



# Session 2: Public Housing Operating Fund Reporting

## Overview

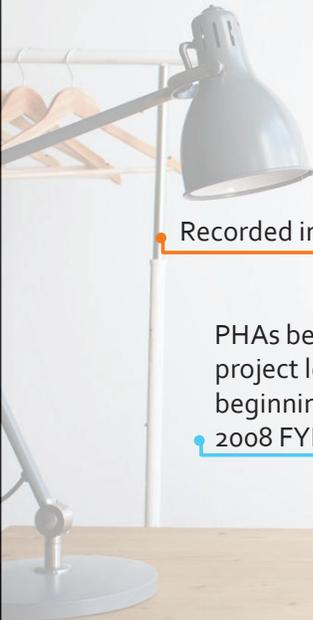
2

- This session will cover:
  - Establishment of projects and project types
  - General project-level reporting, with emphasis on mixed-finance projects
  - Common reporting issues in low-rent projects
    - ◆ Cash and investments
    - ◆ Specific revenue and expense line items
    - ◆ Operating transfers & due to / from
    - ◆ Memo accounts



# Projects

Focus is now at a project level



Recorded in PIC

PHAs began reporting project level submissions beginning with June 30, 2008 FYE submissions



Grouping of buildings for management efficiencies

Projects consist of Public Housing & Capital Fund activity

## Project Overview

# General Guidance

5

- 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.”

Session 2: Public Housing Operating Fund Reporting

*Spring/Summer 2020*

# Conventional Projects

6

- 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.

Session 2: Public Housing Operating Fund Reporting

*Spring/Summer 2020*

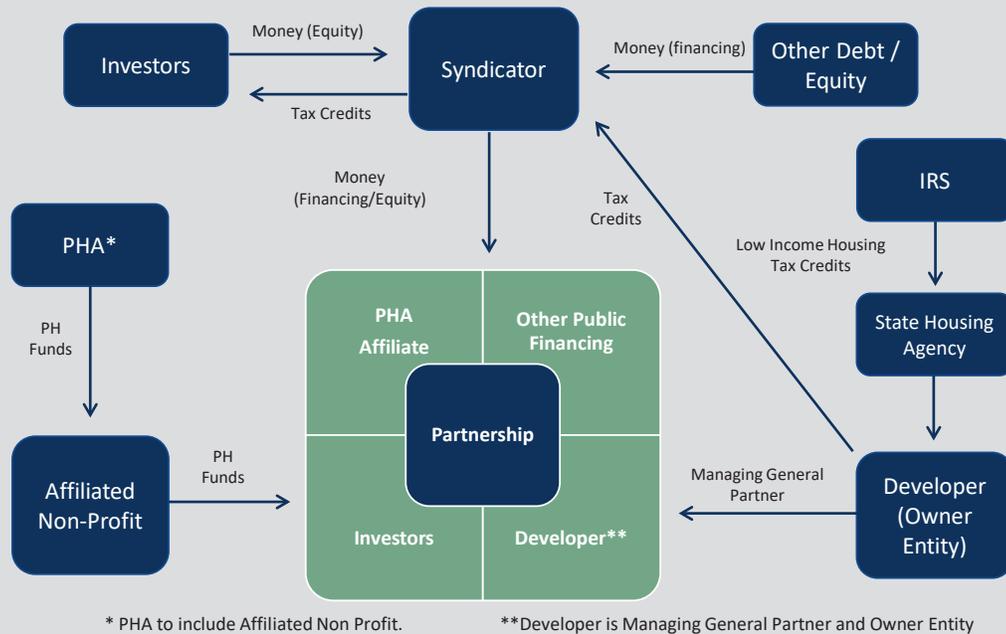
- Units will be recoded in PIC as “approved for demolition” or “approved for disposition.”
- Once demolished or disposed, units are recorded as “removed from inventory.”
- A project is terminated in PIC only after the land has been disposed and the Field Office has released the Declaration of Trust (DOT). 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

9



Session 2: Public Housing Operating Fund Reporting

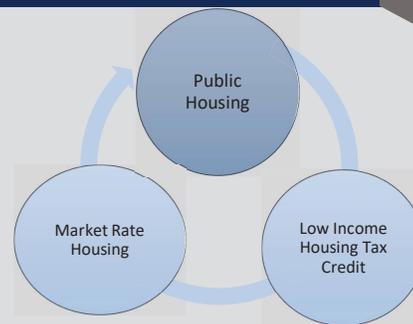
Spring/Summer 2020

# Which Units are Public Housing?

10

## 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)



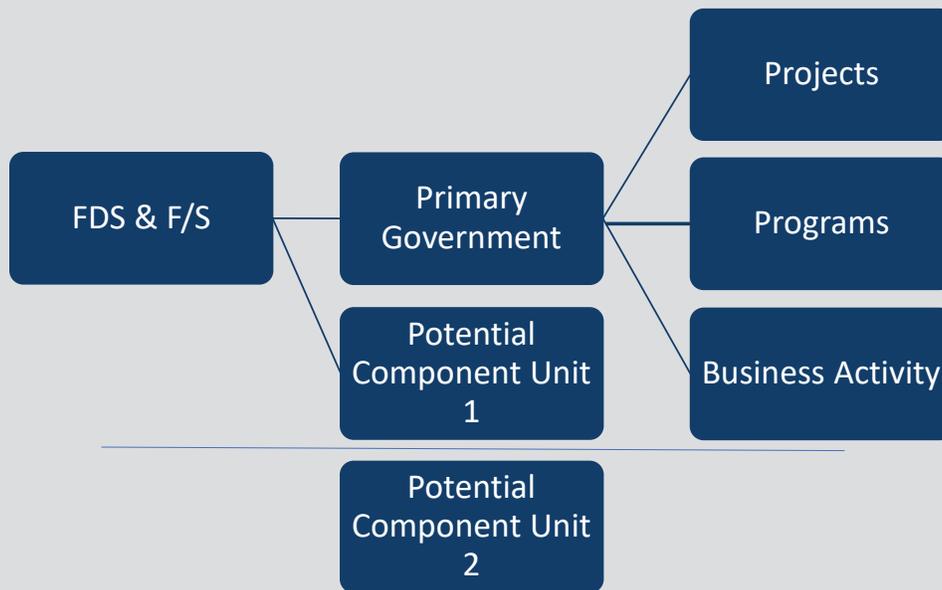
Unit Mix	Units	1 br	2 br	3 br	4 br
Public Housing	110	12	34	53	11
LIHTC	80	6	34	36	4
Market Rate	70	15	33	22	0
<b>Total Rental Units</b>	<b>260</b>	<b>33</b>	<b>101</b>	<b>111</b>	<b>15</b>

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# GASB and the Reporting Entity

11



Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# Clarification of Project Definition

12

- 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.

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# Mixed Finance – FDS Reporting

13

**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: [Program List](#) [Mod Rehab Projects](#) [Project List](#) [Other Project](#)

**Income Statement - Project Program Listing**

CFDA #	Program Name	Status
14.872	Public Housing Capital Fund Program	Validated
14.850	Low Rent Public Housing	Validated

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# Example 1 – No Component Unit

14

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

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# FDS Reporting – No Component Unit

15

- 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

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# Example 2 – Discretely Presented Component Unit

16

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

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# FDS Reporting – Discretely Presented Component Unit

17

- 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

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# Example 3 – Blended Component Unit (Business Activity)

18

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

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# FDS Reporting – Blended Component Unit

19

- 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

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# Example 4 – Blended Component Unit (Project)

20

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

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

- 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** of 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



## Allocated Overhead

24

- 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 (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



## Public Housing Reporting Memo Accounts

# Low Rent Income Statement – Capital Activity Memo Accounts

27

- 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

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# Capital Activity Memo Accounts

28

- 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

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020

# Capital Activity Memo Accounts

29

- 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.

Session 2: Public Housing Operating Fund Reporting

*Spring/Summer 2020*

# Units Leased Accounts (FDS Lines 11190 & 11210)

30

- 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.

Session 2: Public Housing Operating Fund Reporting

*Spring/Summer 2020*



## Capital Fund Program (CFP)

# General FDS Reporting

32

- 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 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*

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Capital Fund FDS Reporting: Recognition of Revenue

- 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.

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Capital Fund FDS Reporting: Recognition of Revenue

35

- 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).

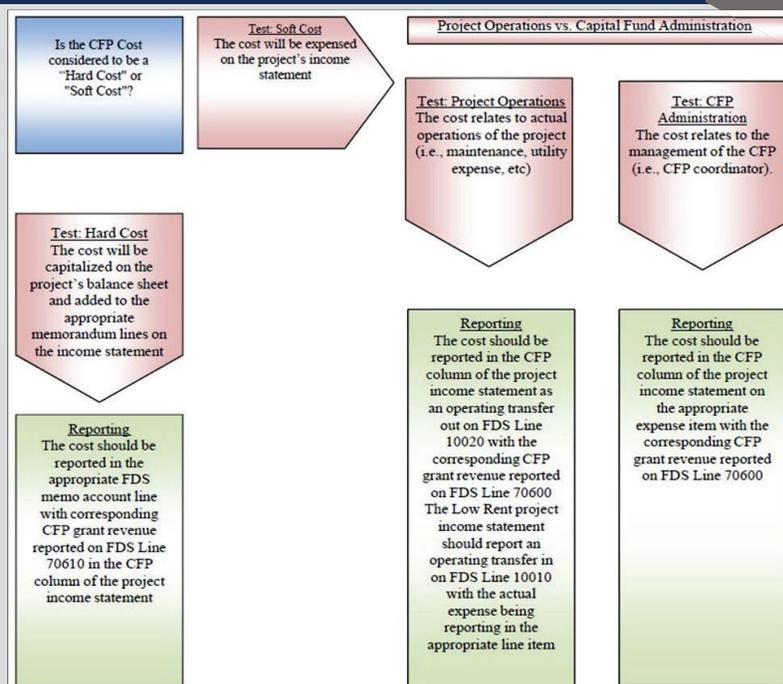
Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Capital Fund FDS Reporting

36

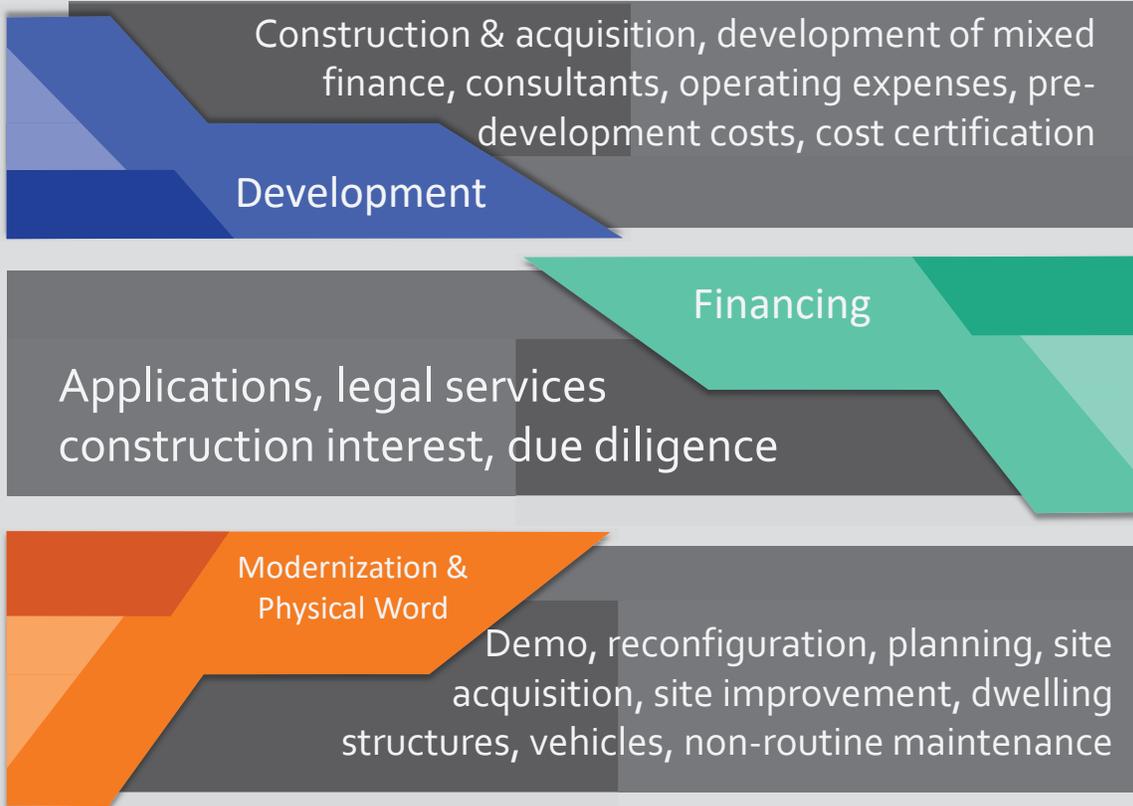
- A flowchart has been included as a guide on how to report both hard and soft costs on the FDS.



Session 2: Public Housing Capital Fund Program

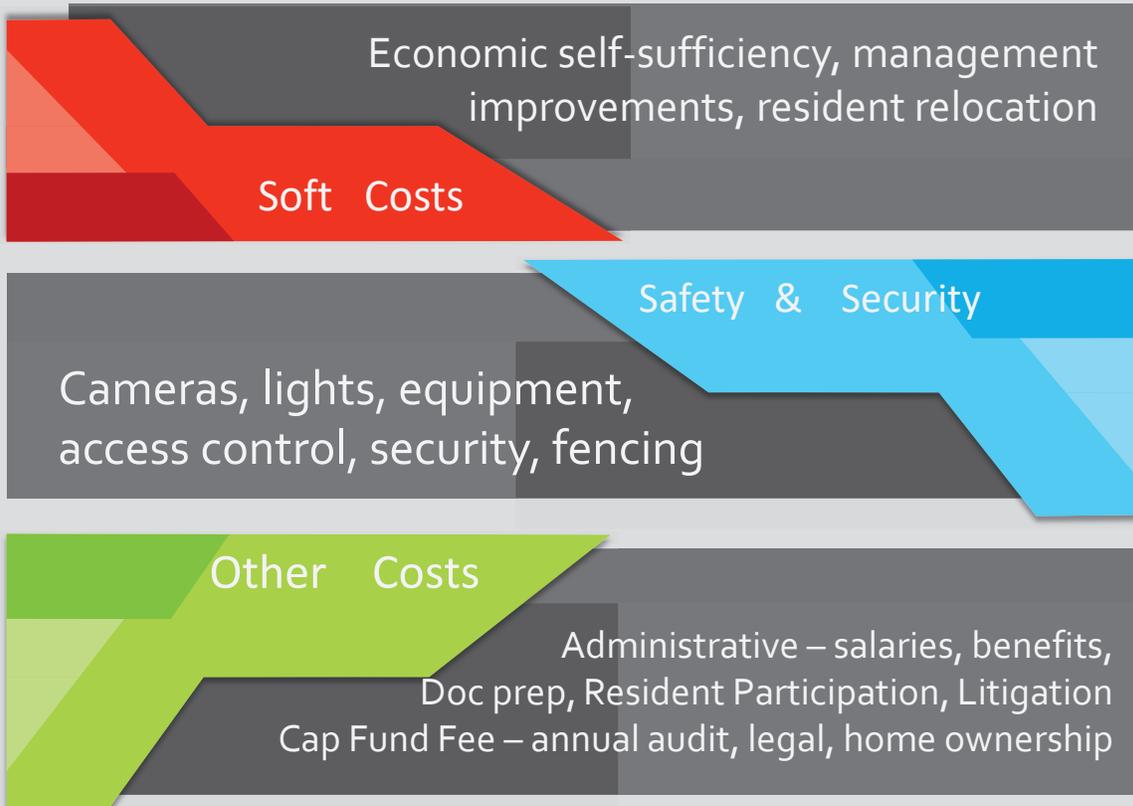
Spring/Summer 2020

## Eligible Activities overview



37

## Eligible Activities overview cont'd



38

# Ineligible Activities

39

- Not related to PH, nor in 5 year action plan
- Not modest in design or eligible based on OMB guidance
- PH operating assistance, except for BLI 1406
- Benefits other programs
- Security or Supportive services

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Other Limitations

40

- Other programs – limited to amounts directly attributable to PH
- Modernization – amounts in excess of 90% of TDC (reasonable costs) Some exceptions:
  - Emergencies, essential maintenance, safety and security of demo sites, etc.
- Administrative costs
  - Non asset management limited to 10%
  - CFP fee 10%
  - Development admins costs by asset management limited to 3%

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Management Improvement Cost Limits

41

- Reduction in Management Improvements

Federal Fiscal Year	Maximum % allowed
2014	18%
2015	16%
2016	14%
2017	12%
2018 and later	10%

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Transfer of Capital Funds for Operations

42

- Use only if in 5 year plan & approved by Board
- PHAs > 250 units – may use no more than 20% of annual grant
- PHAs < 250 units may use 100%
- Remember to use the correct transfer lines and make sure to record in the proper program.

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Capital Fund FDS Reporting: Beginning Equity

43

- 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)

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Capital Fund FDS Reporting – 1. Transfers to the Operating Fund

44

- 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).

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Capital Fund FDS Reporting – 1. Transfers to the Operating Fund

45

- 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

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

# Capital Fund FDS Reporting – 2. Management Improvements

46

- 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.

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

## Capital Fund FDS Reporting – 2. Management Improvements

47

- 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.

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020

## Capital Fund FDS Reporting – 3. Administration/CFP Mgmt Fees

48

- 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

Session 2: Public Housing Capital Fund Program

Spring/Summer 2020



## Excess Cash

# Excess Cash Definition

- 24 CFR section 990.280
- Excess Cash
  - Represents the sum of certain current asset accounts less current liabilities and less one month worth of operating expenses
  - Non-restricted liquid or near liquid assets
  - Calculated via balance sheet approach
  - Calculated using PHA-reported data (from FDS)
  - Calculated and applied at the project level
  - Calculated from prior year FDS

# Excess Cash Calculation

51

Seq	FDS Line	FDS Description	Type
1	111	Cash - Unrestricted	CA
2	114	Cash - Tenant Security Deposits	CA
3	115	Cash - Restricted for Payment of Current Liabilities	CA
4	120	Total Receivables, Net of Allowances for Doubtful Accounts	CA
5	131	Investments - Unrestricted	CA
6	144	Inter Program Due From	CA
7		<b>Total (1+2+3+4+5+6)</b>	
8	310	Total Current Liabilities	CL
9	96900	Total Operating Expenses ÷ 12 months	
10		<b>Total (8+9)</b>	
11		<b>Total Excess Cash (7-10)</b>	

Session 2: Operating Reserves and Excess Cash

Spring/Summer 2020

# Excess Cash Calculation, cont'd

52

PHA Information			
PHA Code:	Fiscal Year End Date:09/30/2010		
PHA Name:	[REDACTED]		
Submission Type:	Audited/A-133		
Project Name:	[REDACTED]		
Program Name:	Low Rent Public Housing <a href="#">Change Program</a>		
Select Entity:	<a href="#">Program List</a> <a href="#">Project List</a> <a href="#">Other Project</a>		
Income Statement (readonly mode)			
Line Item #	Description	Value	Details
<b>Memo Account Information:</b>			
*11020	Required Annual Debt Principal Payments	\$ 0	-
*11030	Beginning Equity	\$2798951	-
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$905750	<a href="#">[Details]</a>
*11190	Unit Months Available	3672	-
*11210	Number of Unit Months Leased	3483	-
11270	Excess Cash	\$ 539368	-
*11610	Land Purchases	\$ 0	-
*11620	Building Purchases	\$8480	-
*11630	Furniture & Equipment - Dwelling Purchases	\$ 0	-
*11640	Furniture & Equipment - Administrative Purchases	\$ 0	-
*11650	Leasehold Improvements Purchases	\$ 0	-
*11660	Infrastructure Purchases	\$ 0	-
*13510	CFFP Debt Service Payments	\$ 0	-
*13901	Replacement Housing Factor Funds	\$ 0	-

Session 2: Operating Reserves and Excess Cash

Spring/Summer 2020

# Allowable Uses & Restrictions of Excess Cash

53

- If the project has excess cash, the PHA can elect to have the project:
  - Retain the excess cash for future use
  - Transfer the excess cash to other projects
  - Pay an asset management fee to the COCC (\$10.00 PUM based on all ACC units of the project)
  - Use the excess cash to pay other HUD-approved eligible purposes (e.g. Certain development costs, legal judgments, etc.)
- Restrictions
  - Excess cash cannot be used for loans or transfers to the COCC

Session 2: Operating Reserves and Excess Cash

Spring/Summer 2020

# Excess Cash Other Considerations

54

- Excess cash rules
  - Amount of excess cash is ultimately based on the final approved FDS for the year, but it is available as soon as the PHA closes its books and can make the calculation.
  - Final excess cash calculations are determined by the data submitted on the audited FDS and could result in retroactive re-payments.
  - Projects may not transfer excess cash or loan funds at any time during a given fiscal year based on projections or “expected” excess cash calculations for that same year.
  - Asset management fee lines 70720 (COCC) and 92000 (project) can be no greater than prior year excess cash.

Session 2: Operating Reserves and Excess Cash

Spring/Summer 2020

- Excess Cash Rules (continued)
  - The working capital component of the excess cash calculation is eliminated on mixed finance projects that are managed by a separate owner or entity.
  - PHAs are encouraged to develop their own minimum working capital levels for each project based on the individual current and projected need, including any management restrictions.



## Central Office Cost Center

# Overview of Reporting Models: Who must have a COCC?

57

- Generally, PHAs with over 400 public housing units must either establish a COCC or adopt allocated overhead
- PHAs with 250+ public housing units that applied for stop loss must establish a COCC
- Exceptions:
  - Those PHAs using CFP funds for central expenses are not allowed to establish a COCC and must use allocated overhead
  - PHAs with 249 or less public housing units, the establishment of a COCC is optional

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# COCC Overview

58

- 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. Consider creating *two* equity and cash accounts. One for de-federalized reserves and one for federalized reserves.
- Unrecovered COCC expenses (fee expenses) must be absorbed by the COCC's equity balance

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# Central Office Cost Center Fee Revenue

59

- The COCC will generate the majority 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

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# COCC Management Fees

60

- A fee 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
- All management fees are reported in FDS line 70710 (Management Fees).
  - Now includes detail links for fees from PHA Programs and other sources (70710 -010 and 020).

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# COCC Management Fees

61

- 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.

Session 2: Central Office Cost Center & Elimination Column Reporting

*Spring/Summer 2020*

# COCC Management Fees

62

- 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).

Session 2: Central Office Cost Center & Elimination Column Reporting

*Spring/Summer 2020*

# Bookkeeping Fees

63

- 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)

Session 2: Central Office Cost Center & Elimination Column Reporting

*Spring/Summer 2020*

# Asset Management Fee

64

- 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)

Session 2: Central Office Cost Center & Elimination Column Reporting

*Spring/Summer 2020*

# Asset Management Fee, cont'd.

65

- 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

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# Front-line Service Fees

66

- 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 pro-rated front-line administrative costs

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# Front-line Service Fees, cont'd

67

- 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)

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# PHAs Using Allocated Overhead (No COCC)

68

- 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).

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020



# Fee Reasonableness

## Overview

70

- 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

71

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> <li>Subject to availability of excess cash from the prior year</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>	
	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>	
	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	

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# Example: Fee Reasonableness – Management and Bookkeeping Fees

72

#	Description	Project 1	Project 3	Project 7
		175 Units	160 Units	150 Units
<b>Actual Fee Expense</b>				
1	Public Housing Management Fee	\$9,625	\$8,800	\$8,800
2	Book-keeping Fee	\$1,313	\$1,200	\$1,200
<b>Safe Harbor</b>				
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
<b>Result of Test</b>				
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)

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# Example: Fee Reasonableness – Asset Management Fees

73

#	Description	Project 1	Project 3	Project 7
		175 Units	160 Units	150 Units
<b>Actual Fee Expense</b>				
1	Asset Management Fee (annual)	\$21,960	\$19,700	\$18,000
<b>Safe Harbor</b>				
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
<b>Result of Test</b>				
7	Public Housing Asset Management Fee	(\$21,960)	(\$500)	(\$4,965)
8	Ineligible Costs (Sample Projects - Annual)	(\$21,960)	(\$500)	(\$4,965)

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# Fee Reasonableness – Fees Charged for Centralized Services

74

- 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

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# Example: Fee Reasonableness – Allocated Overhead

75

#	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)

Session 2: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2020

# Notes:

76

Session 2: Public Housing Operating Fund Reporting

Spring/Summer 2020