reimburse prior expenditures and if so identification of the funds used to initially pay the expenditure
- PHAs will continue to file SF-425 each year for any unliquidated obligations
  - Funds cancelled September 30, 2026





# SF – 425: Federal Financial Report

19

## FEDERAL FINANCIAL REPORT

(Follow form instructions)

|                                                                           |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
|---------------------------------------------------------------------------|---------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| 1. Federal Agency and Organizational Element to Which Report is Submitted |         | 2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment) |                                                                                                                                                                   | Page 1 of 1 pages                                                                        |
| 3. Recipient Organization (Name and complete address including Zip code)  |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| 4a. DUNS Number                                                           | 4b. EIN | 5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)                       | 6. Report Type<br><input type="checkbox"/> Quarterly<br><input type="checkbox"/> Semi-Annual<br><input type="checkbox"/> Annual<br><input type="checkbox"/> Final | 7. Basis of Accounting<br><input type="checkbox"/> Cash <input type="checkbox"/> Accrual |
| 8. Project/Grant Period<br>From: (Month, Day, Year)                       |         | To: (Month, Day, Year)                                                                                                  |                                                                                                                                                                   | 9. Reporting Period End Date (Month, Day, Year)                                          |
| 10. Transactions                                                          |         |                                                                                                                         |                                                                                                                                                                   | Cumulative                                                                               |
| (Use lines a-c for single or multiple grant reporting)                    |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| <b>Federal Cash (To report multiple grants, also use FFR Attachment):</b> |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| a. Cash Receipts                                                          |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| b. Cash Disbursements                                                     |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| c. Cash on Hand (line a minus b)                                          |         |                                                                                                                         |                                                                                                                                                                   | 0.00                                                                                     |
| (Use lines d-o for single grant reporting)                                |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| <b>Federal Expenditures and Unobligated Balance:</b>                      |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| d. Total Federal funds authorized                                         |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| e. Federal share of expenditures                                          |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| f. Federal share of unliquidated obligations                              |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| g. Total Federal share (sum of lines e and f)                             |         |                                                                                                                         |                                                                                                                                                                   | 0.00                                                                                     |
| h. Unobligated balance of Federal funds (line d minus g)                  |         |                                                                                                                         |                                                                                                                                                                   | 0.00                                                                                     |
| <b>Recipient Share:</b>                                                   |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| i. Total recipient share required                                         |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| j. Recipient share of expenditures                                        |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| k. Remaining recipient share to be provided (line i minus j)              |         |                                                                                                                         |                                                                                                                                                                   | 0.00                                                                                     |
| <b>Program Income:</b>                                                    |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| l. Total Federal program income earned                                    |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| m. Program income expended in accordance with the deduction alternative   |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| n. Program income expended in accordance with the addition alternative    |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |
| o. Unexpended program income (line l minus line m or line n)              |         |                                                                                                                         |                                                                                                                                                                   | 0.00                                                                                     |
| 11. Indirect Expense                                                      | a. Type | b. Rate                                                                                                                 | c. Period From                                                                                                                                                    | d. Base                                                                                  |
|                                                                           |         |                                                                                                                         |                                                                                                                                                                   | e. Amount Charged                                                                        |
|                                                                           |         |                                                                                                                         |                                                                                                                                                                   | f. Federal Share                                                                         |
| g. Totals                                                                 |         |                                                                                                                         |                                                                                                                                                                   |                                                                                          |

## Requested Information

- Fields 1 – 9: General PHA and Grant information
- Fields 10 (a –c): Federal Cash
- Fields 10 (d –h): Federal Expenditures and Unobligated Balances
- Fields 10 (i - k): Recipient Share (not applicable)
- Fields 10 (l - o): Program income (not applicable)
- Field 11: Indirect expenses (not applicable)
- Field 12 (not shown): Remarks (as needed)
- Field 13 (not shown): Certification signatory block



# SF – 425: Federal Financial Report Federal Expenditures and Unobligated balances

20

| Federal Expenditures and Unobligated Balance:            |      |
|----------------------------------------------------------|------|
| d. Total Federal funds authorized                        |      |
| e. Federal share of expenditures                         |      |
| f. Federal share of unliquidated obligations             |      |
| g. Total Federal share (sum of lines e and f)            | 0.00 |
| h. Unobligated balance of Federal funds (line d minus g) | 0.00 |

## Main Fields

d. Total federal funds authorized = Amount obligated

e. Federal share of expenditures = Amount drawn down (and spent)

f. Federal share of unliquidated obligations = Incurred eligible costs but where the funds have not been drawn down and incurred obligations that do not yet meet the definition of cost / expense

- ▶ Think of a contract where services have not yet started, or product not yet delivered

- ▶ Amount that will not be returned to Treasury (locked after April 30, 2022)

g. Total Federal Share = Funds that have been or will be used (sum of e & f)

h. Unobligated balances of Federal funds = Funds to be returned to Treasury (d minus g)

## Notes

1. HUD is to provide further guidance on completion of SF-425 form

2. A SF-425 may be required for each grant (project that received subsidy)



# Operating Fund: Flexibility of Funds Ends as of 12/31/2021

21

| # | Funding Source                                             | Funding                                    | Eligible Uses of Funds                                                                                                                                                                                                           | Period of Availability                                    |
|---|------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| 1 | FY 2020 CARES Act                                          | \$685M                                     | <ul style="list-style-type: none"> <li>COVID-19 activities</li> <li>Capital Fund activities</li> <li>Operating Fund activities</li> </ul>                                                                                        | 3/27/2020 to 12/31/2021<br>(PIH Notice 2020-07 & 2020-24) |
| 2 | FY 2020 Appropriations (includes shortfall funding)        | \$4.5B                                     | <ul style="list-style-type: none"> <li>COVID-19 activities starting 3/27/2020</li> <li>Capital Fund activities</li> <li>Operating Fund activities</li> </ul>                                                                     | Not applicable                                            |
| 3 | FY 2021 & 2022 Appropriations (includes shortfall funding) | \$4.8B - 2021<br>\$4.9B - 2022 (requested) | <ul style="list-style-type: none"> <li><b>Cannot</b> be used for COVID-19 activities</li> <li><b>Cannot</b> be used for Capital Fund flexibilities as provided under the CARES Act</li> <li>Operating Fund activities</li> </ul> | Not applicable                                            |

- 2020 and Prior Operating and Capital Funds (except for set-asides)
  - Fully flexible between Capital and Operating Fund eligible activities
  - Can be used to prevent, prepare for, and respond to coronavirus
  - Authority is extended to program income, such as tenant rent
  - The expanded eligible uses of these funds begin April 28, 2020 (date of PIH Notice 2020-07), and ends December 31, 2021 (PIH Notice 2020-24)
- Flexibility provided under the CARES Act ended on 12/31/2021**



***Live Content Slide***

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**Poll: 7.2 - What is the number of the required form to close-out CARES Act funds... SF-\_\_\_\_?**



# FASS - PH

Spring/Summer 2022

## Other Requirements – PH Operating Funds



# Operating Budget

24

- Section 11(D) of ACC – HUD requires PHAs to prepare an operating budget for the **public housing program**. The operating budget must be approved by the PHA's Board by resolution

(D) The HA shall not incur any operating expenditures except pursuant to an approved operating budget. If unbudgeted expenditures are incurred in emergencies to eliminate serious hazards to life, health and safety, the operating budget shall be amended accordingly

- The PHA Board resolution (form HUD- 52574) approving the budget must be submitted in the Operating Fund Web Portal
- While not required by HUD, PHAs are strongly encouraged to prepare operating budgets for all programs they administer
- An approved operating budget:
  - Provides a plan for next year
  - Shows management's priorities and expected goals and outcomes through various line items
  - Provides authority to incur expenses
  - Acts as a control and monitoring device (actual financial performance can be compared to the budget)



# Insurance Requirements

25

- PHAs are required to maintain insurance coverage as outlined in Part B of the ACC. Required policies include:
  - Property (Fire and Extended Coverage)
  - General Liability
  - Fidelity Bond
  - Worker's Compensation
  - Automobile Coverage (Hired/Non-owned Auto)
  - Flood Insurance (if in flood plain)
  - Boiler Insurance (if applicable)



# Emergencies and Insurance Proceeds

26

- Operating funds may be used for unforeseeable and non-preventable emergencies that include damage to the physical structure of a PHA's housing stock (i.e., natural disaster, fire, etc.)
  - The Operating Fund must be reimbursed for any expenses that were initially covered with Operating Fund resources up to the amount received for any associated warranty, insurance, or disaster proceed
- Unless there is written HUD approval to the contrary, to the extent that insurance proceeds permit, the PHA must promptly restore, reconstruct and /or repair any damaged or destroyed property
- PHAs need to keep a separate accounting in order to show costs of repair, funds used for the repairs, the use of insurance proceeds, etc.

**Source:** PIH Notice 2016-13 & Public Housing ACC





# Banking and Investments

27

- Banking services must be arranged through competitive solicitation
- The PHA and Depository must execute HUD's General Depository Agreement (GDA) form (Form HUD-51999)
  - GDA can not be altered / changed
  - GDA requires depositories to continuously and fully secure all deposits that are in excess of FDIC limits
- PIH Notice 1996-33 provides a list of all HUD approved investment instruments

**Source:** PIH Notice 1996-33 & Public Housing ACC



# Public Housing Funds – Due To / Due From

28

- A **“due from”** represents a receivable from another of the PHA’s programs or business lines
  - Public Housing funds can only be used to support Public Housing; therefore, an existence of a due from is non-compliant if the funds were used for non-Public Housing activities and/or not paid back in a timely manner
- Definition of FDS Line 144 Inter-Program-due from in the FDS Crosswalk Guide, “Inappropriate use of funds, including restricted funds for even a temporary loan, are ineligible costs resulting in non-compliance”



# Use of Proceeds From Project Disposition

29

- PHAs may realize proceeds when the PHA sells, transfers, ground leases or otherwise disposes of Public Housing property
- **Eligible Use of Gross Proceeds**
  - Relocation costs
  - Reasonable costs of disposition (environmental study, closing costs, appraisal fees, etc.)
- **Eligible Use of Net Proceeds**
  - Modernization and development of Public Housing
  - Newly constructed/rehab PBV housing
  - Operation of Public Housing
  - Rental Assistance Demonstration conversions
  - Commercial uses to serve residents
  - Increasing the supply, availability and utilization of Low-Income Housing

Source: PIH Notice 2020-03



# Resident Participation Funding

30

## ● Funding for Resident Participation Activities

- Operating Fund Calculation of Operating Subsidy - Funding for Resident Participation Activities (HUD Form 52723: Part A – Line 11)
- \$25 per leased unit (subject to proration)
  - ◆ \$15 to Resident Council
  - ◆ \$10 to PHA
  - ◆ If no resident council, PHA will determine how the funds will be used for resident activities
- Funds should be supported by budget and policies and procedures

### Other Sources of Information:

Guidance on the Use of Tenant Participation Funds (PIH Notice 2021-16 (HA))

Tenant Participation and Tenant Opportunities in Public Housing (24 CFR Part 964)



# Resident Participation Funding PHA Role

31

- PHA's role with respect to the use of tenant participation funds is to:
  - Enter into a written agreement with the RC on the distribution and use of tenant participation funds
  - Administer tenant participation funds timely and in accordance with the written agreement
  - Ensure the RC's requested expenses are allowable under HUD regulations and written agreement
  - Advise RC on the supporting documentation that must be maintained to verify and audit expenses
  - Maintain accurate records of tenant participation funds and expenditures and provide RC this information
  - Inspect and audit the RC's financial records
- PHA may use the PHA's portion of the tenant participation funds to provide the RC with technical assistance on administration, budgeting, and financial requirements to comply with HUD requirements for tenant participation funds



# Resident Participation Funding Financial Management

32

- Any allowable payments made to / on behalf of an RC is a **PHA expense**
  - Including funds from the PHA to an RC for expenses incurred on /before calendar year end
- PHAs cannot place funds for an RC in a PHA-controlled escrow
  - Funds placed in a PHA-controlled escrow are not considered expense
- Any tenant participation funds remaining in RC controlled accounts at the end of the calendar year may remain in these accounts because funds are considered to have been expended by the PHA
  - If the RC did not use all available funds in the calendar year, the PHA is not required to pay the RC any remaining balance of the \$15 per unit the following calendar year
- **Tenant Participation Funds and Period of Fund Availability.** Operating Funds, including tenant participation funds, must be expended by the cancellation date as defined by the Appropriations Law for the fiscal year
  - 2016 and Prior Operating Funds are available for 6 years
  - 2017 to 2021 Operating Funds are available for 7 years



# Resident Participation Funding, continued

33

## ● Eligible Activities

- Outreach efforts that support active interaction between PHA and residents
- Resident surveys
- Resident commissioner training
- Resident council elections and organizing activities
- Wide range of self-sufficiency and capacity building activities
  - ◆ Training programs on health, parentings skills, childcare, before and after school programs, financial literacy and credit counseling, tutorial services
- Reasonable refreshment and light snacks directly related to resident meeting

## ◆ Ineligible Activities

- ▶ Purchase of alcohol
- ▶ Entertainment, such as trips to theme parks, movies, county fairs, sports events, including all related costs (tickets, meals, transportation, etc.)
- ▶ Social activities (parties, bowling nights, etc.), including all related costs
- ▶ Organized fundraising costs (e.g., financial campaigns, solicitation of gifts and bequest, and expenses incurred to raise capital or obtain contributions)
- ▶ Other unallowable activities listed in 2 CFR 200 Subpart E



# Account Closing Act

34

| Operating Subsidy FFY | Account Closing Date |
|-----------------------|----------------------|
| 2015 & Prior          | Closed               |
| 2016                  | 9/30/2022            |
| 2017                  | 9/30/2023            |
| 2018                  | 9/30/2024            |
| 2019                  | 9/30/2025            |
| 2020                  | 9/30/2026            |
| 2021                  | 9/30/2030            |

- PIH Notice 2021-31 addresses requirements for expenditure of Operating Funds by grant year
- Unexpended operating subsidy must be returned to Treasury by their specific account closing date
  - This is not new authority / requirement, but this concept has never been applied to operating subsidy in the past
  - Unsure how PHAs should implement, since PHAs do not normally track the use of operating subsidy in such a manner
  - No guidance from HUD other than Section 24 of PIH Notice 2021-31, which simply states to call your local Field Office





***Live Content Slide***

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**Poll: 7.3 - The GDA does what?**



# Projects

# Project Overview

37

- Focus is now at a project level
- Grouping of buildings for management efficiencies
- Recorded in PIC
- Projects consist of Public Housing and Capital Fund activity
- PHAs began reporting project level submissions beginning with June 30, 2008 FYE submissions



- All PHAs with public housing units will need to establish projects in PIC, including MTW PHAs.
- PHAs with fewer than 400 dwelling units may group their entire portfolio as a single project, unless required to operate under asset management (stop loss).
- Mixed finance projects must generally have a separate project number.
- PHAs are required to designate administrative buildings and central maintenance facilities with a project number ending in “9999.”



# Conventional Projects

39

- Conventional projects are projects under management and are funded through the Operating and Capital Fund programs.
- Conventional projects form the basis and foundation of project level reporting.



# Demolition / Disposition Projects

40

- Units will be recoded in PIC as “approved for demolition” or “approved for disposition.”
- Once demolished or disposed, units are recorded as “removed from inventory.”
- A project is terminated in PIC only after the land has been disposed and the Field Office has released the Declaration of Trust (DOT). A project marked as terminated in PIC is not available in FASS.
- PHAs should continue to report all project-related activity until the project number is no longer available in FASS.

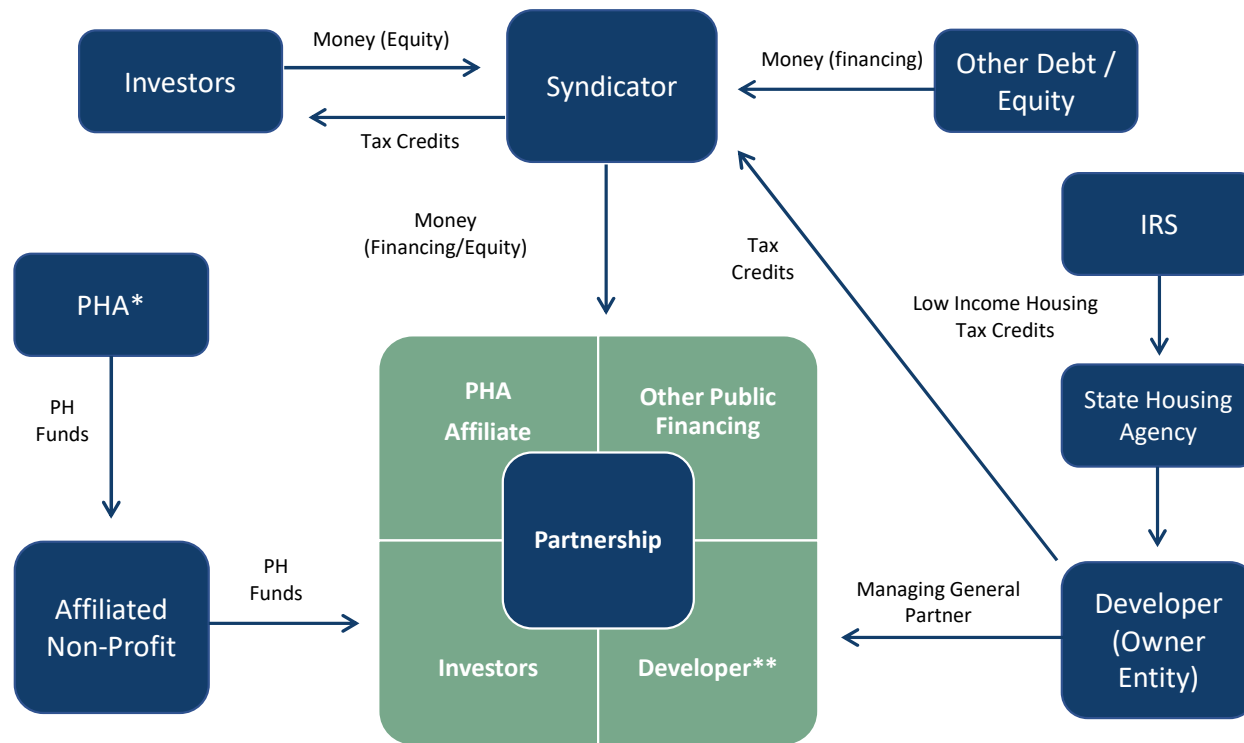




# Mixed Finance Projects

# Example Mixed Finance Model

42



\* PHA to include Affiliated Non Profit.

\*\*Developer is Managing General Partner and Owner Entity



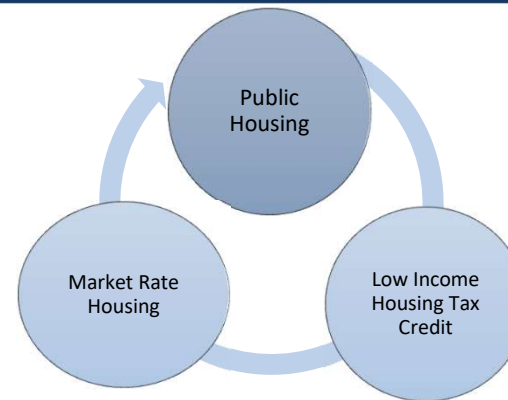


# Which Units are Public Housing?

43

## Mixed Finance Units

- Floating units—ACC units are not tied to a permanent physical address.
  - For example, a unit may house a Public Housing family one year and house a LIHTC family the next
- Based on the funding sources & parties involved, the development must maintain a specific number of units for each program type (ACC Units)

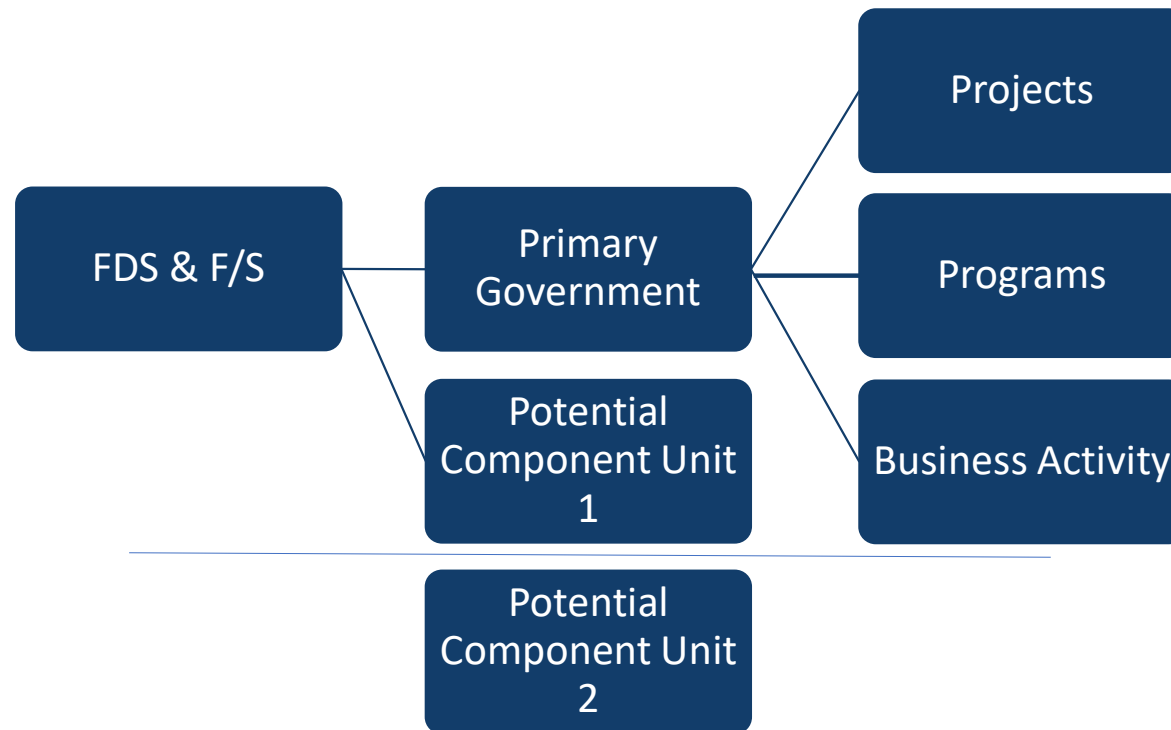


| Unit Mix           | Units | 1 br | 2 br | 3 br | 4 br |
|--------------------|-------|------|------|------|------|
| Public Housing     | 110   | 12   | 34   | 53   | 11   |
| LIHTC              | 80    | 6    | 34   | 36   | 4    |
| Market Rate        | 70    | 15   | 33   | 22   | 0    |
| Total Rental Units | 260   | 33   | 101  | 111  | 15   |



# GASB and the Reporting Entity

44



# Clarification of Project Definition


45

- Project Definition 1 (required to be reported)
  - Low rent & Capital Fund program funding
  - PIC number
  - Identifies ACC units
  - The “PHA transactions”
- Project Definition 2 (FDS Reporting Varies)
  - Mixed-finance development
  - Identifies both ACC and non-ACC units
  - Tied to physical building(s)
  - Usually legally-separate entity (not PHA)
  - This indicator is now hard-coded in PIC. This also applies to RAD projects.



# Mixed Finance – FDS Reporting

46



## Real Estate Assessment Center

### Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info **FDS** DCF Notes and Findings Submit Review Submission Edit Flags Reports Logout

BalanceSheet+  
Income Statement+

| PHA Information  |                                                                                                                            |                                  |
|------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| PHA Code:        | CA027                                                                                                                      | Fiscal Year End Date: 12/31/2015 |
| PHA Name:        | Housing Authority of the County of Riverside                                                                               |                                  |
| Submission Type: | Audited / Single Audit                                                                                                     |                                  |
| Project Name:    | DESERT HOT SPRINGS APTS                                                                                                    |                                  |
| Project Status:  | Validated                                                                                                                  | Mixed Finance: Y                 |
| Select Entity:   | <a href="#">Program List</a> <a href="#">Mod Rehab Projects</a> <a href="#">Project List</a> <a href="#">Other Project</a> |                                  |

| Income Statement - Project Program Listing |                                     |                  |
|--------------------------------------------|-------------------------------------|------------------|
| CFDA #                                     | Program Name                        | Status           |
| 14.872                                     | Public Housing Capital Fund Program | <u>Validated</u> |
| 14.850                                     | Low Rent Public Housing             | <u>Validated</u> |



# Example 1 – No Component Unit

47

| Financial Data Schedule (FDS) |                         |                |              |                        |              |               | Financial Statements |
|-------------------------------|-------------------------|----------------|--------------|------------------------|--------------|---------------|----------------------|
| FDS Line Item                 | Description             | Total Projects | COCC         | Housing Choice Voucher | Elimination  | Total         | Total                |
| <b>Balance Sheet</b>          |                         |                |              |                        |              |               |                      |
| 190                           | Total Assets            | \$ 10,100,000  | \$ 500,000   | \$ 10,000,000          | \$ (500,000) | \$ 20,100,000 | \$ 20,100,000        |
| 300                           | Total Liabilities       | \$ 500,000     | \$ 100,000   | \$ 200,000             | \$ (500,000) | \$ 300,000    | \$ 300,000           |
| 513                           | Total Equity/Net Assets | \$ 9,600,000   | \$ 400,000   | \$ 8,000,000           | \$ -         | \$ 18,000,000 | \$ 18,000,000        |
| <b>Income Statement</b>       |                         |                |              |                        |              |               |                      |
| 70000                         | Total Revenue           | \$ 5,800,000   | \$ 1,000,000 | \$ 3,000,000           | \$ (800,000) | \$ 9,000,000  | \$ 9,000,000         |
| 90000                         | Total Expenses          | \$ 4,700,000   | \$ 900,000   | \$ 2,500,000           | \$ (800,000) | \$ 7,300,000  | \$ 7,300,000         |
| 10000                         | Net Income              | \$ 1,100,000   | \$ 100,000   | \$ 500,000             | \$ -         | \$ 1,700,000  | \$ 1,700,000         |



# FDS Reporting – No Component Unit

48

- New project added to FDS
- Marked as mixed finance in PIC
- Revenue and expense associated mainly with the flow of Operating Subsidy (akin to a HAP payment)
- Unit information associated with ACC units only
- Balance sheet will be minimal - cash and investments, maybe notes / loans receivables
- No elimination entries



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**Poll: 4.4 - How is discreet CPU treated differently from a blended one?**

# Example 2 – Discretely Presented Component Unit

50

| Financial Data Schedule (FDS) |                         |                |              |                        |                |              | Financial Statements |               |                |
|-------------------------------|-------------------------|----------------|--------------|------------------------|----------------|--------------|----------------------|---------------|----------------|
| FDS Line Item                 | Description             | Total Projects | COCC         | Housing Choice Voucher | Component Unit | Elimination  | Total                | Total         | Component Unit |
| <b>Balance Sheet</b>          |                         |                |              |                        |                |              |                      |               |                |
| 190                           | Total Assets            | \$ 10,100,000  | \$ 500,000   | \$ 10,000,000          | \$ 200,000     | \$ (500,000) | \$ 20,300,000        | \$ 20,100,000 | \$ 200,000     |
| 300                           | Total Liabilities       | \$ 500,000     | \$ 100,000   | \$ 200,000             | \$ 50,000      | \$ (500,000) | \$ 350,000           | \$ 300,000    | \$ 50,000      |
| 513                           | Total Equity/Net Assets | \$ 9,600,000   | \$ 400,000   | \$ 8,000,000           | \$ 150,000     | \$ -         | \$ 18,150,000        | \$ 18,000,000 | \$ 150,000     |
| <b>Income Statement</b>       |                         |                |              |                        |                |              |                      |               |                |
| 70000                         | Total Revenue           | \$ 5,800,000   | \$ 1,000,000 | \$ 3,000,000           | \$ 2,000,000   | \$ (800,000) | \$ 11,000,000        | \$ 9,000,000  | \$ 2,000,000   |
| 90000                         | Total Expenses          | \$ 4,700,000   | \$ 900,000   | \$ 2,500,000           | \$ 1,500,000   | \$ (800,000) | \$ 8,800,000         | \$ 7,300,000  | \$ 1,500,000   |
| 10000                         | Net Income              | \$ 1,100,000   | \$ 100,000   | \$ 500,000             | \$ 500,000     | \$ -         | \$ 2,200,000         | \$ 1,700,000  | \$ 500,000     |





# FDS Reporting – Discretely Presented Component Unit

51

- Same as “No component unit” example
- New component unit column added to FDS
- Component unit column contains the balance sheet and income statement data for all units in the development (ACC and non-ACC units)
- Transactions between the project and component unit are shown as
  - Revenue and expense
  - Notes receivables and payables
  - **Not** operating transfers or due to/from
- No elimination entries



# Example 3 – Blended Component Unit (Business Activity)

52

| Financial Data Schedule (FDS) |                         |                |              |                        |               |                |               | Financial Statements |
|-------------------------------|-------------------------|----------------|--------------|------------------------|---------------|----------------|---------------|----------------------|
| FDS Line Item                 | Description             | Total Projects | COCC         | Housing Choice Voucher | Business Unit | Elimination    | Total         | Total                |
| <b>Balance Sheet</b>          |                         |                |              |                        |               |                |               |                      |
| 190                           | Total Assets            | \$ 10,100,000  | \$ 500,000   | \$ 10,000,000          | \$ 200,000    | \$ (500,000)   | \$ 20,300,000 | \$ 20,300,000        |
| 300                           | Total Liabilities       | \$ 500,000     | \$ 100,000   | \$ 200,000             | \$ 50,000     | \$ (500,000)   | \$ 350,000    | \$ 350,000           |
| 513                           | Total Equity/Net Assets | \$ 9,600,000   | \$ 400,000   | \$ 8,000,000           | \$ 150,000    | \$ -           | \$ 18,150,000 | \$ 18,150,000        |
| <b>Income Statement</b>       |                         |                |              |                        |               |                |               |                      |
| 70000                         | Total Revenue           | \$ 5,800,000   | \$ 1,000,000 | \$ 3,000,000           | \$ 2,000,000  | \$ (1,600,000) | \$ 10,200,000 | \$ 10,200,000        |
| 90000                         | Total Expenses          | \$ 4,700,000   | \$ 900,000   | \$ 2,500,000           | \$ 1,500,000  | \$ (1,600,000) | \$ 8,000,000  | \$ 8,000,000         |
| 10000                         | Net Income              | \$ 1,100,000   | \$ 100,000   | \$ 500,000             | \$ 500,000    | \$ -           | \$ 2,200,000  | \$ 2,200,000         |



- Same as “Discretely Presented Component Unit” example except:
  - The component unit will be reported in the blended component unit column of the FDS
  - New project added to FDS (subsidy flow)
  - Use when the mixed finance project is:
    - ◆ Determined to be a blended component unit
    - ◆ Where **some** of the units in the development are not ACC units
- Elimination entries required



# Example 4 – Blended Component Unit (Project)

54

| Financial Data Schedule (FDS) |                         |                |              |                        |              |               | Financial Statements |
|-------------------------------|-------------------------|----------------|--------------|------------------------|--------------|---------------|----------------------|
| FDS Line Item                 | Description             | Total Projects | COCC         | Housing Choice Voucher | Elimination  | Total         | Total                |
| <b>Balance Sheet</b>          |                         |                |              |                        |              |               |                      |
| 190                           | Total Assets            | \$ 10,200,000  | \$ 500,000   | \$ 10,000,000          | \$ (500,000) | \$ 20,200,000 | \$ 20,200,000        |
| 300                           | Total Liabilities       | \$ 550,000     | \$ 100,000   | \$ 200,000             | \$ (500,000) | \$ 350,000    | \$ 350,000           |
| 513                           | Total Equity/Net Assets | \$ 9,650,000   | \$ 400,000   | \$ 8,000,000           | \$ -         | \$ 18,050,000 | \$ 18,050,000        |
| <b>Income Statement</b>       |                         |                |              |                        |              |               |                      |
| 70000                         | Total Revenue           | \$ 7,000,000   | \$ 1,000,000 | \$ 3,000,000           | \$ (800,000) | \$ 10,200,000 | \$ 10,200,000        |
| 90000                         | Total Expenses          | \$ 5,500,000   | \$ 900,000   | \$ 2,500,000           | \$ (800,000) | \$ 8,100,000  | \$ 8,100,000         |
| 10000                         | Net Income              | \$ 1,500,000   | \$ 100,000   | \$ 500,000             | \$ -         | \$ 2,100,000  | \$ 2,100,000         |



# FDS Reporting – Blended Component Unit – Project

55

- The mixed-finance project should be reported as a “typical conventional project.”
  - All units are reported
  - All revenue and expenses are reported
  - “Full” balance sheet
- Use when the mixed-finance project is:
  - Determined to be a blended component unit;
  - **All** the units in the mixed finance project are ACC units
- Marked as mixed finance in PIC
- No elimination entries





# Public Housing Reporting Revenue and Expenses

- July 2014 – Latest changes made to FDS lines:
  - 70750-010 – From PHA administered program (only for COCC)
  - 70750-020 – From 3rd party / outside entity (only for COCC)
  - 91300-010 – To PHA administered program
  - 91300-020 – To a 3rd party / outside entity



# Fee Revenue Reconciliation

24

- REAC is now monitoring and calculating fees reported by a PHA that has implemented the asset management model.
- Upon the discovery of a fee above the maximum amount allowed, the FASS-PH system will send a fee alert letter to the Field Office for follow up.
- Both the Public Housing projects and HCV programs will be analyzed.
- The reconciliation currently does not take into account rounding for the calculation of fees, especially bookkeeping fees due to the “.50” nature.
- It is recommended that bookkeeping fees be rounded down in order to prevent a fee alert letter being generated.





- Allocated overhead (FDS line 91820)
  - Required to be used by any PHA with over 400 public housing units where a PHA allocates costs instead of using a fee-for-service approach.
  - Activities that must be accounted for in this line item are determined by HUD.
  - This line item along with other allowed allocations will be discussed in the COCC section of this course.



# Maintenance Contracts

60

- Maintenance Contracts (FDS line 94300)
  - 12 maintenance contract FDS line items
  - Record contract expenses with third-party vendors
  - Record frontline services for centralized maintenance charges to the project under a fee-for-service methodology



# Other General Expenses

61

- Other General Expenses (FDS line 96200)
  - This account is used by PHAs to represent the cost of all items of general expense.
  - These expenses are typically not part of routine administrative expenses and would not be appropriately recorded in FDS line 91900 (Other administrative expense).



# Other General Expenses, cont'd.

62

- Examples include:

- Payments to developers for mixed financing transactions and ongoing subsidy
- Amount of energy savings earned by the COCC as a result of a HUD-approved energy performance contract
- Expenses arising from personal injury and damages to property and the loss of cash and/or securities resulting from robbery or theft that are not considered fraud-related
- Unaccountable differences in inventories of materials, supplies, and expendable equipment



- Examples cont'd:

- Fiscal agent fees and fees paid to collection agents other than attorneys incurred in connection with the collection of amounts due from tenants but are not chargeable to tenants
- Fines and penalties imposed by the federal, state or local government.
  - ◆ Caution should be exercised in expensing fines and penalties to federal awards, as these items are typically considered to be ineligible.
  - ◆ This category was added in order to accommodate the recording of fines and penalties expense to an appropriate funding source.
- Costs of FASB 5 Contingency claim



# Extraordinary Maintenance

64

- Extraordinary maintenance (FDS line 97100)
  - Extraordinary maintenance represents costs that are unforeseen and highly unusual in nature.
  - These costs represent items that were not anticipated prior to the start of the fiscal year.
  - The costs do not meet the GAAP definition of being capitalized.





# Public Housing Reporting Transfers and Due To / From

- FDS has four types/sets of operating transfers:
  - Operating Transfer In/Out
  - Inter-Project Excess Cash Transfer In/Out
  - Transfers between Programs and Projects In/Out
  - Other Operating Transfers:
    - ◆ From/To Primary Government
    - ◆ From/To Component Unit
- Erroneous reporting may cause HUD to initially determine that the PHA is not in compliance with financial management regulations





# Operating Transfer In/Out

67

- FDS Line 10010 – Operating Transfer In
- FDS Line 10020 – Operating Transfer Out
  - Report transfers of Capital Fund grant revenue to the Low Rent column of the project income statement

| Project - Income Statement |                          |               |           |              |
|----------------------------|--------------------------|---------------|-----------|--------------|
| FDS Line Item              |                          | Project Total | Low Rent  | Capital Fund |
| 70600                      | HUD PHA Operating Grants | \$200,000     |           | \$200,000    |
| 70610                      | Capital Grants           |               |           |              |
| 10010                      | Operating Transfer In    | \$200,000     | \$200,000 |              |
| 10020                      | Operating Transfer Out   | (\$200,000)   |           | (\$200,000)  |



# Operating Transfer In/Out

68

- FDS Line 10010 – Operating Transfer In
- FDS Line 10020 – Operating Transfer Out
  - Report transfers of Capital Fund grant revenue to the Low Rent column of the project income statement.

| Program- Income Statement |                        |               |           |             |
|---------------------------|------------------------|---------------|-----------|-------------|
| FDS Line Item             |                        | Program Total | HCV       | COCC        |
| 10010                     | Operating Transfer In  | \$100,000     | \$100,000 |             |
| 10020                     | Operating Transfer Out | (\$100,000)   |           | (\$100,000) |



# Inter-Project Excess Cash Transfer

69

- FDS Line 10091 – Inter-Project Excess Cash Transfer In
- FDS Line 10092 – Inter-Project Excess Cash Transfer Out
  - Report transfers from one project to another (only used by PHAs with multiple projects)

| Project - Income Statement |                                        |               |           |           |             |
|----------------------------|----------------------------------------|---------------|-----------|-----------|-------------|
| FDS Line Item              |                                        | Project Total | Project 1 | Project 2 | Project 3   |
| 10091                      | Inter Project Excess Cash Transfer In  | \$100,000     | \$75,000  | \$25,000  |             |
| 10092                      | Inter Project Excess Cash Transfer Out | (\$100,000)   |           |           | (\$100,000) |



# Transfers Between Programs and Projects

70

- FDS Line 10093 – Transfer Between Programs and Projects In
- FDS Line 10094 – Transfer Between Programs and Projects Out
  - Report funds transferred out or received by a project from another program, including the COCC
  - Not used to report Management Fees paid to the COCC

| Project - Income Statement |                                             |               |           |           |            |
|----------------------------|---------------------------------------------|---------------|-----------|-----------|------------|
| FDS Line Item              |                                             | Project Total | Project 1 | Project 2 | HCV        |
| 10093                      | Transfers between Program and Project - In  | \$75,000      | \$50,000  | \$25,000  |            |
| 10094                      | Transfers between Project and Program - Out | (\$75,000)    |           |           | (\$75,000) |



- Other Operating Transfers:

- FDS Line 10030 – Operating Transfers From/To Primary Government
- FDS Line 10040 – Operating Transfers From/To Component Unit
  - ◆ Positive amounts represent transfers in
  - ◆ Negative amounts represent transfers out



# Inter-program Due From/Due To

72

- FDS line 144 (Inter-program – due from) and FDS line 347 (Inter-program – due to) represent amounts due from or to other PHA projects, programs, and funds
  - FDS line 144 (Inter-program – due from) represents inter-program transactions resulting in a decrease of expendable resources of the transferring PHA program and funds that are expected to be repaid “within a reasonable time.”
  - FDS line 347 (Inter-program – due to) represents inter-program transactions resulting in an increase of expendable resources of the receiving PHA program and funds, which are expected to be repaid “within a reasonable time.”
  - HUD Accounting Brief #14, instructs PHAs to offset any balances on FDS lines 144 & 347 against cash, unless it results in having a negative cash balance.



# Inter-program Due From/Due To

73

- Repayment should typically not exceed the annual operating cycle.
- For year-end reporting, the cash and investment balances that are maintained in a revolving or working capital account must be:
  - Disaggregated
  - Reconciled
  - Settled prior to closing the books
- Funds are normally not fungible between different federal programs regardless of the nature of the transfer or receivable.
- Inappropriate use of funds, even a temporary loan, are ineligible costs resulting in non-compliance.



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 7.5 - On which FDS line do you show Operating Transfers in?**





# Public Housing Reporting Memo Accounts

# Low Rent Income Statement – Capital Activity Memo Accounts

76

- Memorandum accounts are used to record capitalized costs incurred in the current fiscal year that were funded by the Operating Fund program
  - Capital costs funded by reserves, Operating Fund program income, ESCOs, insurance proceeds, etc. are reported in the income statement of the Operating Fund program

| Line  | Description                                        |
|-------|----------------------------------------------------|
| 11610 | Land Purchase                                      |
| 11620 | Building Purchase                                  |
| 11630 | Furniture and Equipment – Dwelling Purchases       |
| 11640 | Furniture and Equipment – Administrative Purchases |
| 11650 | Leasehold Improvement Purchases                    |
| 11660 | Infrastructure Purchases                           |



# Capital Activity Memo Accounts

77

- Memorandum accounts are used to record capitalized costs incurred in the current fiscal year that were funded by either the Operating Fund Program or Capital Fund Program
- These memo accounts are required and are intended to provide additional information on the use of low rent program funds for non-operating expenses (capitalized expenditures) incurred during the reporting period



# Capital Activity Memo Accounts

78

- FDS Memo account line 11020
  - The FDS line represents the required debt principal payments during the reporting financial year, regardless of whether or not the actual payment has been made.



# Units Leased Accounts (FDS Lines 11190 & 11210)

79

- Units leased reported on the Financial Data Schedule has gained more significance due to the points earned on the occupancy sub-indicator on the MASS indicator.
  - Remember to exclude from units available, and HUD allowable vacancies.
- Units leased is also used in the calculation of your operating subsidy.
- Units leased are used to calculate management and bookkeeping fees.
  - As a qualitative measurement, units leased should be analyzed.



# Conclusion

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- Thoughts?
- Questions?
- Comments?







FASS - PH

Spring/Summer 2022

# Session 8: Public Housing Capital Fund Program





- Financial Data Schedule (FDS) reporting requirements for the CFP Program
- Reporting of soft and hard costs associated with the CFP Program
- Use of the memorandum accounts on the FDS for the CFP Program
- Reporting the Capital Fund Financing Program



# Capital Fund Program Final Rule

3

- Published October 24, 2013
- Effective November 25, 2013
- Capital Fund Guidebook April 1, 2016
- Caps management improvement expenditures to 10% to be phased in over 5 years
- Defines ineligible expenses for management improvements
  - Ongoing security services not eligible
  - Direct social services
  - Security personnel are not eligible
  - Routine maintenance



# Capital Fund Program Final Rule, continued

4

- Emergencies not identified in the 5-year action plan are eligible costs
- Requirement for the new GPNA (Green Physical Needs Assessment)
- Additional Guidance on Replacement Housing Factor funding



***Live Content Slide***

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**Poll: 8.1 - How many months does a PHA have to obligate Cap. funds?**

# Obligation/Expenditure Timeframe

6

- In general, and unless an extension is granted, 90% of Capital Funds must be obligated no later than 24 months after the date on which the funds become available to the PHA for obligation (24 CFR 905.306)
- 100% of Capital Funds must be expended no later than 48 months after the date on which funds are available for obligation (24 CFR 905.306)
- Due dates by CFP Grant

| # | CFP Grant Year | Obligation Start Date (Effective Date) | Obligation Deadline | Expenditure Deadline |
|---|----------------|----------------------------------------|---------------------|----------------------|
| 1 | 2017           | 8/16/2017                              | 8/16/2019           | 8/16/2021            |
| 2 | 2018           | 5/29/2018                              | 5/29/2020           | 5/29/2022            |
| 3 | 2019           | 4/15/2019                              | 4/15/2021           | 4/15/2023            |
| 4 | 2020           | 3/26/2020                              | 3/25/2022           | 3/25/2024            |
| 5 | 2021           | 2/23/2021                              | 2/23/2023           | 2/23/2025            |



# Capital Fund Obligation

7

| #                                                                                                                                                                                                                                               | Capital Fund Grants                                | Obligation Requirements                   | Obligation Timeframe                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------|-----------------------------------------------------------|
| 1                                                                                                                                                                                                                                               | Formula Grants                                     | 90% or more                               | 24 months                                                 |
| 2                                                                                                                                                                                                                                               | Demolition Disposition Transitional Funding (DDTF) | Same as Formula Grant because part of CFP | Same as Formula Grant because part of CFP                 |
| 3                                                                                                                                                                                                                                               | RHF Grants                                         | 90% or more                               | 24 months from accumulation date (up to 5 year of grants) |
| 4                                                                                                                                                                                                                                               | Disaster Grants                                    | 90% or more                               | 24 months                                                 |
| 5                                                                                                                                                                                                                                               | Emergency & Safety Security Grants                 | 90% or more                               | 12 months                                                 |
| <b>RAD Conversion.</b> At the PHA request, HUD will extend the OED for Capital Funds (including RHF and DDTF) used in a RAD conversion for up to 60 months (5 years) after the obligation date of the ACC amendment (PIH Notice 2012-32, REV-1) |                                                    |                                           |                                                           |

- An **obligation** is a binding agreement for work or financing that will result in outlays, immediately or in the future (24 CFR 905.108 Definitions)
  - All obligations must be incorporated within the CFP 5-Year plan that has been approved by the Board and HUD
- In general, PHAs must obligate 90% of Capital Funds no later than 24 months after grant award



# What Triggers an Obligation?

8

| # | Category                                                                                                                                                | #  | Category                                                                                                                                                                                           |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | <b>General CFP Work</b><br>Obligation occurs when a contract has been executed                                                                          | 6  | <b>Force Account</b><br>For a single work item, obligation occurs when work is initiated. For a group of sequentially-related work items, obligations occurs when the first work item is initiated |
| 2 | <b>BLI 1406 – Operations</b><br>Obligation occurs when the funds are drawn down and vouchered – the date of the voucher submission                      | 7  | <b>CFFP</b><br>CFP funds used to pay debt service for CFFP are considered obligated at the release of the formula grant                                                                            |
| 3 | <b>BLI 1408 – Management Improvements</b><br>Obligation occurs when the PHA signs a contract (or executes obligating documents) for eligible work items | 8  | <b>Conventional Development</b><br>Obligation occurs when the development contract is signed                                                                                                       |
| 4 | <b>BLI 1410 – Administration</b><br>Obligation occurs when the PHA budgets the funds in an approved Annual Statement and Five-Year Action Plan          | 9  | <b>Mixed Finance Development</b><br>Obligation occurs at financial closing                                                                                                                         |
| 5 | <b>BLI 1502 – Contingency</b><br>These funds are never obligated and must be moved to another BLI to be obligated, disbursed, and expended              | 10 | <b>Predevelopment</b><br>When the PHA enters into a binding contract – such as for architectural and engineering services, demolition, and abatement                                               |





# Capital Fund Program



- The CFP Program must be reported at the individual “project” level
  - Each project has an individual balance sheet combining both the Low Rent and CFP programs
  - Each project has two income statements reporting financial activity for the Low Rent Housing Program and the Capital Fund Program
- CFP activities must be reported in accordance with generally accepted accounting principles (GAAP)



# BLI Accounts

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| BLI Quick Reference Chart                         |                                        |
|---------------------------------------------------|----------------------------------------|
| Capital Fund Activity                             | BLI                                    |
| Development and Physical Work                     |                                        |
| • Site Acquisition                                | 1440                                   |
| • Site Improvement                                | 1450                                   |
| • Dwelling Structure                              | 1460                                   |
| • Dwelling equipment, nonexpendable               | 1465                                   |
| • Non-dwelling structures                         | 1470                                   |
| • Non-dwelling equipment                          | 1475                                   |
| • Demolition                                      | 1485                                   |
| • CFFP Debt Service Payments                      | 1501 (by PHA) 9000 (by LOCCS)          |
| Soft Costs                                        |                                        |
| • Financing                                       | 1430                                   |
| • Transfer to Operations                          | 1406                                   |
| • Management Improvements                         | 1408                                   |
| • Resident Relocation and Mobility Counseling     | 1495                                   |
| • Safety and Security                             | BLI for associated activity*           |
| Other Costs                                       |                                        |
| • Administrative Costs                            | 1410                                   |
| • Capital Fund Program Fee                        | 1410                                   |
| • Audit                                           | 1411                                   |
| • Fees and Costs, Legal                           | 1430                                   |
| • Homeownership                                   | BLI for associated activity*           |
| • Force Account Labor                             | BLI for associated activity*           |
| • Physical Needs Assessment and Energy Audit      | 1430                                   |
| • RAD                                             | 1503                                   |
| • RAD                                             | 1504                                   |
| • Economic Self-Sufficiency (soft cost)           | 1408                                   |
| • Economic Self-Sufficiency (capital expenditure) | BLI for associated hard cost activity* |



# Capital Fund FDS Reporting: Recognition of Revenue

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- Recognition of revenue (hard and soft)
  - CFP revenues still need to be distinguished between soft and hard costs for GAAP reporting (**not BLI account**).
  - Hard costs typically include activities associated with the purchase of equipment, modernization work and other capital activity.
    - ◆ These costs meet the PHA's capitalization threshold policy.
  - Soft costs refer to the use of CFP funds to either support a project's operations or other expenses that do not meet the PHA's capitalization threshold policy.



# Capital Fund FDS Reporting: Recognition of Revenue

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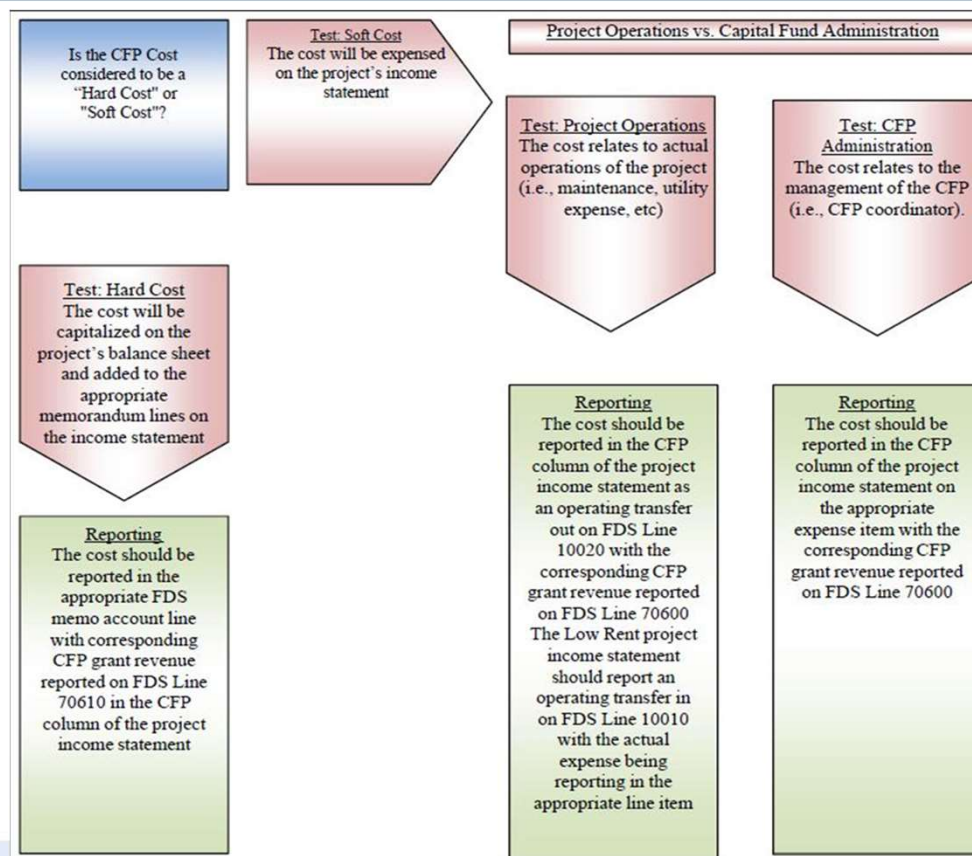
- PHAs capitalization policy ultimately determines how Capital Fund amounts are reported on FDS.
- Revenue related to “hard costs” should be reported on FDS line 70610 (Capital Grants).
  - This would include principal payments on CFFP Debt.
- Amounts below the PHA’s capitalization threshold are considered soft costs, and the corresponding revenue is reported on FDS line 70600 (HUD PHA Operating Grants).



# Capital Fund FDS Reporting

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- A flowchart has been included as a guide on how to report both hard and soft costs on the FDS.





# FASS - PH

Spring/Summer 2022

## Eligible Uses of Capital Funds



# Eligible Activities Overview

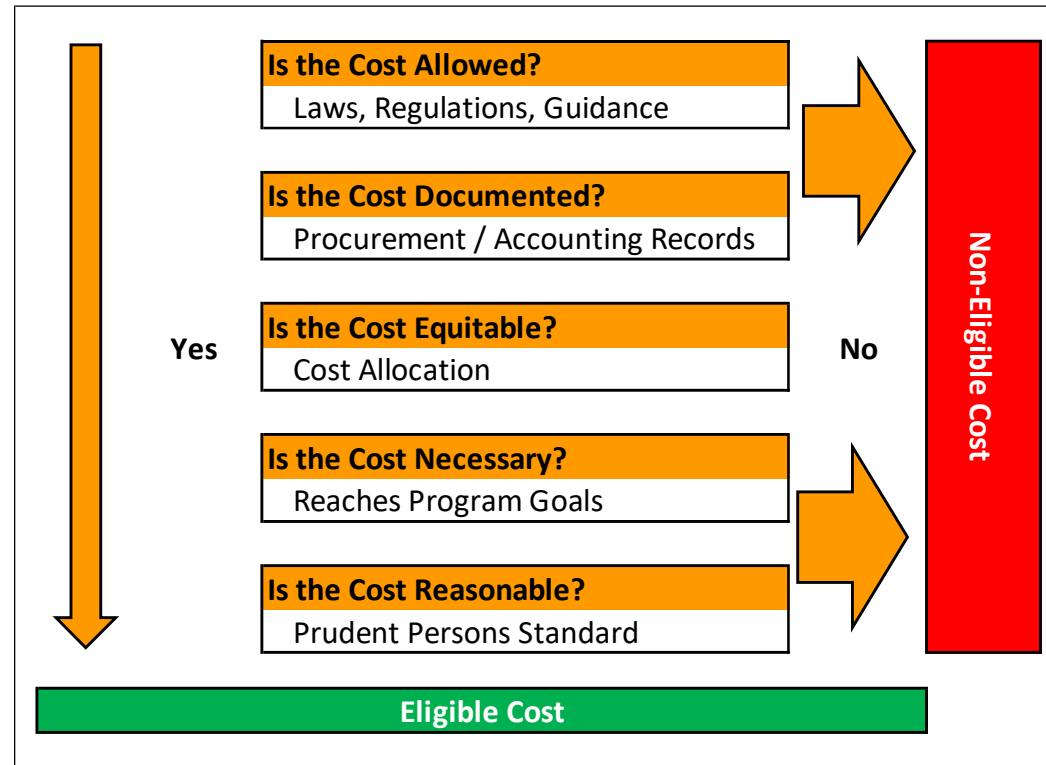
16

- Soft Costs – Economic self-sufficiency, management improvements, resident relocation
- Safety & Security – cameras, lights, equipment, access control, security, fencing
- Other costs
  - Administrative - salaries, benefits, Doc prep, Resident Participation, Litigation
  - Cap Fund Fee – annual audit, legal, home ownership



# Eligibility of Costs - OMB Rule 2 CFR 200

17





# Eligible Uses of Funds – Capital Funds & CARES Act

18

| # | Funding Source                                        | Funding | Eligible Uses of Funds                                                                                                                                                                       | Period of Availability                                                                                                            |
|---|-------------------------------------------------------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| 1 | FY 2020 & Prior Capital Funds (except for set-asides) | N/A     | <ul style="list-style-type: none"><li>Fully flexible to Operating Fund eligible activities</li><li>Can be used to prevent, prepare for, and respond to coronavirus</li></ul>                 | The expanded eligible uses of these funds started 4/28/2020 (date of PIH Notice 2020-07), and ends 12/31/2021 (PH Notice 2020-24) |
| 2 | FY 2021 Capital Funds                                 | \$2.7B  | <ul style="list-style-type: none"><li><b>Cannot</b> be used for COVID-19 activities</li><li><b>Cannot</b> be used for Operating Fund flexibilities as provided under the CARES Act</li></ul> | Not applicable                                                                                                                    |



# Ineligible Activities

19

- Ineligible activities include:
  - Any cost not related to public housing
  - Any costs not in the 5-Year Action Plan (with exception of an emergency or disaster)
  - Not modest design (luxury improvements)
  - Not eligible based on OMB regulation
  - Public housing operations except through BLI 1406 (transfer to operations)
  - Any costs that benefits other programs, such as the HCV program
  - Supportive services
  - Duplicate funding (i.e., a cost that was funded by another source)
  - Costs incurred prior to the release of the Capital Fund grant
  - As determined by HUD
- HUD approval of CFP plans, the spreading of budget in eLOCCS, and the disbursement of CFP funds to the PHA does not authorize / allow for the use of such funds on ineligible activity
- Depending on what transactions have occurred, PHAs may need to:
  - Repay the funds back to HUD from an appropriate source
  - De-obligate CFP funds
  - Request a budget revision



- Routine maintenance or replacements
  - Lawn care
  - Pest control
  - Routine maintenance materials
  - Plumbing, electrical not part of a project
  - Maintenance equipment



# CFP Eligibility Citations and References

21

| #  | Eligible CFP Activity                       | Regulatory Citation     | CFP Guidebook Section Reference | BLI  |
|----|---------------------------------------------|-------------------------|---------------------------------|------|
| 1  | Modernization                               | 24 CFR 905.200 (b) (1)  | 2.4                             | 1480 |
| 2  | Development                                 | 24 CFR 905.200 (b) (2)  | 2.2                             | 1480 |
| 3  | Financing                                   | 24 CFR 905.200 (b) (3)  | 2.3                             | 1480 |
| 4  | Vacancy Reduction                           | 24 CFR 905.200 (b) (4)  | 2.4.16                          | 1480 |
| 5  | Nonroutine Maintenance                      | 24 CFR 905.200 (b) (5)  | 2.4.14                          | 1480 |
| 6  | Planned Code Compliance                     | 24 CFR 905.200 (b) (6)  | 2.4.15                          | 1480 |
| 7  | Management Improvements                     | 24 CFR 905.200 (b) (7)  | 2.5.2                           | 1408 |
| 8  | Economic Self-Sufficiency                   | 24 CFR 905.200 (b) (8)  | 2.5.1                           | 1480 |
| 9  | Demolition and Reconfiguration              | 24 CFR 905.200 (b) (9)  | 2.4.10                          | 1480 |
| 10 | Resident Relocation and Mobility Counseling | 24 CFR 905.200 (b) (10) | .5.3                            | 1480 |
| 11 | Security and Safety                         | 24 CFR 905.200 (b) (11) | 2.6                             | 1480 |
| 12 | Homeownership                               | 24 CFR 905.200 (b) (12) | 2.7                             | 1480 |
| 13 | Capital Fund Related Legal Costs            | 24 CFR 905.200 (b) (13) | 2.7                             | 1480 |
| 14 | Energy Efficiency                           | 24 CFR 905.200 (b) (14) | 2.4.13                          | 1480 |
| 15 | Administrative Costs                        | 24 CFR 905.200 (b) (15) | 2.7                             | 1410 |
| 16 | Audit                                       | 24 CFR 905.200 (b) (16) | 2.7                             | 1480 |
| 17 | Capital Fund Management Fee                 | 24 CFR 905.200 (b) (17) | 2.7                             | 1410 |
| 18 | Emergency Activities                        | 24 CFR 905.200 (b) (18) | 2.4.12                          |      |
| 19 | Purchasing or Leasing of Vehicles           | n/a                     | 2.4.11                          | 1480 |

- CFP Grants
  - Can be used at any property
  - Can be used to modernize the COCC
  - Can be used to support project operations
- HUD uses the established chart of accounts, known as budget line items (BLI), to track the total cost of the grant
- The chart of accounts differs from the year end reporting requirements submitted to REAC



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 8.2 - Which activity is prohibited for Cap fund usage?**

# General Capital Activity

23

| Line Item | Name                       | Line Item | Name                       |
|-----------|----------------------------|-----------|----------------------------|
| 0100      | Reserved Budget            | 1406      | Operations                 |
| 0110      | Initial Budget             | 1408      | Management Improvement     |
| 1406      | Operations                 | 1410      | Administration             |
| 1408      | Management Improvement     | 1480      | General Capital Activity   |
| 1410      | Administration             | 1492      | MovingToWorkDemonstration  |
| 1411      | Audit Cost                 | 1501      | Collateral Exp / Debt Srvc |
| 1430      | Fees & Costs               | 1503      | RAD-CFP                    |
| 1440      | Site Acquisition           | 1504      | RAD Investment Activity    |
| 1450      | Site Improvement           | 9000      | Debt Reserves              |
| 1460      | Dwelling Structures        | 9001      | Bond Debt Obligation       |
| 1465      | Dwelling Equipment         | 9002      | Loan Debt Obligation       |
| 1470      | Non-Dwelling Structures    | 9900      | Post Audit Adjustment      |
| 1475      | Non-Dwelling Equipment     |           |                            |
| 1485      | Demolition                 |           |                            |
| 1490      | Replacement Reserve        |           |                            |
| 1492      | MovingToWorkDemonstration  |           |                            |
| 1495      | Relocation Costs           |           |                            |
| 1499      | Development Activity       |           |                            |
| 1500      | Indian Housing Grants      |           |                            |
| 1501      | Collateral Exp / Debt Srvc |           |                            |
| 1502      | Contingency                |           |                            |
| 1503      | RAD-CFP                    |           |                            |
| 1504      | RAD Investment Activity    |           |                            |
| 9000      | Debt Reserves              |           |                            |
| 9001      | Bond Debt Obligation       |           |                            |
| 9002      | Loan Debt Obligation       |           |                            |
| 9900      | Post Audit Adjustment      |           |                            |

- BLI 1480 General Capital Activity
  - Effective with the 2017 Capital Fund Grant
  - A consolidation of BLIs that are most frequently used to cut down on budget revisions



# Recently Added BLI Items

24

- BLI 9000 – Debt Service Bond Payment-Paid by HUD
- BLI 9001 – Bond Debt Obligation
- BLI 9002 – Loan Debt Obligation
- BLI 1501 – Debt Service Bond Payment-Paid by PHA
- BLI 1503 – RAD CFP
- BLI 1504 – RAD Investment Activity
- BLI 1509 – Preparing for Coronavirus
- BLI 1509 – Preventing Coronavirus
- BLI 1509 – Responding to Coronavirus



# Modernization Costs

25

## Eligible Modernization Costs

Demolition costs

Refiguration

Planning Costs

Site Acquisition Costs

Site Improvements

Dwelling and Non-dwelling Structure Costs

Dwelling and Non-dwelling Equipment Costs

## Includes old BLI Accounts

1. 1440 – Site Acquisition  
This BLI account is used to account for property acquisitions
2. 1450 – Site Improvements  
Used to account for costs incurred due to utility distribution systems, foundation repairs, paving, curbs and gutters, sidewalks, driveways, parking areas, playgrounds, landscaping, fencing, and garbage stations
3. 1460 – Dwelling Structures  
Used to record the majority of costs incurred during the construction or rehabbing of items associated with or within the actual dwelling units, such as closet spaces, halls, cabinetry, plumbing, heating/air
4. 1465 – Dwelling Equipment  
Used to account for the cost of ranges, refrigerators, and individual space heaters that are not connected to ducts, pipes or into the building structure itself
5. 1470 – Non-Dwelling Structures  
Used to account for costs related to buildings that are designated not to be used for dwelling structures, such as administrative buildings, community buildings, maintenance buildings, etc.
6. 1495 – Relocation Costs  
Used to account for costs incurred for the relocation and assistance for permanent and temporary relocation due to demolition or acquisition of a modernization activity





# Development Costs

26

## Eligible Development Costs

|                                                                                                  |
|--------------------------------------------------------------------------------------------------|
| Construction and acquisition with or without rehabilitation                                      |
| Development of Mixed-Finance Projects                                                            |
| Resident consultation and meetings                                                               |
| Environmental review                                                                             |
| Consultants necessary for any public housing aspect of the project                               |
| Initial operating period expenses – lease up, initial occupancy                                  |
| Predevelopment and planning costs for public housing                                             |
| Site preparation, abatement, demolition, water/gas distribution systems, site and infrastructure |
| Cost certification costs                                                                         |
| Development activity financing costs                                                             |
| Amenity structures and fixture costs including parking lots and laundry                          |
| Project specific administrative costs, within Section 2.4 limits                                 |
| Physical Needs Assessment (PNA)                                                                  |



## Eligible Public Housing Financing Costs

Preparing applications for funding (e.g. Choice Neighborhoods and LIHTC)

Legal services for PHA

Construction period interest

Due diligence, such as market study and environmental testing

Fairness opinion

Other development and modernization activities needed to obtain financing



# Energy Efficiency Work

28

## Energy Efficiency Work

New or updated Energy Audits – only when audit part of Capital Fund program and not otherwise covered by Operating Funds

Implementation of energy and water conservation per Energy Audit

Integrated utility management and capital planning

Installation of energy/water-use efficiency fixtures and fittings

Installation and use of Energy Star appliances – part of replacement program

Automation of utility & energy management systems – master to individual metering if installed as a part of a mod. activity to upgrade utility systems

- Requirements for Energy Audit. Identifies the types and costs of energy used and analyze alternatives that could substantially reduce cost
  - PHAs are required to complete an energy audit for each PHA-owned project under management, not less than once every 5 years (24 CFR 965.302)
    - ◆ Standards for energy audits shall be equivalent to State standards for energy audits
    - ◆ Energy audits shall analyze all energy conservation measures and payback period for measures relevant to the type of building and equipment operated by the PHA



- Eligible costs if the vehicle is needed on a full-time basis to administer / implement the physical and management improvements set forth in the CFP budget
  - Most maintenance costs are considered operating costs
- If the vehicle is needed on less than a full-time basis to carry out the Capital Fund Program, the cost of the vehicles is an ineligible cost of the Capital Fund Program
  - The cost would be an eligible cost of the Operating Fund program to the extent that the vehicle is used on a full-time basis for the operation and management of the Public Housing program



# Capital Fund FDS Reporting – Administration/CFP Management Fees

30

- Administration / Capital Fund Management Fee (BLI 1410)
  - Used to account for:
    - ◆ Eligible administrative costs of the Capital Fund Program
    - ◆ Capital Fund management fee
  - Limited to 10% of total grant award
  - Activity is only recorded in the project's Capital Fund income statement column



# Capital Fund FDS Reporting – Administration/CFP Management Fees

31

- Administration (BLI 1410) – Management Fees

| Project - Income Statement |                          |               |          |              |
|----------------------------|--------------------------|---------------|----------|--------------|
| FDS Line item              |                          | Project Total | Low Rent | Capital Fund |
| 70600                      | HUD PHA Operating Grants | \$100,000     |          | \$100,000    |
| 70610                      | Capital Grants           |               |          |              |
| 91300                      | Management Fees          | \$100,000     |          | \$100,000    |



# Capital Fund FDS Reporting – Administration/CFP Management Fees

32

- Administration (BLI 1410) – Expense

| Project - Income Statement |                                                 |               |          |              |
|----------------------------|-------------------------------------------------|---------------|----------|--------------|
| FDS Line Item              |                                                 | Project Total | Low Rent | Capital Fund |
| 70600                      | HUD PHA Operating Grants                        | \$100,000     |          | \$100,000    |
| 70610                      | Capital Grants                                  |               |          |              |
| 91100                      | Administrative Salaries                         | \$70,000      |          | \$70,000     |
| 91500                      | Employee Benefit Contributions - Administrative | \$30,000      |          | \$30,000     |



***Live Content Slide***

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**Poll: 8.3 - Audit costs related to BLI account...?**



# Capital Fund FDS Reporting – CFP Audit Costs

34

- Audit Costs (BLI 1411)

- Costs of the audit associated with the CFP Program

- ◆ Preference is to not charge any audit costs to the CFP program. Use low rent operating fund to pay for audit fee. Use CFP for capital needs.

- Reasonable determination of allocated cost

| Project - Income Statement |                          |               |          |              |
|----------------------------|--------------------------|---------------|----------|--------------|
| FDS Line Item              |                          | Project Total | Low Rent | Capital Fund |
| 70600                      | HUD PHA Operating Grants | \$2,000       |          | \$2,000      |
| 70610                      | Capital Grants           |               |          |              |
| 91200                      | Auditing Fees            | \$2,000       |          | \$2,000      |



- Capital Funds may not be used to fund the on-going salaries and benefits of security personnel (i.e., security guards, police patrols, etc.). These expense should be paid from operations
- Cost of security items (including installation) have always been a capital fund eligible activity (either simply through BLI non-dwelling equipment or possibly as a management improvement). Includes items such as:
  - Security cameras, security lights, and surveillance equipment
  - Redesign of entrance, common areas for defensible space
  - Fencing and other perimeter security
  - Conversion of dwelling space for use by project security
  - Stabilization of buildings through consolidation of occupied units and securing vacant units/floors



# Management Improvements

36

- Management Improvements – noncapital activities that are project specific or a public housing-wide improvement that are needed to:
  - Upgrade or improve the operation or management of the program
  - Promote energy conservation
  - Sustain physical improvements
  - Correct management deficiencies identified by audit, HUD or the PHA
    - ◆ PHA must be able to demonstrate, upon request by HUD, the linkage between the management improvement and the correction of an identified management deficiency
- Eligible Activity, include items such as:
  - Staff training in operations and procedures, including waitlist management, leasing, etc.
  - Improvement to the PHA's management, financial and accounting control systems
  - Technical assistance to a resident management corporation (RMC)
  - Costs associated with the formation of an RMC
  - Development and implementation of improved applicant screening



# Management Improvements, continued

37

- Ineligible Activity, include items such as:
  - Security Services
  - VAWA – Violence Against Women Act
  - Limited English Proficiency
- Should be included in Operating Budget
- Limitation on Use:

| Grant Year | Maximum Allowed |
|------------|-----------------|
| 2014       | 18% of Grant    |
| 2015       | 16% of Grant    |
| 2016       | 14% of Grant    |
| 2017       | 12% of Grant    |
| 2018       | 10% of Grant    |



# Other Specific Eligible Cost Items

38

- **Vacancy Reduction** - Physical improvements to reduce the number of vacant public housing units
  - Excludes costs for routine vacant unit turnaround
  - Must remedy a defined vacancy problem as detailed in a vacancy reduction program plan in the PHAs' 5-Year Action Plan
- **Emergencies** – Capital Fund related activities identified as emergency work are:
  - Work items that do not need to be in the PHAs' 5-Year Action Plan
  - PHA should perform the work and amend the Annual Statement to note that the work constitutes emergency work for which no HUD pre-approval is required
- **Premature Replacement Costs** – Must use public housing facilities and related equipment for the entire useful life
  - Premature replacement is limited to circumstances where a cost analysis shows it is cost effective



# Transfer Capital Funds to Operations (BLI 1406)

39

| PHA Category                         | BLI 1406 Cost Limit    |
|--------------------------------------|------------------------|
| Large PHA (250+ units)               | 25% of CFP Grant       |
| Small Non-troubled PHA (1-249 units) | 100% of CFP Grant *    |
| Small Troubled PHA (1-249 units)     | 20% / 25% of CFP Grant |

- **All PHAs:**

- Once CFP amounts are transferred to “operations”, these funds lose their distinction as CFP funds and may be used for any eligible “Operating Fund” activity of the project (follow the requirements of 24 CFR Part 990 – the Operating Fund Rule)
- CFP used for Operations must be included in the CFP 5-Year Action Plan

\* If no significant capital needs



# Capital Fund FDS Reporting –

## 1. Transfers to the Operating Fund

40

- Transfers to the Operating Fund (BLI 1406)

- The PHA would reflect amounts associated with BLI 1406 on the FDS as follows:
  - ◆ The project's Capital Fund income statement would report grant revenue in FDS line 70600 (HUD PHA Operating Grants) and would also report the same amount in FDS line 10020 (Operating Transfer Out).
  - ◆ The project's Low Rent income statement would report the same amount on FDS line 10010 (Operating Transfer In) with a corresponding increase in the project's cash balance reported on line 111 (Cash unrestricted).



# Capital Fund FDS Reporting –

## 1. Transfers to the Operating Fund

41

- Reporting of Capital Project Funds for Operations

| Project - Income Statement |                          |               |           |              |
|----------------------------|--------------------------|---------------|-----------|--------------|
| FDS Line Item              |                          | Project Total | Low Rent  | Capital Fund |
| 70600                      | HUD PHA Operating Grants | \$200,000     |           | \$200,000    |
| 70610                      | Capital Grants           |               |           |              |
| 10010                      | Operating Transfer In    | \$200,000     | \$200,000 |              |
| 10020                      | Operating Transfer Out   | (\$200,000)   |           | (\$200,000)  |

| Project - Balance Sheet |                     |               |
|-------------------------|---------------------|---------------|
| FDS Line item           |                     | Project Total |
| 111                     | Cash - Unrestricted | \$200,000     |





# Transfer Capital Funds to Operations: Small PHAs

42

- **Capital Funds to Operations** – PHAs with less than 250 public housing units that are not troubled can transfer up to 100% of their CFP to operations (full flexibility) if the PHA does not have debt service payments, significant capital needs or emergency needs
  - PHA must have written determinations and provide records upon request that there are no debt service payments, significant capital needs, or emergency needs that must be met
  - Determination of significant capital needs:
    - ◆ Field Office Review
    - ◆ Physical Assessment Sub-system Score
    - ◆ PHA assessment of capital needs (i.e., capital needs assessment report)
  - Small PHAs ineligible to exercise full flexibility are subject to a 20% limitation on transfers of Capital Funds to operations

Source: PIH Notice 2016-18 (HA)



- A PHA may use Operating funds for non-expendable capital expenditures to support operations of the program. For example, a PHA may use Operating funds to purchase a:
  - Snow blower
  - Maintenance truck
  - Computers
  - Office furniture



# Funding Maintenance Activities

44

## Eligible Operating Fund Activity

- Routine Maintenance
- Preventive Maintenance
- Routine Vacant Unit Turnaround
- Non-routine Maintenance (with limitation)
- Extraordinary Maintenance (with limitation)

## Eligible CFP Activity

- Non-routine Maintenance, includes deferred maintenance
- Extraordinary Maintenance (with limitation)
- Vacancy Reduction (Plan)

## Limitations on Non-Routine/ Extraordinary Maintenance:

- Non-routine /Extraordinary maintenance is an allowable use of operating funds as long as the work does not go beyond simple repair, upgrade and / or replacement of equipment
- The work item is essentially maintenance of an unusual nature

- Non-Routine Maintenance is a Capital Fund eligible activity and is specifically defined in the Capital Fund rule at 24 CFR 968.105, as:
  - “Work items that,
    - ordinarily would be performed on a regular basis in the normal course of upkeep of the property,
    - **but have become substantial in scope because they have been put off**, and
    - involve expenditures that would otherwise materially distort the level trend of maintenance expenses”
    - Examples – Replacement of obsolete utility systems and dwelling equipment



# Capital Fund FDS Reporting: Beginning Equity

45

- Capital Fund Program Equity

- Report beginning equity – Should be PY hard costs not transferred to LIPH – FDS Line 11030
- Transfer of assets using the equity transfer FDS line 11040

| Project - Income Statement |                                                                   |               |           |              |
|----------------------------|-------------------------------------------------------------------|---------------|-----------|--------------|
| FDS Line Item              |                                                                   | Project Total | Low Rent  | Capital Fund |
| 11030                      | Beginning Equity                                                  | \$850,000     | \$700,000 | \$150,000    |
| 11040                      | Prior Period Adjustments, Equity Transfers & Correction of Errors | \$0           | \$100,000 | (\$100,000)  |



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**Poll: 8.4 - Non-routine maintenance is an allowed capital fund item?**

# Capital Fund FDS Reporting – Management Improvements

47

- Management Improvements (BLI 1408)

- The PHA would reflect amounts associated with BLI 1408 if used for soft costs on the FDS as follows:
  - ◆ The project's Capital Fund income statement would report grant revenue in FDS line 70600 (HUD PHA Operating Grants) and would report the same amount in FDS line 10020 (Operating Transfer Out).
  - ◆ The project's Low Rent income statement would report the same amount on FDS line (Operating Transfer In) with a corresponding expense. The FDS expense line(s) used to show the expense is dependent upon the nature of the expense.



# Capital Fund FDS Reporting – Management Improvements

48

- Management Improvements (BLI 1408)
  - Once transferred to Low Rent, the “expenses” are not differentiated from other expenses funded through the Operating Fund.
  - If capitalized, report the expense like any other hard cost transaction.
  - Management improvements are limited to 10% of the grant award.



# Reporting Other Capital Fund Activities – Force Account Labor

49

- Force Account Labor

- Labor performed directly by the PHA for CFP work items

- ◆ Force account labor used to support capital works if capitalized and treated as hard costs
    - ◆ Force account labor not capitalized is treated as soft cost and recorded using transfer out to the Operating Fund





# Reporting Other Capital Fund Activities – Modernization Coordinators

50

- Modernization Coordinators

- Position is funded through the Capital Fund Management Fee
- Reported on the income statement of the COCC
- Non-asset management PHAs would report this expense as a soft cost in the Capital Fund income statement.



- Modernization Inspectors and Construction Supervisors
  - Charged to each project for actual supervision / inspection work
  - Typically, the documented cost associated with the inspector or construction supervisor is capitalized to a work in progress account.



# Reporting Other Capital Fund Activities – Replacement Housing Funds

52

- Replacement Housing Funds (RHF)
  - Reported similar to any other Capital Fund Transaction
  - Must also report in FDS line 13901 (Replacement Housing Factor Funds)





# Capital Fund Financing Program (CFFP) Reporting

- CFFP allows a PHA to borrow private capital to make improvements.
- PHA pledges a portion of its future CFP funds to make debt service payment.
- The CFFP is not affected programmatically by changes introduced in the Operating Fund Final Rule.
- Project level reporting is required.



# CFFP Reporting: CFFP Transactions

55

- Bond / loan proceeds and related debt liability will be recorded at the respective projects
- The increase in fixed assets due to modernization/construction work will be recorded on the respective project's balance sheet
- Grant Revenue associated with principal and interest payments will be recorded at the projects
  - Interest expenses should be booked under the Capital Fund column. The corresponding grant revenue for this transaction is considered a “soft cost”
  - CFP revenue for debt principal payment should be booked as a “hard cost”



- The project's balance sheet will be adjusted annually to reflect the reduction in outstanding principal and to reclassify a portion of non-current liability to current liability.



# CFFP Reporting: CFFP Transactions, cont'd.

57

- Reporting CFP funds for a debt service payment on the new FDS:

| Project - Income Statement |                                         |               |          |              |
|----------------------------|-----------------------------------------|---------------|----------|--------------|
| FDS Line Item              |                                         | Project Total | Low Rent | Capital Fund |
| 70600                      | HUD PHA Operating Grants                | \$20,000      |          | \$20,000     |
| 70610                      | Capital Grants                          | \$70,000      |          | \$70,000     |
| 96710                      | Interest of Mortgage (or Bonds) Payable | \$20,000      |          | \$20,000     |
|                            |                                         |               |          |              |
| 11020                      | Required Annual Debt Principal Payments | \$70,000      |          | \$70,000     |
| 13510                      | CFFP Debt Service Payments              | \$90,000      |          | \$90,000     |





# Conclusion

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- Thoughts?
- Questions?
- Comments?







**FASS - PH**  
Spring/Summer 2022

## **Session 9 - Asset Management and COCC**

*Spring/Summer 2022*

- This session will:
  - Provide an overview of the COCC
  - Describe COCC fees and corresponding expenses to the projects and other programs
  - Describe the difference between front-line expenses, fee expenses, and allocated overhead expenses;
  - Describe reasonableness of fee expenses and allocated overhead;
  - Describe when elimination entries are appropriate and how to record the entry
  - Clarify accounting for fixed assets and legacy costs (informational only)



# Asset Management Background

3

3

- The Public Housing Operating Cost Study was prepared by the Harvard University Graduate School of Design and released on June 6, 2003
- Based on recommendations made in the report, HUD issued the revisions to the Public Housing Operating Fund Program: Final Rule on September 19, 2000
- Based on the Final Rule, HUD issued a handbook, *Changes in Financial Management and Reporting for Public Housing Agencies Under the New Operating Fund Rule (24 CFR part 990) Supplement to HUD Handbook 7475.1 REV., CHG-1, Financial Management Handbook (April 2007)*



# Public Housing Operating Cost Study

## ● Recommendations

- Require PHAs to report their operating costs on a property basis, including their overhead costs (management fees)
- Limit or cap the overhead or management fees that PHAs can charge
- Limit or cap what, in conventional housing, would be termed identity-of-interest contracting but in HUD would include either central maintenance or force-account labor
- Change the concept of the Annual Plan to a property-based budgeting and planning process
- Convert to a development-based subsidy system that allows for debt-financing of modernization needs



# Operating Fund Final Rule

- Subpart H—Asset Management § 990.255 Overview

- (a) PHAs shall manage their properties according to an asset management model, consistent with the management norms in the broader multi-family management industry. PHAs shall also implement project-based management, project-based budgeting, and project-based accounting, which are essential components of asset management. The goals of asset management are to:
  - ◆ (1) Improve the operational efficiency and effectiveness of managing public housing assets;
  - ◆ (2) Better preserve and protect each asset;
  - ◆ (3) Provide appropriate mechanisms for monitoring performance at the property level; and
  - ◆ (4) Facilitate future investment and reinvestment in public housing by public and private sector entities



# Project-based Budgeting and Accounting

- § 990.280 Project-based budgeting and accounting
  - (b)(4) Project-specific operating expenses shall include, but are not limited to, direct administrative costs, utilities costs, maintenance costs, tenant services, protective services, general expenses, non-routine or capital expenses, and other PHA or HUD-identified costs which are project-specific for management purposes. Project-specific operating costs also shall include a property management fee charged to each project that is used to fund operations of the central office. Amounts that can be charged to each project for the property management fee must be reasonable





# Asset Management Applicability

- § 990.260 Applicability
  - (a) PHAs that own and operate 250 or more dwelling rental units under title I of the 1937 Act, including units managed by a third-party entity (for example, a resident management corporation) but excluding section 8 units, are required to operate using an asset management model consistent with this subpart
  - (b) PHAs that own and operate fewer than 250 dwelling rental units may treat their entire portfolio as a single project. However, if a PHA selects this option, it will not receive the add-on for the asset management fee described in § 990.190(f)



# Operating Fund Final Rule vs. Appropriations

- 2008 Consolidated Appropriations Act contains two asset management provisions
  - Section 225 further distinguished based on PHA size whether PHAs were subject to asset management
  - Section 226 re-affirmed that PHAs could use Capital Funds to fund costs typically associated with central office operations
- Language has been carried forward in HUD Appropriations Bills and Conference Reports, since the original 2008 language was issued

## *2021 Appropriations Language*

8 SEC. 213. Public housing agencies that own and oper-  
9 ate 400 or fewer public housing units may elect to be ex-  
10 empt from any asset management requirement imposed by  
11 the Secretary in connection with the operating fund rule:  
12 *Provided*, That an agency seeking a discontinuance of a  
13 reduction of subsidy under the operating fund formula  
14 shall not be exempt from asset management requirements.



# Asset Management Models (for Large PHAs)

- Central Office Cost Center (COCC) Model
  - Operating Fund Rule
  - Appropriations Language (change in units)
- Allocated Overhead Model
  - Operating Fund Rule
  - Appropriations Language (use of CFP grant for COCC type costs)
    - ◆ ...the Secretary shall not impose any requirement or guideline relating to asset management that restricts or limits in any way the use of capital funds for central office costs pursuant to section 9(g)(1) or 9(g)(2) of the United States Housing Act of 1937...
    - ◆ Section 9(g) of the Housing Act of 1937 permits PHAs to spend 20 percent of the Capital Fund Program grant to operate public housing (100 percent for PHAs with fewer than 250 units)



# Central Office Cost Center (COCC) Overview

- The COCC is an accounting / business unit within a PHA that contains those cost activities that are considered non-frontline activities of the public housing projects and/or other programs that the PHA administers
  - The COCC is a business unit within a PHA that generates fee income from the management of public housing, HCV, and other programs
  - Expenses accounted for in the COCC are recovered through charging reasonable fees
  - Fee income earned by the COCC is considered de-federalized income
  - Unrecovered COCC expenses (fee expenses) must be absorbed by the COCC's equity balance

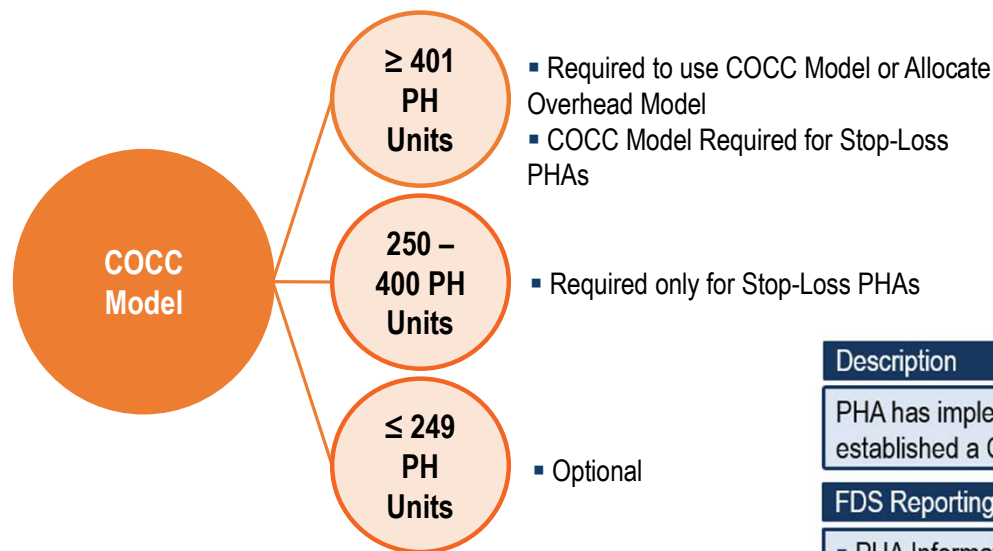


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**Poll: 9.1 - What Section allowed COCC usage of Capital Funds?**

# Model 1 – PHAs under Asset Management w/ COCC



| FDS Reporting Types                     |
|-----------------------------------------|
| 1. Non-Asset Mgmt with Elimination Only |
| 2. Non-Asset Mgmt with COCC/Elimination |
| 3. Non-Asset Management                 |
| 4. Asset Mgmt without COCC/Elimination  |
| 5. Asset Mgmt with Elimination          |
| 6. Asset Mgmt with COCC/Elimination     |

## Description

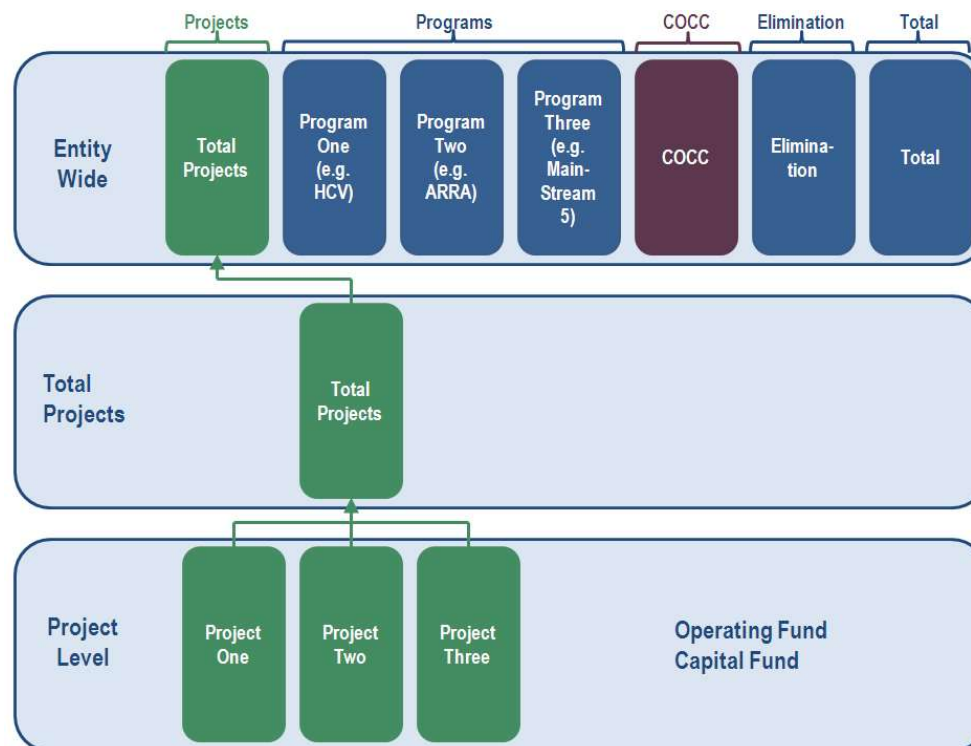
PHA has implemented asset management, use fee-for-service approach, has established a COCC, and uses the elimination column

## FDS Reporting Requirements

- PHA Information Screen – Asset Management with COCC Elimination
- Should have entries for COCC and Elimination columns
- Do not report on FDS Line "Allocated Overhead" (Line 91810)
- Must have established projects as required under asset management (i.e., multiple projects)



# FDS Template – COCC Model



# 1. Front-line expenses: Direct

## Direct Program/Project Expense

Expenses that are clearly identified with the program or project

**Examples:** Project manager ; utility bills; PILOT payments

Reported as expenses to the project in which they were incurred

### Example – Direct Costs

| FDS Line                      | Proj #1         | Proj #2          | Proj#3          | Total            |
|-------------------------------|-----------------|------------------|-----------------|------------------|
| 91100 Administrative Salaries | \$50,000        | \$60,000         | \$30,000        | \$140,000        |
| 93000 Total Utilities         | \$30,000        | \$40,000         | \$20,000        | \$90,000         |
| <b>Total</b>                  | <b>\$80,000</b> | <b>\$100,000</b> | <b>\$50,000</b> | <b>\$230,000</b> |





# COCC Model - FDS Example

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Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

|                                 | Project Total | 14.896 PIH<br>Family Self-<br>Sufficiency<br>Program | 1 Business<br>Activities | 6.1<br>Component<br>Unit -<br>Discretely | 14.871<br>Housing<br>Choice<br>Vouchers | 6.2<br>Component<br>Unit - Blended | 14.181<br>Supportive<br>Housing for<br>Persons with | COCC      | Subtotal    | ELIM       | Total       |
|---------------------------------|---------------|------------------------------------------------------|--------------------------|------------------------------------------|-----------------------------------------|------------------------------------|-----------------------------------------------------|-----------|-------------|------------|-------------|
| 70300 Net Tenant Rental Revenue | \$1,605,654   | \$0                                                  | \$124,345                | \$496,195                                |                                         |                                    | \$71,157                                            |           | \$2,297,351 |            | \$2,297,351 |
| 70400 Tenant Revenue - Other    | \$313,975     | \$0                                                  | \$0                      | \$0                                      |                                         |                                    |                                                     |           | \$313,975   |            | \$313,975   |
| 70500 Total Tenant Revenue      | \$1,919,629   | \$0                                                  | \$124,345                | \$496,195                                | \$0                                     | \$0                                | \$71,157                                            | \$0       | \$2,611,326 | \$0        | \$2,611,326 |
| 70600 HUD PHA Operating Grants  | \$3,526,110   | \$59,500                                             | \$0                      | \$0                                      | \$3,641,825                             |                                    | \$98,329                                            |           | \$7,325,764 |            | \$7,325,764 |
| 70610 Capital Grants            | \$604,622     | \$0                                                  | \$0                      | \$0                                      |                                         |                                    |                                                     |           | \$604,622   |            | \$604,622   |
| 70710 Management Fee            |               |                                                      |                          |                                          |                                         |                                    |                                                     | \$716,734 | \$716,734   | -\$716,734 | \$0         |
| 70720 Asset Management Fee      |               |                                                      |                          |                                          |                                         |                                    |                                                     | \$77,880  | \$77,880    | -\$77,880  | \$0         |
| 70730 Book Keeping Fee          |               |                                                      |                          |                                          |                                         |                                    |                                                     | \$102,040 | \$102,040   | -\$102,040 | \$0         |
| 70740 Front Line Service Fee    |               |                                                      |                          |                                          |                                         |                                    |                                                     |           |             |            |             |
| 70750 Other Fees                |               |                                                      | \$0                      |                                          |                                         |                                    |                                                     |           | \$0         |            | \$0         |
| 70700 Total Fee Revenue         |               |                                                      |                          |                                          |                                         |                                    |                                                     | \$896,654 | \$896,654   | -\$896,654 | \$0         |

## Project Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

|                                 | 109       | 003       | 002         | 001       | OTHER PROJ | Total       |
|---------------------------------|-----------|-----------|-------------|-----------|------------|-------------|
| 70300 Net Tenant Rental Revenue | \$0       | \$585,894 | \$624,956   | \$394,804 |            | \$1,605,654 |
| 70400 Tenant Revenue - Other    | \$0       | \$87,022  | \$147,387   | \$79,566  |            | \$313,975   |
| 70500 Total Tenant Revenue      | \$0       | \$672,916 | \$772,343   | \$474,370 | \$0        | \$1,919,629 |
| 70600 HUD PHA Operating Grants  | \$186,128 | \$977,320 | \$1,570,697 | \$791,965 |            | \$3,526,110 |
| 70610 Capital Grants            | \$0       | \$323,326 | \$185,018   | \$96,278  |            | \$604,622   |



# Allocated Overhead Overview

- PHA maintains a cost allocation system
  - PHA will not report a COCC on their FDS
  - PHA will not charge / collect other fees allowed under asset management, such as PH or HCV management fees, bookkeeping fees, etc.
  - No concept of defederalization of funds
  - PHA will account for all COCC fee expenses in a costs pool and then allocate those costs to their projects and programs



# Overhead/Indirect Costs

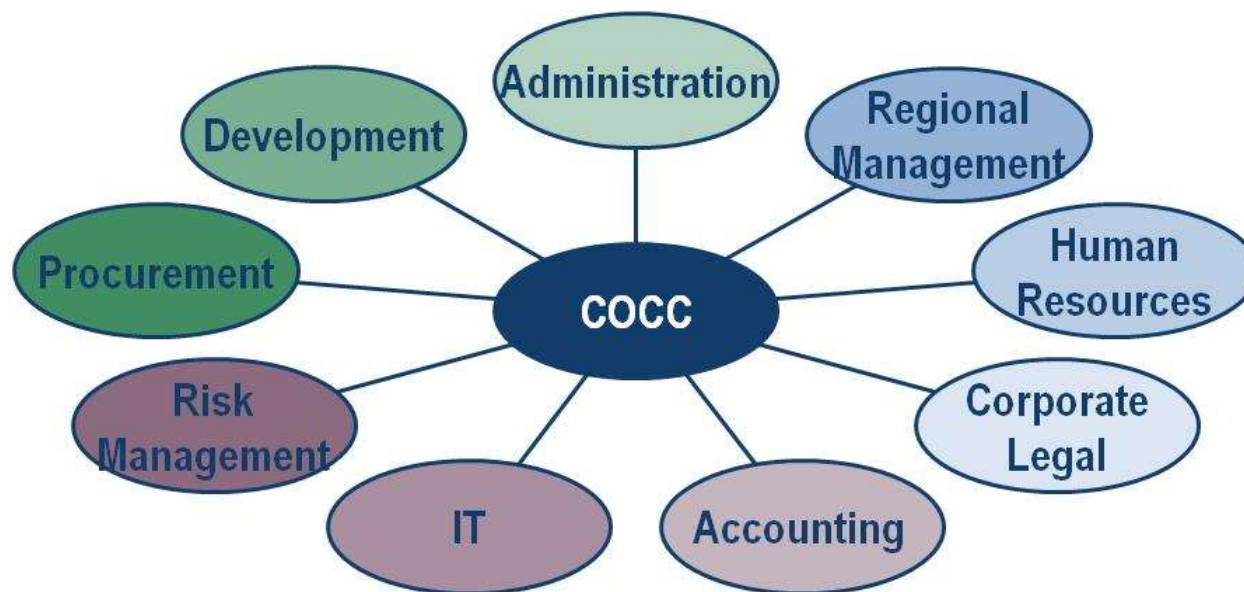
- In the case of allocating overhead costs, the method of distribution will be outlined in an indirect cost allocation plan.
  - The plan will define the elements of indirect costs and the cost driver(s) that will be used to share the overhead costs with all programs and projects of the PHA



# Step 1 – Classification of Costs

18

- Fee expenses are related to the following activities



# Separation of Front-Line Expense vs. Allocated Overhead Expense

19

- How PHAs meet this requirement will be dependent on the reporting model.
  - Under Model 1, the PHA will have a COCC and will be charging reasonable fees to recover overhead expenses. Overhead costs will be shown as fee expense at the program and project level.
  - Under Model 2, the PHA will not have a COCC but will be using cost allocation. Overhead will be reported in Allocated Overhead (FDS Line 91810) at the program and project level.
  - Under Model 3 (Non-asset Management) or Model 4 (Alternative Asset Management), PHAs are not required to separate direct and indirect costs.



# Separation of Front-Line Expense vs. Allocated Overhead Expense, cont'd.

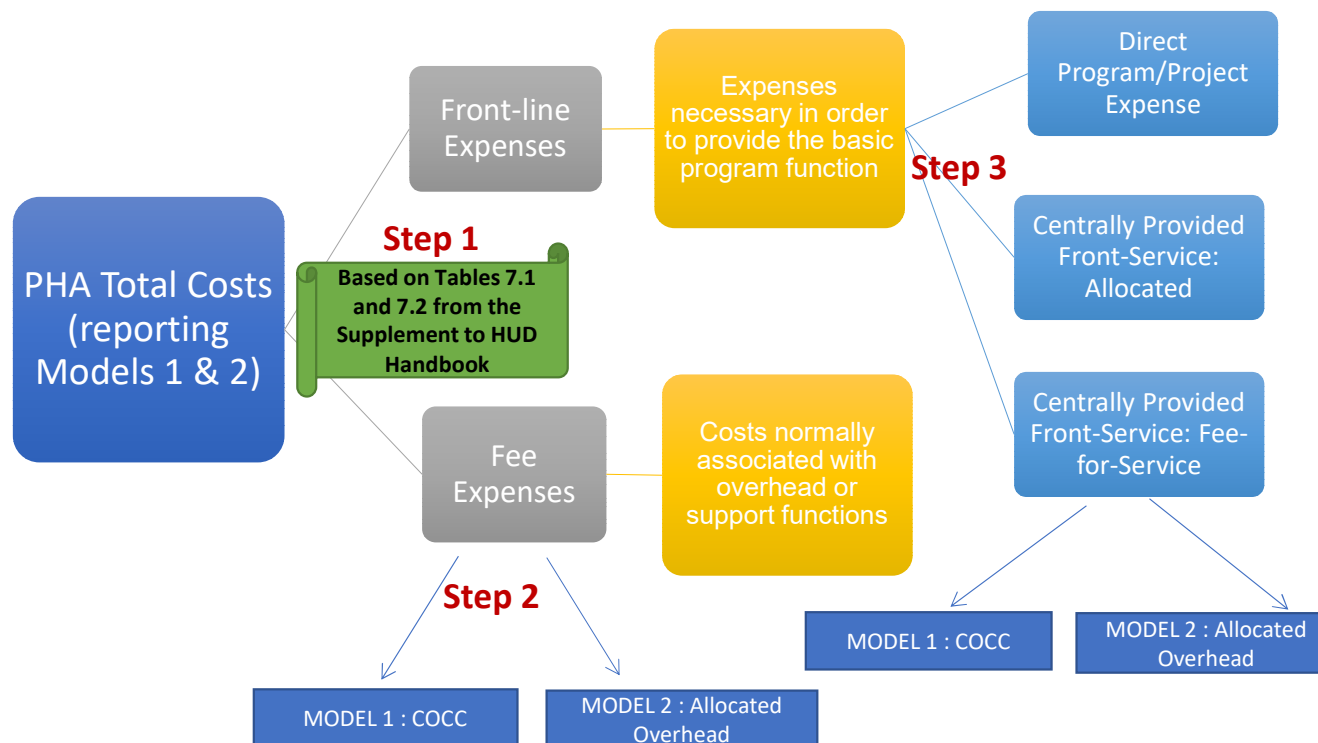
20

- Historically, most PHAs have not separated direct vs. indirect costs in their accounting system.
- Under asset management, depending on the reporting model the PHA is using, these costs will be separated.
  - PHAs using either Model 3 (Non-Asset Management) or Model 4 (Alternate Asset Management) are not required to separate direct vs. indirect costs.
  - PHAs using reporting Model 1 (COCC) or 2 (Allocated Overhead) are required to separate front-line expenses from allocated overhead expenses.



# Step -1 Classification of Costs Overview

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# Step 1 – Classification of Costs

- Capital Fund: Fee vs. Front-line expense classification

| Fee Expenses                                                                                                                                                                                                                                                                                                                                                                                                                                      | Front-line Expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>▪ General capital planning</li> <li>▪ Preparation of the Annual Plan and other reports</li> <li>▪ Processing of e-LOCCS</li> <li>▪ Drawing of funding, budgeting, and accounting</li> <li>▪ Procurement of construction and other miscellaneous contracts</li> <li>▪ Architectural, engineering and other like costs that are not directly related to a project or substantiated by time sheets</li> </ul> | <ul style="list-style-type: none"> <li>▪ Architectural and engineering fees related directly to a specific construction project</li> <li>▪ Project equipment purchases</li> <li>▪ Force account activities directly related to a specific construction project</li> <li>▪ Physical Needs Assessment</li> <li>▪ Construction supervisory and inspection costs incurred during construction are considered front-line costs of the project. These expenses consist of documented costs incurred during the construction phase of the project. Only actual, documented costs pertaining to construction supervision activities, can be charged directly to the project</li> </ul> |





# Step 2 - Fee Expenses – Model 1

**Model 1 (COCC):** Fee (Overhead) Expenses reported as an expense of the COCC. These costs are recoverable through Management Fee (*FDS Line 91300*), Bookkeeping Fee (*FDS Line 91310*) and Asset Management Fees (*FDS Line 92000*)

## COCC Example

| FDS Line                   | Project 1 | Project 2 | Project 3 | COCC      | Elim      | Total |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-------|
| 70710 Management Fee       |           |           |           | \$18,000  | -\$18,000 | \$0   |
| 70720 Asset Management Fee |           |           |           | \$16,500  | -\$5,500  | \$0   |
| 70730 Bookkeeping Fee      |           |           |           | \$5,500   | -\$16,500 | \$0   |
|                            |           |           |           |           |           |       |
| 91300 Management Fee       | \$10,000  | \$8,000   | \$18,000  |           | -\$18,000 | \$0   |
| 91310 Bookkeeping Fee      | \$3,000   | \$2,500   | \$5,500   |           | -\$5,500  | \$0   |
| 92000 Asset Management Fee | \$9,000   | \$7,500   | \$16,500  |           | -\$16,500 | \$0   |
| All Other Expenses         |           |           |           | \$465,000 |           |       |



## Step 3 - Front-line Expenses

- For those expenses that have been classified as Front-line expenses, the PHA must further classify these costs into one of three categories:
  1. Direct Program / Project Expense;
  2. Centrally Provided Front-line Service: Allocated; or
  3. Prorated Front-line Administrative Costs
  4. Centrally Provided Front-line Service: Fee-for-Service



## 2. Centrally Provided Front-line Expenses: Allocated

25

### Centrally Provided Front-line Service: Allocated

Expenses that have been classified by HUD as front-line expense but may be provided centrally

**Expenses associated with Discrete Functions:** Protective services; Resident Services; Intake Activity; Rent Collection; Work Order Processing

Pooled, allocated to the projects/programs and reported in the same line items as direct expenses

#### Example – Work Order Clerk

| FDS Line | FDS Description         | Proj #1 | Proj #2 | Proj #3  | Total    |
|----------|-------------------------|---------|---------|----------|----------|
| 91100    | Administrative Salaries | \$6,500 | \$7,020 | \$12,480 | \$26,000 |
| 91500    | Employee Benefit Admin  | \$1,700 | \$1,836 | \$3,264  | \$6,800  |
| 91600    | Office Expenses         | \$188   | \$202   | \$360    | \$750    |
|          |                         |         |         |          |          |
|          | Total                   | \$8,388 | \$9,058 | \$16,104 | \$33,550 |



### 3. Prorated Front-line Administrative Cost (Allocated) Example

26

- PHA maintains a centralized work order system for three individual projects. The cost of providing this service centrally is as follows:

| Expense Type            | Cost     |
|-------------------------|----------|
| Work Order Clerk Salary | \$26,000 |
| Employee Benefits       | \$6,800  |
| Office Expense          | \$750    |
|                         |          |
| Total Expense           | \$33,550 |



### 3. Prorated Front-line Administrative Cost (Allocated) Example - cont'd.

27

- PHA uses the number of tenant generated work orders as the allocation basis to distribute costs between the projects.

| Project # | Work Orders | Percent |
|-----------|-------------|---------|
| 1         | 1,345       | 25%     |
| 2         | 1,489       | 27%     |
| 3         | 2,569       | 48%     |
|           |             |         |
| Total     | 5,403       | 100%    |



### 3. Prorated Front-line Administrative Cost (Allocated) Example - cont'd.

28

- Actual costs for providing the allowed centralized service will be charged to the corresponding FDS line item in the Operating Fund column of the projects

| FDS Line | FDS Description         | Cost     | Proj #1 | Proj #2 | Proj #3  |
|----------|-------------------------|----------|---------|---------|----------|
| 91100    | Administrative Salaries | \$26,000 | \$6,500 | \$7,020 | \$12,480 |
| 91500    | Employee Benefit Admin  | \$6,800  | \$1,700 | \$1,836 | \$3,264  |
| 91600    | Office Expenses         | \$750    | \$188   | \$202   | \$360    |
|          |                         |          |         |         |          |
|          | Total                   | \$33,550 | \$8,388 | \$9,058 | \$16,104 |



# 4. Centrally Provided Front-line Expenses: Fee-for-Service

29

## Centrally Provided Front-line Service: Fee-for-Service

Expenses that have been classified by HUD as front-line expenses but are provided centrally and are not on HUD's list of discrete functions that can be allocated

Can be reported in

**Examples:** Maintenance, Legal (evictions), Inspections, IT

COCC column

FDS line 91810  
Allocated Overhead



## 4. Centrally Provided Front-line Expenses: Fee-for-service (COCC)

30

- COCC costs include all direct labor, down-time, supervision, supplies, other overhead, and equipment purchases.
- The expenses will be recovered by the COCC through Front-line service revenue.
- The project or program will report an expense equal to the amount charged by the COCC.
- The expenses reported by the project or program and the front-line service fee will be eliminated in the elimination column.





## 4. Centrally Provided Front-line Expenses: Fee-for-service (COCC) - cont'd.

31

### COCC Example – Centrally Provided Plumbing

| FDS Line                                                           | Proj #1  | Proj # 2 | Proj #3  | COCC     | Elim      | Total    |
|--------------------------------------------------------------------|----------|----------|----------|----------|-----------|----------|
| 70740 Front-line Service Fee                                       |          |          |          | \$46,000 | -\$46,000 | \$0      |
| 94100 Ordinary Maintenance and Operations - labor                  |          |          |          | \$30,000 | \$0       | \$30,000 |
| 94200 Ordinary Maintenance and Operations - materials and other    |          |          |          | \$10,000 | \$0       | \$10,000 |
| 94300-030 Ordinary Maintenance and Operations - Plumbing Contracts | \$13,000 | \$23,000 | \$10,000 |          | -\$46,000 | \$0      |
| 94500 Employee benefit contribution – ordinary maintenance         |          |          |          | \$10,000 | -\$0      | \$10,000 |
| 94000 Total Maintenance                                            | \$13,000 | \$23,000 | \$10,000 | \$50,000 | -\$46,000 | \$50,000 |



## 4. Centrally Provided Front-line Expenses: Fee-for Service (Allocated Overhead)

32

- The actual costs for the activity will be reported as a project/program expense with which the cost is associated.
- Expenses beyond these amounts are to be reported in the allocated overhead line:
  - Actual cost is defined as actual time incurred completing the work at that employee's hourly rate plus any material and equipment used to complete the task.
  - The hourly rate is based on that employee's actual salary, fringe benefit load, and non-chargeable time associated with the PHA's leave policy.
  - The project or program will report these expenses as salary and benefits just like these are direct expenses.



## 4. Centrally Provided Front-line Expenses: Fee-for Service (Allocated Overhead) - cont'd.

### Allocated Overhead Example – Centrally Provided Plumbing

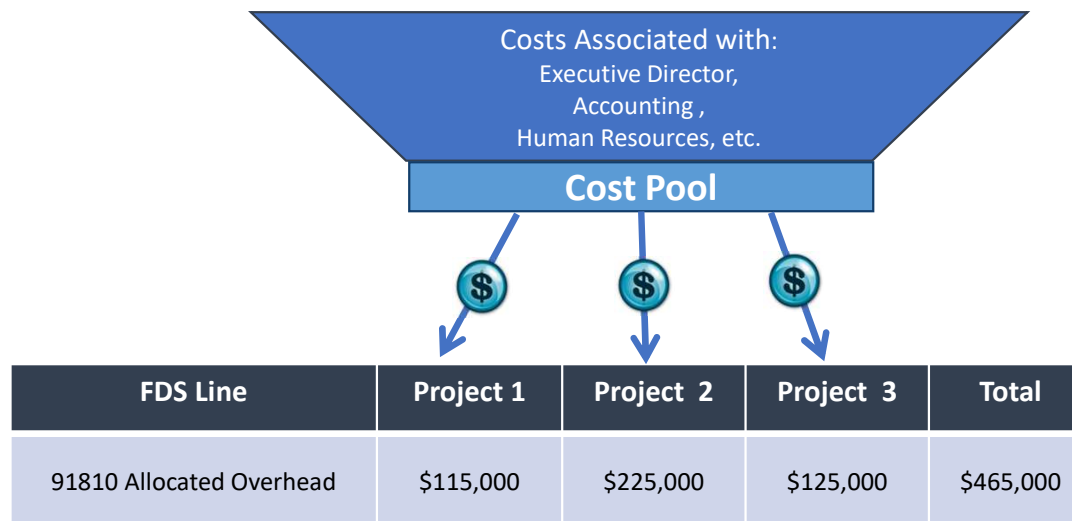
| FDS Line                                                          | Proj #1  | Proj # 2 | Proj #3  | Total    |
|-------------------------------------------------------------------|----------|----------|----------|----------|
| 91810 Allocated Overhead                                          | \$1,000  | \$2,000  | \$1,000  | \$4,000  |
| 94100 Ordinary Maintenance and Operations - labor                 | \$8,000  | \$11,000 | \$8,000  | \$27,000 |
| 94200 - Ordinary Maintenance and Operations - materials and other | \$2,750  | \$3,500  | \$2,750  | \$9,000  |
| 94500 Employee benefit contribution – ordinary maintenance        | \$2,000  | \$5,000  | \$3,000  | \$10,000 |
| 94000 Total Maintenance                                           | \$12,750 | \$19,500 | \$13,750 | \$46,000 |
| Total Expense                                                     | \$13,750 | \$21,500 | \$14,750 | \$50,000 |



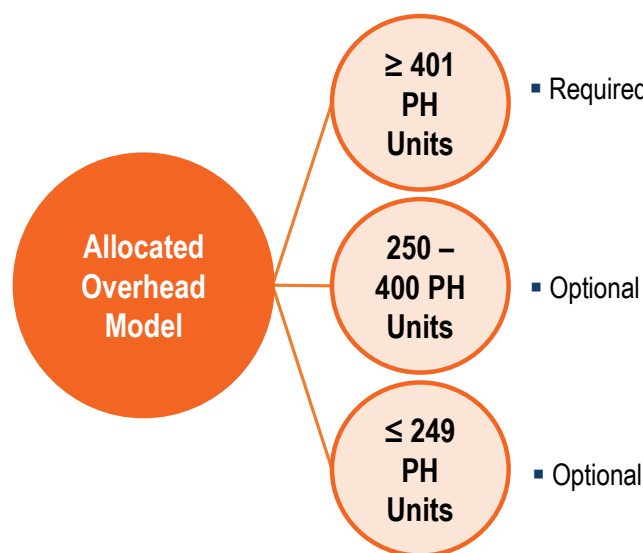
# Step 2 - Fee Expenses – Model 2

34

**Model 2 (Allocated Overhead):** Costs need to be aggregated into expense cost pool, which will then be allocated to the projects and other programs based on some reasonable allocation method, using FDS line 91810 (Allocated Overhead)



# Model 2 – PHAs under Asset Management with Allocated Overhead

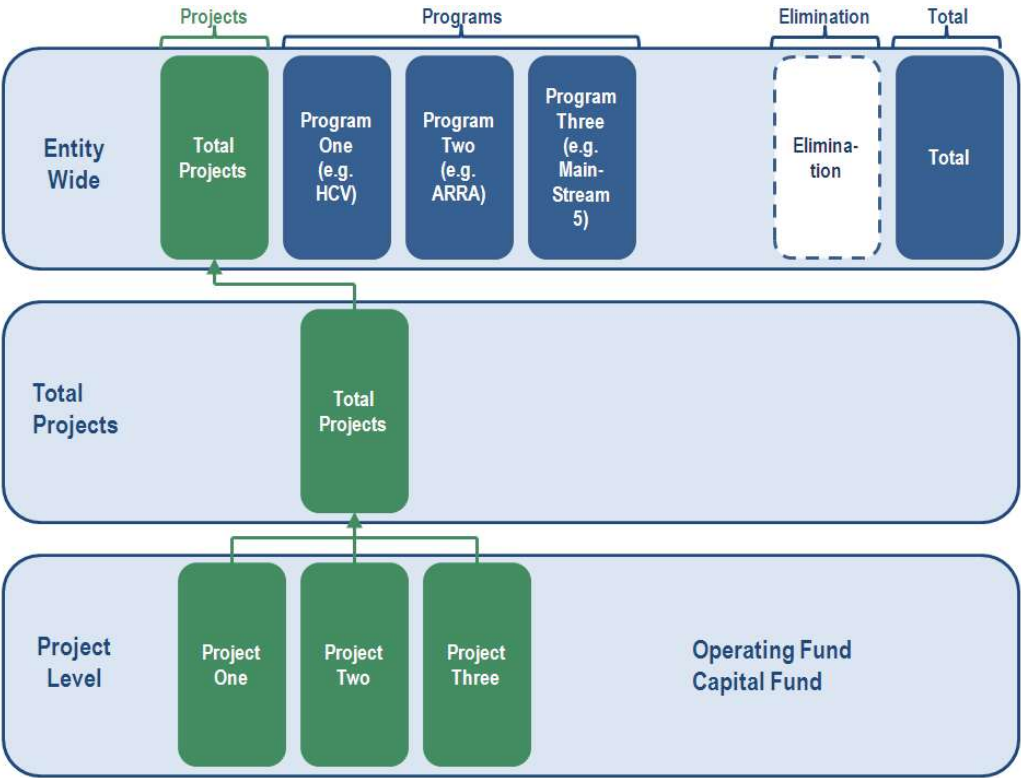


| FDS Reporting Types                     |
|-----------------------------------------|
| 1. Non-Asset Mgmt with Elimination Only |
| 2. Non-Asset Mgmt with COCC/Elimination |
| 3. Non-Asset Management                 |
| 4. Asset Mgmt without COCC/Elimination  |
| 5. Asset Mgmt with Elimination          |
| 6. Asset Mgmt with COCC/Elimination     |

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PHAs under Asset Management with Allocated Overhead and no COCC                                                                                                                                                                                                                                                                                                                                                                                                                    |
| FDS Reporting Requirements                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <ul style="list-style-type: none"> <li>PHA Information Screen – Asset Management without COCC/Elimination OR Asset Management with Elimination</li> <li>Should not have entries for COCC column</li> <li>Should only have intra-entity transactions for Asset Management with Elimination</li> <li>Should report overhead allocations on FDS Line “Allocated Overhead” (Line 91810)</li> <li>Must have established projects as required under asset management guidance</li> </ul> |



# FDS Template – Allocated Overhead Model



# Allocated Overhead Model - FDS Example

Submission Type: Audited/Single Audit      Fiscal Year End: 06/30/2020

|                                                       | Project Total | 6.2 Component Unit - Blended | 1 Business Activities | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | 14.PHC Public Housing CARES Act Funding | Subtotal     | ELIM | Total        |
|-------------------------------------------------------|---------------|------------------------------|-----------------------|--------------------------------|------------------------------|-----------------------------------------|--------------|------|--------------|
| 70710 Management Fee                                  |               |                              |                       |                                |                              |                                         |              |      |              |
| 70720 Asset Management Fee                            |               |                              |                       |                                |                              |                                         |              |      |              |
| 70730 Book Keeping Fee                                |               |                              |                       |                                |                              |                                         |              |      |              |
| 70740 Front Line Service Fee                          |               |                              |                       |                                |                              |                                         |              |      |              |
| 70750 Other Fees                                      |               |                              |                       |                                |                              |                                         |              |      |              |
| 70700 Total Fee Revenue                               |               |                              |                       |                                |                              |                                         | \$0          | \$0  | \$0          |
| 70000 Total Revenue                                   | \$5,021,950   | \$1,188,439                  | \$2,581,950           | \$6,163,962                    | \$95,830                     | \$477,215                               | \$15,529,346 | \$0  | \$15,529,346 |
| 91100 Administrative Salaries                         | \$238,084     | \$2,873                      | \$46,023              | \$84,069                       | \$39,076                     | \$80,074                                | \$490,199    |      | \$490,199    |
| 91200 Auditing Fees                                   | \$3,588       | \$171                        | \$1,538               | \$4,273                        |                              |                                         | \$9,570      |      | \$9,570      |
| 91300 Management Fee                                  |               |                              |                       |                                |                              |                                         |              |      |              |
| 91310 Book-keeping Fee                                |               |                              |                       |                                |                              |                                         |              |      |              |
| 91400 Advertising and Marketing                       | \$5,548       |                              |                       | \$499                          | \$290                        |                                         | \$6,337      |      | \$6,337      |
| 91500 Employee Benefit contributions - Administrative | \$130,882     | \$974                        | \$14,548              | \$42,312                       | \$17,552                     | \$29,018                                | \$235,286    |      | \$235,286    |
| 91600 Office Expenses                                 | \$113,070     | \$1,990                      | \$20,350              | \$30,741                       | \$13,992                     |                                         | \$180,143    |      | \$180,143    |
| 91700 Legal Expense                                   | \$10,656      | \$21,307                     | \$57,718              |                                |                              |                                         | \$89,681     |      | \$89,681     |
| 91800 Travel                                          | \$3,362       |                              | \$3,871               | \$660                          |                              |                                         | \$7,893      |      | \$7,893      |
| 91810 Allocated Overhead                              | \$655,171     | \$4,342                      | \$93,356              | \$129,430                      | \$24,715                     | \$178,522                               | \$1,085,536  |      | \$1,085,536  |
| 91900 Other                                           |               |                              |                       |                                |                              |                                         |              |      |              |
| 91000 Total Operating - Administrative                | \$1,160,361   | \$31,657                     | \$237,404             | \$291,984                      | \$95,625                     | \$287,614                               | \$2,104,645  | \$0  | \$2,104,645  |
| 92000 Asset Management Fee                            |               |                              |                       |                                |                              |                                         |              |      |              |

|                                 | 09        | 003       | 02          | 01        | OTHER PROJ | Total       |
|---------------------------------|-----------|-----------|-------------|-----------|------------|-------------|
| 70300 Net Tenant Rental Revenue | \$0       | \$585,894 | \$624,956   | \$394,804 |            | \$1,605,654 |
| 70400 Tenant Revenue - Other    | \$0       | \$87,022  | \$147,387   | \$79,566  |            | \$313,975   |
| 70500 Total Tenant Revenue      | \$0       | \$672,916 | \$772,343   | \$474,370 | \$0        | \$1,919,629 |
| 70600 HUD PHA Operating Grants  | \$186,128 | \$977,320 | \$1,570,697 | \$791,965 |            | \$3,526,110 |
| 70610 Capital Grants            | \$0       | \$323,326 | \$185,018   | \$96,278  |            | \$604,622   |



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 9.2 - Which costs qualify as fee-for-service?**



- HUD's handbook provides the general accounting and reporting requirements driven by the asset management requirement
- Guidance is provided related to
  - Financial Reporting
  - Project-Based Budgeting and Accounting
  - Capital Fund Program Reporting
  - Excess Cash and Fungibility
  - Fee Income and Assignment of Costs
  - Mixed Finance Projects
  - Small PHAs





# Asset Management, Costs & Cost Allocation

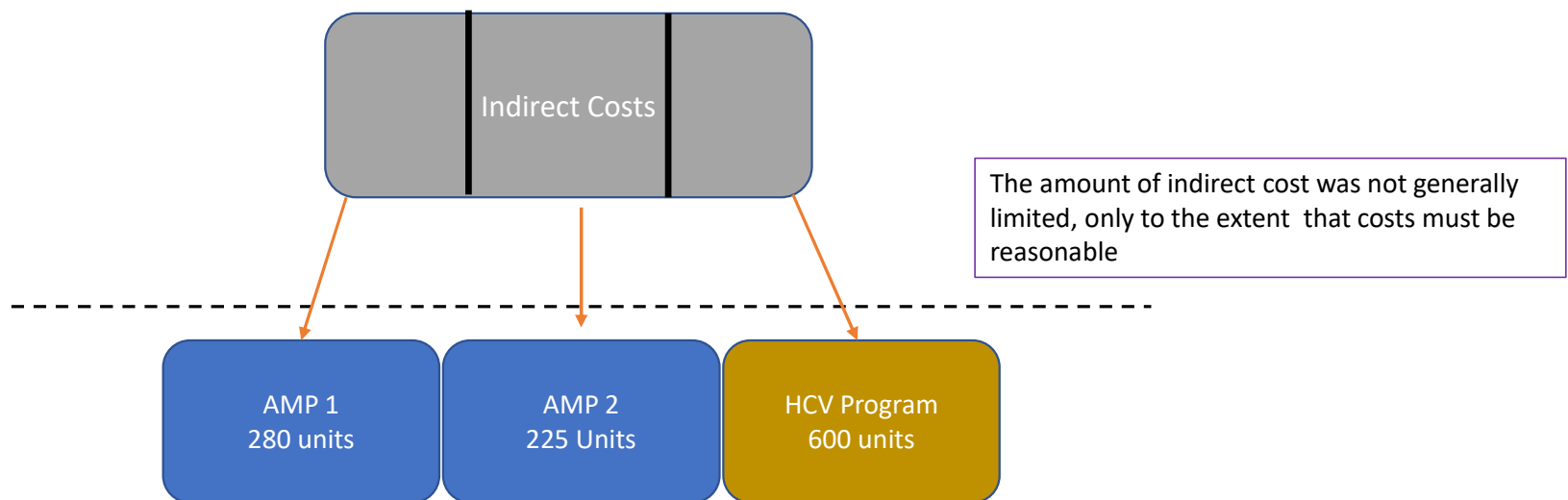
*Spring/Summer 2022*

## Direct Costs – Indirect Costs (Prior to Asset management Conversion)

- Direct Costs - Costs that are easily identifiable to a specific program or project
  - For example, a plumber provides a service at Project 2. This cost obviously should be charged to Project 2
- Indirect Costs – Costs that are not specifically identifiable to a program or project, but which receive a benefit
  - For example, PHA-wide telephone bill, Executive Director's salary



# Direct Costs – Indirect Costs (Prior to Asset management Conversion), continued



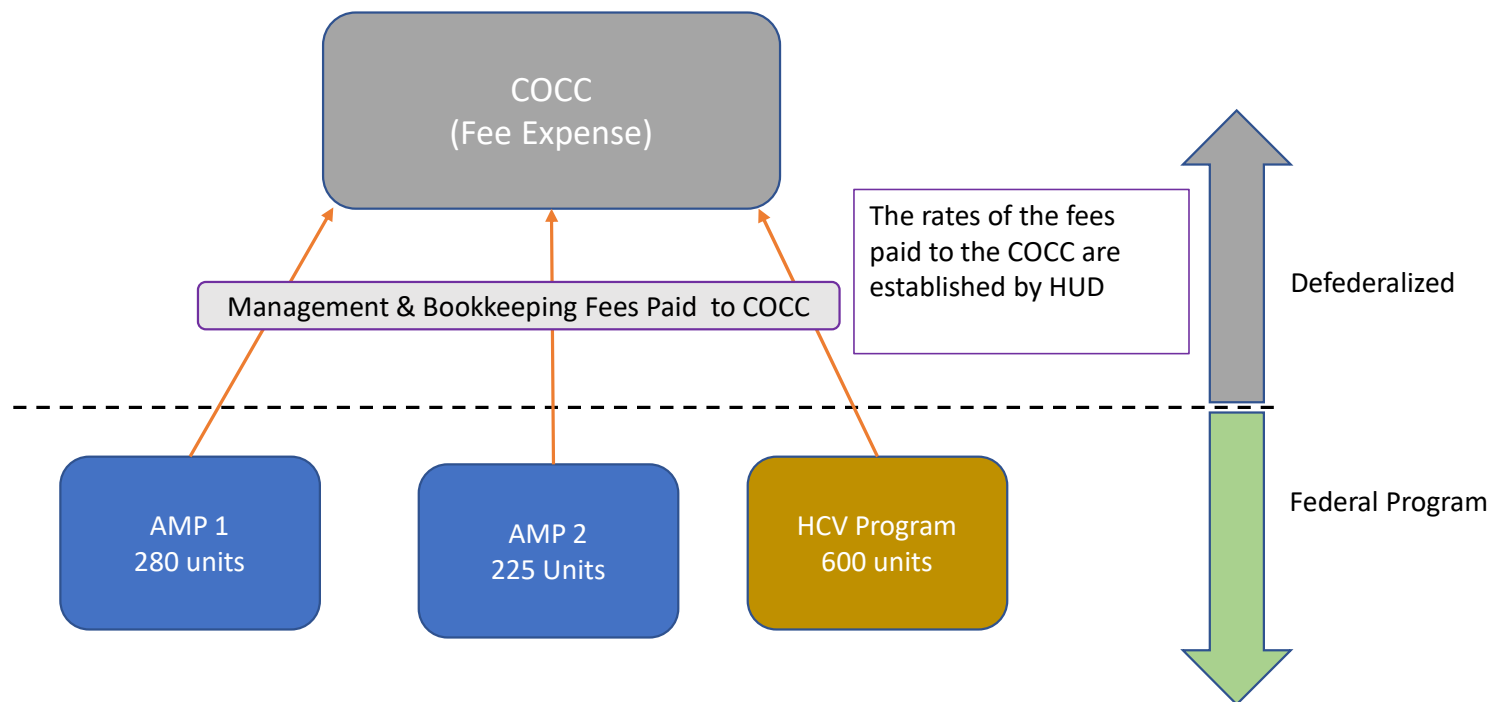
# Asset Management Cost Structure

- Costs can be organized into the following categories:
  - **Fee expense**, typically associated with overhead costs and an indirect cost
  - **Frontline cost**, typically associated with a direct project or program cost
- Fee expense refers to costs charged to the COCC and include the following items:

| Indirect Cost Types to Charges to COCC |                                                              |
|----------------------------------------|--------------------------------------------------------------|
| Executive Management                   | Regional Managers<br>- Asset Managers<br>- District Managers |
| Accounting/Finance                     | Corporate Legal                                              |
| Procurement                            | Quality Control/Internal Audit                               |
| Human Resources                        | Risk Management Staff                                        |
| Information Technology                 | Assistant Director                                           |



# Organizational Structure with Implementation of Asset Management Model



# Frontline Costs vs Fee (COCC) Expense

- Chapter 7, HUD Handbook 7475.1 REV., CHG-1, Financial Management
  - Chapter 5 - Capital Fund Program Reporting
  - Chapter 7 - Fee Income and Assignment of Costs

**Table 7.2: Front-Line Costs and Fee Costs under the Operating Fund Program**

| Fee Expenses <sup>31</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Front-Line Expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Actual personnel costs for individuals assigned to the following positions:               <ul style="list-style-type: none"> <li>– Executive Director and support staff;</li> <li>– Human resource staff;</li> <li>– Regional managers;</li> <li>– Corporate legal staff;</li> <li>– Finance, accounting and payroll staff;</li> <li>– Information Technology staff including “help desk”;</li> <li>– Risk management staff;</li> <li>– Centralized procurement staff; and</li> <li>– Quality control staff, including quality control inspections.</li> </ul> </li> <li>• Purchase and maintenance of COCC arrangements, equipment, furniture, and services necessary to sustain the COCC.</li> </ul> | <ul style="list-style-type: none"> <li>• Actual personnel costs for individuals (permanent and part-time) assigned directly to AMP sites, including project managers, site-based maintenance staff, and temporary help.</li> <li>• All repair and maintenance costs for the AMP, including:               <ul style="list-style-type: none"> <li>– Centralized maintenance provided under a fee-for-service arrangement, provided costs are reasonable and necessary;</li> <li>– Maintenance supplies;</li> <li>– Contract repairs including but not limited to heating and air conditioning, painting, roofing, elevators, and other systems located on a project;</li> <li>– Make ready expenses, including painting and repairs, cleaning, flooring replacements, and appliance replacements;</li> <li>– Preventive maintenance expenses, including</li> </ul> </li> </ul> |



# Frontline Costs

- Frontline costs can be organized into three categories:
  - Direct cost
  - Allowed prorated front-line cost (aka front-line allocated)
    - ◆ Usually located centrally
  - Shared resource
    - ◆ Usually project employees shared amount multiple projects
- Frontline costs are reported in the project or program that incurred the cost



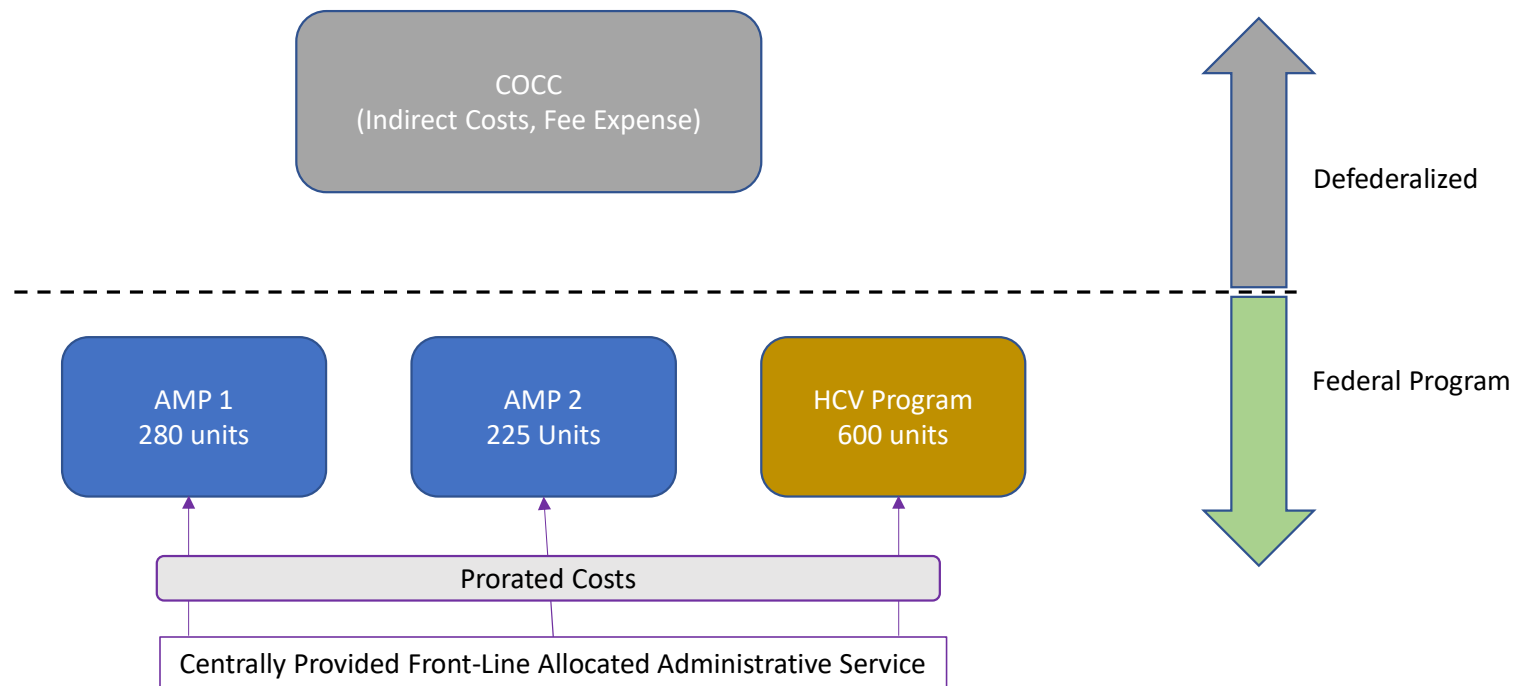


# Frontline Costs – Prorated Front-Line Administrative Costs

- HUD recognizes that certain specific centralized services may be performed more efficiently and cost effective. These costs can be spread between projects and programs that benefits from the services rendered
- In the Financial Management Handbook, these are the identified services permitted by HUD that can be allocated:
  - Rent Collection
  - Resident Services
  - Security/Protective Services
  - Waiting List, Screening, Leasing, and Occupancy
  - Work Order Processing
- The costs are to be charged specifically to the projects benefiting from the service and **not to the COCC**
- Caution: The cost allocated to a specific project cannot cost more than if performed on-site



# Front-Line Administrative Cost – Recertification Clerk Example



# Shared Resource Costs

- When it is not economical to have full-time staffing dedicated to a specific project, the PHA is permitted to share services and the related costs between the projects as a shared resource
- For example, there are two projects located a couple blocks from each other. One of the projects has 30 units and the other 40 units. Neither project has sufficient funding to afford a full-time project manager or a full-time maintenance position
  - In this case, the costs of the project manager and maintenance position can be allocated between the two projects



# COCC Fee Expense – Regional manager / Quality Control / Oversight

50

| #  | Activity Performed Centrally                                                                                                                                                                                                              | Expense Type |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1  | Eviction Hearing Costs                                                                                                                                                                                                                    | Frontline    |
| 2  | Provide assistance to and coordinate activities for resident advisory councils; work with residents and resident advisory councils to develop and implement programs operated by residents                                                | Frontline    |
| 3  | Monthly review project budgets and metrics                                                                                                                                                                                                | COCC         |
| 4  | Reviews, interprets, and advises the management and staff on rules and regulations                                                                                                                                                        | COCC         |
| 5  | Establishes / updates operational procedures and forms                                                                                                                                                                                    | COCC         |
| 6  | Coordinate translation of important documents for limited English proficient tenants, such as leases, tenant notifications, forms, etc.                                                                                                   | COCC         |
| 7  | Review modernization projects to ensure improvements to sites and residential units and to incorporate necessary accessibility features                                                                                                   | COCC         |
| 8  | Oversee the operations of privately managed projects to ensure all terms of agreements are properly implemented and accomplished, and all applicable rules, policies and procedures are properly complied by the private sector agencies. | COCC         |
| 9  | Monitor property management agreements to ensure all terms of the agreements are met and executed in accordance with the rules and policies                                                                                               | COCC         |
| 10 | Review tenant files to ensure compliance with state and federal regulations and PHA policies                                                                                                                                              | COCC         |



# COCC Fee Expense - Modernization Division

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| Cost                                                                                                                                                                              | Cost Occurrence | Funding Source   | Cost Reported In                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|----------------------------------------------------|
| General planning, design, implementation, and monitoring of the physical improvements                                                                                             | Common          | COCC Fee Income  | COCC                                               |
| Management and owner functions related to long-term capital planning, budgeting, oversight, monitoring, and reporting of the Capital Fund Program                                 | Common          | COCC Fee Income  | COCC                                               |
| Modernization costs associated with activity <u>prior to and after the construction phase of the project</u>                                                                      | Common          | COCC Fee Income  | COCC                                               |
| Physical Need Assessments                                                                                                                                                         | Common          | CFP              | CFP Column of Project                              |
| Activity associated with construction supervision and inspection activity, <u>limited to documented costs incurred during the construction phase of the modernization project</u> | Common          | CFP <sup>1</sup> | CFP Column of Project (normally capitalized costs) |

Note:

1. While these costs are frontline costs, the cost must be charged to the CFP program or to operating subsidy if HPHA has used the flexibility permitted in PIH Notice 2018-03(HA) that would allow HPHA to use 20% of their Operating Subsidy for CFP eligible activity. Construction supervisory and inspection costs are not an Operating Fund eligible cost.



# COCC Fee Expense – HA Development Division

| Cost                                                                                        | Cost Occurrence   | Funding Source                                                                                                                                                   | Cost Reported In                      |
|---------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| Soft costs associated with pre-development and development activity                         | Common            | CFP Grant<br>CFP Development Fee<br>Proceeds from Disposition<br>RAD Transactions: Operating Funds and Reserves<br>Other HUD capital type grants (i.e., Hope VI) | Pre-development or Development Budget |
| Soft costs that are not project specific or are incurred prior to the pre-development phase | Common            | COCC Fee Income, including CFP Development Fee                                                                                                                   | COCC                                  |
| Frontline costs                                                                             | Rare              | Prorated / fee-for service                                                                                                                                       | Project Operating Budget              |
| Project Oversight (under Management)                                                        | Uncommon/<br>Rare | COCC Fee Income, including CFP Development Fee                                                                                                                   | COCC                                  |
| Hard Costs                                                                                  | Common            | CFP Grant<br>Proceeds from Disposition<br>LIHTC<br>Loans / Bonds<br>Federal, State and Local Grants                                                              | Development Budget                    |

**Notes:**

1. The development budget is normally reported in the legal entity that owns the development, which could be an HPHA project, a blended component unit (i.e., nonprofit), business activity, etc.
2. HUD has defined pre-development as a new development project that has been included in the CFP 5-year Action Plan, approved by the Board, and approved by HUD. Once the project has reached the development phase no further costs can be charged as pre-development, but administrative costs associated with the development phase can be charged to the CFP budget, again with limitations.
3. The development deal itself may further limit the HPHA costs that can be charged to the development project.

§ 905.612 Disbursement of Capital Funds - predevelopment costs

§ 905.314 Cost and other limitations. (h) *Administrative cost limits and Capital Fund Program Fee.* (ii) Development



### ***Live Content Slide***

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# COCC Fee Rates & Excess Cash

*Spring/Summer 2022*



# COCC Fee Revenue

- The COCC will generate most of its revenue from fees charged to projects and programs
- Typical COCC fee revenue sources include:
  - Management fees
  - Bookkeeping fees
  - Asset management fees
  - Front-line Service fees



# COCC Management Fees

- A fee is earned for providing management and general oversight services to the projects, other HUD programs, and non-federal programs
- Types of management fees include:
  - Public Housing Management Fee
  - HCV Management Fee
  - Capital Fund Management Fee

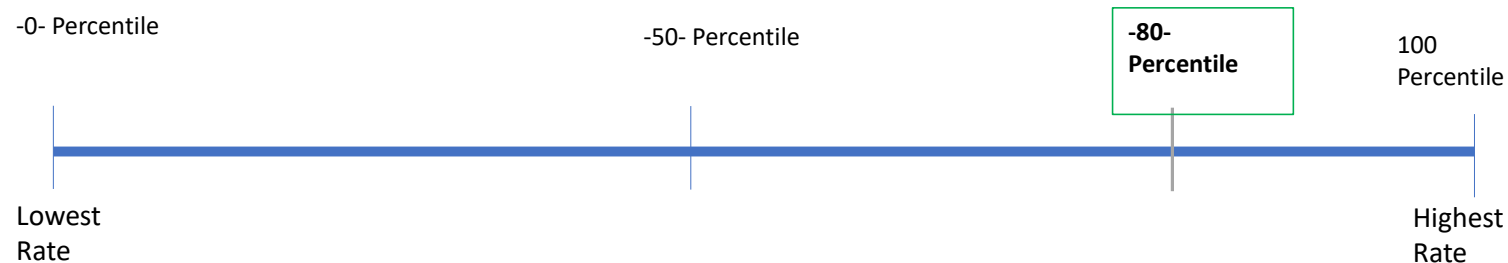
## 70710 Management fee

This FDS line represents the management fee revenue earned by the COCC from **projects** and all other HUD programs allowing the payment of a management fee, as well as other federal, nonfederal programs, and other **PHA owned programs and activities** allowing the payment of a management fee. This fee is earned for general management of the properties and programs. It does not include compensation for day-to-day front-line management functions. This FDS line item will also include capital grant management fees earned by the COCC. **This line is not used for management fees earned from non-PHA owned units or programs**, which is reported in FDS line 70750



# Public Housing Management Fee

- HUD publishes a listing of management fees in FHA Housing Field Office at the 80<sup>th</sup> percentile



- Meaning, HUD is allowing for the 80<sup>th</sup> highest amount of management fee to be charged to Public Housing in the area



# Public Housing Management Fee

- HUD updates the management fee rate on a CY basis
- Management fees are calculated based on units leased as of the first of the month, plus HUD approved vacancies multiplied by the appropriate management fee rate

**TABLE 1: 2021 Schedule of 80th Percentile of Property Management Fees in FHA Housing by Field Office, for Unlimited Dividend, Limited Dividend, and Non-Profit Ownership Types (Effective 1/1/2021)<sup>1</sup>**

| Field Office           | Mgmt. Fee (PUM) | Field Office             | Mgmt. Fee (PUM) |
|------------------------|-----------------|--------------------------|-----------------|
| Albuquerque            | \$53.63         | Little Rock              | \$60.61         |
| Anchorage <sup>2</sup> | \$71.44         | Los Angeles              | \$93.58         |
| Atlanta                | \$59.55         | Louisville               | \$63.57         |
| Baltimore              | \$65.67         | Manchester <sup>2</sup>  | \$71.39         |
| Birmingham             | \$56.10         | Miami                    | \$72.81         |
| Boston                 | \$92.19         | Milwaukee                | \$57.91         |
| Buffalo                | \$63.85         | Minneapolis              | \$70.16         |
| Caribbean <sup>2</sup> | \$64.08         | Nashville                | \$59.89         |
| Charleston             | \$55.53         | New Orleans <sup>2</sup> | \$55.56         |

HUD has not released the 2021 management fee table



# Public Housing Management Fee: Catch-up Fees

- “Catch-up Fee” - the amount of additional management fee that a PHA could charge as a result of a higher fee rate established by HUD after the PHA’s fiscal year is closed
- PHA can charge additional PH management fee when
  - The management fee table for the fiscal year in question was not made available (i.e., posted to HUD’s website) until after the PHA’s fiscal year end; and
  - The PHA was charging the maximum fee based on the latest fee schedule available during the respective year
  - If a fee schedule pertaining to the PHA’s fiscal year is posted within the PHA’s fiscal year, the PHA may charge the project’s the catch-up fee for the previous months any time prior to the close of the PHA’s fiscal year
  - The charging of these catch-up fees are optional



# Public Housing Management Fee: Catch-up Fees, continued

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- Impact on Excess Cash

- These additional management fees, while relating to a previous year's fee schedule does not impact the calculation of excess cash in those previous years
- However, the project's excess cash will be lower in the year the catch-up fees are charged because the project would have incurred more costs than if the catch-up fees were not charged
  - ◆ Therefore, the charging of the catch-up fees may limit the amount of the asset management fees or funds available to be transferred to other projects in the following year

**Catch-up Management Fee Guidance:**

(<https://www.hud.gov/sites/dfiles/PIH/documents/catchupmgmtfeesguidance.pdf>)

- FDS Reporting

- The COCC should reflect this revenue on FDS line: 70750-010 "Other Fees: From PHA Administered Programs"
- The project(s) should reflect this expense on FDS line: 91900 "Other", which is an FDS line in the administrative expense category
- This transaction would then be eliminated using the FDS elimination column
- PHA's should provide a comment in their FASS-PH submission explaining this transaction



# Capital Fund Program Management Fee

- The Capital Fund Program management fee is limited to 10% of the formula award
- The fee is considered part of the Budget Line Item 1410 (Administration)
- Charged for COCC's oversight and management of the CFP

The Capital Fund Program management fee is available to be earned (drawn down) upon the awarding and availability of the Capital Fund Program grant at any time during the grant period and in any amount up to the 10 percent limit.



# Management Fee Expense Reporting

- Projects and programs will record the management fee as an expense on FDS line 91300-010 (Management Fees)
- For Public Housing project reporting in the FDS:
  - The Management Fee is reported as an expense in the Low Rent column of the income statement of the project
  - The Capital Fund Program Management Fee is reported as an expense in the CFP column of the income statement of the project





# Housing Choice Voucher Management Fee

- HUD allows a management fee to be charged to the HCV Program for the greater of 20% of the administrative fee earned or \$12 per voucher leased
- In many cases, the HCV Program will not be able to afford a maximum fee charge and the PHA should consider charging a lower amount
- The HCV management fee will be recorded on FDS line 91300-010 (Management Fees)
- The cost will be charged as part of the administrative costs in the Voucher Management System (VMS)



# Housing Choice Voucher Management Fee – Portability Units

- Initial PHA – Combined management and bookkeeping not to exceed 20% of fee earned (from HUD)
- Receiving PHA – Combined management and bookkeeping not to exceed 20% of fee earned (from initial PHA )

## Housing Choice Voucher Program Management Fee.

The higher of: (1) 20% of the PHA's annual administrative fee or (2) up to \$12.00 monthly per voucher leased. Additionally, the PHA may earn \$7.50 monthly per voucher leased as a bookkeeping fee. For "ports", PHA earns the combined management and bookkeeping fee, as described above, but not to exceed 20% of total administrative fee for the unit.

**Table of Fees Under Asset Management:** <https://www.hud.gov/sites/documents/TABLEFEES.PDF>



# Bookkeeping Fees

- Charged by the COCC to the projects and programs for accounting, finance, and payroll services
- Public Housing Program can be charged a fee of \$7.50 per unit leased + HUD approved vacancies
  - HCV Program can also be charged a \$7.50 per unit leased if the HCV program can afford to pay the fee
- Reported by the COCC as revenue on FDS line 70730 (Bookkeeping Fees)
- Reported by projects and programs as an expense on FDS line 91310 (Bookkeeping Fees)

## 91310 Bookkeeping fee

This FDS line item represents **bookkeeping fees paid by projects and other programs to the COCC**. This fee is paid for front line bookkeeping performed centrally. The COCC cannot earn a bookkeeping fee if the project or program accounting functions are performed by the project or program itself. Fees paid to a fee accountant should not be reported in this FDS line item but should be reported in FDS line 91900 Other.



# Bookkeeping Fees, continued

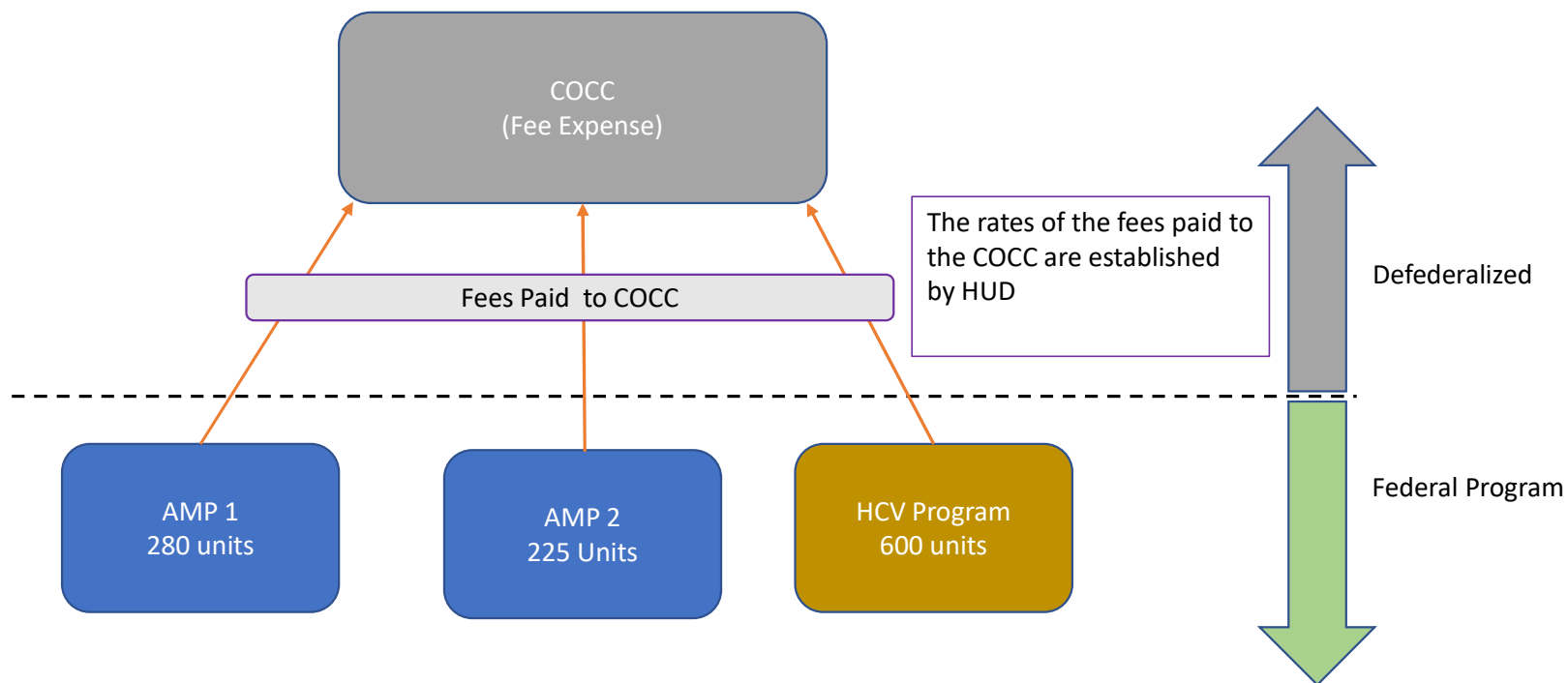
- Bookkeeping fees are charged to the AMPs and the HCV Program
- The following table provides an analysis of the charging of costs as a fee expense or front-line cost

| Service                 | COC (Fee Expense) | Federal Program (Front-line Cost) |
|-------------------------|-------------------|-----------------------------------|
| Fee Accounting Service  | X                 |                                   |
| Payroll Processing      | X                 |                                   |
| Procurement             | X                 |                                   |
| Audit                   | X                 | X                                 |
| Preparation of the MD&A | X                 |                                   |



# Organizational structure with Implementation of the COCC Asset Management Model

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# COCC Management Fees

- Projects and programs will record the management fee as an expense on FDS line 91300 (Management Fees).
- For PH project reporting in the FDS:
  - The Management Fee is reported as an expense in the Low Rent column of the income statement of the project.
  - The CFP Management Fee is reported as an expense in the CFP column of the income statement of the project.



# COCC Management Fees

- Fee activity (fee revenue and fee expense) will be eliminated through the Elimination Column on the FDS to accommodate top level financial statement reporting (consolidated B/S & I/S) required by GAAP.
- Management fees earned from non-PHA owned projects and programs should be reported on FDS line 70750 (Other Fees).



# Bookkeeping Fees

- Charged by the COCC to the projects and programs for the provision of accounting services
- Reported by the COCC as revenue on FDS line 70730 (Bookkeeping Fees)
- Reported by projects and programs as an expense on FDS line 91310 (Bookkeeping Fees)





# Asset Management Fee

- Earned for providing strategic planning activities to the projects
- Strategic planning activities include the following:
  - Development activities
  - Capital planning
  - Financing activities
- Reported as revenue of the COCC in FDS line 70720 (Asset Management Fee)
- Recorded as an expense to projects in FDS line 92000 (Asset Management Fee)



# Asset Management Fee, cont'd.

- Charged only if project had excess cash in previous year (Balance Sheet Approach)
- Lower of:
  - \$10 per month per ACC Unit
  - Excess Cash from previous year
- Cannot be accrued as Accounts Receivable from projects if an individual project is unable to generate excess cash



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 9.4 - Management fees are paid on...?**

# Front-line Service Fees

- Charged by the COCC for centrally provided services
  - Fee calculated based on reasonable market rate
- Reported by the COCC as revenue in FDS Line 70740 (Front-line Service Fee)
- Recorded as an expense of the project in a related FDS line item (typically a maintenance contract cost line item)
- Not the same as the allocation of certain prorated front-line administrative costs



# Front-line Service Fees, cont'd

- Example: Assume the COCC maintains a centralized plumbing service that charges an hourly rate to the individual projects and programs for services provided
  - COCC will record the revenue in FDS line 70740 (Front-line Service Fee)
  - Individual projects and programs will record the expense in FDS line 94300-080 (Plumbing contracts)



# COCC Non-Fee Revenue

- Possible COCC non-fee revenue includes income generated from the COCC's assets, provided the assets are not federal assets or purchased with federal program funds.
- Examples:
  - Interest earned on cash and investments
  - Rental income from leasing office space
  - Equipment rentals



# COCC and the Capital Fund

- CFP Management Fee
  - Charged for COCC's oversight and management of the CFP
  - Reported in the operations column of the COCC's income statement
    - ◆ Reported in line 706, if not capitalized
    - ◆ Reported in line 70610 if capitalized
- Activity reported in the Capital Fund column of the COCC income statement
  - Pre-2007 Capital Funds (FFY 2006 and prior)
  - CFFP Debt Service Payments
  - Modernization of Non-dwelling Structure (DOT)



# Non-COCC Revenue

- Examples of non-COCC revenues:
  - Revenues earned by the projects or from assets owned by the projects
  - Proceeds from the disposal of project assets
  - Loans or transfer of excess cash from projects to the COCC
  - “Special” Operating Subsidy to supplement administration and management costs for projects undergoing demolition or disposition (Asset Repositioning Fee)





# PHAs Using Allocated Overhead (No COCC)

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- PHAs with over 400 PH units that elect to use CFP funds for central office expenses may not establish a COCC.
  - PHAs will not have fee income or expense.
  - PHAs will establish a cost allocation plan and allocate central office expenses to the various programs based on the plan.
- To accommodate the reporting of allocated overhead, PHAs will use FDS line 91810 (Allocated Overhead).





# Reporting COCC Expenses and Project/Program Expense

*Spring/Summer 2022*

- Expenses can be classified as direct costs and overhead and/or indirect costs.
  - Direct costs are those that are easily identified to a project, program or the COCC.
  - Overhead costs are costs that are not easily identifiable to a program or project and must be charged to a program or project through an allocation.





# Fee Reasonableness

*Spring/Summer 2022*

- Compliance Requirement

- HUD considers any fees that are within HUD guidance to be reasonable.
- For those PHAs using fee-for-service, reasonableness is determined by comparing the amount of fees charged to the project to the amount the HUD allows to be charged to a project.
- Fees above the guidelines that have not been approved by HUD are considered ineligible costs.
- With the issuance of the 2011 Compliance Supplement in March 2011, auditors are now required to determine if the fees charged to the projects by the COCC are reasonable.



# Fee Reasonableness Summary

| Fees               |                                       | Reasonableness                                                                                                                                                                                                                                                                                  | Restrictions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COCC               | Management Fee                        | <ul style="list-style-type: none"> <li>Calculated as a PUM</li> <li>Determined by PIH management fee schedule, multifamily schedule and other compelling market data</li> <li>Based on the number of occupied units or approved vacancies</li> </ul>                                            | <ul style="list-style-type: none"> <li>Management and bookkeeping fees are to be earned monthly for each <u>occupied unit or approved vacancy/special use unit</u>, as per 24 CFR §990.140 and §990.145, respectively.</li> <li>PHAs <b>will not</b> earn a property management fee on units defined as “limited vacancies” pursuant to 24 CFR §990.150.</li> <li>New units that come online during the PHA’s fiscal year begin to earn the fees in the month the unit first becomes occupied.</li> </ul> |
|                    | Bookkeeping Fee                       | <ul style="list-style-type: none"> <li>\$7.50 per unit month</li> <li>Based on the number of occupied units or approved vacancies</li> </ul>                                                                                                                                                    | <ul style="list-style-type: none"> <li>Subject to availability of excess cash from the prior year</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                              |
|                    | Asset Management Fee                  | <ul style="list-style-type: none"> <li>\$10.00 per unit month</li> <li>Based on the total units under ACC for a particular project</li> </ul>                                                                                                                                                   | <ul style="list-style-type: none"> <li>Centrally provided front-line services must be in the best interest of the projects.</li> <li>The market survey establishes the upper bounds of the rate, however the COCC can charge a lower rate and/or have different rates for different projects</li> </ul>                                                                                                                                                                                                   |
|                    | Fees charged for centralized services | <ul style="list-style-type: none"> <li>Must not exceed the market rates</li> <li>Each project must be charged for the actual services received and only to the extent that such amounts are reasonable</li> <li>The fee charged to the project must be for the like service provided</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Allocated Overhead |                                       | Tested by comparing the total allocated overhead expense (FDS Line Item 91810) charged to a project or program, to the total fees that could be charged to a project or program under a fee-for-service method                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |



# Example: Fee Reasonableness – Management and Bookkeeping Fees

| #                  | Description                                  | Project 1 | Project 3 | Project 7 |
|--------------------|----------------------------------------------|-----------|-----------|-----------|
|                    |                                              | 175 Units | 160 Units | 150 Units |
| Actual Fee Expense |                                              |           |           |           |
| 1                  | Public Housing Management Fee                | \$9,625   | \$8,800   | \$8,800   |
| 2                  | Book-keeping Fee                             | \$1,313   | \$1,200   | \$1,200   |
| Safe Harbor        |                                              |           |           |           |
| 3                  | Units Leased                                 | 165       | 156       | 148       |
| 4                  | Units Undergoing Modernization               | 5         | 4         | 2         |
| 5                  | Approved Non-Dwelling (Police Substation)    | 0         | 0         | 0         |
| 6                  | Total Unit Base                              | 170       | 160       | 150       |
| 7                  | Maximum Management Fee Rate - \$55.00        | \$9,350   | \$8,800   | \$8,250   |
| 8                  | Maximum Book-keeping Fee Rate - \$7.50       | \$1,275   | \$1,200   | \$1,125   |
| Result of Test     |                                              |           |           |           |
| 9                  | Public Housing Management Fee                | (\$275)   | \$0       | (\$550)   |
| 10                 | Public Housing Book-keeping Fee              | (\$38)    | \$0       | (\$75)    |
| 11                 | Ineligible Costs (Sample Projects - 1 Month) | (\$313)   | \$0       | (\$625)   |



# Example: Fee Reasonableness – Asset Management Fees

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| #                  | Description                                 | Project 1               | Project 3             | Project 7             |
|--------------------|---------------------------------------------|-------------------------|-----------------------|-----------------------|
|                    |                                             | 175 Units               | 160 Units             | 150 Units             |
| Actual Fee Expense |                                             |                         |                       |                       |
| 1                  | Asset Management Fee (annual)               | \$21,960                | \$19,700              | \$18,000              |
|                    |                                             |                         |                       |                       |
| Safe Harbor        |                                             |                         |                       |                       |
| 2                  | Unit Months under ACC (PHA Fiscal Year)     | 2,100                   | 1,920                 | 1,800                 |
| 3                  | Total Unit Base                             | 2,100                   | 1,920                 | 1,800                 |
|                    |                                             |                         |                       |                       |
| 4                  | Maximum Asset Management Fee Rate - \$10.00 | \$21,000                | \$19,200 <sup>2</sup> | \$18,000              |
| 5                  | Excess Cash - Prior Year                    | (\$75,395) <sup>1</sup> | \$21,000              | \$13,035 <sup>3</sup> |
| 6                  | Lesser of 4 or 5, if negative then zero     | \$0                     | \$19,200              | \$13,035              |
|                    |                                             |                         |                       |                       |
| Result of Test     |                                             |                         |                       |                       |
| 7                  | Public Housing Asset Management Fee         | (\$21,960)              | (\$500)               | (\$4,965)             |
| 8                  | Ineligible Costs (Sample Projects - Annual) | (\$21,960)              | (\$500)               | (\$4,965)             |





# Fee Reasonableness – Fees Charged for Centralized Services

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- Review that:
  - PHA documentation support the established rate
    - ◆ Market rate survey is current (e.g., annually)
    - ◆ Multiple quotes (e.g., recommend at least three quotes)
    - ◆ Rate should be for identical services
  - Rates charged
    - ◆ Supported by actual “invoice” (time sheets, work orders, etc.)
    - ◆ Rates charged are correct rates for type of service performed



# Example: Fee Reasonableness – Allocated Overhead

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| #                     | Description                                  | Project 1  | Project 3  |
|-----------------------|----------------------------------------------|------------|------------|
| <b>Actual Expense</b> |                                              |            |            |
| 1                     | Allocated Overhead (FDS Line 91810)          | \$264,780  | \$212,484  |
| <b>Safe Harbor</b>    |                                              |            |            |
| 2                     | Total Unit Base for Mgmt & Book-keeping Fees | 2,350      | 1,800      |
| 3                     | Total Units for Asset Management Fee         | 2,400      | 1,800      |
| 4                     | Maximum Management Fee Rate - \$55.00        | \$129,250  | \$99,000   |
| 5                     | Maximum Book-keeping Fee Rate - \$7.50       | \$17,625   | \$13,500   |
| 6                     | Maximum Asset Management Fee Rate - \$10.00  | \$24,000   | \$18,000   |
| 7                     | Maximum CFP Management Fee (10%)             | \$38,000   | \$32,000   |
| 8                     | Total Maximum Fee                            | \$208,875  | \$162,500  |
| <b>Result of Test</b> |                                              |            |            |
| 9                     | Maximum Fee minus Allocated Overhead         | (\$55,905) | (\$49,984) |
| 10                    | Percent Difference                           | -26.8%     | -30.8%     |
| 11                    | Ineligible Costs (Sample Projects - Annual)  | (\$55,905) | (\$49,984) |



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 9.5 - Fee reasonableness is determined by...?**



# Elimination Entries

*Spring/Summer 2022*

- To avoid “double counting,” inter-fund / intra-entity transaction eliminating entries are now recorded on the FDS.
- After the posting of the elimination entries, the totals as presented should agree to the general purpose financial statements.



# Proper FDS Reporting in the Elimination Column

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- When entering amounts to be eliminated in the FDS, PHA should be cognizant of the following two points:
  - Elimination Entries Decrease Account Balances
  - Eliminate Only Inter-Fund / PHA Activity



# FDS Lines Normally Eliminated

| Entity Wide Revenue and Expense Summary |                                               |
|-----------------------------------------|-----------------------------------------------|
| FDS Line                                | FDS Description                               |
| 70710                                   | Management Fee                                |
| 70720                                   | Asset Management Fee                          |
| 70730                                   | Book-keeping Fee                              |
| 70740                                   | Front-line Service Fee                        |
| 91300                                   | Management Fee                                |
| 91310                                   | Book-keeping Fee                              |
| 92000                                   | Asset Management Fee                          |
| 94300                                   | Ordinary Maintenance and Operations Contracts |
| 10010                                   | Operating Transfer In                         |
| 10020                                   | Operating Transfer Out'                       |
| 10091                                   | Inter Project Excess Cash Transfer In         |
| 10092                                   | Inter Project Excess Cash Transfer Out        |
| 10093                                   | Transfers between Program and Project - In    |
| 10094                                   | Transfers between Program and Project - Out   |

| Entity Wide Balance Sheet Summary |                          |
|-----------------------------------|--------------------------|
| FDS Line                          | FDS Description          |
| 144                               | Inter Program - Due From |
| 347                               | Inter Program - Due To   |



# Example of Eliminations

- Examples on the proper reporting of elimination entries for:
  - Balance sheet
  - Fee-for-service transaction
  - Operating transfers





# Example 1: Balance Sheet

- The following is an example of a balance sheet elimination entry.
- Project 1 loans Project 2 \$100,000

| Project Balance Sheet Summary |                           |           |           |           |
|-------------------------------|---------------------------|-----------|-----------|-----------|
| FDS Line Item                 |                           | Project 1 | Project 2 | Total     |
| 144                           | Inter Program - Due From  | \$100,000 |           | \$100,000 |
| 150                           | Total Current Assets      | \$100,000 |           | \$100,000 |
|                               |                           |           |           |           |
| 347                           | Inter Program - Due To    |           | \$100,000 | \$100,000 |
| 310                           | Total Current Liabilities |           | \$100,000 | \$100,000 |



# Example 1: Balance Sheet

- The PHA will eliminate the amount from the PHA's entity wide balance sheet as follows:

| Entity Wide Balance Sheet Summary |                           |               |      |           |             |       |
|-----------------------------------|---------------------------|---------------|------|-----------|-------------|-------|
| FDS Line Item                     |                           | Project Total | COCC | Subtotal  | ELIM        | Total |
| 144                               | Inter Program - Due From  | \$100,000     |      | \$100,000 | (\$100,000) | \$0   |
| 150                               | Total Current Assets      | \$100,000     |      | \$100,000 | (\$100,000) | \$0   |
| 347                               | Inter Program - Due To    | \$100,000     |      | \$100,000 | (\$100,000) | \$0   |
| 310                               | Total Current Liabilities | \$100,000     |      | \$100,000 | (\$100,000) | \$0   |



## Example 2: Fee-for-Service

- Projects 1 and 2 are charged fees from the COCC.
- Project 1 has incurred \$45,000 expense for broken pipes:
  - \$25,000 of the total cost is attributable to services provided by COCC centralized maintenance department.
  - \$20,000 is the amount the project was charged by the outside contractor.



# Example 2: Fee-for-Service

- Revenues recognized by the COCC and eliminating entries are reported on entity wide statement of revenues and expenditures.

| Entity Wide Revenue and Expense Summary |                        |               |          |          |            |          |
|-----------------------------------------|------------------------|---------------|----------|----------|------------|----------|
| FDS Line Item                           |                        | Project Total | COCC     | Subtotal | ELIM       | Total    |
| 70710                                   | Management Fee         |               | \$55,000 | \$55,000 | (\$55,000) | \$0      |
| 70720                                   | Asset Management Fee   |               | \$35,000 | \$35,000 | (\$35,000) | \$0      |
| 70730                                   | Book-keeping Fee       |               | \$15,000 | \$15,000 | (\$15,000) | \$0      |
| 70740                                   | Front-line Service Fee |               | \$25,000 | \$25,000 | (\$25,000) | \$0      |
|                                         |                        |               |          |          |            |          |
| 91300                                   | Management Fee         | \$55,000      |          | \$55,000 | (\$55,000) | \$0      |
| 91310                                   | Book-keeping Fee       | \$35,000      |          | \$35,000 | (\$35,000) | \$0      |
| 92000                                   | Asset Management Fee   | \$15,000      |          | \$15,000 | (\$15,000) | \$0      |
| 94300-080                               | Plumbing Contracts     | \$45,000      |          | \$45,000 | (\$25,000) | \$20,000 |



# Example 3: Operating Transfer

- Project 1 transferred \$30,000 from Capital Fund to the Operating Fund (i.e., low rent):

| Project Revenue and Expense Summary |                        |            |          |              |
|-------------------------------------|------------------------|------------|----------|--------------|
| FDS Line                            | FDS Description        | Total      | Low Rent | Capital Fund |
| 10010                               | Operating Transfer In  | \$30,000   | \$30,000 | \$0          |
| 10020                               | Operating Transfer Out | (\$30,000) |          | (\$30,000)   |



# Example 3: Operating Transfer

- Eliminating entry required to remove the transfer is reported on entity wide statement of revenues and expenditures.

| Entity Wide Revenue and Expense Summary |                        |               |      |            |            |       |
|-----------------------------------------|------------------------|---------------|------|------------|------------|-------|
| FDS Line                                | FDS Description        | Project Total | COCC | Subtotal   | ELIM       | Total |
| 10010                                   | Operating Transfer In  | \$30,000      |      | \$30,000   | (\$30,000) | \$0   |
| 10020                                   | Operating Transfer Out | (\$30,000)    |      | (\$30,000) | \$30,000   | \$0   |



# Conclusion

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- Thoughts?
- Questions?
- Comments?





**FASS - PH**  
Spring/Summer 2022

# Session 10 – Asset Repositioning

Spring/Summer 2022



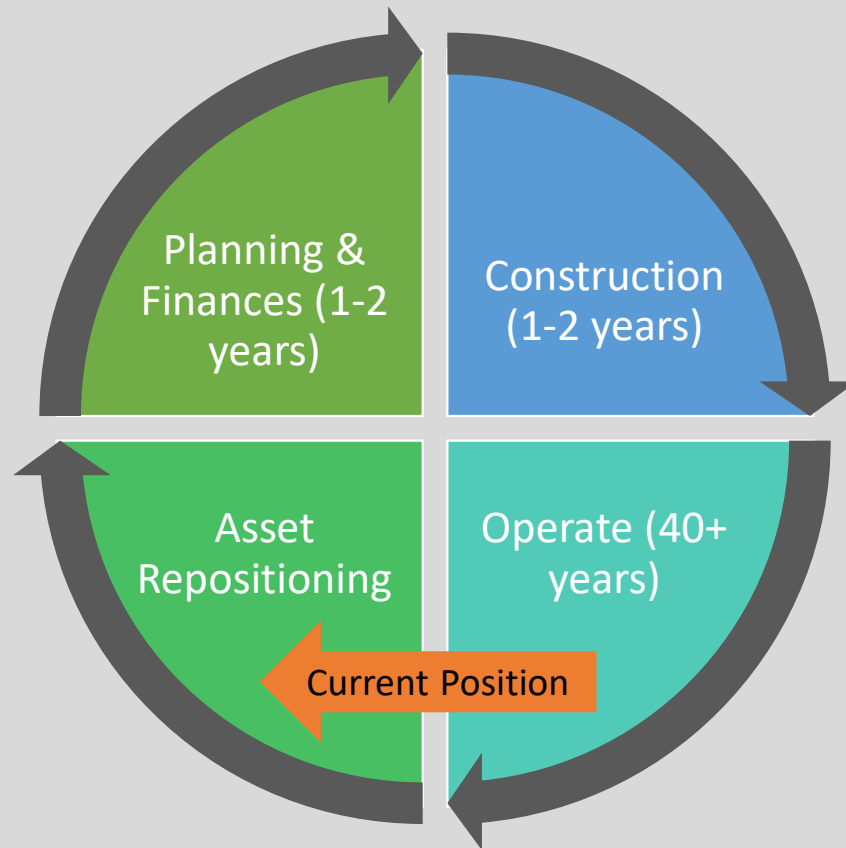
# GOAL = Maintain # of Affordable Units

## Why Asset Repositioning?

- 25% of all renters are extremely low income (ELI)
  - Shortage of 3.9 million units for ELI households
- Public Housing = 1.2 million affordable units
  - Many old and in need of repair (risk of losing units)
  - Capital backlog is \$26 billion w/ limited funding
  - PH regulations limit opportunities to borrow/leverage



# Current Position in Project Life Cycle



Four main phases of owning and providing low income housing

# WHAT DOES YOUR PHA'S FUTURE LOOK LIKE

What is your PHA Looking For?

- Nicer, updated buildings
- Better services for residents
- Better financial security
- More flexibility
- Operating under less regulations
- Maximizing public housing options
- Improving current operations



**Does the PHA have the resources to reposition in terms of staffing, time, and funding?**

# Decision to Reposition – Strategic Plan

Key items to consider when deciding whether to reposition :



## Building and Units

- What is the need for low-income housing in your community and who is your competition?
- What are the condition of the units and does the PHA have adequate funding to preserve and modernize the units to standard?
- What happens to the residents and families on the waitlist?
- Does your PHA administer the HCV program?



## PHA and Staff

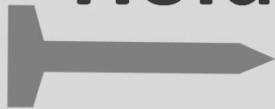
- What is the financial impact on the PHA after repositioning?
- Will there be a new Board / Who will control the PHA / Will there be a PHA?
- Will there still be jobs / will there be a reduction in pay and benefits?
- Will staff be able to learn and manage a new program (such as PBV or PBRA)?



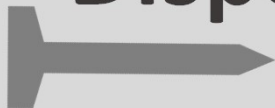
## Regulatory Relief

- What is the trade off for regulatory relief (i.e., community service rules, pet rules, procurement rules, PHAS, possibly no 50058 / 50059 submissions, etc.)?

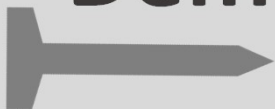
**Hold & Repair**



**Disposition**



**Demolition**



# RAD and Voluntary Conversion

## Strategy #1

### Status Quo



#### Public Housing Project

- ◆ Owned by the PHA
- ◆ 100 ACC units
- ◆ Federally funded through Public Housing and Capital Fund Program
- ◆ 3 maintenance workers and 1 Executive Director

## Strategy #2

### Conversion Option 1



#### PBRA Conversion

- ◆ Still controlled by the PHA
- ◆ No financing / modernization
- ◆ Part of HUD's multi-family portfolio
- ◆ Federally funded through HAP payments
- ◆ Staffing / management remains the same
- ◆ Operates under less regulations
- ◆ Easier access to capital

### Conversion Option 2



#### PBV Conversion

- ◆ Owned by a non-profit with their own staff
- ◆ Modernized through debt and investors
- ◆ Funded through HAP payments of a HCV program
- ◆ PHA no longer exists
- ◆ Operates under less regulation
- ◆ Easier access to capital

## Strategy #3

### Conversion Option 3



#### Voluntary Conversion

- ◆ Units owned by private landlords (vouchers)
- ◆ Modernization needs addressed by landlords
- ◆ Funded through HAP payments of HCV program
- ◆ Families re-screened
- ◆ Expanded HCV program or PHA no longer exists
- ◆ Operates under less regulations

# Asset Reposition Strategy #1

## Hold & Repair – Remain PH

- Short-term solution
- HUD is not forcing people out of Public Housing
  - ◆ Energy Performance Contracting
- Funding limitations unlikely to improve
- How HUD supports this Hold and Repair/Upgrade strategy
  - Emphasize PHA's use of funding and reserves for key modernization needs versus operating expenses
  - Debt Financing programs, such as
    - ◆ Capital Fund Financing Program

# Asset Reposition Strategy #2



## Disposition

- HUD support of Disposition strategy
  - Rental Assistance Demonstration (RAD) Program
    - ◆ PHA will normally still control the project
    - ◆ While no longer public housing, project will continue to receive federal funds
      - Via the Housing Choice Voucher program – Project Based Vouchers (PBV)
      - Via Operating Subsidy from Multi-family – Project Based Rental Assistance (PBRA)
    - ◆ Use Agreement will require that the land and building be used for low-income housing (similar to Declaration of Trust)





## Demolition

### HUD support of Demolition strategy

- Voluntary Conversion (Section 22 and streamlined)
  - ◆ PHA may demolish project and provide tenant-based voucher
  - ◆ Maintenance of physical units is addressed by private landlords
  - ◆ Residents can move to other jurisdiction via portability provision



# Asset Repositioning Strategy #1 – Hold and Repair

# Strategy #1 – Hold and Repair Questions

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- HUD's current attitude:
  - Current attitude is centered on public/private partnerships?
  - Current perception is that the goal is to “get out” of the real estate business?
- Depends on status of housing stock and demand in your service area. Key questions:
  - What how is wait list?
  - Existence of competition?
  - Deferred maintenance?
- Assessment of future funding:
  - Are current PH rents sufficient?
  - Capital Fund increasing/decreasing?
  - Will programs such as RAD get better or worse with the future?

### ***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 10.1- Which of the following is NOT a HUD repositioning option?**

- Management Capabilities
  - Board expertise and commitment?
  - Management ability to make change?
  - Communicate to residents?
  - Ability to maintain compliance?
- Financial Capacity:
  - Amount of available reserves?
  - Ability to service debt?
  - Maintain project staffing?

**Sooner or later a change will occur. Prepare for that now even if you elect to not change**



## Asset Repositioning Strategy #2 – Disposition (RAD)

- Disposition Choices

- RAD

- ◆ Key RAD goals
    - ◆ RAD Conversion Process
    - ◆ Choice to Make
      - PBV
      - PBRA
    - ◆ RAD Program Update
    - ◆ RAD Steps

- Streamlined Voluntary Conversion

# RAD Program Update – March 2022

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- Current RAD CAP = 455,000 units
- CHAPs issued to date:
  - PBV 127,203 59%
  - PBRA 89,393 41%
  - 216,596
- Closed to Date:
  - PBV 89,829 57%
  - PBRA 67,875 43%
  - 157,704
- Units with financing plans – 7,729



- Total Estimated Capital Investment – \$13,500,339,758
- Total Tax Credit Amount – \$10,283,623,388
- Total Debt – \$8,553,469,721
- Breakdown of units with CHAPs
  - Large 107,650
  - Medium 79,304
  - Small 28,592
  - Unknown 1,050

# Key RAD Goals

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Preserve affordability capabilities from moving from Section 9 to a *form* of Section 8 (PBV/PBRA)



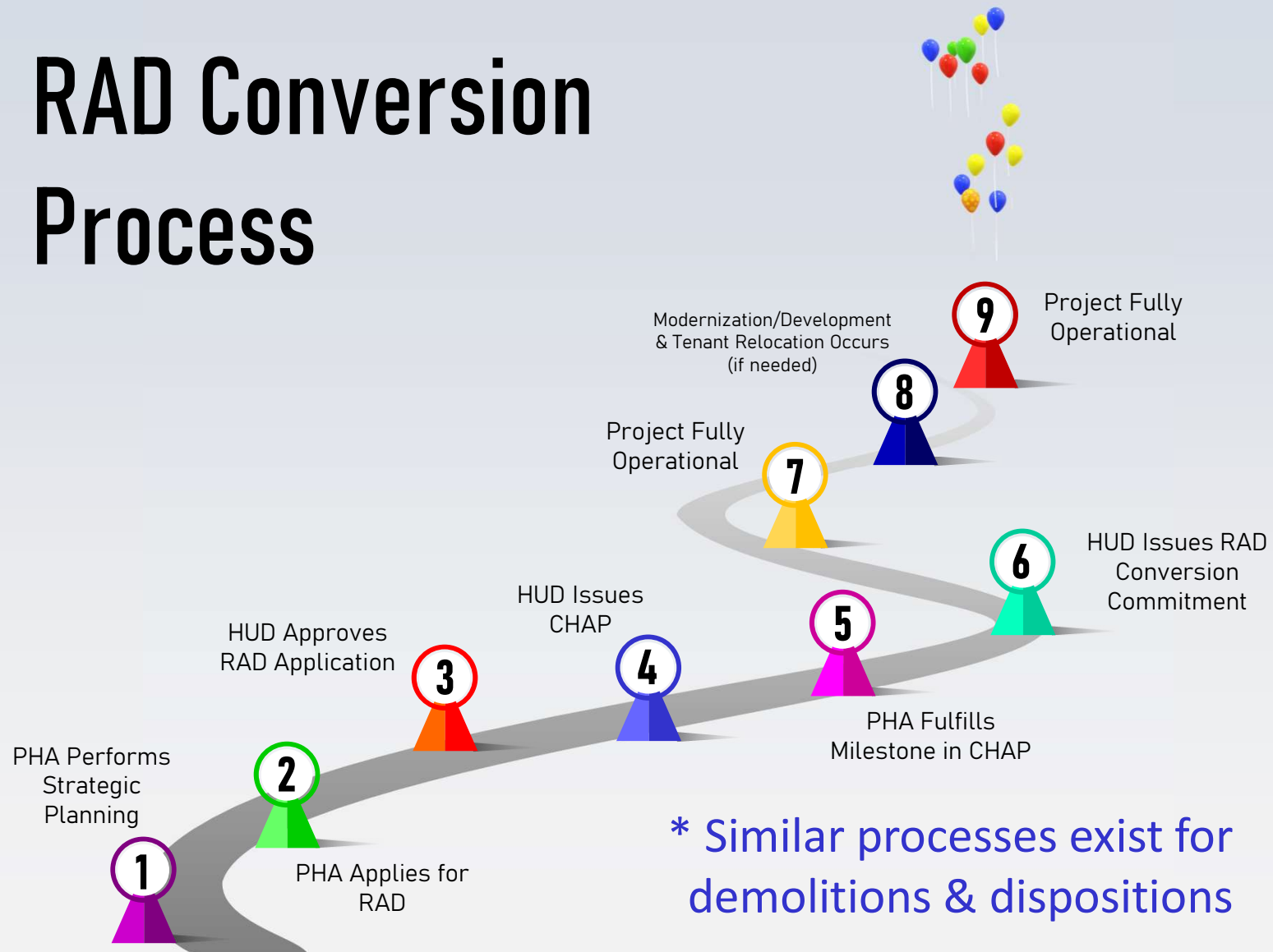
Session 5 – PHA Repositioning Strategies

Release the public housing assets from DOT and allow them to be used as security for new debt.



Offer residents greater choice and mobility

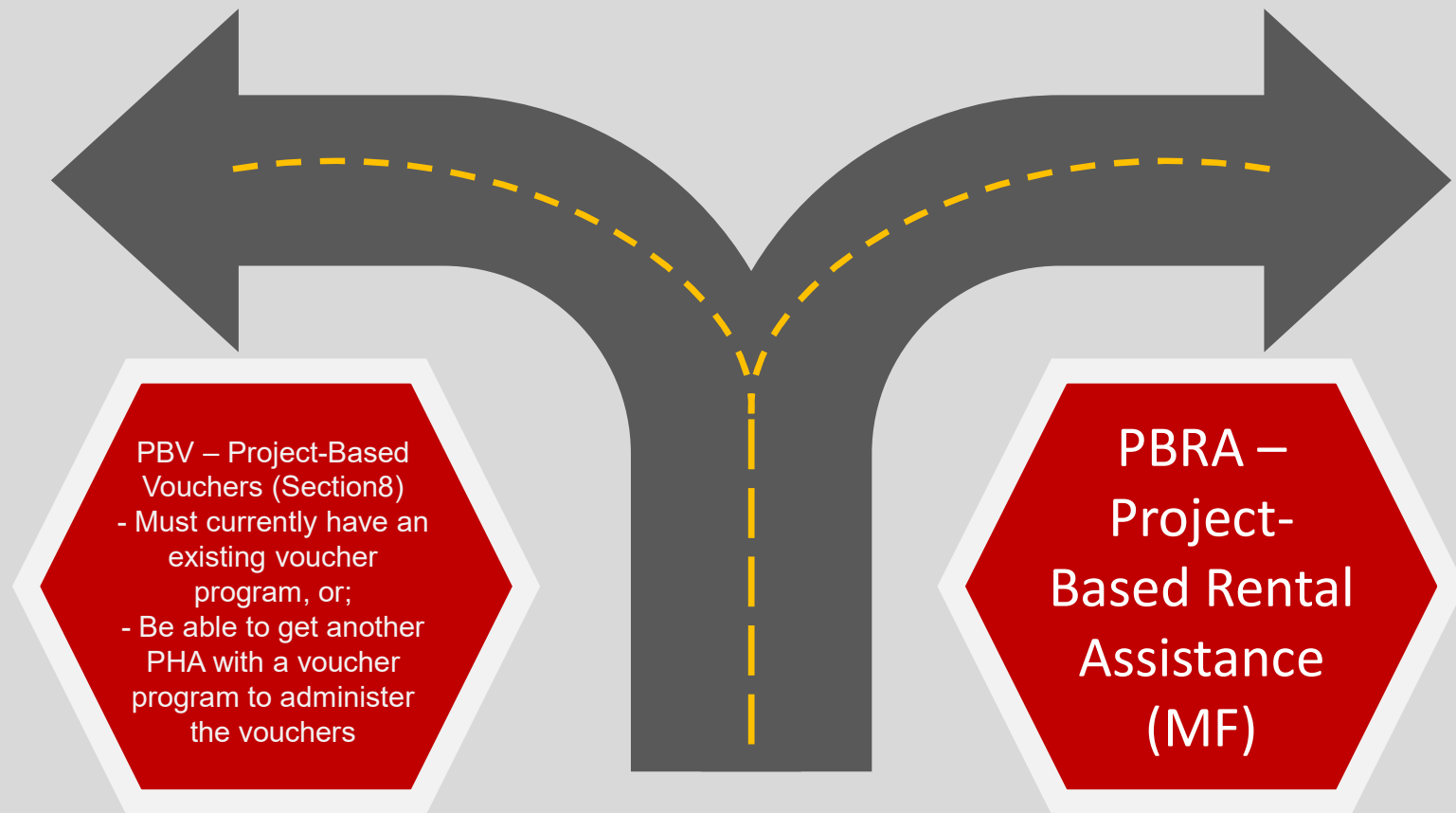
# RAD Conversion Process



- Either way—PBV or PBRA—you are out of Public Housing.
  - Budget will be easier on revenue side.
    - ◆ Rental Income can be predicted. Increases in subsidy come from OCAF. PBV is still affected by proration.
  - PBV will still be subject to Uniform Guidance. PBRA will be subject to Uniform Guidance or HUD Audit Guide depending on project structure.
  - PBV and PBRA income/surplus cash goes to PHA. Allows for fungibility with other programs as surplus cash is “*distributable*” to owner/COCC
  - PBV fees to COCC may still retain some restrictions as HUD develops additional COCC policies

## 2 RAD Pathways

22





*Spring/Summer 2022*


- Don't close a deal 1-2 months before year end.
- Check with your fee accountant and auditor about experience.
- Consider having all entities on same year end.


# Which Way? Project-Based Vouchers

## Pros

If you have HCV, you already know the program 


Limited learning curve & possible staff reduction 


COCC fees or increased Voucher Management fees 


If you get another PHA to administer program, there are no income calculations 



## Cons

 Rent capped at reasonable rents

 Admin. fees & proration

 Possible no staff reduction most likely increased staff (HCV)

 Portability




# Which Way? PBV Conclusion

- Only available to HCV HA
- Limited on COCC income to current fee structure
- Limited learning curve
- Basically move from PH CFP to a HCV only HA.
- **Proration and portability**






# Which Way? PBRA

## Pros

- Surplus cash 
- Source of funding for Capital Improvement 
- No Proration 



## Cons

-  Rent capped at FMR
-  New HUD REAC and TRACs
-  Only option if PH only with no HCV or no other PHA will administer

# Which Way? – PBRA Conclusion

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- Only option for PH only Authorities
- No proration
- COCC income not limited to admin fees.
- Learning new system



## Asset Repositioning Strategy #2 – Disposition (Streamlined Voluntary Conversion – Section 22)

# Streamlined Conversion Overview

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- PHA's ability to voluntarily remove PH units and related ACC
- Move tenants to tenant-based vouchers
- Requires PHA to demonstrate that SVC is a more cost-effective than continuing operation of PH
- Follow PIH Notice 2019-05

- HUD issues Tenant Protection Vouchers for any unit occupied within the last 24 months
  - Tenant has mobility, if tenant moves, then PHA pays moving expenses
  - PHA not required replace PH units with new units
- If PHA does not have vouchers, it must partner with another agency
- May be project-based with tenant consent
  - If resident stays with tenant-based voucher, must be left off the PBV contract until resident leaves or consents to project basing

- Remaining Public Housing Funds
  - Funds remaining after conversion CANNOT be used to rehab or maintain units removed under SVP
    - ◆ Spend money prior to conversion
    - ◆ Transfer funds to another PHA
- Requires a commitment to close-out the PHA public housing program (up to 250 units)
  - See PIH Notice 2019-13



## Asset Repositioning Strategy #3 - Demolition & Disposition (PIH 2018-08)



**Notice gives guidance on the application process to demolish and/or dispose of the PH units under Section 18. This includes the eligibility requirements for TPV for tenants.**





- A. Justification Criteria for Units – HUD reviews all narratives along with other information available for one of three reasons:
  - i. Surrounding area – retention of units is not in the best interest of the residents or the PHA because of local conditions
    - 1) Health & Safety
    - 2) Infeasible Operation
  - ii. Improved Efficiency – Retention of units is not in best interest of the residents or the PHA because newer units would be better. (Low-income housing is PH, PBV, or PBRA.) Demonstration that replacement units are preferable will be required.

- iii. Best Interests & Consistency – PHA certifies that determination is appropriate and in best interest. PHA considers need for public housing in USA. Examples of this include:
  - 1. Unit obsolescence
  - 2. Very Small PHAs - < 50 units
  - 3. Comprehensive Rehab or Replacement through RAD. (converting 75% units under RAD & replacing the units [up to 25%] with PBV. These must meet the RAD “Substantial Conversion Requirements”
  - 4. Improved Efficiency – Section 3.A.2 of the Notice applies (Units **must** be on-site)
  - 5. Scattered Sites – non-contiguous buildings of less than four or fewer units.

- B. Disposition Criteria of Non-Dwelling Buildings & Vacant Land – PHA certifies the narrative that buildings & land meet the criteria (24 CFR 970.17[d]) because property exceeds the needs of PHA or is incidental to operations
- C. Commensurate Public Benefit – Dispositions < FMV require a finding of commensurate value on case-by-case basis. Specifically describe the benefits in the SAC application. Use restrictions may be required.



Physical Condition - PHA must demonstrate substantial physical issues that cannot be corrected in a cost-effective manner. CNAs or other documents may be required.



To support a certification of physical obsolescence and cost effectiveness, PHA submits form HUD-52980-A along with a list of detailed work items

- HUD reserves the right to disallow items if more cost-effective choices are available. Certain costs are not allowed to be included. PHA may not include costs due to inflation.
- The fee %'s are maximum amounts for soft costs for rehabs. Percentages are based on hard construction.



***Live Content Slide***

*When playing as a slideshow, this slide will display live content*

**Poll: 10.2 - Which conversion strategy allows Faircloth units?**



Location 24 CFR 970.15(b)(1)(ii) and (b)(2) – PHA demonstrates the location of units causes obsolescence, physical deterioration of the neighborhood. The cost test for obsolescence includes cost to cure



Other Factors 24 CFR 970.15(b)(1)(iii) and (b)(2) PHA demonstrates factors impacting marketability, usefulness or management of units that impede operations supported.

# De Minimis Demolition

- In any 5-year period, the PHA may demolish the lesser of 5 dwelling units or 5% to total PH units without the need for SAC approval provided the resulting space is used to meet the service or other needs of the residents of the residents or the PHA determines the units are beyond repair. Demo criteria of 970.15 does not apply to de minimis demos. Prior to demo, PHA must submit info to HUD via IMS/PIC.



# ACC Closeout Requirements (PIH Notice 2019-13)



# Key Provisions for ACC Closeout

43

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- ACC will terminate only after PHA removes all units and other real and personal property from ACC through an approved methodology
- PHA not closed out units in accordance with PIH Notice 2014-24 or through a memo to a PHA following submission of close-out requirements of Section 6 of this Notice

# Overview of ACC Termination

44

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- PHA submits its IMS/PIC removal application with Form HUD 5837 attached
- PHA submits to HUD a legal opinion certifying compliance with all provisions
- HUD terminates ACC after determination of completion of required steps

# Mandatory Close-out Activities

45

45

- Disposes of all non-dwelling Real Property
- Dispose of Personal Property
- Resolve all outstanding legal issues
- Resolution of Grants and Approvals
- Grant Period of Performance means time during which a PHA may incur new obligations
- Public Housing Audit – Final audit (may be more than one)

# Mandatory Close-out Activities, continued

46

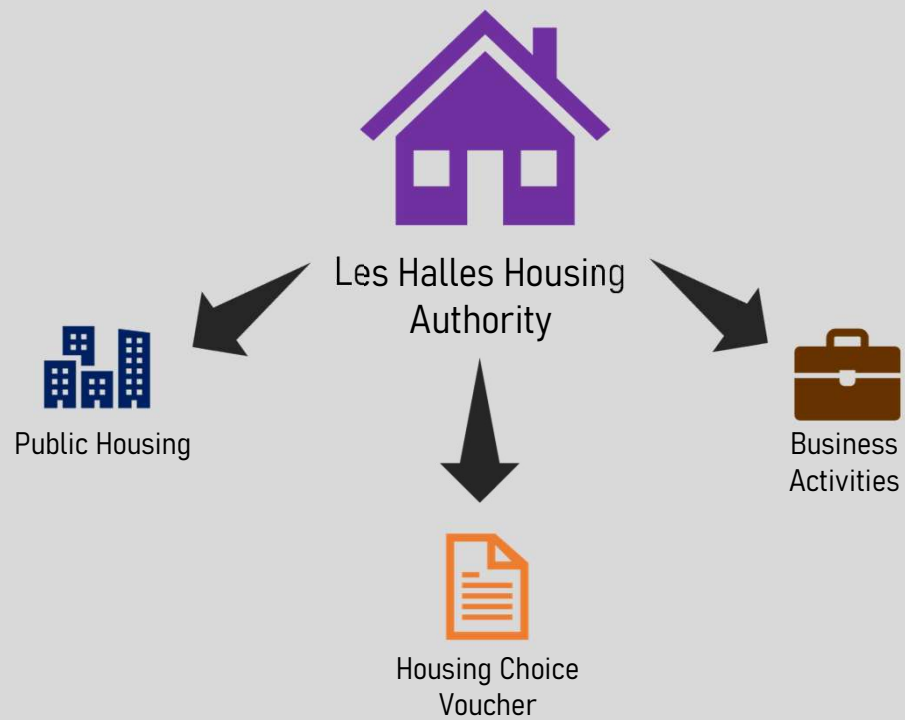
46

- Reconciliation of Public Housing Funds – remaining PH funds returned to HUD , if required
- Reconciliation of Program Income (this is becoming a large issue)
- Reconciliation of disposition proceeds

PHAs must budget close-out costs.

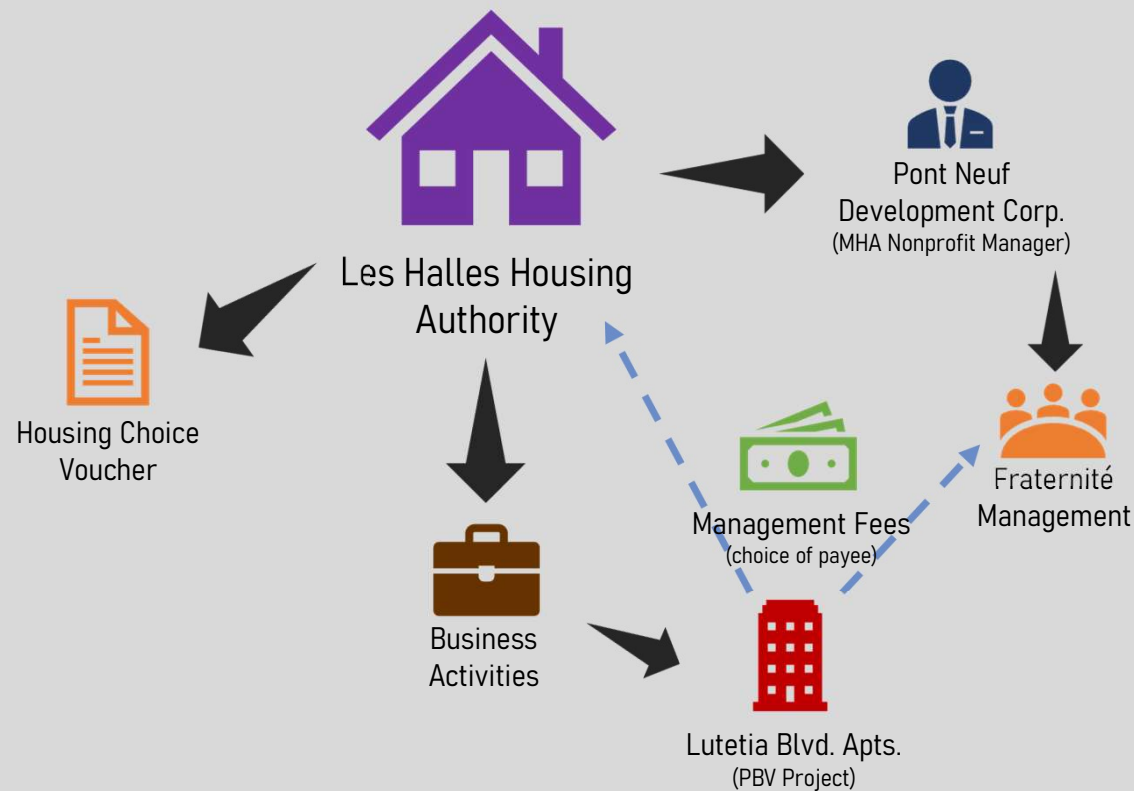
# Organizational Choices for Asset Repositioning





# Asset Reposition, PBV Conversion

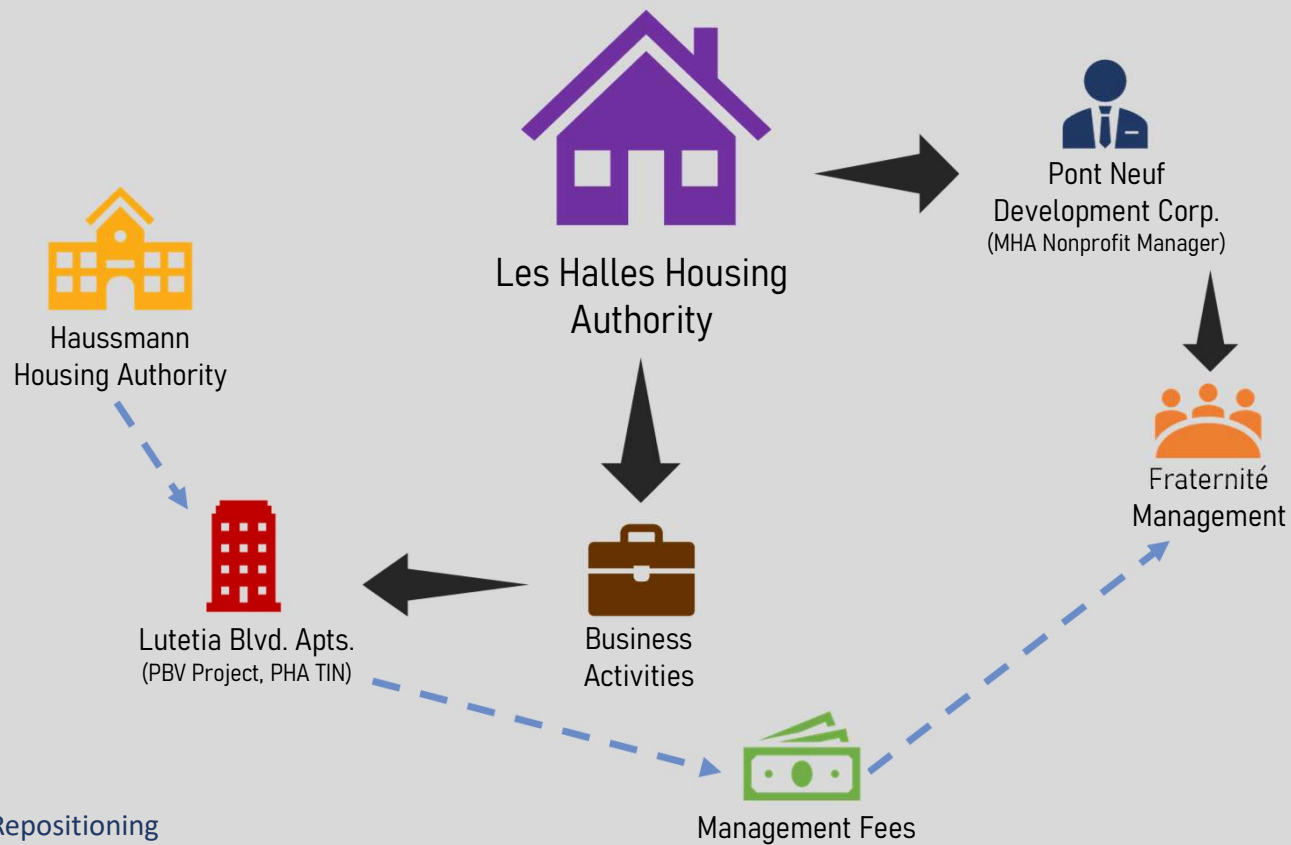
49





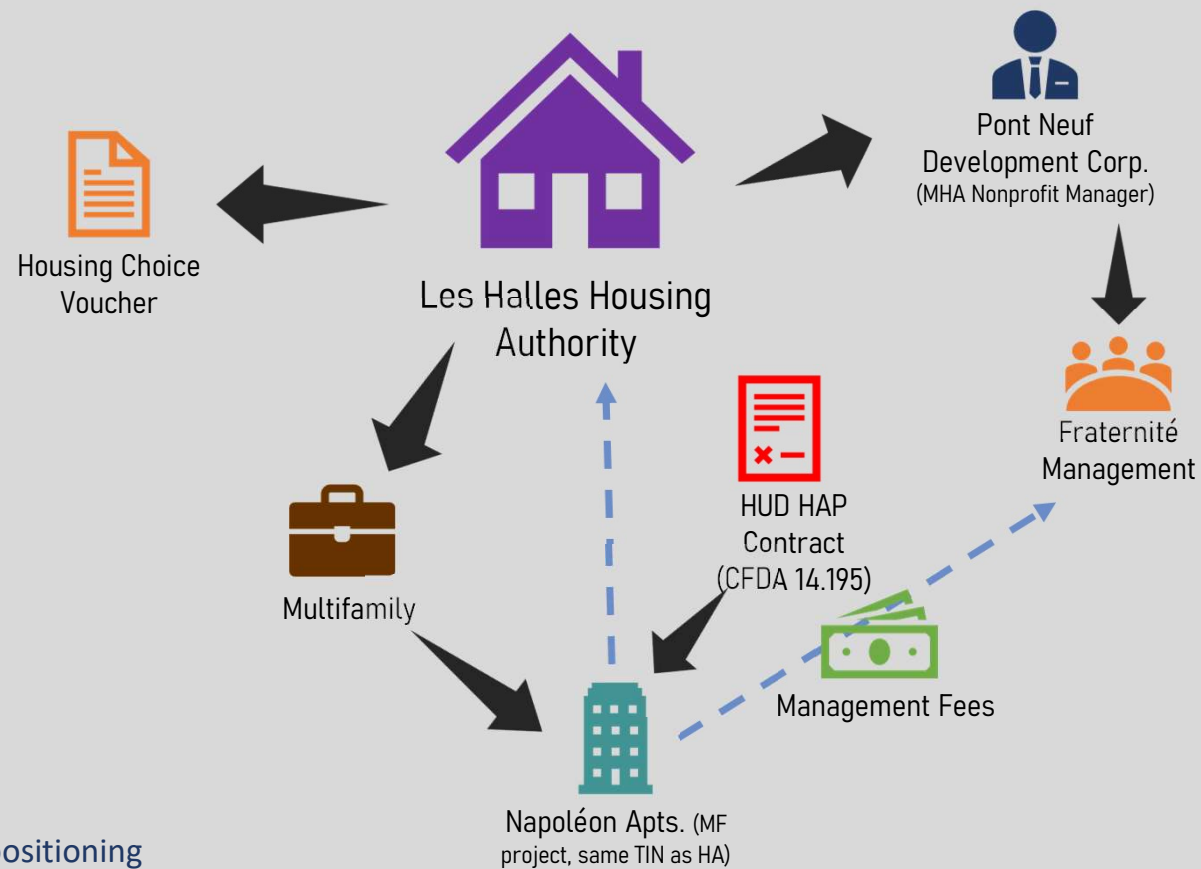
# Asset Reposition, PBV Conversion – NO HCV Program

50



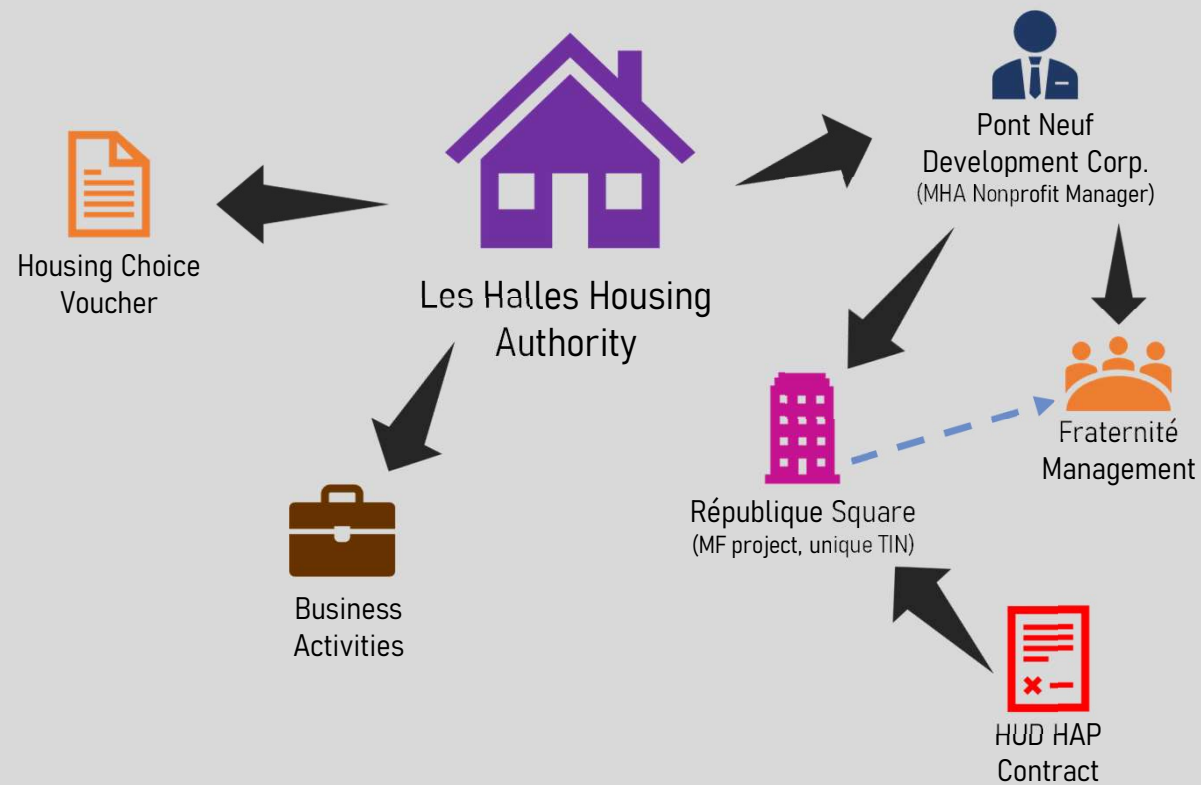
# Simple PBRA Conversion

51



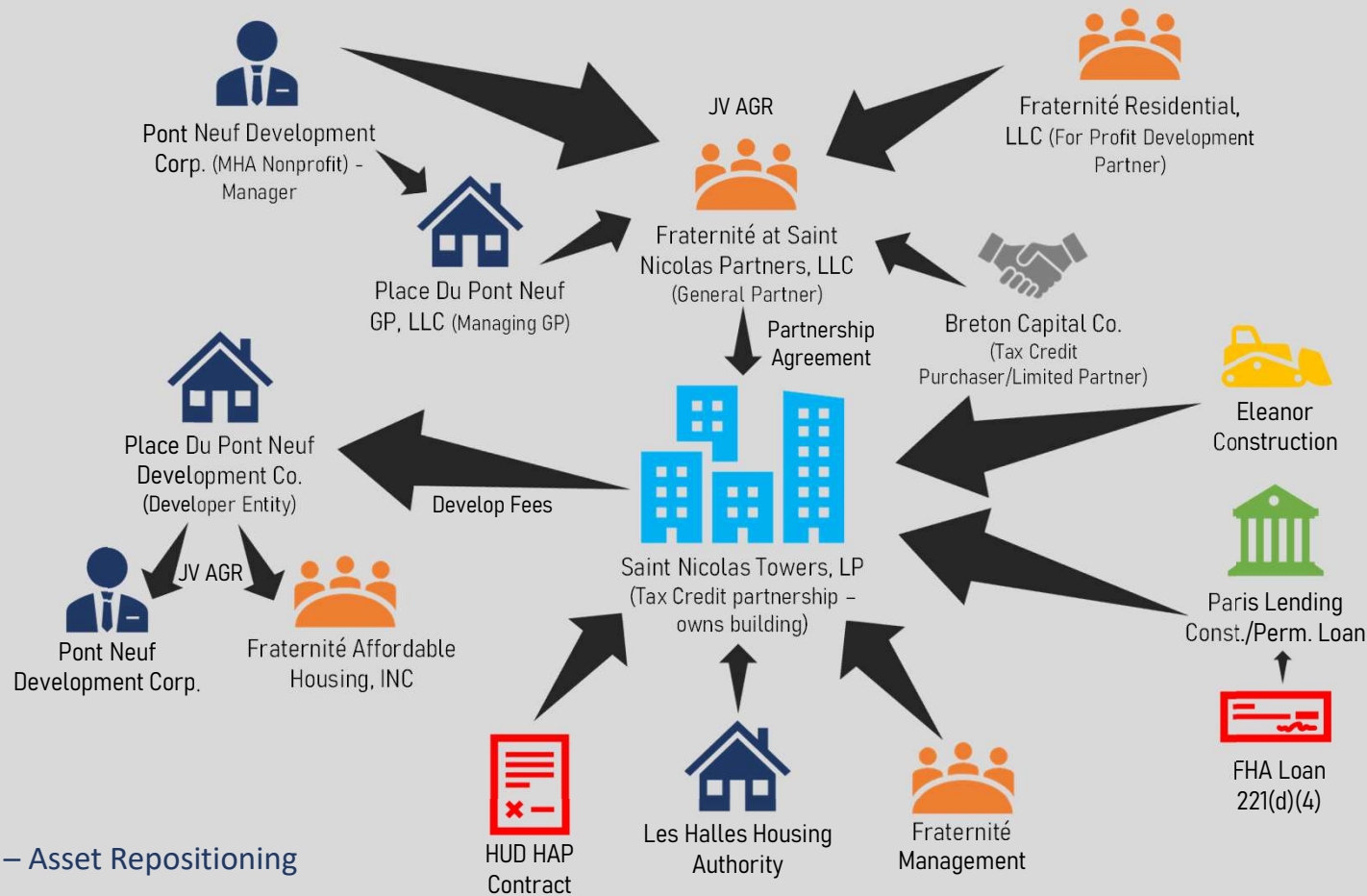
# Simple PBRA Conversion, Type 2

52



# Complex PBRA/PBV Conversion, Type 2

53



### ***Live Content Slide***

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**Poll: 10.3 - Marking the RAD indicator as "Yes" means...?**

- When CHAP is issued, HUD ceases scoring project.
  - Public Housing Assessment System (PHAS). Upon issuance of a CHAP, all public housing units covered by the CHAP shall not be issued scores for the fiscal year in which the CHAP was issued, nor any subsequent fiscal year until such time as conversion.
  - Immediately after the issuance of the CHAP, PHAs must identify the units covered by a CHAP by submitting an application in the Inventory Removals module in PIC as either “RAD Conversion PBV” or “RAD Conversion PBRA.”

## Brief #22 – RAD Indicator, cont'd

- **Remember PIC**– You must submit to PIC that CHAP has been awarded
- RAD indicator must be set to “Y” for scoring and other issues to be reflected appropriately in FASS
- Not currently being done consistently
- CHAP is issued, HUD ceases scoring the project.

# Brief #22 – RAD Indicator, cont'd

My Inbox PHA Info **FDS** DCF Submit Review Submission Edit Flags Reports Logout

BalanceSheet+  
Income Statement+

**PHA Information**

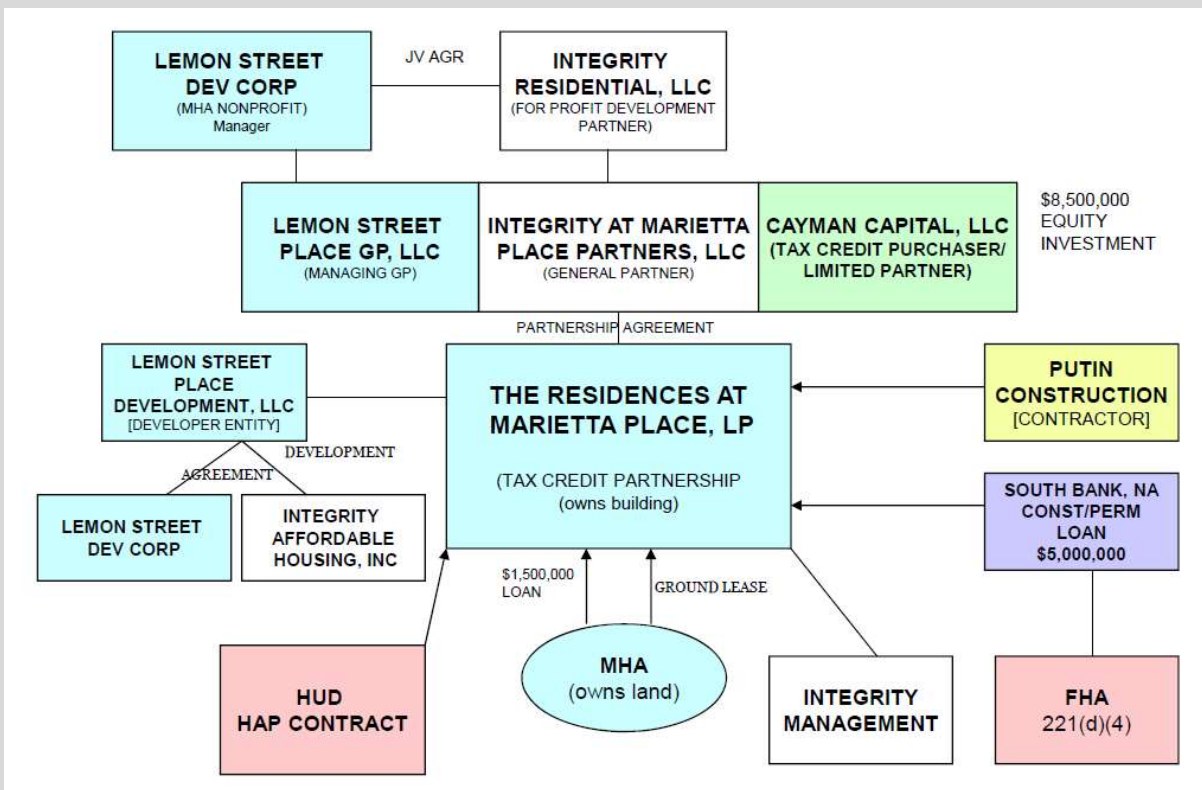
PHA Code:  
PHA Name:  
Submission Type: Unaudited/A-133  
Project Name:  
Project Status: Validated  
Mixed Finance: No **RAD:Yes**  
Select Entity: [Program List](#) [Project List](#) [Other Project](#)

**Income Statement - Project Program Listing**

| CFDA # | Program Name                        | Status           |
|--------|-------------------------------------|------------------|
| 14.872 | Public Housing Capital Fund Program | <u>Validated</u> |
| 14.850 | Low Rent Public Housing             | <u>Validated</u> |



# Ownership Structure Example



- HAP Issuance – Financial Reporting

- Effective date of HAP contract will be 1st day of the month following closing
- Units remain PH until last day of the month of closing
- Owner may not be the PHA, but a separate entity
- Future reporting depends entirely on ownership
- Every transaction is unique. PHA should involve auditor early on (see GASB 61/14)
- 4 possibilities
  - ◆ Business Activity
  - ◆ Multifamily program
  - ◆ Component Unit (blended or discreet)
  - ◆ Not on FDS

# Brief #22 – Reporting, cont'd.

- Component Unit Reporting
  - Legally separate from PHA – unique TIN
  - Two Choices
    - ◆ Discreetly presented (outside of basic financial statements)
    - ◆ Blended (included in PHAs basic statements)
  - Not all transactions will result in component units (referred to as independent 3rd party)
- Use of proceeds from disposition
  - Approved as part of conversion process
  - Unless HUD restricts proceeds, funds may be used for general mission of the PHA
  - Unrestricted cash in either the COCC or Business Activities
  - Any restrictions remain in program

# Brief #22 – Reporting Scenarios

- PBV

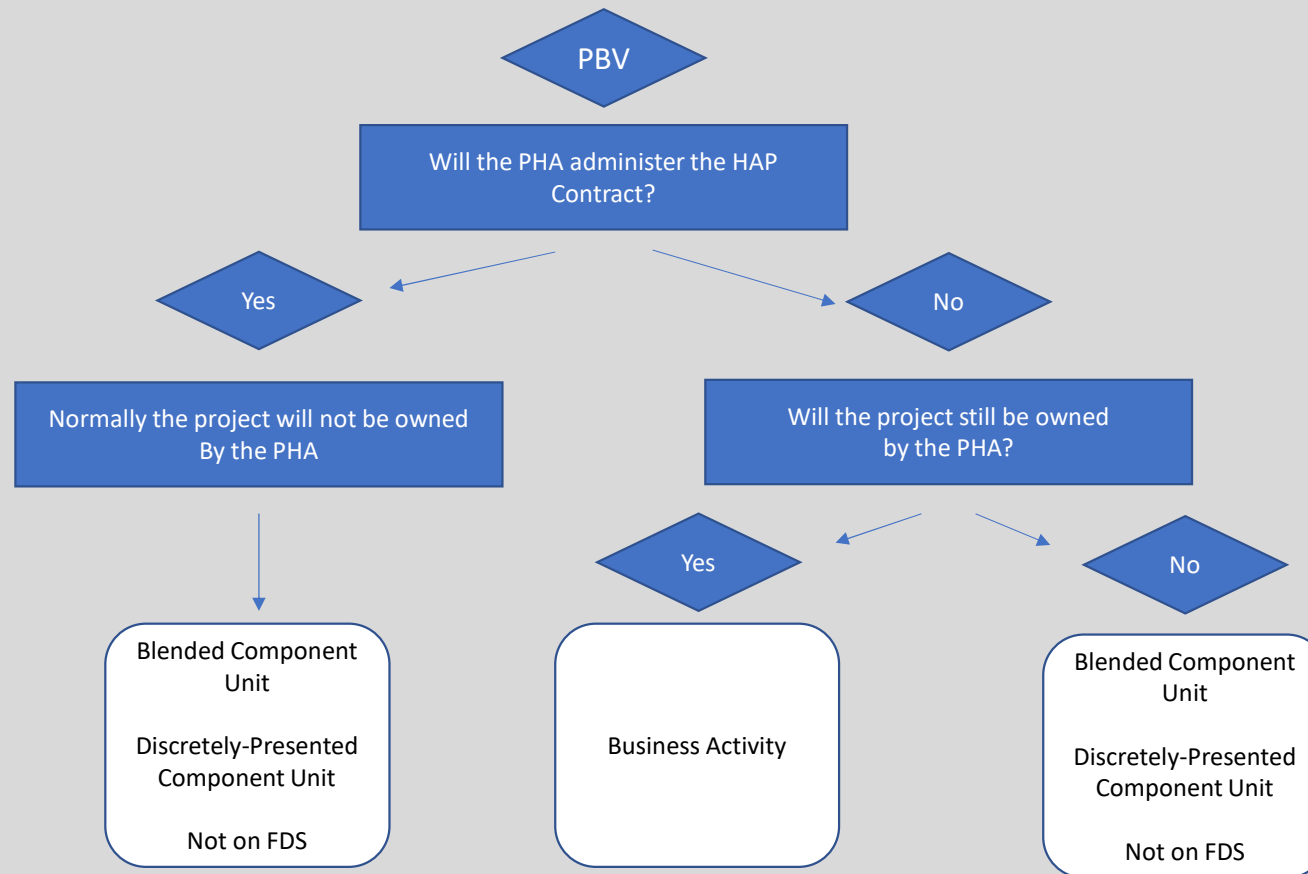
- 3 parties (HUD, Administering PHA, Project Owner)
- ACC with admin PHA
- PHA enters into HAP contract with project
- If project is to be owned PHA, HUD will require that project is disposed of to separate legal entity
  - ◆ Several scenarios – see Notice

- PBRA

- 2 parties (HUD, project owner)
- May be retained under PHA TIN (FDS=Multifamily)
- Separate entity (determine if component unit)

# RAD PBV Reporting Options, cont'd.

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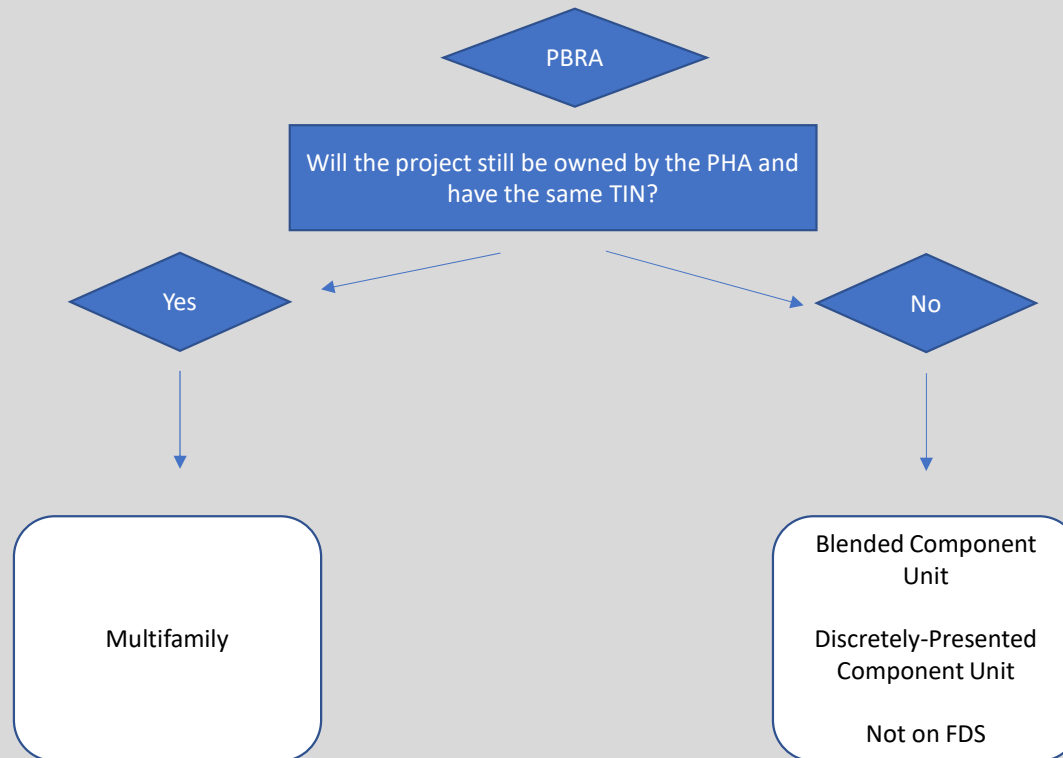
# Brief #22 – Reporting Options

**Table 1. FDS Column Used in Reporting the Project After issuance of a HAP Contract**

| <b>FDS Column Used in Reporting of Project</b> | <b>Business Activities</b>                                                                                                                                                                                                                               | <b>Multifamily Program</b>                                                                                                                     | <b>Component Unit</b>                                                                                                                                                                                                                                                                                                                                                     | <b>Removal from FDS</b>                                                                                                                                                                                                                               |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Typical Structure</b>                       | <ul style="list-style-type: none"> <li>• PHA converts project to PBV</li> <li>• PHA continues to own project</li> <li>• A different PHA administers HAP contract <u>or</u> the PHA has created a separate legal entity to manage the property</li> </ul> | <ul style="list-style-type: none"> <li>• PHA converts project to PBRA</li> <li>• PHA continues to own the project under its own TIN</li> </ul> | <ul style="list-style-type: none"> <li>• PHA converts project to PBV or PBRA</li> <li>• PHA disposes of the project to a legally separate organization; however, the PHA remains financially accountable for this legally separate organization or has a significant relationship with this legally separate organization (see component unit reporting above)</li> </ul> | <ul style="list-style-type: none"> <li>• PHA converts project to PBV or PBRA</li> <li>• PHA disposes of the project to an independent third party with which PHA has no relationship (does not meet component unit reporting requirements)</li> </ul> |

# RAD PBRA Reporting Options, cont'd.

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***Live Content Slide***

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**Poll: 10.4 - A PHA-owned PBRA project (same TIN) will be shown on the FDS in the \_\_\_\_ column?**



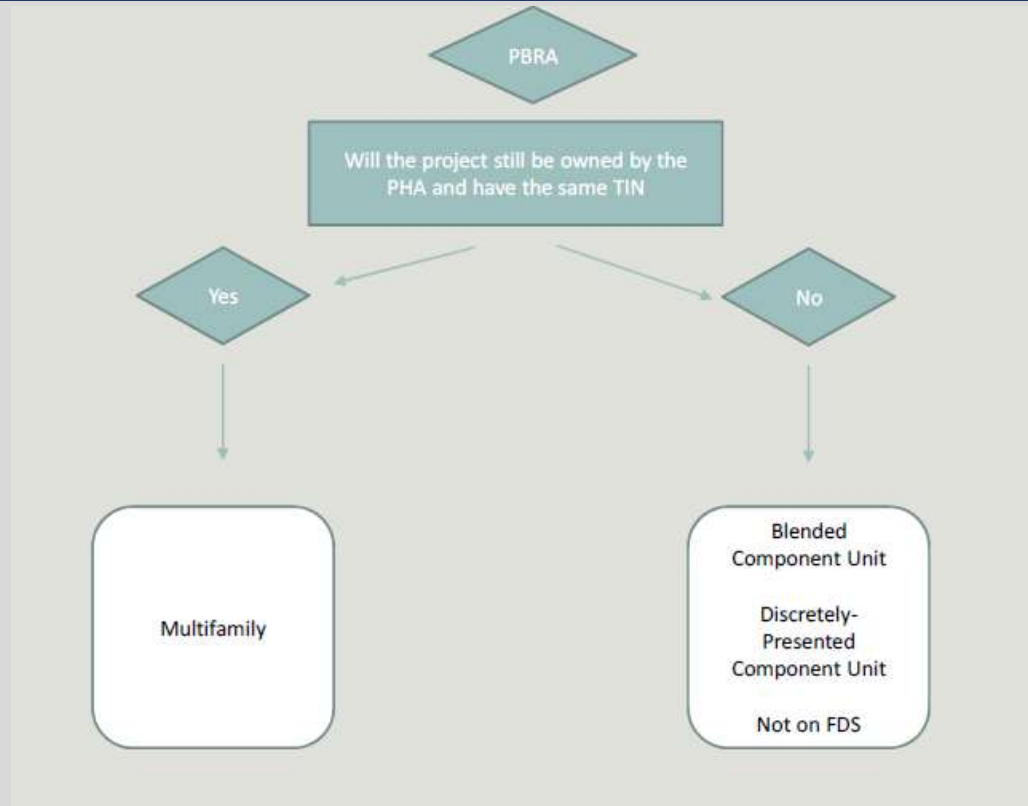
# Brief #22 – Reporting Options, cont'd.

**Table 1. FDS Column Used in Reporting the Project After issuance of a HAP Contract**

| FDS Column Used in Reporting of Project | Business Activities | Multifamily Program                                                                                                                                                                 | Component Unit                                                                                                                                                                                                                                              | Removal from FDS                                                                        |
|-----------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <b>Other Notes</b>                      |                     | <i>The project must also be reported in FASS-Multifamily System (i.e., the project will be reported as part of the PHA's FASS-PH submission and in the FASS-Multifamily System)</i> | <i>For FDS Reporting, the PHA will report the project in FDS column 6.1 Component Unit – Discretely Presented or FDS column 6.2 Component Unit – Blended</i><br><br><i>Projects converting to PBRA must also be reported in the FASS-Multifamily System</i> | <i>Projects converting to PBRA must also be reported in the FASS-Multifamily System</i> |

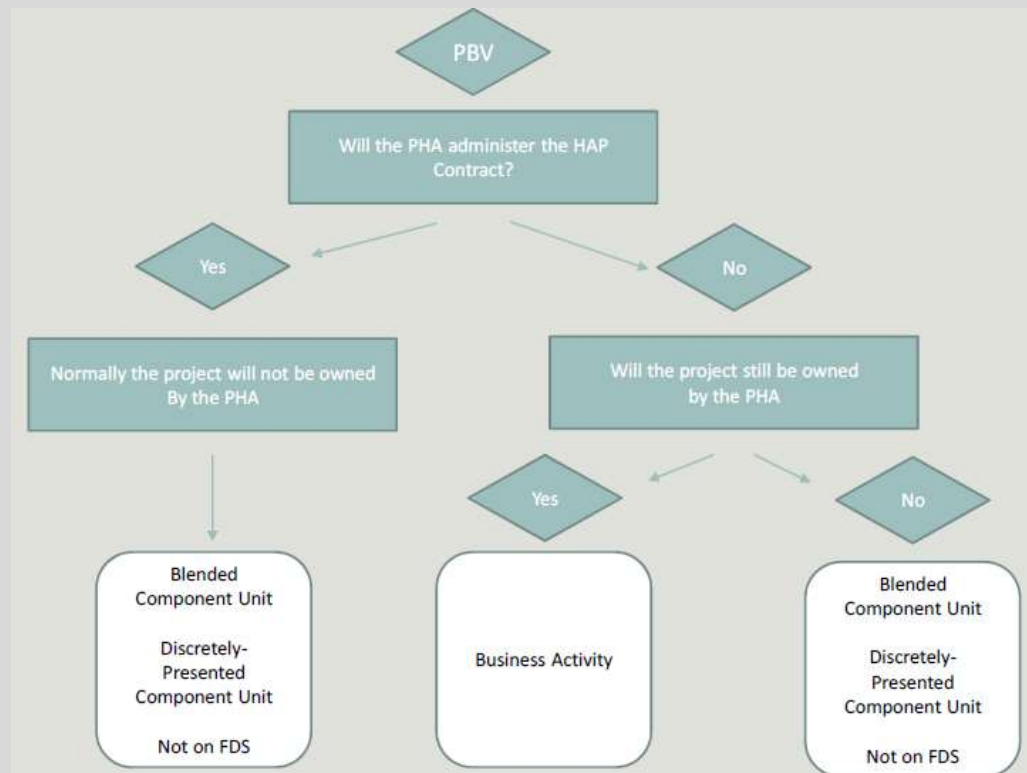
# Component Unit Decision Tree

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# Component Unit Decision Tree

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# RAD Reporting & Eliminations

- Housing Authority converts to RAD mid fiscal year. First 9 months are Public Housing last 3 months are PBV. The project is disposed to a Blended Component Unit (BCU). As of year end all assets, liabilities, and net position would be transferred to BCU.

|       | Public  | Blended |             |        |
|-------|---------|---------|-------------|--------|
| FDS   | Housing | CU      | Elimination | Totals |
| 70600 | 12,000  |         |             | 12,000 |
| 70800 | -       | 3,000   | (3,000)     | -      |
| 97300 | (3,000) |         | 3,000       | -      |
|       | 9,000   | 3,000   | -           | 12,000 |

# RAD Reporting & Discreet CU

- Housing Authority converts to RAD mid fiscal year. First 9 months are Public Housing last 3 months are PBV. The project is disposed to a Discretely-Presented Component Unit (DCU). As of Year End all Assets, Liabilities, and Net Position would be transferred to DCU.

| FDS   | Public<br>Housing | Discretely<br>DCU | Elimination | Totals  |
|-------|-------------------|-------------------|-------------|---------|
| 70600 | 12,000            |                   |             | 12,000  |
| 70800 | -                 | 3,000             |             | 3,000   |
| 97300 | (3,000)           |                   |             | (3,000) |
|       | 9,000             | 3,000             | -           | 12,000  |
|       |                   |                   |             |         |

# Brief #22 – After CHAP Issuance

- At contract issuance, project is transferred from PH
- Project receives PH funds through calendar year end
- After conversion follow new program
- Partial conversions have special rules
- RAD indicator remains from CHAP issuance until contract signing

# Brief #22 – P&L and Balance Sheet

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- Revenues
  - Before conversion – in PH program
  - After conversion – in appropriate new program
- Equity out – determined at time of conversion and transferred to new program
  - 11040 – if transferred to program inside PHA
  - 10080 – If disposing to component unit of 3rd party
- Equity in
  - 11040 – if inside the PHA
  - 10080
- Some potential disagreement “special” treatment in basic statements
- HUD requires 10080 for FDS

# RAD Required Transfers

| FDS Column Project is Reported                                                                                   | Business Activity                                                                | Multifamily                                                                      | Blend Component Unit                     | Discretely-Presented Component Unit      | Not on FDS                               |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|
| Removal of Project from Declaration of Trust and ACC (Issuance of HAP)                                           |                                                                                  |                                                                                  |                                          |                                          |                                          |
| What FDS line item should be used in the PHA project column when transferring the project out of Public Housing? | Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors | Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors | Line 10080 Special Items (Net Gain/Loss) | Line 10080 Special Items (Net Gain/Loss) | Line 10080 Special Items (Net Gain/Loss) |
| What FDS line item should be used in the new applicable program when receiving the project?                      | Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors | Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors | Line 10080 Special Items (Net Gain/Loss) | Line 10080 Special Items (Net Gain/Loss) | N/A                                      |
| Do entries need to be eliminated via the elimination column                                                      | Yes                                                                              | Yes                                                                              | Yes                                      | No                                       | No                                       |



## Brief #22 – HAP Issuance – Funding

- Project undergoing conversion will be funded with Operating and Capital Funds for entire year in which HAP is issued
- Revenue reported PH program for entire calendar year (not fiscal year)
- Funds received after conversion, but before calendar year end will be expensed with one of the following accounts:
  - Out
    - ◆ 10094 – Transfers Between Project and Program-Out (within PHA)
    - ◆ 97300 – Housing Assistance Payments (outside PHA)
  - In
    - ◆ 10093 – Transfers Between Project and Program-In (within PHA)
    - ◆ 70800 – Other Government Grants (outside PHA)

# Brief #22 – Post Closing

- Funding – at start of next calendar year funding is from new program
- PBRA
  - Ongoing interest – component unit
  - No interest – not reported
  - Reported separately in Multifamily system (may be reported in both depending on ownership, usually TIN)
  - If over \$500,000 (\$750,000 under new Single Audit rules), will require audit
  - Consult Account Brief #22, as well as your auditor

# Brief #22 – Post Closing

- PBV – administered through PHA
  - May require establishment of separate management entity
  - Next calendar year requires no special reporting
    - ◆ Revenues – 70600 – HUD Operating Grants
    - ◆ Expenses – 97300 – Housing Assistance Payments (even if blended component unit)
    - ◆ Revenue and expense are eliminated

# Brief #22 – Partial Conversion

- For year of issuance there is no difference from a full conversion
- After conversion, converted buildings transferred to new program
- Remaining buildings remain in PH
- RAD indicator remains checked through conversion
- After conversion RAD indicator is removed

# Notes:

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# FASS - PH

Spring/Summer 2022

## Session 11: FDS Submission Upload Tool



# Introduction

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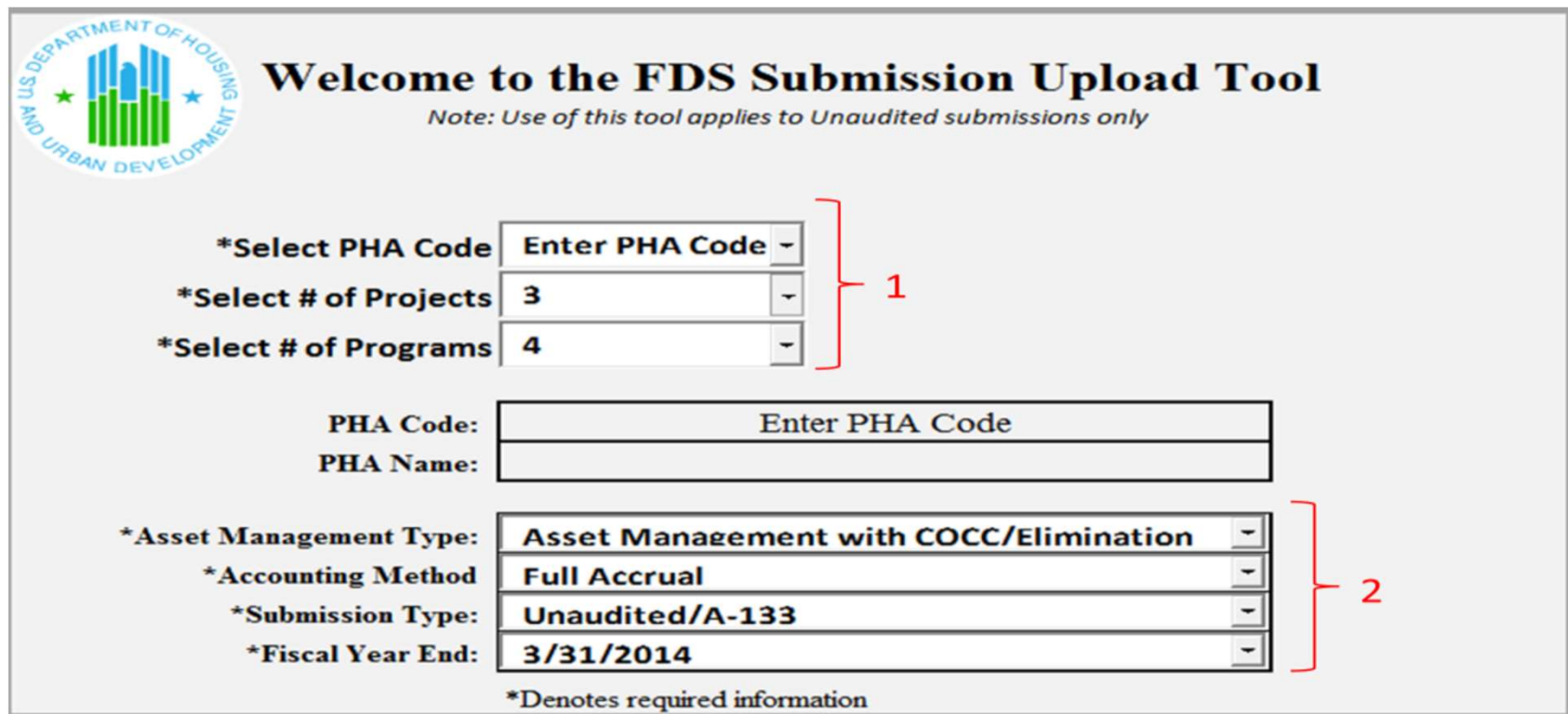
- Excel-based template for all PHAs
- Used for unaudited submissions only
- All programs, including COCC
- Data entered offline in spreadsheet then uploaded to REAC
- Download from FASS-PH website
- Must be saved in .xls (Excel 97-2003 format)



# Steps For Uploading Spreadsheet

3

- Using Dropdown menus populate spreadsheet



The screenshot shows the 'Welcome to the FDS Submission Upload Tool' interface. It includes the U.S. Department of Housing and Urban Development logo and a note: 'Note: Use of this tool applies to Unaudited submissions only'. The form contains several dropdown menus and text input fields. A red bracket labeled '1' groups the first three dropdowns: '\*Select PHA Code' (with 'Enter PHA Code' selected), '\*Select # of Projects' (with '3' selected), and '\*Select # of Programs' (with '4' selected). Another red bracket labeled '2' groups the last four dropdowns: '\*Asset Management Type' (with 'Asset Management with COCC/Elimination' selected), '\*Accounting Method' (with 'Full Accrual' selected), '\*Submission Type' (with 'Unaudited/A-133' selected), and '\*Fiscal Year End' (with '3/31/2014' selected). Below these are two text input fields: 'PHA Code:' and 'PHA Name:', both containing 'Enter PHA Code'. A footer note states '\*Denotes required information'.

**Welcome to the FDS Submission Upload Tool**  
*Note: Use of this tool applies to Unaudited submissions only*

**\*Select PHA Code** Enter PHA Code ▾  
**\*Select # of Projects** 3 ▾  
**\*Select # of Programs** 4 ▾

PHA Code: Enter PHA Code  
PHA Name: Enter PHA Code

**\*Asset Management Type:** Asset Management with COCC/Elimination ▾  
**\*Accounting Method** Full Accrual ▾  
**\*Submission Type:** Unaudited/A-133 ▾  
**\*Fiscal Year End:** 3/31/2014 ▾

\*Denotes required information



# Complete Data Entry

4

- Enter DCF and FDS data on the worksheet

| FDS Line Item | Description               | Total       | xxxxx000001 | xxxxx000001 | xxxxx000002 | xxxxx000002 |
|---------------|---------------------------|-------------|-------------|-------------|-------------|-------------|
|               |                           |             | 14.850      | 14.872      | 14.850      | 14.872      |
| 70300         | Net Tenant Rental Revenue | \$1,000,000 | \$500,000   |             | \$500,000   |             |
| 70400         | Tenant Revenue - Other    | \$0         |             |             |             |             |
| 70500         | Total Tenant Revenue      | \$1,000,000 | \$500,000   | \$0         | \$500,000   | \$0         |
|               |                           |             |             |             |             |             |
| 70600         | HUD PHA Operating Grants  | \$1,100,000 | \$500,000   | \$50,000    | \$500,000   | \$50,000    |
| 70610         | Capital Grants            | \$0         |             |             |             |             |
| 70710         | Management Fee            | \$0         |             |             |             |             |
| 70720         | Asset Management Fee      | \$0         |             |             |             |             |
| 70730         | Book Keeping Fee          | \$0         |             |             |             |             |
| 70740         | Front Line Service Fee    | \$0         |             |             |             |             |
| 70750         | Other Fees                | \$0         |             |             |             |             |
| 70700         | Total Fee Revenue         | \$1,100,000 | \$500,000   | \$50,000    | \$500,000   | \$50,000    |

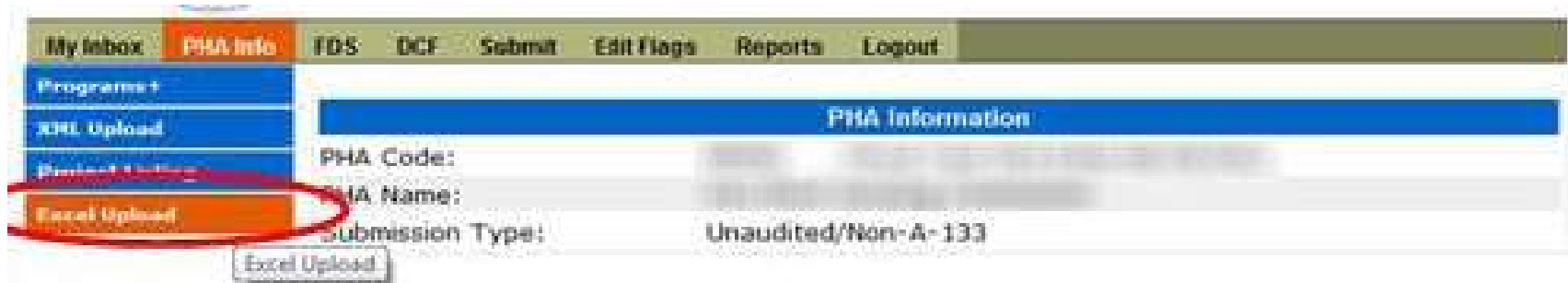
- See Spreadsheet Sample



# Upload Submission to REAC

5

- Log in FASS-PH and create a blank submission
- Complete the PHA Information Section
  - Start as a “Blank Submission”
  - Then click “Save”
  - Select “Excel Upload” from menu



The screenshot shows the FASS-PH interface. At the top is a navigation bar with links: My Inbox, PHA Info (highlighted in orange), FDS, DCF, Submit, Edit Flags, Reports, and Logout. On the left is a sidebar menu with options: Programset, JHL Upload, PHA Info, and Excel Upload (highlighted in orange and circled with a red line). The main content area is titled 'PHA Information' and contains the following fields: PHA Code: (with a dropdown menu), PHA Name: (with a text input field), and Submission Type: (with a dropdown menu showing 'Unaudited/Non-A-133'). Below the Submission Type field is a button labeled 'Excel Upload'.

# Upload Submission to REAC, cont'd

6

- Attach the file by clicking “Browse” and select the file

The screenshot displays the REAC FDS Submission Upload Tool interface. At the top, there is a navigation bar with tabs: My Inbox, PHA Info (selected), FDS, DCF, Submit, Edit Flags, Reports, and Logout. Below the navigation bar, on the left, is a sidebar with links: Programs, XML Upload, Project Listing, and Excel Upload. The main content area shows the 'PHA Information' section with the following details:

- PHA Code: [Redacted]
- PHA Name: [Redacted]
- Submission Type: Unaudited/Non-A-133

Below the PHA Information section, there is a table with the following structure:

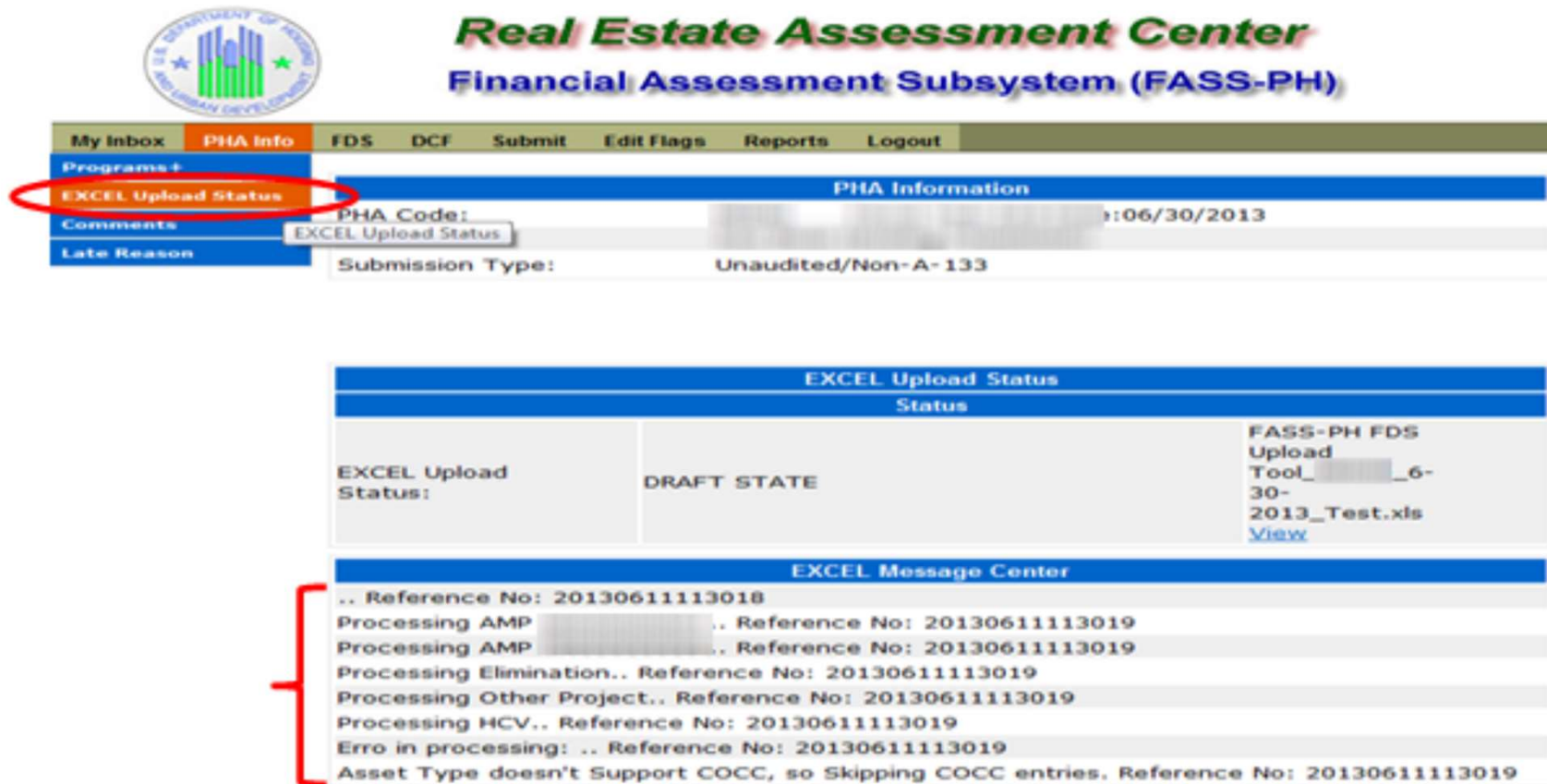
| Element#   | Description             | Value                                                                                                              |
|------------|-------------------------|--------------------------------------------------------------------------------------------------------------------|
| EXCEL_LOAD | Upload EXCEL Submission | <div><input type="button" value="Browse..."/><br/><input type="text" value="Upload File(Max size is 30MB)"/></div> |

The row for 'EXCEL\_LOAD' is circled in red, highlighting the 'Browse...' button and the 'Upload File(Max size is 30MB)' text box.

# Upload Submission to REAC, cont'd

7

- Click “Excel Upload Status” to review faults



**Real Estate Assessment Center**  
**Financial Assessment Subsystem (FASS-PH)**

My Inbox PHA Info FDS DCF Submit Edit Flags Reports Logout

Programs+  
**EXCEL Upload Status**  
Comments  
Late Reason

PHA Information  
PHA Code: [REDACTED] :06/30/2013  
EXCEL Upload Status  
Submission Type: Unaudited/Non-A-133

**EXCEL Upload Status**  
Status

|                      |             |                                                                    |
|----------------------|-------------|--------------------------------------------------------------------|
| EXCEL Upload Status: | DRAFT STATE | FASS-PH FDS Upload Tool_6-30-2013_Test.xls<br><a href="#">View</a> |
|----------------------|-------------|--------------------------------------------------------------------|

**EXCEL Message Center**

.. Reference No: 20130611113018  
Processing AMP .. Reference No: 20130611113019  
Processing AMP .. Reference No: 20130611113019  
Processing Elimination.. Reference No: 20130611113019  
Processing Other Project.. Reference No: 20130611113019  
Processing HCV.. Reference No: 20130611113019  
Error in processing: .. Reference No: 20130611113019  
Asset Type doesn't Support COCC, so Skipping COCC entries. Reference No: 20130611113019



# Final Upload Procedures

8

- Once file is uploaded, it will so indicate in the status.
- Once upload is successful, data can be modified or changed.
- Other items such as G4100-040 “Total Federal Awards Expended” will need to be entered manually after upload.
- Normal validation and completion procedures must be completed under existing procedures.

