



**U.S. Department of Housing and Urban Development
Public and Indian Housing**

Special Attention of:
Office Directors of Public Housing;
Regional Directors; Public Housing
Agencies.

Notice PIH 2011-67 (HA)

Issued: December 9, 2011

This notice remains in effect until amended,
revoked or superseded

Cross References:

**SUBJECT: Implementation of New Cash Management Requirements for the Housing
Choice Voucher Program**

1. **Purpose.** This Notice announces the implementation of new cash management requirements and procedures for the disbursement by HUD of Housing Assistance Payments (HAP) funds provided to public housing agencies (PHA) under the Housing Choice Voucher (HCV) program.
2. **Summary.** Funding for the HCV program is provided by Congress through Annual Appropriation Acts to HUD, which in turn distributes it to PHAs in accordance with the Appropriations Acts. Commencing with CY 2005, when the Department instituted budget-based funding, PHAs have received full disbursement of their HAP renewal allocations, on a 1/12th per month basis, and full disbursement of their incremental allocations, based on effective and expiration dates. PHAs have been responsible for maintaining any excess HAP disbursements in their Net Restricted Assets (NRA) account, for use only for future HAP needs that exceed any year's allocation. In the years since that time, some PHAs have accumulated significant amounts in their NRA accounts. At Congressional direction, in 2008 and 2009, a total of almost \$1.5 billion in NRA balances was offset against HAP renewal allocations, and HUD's FY 2012 Appropriations Act requires an offset of \$650 million. The cash management procedures outlined by this notice will mitigate PHA accumulation of NRA funds, reduce Treasury outlays by timing the disbursements based on actual need, and facilitate a more efficient and timely method by which to account for PHA program reserves.
3. **Requirements.** HUD is required to control disbursement of funds to PHAs in such a way as to ensure that PHAs do not receive federal funds before they are needed. Treasury Financial Manual, Vol. 1, Part 6, Section 2025 states: "Advances to a recipient organization will be limited to the minimum amounts necessary for immediate disbursement needs and will be timed to be in accord only with the actual immediate cash requirements of the recipient organization in carrying out the purpose of an approved program or project. The timing and amount of cash advances will be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program costs and the proportionate share of any allowable indirect costs." This requirement is reiterated in the Joint Explanatory

Statement of the Committee of Conference that accompanies the 2012 Appropriations Act, which states that the conferees expect HUD to follow Treasury's rules on cash management in the tenant based rental assistance account.

4. **Procedures.** Beginning January, 2012, in order to mitigate the accrual of excess funds at the PHA level and to comply with cash management requirements, the Department will distribute funds to PHAs monthly, based on the most recent assessment of needs. The elements of the process will include:
 - a. Each month's disbursement to each PHA will be based on the most recent quarter's validated PHA costs from the Voucher Management System. For example, the January through March 2012 disbursements will be based on actual costs incurred for the period of July through September 2011. Disbursements for the months of April through June 2012 will be based on actual costs incurred for the period of October through December 2011.
 - b. The initial disbursement will include a small additional amount (a margin) for each PHA, based on their current costs, to readily account for nominal increases. The disbursement will alleviate the need for most frontload requests. However, PHAs whose monthly costs exceed the disbursements and who have used the margin may submit a request for an additional advance/frontload to their Financial Analyst at the Financial Management Center (FMC) for review and approval. The request should include leasing and expenses data for any month(s) not yet reported in VMS and the PHA's projected HAP expenses for the quarter to which the request applies. Please note that advances are limited to available funding, which includes BA eligibility and available NRA.
 - c. Disbursements will continue to be scheduled to arrive at the PHAs' banks on the first business day of the month, which is the date on which PHAs issue their Housing Assistance Payments checks to property owners. This schedule ensures that PHAs do not receive advances from HUD for more than each PHA's immediate disbursement needs. A recent month's actual VMS data shows that less than one-half of one percent of HAP funds are disbursed to cover costs incurred other than on the first day of the month.
 - d. At the end of each quarter, and as soon as data for the final month of the quarter has been validated, each PHA's actual costs will be compared to funds disbursed for the quarter and investment interest earned each month (as reported in VMS). Subsequent disbursement(s) will be adjusted as needed to immediately recoup any excess disbursements. Any disbursement shortfalls will be made up through extra disbursement(s). A final reconciliation will be performed at the end of the year in accordance with procedures that will be announced at a later date. This reconciliation will include updating actual HAP expenses for the year, as PHAs may have revised their prior VMS submissions after quarterly reconciliations were completed. The purposes of the final reconciliation will be to:
 1. Determine total HAP expenses incurred by the PHA for the year and compare them to total HAP disbursements to the PHA for the year in order to determine whether the PHA has received excess or insufficient advances. An additional payment or offset will be provided as needed to complete this reconciliation of funds;

2. Compare HAP budget authority provided and other revenue for the year to HAP costs for the year in order to determine the increase or decrease to the program reserve and the new balance.
 - e. Incremental funding for first-time vouchers, such as special purpose vouchers (including HUD VASH and tenant protection), will continue to be disbursed according to contract effective and expiration dates, as it nationally represents a very small percentage of the funds disbursed annually.
 - f. Any excess HAP funds held by a PHA, as well as any existing NRA balances, are required to be deposited in an interest-bearing account at the available rate. The year-end reconciliation will include the collection of any interest accrued on the funds.
5. **Program Reserves and NRA Balances.** The process of disbursing only the funds required for current HAP costs will result in the re-establishment of HUD-held program reserves, whereby excess HAP funds will remain obligated but undisbursed at the HUD level rather than held by the PHAs. This will move new budget authority into the program reserves if it is not needed for current costs. Existing NRA balances currently held by PHAs will ultimately also be transitioned to the cash management process and the program reserves, via their use in lieu of HUD disbursing additional budget authority. (For example, if the monthly disbursement for the PHA under the cash management disbursement methodology is \$700,000 and the NRA balance at the PHA is \$500,000, HUD will disburse \$200,000 to the PHA. The remaining \$500,000 will be maintained by HUD as part of the PHA's HUD-held reserve. The PHA will use the NRA at the PHA along with the \$200,000 disbursement to make their HAP payments for that month.) PHAs will be advised when this transition will begin, and should now ensure that all NRA funds are readily available. To assist PHAs with this process, HUD will shortly issue to each PHA a report of the September 30, 2011 NRA balance, as calculated by HUD and as reported by the PHA, for PHA review.
 6. These cash management procedures and the use of existing NRA balances in lieu of new budget authority will not change the amount of funding to which each PHA is entitled each year; nor does the transition from PHA-held NRA to the PHA reserve being maintained by HUD reduce the PHA's available HAP resources. Funding allocations will continue to be calculated in accordance with the requirements of each year's Appropriations Act. The only change that will occur is that NRA accounts will no longer be maintained by PHAs, and all excess budget authority will be held on behalf of the individual PHAs by HUD in the program reserves, as was the case prior to CY 2005. PHAs will still be able to access their program reserves for eligible HAP needs whenever necessary by contacting their Financial Analyst at the FMC.
 7. **Moving to Work (MTW) PHAs.** PHAs participating in the Moving to Work demonstration are also subject to the cash management requirements. HUD will calculate the monthly disbursements in the same manner as described above. Any MTW PHA whose needs for the month will exceed the calculated amount will also contact their Financial Analyst at the FMC to request an additional disbursement amount. The additional disbursement amount may include not only increased HAP costs, but also any eligible MTW non-HAP expenses that the MTW PHA will pay during the month.

8. **Other Programs.** The requirements of this Notice do not apply to the Moderate Rehabilitation Program, as the Moderate Rehabilitation program currently operates and receives disbursements according to an annual budget that stipulates projected requirements. Any modifications to the requirements for the Moderate Rehabilitation program will be issued separately.

Effective CY 2012, the Five Year Mainstream Program is funded under the Tenant-based Renewal Account; therefore, the aforementioned cash management requirements will be applicable.

9. **Further Information.** Any questions concerning this Notice should be directed to the Housing Voucher Financial Management Division, Office of Public Housing and Voucher Programs, at (202) 708-2934 (this is not a toll-free number). Persons with hearing or speech impairments may access these numbers via TTY by calling the toll-free Federal Information Relay Service at (800) 877-8339.

/s/

Sandra B. Henriquez, Assistant Secretary for
Public and Indian Housing