



**Accounting Procedures for Recording Portability Transactions
for the Housing Choice Voucher (HCV) Program**

ACCOUNTING BRIEF #18

(Accounting Brief #18, originally issued in October 2012, has been updated and re-issued as a result of the latest portability regulation. Also, the brief has been updated to reflect modifications to the Financial Data Schedule since 2012 to include additional detailed line items that effect the reporting of portability transactions. The substance of the accounting brief and associated journal entries remain the same.)

GOVERNING REGULATIONS AND GUIDANCE

1. **24 CFR 982.353 through 982.355.** Contains program regulations for portability as updated in FY 2015.
2. **PIH Notice 2012-42: Housing Choice Voucher Family Moves with Continued Assistance.** Provides guidance on PHAs' administrative responsibilities related to portability vouchers for both the Initial and Receiving PHAs and specific deadlines associated with portability billing. This Notice updates and supersedes the portability guidance that was issued in PIH Notice 2011-3.

BACKGROUND

Section 8 (r) of the US Housing Act of 1937, as amended by the Quality Housing and Work Responsibility Act of 1998 (QHWRA), allows a family with a housing choice voucher (HCV), with certain restrictions to use that voucher to lease a unit anywhere in the United States where there is a PHA operating the HCV program. This feature of the program is referred to as *portability* and is the process of leasing a HCV unit outside of the jurisdiction of the PHA that initially issued the family its voucher.

There are two PHAs involved in the portability process.

1. **Initial PHA.** The PHA that issues the voucher to a portable family that wants to move to a different jurisdiction.
2. **Receiving PHA.** The PHA in the jurisdiction to which the family wishes to relocate. The Receiving PHA may *bill* the Initial PHA for the HAP and administrative costs of the voucher or may *absorb* the voucher into its own program.

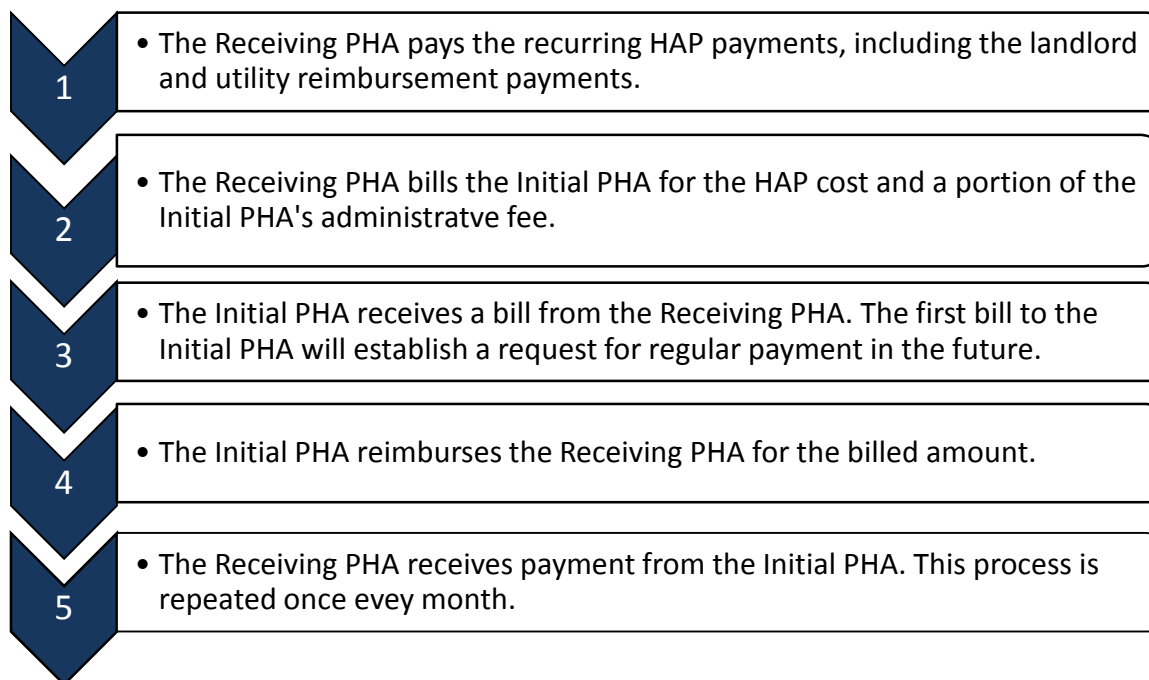
Note: An Initial PHA may deny a port out request if the PHA does not have sufficient funding for continued assistance. See 24 CFR 982.354 (e) and PIH Notice 2012-42, Section 13 for specific details on the requirements for denying portability moves.

This accounting brief provides information on the FDS line items and financial transactions involved in accounting for portability and fraud recovery related to port-in families by the Receiving and Initial PHA.

1.1 PORTABILITY BILLING PROCESS – RECEIVING PHA & INITIAL PHA

The chart below describes the steps involved in the portability billing process between a Receiving and Initial PHA.

Figure 1. Portability Billing Process – Receiving & Initial PHA (Monthly Recurring Process)



The HCV program regulations require that the Initial PHA must promptly reimburse the Receiving PHA for the full amount of the HAP payment and the lesser of 80 percent of the Initial PHA's ongoing administrative fee or 100 percent of the Receiving PHA's ongoing administrative fee for each program unit (i.e., voucher) under HAP contract on the first day of the month for which the Receiving PHA is billing the Initial PHA. If administrative fees are prorated for the HCV program, the proration will apply to the amount of the administrative fee for which the Receiving PHA may bill. When determining the lesser amount, the calculation should be based on the column B administrative fee rate. Alternately, if both PHAs agree, the PHAs may negotiate a different reimbursement amount. See 24 CFR 982.355 (e)(3) and the applicable CY administrative fee rate description and tables posted on HUD's website.

The first billing from the Receiving PHA to the Initial PHA creates a request for subsequent regular payments. The Initial PHA should continue to pay the Receiving PHA based on this amount until such time as the Receiving PHA sends a new bill changing the amount. Examples of changes in the billing amount could be the result of an annual or interim recertification, the need for the receiving PHA to abate the landlord payments, changes in administrative fees, or if a family ends participation in the program.

The Initial PHA and the Receiving PHA must comply with billing and payment deadlines under the financial procedures for portability activity as specified in the regulation and PIH Notice 2012-42. HUD may reduce the administrative fee to an initial or receiving PHA if the PHA does not comply with HUD portability requirements (CFR 982.355 (e) (7)).

PORTABILITY – FDS LINE ITEMS

Table 1: *FDS Lines – Portability Transactions* provides the FDS line items that are generally used to report portability activities.

Table 1. FDS Lines – Portability Transactions

FDS Line Item	Account Description	Typical Use
111	Cash – unrestricted	This line item represents cash accumulated from excess administrative fees earned and other administrative revenue.
113-010	Cash – other restricted – HAP funds	This line item represents cash accumulated from excess HAP funds received and other HAP-related revenue.
121	Accounts receivable –PHA projects	Amounts in this line item relate to portability amounts billed by the Receiving PHA to the Initial PHA.
332	Accounts payable – PHA projects	Amounts in this line item relate to portability amounts billed to the Initial PHA by the Receiving PHA.
71500	Other revenue	Amounts in this line item represent, among other things, the HAP and administrative fee revenue amounts billed by the Receiving PHA to the Initial PHA.
96200	Other general expenses	Amounts in this line item represent the portion of the Initial PHA’s administrative fee paid to the Receiving PHA for administering a portable voucher.
97300-041	Housing assistance payments – Portability Out	Amounts in this line item represent all HAP expenses paid for port-out vouchers.
97350	HAP portability – In	Amounts in this line item represent the amount of HAP expense paid by the Receiving PHA on behalf of the Initial PHA for portable vouchers the Receiving PHA has not absorbed.

The following important concepts should be kept in mind with respect to portability transactions.

- FDS Line 97350 (HAP Portability-in) should be used by the Receiving PHA to record a portability HAP payment transaction in accordance with Generally Accepted Accounting Principles¹ (GAAP). The recording of these transactions differ slightly from the entries outlined in PIH Notice 2012-42. The accounting for this transaction requires the Receiving PHA to report both HAP revenue and HAP portability expense associated with portability-in transactions on the Receiving PHA’s income statement.
- Only the Initial PHA is allowed to utilize HAP funding sources, including current year Appropriations and Restricted Net Position (RNP) to fund the HAP cost of the portability-out voucher. The Initial PHA will report the HAP costs in the HAP equity section of the FDS (FDS line 11180). The Receiving PHA will not report the HAP costs in the HAP equity section of the FDS as only the Initial PHA can fund the costs from HAP funding received from HUD. Unless absorbed, the Receiving PHA will use the administrative fee equity section of the FDS (FDS line 11170) to report all portability-in activity, including the HAP costs and revenues related to billing the Initial PHA. The HAP expense will be offset by the HAP revenue from the initial PHA; therefore, except for timing differences, the Administrative Fee Equity will only reflect the administrative fees generated from the portability-in unit and the actual administrative costs associated with these units.

The section below provides examples of the journal entries that should be used to record portability transactions.

1.3 PORTABILITY TRANSACTIONS – RECEIVING PHA

The following are three (3) examples of portability transactions associated with the Receiving PHA.

Example 1 – The Receiving PHA pays the \$575.00 HAP payment for the portable voucher on behalf of the Initial PHA. The following accounting entry would be made to book this activity:

FDS Line Item	Debit	Credit
97350 – HAP portability – In	\$575.00	
111 – Cash – unrestricted		\$575.00

Example 2 – The Receiving PHA bills the Initial PHA for reimbursement of 100% of the HAP (\$575), plus 80% of the Initial PHA’s posted Column B administrative fee rate of \$56.25. Assumes HUD initially paid PHAs at 98% of their eligible fee rates and that 80% of the initial PH’As fee rate is less than the receiving PHAs fee rate.

The following accounting entry would be made to book this activity:

FDS Line Item	Debit	Credit
121 – Accounts receivable – PHA projects	\$619.10	
71500 – Other revenue		\$619.10

¹ GASB 24 – Accounting and Financial Reporting for Certain Grants and Other Financial Assistance requires that since the Receiving PHA has both administrative responsibilities and financial involvement with port-in families, the Receiving PHA should report these transactions as part of the Receiving PHA’s operations.

Note: The total amount billed to the Initial PHA is \$575 for the HAP plus \$44.10 for the administrative fee (56.25 x 80% x 98%, the initial HUD applied pro-ration amount). The pro-ration amount is subject to change since the pro-ration depends on whether available administrative fee appropriations provided to HUD are sufficient to pay all PHAs at 100% of their eligibility during the calendar year.

Notice PIH 2012-42 requires the first billing to be provided to the Initial PHA within 10 working days after the date the HAP contract is executed. The Receiving PHA is also required to submit a new billing form to the Initial PHA within 10 working days following the effective date of any change in the billing amount. If the Receiving PHA fails to follow these deadlines, the Initial PHA is typically not required to pay the billed amount.

PHAs should also remember that when completing the Memo Administrative Fee Equity FDS line items at year-end, the FDS memo line item 11170-050 (Other Revenue) will not auto populate from data entered directly into FDS line 71500 (Other Revenue). The PHA will have to manually populate this line item. The memo FDS line 11170-051 (Comment for Other Revenue) should be used to explain the amounts entered on 11170-050 (Other Revenue).

Example 3 – The Receiving PHA receives payment in the amount of \$619.10 from the Initial PHA. The following accounting entry would be made to book this activity:

FDS Line Item	Debit	Credit
111 – Cash – unrestricted	\$619.10	
121 – Accounts receivable – PHA projects		\$619.10

1.4 PORTABILITY TRANSACTIONS – INITIAL PHA

The following are two (2) examples of portability transactions associated with the Initial PHA.

Example 1 – The Initial PHA receives the billing from the Receiving PHA in the amount of \$619.10 which represents \$575.00 for the HAP and \$44.10 for the administrative fee.

The following accounting entry would be made to book this activity:

FDS Line Item	Debit	Credit
97300-041 – Housing assistance payments – portability out	\$575.00	
96200 – Other general expenses	\$44.10	
332 – Accounts payable – PHA projects		\$619.10

PIH Notice 2012-42 requires the Initial PHA to pay the first billing within 30 days of receipt. Subsequently, the Initial PHA is required to make payment no later than the fifth working day of each month for each month the billing arrangement is in effect.

Example 2 – The Initial PHA pays the Receiving PHA the billed amount of \$619.10. The following accounting entry would be made to book this activity:

FDS Line Item	Debit	Credit
332 – Accounts payable – PHA projects	\$619.10	
111 – Cash–unrestricted		\$44.10
113 - 010 – Cash–other restricted - HAP funds		\$575.00

1.5 RECORDING OF FRAUD RECOVERY FUNDS FOR PORTABILITY VOUCHERS

A Receiving PHA that administers a port-in family and recovers amounts due to fraud in the program is entitled to keep 50% of the amount that the Receiving PHA collects or the reasonable direct costs of collection. The remaining amount will be refunded to the Initial PHA where it will be treated as Fraud Recovery Revenue and credited to the Initial PHA’s restricted net position account. The following are four (4) examples² of portability transactions associated with fraud recovery and the Receiving PHA.

Example 1 – The Receiving PHA will record a fraud recovery accounts receivable once the PHA has a signed repayment agreement from the family. The following example illustrates the reporting of fraud recovery transactions in the amount of \$1,500 for a port-in family using the 50/50 split.

FDS Line Item	Debit	Credit
128 – Fraud recovery	\$1,500	
71400 - 020 – Fraud recovery revenue – Admin. Fees		\$1,500

The total amount is recorded in administration fees because the Receiving PHA did not use its HAP funding sources to pay for the actual HAP cost.

² For this example, it is assumed that an allowance for doubtful accounts does not need to be established by the PHA, however, in actuality it is most likely that an allowance will likely need to be established for a fraud receivable.

Example 2 – Upon the collection of the receivable, the following accounting entry would be recorded:

FDS Line Item	Debit	Credit
111 – Cash – unrestricted	\$750	
115 – Cash – restricted for payment of current liability	\$750	
128 – Fraud recovery		\$1,500

Example 3 – After the collection, a payable is recorded for the HAP portion due to the Initial PHA. The following accounting entry would be made to book this activity:

FDS Line Item	Debit	Credit
96200 – Other general expenses	\$750	
332 – Accounts payable – PHA projects		\$750

Example 4 – The Receiving PHA pays the Initial PHA for the HAP portion collected. The following accounting entry would be made to book this activity:

FDS Line Item	Debit	Credit
332 – Accounts payable – PHA projects	\$750	
115 – Cash – restricted for payment of current liability		\$750

The net result of these entries is that 50% of the amount collected will be credited to the Receiving PHA’s administrative fee equity account.

The Initial PHA will book fraud recovery upon the collection of the funds from the Receiving PHA and the fraud recovery amount will be recorded to the Initial PHA’s RNP Account. This transaction is illustrated by the following portability transaction associated with fraud recovery and the Initial PHA.

Example 1 – The Initial PHA records the cash collected for the HAP portion of the fraud from the Receiving PHA. The following accounting entry would be made to book this activity:

FDS Line Item	Debit	Credit
113 – Cash – other restricted	\$750	
71400-010 – Fraud recovery-HAP		\$750

There is no fraud recovery recorded for Administrative Fee for the Initial PHA because the Receiving PHA was credited for the earning of this amount.

1.6 PORTABILITY AND SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS (SEFA)

It is HUD's recommendation that federal funds involved in both port-in and port-out activity be included in each PHA's (Initial and Receiving) Schedule of Expenditure of Federal Awards and be subject to audit procedures if the PHA is meets the Single Audit requirements. Specifically, including the port-in activity and the associated Housing Assistance Payment expense on the Schedule of Expenditure of Federal Awards ensures the port-in is properly included in the universe for audit testing.