

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

APPENDIX 3

FINANCE AND BUDGET:

PROBLEM ANALYSIS WORKSHEETS

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PROBLEM: INADEQUATE BUDGET AND FINANCIAL CONTROLS/ESTABLISHED POLICIES AND PROCEDURES

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POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
<p>a) Failure to adhere to HUD regulations/requirements.</p> <p>PHA does not maintain and/or review copies of HUD issuances (Handbooks, Guides, Notices etc.)</p> <p>PHA does not have a clear understanding of the purpose or intent of regulation/requirement.</p>	<p>a) - Provide copies of applicable HUD Handbooks, Guidebooks, and issuances to PHA</p> <ul style="list-style-type: none"> o Financial Management Guidebook, 7475.1 REV o Low-Rent Housing Accounting Guidebook, 7510.1 o Performance Funding System Handbook, 7475.13 <p>- Review regulations/requirements with PHA staff</p> <p>- Recommend that PHA staff attend training conducted by interest groups</p>	<p>ORGANIZATION, MANAGEMENT AND PERSONNEL</p> <p>-review HUD regulations</p> <p>-improve F&B staff training and development</p> <p>-provide staff with written policies and other communications</p> <p>-provide staff with clearly defined position descriptions</p>
<p>b) Inadequate or lack of written procedures. The PHA has not established and/or adopted policies and procedures for internal and external monitoring</p>	<p>b) - Establish written procedures utilizing HUD regulations/requirements and provide same to all employees.</p>	

controls.

c) Lack of adequate budget and financial controls. PHA does not routinely prepare cumulative budget to actual reports to show budgeted amounts, actual expenditures to date and current

requested amounts.

d) Poor coordination/communication between PHA Management and staff.

e) Inefficient staff training and/or employee supervision.

c) - Establish budget and financial controls
- Discuss and review same with Board members and PHA staff
- Prepare periodic reports for review by Board of Commissioners and appropriate staff.

d) - Establish effective communication system between management and staff.
o Conduct periodic briefing sessions
o Provide staff with copies of pertinent written communications
o Encourage staff feedback

e) - Provide all employees with their duties/functions in clearly defined position descriptions.

- Review employee performance and determine weaknesses.

- Establish an effective training plan.

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PROBLEM: INADEQUATE BUDGET AND FINANCIAL CONTROLS/ESTABLISHED POLICIES AND PROCEDURES (CONT)

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POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
f) Inefficient, inadequate	f) - Establish an effective recordkeeping/filing	ORGANIZATION, MANAGEMENT AND

recordkeeping,
filing and
automated
systems.

system.

PERSONNEL

- o Maintain all records on an up-to-date basis
- o Ensure that records are safeguarded against loss or damage
- Evaluate effectiveness of automated systems to determine the following:
 - o If systems are underutilized
 - o Is staff training needed
 - o Does system meet needs of PHA
 - o Is maintenance of systems inadequate

Perform corrective action (i.e., train staff, modify or discontinue use of system, consult with peer groups).

Consult with peer groups

g) Board does not provide sufficient PHA oversight.

g) Board must demonstrate active involvement in HA activities

Review and/or approve the following:

Operating Budgets

Semi-annual/annual

financial statements
Periodic reports showing actual expenditures versus budgeted amounts

Investment transactions

Bank statements/
bank reconciliations

(review)

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PROBLEM: INADEQUATE INTERNAL CONTROLS/ESTABLISHED POLICIES AND PROCEDURES		
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POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
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<p>a) Inadequate or lack of written procedures. The HA has not established and/or adopted policies and procedures for internal controls.</p>	<p>a) - Establish or refine written polices and procedures regarding effective HA internal controls and provide same to all employees.</p> <p>- Established policies/ procedures must incorporate the three most important internal controls that apply to all HA functions:</p> <ul style="list-style-type: none"> o Separation of duties o Supervision of employees o Review of critical documents <p>- Discuss and seek approval (if necessary) from Board of Commissioners</p> <p>- Perform periodic internal audits and control reviews</p>	<p>ORGANIZATION, MANAGEMENT AND PERSONNEL</p> <p>-establish or refine written policies</p> <p>-improve or establish quality control and review policies</p> <p>-Communicate with Board to clearly define roles of Board and PHA management</p> <p>-improve staff training and development</p> <p>-provide staff with clearly defined position descriptions</p> <p>-ensure segregation of duties</p>
<p>b) Separation of duties is not maintained.</p>	<p>b) Ensure that no employee performs a complete sequence of tasks related to a transaction, particularly when the result is the collection or expenditure of funds.</p>	
<p>c) Lack of supervision. Staff performs many of the financial functions out of the sight of supervisors,</p>	<p>c) Close supervision. Through close supervision, supervisors can guarantee that the intent of the PHA's</p>	

HA does not have sufficient supervision.

written policies is actually carried out in day to day operations.

Note: For small PHAs, the Board and Executive Director must supervise staff performance of financial functions.

Educate staff about the purpose of internal controls emphasizing why controls are essential to a successful PHA.

d) Inadequate HA files, records.

d) Establish effective filing/recordkeeping system. This system should include a schedule for records disposition (for retention/disposition and recommended methods of filing refer to the Financial Management Guidebook, 7475.1 REV, Chapter 6). Financial records (operating budgets, financial statements, etc) should be maintained chronologically, in a separate folder/binder for each fiscal year.

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POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
e) Board does not provide sufficient PHA oversight.	e) Board of Commissioners must ensure the establishment of sound internal controls to	ORGANIZATION, MANAGEMENT AND PERSONNEL

protect the PHA against fraud and abuse. Controls which provide reasonable assurance that fraud and abuse are prevented and/or detected include but are not limited to the following:

- o Documentation procedures
- o Separating duties/clearly defined position descriptions so that job accountability is established
- o Maintaining adequate records
- o Hiring competent personnel/establishing hiring policies and procedures
- o Conducting periodic internal controls audits/reviews
- o Establishing Quality Control systems to monitor petty cash disbursements and resident rents and accounts. Systems should include review of books and records on a routine basis to make certain that they are current and accurate.

- establish or refine written policies
- improve or establish quality control and review policies
- Communicate with Board to clearly define roles of Board and PHA management
- improve staff training and development
- provide staff with clearly defined position descriptions

f) Lack of knowledgeable staff, poorly trained staff or insufficient staff.

f) Obtain outside expertise to aid in establishing internal controls or control systems, establish a training program for existing staff.

Hire competent, qualified staff.

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PROBLEM: INADEQUATE ACCOUNTING RECORDS

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POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
<p>a) Failure to adhere to HUD regulations/ requirements. PHA does not maintain the required HUD books of accounts or classification of accounts to produce required reports.</p>	<p>a) Review current accounting procedures.</p> <ul style="list-style-type: none"> o Establish policies and procedures which are consistent with HUD regulations/ requirements. o Establish books of account and related records (as required by the Low-Rent Housing Accounting Guidebook, 7510.1) which provide adequate financial control of PHA assets and liabilities and to account for the operations of all projects. 	<p>ORGANIZATION, MANAGEMENT AND PERSONNEL</p> <ul style="list-style-type: none"> -review HUD regulations -improve F&B staff training and development -develop or refine written policies -provide staff with written policies and other communications -provide staff with clearly defined position descriptions -allocate resources for improved equipment, software, support systems -upgrade F&B staff
<p>b) Books are not auditable. Accounts are improperly balanced.</p>	<p>b) Establish procedures whereby all books of accounts are:</p> <ul style="list-style-type: none"> o Kept current and balanced monthly. o Maintained by an employee who does not disburse funds (separation of duties). 	<ul style="list-style-type: none"> -allocate resources for improved equipment, software, support systems -upgrade F&B staff
	<ul style="list-style-type: none"> o Maintained with control accounts posted monthly to assure subsidiary records are properly maintained. 	
	<p>Conduct periodic audits/ reviews of accounting records.</p>	
<p>c) Lack of knowledgeable</p>	<p>c) Obtain outside expertise</p>	

staff, poorly trained staff or insufficient staff.

to assist in establishing prescribed books of account. If necessary, obtain services of fee accountant, contract on fee basis with another authority or hire competent staff to maintain books of account on-going basis.

Establish training schedules for existing staff. Assure that employees are trained and supervised. Job descriptions outlining skills and job functions should be prepared and copies given to employees.

Increase staff level with competent, qualified employees.

Monitor job performance.

Consult with peer groups.

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PROBLEM: INADEQUATE ACCOUNTING RECORDS

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POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
d) Automated systems - Systems are underutilized - Lack of knowledge/insufficient staff training - System does meet needs of PHA - Inadequate maintenance of	d) Evaluate effectiveness of automated systems to determine the following: - If systems are underutilized o Is staff training needed o Does system meet needs of PHA	ORGANIZATION, MANAGEMENT AND PERSONNEL -improve F&B staff training and development -allocate resources for improved

systems

o Is maintenance of systems inadequate

equipment, software, support systems

Perform corrective action (i.e., train staff, modify or discontinue use of system, consult with peer groups).

-upgrade F&B staff

Consult with peer groups.

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PROBLEM: INACCURATE OPERATING SUBSIDY CALCULATIONS

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POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
<p>a) PHA has failed to adhere to the procedures and requirements relating to the calculation and request for operating subsidy eligibility under the provisions of the Performance Funding System (24 CFR 990).</p> <p>Note: Includes failure to submit mandatory adjustments.</p>	<p>a) Review Performance Funding System requirements and procedures provided in the Performance Funding System Handbook (PFS), 7475.13.</p> <p>Establish procedures by which the PFS calculations are reviewed by a designated staff person (other than the preparer familiar with PFS requirements and procedures).</p>	<p>ORGANIZATION, MANAGEMENT AND PERSONNEL</p> <p>-review HUD regulations</p> <p>-improve F&B staff training and development</p> <p>-provide staff with written policies and other communications</p> <p>-provide staff with clearly defined position descriptions</p>
<p>b) Failure to maintain adequate records (rent roll, operating income, utility consumption data records, occupancy and vacancy data, unit counts).</p>	<p>b) Ensure that all accounts are properly recorded and accounting records are up-to-date. Data used in the PFS calculation must be accurate and consistent with PFS requirements.</p>	<p>-upgrade F&B staff</p> <p>-allocate resources for outside expertise</p>
<p>c) Lack of knowledgeable staff, poorly trained staff, insufficient</p>	<p>c) Secure services of fee accountant or hire competent staff to</p>	<p>FACILITIES MANAGEMENT</p>

staff.

maintain records and complete PFS computations.

-review utility consumption and rates records to ensure data on PFS AUFL forms is accurate

Consult peer groups.

Establish training schedules for existing staff. Ensure that employee skills match work assignments.

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PROBLEM: INADEQUATE RENT COLLECTION PRACTICES/POLICIES

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POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
a) Lax or inadequate rent collection policy and procedures which result in the loss of rental income.	a) Establish or improve rent collection policies and procedures. Policies/procedures should include the following: o System for reporting delinquency information to management which should result in immediate collection effort. Repayment agreements that are not up-to-date must be included in this system. o New resident orientation which apprises residents of lease obligations. Emphasis should be placed on rent payments.	MANAGEMENT, LEASING, MARKETING (MLM) -review HUD regulations -review written policies and other communications ORGANIZATION, MANAGEMENT AND PERSONNEL -review HUD regulations -improve F&B staff training and development
b) Inadequate rent collection system.	b) Post and/or send copies of rent collection policies and procedures to residents. Communicate to residents the importance of these policies	-provide staff with written policies and other communications -provide staff

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|---|---|--|
| | and procedures. | with clearly defined position descriptions |
| | -Review current rent collection system | -upgrade F&B staff |
| | -Improve billing and collection process | -allocate resources for outside expertise |
| | -Train staff responsible for rent collection | |
| | -Maintain separation of duties | |
| c) Failure to write-off uncollectible tenants accounts receivable in a timely manner. | c) Establish a semi-annual procedure whereby all individual vacated accounts identified as "uncollectible" are presented to the Board of Commissioners for write-off. | |
| d) Rents improperly recorded. | d) Review rent receipt procedures. The review should include: | |
| | - Approval and control of adjustments | |
| | - Batch balancing and reconciliation of cash totals on number of residents and amount of rents due between manual and computerized data. | |
| e) Lack of knowledgeable staff, poorly trained staff, insufficient staff. | e) Establish training schedules for existing staff. Ensure that employee skills match work assignments. Hire competent qualified staff. | |

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PROBLEM: LACK OF REQUIRED INSURANCE COVERAGE/LIMITS/INSURANCE POLICIES

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POSSIBLE CAUSES

STRATEGIES

LINKAGES with other FUNCTIONAL AREAS

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| a) Property values are not increased each year to keep up with inflation. | a) Obtain and utilize HUD Form 5460 and cost trend factors. | ORGANIZATION,
MANAGEMENT AND
PERSONNEL |
| b) Limited market availability for coverage or limits. | b) Attempt to layer limits with separate companies or accept a higher deductible. | -review HUD regulations
-establish insurance register |
| c) Request for a particular clause or endorsement was not included in bid specifications. | c) Review sample specification format outlined in the Public Housing Insurance Guidebook, 7404.5, Chapter 13. | |
| d) PHA does not maintain Insurance Register. | d) Establish, maintain and review Insurance Register. | |

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PROBLEM: STAFFING AND SALARY DISCREPANCIES

POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
a) Failure to include all employees or accurate salaries on Form HUD-52566, Schedule of All Positions and Salaries.	a) - Review payroll register and approved salary/wage rates - Ensure that there are no names of unauthorized or terminated employees - Revise Form HUD-52566. Form should reflect all position titles, approved salary rates and allocation of salaries by program. - Prepare budget revision and obtain Board approval.	ORGANIZATION, MANAGEMENT AND PERSONNEL -review HUD regulations -establish method of allocation -establish or refine written policies
b) Salaries and/or wage rates not approved by Board of Commissioners.	b) Establish procedure/policy whereby the Board of Commissioners formally approves salary or rate	

changes.

- c) Inadequate payroll cost distribution records. Payroll costs allocated to incorrect program.
- c) Establish method of allocation (cost center, allocation percentages or actual job activities). Verify allocation of costs for a particular program.

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PROBLEM: FAILURE TO ACHIEVE MEMORANDUM OF AGREEMENT (MOA) OR
IMPROVEMENT PLAN (IP) GOALS

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POSSIBLE CAUSES	STRATEGIES	LINKAGES with other FUNCTIONAL AREAS
a) Lack of monitoring tools to track progress.	a) Establish a system manual/automated to track goals. - Provide monthly status reports to Executive Director and Board of Commissioners - Assign staff to monitor report progress and make recommendations regarding necessary modifications or improvements	ORGANIZATION, MANAGEMENT AND PERSONNEL -establish or refine written policy -establish system to track goals -assign staff to track goals