



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Office of Public and Indian Housing

Special Attention of

Public Housing Agencies administering Housing
Choice Voucher Programs
Public Housing Hub Office Directors
Public Housing Program Center Directors
Regional and Field Office Directors
Financial Management Center
State and Area Coordinators

Notice PIH-2012-21 (HA)

Issued: May 10, 2012
Expires: This notice remains in effect
until amended, revoked, or
superseded

Cross Reference: PIH Notice 2006-3
PIH Notice 2006-5
PIH Notice 2008-9
PIH Notice 2010-7
PIH Notice 2010-45

**Subject: Financial Reporting Requirements for the Housing Choice Voucher Program
Submitted through the Financial Assessment Subsystem for Public Housing and the Voucher
Management System.**

1. Purpose.

The Uniform Financial Reporting Standards (UFRS), at 24 C.F.R. § 5.801, require Public Housing Agencies (PHAs) as defined under 24 C.F.R. § 982.4¹ that administer the Housing Choice Voucher (HCV) Program, to submit financial information to the Department of Housing and Urban Development (HUD) electronically. PHAs are required by regulation to submit their fiscal year end (FYE) financial information to HUD through the Financial Assessment Subsystem for Public Housing (FASS-PH), and to submit certain leasing and cost data through the Voucher Management System (VMS).

This notice clarifies the financial reporting requirements and deadlines for those PHAs that administer the HCV and HCV-related programs (Disaster Voucher Program (DVP), Disaster Housing Assistance Program – Ike (DHAP-Ike), Disaster Housing Assistance Program, Moderate Rehabilitation (Mod Rehab) and Mainstream 5-Year program (MS5), if applicable).

2. Background.

Under UFRS, PHAs are required to submit their financial data electronically in a manner prescribed by HUD. PHAs administering the HCV program must submit their Annual Financial Statements through FASS-PH and their monthly/quarterly leasing and cost data through VMS. Failure to do so by the deadlines required by HUD may result in a withholding or reduction to a PHA's monthly administrative fees in accordance with 24 CFR § 982.152.

¹ 24 C.F.R. § 982.4 defines a PHA, which includes any state, county municipality or other government which is authorized to administer the program including applicable non-profit entities. Refer to 24 C.F.R. § 982.4 – Public Housing Agency for the full definition.

3. Program and “Entity-wide” Reporting Requirements.

Pursuant to the Single Audit Act and OMB Circular A-133 – *Audits of States, Local Governments, and Non-Profit Organizations*, non-Federal entities that expend \$500,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year. Reporting is done in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB)². All PHAs report the results of their audits electronically through HUD’s FASS-PH system.

The FASS-PH system was developed under an “entity-wide” concept; that is, PHAs report all the programs and activities that are administered by the PHA³. Under this concept, HUD is generally able to gain a higher level of assurance on the financial data as it is directly comparable to the audit required under OMB Circular A-133.

However, for a number of PHAs that administer Section 8 programs but not Public Housing, this requirement is not practical and does not provide HUD the usual level of assurance; therefore, alternate procedures for reporting into FASS-PH will be used for these PHAs. Regardless of the information submitted to HUD under UFRS for this monitoring purpose, Section 8 Only PHAs remain subject to the audit and filing requirements under the Single Audit Act and OMB Circular A-133 – *Audits of States, Local Governments, and Non-Profit Organizations*, where applicable.

FASS-PH reporting requirements under UFRS for Section 8 Only PHAs

- *Section 8 Only PHAs that are a Stand Alone Reporting Entity (Primary Government)*. For those Section 8 Only PHAs that are defined by GAAP as a primary government, component unit or nonprofit agency that will have its own financial audit, the PHA will report⁴ all of its financial activities (entity-wide).
- *Section 8 Only PHAs that are part of a Nonprofit Agency*. For Section 8 Only PHAs that are organized as part of a nonprofit agency that is mostly non-housing related or part of a larger non-general purpose governmental agency (such as a state housing finance agency or state development authority), the PHA must report³ only the HCV and HCV-related programs as listed in Section 10 of this notice and other UFRS required programs. **This only applies to non-profits or non-general purpose governmental agencies** whose HCV and related activities (including housing assistance payments) constitute less than 50% of that entity’s activities. Activity is defined for this purpose as total operational expense and capitalized costs incurred during the current reporting period.

² Some PHA will report using GAAP as promulgated by the Financial Accounting Standards Board (FASB) (e.g., non-profits). While the remainder of this notice will reference GAAP as prescribed by GASB, for those PHAs that report under FASB, these PHAs must continue to report using the appropriate FASB standards.

³ This includes other federal (non-HUD), state, local and private non-federal activities recorded in a PHA’s financial statements.

⁴ Reporting is completed electronically through HUD’s Financial Assessment Subsystem for Public Housing (FASS-PH).

- *Section 8 Only PHAs that are part of a Larger General Purpose Government.* For those Section 8 Only PHAs that are part of a larger general purpose government (e.g., program, division, or department within a municipality or state), the PHA must report⁵ only the HCV, and HCV-related programs. HCV-related programs are more fully detailed in Section 10 of this notice. If the general purpose government (GPG) declares the HCV-related programs a major “enterprise” fund, then full accrual accounting is used. Full accrual accounting provides more data than if the GPG reports the program under modified accrual where long term assets and liabilities are not reported. Further, the auditor must provide a separate opinion on that fund providing HUD a higher level of assurance that the amounts are correct. Therefore, HUD recommends that GPGs declare the HCV and HCV-related program as a major “enterprise” fund.

For those HCV-related programs that are accounted for as part of a general purpose government’s General or Special Revenue fund(s), the entity may submit to FASS-PH using modified accrual⁵.

4. Financial and Compliance Procedures.

For those general purpose governments and non-profits that have not declared their HCV-related programs as a major fund for financial statement purposes or as a major enterprise fund under OMB Circular A-133, the audit obtained may not be sufficient for HUD to properly monitor its financial and compliance interest in these entities.

Therefore, in order for HUD to gain an acceptable level of assurance, these PHAs may be directed to procure Independent Public Accountant (IPA) services for financial and compliance procedures as specified by the Department. This additional work is normally completed as part of the audit and is specifically known as “Auditor Agreed Upon Procedures”. Annually, these PHAs must contact PIH Financial Management Division (FMD) at PIH_Financial_Management_Division@hud.gov in order to confirm whether they must procure an IPA service. If the PIH FMD determines that IPA services must be performed, the Department will reimburse the agency for any additional audit costs unless substantial administrative fee funding previously provided by the Department is currently available to the agency. If substantial administrative fee funding previously provided by the Department is currently available, the PIH FMD may direct the agency to use these funds for the administrative expense of a special purpose audit.

5. Financial Data Schedule (FDS) as Supplementary Information.

The FDS is prepared as supplementary information to the financial statements, produced in hard copy (normally as part of the annual financial report but may be issued separately), and reported

⁵ GAAP requires that activities reported under the General Fund or a Special Revenue Fund must be reported using the modified accrual basis of accounting. Modified accrual accounting is an accounting method that differs from full accrual accounting but is the required method under GAAP when PHAs report the HCV activity as part of the General Fund or a Special revenue Fund. This only clarifies and reiterates HUD’s position that a PHA must reporting using GAAP.

on by the auditor, regardless of whether the FDS is entity-wide⁶. The FDS is essentially a trial balance of the financial statements, currently arranged by Catalogue of Federal Domestic Assistance (CFDA) number. If the supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, the auditor would express no “in relation to” opinion on this schedule, but the report and FDS must still be issued as supplementary information.

6. Fiscal Year End Reporting.

PHAs are required to submit to FASS-PH based on their FYE date as recorded in the Public and Indian Housing Information Center (PIC). The FYE date in PIC should match the FYE date in FASS-PH.

However, some Section 8 only PHAs that are part of a larger government or non-profit have FYE dates which are different from their PIC FYE date. Therefore, these PHAs must report to FASS-PH based on the larger government’s or non-profit’s FYE date rather than the date recorded in PIC. Those PHAs that report to FASS-PH based on the larger government’s or non-profit’s FYE date rather than the date recorded in PIC must take the following steps to correct the disparity:

- Immediately request an update to its HCV FYE in PIC to coincide with that of the primary government or nonprofit agency. If the PHA does not request such an update, HUD may update PIC on its own schedule. The PHA must contact the Real Estate Assessment Center (REAC) at REACSection8Assessment@hud.gov to notify FASS-PH of its intent to update its FYE and then follow the instructions in PIH Notice 2002-18⁷ that provides the steps necessary to complete a FYE update in PIC or to notify FASS-PH of its intent to complete the additional financial and compliance procedures as outlined by the Department.
- Until the update in PIC is complete, the PHA will file its unaudited submission based on its current PIC FYE. To fulfill the audited submission as required under UFRS, the PHA may request a waiver for additional time to coincide its audit submission with that of the primary government, or the PHA will need to procure IPA services for financial and compliance procedures as outlined by the Department (auditor agreed upon procedures) if the PHA’s HCV-related programs are over the A-133 Audit Threshold. PHAs must first contact the FMD at PIH_Financial_Management_Division@hud.gov to determine the appropriate reporting mechanism. If the need to procure IPA services is approved, the Department will reimburse the agency for this additional cost subject to funding availability.
- In lieu of updating their FYEs, PHAs may elect to procure IPA services to conduct and complete financial and compliance procedures, as specified by the Department,

⁶ In accordance with Statement on Auditing Standards (SAS) No. 119, Supplementary Information in Relation to the Financial Statements as a Whole.

⁷ This notice is an indefinite notice that has no expiration date.

on their HCV-related programs, based on their current recorded FYEs in PIC and FASS PH. PHAs that elect this method need not contact HUD, but are required to submit their information based on their FYE as reported in PIC and FASS PH. The additional cost will not be reimbursed by the Department.

- **EXCEPTION**--If the FYE of the primary government does not end on a quarter, the PHA must not change its FYE and may need to procure IPA services for financial and compliance procedures as outlined by the Department (auditor agreed upon procedures). PHAs must first contact the FMD at PIH_Financial_Management_Division@hud.gov in order to receive confirmation this work is required. If the need to procure IPA services is required, the Department may reimburse the agency for this additional cost subject to funding availability.

7. FDS Submission Deadlines.

Unaudited submissions are due no later than 2 months after the PHA's FYE; for those entities required to have an audit, the audited submissions are due 9 months after the PHA's FYE. PHAs are required to submit their financial information through the FASS-PH system.

The table below illustrates the common PHA FYEs and associated dates that the annual unaudited and audited submissions are due. For example, a PHA with a March 31 (3/31) FYE needs to submit its unaudited submission to HUD no later than May 31, and its audited submission no later than December 31 (12/31).

Financial Reporting Schedule Due Dates

Fiscal Year End	12/31	03/31	06/30	09/30
Unaudited Submission	02/28	05/31	08/31	11/30
Audited Submission	09/30	12/31	03/31	06/30

8. FASS Waiver and Extension Requests.

PHAs that need extra time to make their submissions may request a waiver or extension from HUD. Requests for both waivers and extensions need to be made, prior to the respective due dates. For circumstances beyond the PHA's control, approval of either the extension or waiver defers the normal due date of the financial data. An example of a circumstance beyond a PHA's control is a natural disaster that results in significant destruction to a PHA's properties, computer systems, or data, thereby impeding the PHA's ability to submit data on time.

If an extension or waiver is not granted, HUD may take such action as described in Section 11 of this Notice.

- *Extension Requests.* An extension request is used by a PHA to request additional time to submit its **unaudited** submission. The PHA request, as well as HUD's decision to grant an extension, is performed electronically on-line through a link in the Integrated Assessment Subsystem (NASS) system. Paper, fax, or phone requests will not be accepted.

To request an extension, PHAs need to log into the Integrated Assessment Subsystem (NASS) prior to the reporting deadline. The PHA will select the “Administrative” link, then select extension request. The PHA will then enter the PHA code and the FYE. The PHA must then provide the information requested, including the number of days requested for the extension, and the explanation of the circumstances surrounding the need for an extension.

PIH’s REAC is responsible for processing, approving and/or denying all extension requests. HUD’s disposition of the request and the length of the extension will be reflected by the system once HUD has made its determination. The PHA may also periodically check the link to find the status of its request.

- *Waiver Requests.* A waiver request is used to request additional time to make an **audited** submission. The PHA must submit a hard copy of the request to HUD that conforms to the following requirements:
 1. There must be a written request (i.e., letter) to HUD to waive the audited due date, along with an explanation of the circumstances surrounding the need for additional time.
 2. Documentation that supports the circumstances surrounding the waiver request must be included. If the PHA is requesting additional time to submit the audited submission because of an Independent Public Accountant’s (IPA) inability to complete the audit on time, the PHA must submit a copy of the engagement letter documenting when the auditor was hired and the scheduled completion time of the audit.
 3. The request and supporting documentation must be mailed to the PHA’s assigned Field Office.

The Field Office enters the request into SharePoint, adds a recommendation and forwards the request to HUD headquarters. Based on a review of the request, PIH REAC will provide a recommendation to the Assistant Secretary of PIH on whether to approve or deny a waiver request and is responsible for the processing of all waiver requests. However, the Assistant Secretary of PIH will make the determination on whether to approve or deny the waiver request.

If the waiver request is approved, HUD will notify the PHA by mail. It is highly recommended that PHAs mail their requests for waiver 60 days prior to the audited submission date. REAC provides further waiver guidance through *Notice PIH-2009-41*, *Subject: Processing requests for regulatory waivers.*

Waiver requests must be received prior to the submission due date in order to be considered.

HUD will not entertain any waivers of the requirement to file FASS-PH reports; however, PHAs that need extra time to make their submissions may request from HUD an extension of the reporting requirement to submit unaudited financial statements or a waiver of the reporting compliance date requirement found at 24 CFR 5.801 (d) 2 for submission of

audited statements.

9. VMS Submissions.

PHAs are required to transmit certain leasing and cost data electronically through VMS. For calendar years 2005 to 2011, VMS data has been used for HCV budget formulation. The Department also uses VMS data for monitoring, determining the renewal funding levels and funding-related factors under the Section Eight Management Assessment Program (SEMAP). Therefore, it is imperative that PHAs comply with reporting requirements and timelines for reporting through VMS, ensuring that the information submitted is both timely and accurate. The data provided in VMS is subject to verification and review by HUD's Quality Assurance Division.

Data submissions are currently collected monthly. PHAs may enter VMS information for the designated monthly submission period beginning on the 4th of the subsequent month. The submissions are due on the 22nd in that month unless otherwise communicated to PHAs.

Because VMS data reporting is time sensitive, requests to extend submission deadlines cannot be entertained. However, PHAs that are not able to meet reporting deadlines due to circumstances beyond their control must notify the FMC at Financial_Management_Center@hud.gov. PHAs that do not submit the required data by the reporting deadline may be subject to a withholding or offset of administrative fees as described in Section 11 of this Notice.

10. HCV-related Programs.

Mainstream 5-Year Programs, Mod Rehab, DVP, and DHAP are funded separately from the HCV program. The general HCV program activities are reported under CFDA 14.871 in FDS, which include Family Unification (FUP), Non-elderly Disabled (NED) awards and VASH for FASS-PH reporting. In the past, some HUD guidance instructed PHAs to report PIH's Mainstream 5 vouchers under CFDA #14.181 "Supportive Housing for Person with Disabilities". This instruction is no longer valid. PHAs should report PIH's Mainstream 5 vouchers under CFDA #14.879 "Mainstream Vouchers"

The following list provides HCV-related programs that must be reported on the FDS as a separate column (i.e., balance sheet and income statement) if administered by the PHA. The following programs are required to have a separate accounting and not be accounted for and commingled with the HCV program.

#	Program Name	CFDA Number (for FDS Reporting)
1	Disaster Housing Assistance Program (DHAP)	97.109
2	Disaster Housing Assistance Program – Ike (DHAP-Ike)	DH.IKE
3	Moderate Rehab	14.856
4	Disaster Voucher Program (DVP)	14.DVP
5	Mainstream 5	14.879

As noted in Section 3 of this Notice, PHAs that are stand alone reporting entities will report all of their financial activity to HUD, while all other PHAs will report on their HCV and HCV-related programs as defined in this Notice along with any other program (for example substantial rehabilitation) as required by UFRS.

In the past HAP activity for the Veterans Affairs Supportive Housing program (VASH) was reported as a separate program (14.VASH) on the FDS. New reporting instructions for the VASH program have been posted on HUD's website. The new reporting instructions effectively have PHAs report their VASH HAP activity in the HCV program (14.871). PHAs that administer the VASH program should refer to the following link for specific reporting guidance on the FASS-PH website.

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/reac/products/prodpha;

PHAs must continue to report Mainstream 5-Year, DVP, DHAP, and VASH activities in the VMS. Specifically, the dollar amount of HAP payments and the number of vouchers utilized must be reported. Mod Rehab is not reported in VMS.

11. Non Compliance.

24 C.F.R. § 982.152(d) provides that HUD may reduce or offset any administrative fee to the PHA, in the amount determined by HUD, if the PHA fails to perform PHA administrative responsibilities correctly or adequately under the program (for example, reporting noncompliance and/or VMS non-submission).

If the PHA fails to comply with reporting requirements, HUD may reduce the PHA's administrative fees. The reduction will be calculated beginning the first day of the month following the submission closing due date. The monthly reduction will continue until such time as the PHA complies with the reporting requirements or a waiver is granted. The imposition of such reductions will be communicated under separate cover and may represent a permanent reduction in funding for administrative fees for the current calendar year that shall not be reversed. However, this will not impact the baseline administrative fee calculations.

Under FASS-PH reporting for a PHA's unaudited submission any associated reduction for reporting noncompliance will not begin until the 16th day of the 3rd month following the end of their fiscal year.

12. Clarifications for Reporting Equity in FASS-PH.

Net Restricted Assets and Unrestricted Net Assets. PHAs are required to report their financial information to the Department using GAAP. PIH Notice 2008-09 stated that effective January 1, 2005, excess budget authority disbursed to PHAs that is not utilized to pay housing assistance payments (HAP) or administrative costs would become part of the undesignated fund balance. However, most PHAs utilize a single purpose proprietary fund reporting model. The concept of fund balance does not apply under GAAP for this model.

This clarifies HUD's reporting position that unused HAP under proprietary fund reporting must be reported as *restricted net assets* (equity) (FDS Line 511.1)⁸, with the associated cash and investments also being reported on the FDS as restricted. Any unused administrative fees must be reported as *unrestricted net assets* (equity) (FDS Line 512.1), with the associated assets being reported on the FDS as unrestricted. Please refer to PIH Notice 2010-07 for the proper reporting of unrestricted net assets from FFY 2004 and subsequent funding periods (referred to as "post-2003" funds) and prior to the FFY 2004 Appropriations Act (referred to as "pre-2004" funds).

Fund Balance Reporting (GASB #54). The Governmental Accounting Standards Board issued a new standard "*Fund Balance Reporting and Governmental Fund Type Definitions*" (GASB #54). This standard is effective for PHAs reporting financial statements for the period beginning after June 15, 2010. From a FDS reporting perspective, GASB #54 will only affect Section 8 Only agencies that report using modified accrual. As a result of current information technology constraints, the FDS is unable to accommodate the latest GASB #54 requirements. Until the FDS is updated to include the latest GASB #54 equity line items, PHAs that are submitting under the new GASB #54 requirements are required to submit the GASB #54 line item balances via an Excel spreadsheet. PHAs that report under modified accrual should refer to the following link for specific guidance on GASB #54 and the Excel spreadsheet that are posted on the FASS-PH website:

[http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/reac/products/prodphaRevenue Recognition](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/reac/products/prodphaRevenue%20Recognition). Both administrative fee and HAP revenue must be recognized under the guidelines set forth in Statement No. 33 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Non-exchange Transactions" (GASB 33). Accordingly, revenue should not be recognized when funds are received or expended, but when eligibility requirements as defined by GASB 33 are met, which includes the revenue being measurable. The HCV program is no longer considered a cost reimbursement grant program.

Investment Income. Any investment income earned on these funds must be reflected in the equity account on which the investment income was earned. For example, investment income earned on HAP cash balances must be credited to the HAP equity account. Likewise, investment income earned on administrative fee cash balances must be credited to the Administrative Fee equity account. The FDS provides specific lines to correctly report these transactions. All bank service charges must be reflected in the administrative fee equity account.

13. Moving to Work (MTW) Agencies Reporting in FASS-PH.

Per their MTW agreements and recent appropriations law, PHAs participating in MTW must report in FASS-PH on the FDS using GAAP. Since MTW agencies are authorized to combine HCV funds with public housing operating and capital funds, reporting requirements need to take this flexibility into consideration. For example, since MTW agencies can utilize HCV funds for purposes other than HAP payments, the equity reporting requirements need to be treated differently. To accommodate these circumstances, special reporting instructions are provided to MTW agencies at http://www.hud.gov/offices/reac/products/fass/fass_pdf/mtw-reporting.pdf,

⁸ Under governmental fund reporting, unused HAP must be reported as reserved fund balance, while any unused Administrative Fees must be reported as unreserved fund balance.

and these alternate requirements must be followed. As noted above, certain HCV-related programs are required to have a separate accounting, and this requirement applies to MTW agencies as well.

14. Paperwork Reduction Act.

The information collection requirements contained in this Notice have been approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. §§ 3501-3520), and have been assigned the following OMB control numbers - Voucher Management System: 2577-0169; Financial Assessment Subsystem: 2535-0107. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

Any questions regarding this Notice should be referred to the FMD at (202) 708-2934 or emailed to PIH_Financial_Management_Division@hud.gov.

/s/

Sandra B. Henriquez, Assistant Secretary for
Public and Indian Housing, P