



# Session 3: HCV & HCV-Related Programs



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## Introduction to the Housing Choice Voucher Program

# Introduction to the HCV Program

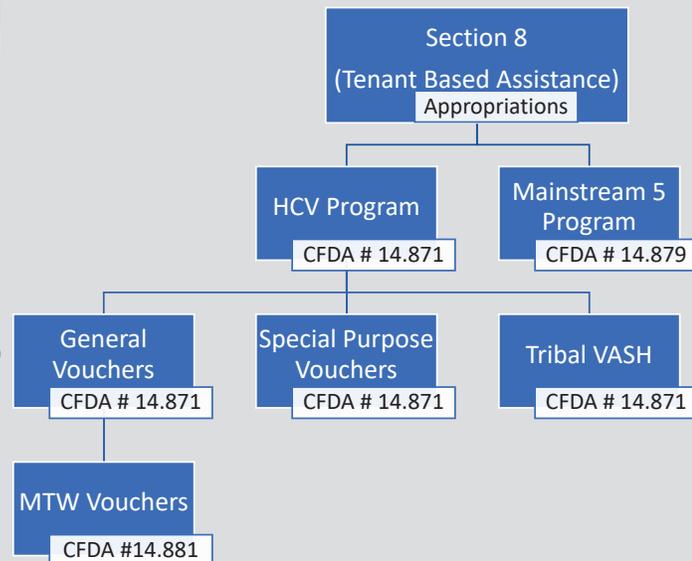
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- The Housing Choice Voucher (HCV) Program
  - Established in 1974
  - Is the largest federal low-income housing assistance program
  - Since 1998, program expenditures (i.e., outlays) account for 47% to 55% of HUD's overall budget.
  - Is a tenant-based 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)
- See current status of Voucher program on HUD's website
- [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/hcv/dashboard](https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/dashboard)

# Introduction to the HCV Program Appropriations vs CFDA #s

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- In the same appropriations section, Congress funds both the HCV program (general and special purpose vouchers) and the Mainstream 5 program.
- The Mainstream 5 program is reported under CFDA #14.879.
- Currently all special purpose vouchers are reported under CFDA #14.871 (historically not always the case).
- Tribal VASH is only awarded to Tribal Designated Housing Entities (TDHEs), not PHAs.



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# General Rules

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- 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

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- 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



## 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 appropriation 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.

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# Appropriations

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#	Program	Purpose	Amount
1	HCV Program – HAP	Renewal (Ongoing) Funding	\$21,502,000,000
2	HCV Program – Administrative Fees	Ongoing and New Vouchers	\$1,997,000,000
3	Tenant Protection Vouchers	New Vouchers (HAP)	\$75,000,000
4	Veterans Affairs Supportive Housing	New Vouchers (HAP)	\$40,000,000
5	Family Unification Program	New Vouchers (HAP)	\$25,000,000
6	Mainstream 5 Program	Ongoing HAP & Admin. Fees	\$229,050,000
7	Mobility Demonstration	Ongoing HAP & Admin Fees	\$25,000,000
8	Tribal HUD-VASH	Ongoing HAP & Admin. Fees	1,000,000
<b>Total Available CY Appropriations</b>			<b>\$23,874,050,000</b>

- **HCV Program – HAP:** includes \$100 million set aside for:
  - Prevention of terminations, Unforeseen Circumstances, Port Increases, PBV, HUD – VASH, Lower-than-average Leasing, Disaster

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# Introduction to the HCV Program Portfolio Snapshot

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Vouchers Leased	Total Units	%	Total HAP	% of \$
(For the month of Dec. 2019)				
<b>General</b>				
General	1,705,853	71.25%	1,222,951,663	78.55%
Project-based, includes RAD	436,612	18.24%	97,474,346	6.26%
MTW	205,499	8.58%	193,071,295	12.40%
Port-Outs Provisions	46,126	1.93%	43,443,149	2.79%
<b>Total General Purpose</b>	<b>2,394,090</b>	<b>100%</b>	<b>\$ 1,556,940,453</b>	<b>100%</b>
<b>Special Purpose</b>				
Veterans Affairs	75,632	33.12%	50,311,354	27.66%
Tenant Protection	67,811	29.69%	67,226,994	36.96%
Non-Elderly Disabled	43,752	19.16%	27,361,923	15.04%
Family Unification	18,447	8.08%	18,054,964	9.93%
Homeownership	10,432	4.57%	6,229,392	3.42%
Mainstream	5,521	2.42%	4,932,750	2.71%
Litigation	3,581	1.57%	4,897,042	2.69%
HOPE VI (Section 8)	2,720	1.19%	2,560,578	1.41%
DHAP to HCV Conversions	494	0.22%	316,215	0.17%
<b>Total Special Purpose</b>	<b>228,390</b>	<b>100%</b>	<b>\$ 181,891,212</b>	<b>100%</b>
<b>Total HCV Program Vouchers</b>	<b>2,622,480</b>		<b>\$ 1,738,831,665</b>	
<b>Total Mainstream 5</b>	<b>21,920</b>		<b>15,305,005</b>	

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# HUD Monitoring

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March 31, 2016 PHA					
VMS Reporting				FDS Reporting	
Month	Total HAP Expense	RNP	UNP	FDs Line and Description	Amount
4/1/2015	\$350,000	\$150,000	\$80,000		
5/1/2015	\$335,000	\$155,000	\$82,000	97300 HAP Expense	\$4,105,000
6/1/2015	\$335,000	\$154,000	\$79,000		
7/1/2015	\$330,000	\$158,000	\$76,000		
8/1/2015	\$325,000	\$170,000	\$75,000	511.4 RNP	\$170,000
9/1/2015	\$345,000	\$160,000	\$68,000	11180 HAP Equity	\$170,000
10/1/2015	\$345,000	\$158,000	\$65,000		
11/1/2015	\$340,000	\$163,000	\$70,000		
12/1/2015	\$335,000	\$165,000	\$71,000	512.4 UNP	\$73,000
1/1/2016	\$355,000	\$161,000	\$69,000	11170 Admin. Fee Equi	\$80,000
2/1/2016	\$365,000	\$165,000	\$72,000		
3/1/2016	\$345,000	\$170,000	\$73,000		
Total	\$4,105,000	N/A	N/A		

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- 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

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## FDS Line - 11180 HAP Equity

#	FDS Line	FDS Line Description	FDS Line (Pre-populated)
1	11180-001	Housing Assistance Payments Equity - Beginning Balance	Prior year Line 11180-003
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	Total Housing Assistance Payment Revenues	Sum of Lines 2-4
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	Total Housing Assistance Payment Expenses	Sum of Lines 8 and 9
12	11180-002	Net Housing Assistance Payments	Line 7 minus Line 11
13	11180-003	Housing Assistance Payments Equity - Ending Balance	Line 1 plus line 12

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# FDS Line 11170 - Administrative Fee Equity

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#	FDS Line	FDS Line Description	FDS Line (Pre-populated)
1	11170-001	Administrative Fee Equity - Beginning Balance	Prior year Line 11170-003
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 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	Total Admin Fee Revenues	Sum of Lines 2 - 8
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	Total Expenses	Sum of Lines 11 - 14
17	11170-002	Net Administrative Fee	Line 10 minus Line 16
18	11170-003	Administrative Fee Equity- Ending Balance	Line 1 plus line 17
19	11170-005	Pre-2004 Administrative Fee Reserves	PHA Entered
20	11170-006	Post-2003 Administrative Fee Reserves	PHA Entered

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

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- 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.

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## HAP Funding & Restricted Net Position

# REAC Financial Review #01

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**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



**Remember – operating transfer is subject to restrictions. should use line 973 to fund PBV units in business activities blended component units**

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- 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?

## Annual Budget Authority (ABA)

- **Annual Budget Authority** is the term used in the HCV program to describe the amount of HAP funds the PHA will be awarded from the HAP renewal line item of the appropriations for any given year.
- **General Formula:**
  - Eligible HAP Expense for Prior Calendar Year as Reported in VMS
  - Multiplied by Inflation Factor
  - Multiplied by Proration
  - Congressional authority for HUD to make small offsets/reallocations from/to PHAs to reach a minimum proration factor of 99.5%

# Eligible Use of HAP Funds

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- HAP can only be used for eligible program participants for rental assistance payments, defined as:
  - Housing assistance payments
  - Family self-sufficiency escrow payments
  - Utility reimbursements
- For FDS reporting, all three activities are reported as HAP expense (FDS line 97300).
- Eligible uses of HAP funds applies to both:
  - PHA-held program reserves (restricted net position (RNP))
  - HUD-held program reserves

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# Eligible Use of HAP Funds

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- HAP funds can be used to pay back HAP payments made by another program (COCC / administrative fees), as a result of time needed by HUD to process and release additional HUD held program reserves for the PHA.
- Funds cannot **under any circumstances** be used for any other purpose, such as:
  - To cover administrative expenses
  - Loaned, advanced, or transferred to another program or component unit
- HAP funding may not be used for prior calendar year costs.
- Use of HAP for any purpose other than eligible HAP needs is a violation of law, and such illegal uses or transfers may result in sanctions and possible declaration of breach of the ACC.

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# Prohibition on Augmentation of HAP Funds

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- No other funds besides **annual budget authority, program reserves, restricted net position** and a **prior fiscal year unrestricted net assets** can be used to make housing assistance payments (HAP).
- Examples of prohibited funds include:
  - HOME funds, proceeds from PH disposition, COCC funds, state funds, and donations
- Exception – With HUD approval, PHAs may use prohibited funds to prevent termination of assistance to current program participants, if:
  - The PHA has taken reasonable cost-saving measures
  - Is in a HUD-confirmed shortfall position
  - Needs additional funds to prevent the termination of current participants
- HUD's HOME Investment Partnerships funds may never be used to fund the HCV program.
- Shortfall funds may not be used to increase leasing.

*Per Notice PIH 2013-12: Guidance on the Use of Outside Sources of Funds in the Housing Choice Voucher (HCV) Program*

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# Cash Management and HUD-held Program Reserves

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- 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 disbursements of ABA is based on PHA need minus known PHA-held program reserves.
  - Undisbursed HAP funds accumulates with previous years' undisbursed HAP funds (if any) and remains available for future HAP payments or Congressional offset/reallocation.
  - Undisbursed HAP funds are termed **HUD-held program reserves**
  - HUD-held program reserves are not reported on the PHA's balance sheet or on the FDS.
    - ◆ Some PHAs will provide a note in their financial statements as to the amount of HUD-held program reserves.

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# Cash Management HAP Funding Model

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	A	B	C	D	E	F	G	H
1	2016 Budget Authority			\$1,260,000				
2	Program Reserve			\$100,000				
3	NRP - 1/1/2015			\$50,000				
4								
5	Line #	Period	Actual HUD HAP Disbursement in VMS	Actual HAP Expenses (VMS)	Net HAP Activity	Fraud Recovery	NRP Balance	Program Reserve
6	1	Jan-15	\$50,000	\$100,000	(\$50,000)	\$2,000	\$2,000	\$1,310,000
7	2	Feb-15	\$100,000	\$100,000	\$0	\$0	\$2,000	\$1,210,000
8	3	Mar-15	\$100,000	\$90,000	\$10,000	\$2,000	\$14,000	\$1,110,000
9	4	Apr-15	\$90,000	\$100,000	(\$10,000)	\$3,000	\$7,000	\$1,020,000
10	5	May-15	\$100,000	\$110,000	(\$10,000)	\$0	(\$3,000)	\$920,000
11	6	Jun-15	\$110,000	\$100,000	\$10,000	\$0	\$7,000	\$810,000
12	7	Jul-15	\$100,000	\$95,000	\$5,000	\$2,000	\$14,000	\$710,000
13	8	Aug-15	\$125,000	\$115,000	\$10,000	\$1,000	\$25,000	\$585,000
14	9	Sep-15	\$115,000	\$125,000	(\$10,000)	\$300	\$15,300	\$470,000
15	10	Oct-15	\$110,000	\$110,000	\$0	\$0	\$15,300	\$360,000
16	11	Nov-15	\$110,000	\$100,000	\$10,000	\$2,000	\$27,300	\$250,000
17	12	Dec-15	\$100,000	\$100,000	\$0		\$27,300	\$150,000
18	Totals		\$1,210,000	\$1,245,000	(\$35,000)	\$12,300	\$27,300	\$150,000

Unearned, undisbursed ABA does not become program reserves until the end of the calendar year but are still available for the PHA for HAP needs, other than to cover the cost of over leasing during the calendar year. For illustration purposes, the table does not make that distinction.

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## Disbursement Schedules

- 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.



# Relationship of RNP – HAP Equity - Cash

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Relationship of Restricted Net Position - HAP Equity - Restricted Cash			
Description	Amount	Balance Sheet	FDS Line
<b>Beginning PHA-held Program Reserves</b>	<b>\$50,000</b>	<b>Cash</b>	<b>113, 511.4, 11180</b>
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	-\$975,000	Cash	113, 97300
Net HAP	\$40,000		11180-002
<b>Ending PHA-held Program Reserves</b>	<b>\$90,000</b>	<b>Cash</b>	<b>113, 511.4, 11180</b>

- 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.

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# HAP Expense

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## 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

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# Restricted Net Position – FDS Reporting

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## 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

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# Restricted Net Position – VMS Reporting

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## 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

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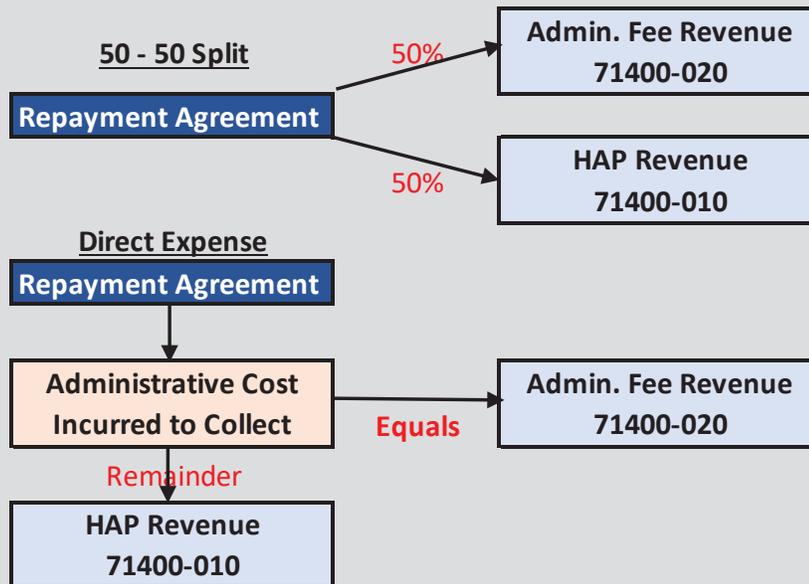


## Other HAP / RNP Activity

# Fraud Recovery

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- 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 – 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)

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- 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

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# Fraud Recovery – FDS Reporting

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Record Fraud Recovery		
FDS Line Item		
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		
96600	Bad Debt Expense - Other	\$18,000
128.1	Allowance for Doubt Accounts - Fraud	\$18,000

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# Fraud Recovery – Example Adjustment to Memo Accounts

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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

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# Fraud Recovery – VMS Reporting

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## 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)

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## 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 earned on RNP above \$500 must be remitted to the Treasury and is not considered revenue to the PHA. It 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 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

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## Comparing FDS vs VMS RNP Reporting

**Instructions:** You are a FASS-PH analyst at PIH’s Real Estate Assessment Center performing a review of a PHAs 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

- 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

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- 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

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

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# UNP/RNP Reporting Example #3

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- 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

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- 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 HAP funds ahead of time, and applying for set-aside funding if needed.



## Administrative Fees

PHAs are paid a fee by HUD to administer the HCV program.

1

Administrative Fees

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.

2

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## 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)

$\underline{\$374,160} = \$77.95 * (12,000 - 7,200)$  (B rate calculation)

\$975,504 = Total Fee Earned

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

# Administrative Fee Rates

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Region	A Rate			B Rate		
	Min	Max	Average	Min	Max	Average
<b>2018</b>						
1	56.54	123.18	92.96	52.77	114.98	92.96
2	51.38	111.97	61.36	47.95	104.51	61.36
3	54.52	103.66	64.44	50.89	96.76	64.44
4	56.07	91.27	61.21	52.33	85.18	61.21
5	55.29	124.17	79.98	51.60	115.90	79.98
<b>2019</b>						
1	57.73	127.26	102.19	53.88	118.78	95.38
2	52.23	114.69	67.11	48.75	107.05	62.64
3	55.18	106.69	70.70	51.50	99.60	65.99
4	57.08	92.55	66.92	53.27	86.37	62.46
5	57.11	128.12	88.30	53.30	119.59	82.42
<b>2020</b>						
1	59.45	131.11	107.00	55.49	122.38	99.86
2	53.46	116.27	68.97	49.90	108.53	64.37
3	55.86	108.66	72.04	52.14	101.43	67.24
4	58.67	95.34	68.49	54.76	88.97	63.93
5	58.76	136.18	90.93	54.84	127.11	84.87

**Region 1:** Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Rhode Island, Vermont; **Region 2:** District of Columbia, Delaware, Illinois, Indiana, Maryland, Michigan, Minnesota, Ohio, Pennsylvania, Virginia, Wisconsin, West Virginia; **Region 3:** Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, USVI; **Region 4:** Arkansas, Iowa, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, Texas; **Region 5:** Alaska, American Samoa, Arizona, California, Colorado, Guam, Hawaii, Idaho, Montana, North Dakota, Nevada, Oregon, South Dakota, Northern Marianas, Utah, Washington, Wyoming

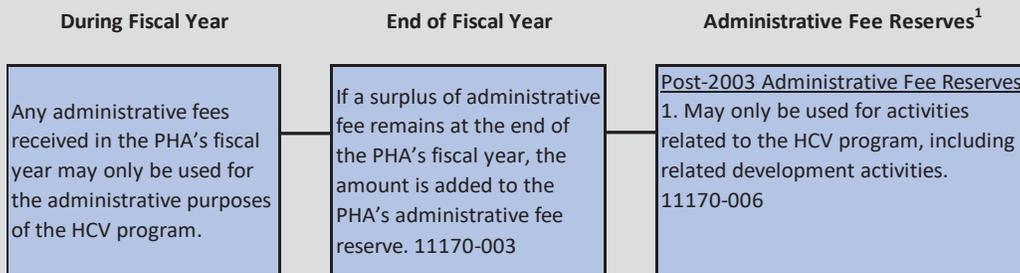
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# Eligible Use of Administrative Fees

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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)



<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.

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# Eligible Use of Administrative Fees, cont'd

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- 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.

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# 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	
<b>Total Amount</b>		<b>\$ 24049265</b>

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## Accounting and Reporting of Administrative Fees

### Disbursement Schedules

- 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 Schedule

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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>

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# Administrative Fee Reporting - Underpayment

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VMS and Fee Calculation Data					
Data	Vouches Leased on 1st of Month	Fee Rate	Proration	Amount Disbursed	Amount 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

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# Administrative Fee Reporting - Overpayment

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VMS and Fee Calculation Data					
Data	Vouches Leased on 1st of Month	Fee Rate	Proration	Amount Disbursed	Amount 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

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# Unspent Administrative Fees

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- 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.

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- **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?

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## Unrestricted Net Position - Administrative Fee Account

# Unrestricted Net Position – FDS Reporting

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## 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

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# Unrestricted Net Position – VMS Reporting

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## 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

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## Portability Provision

# Portability Provision

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- 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.

# Common Terms Used in Portability Discussions

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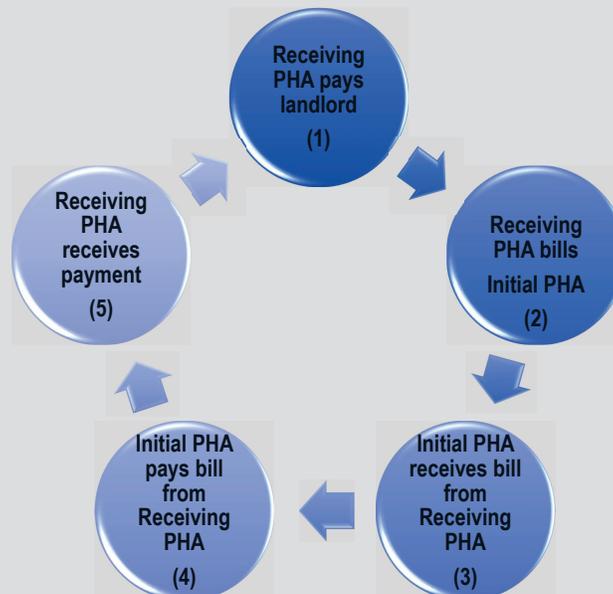
- **Initial PHA:** The PHA that issues the ACC voucher to a family that wants to move to a different jurisdiction.
- **Receiving PHA:** The PHA in the jurisdiction to which the family wishes to relocate
  - The receiving PHA may bill the Initial PHA for the HAP and administrative costs of the voucher, 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

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# Portability Accounting and Billing Cycle

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# Portability – FDS Line Items 70

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)



# 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

Issues  
to  
DISCUSS



- 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

- 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

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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.

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# VMS Reporting – Administrative Expense

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- 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.

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# VMS Reporting – Admin Expenses

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- 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.

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# Calculate VMS Admin Expenses

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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>26,480</u></b>	

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

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# VMS Reporting – UNP Balance

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- 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).

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# VMS Reporting – UNP Balance

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- 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.

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## Miscellaneous

# Adjustments & Corrections

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- 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

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- 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.

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## PHA Review of Reported Data

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- 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

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## QAD Findings

### Issues With Cash

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- Cash on hand does not match amount reported in VMS.
- For this issue QAD looked at the actual bank statement to work backward to the amount reported in VMS.

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

- Comingled cash
  - The PHA comingles funds into a general fund with a weak control structure.
  - The PHA provided bank statements and reconciliation documents but unable to determine the correct HCV value
- The PHA's cash balances were insufficient to cover the PHA RNP account balance.
- The PHA failed to execute a General Depository Agreement (GDA) (HUD-51999), for the HCV accounts with their financial institution

- The HCV program has significant “due to” balances owed to the COCC that has accumulated over several years
- Recommendation: the PHA should evaluate the COCC fees to determine if they are reasonable. In addition, the PHA may consider writing off the accounts owed to the COCC as a “bad debt”
- Inter-Program Due To's and Do From's from HCV (evaluate COCC fees or writing off bad debts)

- GL balance for FSS escrow did not match documentation
- FSS escrow bank balance < escrow liability
- Retroactive expenses not recorded correctly
- NO support for equity transfers from DHAP
- Portability items not accounted for correctly
  - Adjusted at prep of AFS
  - No support (bad record keeping)
- VMS admin expenses incorrect
- In appropriate usage of program funds (travel, other programs)
- Incorrect cost allocations

# Peer-to-Peer Analysis

The costs is reported as a cost per unit month leased basis.

Typically, QAD will include a report comparing the administrative cost to other PHAs with a similar number of units and close in proximity.



# Equity Balances Reported

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- Finding: The RNP and UNP account balances were incorrectly reported in VMS.
- Cause: Accounting processes increase the workload for staff as expenses are moved between the administrative section and HAP sections.
- Noted discrepancies included:
  - HUD disbursements could not be reconciled to trial balance.
  - Admin. fee disbursements could not be reconciled to trial balance.
  - Admin. fee equity detailed port-in income without amounts being reported properly on the trial balance or the top-level FDS.
  - FSS forfeitures were not reported on the appropriate line item.

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# Travel Example

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- Administrative fees will reimburse employees for meals in PHA's jurisdiction.



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# Other Programs

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- The PHA provided counseling services for families participating in a first-time home buying program.
  - The costs of providing these services were charged to the HCV Program.
  - Some of the participating families were not in the HCV Program.
- This was considered a separate program that should have reported costs separately from the HCV Program.
  - Costs related to the program were not permitted to be charged to the HCV Program.

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# Other QAD Concerns

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- Overall RNP and UNP balances are not calculated following the guidelines set forth in PIH Notice 2015-17.
- Failure to correct VMS
- Incorrect port reporting
- Bad internal control
- Failed CAPs
- Admin fee usage
- Management fee calculations
- Pre-2004 Reserves

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## Reporting of HCV Program on the SEFA

### Federal Awards Expended

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- 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

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- 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

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# SEFA and Port-In Activity

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- 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 SEFA ensures the port-in is properly included in the universe for audit testing.

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- 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

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- 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

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# Latest Issued VMS Changes

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- March 30, Changes

- Field Definition Changes

- ◆ PHA Owned Units Leased (including RAD units)
    - ◆ Portable Units Administered (Does not include Mainstream)
    - ◆ RAD Component 1 HAP
    - ◆ All Voucher HAP expenses for contracts effective after the first of the month
    - ◆ Number of PBVs under HAP and not leased with a vacancy payment and associated HAP Expense
    - ◆ HAP expenses – Number of PBVs under HAP and not leased with a vacancy payment and the associated HAP expenses

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