



FASS - PH  
Spring/Summer 2020



# 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

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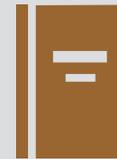
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## Ground Rules

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- Please turn off cell phones
- Please ask questions
- Zoom automatically mutes participant microphones to avoid ambient noise (like barking dogs)
- Materials are available at the supplied link



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# 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	1404	36%	2,690,261	74%	1916
2	Public Housing Only	1655	43%	225,764	6%	136
3	Section 8 Only	794	21%	707,647	20%	891
	<b>Total</b>	<b>3853</b>	<b>100%</b>	<b>3,623,672</b>	<b>100%</b>	<b>940</b>

- Nationally, there are 3,854 PHAs that administer almost 3.6 million PH units and Housing Choice Vouchers.
- Nationally 74% of all PHAs (2,863 of 3,854) have Public Housing program.
- Nationally 57% of all PHAs (2,198 of 3,854) have the Housing Choice Voucher program.
- There are 39 Moving-to-Work PHAs nationally; most have both the PH and HCV programs.

# Portfolio Snapshot: PH Program

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Public Housing Inventory							
#	PH Size Category	PHA Count	% of PHAs	Low Rent Only	# of Units	% of Units	Average # of Units
1	Less than 50 units	734	26%	608	21,402	2%	29
2	50 – 249 units	1433	50%	827	169,215	19%	118
3	250 – 400 units	294	10%	92	92,091	10%	313
4	401 – 1,250 units	291	10%	37	191,097	22%	657
5	More than 1,250 units	110	4%	7	405,726	47%	3688
	<b>Total</b>	<b>2,862</b>	<b>100%</b>	<b>1,655</b>	<b>879,531</b>	<b>100%</b>	<b>307</b>

- Count excludes 196 PHAs who list as Low Rent or combined but have no units shown

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# Portfolio Snapshot: HCV Program

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Section 8 Inventory							
#	Section 8 Size Category	PHA Count	% of PHAs	Section 8 Only	# of Vouchers	% of Vouchers	Average # of Vouchers
1	Less than 50 vouchers	150	7%	64	4,355	<1%	29
2	50 – 249 vouchers	768	35%	328	103,669	5%	135
3	250 – 400 vouchers	277	13%	94	87,729	3%	313
4	401 – 1,250 vouchers	593	27%	198	423,733	16%	709
5	More than 1,250 vouchers	410	18%	105	1,949,058	76%	4,754
	<b>Total</b>	<b>2198</b>	<b>100%</b>	<b>789</b>	<b>2,568,544</b>	<b>100%</b>	<b>1,169</b>

- Nationally, the HCV program is the larger of the two federal housing programs with PHAs managing almost 2.6 million vouchers or 71% of all units (compared to 1.0 million public housing units).

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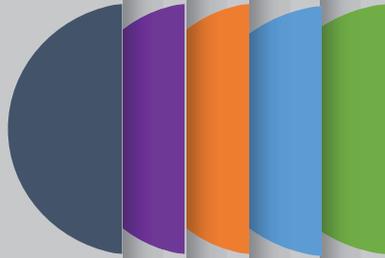


## Common PHA Findings

### Insufficient Internal Controls

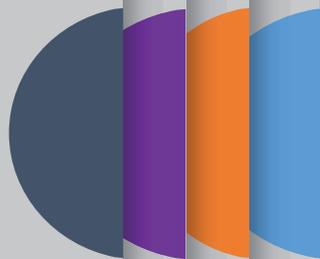
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- Misuse use of **credits cards, petty cash and vehicles**
- Lack of **internal control policies** or policies were not followed
  - **Travel** policies were not followed
- Improper use / monitoring of **times sheets** resulting in overpayment of unused 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**



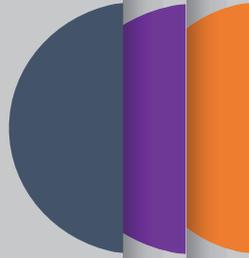
## Ineligible Program Expenses

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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

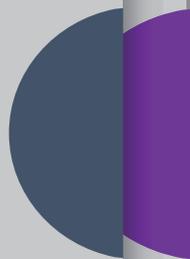
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**Lack of supporting documentation** for transactions, such as a vendor payment



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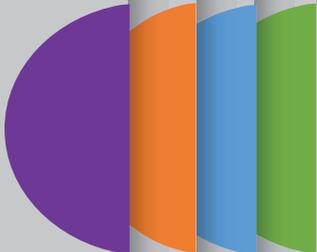
**Procurement policy** was not followed or needs to be updated



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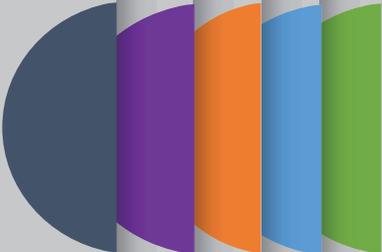


# Use of funds for personal use



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# Unreasonable salaries



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# Improper Financial Management

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## ● 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.

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# Rent Calculations and Tenant Files

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## ● 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

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# Rent Calculations and Tenant Files (continued)

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

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

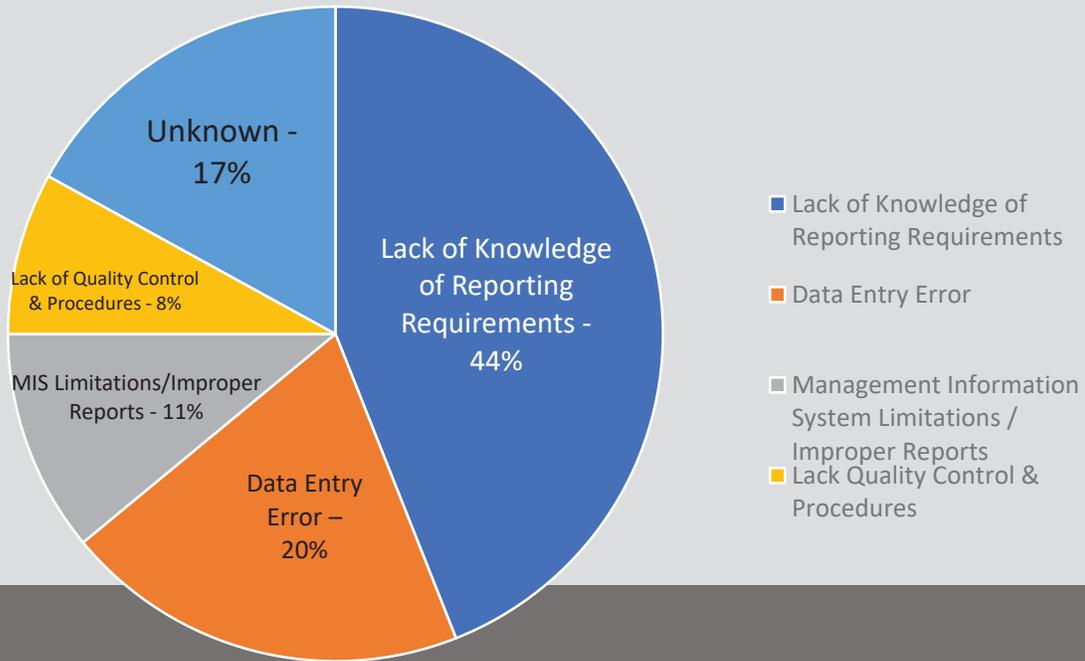
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- Report concluded that there was a high risk associated with small and very small PHAs.
- Of the 26 PHAs that were reviewed, 24 had common violations of HUD and other requirements
  - Did not have adequate financial controls (18 housing agencies); including misuse of funds, financial conflicts of interest, and other similar issues, some of which resulted in criminal charges
  - 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)

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- QAD Review Results – Root Cause of PHA Reporting Errors



## Program Requirements

# Program Requirements

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- **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.** Further guidance to administer the programs, best practices, examples, safe harbors

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# Program Requirements

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- Other Federal regulation
  - OMB (2 CFR 200)
  - Labor (Employee Management and Pay)
  - IRS (Tax Credits, Non-profits)
- State and local law
- Operating budget
- PHA policy
- The strictest guidance must be followed

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- Requires PHA to operate all projects covered under the ACC in accordance with requirements listed in the following:
  - ACC Contract
  - Title 24 of the Code of Federal Regulations
  - Additional HUD Notices (PIH Notices, etc.)
- A Number of Important Financial Provisions
  - Depository Agreement
  - Establishment of General Fund
  - Further defines program income
  - Defines allowable investments
  - Defines insurance requirements
  - Limits payments to board members
  - Provide for government access to PHA's books and records
  - Requires cooperative agreement with local government body
  - Provides for HUD remedies for non-compliance
- Currently being re-issued

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## 2 CFR 200 & Eligible Costs

- Office of Management and Budget Regulation (**most requirements not new**)
  - The purpose of the regulation is to provide uniform administrative requirements, cost principles, and audit requirements for Federal awards to all non-Federal entities.
  - Merged and updated various OMB circulars into one rule, most notably, the following guidance are now part of 2 CFR 200:
    - ◆ 24 CFR 85 (Common Rule)
    - ◆ OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments)
    - ◆ OMB Circular A-133 (Audits of States, Local Governments, & Non-Profit Organizations)
  - Official Title of 2 CFR 200: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
    - ◆ Referred to as “Uniform Guidance” and the “Single Audit Act”

- Must be necessary and reasonable for efficient administration of Federal awards
- 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 adequately documented
- 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
- Cost must be reasonable such that the cost does not exceed that which would be incurred by a prudent person.
  - Consideration will be given to the following factors:
    - ◆ Cost is ordinary and necessary;
    - ◆ Sound business practices, arms length transaction; and
    - ◆ Whether the individuals involved acted with prudence in their responsibility to the governmental unit

# 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		<b>Paramount 72" Desk Gray - \$250</b> Description - 1 inch thick scratch resistant laminate work surfaces; 2-3/16" diameter cable management opening and modesty panel and adjustable leveling glides.
2		<b>The Harbor View L-desk - \$500</b> 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		<b>Sauder Executive Office Set - \$2,000</b> 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		<b>Belmont L-Shape Executive Desk - \$4,500</b> 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.

# 2 CFR 200 – Specific Ineligible Costs

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- Automobiles
  - That portion of automobile costs furnished by the PHA that relates to personal use by employees (including transportation to and from work) is unallowable.
- Alcoholic Beverages
  - Costs of alcoholic beverages are unallowable.
- Entertainment Costs
  - Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable.
- 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 unallowable.
- Goods or services for personal use
  - Costs of goods or services for personal use of the PHA's employees are unallowable.
- Interest
  - Interest costs for interest on borrowed capital are unallowable.
  - Interest costs for the acquisition or replacement of capital assets are allowable.

# Cost Allocation Plan

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- 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

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# Example of Cost Allocation

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Cost Driver

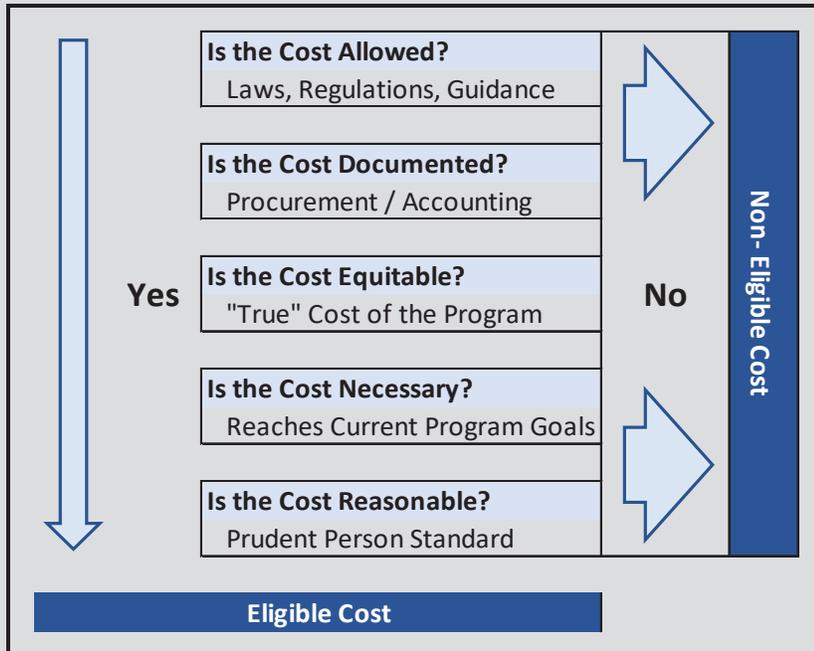
Indirect Cost and Overhead Cost

Allocated Costs

Description	Number of Units	% of Units	Monthly Charge to Program
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 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).





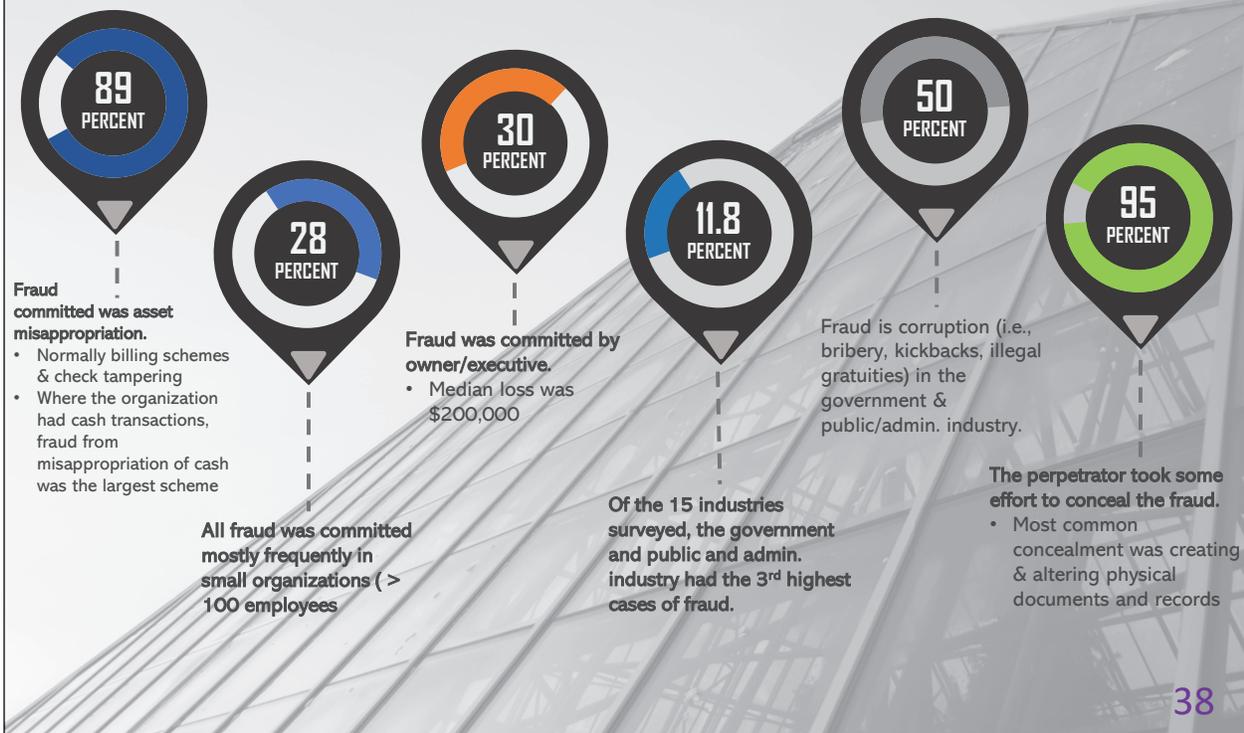
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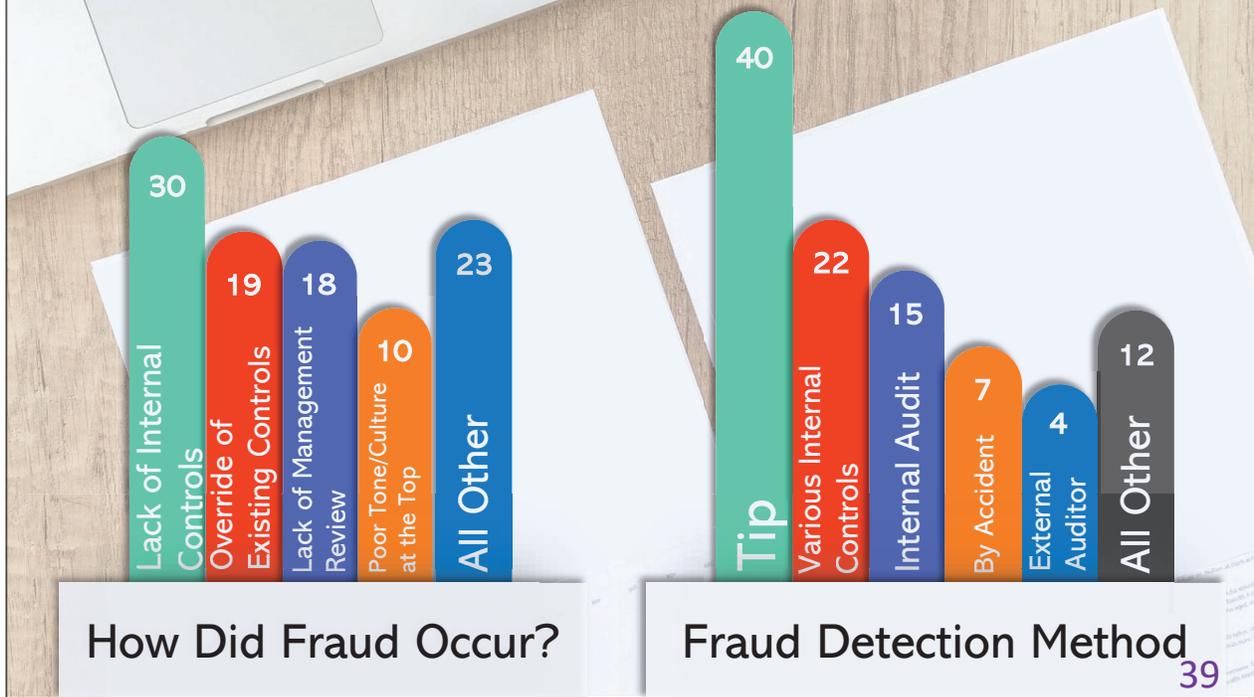
## Waste, Fraud, and Abuse

- Let's look at a recent OIG report that reported over \$16,000 in proved fraud and another \$94,000 in suspected fraud
- [DE-ReportRedacted.pdf](#)
- Zoom Poll

## Association of Certified Fraud Examiners – 2018 National Report



# Association of Certified Fraud Examiners - 2018 Report on Fraud



## 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

- 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.

- 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?**

**How?**

**How should the purchase have occurred.**

**Add your thoughts to the Chat feature in Zoom.**

## Deterrents to Waste, Fraud and Abuse

- 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)

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## 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 an individual or a few individuals?
- (See Handout 2)

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# The Financial Management Concept

## What is Financial Management?

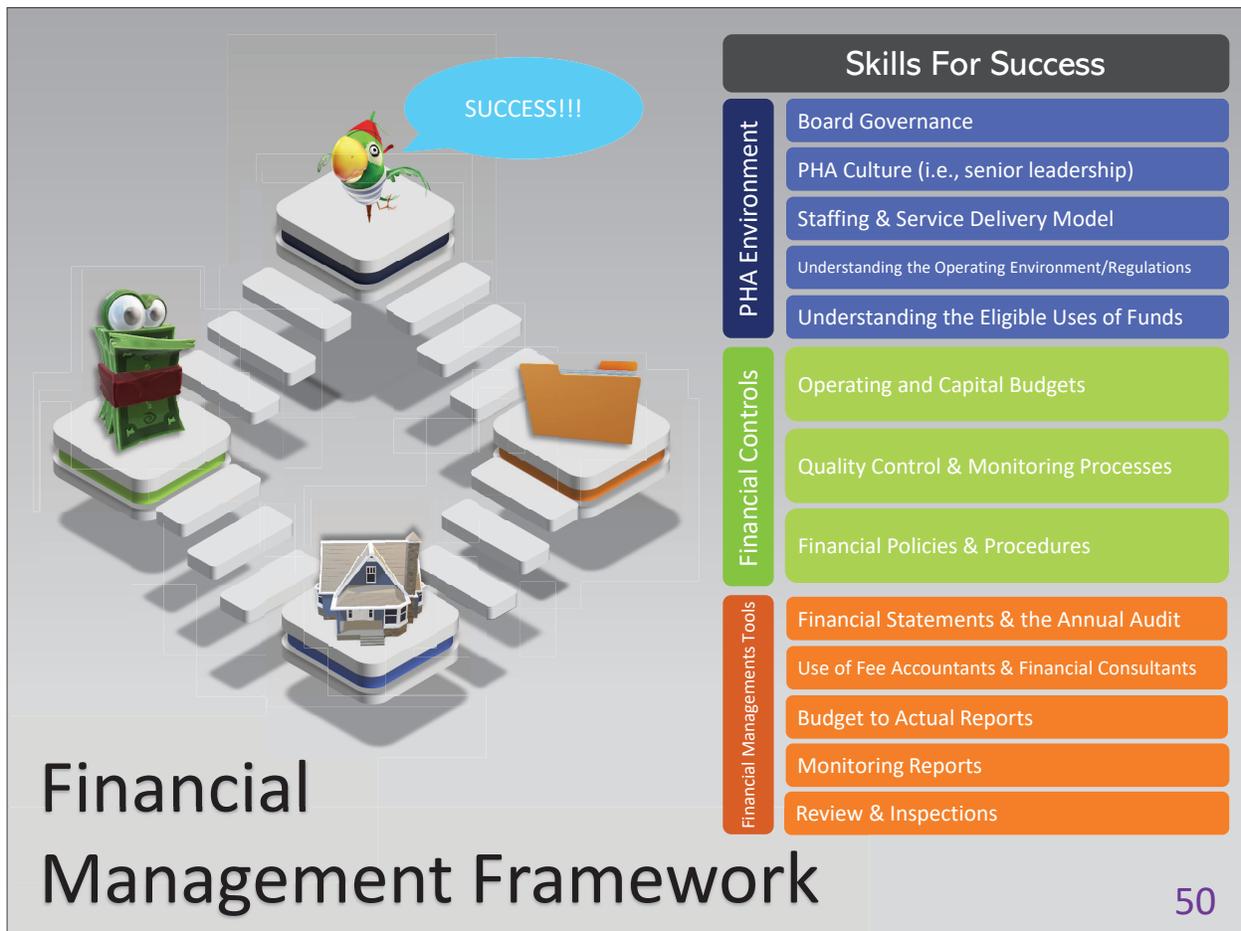
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- Financial Management refers to the planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization.
- Objectives of Financial Management
  - To ensure a regular and adequate supply of funds
  - To ensure 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

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## 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

# Revised Submission Due Dates

## Financial Reporting Schedule Due Dates

PHAs with a FYE of June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 for submitting **audited** statements:

FYE	Due Date	Extended Due Date
6/30/2019	3/31/2020	9/30/2020
9/30/2019	6/30/2020	12/31/2020
12/31/2019	9/30/2020	3/31/2021
3/31/2020	12/31/2020	6/30/2021

PHAs with a FYE of December 31, 2019 and March 31, 2020 **unaudited** statements:

FYE	Due Date	Extended Due Date
12/31/2019	2/29/2020	8/31/2020
3/31/2020	5/31/2020	11/30/2020

# Extension Request

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- Request additional time for an unaudited submission
- Request is due 15 days prior to the due date

The screenshot shows the 'Integrated Assessment Sub System' interface. At the top, there is a navigation menu with 'Individual Reports', 'Correspondence', and 'Administrative'. Below this is the 'PHA Extension Request' form. The form includes a dropdown for 'PHA Code' (DC777) and a text field for 'Fiscal Year' (2010). The 'PHA Name' is set to 'CARLSBURG'. There are fields for 'Days Extension Requested' and 'TAC Call Number'. A large text area for 'Comments' is provided, along with a 'Submit' button at the bottom.

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# 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

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# 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 portfolio
  - Used to inform policy decisions
  - Used in funding formulas

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# FASS-PH Website

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HUD.GOV

SECRETARY OF HUD WHAT WE DO HUMANS OF HUD FIND SHELTER DRIVING AFFORDABLE HOUSING

PIH HOME ABOUT PIH PIH ONE-STOP TOOL PUBLIC HOUSING OPERATING FUND CAPFUND INDIAN HOUSING MORE

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

**HUD COVID-19 Resources and Fact Sheets**

**Uniform Financial Reporting Standards (UFRS) for PHAs**  
February 2019

Uniform Financial Reporting Standards (February 2019) [LEARN MORE](#)

**FINANCIAL ASSESSMENT OF PUBLIC HOUSING AGENCIES (FASS PHA)**

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

**Financial Submission Tools**

- Financial Reporting Due Dates
- Financial Submission Tips
- FDS Submission Upload Tool
- Extension Request
- Documents & Guidance

**Other Information**

- Asset Management
- Waiver Request Process
- Appeal Process
- PHAS & UFRS Rule
- Technical Assistance Center (TAC)

**Systems Information**

- Login to FASS PH
- Systems User Instructions
- Password Reset
- FASS PH User Guide
- FASS System Updates
- FASS PH XML Interface
- PH REAC Online Systems

**Useful Links**

- PH One Stop Tool
- Moving to Work (MTW)
- GASB
- GAO Yellow Book
- PH Notices
- 24 CFR Housing and Urban Development
- 2 CFR 200 (Uniform Guidance)

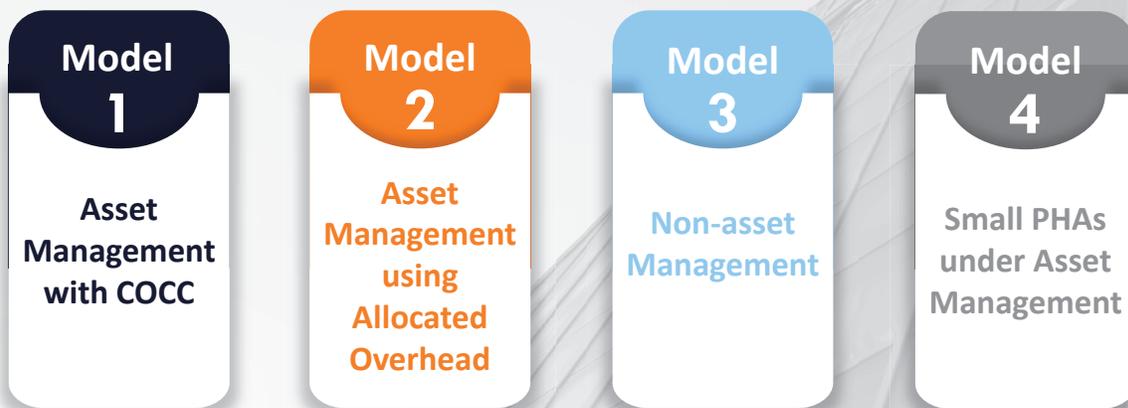
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# Financial Reporting Models

## Four Reporting Models



- HUD Accounting Brief #16

- All PHAs reporting under asset management were required to comply with Cost Reasonableness by 2011.

PHA Fiscal Year End	Per Financial Management Handbook		Current HUD Guidance
	Project-based Budgets and Project-based Accounting	Cost Reasonableness	Cost Reasonableness
June	07/01/2007 through 06/30/2008 and after	07/01/2008 through 06/30/2009 and after	07/01/2010 through 06/30/2011 and after
September	10/01/2007 through 09/30/2008 and after	10/01/2008 through 09/30/2009 and after	10/01/2010 through 09/30/2011 and after
December	01/01/2008 through 12/31/2008 and after	01/01/2009 through 12/31/2009 and after	01/01/2011 through 12/31/2011 and after
March	04/01/2008 through 03/31/2009 and after	04/01/2009 through 03/31/2010 and after	04/01/2011 through 03/31/2012 and after

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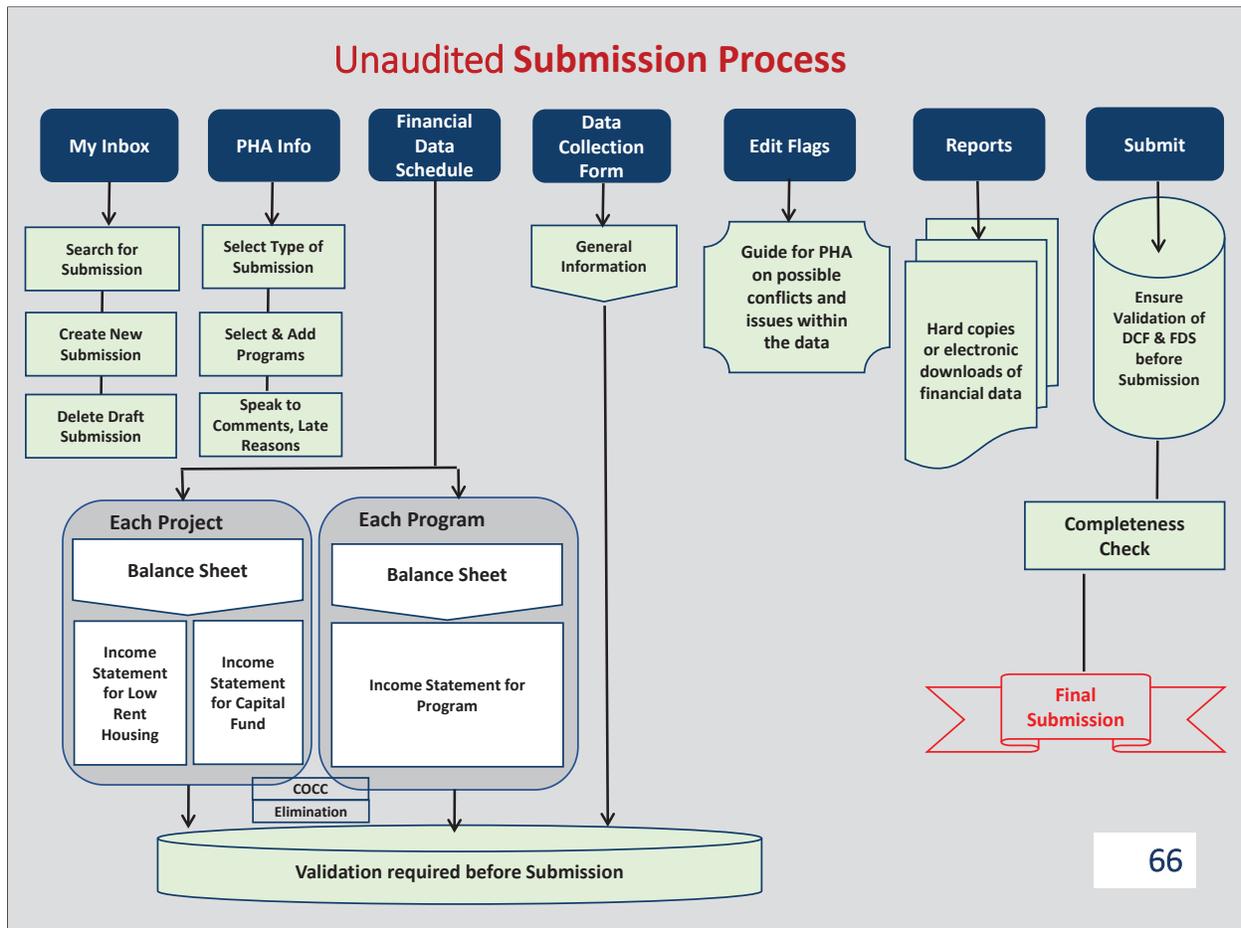


## Understanding the Unaudited Submission Process

- 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.

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## Understanding the Audited Submission Process

### Audited Submission: 3-Step Procedure

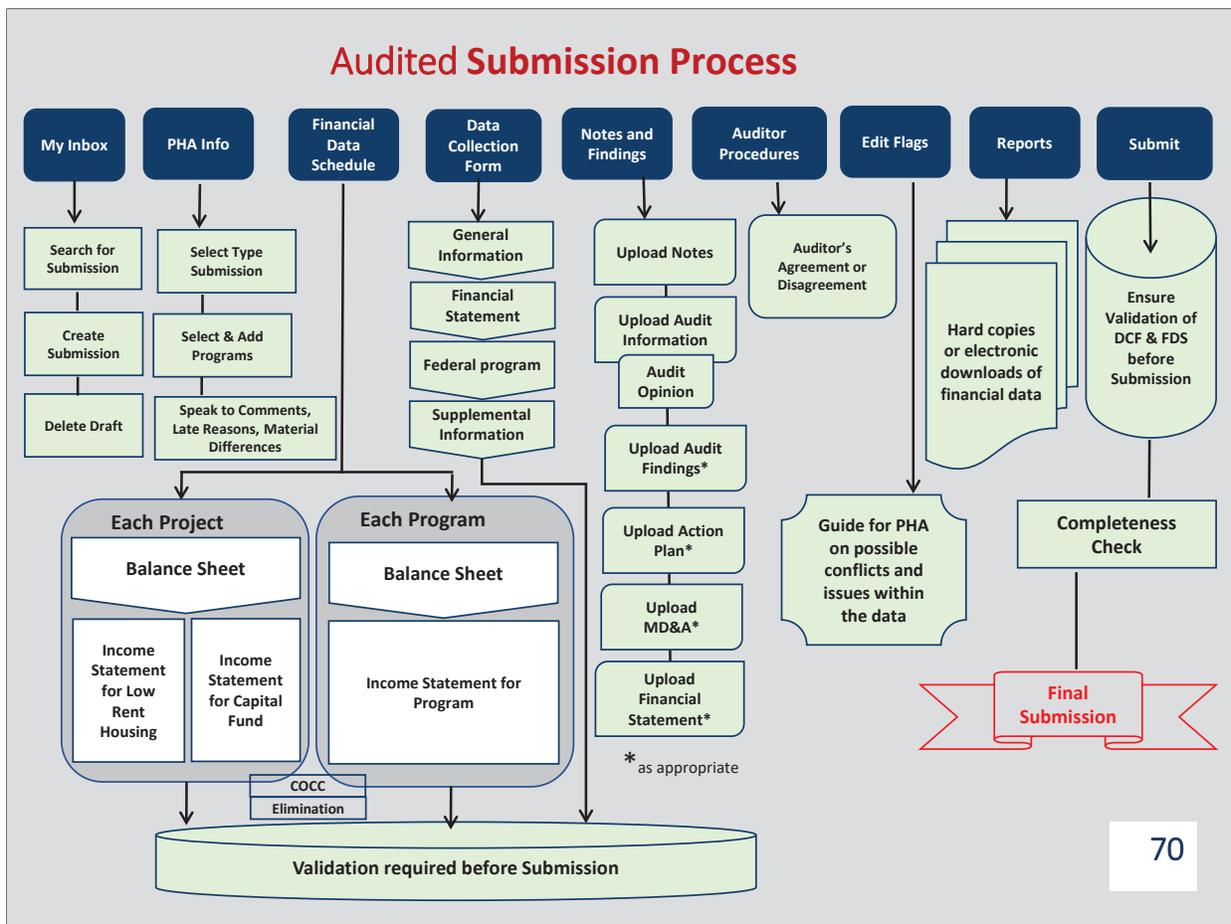
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#### 1. Draft Status

- 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

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





## Data Collection Form

### DCF – General Information Tab

#### 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

**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	---

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# DCF – Financial Statements Tab: Audit Details

- 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.

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

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

Should be the same

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## Common Reporting Issues: Unaudited & Audited Submissions

# Common Reporting Problems: Unaudited Submission

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- 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 with HUD
    - ◆ HUDCAPS
    - ◆ ELOCCS

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# Common Reporting Problems: Unaudited Submission, cont'd.

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- 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

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# Common Reporting Problems: Unaudited Submission, cont'd.

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- 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

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# Common Reporting Problems: Unaudited Submission, cont'd.

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- 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

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# Common Reporting Problems: Audited Submission

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- 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.

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# Common Reporting Problems: Audited Submission, cont'd.

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- 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.

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## Internal Control

- (Why this is never going away 😞)

## Comments from Peer Reviewers Around the Country (several such as this)

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- “One of PA’s national reps to the AICPA peer review committee recently announced (in one of our PA committee meetings) that they are going to have the expert reviewers start focusing on internal control. I think this could be even more troublesome for affordable housing audits than the focus on risk assessment. I am hoping to get a jump on how they are going to interpret enforcement of internal control documentation for small entities.”

# Internal Control – UG Definition 200.61

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- Internal Control means a process implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - (a) Effectiveness and efficiency of operations;
  - (b) Reliability of reporting for internal and external use; and
  - (c) Compliance with applicable laws and regulations.

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# Internal Control Over Compliance – UG (200.62)

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- *Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
- (a) Transactions are properly recorded and accounted for, in order to:
  - (1) Permit the preparation of reliable financial statements and Federal reports;
  - (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- (b) Transactions are executed in compliance with:
  - (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
  - (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
- (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

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# Why the Increased Pressure on Internal Control?

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## 1st – Uniform Guidance - 200.303 – The non-Federal entity MUST:

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance of managing compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. (*Should be in compliance with Greenbook and COSO*).
- Comply with the terms and conditions of the Federal awards and related regulations.
- Evaluate and monitor the non-Federal entity's compliance with regulations and terms of Federal awards.
- Take prompt action to correct noncompliance.
- Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency.

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# Uniform Guidance Impacts

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- Due to the nature of UG requirements, focus is on increased monitoring of internal control of clients.
- Prime method to get to clients is through their auditors.
- Are where studies have shown auditors to be weaker than substantive testing.
- Increasing pressure from peer reviewers seems to be the leverage through to force client change.
  - (Good to be the middle man, HUH!)

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## The Board's Internal

- 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

## Oversight Role in Controls

- 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

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## Management's General Role in Internal Controls

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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

# Why are Internal Controls Important?

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- An organization should be concerned with internal controls to:



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# 17 Codified Principles

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<b>Control Environment</b>	<ol style="list-style-type: none"> <li>1. Demonstrates commitment to integrity &amp; ethical values</li> <li>2. Exercises oversight responsibility</li> <li>3. Establishes structure, authority and responsibility</li> <li>4. Demonstrates commitment to competence</li> <li>5. Enforces accountability</li> </ol>
<b>Risk Assessment</b>	<ol style="list-style-type: none"> <li>6. Specifies suitable objectives</li> <li>7. Identifies and analyzes risk</li> <li>8. Assesses fraud risk</li> <li>9. Identifies and analyzes significant change</li> </ol>
<b>Control Activities</b>	<ol style="list-style-type: none"> <li>10. Selects and develops control activities</li> <li>11. Selects and develops general controls over technology</li> <li>12. Deploys through policies and procedures</li> </ol>
<b>Information &amp; Communication</b>	<ol style="list-style-type: none"> <li>13. Uses relevant information</li> <li>14. Communicates internally</li> <li>15. Communicates externally</li> </ol>
<b>Monitoring</b>	<ol style="list-style-type: none"> <li>16. Conducts ongoing and or separate evaluations</li> <li>17. Evaluates and communicates deficiencies</li> </ol>

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COSO Framework requires:

- **Each** of the five components and 17 principles be
  - **(1) present; and**
  - **(2) functioning**
- **Evidence** that the components, principles and attributes are operating in an integrated manner
- **Redefines reporting requirements**
  - Material weakness: component, principle, or attribute not present or not functioning
  - Significant deficiency: shortcoming in a principle or attribute

- Sets a positive and supportive attitude toward internal control and conscientious management throughout the organization
- Can also be thought of as the process of creating an ethical environment



# Management's Role

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- Managers must take systematic and proactive measures to:



Develop and implement appropriate, cost-effective internal control for results oriented management

Assess the adequacy of internal control in programs and operations

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# Management's Role

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- Managers must take systematic and proactive measures to:



Separately assess and document internal control over financial reporting

Identify needed improvements

Take corresponding corrective action

Report annually on internal control through management assurance statements

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# Control Activities

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- Internal control activities are the policies and procedures—as well as the daily activities—that occur within an internal control system to minimize risk.

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# Control Activities at Various Levels

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- Entity level transactions – pervasive, pertain to multiple components
- Transaction level control – built into operational processes
- Always segregation of duties
- Smaller organizations require creativity and more action by Board

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## Top-level Reviews

Reviews by management at activity level

Management of human capital

Controls over Info Systems

Physical control over vulnerable assets

Establish and review performance measures



Segregation of Duties

Transaction execution

Accurate and timely recording

Access Restrictions

Documentation

## Principle 10 – Control Activities Common Activities

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## Information and Communications

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- 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.

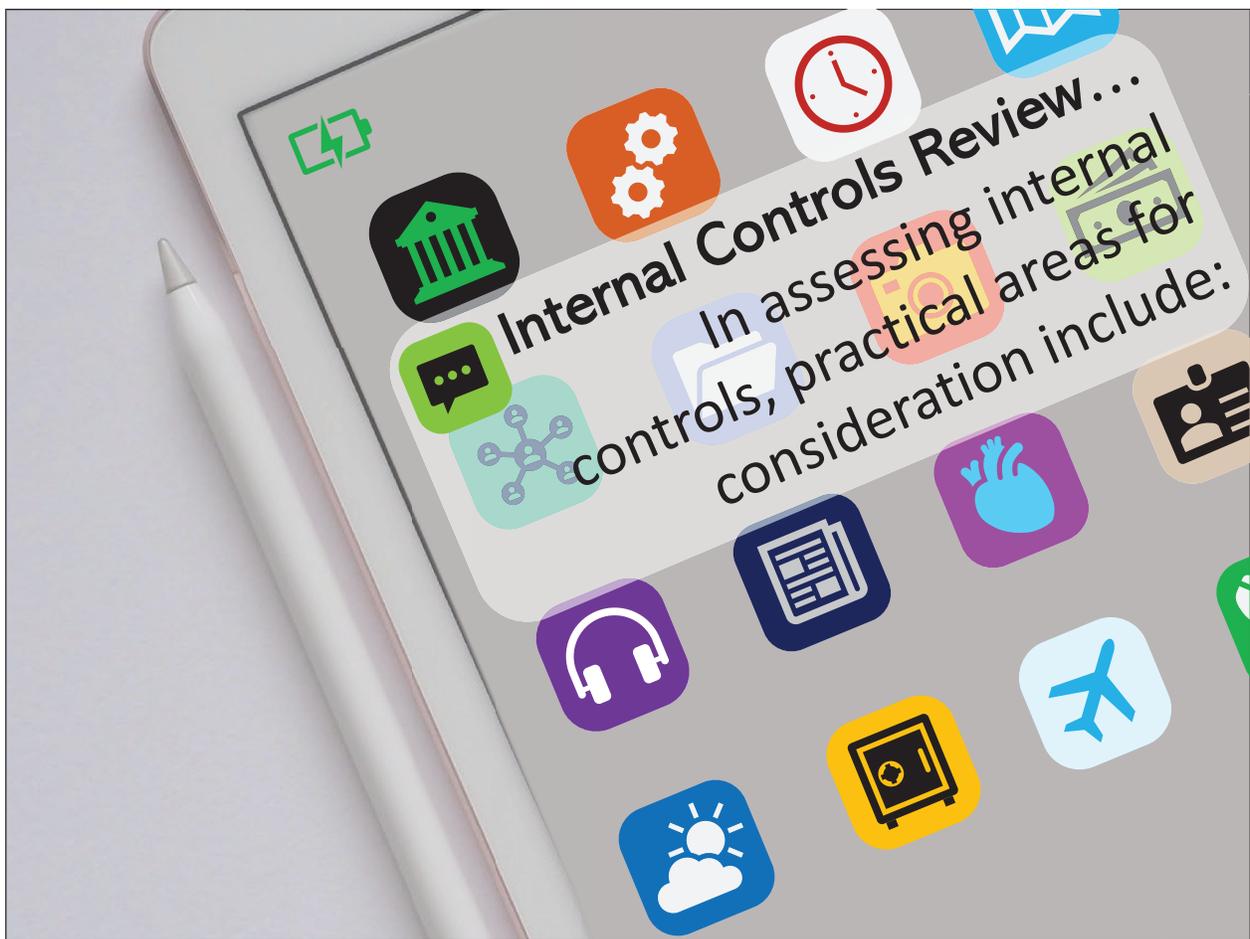


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## Internal Control Suggestions



## Segregation of Duties

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- 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 Reconciliations

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- 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.

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## Supporting Documentation

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- 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.”

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# Safeguarding Assets

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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

# HUD Internal Controls

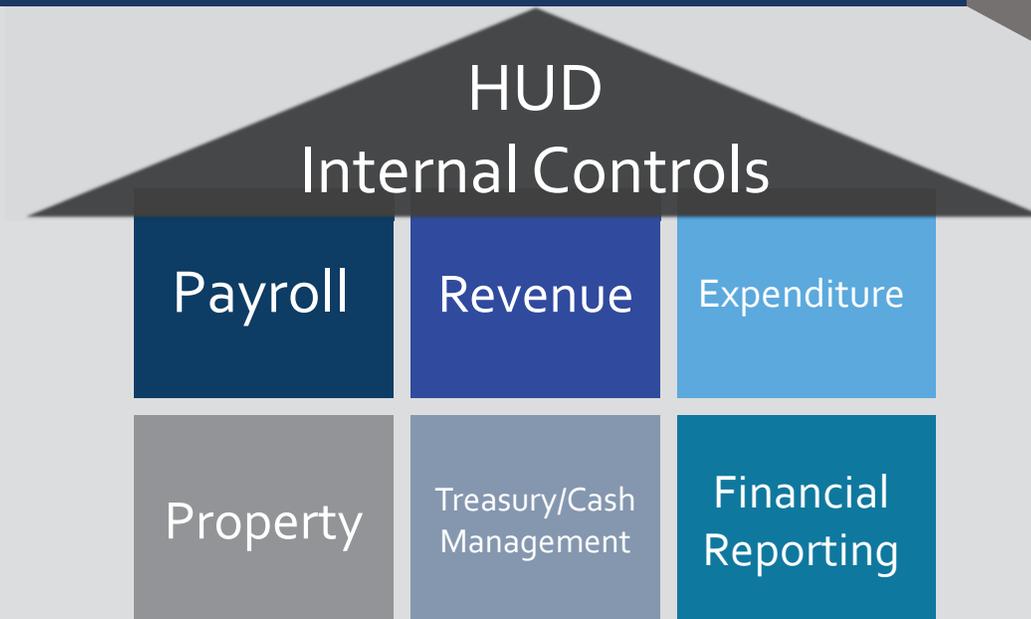
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- All HUD grantees are required to establish internal controls.
  - Internal controls are the plans, methods, and procedures adopted by management to help PHAs manage financial assets and adhere to an approved budget.
  - Internal controls help to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

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# HUD IC and How it Relates to Financial Management

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