



Financial Reporting for the Housing Choice Voucher

Family Self-Sufficiency Program

ACCOUNTING BRIEF #20

(Information contained in this brief is superseded by Accounting Brief #23)

GOVERNING REGULATIONS AND GUIDANCE

1. The Family Self-Sufficiency regulations are contained in 24 CFR 984 for both the Housing Choice Voucher and Public Housing Family Self-Sufficiency Programs.
2. Regulations associated with the Family Self-Sufficiency escrow account are contained in 24 CFR 984.305.

BACKGROUND

The Housing Choice Voucher (HCV) Family Self-Sufficiency (FSS) program is a HUD program that encourages Public Housing Authorities (PHAs) to develop local strategies to help HCV program families obtain employment that will lead to economic independence and self-sufficiency.¹ PHAs work with welfare agencies, schools, businesses, and other local partners to provide voucher families with opportunities for education, job training, counseling, and other forms of social service assistance so that they can obtain the skills necessary to achieve self-sufficiency. Families participating in a PHA's FSS program will enter into a five-year contract with the PHA and upon successful completion of the program will normally have improved their overall skills and experience to enable them to hopefully obtain employment that pays a living wage.

In addition, an interest-bearing FSS escrow account is established by the PHA for the participating families. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving cash welfare assistance, the amount of the FSS escrow account is paid to the head of the family.

This accounting brief provides assistance to PHAs on how to report HCV FSS program accounting transactions on the PHA's annual FASS-PH submission. Specifically, the brief provides information on the following topics:

1. Reporting for FSS Coordinator Grants,
2. Reporting for FSS Program Expenses, and
3. Reporting for FSS Escrow Activities.

¹ A PHA may also have a Public Housing FSS program.

FAMILY SELF-SUFFICIENCY (FSS) COORDINATOR GRANT AND PROGRAM EXPENSES

HUD may provide grant funding to PHAs that operate an HCV FSS program to employ program coordinators to support their HCV FSS program. The FSS Coordinator Grant is funded on an annual basis.

For PHAs that have a HUD-funded FSS Coordinator Grant, FDS line 70600-031(FSS Coordinator) should be used to record the grant revenue. If the FSS Coordinator grant amount is different than what is reported in LOCCS/ HUDCAPS, the PHA should provide an explanation for the difference in the Comments tab in their FASS-PH submission.

Regardless of whether FSS services are funded through a HUD grant or not, FSS program expenses should be reported on the following FDS line items.

- Line 92100 – Tenant Services Salaries
- Line 92300 – Employee Benefit Contributions Tenant Services
- Line 92400 – Tenant Services - Other

All financial activity of the HCV FSS program (FSS Coordinator grant, FSS program expenses and FSS escrow activity) should be reported under the HCV program column in FASS-PH.

FAMILY SELF-SUFFICIENCY (FSS) ESCROW ACTIVITY

Under the HCV FSS program, the PHA is required to deposit the FSS account funds of all families participating in the PHA’s FSS program into a single depository account. If the PHA is having a third party, including a financial institution manage participant FSS escrow accounts, the depository account should still be in the PHA’s name and reported in FASS-PH under the HCV Program. The total combined FSS account funds will be supported in the PHA accounting records by a subsidiary ledger showing the balance applicable to each participating FSS Family. During the term of the contract of participation, the PHA shall credit periodically, but not less than annually, to each family’s FSS account the amount of the FSS credit due to the family, including interest earned.

The following FDS line items are used to record transactions related to HCV FSS escrow activities:

FDS Line	Account Description
113	Cash – Other Restricted ² : To record FSS escrow proceeds held in cash but not estimated to be paid out in the next fiscal year. (Corresponding liability is FDS line 353.)
115	Cash – Restricted for Payment of Current Liability ² : To record FSS escrow proceeds held in cash that are estimated to be paid out in the next fiscal year. (Corresponding escrow liability is FDS line 345.)
132	Investments – Restricted ² : To record FSS escrow proceeds used to purchase investments and not estimated to be paid out in the next fiscal year. (Corresponding escrow liability is FDS line 353.)
135	Investments – Restricted for Payment of Current Liability ² : To record FSS escrow proceeds used to purchase investments and estimated to be paid out in the next fiscal year. (Corresponding liability is FDS line 345.)

² In a future FASS-PH system release, detail links will be added. The detail links will require PHAs to provide a breakdown of their reported restricted cash and investments held for FSS deposits, housing assistance payment equity, and other restricted uses.

FDS Line	Account Description
345	Other Current Liabilities: To record FSS escrow account balances expected to be paid out in the next fiscal year.
353	Non-current Liabilities – Other: To record FSS escrow account balances not expected to be paid out in the next fiscal year.
97300	Housing Assistance Payments (HAP): To record funding the FSS participant escrow accounts, which is a form of HAP expense.

The examples below show the accounting transactions related to the reporting of tenants' escrow account balances. Specifically, the examples show the accounting transactions for:

- Establishment and funding of the FSS program escrow account for the family;
- Recording investment income related to investing FSS program escrow funds; and
- Recording FSS escrow account forfeitures.³

For ease of illustration, the example assumes that the PHA has set up a separate interest bearing saving account at a local bank in which it will deposit FSS escrow amounts.

Example 1: Establishment and funding of an escrow account for the family

Description	Debit	Credit
(97300) Housing Assistance Payment (<i>funding the FSS escrow</i>) (353) Non-current Liability – Other (<i>increase of the FSS escrow liability</i>)	XXX	XXX
(113) Cash – Other Restricted (<i>increase of the FSS escrow balance</i>) (113) Cash – Other Restricted (<i>reduction of the HAP equity (i.e. NRA) cash</i>)	XXX	XXX

Note: Since families will not likely receive any funds from their escrow account until successful completion of the program, the escrow balance is normally considered a non-current liability when established. However, this escrow balance may be re-classified as current (FDS line item 115 and 345) for families that will likely receive some or all of their escrow during the upcoming year. The cash, which is HAP, used in funding the escrow account also needs to be reclassified from cash restricted (unspent HAP).

³ A forfeiture can occur when an FSS family fails to complete their contract of participation or fails to pay their share of the owner rent.

Example 2: Recording investment income related to investing escrow funds – interest bearing account

Description	Debit	Credit
(113) Cash – Other Restricted (<i>increase of the FSS escrow balance</i>) (72000) Investment Income – Restricted (<i>recording of interest income using a control account</i>)	XXX	XXX
(72000) Investment Income – Restricted (<i>recording of interest income using a control account</i>) (353) Non-current Liability – Other (<i>increase of the FSS escrow liability</i>)	XXX	XXX

Note: PHAs may use an investment income account for a control account to ensure the interest income is properly credited to the escrow accounts. However, this investment income should not be reported on the PHA’s income statements as these funds do not meet the definition of revenue to the PHA. Each participant subaccount would also be credited for its share of interest/investment income. This is important as interest earned on invested excess HAP funds must be remitted back to HUD. Therefore, the PHA must ensure that, at year-end, interest earned on FSS participant escrow accounts is moved out of the Investment Income – Restricted account so that this interest is not remitted back to the Treasury in error.

Example 3: Recording FSS forfeitures

Description	Debit	Credit
(353) Non-current Liability – Other (<i>reduction of the FSS escrow liability</i>) (71500) Other Revenue (<i>FSS forfeitures</i>)	XXX	XXX
(113) Cash – Other Restricted (<i>increase of the HAP equity (i.e. NRA) cash</i>) (113) Cash – Other Restricted (<i>reduction of the FSS escrow cash</i>)	XXX	XXX

Note: FSS program regulations at 24 CFR 982.305(f)(2)(ii) specify that forfeited FSS escrow accounts are considered program income. This means that any forfeited escrow amounts must be “re-deposited” back to the HAP Equity account since the source of funds for these accounts was HAP funding. In order to move forfeited FSS escrow account amounts into the proper HCV program equity account, PHAs will need to manually flow the amount reported on FDS line 71500 (Other Revenue) that represents forfeited FSS escrow account balances into the HAP equity memo FDS line 11180-020 (HAP Equity – Other Revenue). The PHA should also use the Comments section to explain how much of the amount reported on FDS line 71500 (Other Revenue) represents forfeited FSS escrow account balances.

Example 4: Recording of disbursement of FSS funds

Description	Debit	Credit
(345) Other Current Liability – Other <i>(reduction of the FSS escrow liability)</i> (115) Cash – Restricted for Payment of Current Liability <i>(reduction of the FSS escrow cash)</i>	XXX	XXX

Note: Some PHAs will transfer the funds to their general fund and then issue the disbursement to the participant.

Example 5: Recording the purchase of CDs, T-bills or other outside investments

Description	Debit	Credit
(132) Investments – Restricted <i>(increase of FSS escrow investments)</i> (113) Cash – Other Restricted <i>(reduction of the FSS escrow cash)</i>	XXX	XXX

Superseded by Accounting Brief #23