

### CHAPTER 3. FIELD OFFICE REVIEW AND APPROVAL OF OPERATING BUDGETS

#### 3-1. PURPOSE.

This chapter provides guidelines and procedures for use by Field Offices in the review and approval of Operating Budgets and budget revisions.

#### 3-2. TYPES OF BUDGET REVIEWS.

When an Operating Budget or a budget revision is submitted to a Field Office, it will receive either a limited budget review or a detailed budget review. These types of reviews are described further in paragraph 3-5 of this chapter.

#### 3-3. SELECTING THE TYPE OF REVIEW.

The decision on the type of review to be performed will be made by the Field Office after considering the following areas:

- a. Type of HUD-assisted project. The type of HUD-assisted project covered by the Operating Budget will influence the type of review. For example, all Operating Budgets (and budget revisions) for projects assisted under the Section 23 Leased Housing Program will receive a detailed review. Operating Budgets for conventional Low-Income projects will normally receive a limited review, if the PHA meets the performance standards described in paragraph 3-4.
- b. Past year performance in meeting financial performance standards. Five financial performance standards have been established to assist Field Offices in determining the type of budget review to be undertaken. If a PHA meets these standards based on a Field Office review of its year-end financial statements for the past year and other reports, the standard procedure will be to conduct a limited review.
- c. Current year information on PHA performance. Regardless of past year financial performance, a Field Office may decide to undertake a detailed review of an Operating Budget if current information indicates that the PHA is operating its program in such a manner that threatens the future serviceability, efficiency, economy or stability of the housing it operates.

#### 3-4. FINANCIAL PERFORMANCE STANDARDS.

Listed below are general descriptions of the five financial performance standards established to assist Field Offices in determining the type of budget review to be undertaken.

Information on the data sources and formats that may be used to determine if the standard has been met, have been outlined in Exhibit 3-1.

- a. Financial Performance Standard #1 - Operating Reserves exclusive of Tenant Accounts Receivable (TARs) are at least 30% of Maximum Allowable Reserves.
- b. Financial Performance Standard #2 - Operating Expenses are less than or equal to Income.
- c. Financial Performance Standard #3 - Annual Utility Consumption as compared to the average of the previous three years' rolling base consumption which has been adjusted for variances in heating degree days has been increased by more than 5%.
- d. Financial Performance Standard #4 - PHA is a High Occupancy PHA or is meeting the occupancy goals of an approved Comprehensive Occupancy Plan (COP).
- e. Financial Performance Standard #5 - Tenants Accounts Receivable for Tenants In Possession excluding amounts covered by formal up-to-date Repayment Agreement are less than 10% of total charges.

### 3-5. BUDGET SUBMISSION AND REVIEW REQUIREMENTS (INCLUDING SECTION 23).

The selection of either a limited or detailed budget review does not change any of the budget submission requirements currently in effect. Budgets that are incomplete or do not have adequate justification will be returned without HUD approval. Exhibits 3-2 and 3-3 are provided as sample notifications that required documents are missing from the Operating Budget submission.

Presented below are general review requirements for conducting a limited, detailed or Section 23 budget review.

- a. Limited Budget Review. The intent of the limited review procedure is to place the responsibility for operating a financially solvent PHA with its Board of Commissioners. Paragraph (b) of 24 C.F.R. 990.112 states that the HUD review of operating budgets will normally be limited to:
  - (1) Reviewing prescribed Performance Funding System (PFS) forms;
  - (2) Reviewing the projected operating reserve to assure that it meets HUD requirements; and

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- (3) Assuring that it is complete and does not include illegal or ineligible expenditures, mathematical errors or errors in application of accounting procedures, or is otherwise unacceptable to HUD.
- b. Detailed Budget Review. Paragraph (c) of 24 CFR 990.112 states that HUD may deviate from the limited budget review if it is determined that the PHA is operating its program in a manner which threatens the future serviceability, efficiency, economy or stability of the housing which it operates. Failure to pass the five financial performance standards (paragraph 3-4) will trigger a detailed review. If such action is deemed necessary, the PHA will normally be given written notice prior to the submission of the budget that a detailed budget review will be performed (Exhibit 3-4). Once this is determined, HUD will review the Operating Budget in depth, making any necessary changes.
- c. Review of Section 23 Operating Budgets.
- (1) The PFS regulations does not apply to the Section 23 program; therefore, Field Offices must conduct a detailed budget review for each Section 23 operating budget. Budgets are to be reviewed to determine that all proposed expenditures are fully supported and are necessary for the efficient operation of the program. Particular care should be taken to determine the reasons for significant differences in budgeted PUM amounts between the conventional and Section 23 programs.
- Each budget should fully explain the method used to allocate salaries and indirect costs between the Section 23, conventional and Section 8 programs. Field Offices should review the PHA's cost allocation method to assure that the Section 23 budget is not being "loaded" with costs that should be charged to either the conventional or the Section 8 programs.
- (2) Approval of Nonroutine Expenditures. In general, the responsibility for nonroutine expenditures such as extraordinary maintenance and replacement of equipment rests with the project owner. The lease between the owner and the PHA usually specifies which party to the lease is responsible. However, due to the great variation in leases currently in effect, it is important that a copy of the lease agreement be kept in the permanent file to be used as a guide in

reviewing budget requests for extraordinary maintenance and/or replacement of equipment.

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- (a) Bond Financed Projects. Most bond indentures require that escrow accounts be established for extraordinary maintenance and equipment replacement. The escrow accounts are usually held by the Bond Trustee and are disbursed to the PHA upon written request to cover items identified as the lessor's responsibility in the lease. Neither the PHA's financial statement nor operating budget normally reflect expenditures funded from the escrow accounts.

Any budgeted nonroutine expenditures must be carefully reviewed to determine the responsible party under the lease. If a budgeted nonroutine item is the responsibility of the lessor and escrow funds are available, the budgeted item is to be deleted from the budget and the PHA advised to make a formal request to the Trustee for release of escrowed funds. If sufficient escrow funds are not available or the Trustee refuses to release the funds, the appropriate Office of Public Housing should be advised. Operating subsidies are not to be provided for nonroutine items which are determined to be the responsibility of the lessor without first notifying the Field Office.

- (b) Privately Financed Projects (Private Owner Projects). Lease agreements with individual owners vary; however, most leases provide that extraordinary maintenance and equipment replacement are the responsibility of the lessor. If the Section 23 budget includes nonroutine items, the Field Office must again determine the responsible party under the lease. Generally, no Section 23 operating budget should be approved nor operating subsidy obligated which includes nonroutine items that are determined to be the responsibility of the owner. Most leases provide that if the lessor fails to perform extraordinary maintenance, the PHA can have the work done and withhold the cost from the quarterly requests for partial payment of rent under the lease. Field Offices should be assured that PHA's are enforcing this provision of the lease.

The key to the responsibility for extraordinary maintenance and replacement of equipment for both the Bond Financed and Privately Financed projects is the lease contract. Since almost all of the leases are different, Field Offices must use their judgment in

applying the guidance in (a) and (b) above to the

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requirements of individual lease contracts.  
Field Offices Counsel should be consulted if  
questions of lease interpretation need  
resolution.

- (3) Monitoring Responsibilities. Field Offices have a responsibility to specifically review the Leased Housing Program during PHA monitoring visits.

3-6. BUDGET REVIEW GUIDANCE.

In order to provide advice and guidance to Field Offices in the review of Operating Budgets, several exhibits have been developed and are described below.

- a. Exhibit 3-5. This exhibit leads the reviewer through a series of consistency and mathematical checks on the Operating Budget and its supporting documents. This type of analysis will be done on each Operating Budget regardless of whether a limited or detailed budget review will be conducted.
- b. Exhibit 3-6. The Limited Review Checklist has been developed to assist the Field Office in determining if the Operating Budget conforms to HUD requirements.
- c. Exhibits 3-7, 3-8, and 3-9. Separate Checklists have been prepared for the Financial Analyst, Housing Management Specialist and Engineer's use when performing a detailed budget review.

3-7. BUDGET APPROVAL - GENERAL PROCESS AND DELEGATIONS OF AUTHORITY

- a. General Description. The Field Office Manager or his/her designee will approve, disapprove or will give modified approval of Operating Budgets. If the budget is disapproved or approved with modifications, the PHA will be notified in writing of the reason for disapproval or modified approval. A modified budget shall constitute an approved budget unless the PHA notifies the Field Office in writing, within fourteen (14) days after receipt of the budget, that they consider the modified approval a disapproved budget. The Field Office shall promptly notify the Regional Office of Public Housing and the Regional Accounting Division (RAD) to suspend the payment schedule should the PHA consider the modified budget as a disapproval.

- b. Approval of Operating Budgets and Operating Reserve Levels. Section 990.111(b) of the PFS regulation states: "... The PFS does not specifically provide operating subsidy to augment the PHA's operating reserve. However, the full amount of the PHA's operating subsidy eligibility may be

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provided to the PHA, and some part or all of this amount may be used to augment the operating reserve as long as the estimated year-end reserve balance, as shown in the approved operating budget for the year for which these funds are requested, does not exceed the Maximum Operating Reserve amounts as shown in the same operating budget."

The approval of an operating budget that contains operating subsidy obligates HUD to pay the amount identified. The Field Office must ensure, therefore, that the amount of subsidy contained in an operating budget does not exceed the amount available with the RAD. See paragraph 1-4.h. on Field Office controls.

- c. General Delegations of Budget Approval Authority.

1. Field Offices.

- (a) The Chief, AHMB, may approve operating budgets and budget revisions for PHAs with less than 500 units which do not include a provision for operating subsidies.
- (b) The Deputy Director of Housing Management may approve operating budgets and budget revisions for PHAs as follows:
  - (i) PHAs having less than 500 units, for which the budget and/or budget revision includes provision for operating subsidies.
  - (ii) PHAs having 500 or more units, for which the budget and/or budget revisions do not include provision for operating subsidies.
- (c) The Manager must approve operating budgets and budget revisions which include a provision for operating subsidies for PHAs with 500 or more units.

2. Collocated Field/Regional Offices

- (a) The Director, Housing Management Division or the

Director, Technical Support Division (whichever is applicable) may approve operating budgets and budget revisions as follows:

- (i) For PHAs having less than 500 units, for which the budget and/or budget revision includes a provision for operating subsidies.

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- (ii) For PHAs having 500 or more units, for which the budget and/or budget revision do not include a provision for operating subsidies.
- (b) The Director, Office of Public Housing must approve operating budgets and budget revisions which include a provision for operating subsidies for PHAs with 500 or more units.

### 3-8. BUDGET APPROVAL - PHA OWING RESIDUAL RECEIPTS TO HUD.

Prior to approving an Operating Budget which provides for the payment of operating subsidy, the Field Office shall review the most recent listing of Residual Receipts due from PHAs within its jurisdiction. If an amount due appears on the listing and the PHA cannot provide satisfactory evidence that the debt has been settled, (PHAs shall provide Field Offices with a copy of the check or the wire transfer attachment 10-1(D) in Exhibit 10-1, when remitting payments) the Field Office shall determine whether any further debt service annual contributions are payable under the ACC. If no further debt service contributions are payable, the amount shall be offset from the operating subsidy approved for the PHA. The Field Office shall obligate the full amount of operating subsidy for which the PHA is eligible, but shall advise the RAD to withhold payment of the amount owed and transfer it by Standard Form 1081, "Voucher and Schedule of Withdrawals and Credits" to Director, Office of Finance and Accounting, Attention: Director, Subsidized Housing Programs Division, AFGH. The Field Office shall provide the RAD with the purpose of the transfer, the PHA name, the project name and number, as appropriate, and a clear identification of the amount withheld by using the appropriation account symbol (04) 86x0164. In cases where the Field Office has approved a repayment schedule, any payment not made in accordance with the repayment schedule shall be offset from operating subsidy in the same manner as provided above. In all other cases, the Field Office shall forward the claim for unpaid residual receipts to the Claims Collection Officer.

### 3.9. BUDGET APPROVAL - PHA WITH A DEFICIENCY IN RESIDUAL RECEIPTS.

- a. Definition. A deficiency in residual receipts (deficiency) exists when the cumulative operating expenditures of a PHA exceed its cumulative operating receipts (including operating subsidy and operating reserve). (At this point, the PHA, having exhausted its operating reserve, is sometimes said to be in a "negative reserve" position).
- b. Normal Budgetary Process. At the time the Operating Budget, Form HUD-52564, is prepared for the requested budget year, any approved deficiency amount that will exist at the close of the current fiscal year operation will be listed as an expense on

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Line 820, Other Deductions. In order to present an approvable budget, the PHA normally would be expected to absorb the entire amount of this deficiency during the requested budget year. If this is done, the requested Operating Budget would be "balanced" and, therefore, could be approved by the Field Office in accordance with the instructions contained in this Handbook.

- c. Approval of "Deficit" Budgets. If a PHA has a deficiency in the current budget year that cannot be totally absorbed in the requested budget year without jeopardizing the normal operation of the PHA, HUD will consider approving the "deficit" Operating Budget under the following conditions:
  - (1) As a part of the Operating Budget, the PHA shall prepare and submit to the Field Office a Financial Workout Plan (FWP) acceptable to the HUD Field Office. See the Troubled Public Housing Agency Handbook 7475.14 for more information on preparing a FWP.
  - (2) The FWP must project the elimination of the deficiency within a period of time of no longer than five fiscal years including the fiscal year in which the initial FWP is approved under these procedures. The FWP shall be reviewed each year and updated if necessary.
  - (3) The proposed Operating Budget for the requested budget year must reflect an amount of operating receipts (including operating subsidy and non-HUD contributions, if any) equal to or greater than the projected annual amount of the total operating expenditures. A FWP is unacceptable if the



deficiency is projected to increase during the requested budget year. In such cases, therefore, the Operating Budget is unapprovable.

- d. Operating Budget Approval. The Operating Budgets of PHAs experiencing a deficiency will be subject to a detailed review by the Field Office and are approvable contingent upon the acceptability of the FWP.
- (1) PHAs of less than 1,250 dwelling units. The FWP and Operating Budget for this size PHA may be approved by the Field Office Manager if so delegated by the Regional Office. The Field Office submits a copy of the approved FWP to the Director, Office of Public Housing.
  - (2) PHAs of 1,250 or more dwelling units. The Field Office will review the FWP and Operating Budget in-depth and send its comments and recommendations to the Regional Administrator, Attention: Director, Office of Public Housing, for review and evaluation. The Regional Office

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will transmit its recommendations and a copy of the FWP to Headquarters, Assistant Secretary for Public and Indian Housing, Attention: Chief, Troubled Projects Branch. These documents will be reviewed by Headquarters, and the Regional and Field Offices will be advised, in writing, regarding approval or disapproval. Based upon Headquarters' notification, the Field Office revises, approves or disapproves the Operating Budget and advises the PHA accordingly.

- e. Compliance with PFS Regulation Section 990.112(a)(2)(i). For PHAs with a deficiency in residual receipts that cannot present a "balanced" budget, an Operating Budget shall be deemed to comply with the requirements of Section 990.112(a)(2)(i) of the PFS regulations if it indicates a source of funding adequate to cover all proposed expenditures and if the PHA has presented a FWP acceptable to HUD.

3-10. LETTER OF INTENT.

Special circumstances as described below may require Headquarters to authorize Field Offices to obligate operating subsidies or leased housing adjustment funds by letter of intent (LOI) before an operating budget has been approved.

a. Circumstances in which using a LOI may be appropriate include:

- (1) When changes to the Performance Funding System (PFS) Handbook 7475.13 are made that update the PFS equation and inflation factors, but do not allow PHAs with fiscal years beginning January 1 sufficient time to use the new factors in the preparation and submission of their Operating Budgets. In this case, Field Offices may be authorized to use a letter of intent as an obligating document in lieu of an approved Operating Budget for these PHAs. Detailed instructions for the use of a LOI in this situation will be provided by Headquarters.
- (2) When there is the need to assure the timely obligation of funds before the end of the Federal Fiscal Year (FFY). In this case, all operating subsidy eligibility, estimated eligibility and adjustments to eligibility, for all PHAs with fiscal years beginning January 1, April 1, July 1, and October 1 of the current FFY must be obligated by September 30th. Specific authority will be provided by Headquarters.
- (3) When a PHA has been designated as a Financially Troubled (FT) PHA and has not prepared and/or submitted an approvable FWP or in some other way cannot have its

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Operating Budget approved because of failure to meet requirements of the Troubled Public Housing Agency Handbook, 7475.14.

b. The amount of funds requested should be based on:

- (1) For operating subsidy requests in which the PHA is not a Low Occupancy PMA, the PHA's last approved operating subsidy eligibility, as reflected on Line 03 of Form HUD 52721, Direct Disbursement Payment Schedule Data-Operating Subsidy, excluding any utility and other prior year adjustments, increased by the PFS inflation factor issued for the requested budget year. If the last approved budget was not for the current year, then the last approved eligibility amount will be increased sequentially by each inflation factor issued since the last approved budget.

- (2) For operating subsidy requests for a Low Occupancy PHA without an approved Comprehensive Occupancy Plan, the last approved operating subsidy eligibility should be recalculated using 97% as the occupancy percentage before increasing the amount by the PFS inflation factor issued for the RBY.
  - (3) For lease adjustment funds requests, the estimated amount required for routine operating costs and rents to owners not covered by Basic Annual Contributions.
- c. Procedures for requesting use of a LOI. Approval to use a LOI must come from the Assistant Secretary for Public and Indian Housing. A Field Office should request authorization to use a LOI in writing through the Regional Administrator. Upon receipt, Headquarters will consider authorization to obligate by LOI and pay operating subsidy Funds. All requests for authorization to use LOI must contain the following information:
- (1) The name of the PHA, ACC number, project number(s), how the requested amount of the subsidy to be obligated was calculated, Federal fiscal year and the PHA fiscal year.
  - (2) A written justification explaining why a LOI is needed. The narrative should refer to any steps taken, or that will be taken, to obtain an approvable operating budget.

3-11. DISTRIBUTION OF APPROVED BUDGET DOCUMENTS.

- a. The Approved Operating Budget and supporting documents shall be distributed as follows:

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- (1) A complete set to the PHA, with original signatures.
- (2) One copy of the complete set to the Field Office files.
- (3) One copy of the complete set to Administrative and Management Services Division, Office of Public and Indian Housing, PFA, Headquarters.
- (4) One copy of the complete set to the Director

of Public Housing, Regional Office.

- (5) One copy of the Form HUD-52564, with original signatures of both the PHA and the HUD official along with one copy of the Form HUD-52721, with original signature of the HUD official to the Director, Regional Accounting Division.
- (6) One copy of the Form HUD-52564 to Director, Subsidized Housing Program Division, AFGH, Office of Finance and Accounting.

NOTE: PHAS ARE REQUIRED TO SUBMIT AN ORIGINAL AND 2 COPIES OF BUDGET DOCUMENTS FOR REVIEW AND APPROVAL (SEE CHAPTER 2 PARAGRAPH 2-12)

- b. If a letter-of-intent is issued to obligate operating subsidy, it shall be distributed as follows:
  - (1) The original letter to the PHA.
  - (2) One copy to the Field Office files.
  - (3) One copy to the Director, Regional Accounting Division, with an original signature.
- c. If a PHA is in the PFS Monitoring System sample, one copy of HUD-52564 and the PFS Worksheets shall be sent to Financial Management and Occupancy Division, Office of Public Housing, Headquarters. See Performance Funding System Handbook 7475.13, Paragraph 19 and Appendix 22, for instructions and a list of PHAs in this sample.

3-12. ABSENCE OF AN APPROVED OPERATING BUDGET.

If a PHA begins its fiscal year without an approved budget, all expenditures must be limited to the Total Routine Expenses Line 600 included in the latest approved budget or budget revision.

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3-13. ADVANCE FIELD OFFICE APPROVAL OF INDIVIDUAL ITEMS.

- a. A PHA may at any time request advance Field Office approval of individual items immediately necessary for the operation of its program which, in its opinion, would probably result in an overrun of any controlled account in its approved consolidated budget. Advance Field Office approval of such items shall constitute a commitment to approve a subsequent budget or budget

revision incorporating such items and increasing the authorized total expenditures in any controlled account by the amount necessary to avoid an overrun, up to but not exceeding, the amounts approved. In the case of increases in the HUD-determined prevailing wage rates, the approved Form HUD-52158, Maintenance Wage Rate Determinations, shall represent Field Office approval for such increases.

- b. No request for advance Field Office approval is necessary for the types of expenditures listed in Chapter 2, Paragraph 2-14. Expenditures over the approved budget caused solely by these items are exempted as budget overruns. However, in the event a budget revision is prepared due to other overruns in controlled accounts, the revision should also include any known increases in these items.

3-14. UNCOMPLETED OR DEFERRED WORK ITEMS OF EXTRAORDINARY MAINTENANCE OR BETTERMENTS AND ADDITIONS.

In the case of Extraordinary Maintenance or Betterments and Additions, approved work items authorized in the previous year's budget may be completed or accomplished during the current year even though such items are not specifically included in the current year's budget. This authorization, to complete or accomplish carryover work, does not eliminate the need to reflect the items in a subsequent year's budget. If in the subsequent year additional funds are required to complete the budget carryover work, a budget revision increasing the total amount approved for the particular controlled account must be prepared and approved prior to the end of the fiscal year. The above provisions provide flexibility in the handling of contracts, in cases where the required work is contracted for in one fiscal year but cannot be completed until the following fiscal year.

3-15. INELIGIBLE EXPENDITURES, MANAGEMENT STAGE, LOW-INCOME PUBLIC HOUSING PROGRAM.

- a. Purpose. This paragraph outlines the policy of the Department of Housing and Urban Development (HUD) with respect to ineligible expenditures made by PHAs. It also prescribes the actions to be taken by Field Offices in the event that ineligible expenditures are made by a PHA.

- b. Policy.

- (1) A PHA expenditure which is in violation of existing statutes, the ACC or HUD regulations, or the result of fraudulent activity by the PHA, is an ineligible expenditure of the PHA's low-income housing programs.
- (2) The Field Office shall review PHA reports, field audits, field reviews, investigations or other pertinent data, to assure that all expenditures are proper.
  - (a) If it is initially determined that a PHA expenditure is ineligible, the Field Office shall immediately notify the PHA of such determination and request the PHA to (1) submit additional information or documentation, (2) justification of the expenditure or (3) make restitution to the program of the amount found to be ineligible.
  - (b) If a final determination is made that an expenditure is ineligible and the PHA fails to make full restitution of the amount involved, the Field Offices shall instruct the PHA to record the amount as a debit to Account 1620, Undistributed Debits-Ineligible Expenditures, and as a credit to either the expense account(s) to which the expenditure was initially charged or to Account 6010 - Prior Year Adjustments.
- (3) Annual Reporting. Any ineligible expenditure shall remain on the PHA's books of account and shall be reported annually in its statements as a balance sheet item until restitution is made or its elimination is authorized by HUD.

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EXHIBIT 3-1

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PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

GENERAL DIRECTION. The following table illustrates for each Financial Performance Standard, the Forms to be used in determining if the Standard has been met, the period of time the data on the Form should cover and the time the Form would normally be submitted to the Field Office.

FINANCIAL PERFORMANCE STANDARD	FORM(s) USED	PERIOD OF TIME COVERED	DATE FORM IS SUBMITTED TO FIELD OFFICE
#1. Operating Reserves exclusive of Tenants	HUD-52599 1 HUD-52722B 2	Immediate Past Fiscal	1/45 days after close of

Accounts Receivable (TARS), are at least 30% of Maximum Operating Reserves.	HUD-52721A 2 Year	fiscal year 2/30 days after receipt of HDD (Generally will be rec'd 90 to 120 days after the PHA fiscal year ends)
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#2. Operating Expenses are less than or equal to Income.	HUD-52599	Immediate Past Fiscal Year	45 days after close of fiscal year
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#3. Annual utility consumption as compared to the three years' rolling base consumption which has been adjusted for variances in heating degree days (HDD) has not increased by more than five percent.	HUD-52722B 2 Year	Immediate Past Fiscal Year	30 days after receipt of HDD (Generally will be rec'd 90 to 120 days after the PHA fiscal year ends)
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#4. PHA is a High Occupancy PHA or is meeting occupancy goals of an approved Comprehensive Occupancy Plan (COP).	HUD-52728A HUD-52728C (if under a COP)	Current Fiscal Year	With Operating Budget for current fiscal year
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#5. Tenants Accounts Receivable for Tenants in Possession (excluding amounts covered by formal up-to-date repayment agreement) are less than 10% of total charges.	HUD-52295	Immediate Past Fiscal Year	45 days after the semiannual and annual reporting period.
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EXHIBIT 3-1

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PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER ONE

OPERATING RESERVES EXCLUSIVE OF TENANTS ACCOUNTS RECEIVABLE (TARS)  
ARE AT LEAST 30% OF MAXIMUM OPERATING RESERVES.

1. Operating Reserve. (Line 790, Form HUD-52599, Statement of Operating Receipts and Expenditures) \$\_\_\_\_\_
2. Accounts Receivable. (Line 810 plus Line 820, Form HUD-52599) \$\_\_\_\_\_
- 3 Line 1 minus Line 2 \$\_\_\_\_\_
4. Increase or (decrease) to operating reserve for Year end adjustment to utilities. (Line 22, Form HUD-52722-B, Adjustment for Utility Consumption and Rates) \$\_\_\_\_\_
5. Increase or (decrease) to operating reserve for Year end adjustment to interest earnings. (Line 11, Form HUD-52721A Calculation of Performance Funding System Operating Subsidy, Target Investment Income portion only) \$\_\_\_\_\_
6. Increase or (decrease) to operating reserve for Year end adjustment to audit expenses. (Line 3, Form HUD-52721A) \$\_\_\_\_\_
- 7 Adjusted Operating Reserve (Add Line 3 plus increase or (decrease) of Lines 4, 5, and 6) \$\_\_\_\_\_
8. Maximum Operating Reserve approved (Line 800, Form HUD-52599) \$\_\_\_\_\_
9. 30 Percent of Maximum Operating Reserve approved. (Line 8 times .30) \$\_\_\_\_\_
10. Is amount on Line 7 greater than or equal to amount on Line 9? yes\_\_\_\_\_ no\_\_\_\_\_

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EXHIBIT 3-1

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PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER TWO



OPERATING EXPENSES ARE LESS THAN OR EQUAL TO INCOME.

1. Total Operating Receipts Exclusive Of HUD Contributions. (Line 170, Form HUD-52599, Statement of Operating Receipts and Expenditures) \$\_\_\_\_\_
2. Contributions Earned - Operating Subsidy: Current Year. (Line 720, HUD-52599) \$\_\_\_\_\_
3. The portion of the adjusted operating reserve above 30% of the maximum operating reserves exclusive of Tenants Accounts Receivable (TARs), may be counted as income. (see Financial Performance Standard Number One, Line 7 minus Line 9) \$\_\_\_\_\_
4. Total income (Add Lines 1, 2, and 3) \$\_\_\_\_\_
5. Total routine expenses. (Line 520, Form HUD-52599) \$\_\_\_\_\_
6. Total income minus routine expenses (Line 4 minus Line 5) \$\_\_\_\_\_
7. Is amount on Line 6 greater than or equal to zero? yes\_\_\_\_\_ no\_\_\_\_\_

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EXHIBIT 3-1

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PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER THREE

ANNUAL UTILITY CONSUMPTION, AS COMPARED TO THE AVERAGE OF THE PREVIOUS THREE YEARS' ROLLING BASE CONSUMPTION, WHICH HAS BEEN ADJUSTED FOR VARIANCES IN HEATING DEGREE DAYS (HDD) HAS NOT INCREASED BY MORE THAN FIVE PERCENT.

1. Total Actual Utilities in fiscal year for which adjustment is Requested. (Line 13, col. 3, Form HUD-52722B, Adjustment for Utility Consumption and Rates) \$\_\_\_\_\_
2. Costs of Estimated Consumption at Average Rate adjusted for the HDD of Rolling Base

Period (RBP) for PHA fiscal years indicated  
above. (Line 17, col. 3, Form HUD-52722B) \$\_\_\_\_\_

3 Actual Utility Consumption divided by Base  
Consumption (Line 1 divided Line 2) \_\_\_\_\_%

4 Is the amount on Line 3 less than or equal  
to 1.05? yes\_\_\_\_\_ no\_\_\_\_\_

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EXHIBIT 3-1

PAGE 5 OF 6

PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA\_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER FOUR

PHA IS A HIGH OCCUPANCY PHA OR IS MEETING THE OCCUPANCY GOALS OF AN  
APPROVED COMPREHENSIVE OCCUPANCY PLAN (COP).

1. Is the PHA currently a High Occupancy PHA?

Has box 35, 35a or 35b been checked  
on Form HUD-52728-A? If yes, skip to  
Line 4 and check yes. yes\_\_\_\_\_ no \_\_\_\_\_

2. If the PHA is currently a Low Occupancy PHA,  
does it have an approved Comprehensive  
Occupancy Plan (COP)?  
If no, skip to Line 4 and check no. yes\_\_\_\_\_ no\_\_\_\_\_

3. If the PHA has an approved COP, is it  
meeting the occupancy goals of the Plan?

If Line 25 of Form HUD-52728-A for the current  
year, is equal to or greater than Line 17  
of Form HUD-52728-C for the equivalent Plan Year,  
check yes on Line 4. If not, check no.  
(Note: If appropriate, substitute Line 28  
of Form HUD-52728-C for Line 17)

4. Does the PHA meet this Financial  
Performance Standard? yes\_\_\_\_\_ no\_\_\_\_\_

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Financial Management

PHA FINANCIAL PERFORMANCE STANDARD WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER FIVE

TENANTS ACCOUNTS RECEIVABLE FOR TENANTS IN POSSESSION (EXCLUDING AMOUNTS COVERED BY FORMAL UP-TO-DATE REPAYMENT AGREEMENT) ARE LESS THAN 10% OF TOTAL CHARGES.

1. Percent of amount delinquent (excluding amount covered by formal up-to-date repayment agreement) to total charges.  
(Section E, Item 5, column A of the annual or semiannual Report of Tenants Accounts Receivable, Form HUD-52295) \_\_\_\_\_ %

Is the amount on Line 1 less than 10% ?      yes \_\_\_\_\_ no \_\_\_\_\_

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SAMPLE: BUDGET CHECKLIST FORM LETTER

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear Executive Director:

This is to notify you that your budget package submitted for Project(s) \_\_\_\_\_ for the FYE \_\_\_\_ is incomplete. When items are missing, there is a delay in completing the budget review and approval process.

Please provide the materials (original and 2 copies) indicated on the attached budget checklist within ten days after receipt of this letter. No further processing will be done until the documents have been received by this office.

If you have questions regarding the budget submission requirements, please call \_\_\_\_\_.

Sincerely,

Attachment

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Financial Management  
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EXHIBIT 3-2

PAGE 2 OF 4

FIELD OFFICE  
OPERATING BUDGET CHECKLIST

Submission (Check one)

☐ Original      ☐ Resubmission No. \_\_\_\_      ☐ Revision No. \_\_\_\_

PHA \_\_\_\_\_ FYE \_\_\_\_\_

The documents as checked are missing from the Operating Budget submission.

- \_\_\_\_\_ a. HUD-52564 Operating Budget
- \_\_\_\_\_ b. HUD-52566 Schedule of All Positions and Salaries
- \_\_\_\_\_ c. HUD-52567 Schedule of Nonroutine Expenditures
- \_\_\_\_\_ d. HUD-52571 Schedule of Administration Expense  
Other Than Salaries
- \_\_\_\_\_ e. HUD-52573 Summary of Budget Data and  
Justifications
- \_\_\_\_\_ f. HUD-52720 Funding Formula Data Collection Form
- \_\_\_\_\_ g. HUD-52720A Worksheet No. I: Multiplications
- \_\_\_\_\_ h. HUD-52720B Worksheet No. II: Calculating Variable  
Products and Formula Expense Level
- \_\_\_\_\_ i. HUD-52720C Worksheet No. III: Calculation of  
Allowable Expense Level (First PFS  
Year Only)
- \_\_\_\_\_ j. HUD-52720D Worksheet No. IV: Calculating Revised  
Allowable Expense Level

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FIELD OFFICE  
OPERATING BUDGET CHECKLIST

Submission (Check one)

☐ Original                      ☐ Resubmission No. \_\_\_\_\_ ☐ Revision No. \_\_\_\_\_

PHA \_\_\_\_\_ FYE \_\_\_\_\_

The documents as checked are missing from the Operating Budget submission.

- \_\_\_\_\_ a. HUD-52564                      Operating Budget
- \_\_\_\_\_ b. HUD-52566                      Schedule of All Positions and Salaries
- \_\_\_\_\_ c. HUD-52567                      Schedule of Nonroutine Expenditures
- \_\_\_\_\_ d. HUD-52571                      Schedule of Administration Expense  
Other Than Salaries
- \_\_\_\_\_ e. HUD-52573                      Summary of Budget Data and  
Justifications
- \_\_\_\_\_ f. HUD-52720                      Funding Formula Data Collection Form
- \_\_\_\_\_ g. HUD-52720A                      Worksheet No. I: Multiplications
- \_\_\_\_\_ h. HUD-52720B                      Worksheet No. II: Calculating Variable  
Products and Formula Expense Level
- \_\_\_\_\_ i. HUD-52720C                      Worksheet No. III: Calculation of  
Allowable Expense Level (First PFS  
Year Only)
- \_\_\_\_\_ j. HUD-52720D                      Worksheet No. IV: Calculating Revised  
Allowable Expense Level

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FIELD OFFICE  
OPERATING BUDGET CHECKLIST

- \_\_\_\_\_ y.                      List of Housing Manager and Assistant Housing  
Manager Positions in accordance with Handbook  
7460.2 dated 11/80, paragraph 24(b)

\_\_\_\_\_ x.                      Other (comments): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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EXHIBIT 3-3

PAGE 1 OF 1

(To be used with Exhibit 2-1.)  
SAMPLE:    OPERATING BUDGET CHECKLIST FORM LETTER

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Dear Executive Director:

This is to notify you that the materials indicated under the column marked "Field Office Use" were not received. Please review the attached Operating Budget Checklist and submit (original and 2 copies) the required information within ten days of receipt of this letter.

No further processing of your budget will be done until the documents are received by this office. If you have questions regarding the requirements for budget submission, please contact your Housing Management Specialist, \_\_\_\_\_ or your Financial Analyst, \_\_\_\_\_ at \_\_\_\_\_.

Sincerely yours,

Field Office Official

Enclosures

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Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-4

PAGE 1 OF 1

SAMPLE: DETAILED REVIEW FORM LETTER

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear \_\_\_\_\_:

This is to advise you that in accordance with 24 CFR 990.112(c) future Operating Budgets and Operating Budget revisions for \_\_\_\_\_, Project No. \_\_\_\_\_, will be scheduled for a detailed review by this Office. This determination has been made for the following reason(s).

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

You will receive written notification when the limited review is being reinstated. If you have questions concerning this decision, please contact your Financial Analyst at \_\_\_\_\_, or your Housing Management Specialist at \_\_\_\_\_.

Sincerely,

Field Office Official

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7475.1 REV.  
EXHIBIT 3-5

PAGE 1 OF 60

BUDGET REVIEW PROCESS

Review Operating Budget (Form HUD-52564 for completeness i.e., FYE, Projected Number(s), and Contract Number).

Review Operating Budget for mathematical accuracy.

Review items and information in budget for eligibility and compliance with regulations.

Do amounts reported in columns 2 and 3 of Operating Budget agree with the year end financial statements and/or latest approved budget?

1. Add Form HUD-52564, Operating Budget and calculate PUMs.

NOTES:

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EXHIBIT 3-5 7475.1 REV.  
PAGE 30 OF 60

HUD-52721A Form Approved  
December 1976 OMB. No. 2577 - 0029

U.S. Department of Housing and Urban Development  
Low-Income Housing  
PHA-OWNED RENTAL HOUSING  
Calculation of Performance Funding System Operating Subsidy

Public Housing Agency Submission:  
\_\_\_\_ Original  
\_\_\_\_ Revision No.\_\_\_\_

Unit Months Available Fiscal Year Ending Contract Number

Line Requested Approved  
No. Description by PHA by HUD

(PUM) (PUM)

ALLOWABLE EXPENSES AND ADDITIONS:

01 Allowable Expense Level plus Transition  
Funding, if applicable (See instructions.) \_\_\_\_\_

02 Utilities Expense Level (Line 12, form  
HUD-52722A) \_\_\_\_\_

03 Estimated or Actual Cost of Biennial IPA  
Audit Scheduled for Requested Year \_\_\_\_\_

04 Costs Attributable to Deprogrammed Units \_\_\_\_\_

05 Total Allowable Expenses and Additions  
(Sum of Lines 01 thru 04) \_\_\_\_\_

DWELLING RENTAL INCOME

06 Estimated Dwelling Rental Income \_\_\_\_\_

07 Change Factor \_\_\_\_\_



08 Projected Dwelling Rental Income (Line 06 \_\_\_\_\_  
x Line 07) \_\_\_\_\_

09 Average Occupancy Percentage \_\_\_\_\_

10 Estimated Dwelling Rental Income (Line 08 \_\_\_\_\_  
x Line 09) \_\_\_\_\_

NON-DWELLING INCOME:

11 Interest on General Fund Investments \_\_\_\_\_

12 Other Income \_\_\_\_\_

13 Total Non-Dwelling Income (Line 11  
plus Line 12) \_\_\_\_\_

14 TOTAL OPERATING RECEIPTS (Line 10 plus  
Line 13) \_\_\_\_\_

OPERATING SUBSIDY CALCULATION

15 (Income) or Deficit PUM (Line 05 minus  
Line 14) (See instructions.) \_\_\_\_\_

16 Unit Months Available \_\_\_\_\_

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EXHIBIT 3-5

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BUDGET REVIEW PROCESS

\* Compare Line 23, Form HUD - 52721A with Lines 930-960 Form HUD -  
52564.

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EXHIBIT 3-5

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PAGE 32 OF 60

HUD-52721A  
December 1976

Form Approved  
OMB. No. 2577-0029

Line No.	Description	Requested by PHA	Approved by HUD
-------------	-------------	---------------------	--------------------

(In Whole Dollars)

17 (Income) or Deficit Before Add-On  
(Line 15 x Line 16) \_\_\_\_\_

18	Add-Ons to Allowable Expense Level (See Instructions)	_____	_____
19	(Income) or Deficit after Add-Ons - Subject Year (Line 17 plus or minus Line 18)	_____	_____
20	Utilities Adjustment - Subject Year (Line 22, Form HUD 52722B, See Instructions)	_____	_____
21	(Income) or Deficit - After Utility Adjustment (See Instructions)	_____	_____
22	Actual or Estimated Cost of Biennial IPA Audit Scheduled for Subject Year	_____	_____
23	Operating Subsidy Eligibility (See Instructions)	_____	_____
<p>Note: Use Lines 24, 25, and 26 only if a revision of HUD-52721A is being submitted for a fiscal year prior to the current year, to determine the additional amount of operating subsidy eligibility which could be approved per adjustment, or the amount of previously approved operating subsidy which must be recovered by HUD.</p>			
24	Previously Approved PFS Operating Subsidy for Prior Fiscal Year (See Instructions)	_____	_____
25	Additional Amount of Operating Subsidy Eligibility which could be due PHA (See Instructions)	_____	_____
26	Amount of Previously Approved Operating Subsidy which Must be Recovered by HUD (See Instructions)	(_____)	(_____)

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#### BUDGET REVIEW PROCESS

1. The PFS Form HUD-52722B for utility adjustment now requires changes to Line 16, HUD-52722B, to adjust space heating consumption upward and downward by a factor. This factor is obtained by dividing the Heating Degree Days (HDD) for the subject year into the average HDD for the rolling base years. This adjustment cannot be completed until the HDD factors have been made available to the PHA

by the Field Office.

2. For projects with less than 12 months consumption (including projects not substantially occupied for the 12 months) adjust Line 08, HUD-52722A, consumption figures as follows:

Eliminate the estimated consumption included on Line 08 for the projects with less than 12 months experience before including Line 09, HUD-52722A. On Line 16, HUD-52722B add to Line 16 actual consumption for project where estimated consumption was estimated.

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EXHIBIT 3-5

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PAGE 60 OF 60

BUDGET REVIEW PROCESS

Part VIII - Certification of Public Housing Agency/Indian Housing Authority

Obtain signature of Deputy Director for Housing Management or Manager, as applicable. Refer to General Delegations of Budget Approval Authority, paragraph 3 - 7c.

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EXHIBIT 3-6

PAGE 1 OF 6

OPERATING BUDGET LIMITED REVIEW CHECKLIST: PHA-OWNED RENTAL HOUSING

Submission (Check One)

☐ Original      ☐ Resubmission No. \_\_\_\_      ☐ Revision No. \_\_\_\_

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_

Date Rec'd \_\_\_\_\_ Date to HMS \_\_\_\_\_

45th Day \_\_\_\_\_ Date to Engineer \_\_\_\_\_

Question	Yes	No	N/A	Remarks
----------	-----	----	-----	---------

General Budget

1. Are all items listed on Operating Budget Checklist included in budget package submission? \_\_\_\_\_  
(FA)

2. Have all vacant deprogrammed units, nondwelling units, and employee units for which rent is not being charged in accordance with 24 CFR 960, been excluded from the calculation of unit months? ☐ ☐ ☐

(HMS FA)

3. Has PHA been conducting annual reexams in accordance with 24 CFR 960.209? If not, refer to 24 CFR 990.115 for conditions on subsidy payments. ☐ ☐ ☐

(HMS)

4. Has PHA been calculating rents in accordance with 24 CFR 913? If not, should operating subsidy be withheld? ☐ ☐ ☐

(HMS)

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EXHIBIT 3-6

PAGE 2 OF 6

OPERATING BUDGET LIMITED REVIEW CHECKLIST: PHA-OWNED RENTAL HOUSING

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

General Budget (con't)

5. If PHA has over 75 units, have all required employees been certified as Housing Managers? ☐ ☐ ☐

(HMS)

6. Does the budget include any illegal or ineligible expenditures? ☐ ☐ ☐

(HMS & FA)

7. Has budget been reviewed (and corrected, if necessary) for mathematical errors or errors in application of accounting procedures? ☐ ☐ ☐

(FA)

PFS

1. Is the PHA able to omit the submission of Forms HUD-52720, HUD-52720A, and HUD-52720B in accordance with HUD

2. Have the PFS forms been reviewed and found to be correct? \_\_\_\_\_  
(FA)

3. Has independent audit cost on Line 03 of Form HUD-52721A been verified? \_\_\_\_\_  
(FA)

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PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

PFS (con't)

5. Has average (projected) occupancy percentage (Line 09 of Form HUD-52721A) been calculated in accordance with the vacancy rule? \_\_\_\_\_

(FA)

7. Does PUM for Other Income agree with budgeted amount for Excess Utilities plus Nondwelling Rentals, plus applicable Other Operating Receipts? \_\_\_\_\_  
(FA)

8. Does Line 16 of Form HUD-52721A agree with the unit months used on the

Operating Budget? \_\_\_\_\_  
(FA)

9. Have all required adjustments been processed? \_\_\_\_\_

a. Utility, FYE \_\_\_\_\_  
b. Investment Income, FYE \_\_\_\_\_  
c. Audit, FYE \_\_\_\_\_  
(FA)

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OPERATING BUDGET LIMITED REVIEW CHECKLIST PHA-OWNED RENTAL HOUSING

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

PFS (con't)

10. Itemize Subsidy				
a. Current Year Eligibility				
b. Utility Adj. (FYE_____)				
c. Investment Income Adj. (FYE _____)				
d. Audit Adj. (FYE _____)				
Other Adj. (Itemize and include any offsets)				
f. Total Eligibility				
(FA)				

11. Does Line 10 above agree with Line 960 of the Operating Budget? \_\_\_\_\_  
(FA)

12. Are the utility rates shown on Form HUD-52722A reasonable? \_\_\_\_\_  
(Engineer)

13. Are the applicable three years being used on Lines 1, 2, and 3 on Form HUD-52722A, in accordance with Section 990.107 of the PFS regulations? \_\_\_\_\_  
(Engineer)

14. Are the utility rates and consumption amounts shown on Form HUD-52722B reasonable? \_\_\_\_\_

(Engineer)

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EXHIBIT 3-6

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OPERATING BUDGET LIMITED REVIEW CHECKLIST PHA-OWNED RENTAL HOUSING

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Question

Remarks

Operating Reserves

To determine the cash available in the operating reserve, and analyze the relationship between the projected reserve balance and the maximum reserve authorized, the following calculation should be performed:

1. Latest actual Operating Reserve (\_\_\_\_\_) date. \$ \_\_\_\_\_
2. Sum of Projected increase or decrease in operating reserve for current budget year and requested budget year. \$ \_\_\_\_\_
3. Projected Operating Reserve for requested budget year. (Line 1 plus Line 2) \$ \_\_\_\_\_
4. Maximum Operating Reserve authorized. \$ \_\_\_\_\_
5. Percentage of maximum (Line 3 divided by Line 4). \_\_\_\_\_ %
6. Analyze projected cash flow utilizing Balance Sheet (Form HUD-52595) for date shown in Line 1 as Follows:

Operating Reserve (Account 2820)	\$ _____
LESS:	
Accounts Receivable (Accounts 1122-1145)	\$ _____
Advances (Accounts 1155-1157)	\$ _____
Deferred Charges (Account 1211-1290)	\$ _____
Total Reductions	\$ _____
Available Cash	\$ _____
ADD:	
Projected Increase (Line 2 above )	\$ _____
Projected Cash Available (FA)	\$ _____

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EXHIBIT 3-6

PAGE 6 OF 6

OPERATING BUDGET LIMITED REVIEW CHECKLIST PHA-OWNED RENTAL HOUSING

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Financially or Operationally Troubled Gross Indicators (1,250 or more dwelling units)

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

1. Does budget project an Operating Reserve level of less than 20% of the maximum? (FA)	___	___	___	
--	-----	-----	-----	--

2. As Operating Reserve between 20 and 40% of the maximum? (FA)	___	___	___	
--	-----	-----	-----	--

3. Do vacancies exceed 3% of available dwelling units, or are than 5 vacant units after adjusting for on-schedule modernization? (HMS)	___	___	___	
---	-----	-----	-----	--

4. Do accounts receivable from Tenants in Possession exceed 10% of monthly rental and other charges? (HMS)	___	___	___	
---	-----	-----	-----	--

Recommendations:

Approval	—	—	Approval	—	—	Approval	—	—
Disapproval	—	—	Disapproval	—	—	Disapproval	—	—
Modified Approval	—	—	Modified Approval	—	—	Modified Approval	—	—

_____	_____	_____
FA	HMS	Engineer

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OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

Submission (Check One)



— Original — Resubmission No. — Revision No. —

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Date Rec'd \_\_\_\_\_ 45th Day \_\_\_\_\_

Questions Yes No N/A Remarks

General Budget

1. Have all vacant deprogrammed units  
nondwelling units, and employee  
units, for which rent is not being  
charged in accordance with 24 CFR 960  
been excluded from the calculation  
of unit months? \_\_\_\_\_

2. Has Housing Management Specialist (HMS)  
Detailed Review Checklist been received  
and comments adhered to? \_\_\_\_\_

3. Has Engineer's Detailed Review Checklist  
been received and comments adhered to? \_\_\_\_\_

4. Do amounts included in Columns 2 and 3  
of Operating Budget agree with the year  
end financial statements and/or latest  
approved budget? \_\_\_\_\_

5. If PHA has over 75 units, (excluding  
Section 23) have all required  
employees been certified as  
Housing Managers? \_\_\_\_\_

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Financial Management  
Handbook

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EXHIBIT 3-7

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OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions Yes No N/A Remarks

General Budget (con't)

6. Does the budget include any illegal or  
ineligible expenditures? \_\_\_\_\_

7. Has budget been reviewed (and corrected,



7. Does Form HUD-52573 contain adequate justification to support budgeted amounts? \_\_\_\_\_

8. Does PILOT (Line 520) equal 10% of shelter rent? (Line 040 minus Line 390 times 10%). \_\_\_\_\_

#### Nonroutine Expenditures

1. Are nonroutine expenditures explained in sufficient detail on Form HUD-52567? \_\_\_\_\_

#### Other Expenditures

1. Are amounts included in these line items sufficiently explained? \_\_\_\_\_

Line 910 of Form HUD-52564 (Section 23)

1. Does the Basic Annual Contribution (Leased project) agree with the amount in the latest approved Annual Contributions Contract? \_\_\_\_\_

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#### Financial Management Handbook

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EXHIBIT 3-7

PAGE 4 OF 8

#### OPERATING BUDGET DETAILED REVIEW CHECKLIST FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N A	Remarks
-----------	-----	----	-----	---------

#### Other HUD Contributions

#### PFS

1. Have the PFS Forms been reviewed and found to be correct? \_\_\_\_\_

2. Has independent audit cost on Line 03 of Form HUD-52721A been verified? \_\_\_\_\_

3. What rent roll was used in calculating estimated dwelling rental income (Line 06 of Form HUD-52721A) \_\_\_\_\_? Is it correct? \_\_\_\_\_

4. Has average (projected) occupancy

percentage (Line 09 of Form HUD-52721A)  
been calculated in accordance with the  
vacancy rule? \_\_\_\_\_

5. Is Interest on General Fund Investments  
(Line 11 of Form HUD-52721A) based on  
estimated investment income  
requirements? \_\_\_\_\_

6. Does PUM for Other Income agree with budgeted amount for Excess Utilities plus Nondwellling Rentals, plus Applicable Other Operating Receipts? Are the amounts reasonable based on past history? \_\_\_\_\_

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EXHIBIT 3-7

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OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

PFS (con't)

7. Does difference in PFS and budgeted other income represent income excluded by PFS regulations? \_\_\_\_\_

8. Does Line 16 of Form HUD-52721A agree with the unit months used on the operating budget? \_\_\_\_\_

9. Have all required adjustments been processed?           

a. Utility, FYE _____	_____	_____	_____
b. Investment Income, FYE _____	_____	_____	_____
c. Audit, FYE _____	_____	_____	_____

10. Itemize Subsidy

a. Current Year Eligibility \_\_\_\_\_

b. Utility Adj. (FYE \_\_\_\_ ) \_\_\_\_\_

c. Investment Income Adj. (FYE \_\_\_\_ ) \_\_\_\_\_

d. Audit Adj. (FYE \_\_\_\_ ) \_\_\_\_\_

e. Other Adj. (Itemize and include any \_\_\_\_\_  
offsets) \_\_\_\_\_

f. Total Eligibility \_\_\_\_\_

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Financial Management  
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OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

PFS (con't)

11. Does Line 10 above agree with Line 960 of the Operating Budget?	_____	_____	_____	
---	-------	-------	-------	--

12. Are the utility rates and consumption amounts shown on Form HUD-52722A reasonable?	_____	_____	_____	
--	-------	-------	-------	--

13. Are the utility rates and consumption amounts shown on Form HUD-52722B reasonable?	_____	_____	_____	
--	-------	-------	-------	--

Section 23

1. Does operating subsidy agree with subsidy requests?	_____	_____	_____	
--	-------	-------	-------	--

NOTE: Subsidy should be the lesser of the amount of the deficit shown on Line 920 or the amount necessary to keep reserves at 40% of maximum.

Operating Reserves

To determine the cash available in the operating reserve, and analyze the relationship between the projected reserve balance and the maximum reserve authorized, the following calculation should be performed:

- |  |         |
|--|---------|
| 1. Latest actual Operating Reserve (_____) date  | \$_____ |
| 2. Sum of Projected increase or decrease in operating reserve for current budget year and requested budget year. | \$_____ |

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OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

Operating Reserves (con't)

3. Projected Operating Reserve for requested  
budget year. (Line 1 plus Line 2) \$\_\_\_\_\_

4. Maximum Operating Reserve authorized. \$\_\_\_\_\_

5. Percentage of maximum (Line 3 divided  
by Line 4). \_\_\_\_\_%

6. Analyze projected cash flow utilizing Balance Sheet  
(Form HUD-52595) for date shown in Line 1 as follows:

OPERATING RESERVE (Account 2820) \$\_\_\_\_\_

LESS:

Accounts Receivable (Accounts 1122-1145) \$\_\_\_\_\_

Advances (Accounts 1155-1157) \$\_\_\_\_\_

Deferred Charges (Account 1211-1290) \$\_\_\_\_\_

TOTAL Reductions \$\_\_\_\_\_

Available Cash \$\_\_\_\_\_

ADD:

Projected Increase (Line 2 above ) \$\_\_\_\_\_

Projected Cash Available \$\_\_\_\_\_

Financially or Operationally Troubled Gross Indicators (1,250 or  
more dwelling units)

1. Does budget project an Operating Reserve  
level of less than 20% of the maximum? \_\_\_\_ \_\_\_\_ \_\_\_\_

2. Is Operating Reserves between 20 and 40%  
of the maximum. \_\_\_\_ \_\_\_\_ \_\_\_\_

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PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Question Yes No N/A Remarks

Financially or Operationally Troubled Gross Indicators (1,250 or more dwelling units) (con't)

3. Do vacancies exceed 3% of available dwelling units or more than 5 vacant units, after adjusting for on-schedule modernization? \_\_\_\_\_

4. Do accounts receivable from tenants in possession exceed 10% of monthly rental and other charges? \_\_\_\_\_

5. Is the physical condition of units deteriorating to a degree threatening the long-term viability of the projects? \_\_\_\_\_

Recommendation: Approval \_\_\_\_\_  
Disapproval \_\_\_\_\_  
Modified Approval \_\_\_\_\_

FA \_\_\_\_\_ Date \_\_\_\_\_

3-99

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OPERATING BUDGET DETAILED REVIEW CHECKLIST  
HOUSING MANAGEMENT SPECIALIST (HMS)

Submission (Check One)

Original \_\_\_\_\_ Resubmission No. \_\_\_\_\_ Revision No. \_\_\_\_\_

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Date to HMS \_\_\_\_\_ Date Due to FA \_\_\_\_\_

Attached is the subject PHA's operating budget/budget revision. Based on this budget and any additional information, please forward your comments on the following items to the Financial Analyst.

1. Has PHA been conducting annual reexams in accordance with 24 CFR 960.209? (If not, refer to 24 CFR 990.115 for conditions on

subsidy payments.)

2. Has PHA been calculating rents in accordance with 24 CFR 913? If not, is there a justifiable reason that subsidy should not be withheld?

3. Operating Receipts (Lines 010-060 of Form HUD-52564 and Form HUD-52573)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

3-100

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PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

4. Administration (Lines 110-190 of Form HUD-52564, Forms HUD-52573, HUD-52566 and HUD-52571)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

5. Tenant Services (Lines 210-290 of Form HUD-52564)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

6. Ordinary Maintenance and Operations (Lines 410-450 of Form HUD-52564 and Form HUD-52573)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

7. Protective Services (Lines 460-490 of Form HUD-52564)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

3-101

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OPERATING BUDGET DETAILED REVIEW CHECKLIST  
HOUSING MANAGEMENT SPECIALIST (HMS)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

8. General Expense (Lines 510-600 of Form HUD-52564 and Form HUD-52573)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

9. Rents to Owners of Leased Projects (Line 610 of Form HUD-52564)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

10. Nonroutine Expenditures (Lines 710-790 of Form HUD-52564, Forms HUD-52573 and HUD-52567)

The items included and amounts budgeted are:

Reasonable ☐ Unreasonable ☐

Comments:

Recommendation: Approval ☐  
Disapproval ☐  
Modified Approval ☐\_\_\_\_\_  
HMS\_\_\_\_\_  
Date

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OPERATING BUDGET DETAILED REVIEW CHECKLIST  
ENGINEER

Submission (Check One)

☐ ☐ ☐

\_ Original \_ Resubmission No. \_\_\_\_\_ \_ Revision No. \_\_\_\_\_

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Date to Engineer \_\_\_\_\_ Date Due to FA \_\_\_\_\_

Attached is the subject PHA's original operating budget/budget revision. On the basis of your observations during the latest survey and any other available information, please forward your comments on the following items to the Financial Analyst.

1. Excess Utilities - Line 020 of Form HUD-52564

The amount budgeted and supported on Form HUD-52673 is:

Reasonable \_\_\_\_\_ Unreasonable \_\_\_\_\_

Comments:

2. Utility Allowances (Reference 24 CFR 965.470-480)

Current utility allowances have/have not been calculated and revised in accordance with 24 CFR 965.470-480 and are

Reasonable \_\_\_\_\_ Unreasonable \_\_\_\_\_

Comments:

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ENGINEER

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

3. Utility Adjustment (Reference 990.107(d) to (f))

The rates and consumption amounts on Form HUD-52722A are:

Reasonable \_\_\_\_\_ Unreasonable \_\_\_\_\_

Comments:

4. Ordinary Maintenance and Operation (Lines 410-450 of Form HUD-52564 and Form HUD-52573)

Amounts budgeted for Labor, Materials and Contract Costs are:

Reasonable \_\_\_\_\_ Unreasonable \_\_\_\_\_

Comments:

5. Nonroutine Expenditures (Lines 710-790 of Form HUD-52564 and Forms HUD-52573 and HUD-52567)

Individual items included and amounts budgeted for  
Extraordinary Maintenance, Replacement of Equipment,  
Betterments and Additions and Other Nonroutine Expenditures are:

Reasonable      ☐      Unreasonable      ☐

Comments:

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Recommendation:      Approval      ☐      ☐  
                                 Disapproval      ☐  
                                 Modified Approval      ☐

\_\_\_\_\_  
Engineer      Date

3-105

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