



**U.S. Department of Housing and Urban Development**  
1280 Maryland Avenue, SW  
Suite 800  
Washington, D.C. 20024-2135

REAL ESTATE ASSESSMENT CENTER

January 12, 1999

Dear Project Owner:

Subject: Electronic Submission of Annual Financial Statement Information to HUD

In accordance with the new rule on "*Uniform Financial Reporting Standards for HUD Housing Programs*," as published in the Federal Register on September 1, 1998, HUD-supported multifamily housing projects with contractual provisions for the submission of annual financial statement and related audit information to HUD are required to submit the information electronically, effective with fiscal years ending December 31, 1998, and thereafter. These requirements apply to all multifamily projects with HUD-insured or HUD-held mortgages, and many other projects financed through HUD direct loan, capital grant or subsidy programs. Many projects supported by HUD Section 8 Program assistance, but no HUD mortgage insurance or other financing assistance, have no annual financial statement reporting requirement. If you have no contractual obligation to submit annual financial statement information to HUD, please disregard this correspondence.

To implement the new rule, HUD's Real Estate Assessment Center (REAC) has developed the Financial Assessment Subsystem (FASS) for use by multifamily project owners in electronically submitting required annual financial statement and audit information to HUD, via the Internet. The FASS is currently planned to be placed into production on January 14, 1999. Project owners, or their designated coordinator, must then register with HUD's Secure Connection System to obtain a systems identification (ID) number to enable them to access and use the FASS. The Secure Connection registration process can be conducted over the Internet through the REAC's Financial Assessment world wide web site at **<http://www.hud.gov/reac/reafin.html>**. This same web site contains an "*Industry User Guide for the Financial Assessment Subsystem Submission*" to explain the Secure Connection registration and FASS submission processes. After registration, the enclosed "*Program Participant's Use Agreement Regarding Electronic Data Submissions for HUD Programs*" will be mailed to project owners along with their Secure Connection Systems ID, for their acceptance and use in submitting annual financial statement and audit information.

Project owners and their authorized representatives should visit the REAC web site to obtain other useful information on revised multifamily housing financial reporting requirements and processes, including: changes to the HUD chart of accounts for multifamily housing projects, electronic submission impacts on project audit requirements, and training opportunities related to the FASS. REAC is planning a January 29, 1999 HUD distance learning satellite broadcast on FASS requirements.

To give project owners, accountants and auditors sufficient time to prepare for the revised financial reporting requirements, HUD is granting a one-time submission extension to the normal 60-day financial reporting requirement for all projects having fiscal year-ends between December 31, 1998 and March 31, 1999. Those multifamily housing projects have until June 30, 1999, to complete the first required electronic submission of their annual financial statement information. Submission extensions for projects with fiscal year-ends after March 31, 1999 may be requested through FASS, after May 31, 1999.

In the case of projects required to have an annual financial statement audit, the financial information electronically submitted to the REAC FASS is considered "supplemental data" in relation to the audited financial statements. A signed paper copy of the audit report on the housing entity's annual financial statements should still be produced and maintained on file, for possible HUD inspection and use, for a period of at least 3 years after the close of the fiscal year. With the exception of owning entities of cooperative housing projects, owning entities with more than one project must separately submit the required supplemental financial, compliance and audit information applicable to each project.

Initially, FASS will not be able to accommodate the electronic submission of financial statement and audit information from HUD-insured nursing homes operating under lessor/lessee arrangements. Those projects should submit the traditional paper copy financial statements and audit reports to the above REAC address, until further notice.

If you are unsure as to whether the new financial reporting rule applies to you, or if you have questions on the electronic submission process or other implementation issues regarding the revised annual financial statement and audit reporting requirements for multifamily housing projects, please contact the REAC Customer Service Center on 1-888-245-4860, or correspond directly with the REAC either through its Internet Home Page at <http://www.hud.gov/reac> or through the REAC Financial Assessment Page at <http://www.hud.gov/reac/reafin.html>

Thank you for your support as HUD works towards improving the efficiency and effectiveness of its important housing program oversight responsibilities.

Sincerely,

Donald J. LaVoy  
Acting Director  
Real Estate Assessment Center

Enclosure

## **Program Participant's Use Agreement Regarding Electronic Data Submissions for HUD Programs**

The U.S. Department of Housing and Urban Development (HUD) and the Program Participant intend that all electronic submissions of required Program Participant information to HUD shall be legally binding, valid, and enforceable. Rights and obligations that existed with respect to the Program Participant's required submission of information prior to the adoption of electronic data submission procedures are not invalid as a result of an electronic submission of that information.

The use of identification numbers and passwords attributable to the Program Participant or any person acting or authorized to act on behalf of the Program Participant shall have the same legal effect as a traditional handwritten signature by or on behalf of the Program Participant and shall be deemed to be the act and deed of the Program Participant. Any information electronically submitted to HUD pursuant to the electronic data submission procedures shall be considered to be a "writing" or "in writing" and shall also be deemed for all purposes to have been "signed" by the person to whom the identification number and password pertain.

The Program Participant agrees to use security procedures and safeguards to ensure that all submissions of information identifiable by or on behalf of the Program Participant are authorized, and to protect the Internet-based system, data, identification numbers, and passwords from improper access. The Program Participant shall be liable for unauthorized access to the Internet-based system caused through its act or neglect.

The Program Participant agrees not to contest the validity or enforceability of information electronically received by HUD under the provisions of any applicable law relating to whether certain documents are to be in writing or signed by the party it is to be enforced against. Any electronically submitted information introduced as evidence in any judicial, arbitration, mediation, or administrative proceeding shall be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form.

The Program Participant certifies that all statements and representations contained in all electronic submissions to HUD made by or on behalf of the Program Participant are true, accurate, and complete to the best of its knowledge and belief. The Program Participant acknowledges that the foregoing certification shall be deemed to be incorporated by reference in all electronic submissions to HUD made by or on behalf of the Program Participant.

The Program Participant further certifies that the Program Participant has read the **Warnings** set forth below and that the Program Participant is duly authorized to accept and by virtue of its use of HUD's electronic data submission systems and associated identification numbers has accepted this use agreement regarding electronic data submissions to HUD.

### **Warnings**

**Any person who knowingly presents materially false, fictitious or fraudulent statements in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to penalties, sanctions or other regulatory actions, including but not limited to:**

- (i) fines and imprisonment under 18 U.S.C. 287, 1001, 1010 and 1012, which provide for**

**finest of a maximum of \$250,000 for individuals and \$500,000 for organizations, or imprisonment for up to 5 years, or both;**

**(ii) civil penalties and damages under 31 U.S.C. 3729 of not less than \$5,000 and not more than \$10,000 per violation, plus 3 times the amount of damages that the government sustains; and**

**(iii) administrative sanctions, claims and penalties by HUD pursuant to 24 C.F.R parts 24, 28 and 30.**