



U.S. Department of Housing and Urban  
Development  
**Public and Indian Housing**

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Special Attention of:  
Office Directors of Public Housing;  
Regional Directors; Public Housing  
Agencies.

**Notice PIH-2017-06**

Issued: March 23, 2017

This notice remains in effect until amended,  
revoked or superseded

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Cross References: PIH Notice 2011-67

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**SUBJECT: Cash Management Requirements for the Housing Choice Voucher Program**

1. **Purpose.** This Notice revises the cash management requirements and procedures for the disbursement and reconciliation of Housing Assistance Payments (HAP) funds provided to public housing agencies (PHA) under the Housing Choice Voucher (HCV) program, including Moving-to-Work (MTW) agencies. This Notice revises the cash reconciliation timeframes and provides additional guidance to MTW PHAs. This Notice replaces Notice PIH 2011-67 and will remain in effect until superseded.
2. **Background.** Congress provides funding for the HCV program through Annual Appropriation Acts. HUD allocates and awards funding to PHAs in accordance with the Appropriations Acts. PIH 2011-67 established cash management procedures to mitigate PHA accumulation of Restricted Net Position (RNP) funds, reduce Treasury outlays by timing the disbursements based on actual need, and facilitate a more efficient and timely method by which to account for PHA program reserves. In January 2012, the Department began distributing funds to PHAs monthly based on the most recent assessment of needs.
3. **Requirements.** HUD is required to control disbursement of funds to PHAs in such a way as to ensure that PHAs do not receive federal funds before they are needed, as described in *Treasury Financial Manual*, Volume 1, Part 4A-2045.10 – Cash Advances – Establishing Procedures for Cash Advances:

It is the responsibility of grantor agencies to monitor the cash management practices of their recipient organizations to ensure that Federal cash is not maintained by them in excess of immediate disbursing needs. Agencies must establish systems and procedures to assure that balances are maintained commensurate with immediate disbursing needs, [and] excess balances are promptly returned to the Treasury.

4. **Procedures.** HUD's process for distributing HAP funding to PHAs in accordance with cash management requirements is based on the most recent assessment of the PHA's needs and includes:
- a. Monthly disbursements to each PHA are based on the most recent validated PHA HAP costs available from the Voucher Management System (VMS) at the point the disbursement is scheduled. Disbursements may be scheduled for one or multiple months at a time, but disbursements will continue to be made on the first business day of each month. Attachment A to this Notice presents an example of the notification that will be provided to each PHA in advance of disbursements. The notification may cover one or more months and will always identify funds available, the amount of funds to be disbursed, and other data as needed, such as the reduction of the disbursement amounts to adjust for prior over-payments.
  - b. HUD regularly assesses the most current national program cost trends and may include a small margin (increase or decrease) in the HAP disbursement amounts to readily account for nominal increases or decreases in leasing and/or costs. HAP disbursements are calculated on each PHA's current costs, including the margin, and are effective on the 1<sup>st</sup> of the month. The use of the margin in these calculations should alleviate the need for most frontload requests. However, PHAs whose monthly costs exceed the scheduled disbursements and who have used the margin may submit a request for an additional advance/frontload to their Financial Analyst at the Financial Management Center (FMC) for review and approval. The request should include leasing and expenses data for any month(s) not yet reported in VMS and the PHA's projected HAP expenses for the period to which the request applies. Please note that disbursements are limited to available funding, which includes Budget Authority (BA) eligibility and available HUD-held reserves (HHR). These additional disbursements will be reduced by any excess funds the PHA is holding in their RNP account.
  - c. Disbursements will continue to be scheduled for deposit in the PHA's bank on the first business day of the month, which is the date on which PHAs generally issue their Housing Assistance Payments checks to property owners. The first of the month schedule ensures that the PHA will not receive monthly advances from HUD prior to the PHA's immediate disbursement needs.
  - d. No less than twice a year, each PHA's actual costs will be compared to funds disbursed for the period in question plus other program revenues such as fraud recoveries (as reported in VMS). Subsequent disbursement(s) will be adjusted as needed to immediately recoup any excess disbursements. Any disbursement shortfalls in the interim reconciliation(s) will not be made up, because the PHAs may have already requested additional funds via frontload or may have used available cash reserves to cover it at the time of the reconciliation. However, HUD will address any disbursement shortfall at the calendar year-end reconciliation. A final reconciliation will include updating actual HAP expenses for the year, as PHAs may have revised their prior VMS submissions after interim reconciliations were completed.

The purposes of the final reconciliation will be to determine total HAP expenses incurred by the PHA for the calendar year (CY) and compare that amount to the sum of HAP disbursements to the PHA and other program revenue for the CY and locally held reserves (RNP) in order to determine whether the PHA has received excess or insufficient disbursements. An offset will be processed if the PHA's total HAP expenses were less than the sum of HAP disbursements to the PHA and other program revenue for the CY and RNP. An additional disbursement will be made if the PHA's total HAP expenses for the CY exceed the sum of HAP disbursements to the PHA and other program revenue for the CY and RNP, but only to the extent funds are available from the PHA's HHR accumulated through December of that year. These final offsets (transition to HHR) or final HAP disbursements from HHR will close out the cash management activity for the CY.

The Department will process prior period adjustments one time in the subsequent year. Any HAP adjustments required after the year-end reconciliation will be made when the subsequent calendar year's final reconciliation is completed.

Attachment B to this notice presents an example of the notification that will be provided to each PHA following each interim and year-end cash reconciliation. The notification will always identify funds available, funds disbursed, funds required, the amount due to or from the PHA, and the HUD-held total.

- e. Incremental funding for first-time vouchers, such as special purpose vouchers (including HUD VASH and tenant protection), will continue to be disbursed in equal monthly amounts according to contract effective and expiration dates. These funds will be included in the year-end cash reconciliations.
  - f. Any excess HAP funds held by a PHA, as well as any existing RNP balances, are required to be deposited in an interest-bearing account with a depository institution with which the PHA has entered into a General Depository Agreement (GDA). At least once each year the PHA is required to remit this interest income to the Treasury, in accordance with OMB procedures.
5. **Program Reserves and RNP Balances.** The process of disbursing only the funds required for current HAP costs has resulted in the re-establishment and maintenance of HUD-held program reserves, whereby excess HAP funds remain obligated but undisbursed at the HUD level rather than held by the PHAs. The obligated but undisbursed budget authority becomes program reserves at the end of the calendar year. RNP balances held by PHAs prior to the implementation of cash management have in large part been transitioned to the program reserves, as a result of their use in lieu of HUD disbursing additional budget authority.

These cash management procedures will not change the amount of funding for which each PHA is eligible each year; nor does the transition from PHA-held RNP to HUD-held program reserves reduce the PHA's available HAP resources. Funding allocations will continue to be calculated in accordance with the requirements of each year's Appropriations Act. The major difference under the cash management procedures is that

excess funds will no longer be maintained in RNP accounts by PHAs, and all excess budget authority will be held on behalf of the individual PHAs by HUD in the program reserves. PHAs will still be able to access their program reserves for eligible HAP needs whenever necessary by contacting their Financial Analyst at the FMC. Due to HUD's use of prior-month actual costs to calculate disbursement amounts, PHAs may accrue some excess funds, but these will be transitioned to HUD-held reserves via the cash reconciliations. PHAs will still be able to access their program reserves for eligible HAP needs whenever necessary by contracting their FA at the FMC.

6. **Moving to Work (MTW) PHAs.** PHAs participating in the MTW demonstration are also subject to the cash management requirements on HCV HAP. This includes, but is not limited to, the drawdown of HAP funds for landlord payments, and the drawdown of HAP funds for non-HAP purposes such as payments for development contracts or other eligible MTW activities. Any MTW PHA whose needs will exceed the calculated amount may also contact their Financial Analyst at the FMC to request an additional disbursement amount.

HUD calculates the monthly disbursements in the same manner as described previously in the Notice; however, non-HAP expenses funded from HAP are not considered for the monthly HAP disbursement calculations. Any MTW PHA whose needs for the month will exceed the calculated amount should contact their Financial Analyst at the FMC for an additional disbursement amount. The additional disbursement amount may include not only increased HAP costs, but also any eligible MTW non-HAP expenses that the MTW PHA will pay during the month.

HUD has revised the VMS reporting fields and definitions during the April 2016 VMS release to ensure the MTW PHAs can report their monthly non-HAP expenses that are supported by HCV program funds. The new reporting form must be used to identify all non-HAP expenses incurred including those expenses for which an additional disbursement request is made. HUD will conduct interim and year-end cash reconciliations of HCV funding disbursed to MTW PHAs based on the data reported in the new MTW VMS fields, and will transition to HUD-held reserves any unspent amounts originated from HAP held by the PHAs.

7. **Recording Funding on Financial Statements.** PHAs (MTW and non-MTW) must follow Real Estate Assessment Center's (REAC) Accounting Brief #19 for additional guidance on revenue recognition.
8. **Mainstream 5 Year (MS5) Program.** Since CY 2012, the MS5 Program has been funded under the Tenant-based Rental Assistance account; therefore, cash management requirements are applicable. Monthly disbursements are calculated in the same manner as used for the HCV program in steps 4.a. to 4.c. above. The year-end cash reconciliation process described in 4.d. above is completed for MS5 PHAs at the end of each PHA's fiscal year, and not at calendar year end.
9. **Further Information.** Any questions concerning this Notice should be directed to the Housing Voucher Financial Management Division, Office of Public Housing and

Voucher Programs, at (202) 708-2934 (this is not a toll-free number). Persons with hearing or speech impairments may access these numbers via TTY by calling the toll-free Federal Information Relay Service at (800) 877-8339.

/s/

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Jemine A. Bryon  
General Deputy Assistant Secretary  
Public and Indian Housing

Attachment A			
HAP Disbursement Enclosure			
Date			
1	PHA Name		
2	PHA Number		
3	<b>Your January 1, 2016, HAP renewal disbursement will be</b>		
<b>CALCULATIONS</b>			
<b>Total VMS HAP Costs Reported:</b>			
4	September 2015		
5	2% Margin		
6	Total Calculated Monthly Need (Line 4 + Line 5)		
<b>Available Funds for January</b>			
7	January 2016 Renewal Advance		
8	HUD-HELD Funds as of December 4, 2015		
9	Funds Available to Disburse (Line 7 + Line 8)		
<b>Disbursements</b>			
10	Calculated January Disbursement (Line 6)		
11	Cash on Hand as of 6/30/2015 to be transitioned to HUD-Held Funds		
12	Net January Disbursement (Line 10 - Line 11)		
<b>PHA Reported Data per VMS, September 2015:</b>			
13	Restricted Net Position		
14	Unrestricted Net Position		
15	Cash and Investments		
16	<p><b>Note A:</b> In some prior months, HAP disbursements were limited to the lower of 1/12 of the renewal eligibility or the calculated monthly need. Since leasing has been on the rise nationally, this limitation has been removed for January. Disbursements are limited to the lesser of need or funds available from budget authority and HUD-held funds. This change may reduce the incidents of PHAs requiring frontloads.</p>		
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Attachment B - NonMTW		HAP Cash Reconciliation Enclosure	
		Non MTW Public Housing Agencies	
PHA Name			
PHA Number			
<b>This enclosure is intended to provide the accumulated Program Reserves as of June 30, 2016</b>			
<b>PART I: December 31, 2015 Program Reserves (HUD-Held &amp; PHA-Held)</b>			
1	December 31, 2015, HUD-Held Funds		
2	Prior Period Adjustments / Corrections to Line 1		
3	Adjusted December 31, 2015, HUD-Held Funds (Line 1 + Line 2)		
4	Calculated PHA-Held HAP Funds as of December 31, 2015, (or Deficit)		
5	Prior Period Adjustments / Corrections to Line 4		
6	Adjusted PHA-held Funds as of December 31, 2015, (or Deficit) (Line 4 + Line 5)		
7	Program Reserves as of December 31, 2015 (HUD-held and PHA-held)		
<b>PART II: Total Funds Available for Calendar Year 2016</b>			
8	Program Reserves as of December 31, 2015 (Line 7)		
9	2016 Prorated Renewal Eligibility		
10	Non-Renewal funds (TP actions, VASH, RAD1, RAD2, etc.)		
11	Fraud Recovery & FSS Forfeitures, January - June, 2016		
12	Total Funds Available in CY 2016 (Sum of Lines 8 through 11)		
<b>PART III: CY 2016 Activity (January - June, 2016)</b>			
		<b>HUD-Held</b>	<b>PHA-Held</b>
13	Beginning Balances		
14	Prorated Obligations		
15	Disbursements		
16	Allowable HAP Expenses from line 24		
17	VMS Reported Fraud Recovery & FSS Forfeitures		
18	Adjustments (If Applicable)		
19	Balances through June, 2016		
<b>PART IV: Over Leasing Calculation</b>			
20	HAP Expenses as reported in VMS as of (8/11/2016)		
21	Unit Months Available CY 2016		
22	Unit Months Leased CY 2016		
23	Overleasing Ratio		
24	Allowable HAP Expenses CY 2016 (Line 20 x Line 23)		
	June, 2016, PHA Reported Restricted Net Position (RNP) - For Information Only		
	June, 2016, PHA Reported Unrestricted Net Position (UNP) - For Information Only		
	June, 2016, PHA Reported Cash / Investment - For Information Only		
<b>Comments:</b>			

Attachment B - MTW			
<b>HAP Cash Reconciliation Enclosure For MTW Public Housing Agencies</b>			
	PHA Name		
	PHA Number		
<b>This enclosure is intended to provide the accumulated Program Reserves as of June 30, 2016</b>			
<b>PART I: March 31, 2016, Program Reserves (HUD-Held &amp; PHA-Held)</b>			
1	March 31, 2016, HUD-Held Funds		
2	Prior Period Adjustments / Corrections to Line 1		
3	Adjusted March 31, 2016, HUD-Held Funds (Line 1 + Line 2)		
4	PHA Reported PHA-Held HAP Funds as of March 31, 2016, (or Deficit)		
5	Prior Period Adjustments / Corrections to Line 4		
6	Adjusted PHA-held Funds as of March 31, 2016, (or Deficit) (Line 4 + Line 5)		
7	Program Reserves as of March 31, 2016 (HUD-held and PHA-held) (Line 3 + Line 6)		
<b>PART II: Total Funds Available April Through December, 2016</b>			
8	Program Reserves as of March 31, 2016 (Line 7)		
		<b>Embedded Fees</b>	<b>HAP</b>
9	HCV Renewal Eligibility April through December 2016		
10	Non-Renewal funds (TP actions, VASH, RAD1, RAD2, etc.)		
11	Fraud Recovery & FSS Forfeitures, April - June, 2016		
12	Total HAP Funds Available April - December, 2016 (Sum of Lines 8 through 11)		
<b>PART III: CY 2016 Activity (April - June, 2016)</b>			
		<b>HUD-Held</b>	<b>PHA-Held</b>
13	Beginning Balances From Part I, Above		
14	HAP Renewal and Non-Renewal Obligations		
15	HAP Disbursements to the PHA		
16	Admin Fee Disbursements to the PHA		
17	Total Disbursements (HAP & Fees) (Line 15 + Line 16)		
18	PHA Reported Admin Expenses		
19	VMS Reported HAP Expenses - Includes HAP for Non-HAP Purposes		
20	VMS Reported Fraud Recovery & FSS Forfeitures		
21	Total HAP and Admin Expenses Less Fraud Recovery & FSS Forfeitures (Line 18 + Line 19 - Line 20)		
22	Excess/Shortage for the Period (Line 17 - Line 21)		
23	Portion of Fee Disbursements Unspent (Line 16 - Line 18)		
24	Other Adjustments (If Applicable)		
25	Reconciled Excess (Shortage) HAP for the Period (Line 22 - Line 23 + Line 24)		
26	Excess PHA-Held Balance Through June, 2016 (Line 13 + Line 24 + Line 25)		
27	HUD-Held Reserve Balance Through June, 2016 (Line 13 + Line 14 - Line 15 + Line 24)		
Any excess shown on line 25 will be transitioned to HUD-held funds in a future disbursement. Any shortage on line 25 will not be automatically disbursed due to the timing of the reconciliation. Please contact the Financial Analyst if additional funds are needed.			