

Area Office Monitoring of Public Housing Agencies (PHAs) Guidebook:  
Finance and Budget - Operating Subsidy Program

APPENDIX 1

FINANCE AND BUDGET:

REMOTE MONITORING WORKSHEETS

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REMOTE MONITORING RESOURCE:

Regional Operating Budget Obligation Tracking System (ROBOTS)

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References: 24 CFR 990, Financial Management Guidebook, 7475.1 REV-1  
and PFS Handbook, 7475.13 REV

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INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY		Applicable Sub-Functions	
ROBOTS Operating Budget Control Log	1) Has operating budget and/or PFS calculation and supporting documents been received and/or approved?	Financial Reporting	
ROBOTS Adjustments Receipt Exception	2) Has PHA submitted all mandatory adjustments (Utility, TII, Audit)?	Establishing policies, procedures and/or systems	
For audit adjustments review applicable PFS forms and logs.	3) Have all adjustments been processed?	Maintaining budget and financial controls	
ROBOTS Adjustment Balance Report	Does PHA owe HUD or does HUD owe PHA for year-end adjustments?	Applicable Components	
		Budget and Financial controls	
	If applicable, has a repayment schedule been established?	Operating Subsidy Calculations	
ROBOTS Operating	4) What is the PHA's actual		

Reserve Report                    operating reserve? Is it greater than 20% of the maximum operating reserve after adjusting for TARs and year-end adjustments (PHMAP grade "c")?

SECONDARY

Operating budget files,  
PFS Forms,  
Audits,

PHMAP files

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REMOTE MONITORING RESOURCE:

PHA Operating Budgets and Financial Statements, SMIRPH

References: 24 CFR 990, Financial Management Guidebook, 7475.1 REV-1,  
PFS Handbook, 7475.13 REV

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INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
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PRIMARY	1) PHA overruns in controlled accounts? Review financial statements. Compare budgeted amounts against actuals.	Maintaining financial budget and controls	
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HUD Files	Note: Total Operating Expenditures for PHAs that are not required to submit an operating budget to HUD.	Financial Reporting	
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-Operating Budgets  
-Financial Statements  
-PFS Forms  
-PHMAP Grades

Controlled accounts for PHAs required to submit an operating budget to HUD for review and approval:

SECONDARY

Audit Reports	<ul style="list-style-type: none"> <li>o Total Administrative Expenses</li> <li>o Total Routine Expenses</li> <li>o Extraordinary Maintenance</li> <li>o Replacement of Equipment</li> <li>o Betterments and Additions</li> <li>o Other Nonroutine</li> </ul>		
Management Reviews			
SMIRPH			

Expenditures

PHA must provide adequate documentation regarding budget overruns. documentation may include evidence of:

- a. Emergency expenditures necessary to eliminate immediate serious hazards to residents.
- b. Overruns attributable to increased utility expenses or terminal leave payments (i.e., if the difference between estimated and actual is equal to or greater than overrun.)

- c. Uncompleted or deferred extraordinary work items or betterments and additions budgeted in the prior year but not completed during that year.

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REMOTE MONITORING RESOURCE:  
PHA Operating Budgets and Financial Statements

References: 24 CFR 990, Financial Management Guidebook, 7475.1 REV-1,  
PFS Handbook, 7475.13 REV

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INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY	When comparing actuals on financial statements to budgeted amounts, trends should be identified to detect potential problems.	Maintaining budget and financial controls	
HUD Files -Operating Budgets -Financial	2) Review six-month financial statements (for those PHAs	Financial Reporting	

Statements required to submit semi-annual statements).

SECONDARY Identify negative expense patterns and notify PHA that it may need to adjust spending.

Audit Reports By resolving problems early in the year, overruns at the end of the fiscal year may be avoided.

Management Reviews Examine receipt and expenditure trends for indications that residual receipts may be generated. If necessary, inform PHA that it should incorporate non-routine maintenance items in a budget revision.

3) Examine PHA operating reserve (Account 2820).

Note: High operating reserves do not necessary indicate that a PHA is managing resources properly (i.e., PHA may not be performing routine or non-routine maintenance.)

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REMOTE MONITORING RESOURCE:  
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PFS Handbook, 7475.13 REV

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INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY	Did PHA receive a passing score on PHMAP Indicator #9, Operating Reserves?	Maintaining budget and financial controls	
HUD Files -Operating Budgets	A PHA may have a substantial operating reserve level but	Financial Reporting	

-Financial Statement  
-PFS forms

limited cash available because of high accounts receivables. A limited amount of cash available may indicate that the operation of the PHA may be in jeopardy. Consult with PHA.

SECONDARY

Audit Reports

Are operating reserves, excluding TAR and modifications for year-end adjustments, less than 40% of maximum operating reserves? If operating reserve is a problem determine the following:

Management Reviews

a) Are non-utility expenses greater than Allowable Expense Level (AEL)?

If so, advise PHA that non-utility operating expenses exceed the AEL. Remind it that under the PFS, operating subsidy is provided to cover the difference between its allowable level of operating expenses and available income. If the PHA's expenses exceed the AEL, or if it does not achieve the level of income projected under PFS for reasons within its control, it must reduce expense levels or secure funding from other sources. Failure to do so could eventually cause the PHA to experience financial difficulties.

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REMOTE MONITORING RESOURCE:

PHA Operating Budgets and Financial Statements

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PFS Handbook, 7475.13 REV

INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY	b) Does the PHA qualify for year-end income adjustment?	Maintaining budget and financial controls	
HUD Files	If so, advise the PHA that it may qualify for a year-end income adjustment if it can provide documentation which shows that the shortfall was due to circumstances beyond the PHA's control.	Financial Reporting	
-Operating Budgets -Financial Statements -PFS forms -PHMAP documents	c) Has the PHA claimed FICA add-on? If not, is it entitled to an adjustment? If not, advise the PHA to submit a FICA add-on adjustment.		
SECONDARY			
Audit Reports			
Management Reviews	d) Does the PHA have Field Office approval to convert dwelling units to non-dwelling units used to support anti-drug and self-sufficiency programs? Has the PHA submitted a request for continued operating subsidy for eligible unit/units? If not, advise PHA to submit request.		
	e) For approved unit reconfiguration, has PHA made adjustments to PFS (UMAs and funding)?		
	Have developments which		
	have achieved End of Initial Operating Period (EIOP) been properly reflected in operating budget/PFS?		
	If not, advise PHA to submit revised budget/PFS forms with necessary changes. Consult with		

other Field staff to ensure that new units are incorporated at appropriate time.

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REMOTE MONITORING RESOURCE:  
PHA Operating Budgets and Financial Statements

References: 24 CFR 990, Financial Management Guidebook, 7475.1 REV-1,  
PFS Handbook, 7475.13 REV

INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY	4) Did the PHA receive passing scores on PHMAP indicators which relate to financial management (Indicators Nos. 1, 3, 4, 8, 9, and 10)?	Maintaining financial	budget and financial controls
HUD Files -Operating Budgets -Financial Statements -PFS forms -PHMAP documents	Even though the PHA has failed one or more of the indicators, it is possible that it may still receive a passing PHMAP score. In addition, after performing risk analyses the Field Office may decide to notify the PHA that it will not be required to submit an operating budget for Field Office review and approval. However, close attention must be paid to negative financial trends. The Field Office may wish to consult with the PHA regarding the negative trends.	Financial Reporting	
SECONDARY  Audit Reports  Management Reviews	5) Did PHA fail PHMAP Indicator #4, Utility Consumption?		
	Review Forms HUD-52722A and 52722B to determine which		

utility is causing the problem. Determine if it is a one-year fluke or trend of increase. Once the problem is determined, consult with HUD Engineer and PHA so that PHA may focus on cause of the problem.

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REMOTE MONITORING RESOURCE: Audits and Financial Reporting

References: 24 CFR 990, Financial Management Guidebook, 7475.1 REV-1,  
PFS Handbook, 7475.13 REV

INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY	1) Are there any outstanding IPA audit or Field review findings which relate to finance and budget?	Maintaining budget and financial controls	
HUD Files	If so, consult PHA regarding resolution of finance and budget findings, provide technical assistance or recommend that PHA utilize peer resources, if applicable.	Financial Reporting	
-Operating Budgets -Financial Statements -PFS forms -Audit Reports -ROBOTS	2) Does PHA have a history of late operating budget or PFS submissions, financial reporting?	Implementing internal controls	
SECONDARY	Review ROBOTS Operating Budget Control Log, Field Office and records.		
Management Reviews	If so, consult with PHA staff or fee accountant, if applicable.		
	3) Are operating budgets/PFS forms improperly prepared or mathematical calculations		

incorrect?

Examine field office operating budget files and review records. If this is a trend consult PHA.

Recommend training or consultation with peer groups.

Provide technical assistance/training to staff responsible for preparing budget documents.

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REMOTE MONITORING RESOURCE: Operating Subsidy Calculations

References: 24 CFR 990, Financial Management Guidebook, 7475.1 REV-1,  
PFS Handbook, 7475.13 REV

INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY	1) Has PHA been over/underestimating operating income?	Maintaining budget and financial controls	
HUD Files -Audit Reports -PFS forms -Operating Budgets -Financial Statements	-Review financial statements for trends -Consult with PHA regarding over/under estimating  Note: Advise PHA that it should refer to PFS regarding allowed exclusions to PFS calculations.	Financial Reporting	
SECONDARY	2) Has PHA contracted for annual audit with an Independent Public Accountant?		
Audit Reports	Consult with other appropriate HUD staff and PHA if audit has not been contracted. Determine if HUD should consider obtaining audit services for the PHA? If necessary, institute		
Management Reviews			

administrative procedures to obtain audit services for PHA.

3) If applicable, are repayment agreements up-to-date?

Consult with PHA regarding failure to adhere to terms of repayment agreement.

- If financial hardship exists, determine if it is necessary to renegotiate agreement.
- Offset amount due against operating subsidy eligibility.
- Request immediate repayment to HUD via check or wire.

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REMOTE MONITORING RESOURCE: MOA/IP PROGRESS  
- Memorandum of Agreement or Improvement Plan

References: 24 CFR 901.140, 901.145, Public Housing Management Assessment Handbook 7460.5, Monitoring Handbook 7460.7

INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY HUD Files	1) Has PHA reflected applicable goals of MOA or Improvement Plan in operating budget?	Establishing policies, procedures and/or systems	
Memorandum of Agreement	If not, request from PHA operating budget which reflects MOA or IP goals which relate to financial management.	Financial reporting	
Quarterly Performance Target Report (MOAQTPR), if applicable.	Consult with Field Office staff in other functional areas.		
Improvement Plan Quarterly Target Progress Report (IPQTPR), if applicable.	Provide technical assistance, if necessary.		
	2) Review quarterly reports		

-Operating Budget (MOAQTPR or IPQTPR).  
Has PHA achieved goals or shown significant progress?

SECONDARY  
Management Reviews  
SMIRPH

If goals have not been achieved consult with other functional areas. If necessary, advise Field Office management to bring performance of PHA to the attention of board chairperson and chief executive of local government.

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REMOTE MONITORING RESOURCE: Insurance - Certification of Insurance

References: Public and Indian Housing Property/  
Casualty Insurance Requirements, 7401.5

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INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY HUD Files Certificate of Insurance	1) Is property insurance being purchased for a limit that would provide sufficient funds to replace or repair damaged or destroyed property?	Establishing policies, procedures and/or systems	
SECONDARY Management Reviews	Values should be checked by comparing original construction costs shown on Form HUD-5460 updated by current cost trend factors.  2) Are limits of liability for automobile and general liability sufficient to meet HUD minimum requirements?	Maintaining accounting books and records in accordance with HUD policy	
		Compare limits shown on Certificate with the minimum requirements shown in 7401.5, Chpts 3 and 5.	

3) Is General Liability on an "occurrence form"?

Verify that the "occurrence" form and not the "claims made" form has been checked on the Certificate.

4) Is at least a 60-day notice required in the event of cancellation by the insurance company?

Check the number of days indicated on the Certificate (the number of days regarding cancellation is included directly above the signature of authorized representative).

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REMOTE MONITORING RESOURCE: Staffing and Salaries

References: 24 CFR 85.22, Low Rent Housing Administration of Program Guidebook 7401.1, Financial Management 7475.1 REV-1

INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY	1) If PHA administers more than one program (All other programs which with the PHA is concerned i.e., community development, rental rehabilitation, other federal grant programs, State-aided programs, etc.) are prorations consistent with other program budgets?	Maintaining budget and financial controls	
HUD Files		Implementing internal controls	
-PHA Budgets		Financial reporting	
-PHA Administrative Plan			
SECONDARY	Review other program budgets or other financial documents (i.e., Section 8 program financial statements, Annual Statement/Performance Evaluation Report (CGP) to determine if PHA has shown		
Audit Reports			
Management Reviews			

all positions or reasonable prorations.

Examples: Compare positions and salaries shown on Form HUD-52566 against positions and salaries shown on Form HUD 52825, Comprehensive Assessment Program Budget. Review pertinent reports such as Form HUD-5402, Requisition for Development/ Modernization and/or LOCCs reports to determine amount of drawdowns (Accts. 1410.1 and 1410.2). Can the PHA support budgeted amounts prorated to program?

Review actual administrative salaries shown on Section 8 program financial statements against Section 8 program salaries prorated on form

HUD-52566.

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REMOTE MONITORING RESOURCE: Staffing and Salaries

References: 24 CFR 85.22, Low Rent Housing Administration of Program Guidebook 7401.1, Financial Management 7475.1 REV-1

INFORMATION SOURCES	REVIEW ACTIONS/QUESTIONS	RELATIONSHIP to SUB-FUNCTIONS and COMPONENTS	NOTES
PRIMARY HUD Files -PHA Budgets -PHA Administrative Plan	2. Has PHA indicated method of allocation on Form HUD 52566 Schedule of All Positions and Salaries?  Consult with other functional areas. Contact PHA to determine method of allocation.	Maintaining budget and financial controls  Implementing internal controls  Financial reporting	
SECONDARY			

Audit Reports

Management  
Reviews

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