MEMORANDUM FOR: All Regional Administrators; All Office Managers; All Directors of Housing Management, Categories A, B and C Offices; and All Loan Management Branch Chiefs

FROM: Thomas T. Demery, Assistant Secretary for Housing, H


On June 23, 1987, we distributed Change 1 to HUD Handbook 4370.2, Financial Operations and Accounting Procedures for HUD Multifamily Housing Projects. This Handbook change provided a revised and expanded chart of accounts and a revised Form HUD-92410, Statement of Profit and Loss. This submitted by all HUD-insured projects and on those properties on which the mortgage is held by HUD.

The changes published were prompted by: (1) a need to provide a chart of accounts most commonly used by project owners; (2) to eliminate different HUD Forms 92410 (e.g., 92410-NH for Nursing Homes); and (3) to our haste to publish a new Form, we overlooked some items which are necessary, as follows:

A. New (revised) Sub-Accounts

1. For Nursing Homes, Section 232; Elderly Projects, Sections 231 and 202; Retirement Service Centers, Section 221(d)(4), it is necessary to provide a separate schedule of Revenue sources in the Account Group 5300, Elderly and Congregate Services Income broken into sub-accounts, as follows:

   Revenue Accounts (5300)
   
   a) Account 5360 - Drugs and Medical Supplies;
   
   b) Account 5365 - Food Service;
   
   c) Account 5370 - Health and Medical Services (Physicians, Lab, etc.);
   
   d) Account 5375 - Housekeeping (e.g., maid service);
   
   e) Account 5380 - Recreation and Rehabilitation;
f) Account 5390 - Other Service Revenue.

Additionally, as indicated on the new Form HUD-92410 a separate schedule must be attached reflecting the appropriate sub-accounts to which the expense is charged, in accordance with the 6900 series of accounts.

B. For all project types, a separate schedule must be attached to reflect a Sub-Account 6230, Concessions to Tenants and a Sub-Account 6240, Alterations. Concession expenses are currently lumped into Sub-Account 6250, Other Renting Expense. Alterations Expenses are currently lumped into Sub-Account 6390, Miscellaneous Administrative Expense.

C. A separate Sub-Account 6220, Commissions, must be established and separate schedule attached to the 92410, to reflect commissions paid to tenants (reasonable payments made to third parties for tenant referrals and allowances given tenants in lieu of rent). This expense is currently lumped in Sub-Account 6250, Other Renting Expenses. Also, Sub-Account 6290, Misc. Rental Expense lumped in 6250.

D. A separate schedule must be attached to reflect Sub-Account 6543 Repairs - Extraordinary and Non-Recurring. This expense is currently lumped into Account 6590, Miscellaneous Operating and Maintenance Expense.

E. Date of Required Submission of New Form 92410, Statement of Profit and Loss

There is confusion concerning the effective date that the revised Form must be submitted. The revised Form must be submitted to HUD for any project whose Fiscal Year ends December 31, 1987 and subsequent years. These Financial Statements are due to HUD by March 1, 1988, (60 days after the end of the project's Fiscal Year ending after December 1987, the financial statement will be accepted. However, owners will be required to resubmit the Profit and Loss Statement on the revised Form.

Failure to receive the revised Form will result in the inability to enter data into the automated Multifamily Information Processing System (MIPS) scheduled to be implemented nationwide during the third quarter of Fiscal Year 1988.

F. Expense for Conversion to new Accounting System
The cost of converting from the old accounting codes to the new codes may be charged to the project as an allowable expense item.

This memorandum is to be transmitted in total to all project owners and managers in your respective jurisdiction. The changes indicated herein will be incorporated into Handbook 4370.2 in the near future.