



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
OHVP Financial Management Center
State and Area Coordinators

Notice PIH-2015-16 (HA)

Issued: October 1, 2015

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superseded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
PIH Notice 2012-21

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.

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 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, as per Section 11 of this Notice.

¹ 24 C.F.R. § 982.4 defines a PHA to include any state, county municipality or other government which is authorized to administer the Housing Choice Voucher program including consortiums of housing agencies and 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 Code of Federal Regulations (CFR), Title 2, Subtitle A, Chapter II, Part 200, Subpart F; *Audit Requirements*, non-Federal entities that expend \$750,000² or more during the non-Federal entity’s fiscal 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)³. 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 PHA⁴. Under this concept, HUD is generally able to gain a higher level of assurance on the financial data as the financial data is directly comparable to the audit required under Code of Federal Regulations (CFR), Title 2, Subtitle A, Chapter II, Part 200, Subpart F; *Audit Requirements*.

However, for a number of PHAs which administer Section 8 programs but not Public Housing, the “entity-wide” reporting 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 Code of Federal Regulations (CFR), Title 2, Subtitle A, Chapter II, Part 200, Subpart F; *Audit Requirements*, 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 report⁵ 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 report 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 The revised audit threshold will apply to audits of fiscal year beginning on or after December 26, 2014. That is, the first audit under the new threshold will be for the entities with December 31, 2015 fiscal year-end and later. Prior to this change the threshold for audit was \$500,000.

³ Some PHAs 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.

⁴ This includes other federal (non-HUD), state, local and private non-federal activities recorded in a PHA’s financial statements.

⁵ 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 (e.g., program, division, or department within a municipality or state), the PHA will report 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 accrual⁶.

4. Financial and Compliance Procedures.

For those general purpose governments that have not declared their HCV related programs as a major fund for financial statement purposes or as a major enterprise fund under Code of Federal Regulations (CFR), Title 2, Subtitle A, Chapter II, Part 200, Subpart F; *Audit Requirements*, 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 the PIH Office of Housing Voucher Programs (OHVP), 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 OHVP, FMD determines that IPA services must be performed, the Department will provide set-aside funding, if available, to reimburse the agency for any additional audit costs unless sufficient UNA exists, in which case these funds may be used for the special purpose audit cost.

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

The FDS is supplementary information to the financial statements, including assets, liabilities and equity, revenue, expenses, and other financing sources, which is normally presented as part of the entity’s annual financial report but may be issued separately, and reported on by the auditor, regardless of whether the FDS is entity-wide⁷. The FDS is essentially a trial balance of the financial statements, currently arranged by program and 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

⁶ 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

⁷ See Statement on Auditing Standards (SAS) No. 119, Supplementary Information in Relation to the Financial Statements as a Whole.

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 governments or non-profit’s FYE date rather than the date recorded in PIC must take the following steps to correct the disparity:

- A. 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 2002-18⁸ 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.
 - B. 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 Code of Federal Regulations (CFR), Title 2, Subtitle A, Chapter II, Part 200, Subpart F; *Audit Requirements* thresholds. 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.
 - C. 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, 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

⁸ This notice is an indefinite notice that has no expiration date.

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 60 days 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.

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:
 - A. 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.
 - B. 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.
 - C. 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. Further waiver guidance is provided through *Notice PIH-2013-20, Subject: Processing requests for regulatory waivers through appropriate field offices.*

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) 1 for submission of audited statements.

9. Voucher Management System (VMS) Submissions.

PHAs are required to transmit certain leasing and cost data electronically through VMS. The Department uses VMS data for budget formulation, cash management, monitoring, determining 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 submitted in VMS is subject to verification and review by the PIH OHVP, Quality Assurance Division.

PHAs are required to submit leasing and cost data in VMS on a monthly basis; each month's data is submitted during the subsequent month. VMS is available for regular submissions from the 4th through the 22nd of each month. Adjustments to previously reported month's VMS data may be entered at any time by utilizing the Prior Month

Correction (PMC) module. Additional information may be found in the VMS User's Manual, including use of the system, prior month corrections, viewing data and generating reports.

VMS data reporting is time sensitive, and requests to extend submission deadlines will not be considered. However, PHAs that are not able to meet reporting deadlines due to circumstances beyond their control must notify the PIH OHVP, 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 and HCV-related Programs.

In addition to the HCV program, for those entities not required to provide entity-wide financial information as discussed in Section 3 of this Notice, the entity must report at a minimum, the following additional programs if administered by the entity on the FDS:

- Mainstream 5-Year
- Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation
- Shelter-Plus-Care
- Section 8 Moderate Rehabilitation Single Room Occupancy
- All Disaster Housing Assistance Programs such as DHAP-Ike and DHAP-Sandy.

The following table provides the HCV and 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 and the associated CFDA number used in reporting the financial information of the program.

#	Program Name	CFDA Number (for FDS Reporting)
1	Housing Choice Voucher Program	14.871
2	Disaster Housing Assistance Program (DHAP)	97.109
3	Disaster Housing Assistance Program – Sandy (DHAP-Sandy)	97.109
4	Disaster Housing Assistance Program – Ike (DHAP-Ike)	DH.IKE
5	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856
6	Mainstream 5	14.879
7	Shelter Plus Care	14.238
8	Single Room Occupancy	14.249

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.

11. Non-Compliance and Administrative Fee Sanctions.

Title 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). Administrative fee sanctions are considered permanent, meaning once a reduction of ongoing administrative fees earned has been imposed, the amount of fees withheld while the sanction is in place, will not be restored to the PHA at a later date. However, upon lifting this sanction, the PHA will again be entitled to receive actual administrative fees earned (subject to pro-ration) from that point forward.

Under FASS-PH reporting for a PHA's unaudited submission any associated administrative fee sanctions for reporting noncompliance will not begin until Notification of Non-compliance has been provided, which shall be no later than the 16th day of the 3rd month following the end of a PHA's fiscal year. If HUD determines that the PHA failed to comply with reporting requirements, HUD may begin to impose administrative fee sanctions **after 30 Calendar Days of Notification** of the PHA's failure to submit, unless the PHA successfully appeals, or applies for a waiver or extension within such time. If an appeal is denied, the administrative fee sanction will be effective the first day of the month subsequent to the passing of the stated deadline for compliance.

PHAs that are not able to meet electronic reporting deadlines due to circumstances beyond their control (i.e. natural disasters) should notify the appropriate division/center prior to the submission deadline, as per Section 8 of this Notice. In those cases where there is an approved reporting waiver/extension, administrative fee sanctions will not be imposed. Please note, a PHAs failure to report data by required deadlines will not delay or prevent HUD from conducting funding computations for the HCV Program.

12. Clarifications for Reporting Equity in FASS-PH.

Revenue Recognition: 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.

Investment Income: In accordance with cash management requirements, effective January 1, 2012, excess HAP funds held by the PHA as well as any existing restricted net position (RNP) are required to be deposited in an interest-bearing account at the available rate. Interest earned on excess HAP funds and RNP balances are not considered revenue and must be returned to the U.S. Treasury. However, on December 26, 2013, OMB issued a Federal Register called "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards", which established that interest earned on excess HAP funds and RNP balances must be remitted annually to the Department of Health and Human Services (HHS) Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. Remittances must include pertinent information of the payee and nature of payment in the memo area (often referred to as "addenda records" by Financial Institutions) as that will assist in the timely posting of interest earned on federal funds." Pertinent details include the PHA name, number and address. HHS guidance related to funds remittances can be found on the HHS Division of Payment Management website at the following link:
http://www.dpm.psc.gov/grant_recipient/funding_requests/returning_interest.aspx

Click on “returning funds” for specific information. It is recommended that PHAs keep record of remittances regarding HAP funds held by the PHA and RNP. The PHA may keep interest amounts up to \$500 per year for administrative expense.⁹ Therefore the first \$500 dollars on interest earned on excess HAP and RNP balances for FDS reporting should be reclassified to and reported on FDS line 71100-020 Investment income – unrestricted (administrative fee). PHA’s must continue reporting earned interest in VMS.

Accounting Brief No. 19: Revenue Recognition for Housing Assistance Payments and Administrative Fees for the Housing Choice Voucher (HCV) Program discusses these topics further and can be found at: [Accounting Brief No. 19](#)

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: [Special Instructions for Preparing Financial Data Schedules for Moving to Work Agencies](#) 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/
Lourdes Castro Ramírez,
Principal Deputy Assistant Secretary for
Public and Indian Housing

⁹ For the period 1/1/2012 through 12/31/2013, the PHA may retain up to \$100 per year for administrative expenses. Effective 12/26/2013, the PHA may retain up to \$500 per year for administrative expenses.