Special Attention of
Public Housing Agencies
Public Housing Hub Office Directors
Public Housing Program Center Directors
Regional Directors
Field Office Directors
Resident Management Corporations

Notice  PIH 2007-9 (HA)
Issued:  April 10, 2007
Expires:  April 30, 2008

Cross Reference:  Notice PIH 2006-33

Subject:  Updated Changes in Financial Management and Reporting Requirements for Public Housing Agencies Under the New Operating Fund Rule (24 CFR part 990)

1. Purpose.

This notice transmits changes in financial management and reporting for public housing agencies (PHAs) pursuant to the Revisions to the Public Housing Operating Fund Program, Final Rule, published in the Federal Register on September 19, 2005 (79 FR 54983). These changes are contained within the attached supplement (the supplement) to the Financial Management Handbook, Handbook 7475.1 REV., CHG-1, “Changes in Financial Management and Reporting for Public Housing Agencies Under the New Operating Fund Rule (24 CFR 990) – Revised, April 2007.”

2. Background.

HUD published PIH Notice 2006-33 on September 6, 2006, providing interim guidance pertaining to various aspects of public housing’s conversion to asset management. On the same day, HUD published Federal Register notice 71 FR 52710, Public Housing Operating Fund Program; Guidance on Implementation of Asset Management. The PIH notice contained detailed accounting instructions, whereas the Federal Register notice included a high level discussion of these changes. The Department sought comments on both documents.

This notice updates and revises the guidance contained in the original PIH notice, including the supplement, as a result of the public comments as well as other internal and external forums. The Department’s response to the public comments can be obtained through the Department’s asset management web site at:

http://www.hud.gov/offices/pih/programs/ph/am/

3. Applicability.

This notice applies to all PHAs that operate public housing. As indicated in the attached supplement, PHAs with fewer than 250 public housing units will be less affected by the changes in financial reporting as a result of public housing’s transition to asset management.
4. **Differences Between the Original PIH Notice 2006–33 and this Revision.**

The following is a list of the major changes made to the September 6, 2006, version of the supplement as a result of public comment.

- The elimination of the restriction that excess cash exceed one month of operating expenses in the second year of project-based budgeting and accounting, affecting fungibility and payment of an asset management fee.
- Deletion of the payment of Capital Fund management fees based on disbursements. Instead, PHAs will earn their Capital Fund management fees in the first year of program award.
- Revised language regarding payment of management fee for Replacement Housing Factor grants. These funds are part of the “development” and, therefore, subject to the safe harbors for Mixed Finance developments.
- An updated list of new Financial Data Schedule (FDS) line items.
- Revised policy reflecting that audit costs should be reasonably allocated to the projects, programs, and central office cost center (previous guidance treated these audit costs as fees).
- The reclassification of costs associated with Physical Needs Assessments as a front-line expense of the Capital Fund Program (treated as a management fee expense in the original version of the supplement).
- Revised language regarding reasonableness of management fees, consistent with the Federal Register notice (71 FR 52710), and associated transition provisions.
- The establishment of fee-for-service arrangements for all centrally-provided maintenance services (previously limited to technical maintenance services) as well as related transition provisions for the initial year of project-based budgeting and accounting.
- Updated management fee tables to reflect most recent FHA data and vacancy rates in each FHA office, as well as the inclusion of limited dividend properties in the data set used to determine the 80th percentile fee method.
- Other clarifying and technical amendments.

PHAs should monitor the Department’s asset management website for information related to training being provided on this guidance. Additionally, the Department will post later this month a DVD instructional training tool covering this new guidance. The website address is:

http://www.hud.gov/offices/pih/programs/ph/am/

5. **Paperwork Reduction Act.**

The information collection requirements contained in this notice have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C.3520) and assigned OMB approval numbers 2535-0107, 2577-0026, and 2577-0029. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number. The table, below, identifies the HUD forms and the OMB approval number.
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Orlando J. Cabrera, Assistant Secretary for Public and Indian Housing