Issued Date: May 2015

Financial Reporting for the Family Self-Sufficiency (FSS) Program

ACCOUNTING BRIEF #23

(Supersedes information issued in Accounting Brief #20)

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. Federal fiscal year 2014 Notice of Funding Availability (NOFA) for Family Self-Sufficiency Program Coordinators grant and subsequent NOFAs provides information on the background of the program and eligible uses of funds.
3. The "Public Housing Family Self-Sufficiency (PH FSS) and Resident Opportunities and Self-Sufficiency Service Coordinator (ROSS-SC) programs" section of Notice PIH 2012-32 (HA), Rev-1 Rental Assistance Demonstration - Final Implementation, Revision 1 (or its successor) provides additional information on continued participation in the FSS program under the Rental Assistance Demonstration (RAD) program.

BACKGROUND

The FSS program enables families assisted through the Housing Choice Voucher (HCV) and Public Housing (PH) programs to increase their earned income and reduce their dependency on social services and rental subsidies. Under the FSS program, families living in assisted housing are provided opportunities for education, job training counseling and other forms of social service assistance, in order to develop the skills necessary to achieve self-sufficiency. In addition, escrow accounts are established for participants by the public housing agency (PHA). As a participant's skills increase, earnings will likely increase, resulting in an increase in the participant's rent. In such cases, the increase in rent is placed by the PHA into the escrow account. After graduating from the program, families may withdraw the funds from their escrow account for any purpose. If a PHA allows, families may also withdraw funds while they are in the program for activities that further their established self-sufficiency goals.

In managing this program, PHAs typically employ a FSS coordinator. The FSS coordinator may be a PHA staff person or a contractor. A FSS coordinator ensures that participants in the PH or HCV programs are directed to the supportive services needed to achieve self-sufficiency. The PHA does not typically provide the actual supportive services for this program. The FSS coordinator is responsible for building partnerships with employers and service providers in the community to link participants with the necessary services and jobs. In addition, the FSS coordinator is responsible for ensuring that program participants are fulfilling their responsibility under the program and that the escrow accounts are established and properly maintained.

For Federal fiscal year (FFY) 2013 and prior, FSS coordinator funding was specific to either the PH or the HCV FSS program. Therefore, funding was awarded under two separate Notice of Funding Availabilities (NOFAs) – one for the PH program and one for the HCV program and the use of funding was restricted to the applicable FSS program. The Consolidated Appropriations Act of 2014 (Pub. L. No.114-76) enacted January 17, 2014, provided that FSS coordinator funding for the PH and HCV programs be combined. As a result, beginning in FFY 2014, FSS coordinator funding was awarded through a single NOFA. FFY 2014 FSS coordinator funds may now be used to serve participants in either the PH or the HCV FSS programs. This new single FSS coordinator program is identified as CFDA[1] #14.896 Family Self-Sufficiency Program Coordinators. Per the FFY 2015 appropriations, FSS coordinator funds may be used to serve families residing in Project-Based Rental Assistance (PBRA) properties owned either by the PHA or another entity.

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

1. Reporting for FSS Coordinator Grants (CFDA #14.896),
2. Reporting for FSS Program Expenses,
3. Reporting for FSS Escrow Activities, and
4. FSS requirements associated with the Rental Assistance Demonstration program.

Accounting instructions on the FSS program was issued in August of 2013 - *Accounting Brief #20: Financial Reporting for the Housing Choice Voucher Family Self-Sufficiency Program.* The information issued under this new accounting brief incorporates and supersedes the instructions in Accounting Brief #20.

FSS Program Coordinator Grant and Program Expense Reporting

Through the NOFA process, PHAs that operate a FSS program, may apply for grant funding to employ program coordinators to support the FSS program. The FSS coordinator grant is funded on an annual basis. PHAs that received FSS coordinator funding from the Family Self-Sufficiency Program Coordinators grant under the FFY 2014 appropriation and after should report the activity under CFDA #14.896 on their financial data schedule (FDS).

The requirement to report under CFDA #14.896 is in effect regardless of whether the FSS coordinator serves participating families in the PH, HCV and/or PBRA programs. FDS line 70600 (HUD operating grants) under CFDA #14.896 should be used to record the grant revenue when earned. The grant revenue is normally deemed to be earned as eligible expenses of the grant are incurred. Reporting instructions for FSS expenses depends entirely on whether amounts are chargeable (i.e., eligible expenses) to the program.

[1] CFDA is the abbreviation for Catalog of Federal Domestic Assistance, which provides a full listing and description of all Federal programs, each identified by a unique number. The CFDA # is used to identify the different programs when PHAs submit the financial data schedule to HUD.

For FFY 2013 and prior grants, PHAs should continue to report using the following CFDA numbers:

- PH FSS - CFDA #14.877 Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services, and
- HCV FSS - CFDA #14.871 Housing Choice Vouchers.

At year end, PHAs will likely need to make an adjusting entry in their book of account to recognize grant revenue earned but not received. The amount of the entry will normally be equal to the amount of salary and benefits that have been charged to the grant but where no grant funds have been received. The entry would result in an increase to both the grant revenue and accounts receivable. For example, if the FSS coordinator salary and benefits for the last month of the PHA's fiscal year is $3,000 and the PHA did not request payment from HUD, the PHA would need to make the following entry:

FDS Account & Description	Debit	Credit
122: Accounts receivable - HUD other projects (increase in accounts receivable)	$3,000	
70600: HUD PHA operating grants (increase in grant revenue)		$3,000

PHAs will report under CFDA #14.896 when the PHA has eligible expenses funded from FFY 2014 and subsequent grants. For clarity, assume the following:

- A PHA with a fiscal year end of June 30, 2015 was awarded a FFY 2014 FSS coordinator grant in December 2014.
- In prior years, the PHA received FSS coordinator funding for the PHA's HCV FSS program through the HCV program.
- In February 2015, the PHA used all of the FSS coordinator grant funds that were awarded through the HCV program and had the first eligible expenses under the new FSS coordinator grant in March 2015.

Using these assumptions, for the time period July 1, 2014 through February 28, 2015, the PHA would report the FSS coordinator grant and expense activity under the HCV program (CFDA # 14.871). Beginning in March 2015, the PHA is now using the new FSS coordinator grant and would therefore begin recording the grant revenue and associated salary and benefits under CFDA # 14.896.

Eligible Expenses of (chargeable to) the FSS Program Coordinator Grant (CFDA #14.896)

Costs charged directly to CFDA #14.896 are limited to the annual salaries and fringe benefits of the FSS coordinator(s). This is not a new requirement. The same restriction existed prior to 2014 under the previous FSS coordinator grant provisions.

FSS coordinator salary and benefits expenses to be charged to CFDA # 14.896 must be limited to the grant amount. Salary and benefits costs up to the amount of the FSS coordinator grant should be reported using FDS line 92100 (Tenant services – salaries) and FDS line 92300 (Employee benefits contributions – tenant services), with a corresponding entry to FDS line 70600 (HUD operating grants).

Expenses Not Chargeable to FSS Program Coordinator Grant (CFDA #14.896)

Some PHAs administer a FSS program with no FSS coordinator funding and some PHAs pay their coordinator(s) more than the grant amount. In these cases, the FSS coordinator's salary and benefits in excess of the grant amount are not chargeable to CFDA #14.896 but are eligible expenses of the respective PH and HCV programs. PHAs will be required to record such expenses in the PH or HCV program providing the service. Such amounts should be reflected in the same two FDS lines (FDS lines 92100 and 92300) described previously. PHAs with a FSS program serving both PH and HCV families with costs not chargeable to CFDA #14.896 are required to develop a cost allocation method that allocates these expenses fairly between the two programs.

In addition to salary and benefits costs, PHAs sometime incur additional costs associated with the administration of the FSS program, such as office space, computers costs, office supplies, etc. These non-salary and benefits costs are not chargeable to CFDA #14.896. However, such costs are eligible costs of the respective PH and HCV programs. All non-salary and benefit costs related to the administration of the FSS program can be reported in FDS line 92400 (Tenant services – other) or in the FDS line 91xxx series (administrative expense series) as applicable for the PH and HCV programs. If the PHA administers a FSS program for PH and HCV and if costs not chargeable to CFDA #14.896 are not already tracked separately by program, the PHA is required to develop a cost allocation method that allocates these expenses fairly between the two programs.

Excess Grant Funds Received

Funding is disbursed through HUD's Line of Credit Control System (LOCCS). PHAs should only draw down funds for eligible costs that have been incurred. As per the grant agreement "Draw downs in excess of need may result in special procedures for payments or termination of the grant when there are persistent violations."

If, for example, due to an accounting error, a PHA has drawn down more grant funds than the PHA has in eligible costs, the PHA would recognize revenue only up to the amount of the eligible costs. Grant funds received in excess of eligible costs would be reflected as restricted cash, typically FDS line 115 (Cash – restricted for payment of current liability) and FDS line 342 (Unearned revenue). Equity should not accrue in the FSS coordinator grant.

Family Self-Sufficiency (FSS) Escrow Activity

Even though FFY2014 and subsequent FSS coordinator funding may be used to serve both PH and HCV participants, the change in funding sources for the FSS coordinator grant does not change the requirements or reporting associated with the participant's escrow accounts. That is, the funding of escrow account must come from either the PH or HCV program under which the family participates.

Under the FSS program, the PHA is required to deposit the FSS account funds of all families participating in the FSS program into a single depository account. This means that the FSS escrow funds must be in an account that is separate from all other funds held by the PHA. If the PHA has 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 as restricted cash and/or investments under the respective PH or HCV program. The total combined FSS escrow account funds will be supported in the PHA's accounting records by a subsidiary ledger showing the balance applicable to each participating FSS family. During the term of the contract of participation, per regulation, 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.

Escrow accounts balances should continue to be reported as restricted cash or investments, along with the associated escrow liability account in the PH or HCV program based on the program in which the participant belongs. These escrow balances are not to be reported under CFDA #14.896.

Any FSS escrow forfeiture[2] is either regarded as PH or HCV program income based on the source of the funds that was initially used to fund the escrow account. For FSS participants in the PH program, any escrow forfeiture is considered income of the PH program and restricted to those eligible activities of the PH Operating Fund. Similarly, for FSS participants in the HCV program, any escrow forfeiture is considered other income of the HCV program, would become part of housing assistance payment (HAP) equity, and is restricted to HAP activities. If a FSS participant switches programs, the PHA must be able to separate the amount of funds by the different programs that were used to fund the escrow. Assume a FSS participant was initially in PH and started receiving housing assistance through the HCV program due to a Rental Assistance Demonstration (RAD) conversion. Further assume that while under the PH program the participants escrow increased to $2,000 and that the escrow balance increased by $3,000 while the participant was in the HCV program, for a total escrow balance of $5,000. If the participant fails to meet the requirements of the program and forfeits the escrow, $2,000 must be re-deposited to the PH program and $3,000 must be re-deposited to the HCV program.

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

FDS Line	Account Description
111	*Cash - unrestricted* : To record amounts held in cash associated with unspent PH operating subsidy, tenant rents and other PH program income (i.e., operating reserves).
113	*Cash - other restricted* : To record FSS escrow amounts held in cash and that are estimated not to be paid out during the next fiscal year (Corresponding liability is FDS line 353) or HCV program cash associated with the unspent HAP (i.e., NRP).
115	*Cash - restricted for payment of current liability* : To record FSS escrow amounts held in cash that are estimated to be paid out during the next fiscal year. (corresponding escrow liability is FDS line 345).
131	Investments - unrestricted: To record investments associated with unspent PH operating subsidy, tenants rents and other PH program income (i.e., operating reserves).
132	*Investments - restricted* : To record FSS escrow amounts held in investments and that are estimated not to be paid out during the next fiscal year (Corresponding liability is FDS line 353) or HCV program investments associated with the unspent HAP (i.e., NRP).
135	*Investments - restricted for payment of current liability* : To record FSS escrow amounts held in investments that are estimated to be paid out during the next fiscal year. (corresponding escrow liability is FDS line 345).
345	*Other current liabilities* : To record FSS escrow account balances that are estimated to be paid out during the next fiscal year.
353	*Non - current liabilities - other* : To record FSS escrow account balances that are estimated not to be paid out during the next fiscal year.
71500	*Other revenue* : To record FSS forfeitures under both the HCV and PH program.
72000	Investment income - restricted: To record an increase in the participants escrow balance due to the earning of interest using a control account.
96200	*Other general expenses* : To record the funding of the FSS escrow account for a PH program participant.
97300	Housing assistance payments: To record the funding of the FSS escrow account, which is a form of HAP expense, for an HCV program participant.

[2] A forfeiture can occur when an FSS family fails to complete their contract of participation.

Starting with the June 30, 2014 fiscal year end submissions and after, and only for the HCV program, FDS lines 113, 115, 132, and 135 each have three detail accounts that will be used to differentiate FSS escrow funds from HAP and other restricted funds as follows:

1xx - 010 HAP funds;
1xx - 020 FSS escrow deposits; and
1xx - 030 All other funds.

The following example provides the common accounting transactions related to the reporting of the participant's escrow account balances. Specifically, the examples show the accounting transactions for:

- Funding of the FSS program escrow account for the participant;
- Recording investment income related to investing FSS program escrow funds;
- Recording FSS escrow account forfeitures; and
- Recording the disbursement of FSS funds to the participant.

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 the PHA will deposit FSS escrow amounts. Where necessary, two sets of entries for an accounting transaction is provided to show the proper accounting treatment for a FSS program in the HCV and PH program.

Journal Entry 1: Funding an escrow account for the participant

Housing Choice Voucher Program		
FDS Account & Description	**Debit**	**Credit**
97300: Housing assistance payments (funding the FSS escrow account)	XXX	
353: Non-current liability - other (increase of the FSS escrow liability)		XXX
113: Cash - other restricted (increase of the FSS escrow balance)	XXX	
113: Cash - other restricted (reduction of HAP equity (i.e., net restricted position cash)		XXX

Public Housing Program		
FDS Account & Description	**Debit**	**Credit**
96200: Other general expenses (funding the FSS escrow account)	XXX	
353: Non-current liability - other (increase of the FSS escrow liability)		XXX
113: Cash - other restricted (increase of the FSS escrow balance)	XXX	
111: Cash - unrestricted (reduction of operating reserves (i.e., unrestricted net position cash)		XXX

The major difference between the two entries is the source of funding that is used to fund the escrow account. In the HCV program, HAP funds are used to make the payment and are shown as a HAP expense. In the PH program, operating subsidy or other program income is used to fund the escrow account and is shown as a general expense of the program (i.e., not netted against tenant rental revenue).

For year-end financial statement reporting, PHAs will need to analyze the participants' escrow balances and historical escrow payouts and estimate how much of the total escrow balance will be paid in the upcoming year versus later. Escrow balances estimated to be paid next year are considered a current liability and should be reported in FDS line 115 (Cash – restricted for payment of a current liability) and FDS line 345 (Other current liabilities). The remaining escrow balance should be reported as a non-current liability in FDS line 113 (cash- other restricted) and FDS line 353 (Non-current liability – other). Journal entry 1 above assumes that the escrow balance will not be paid in the next year.

Journal Entry 2: Recording investment income related to investing escrow funds in an interest bearing account

Housing Choice Voucher and Public Housing Program		
FDS Account & Description	**Debit**	**Credit**
113: Cash - other restricted (increase of the FSS escrow balance)	XXX	
72000: Investment income - restricted (recording of interest income using control account)		XXX
72000: Investment income - restricted (recording of interest income using control account)	XXX	
353: Non-current liability - other (increase of the FSS escrow liability)		XXX

PHAs may use an investment income account as a control account to ensure that 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's subaccount would also be credited for the share of interest/investment income. There is no difference in accounting between the HCV and PH program for this transaction.

As a reminder, 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 participants' escrow accounts is moved from FDS line 72000 (Investment Income – Restricted) so that the interest is not remitted back to the Federal government in error.

Journal Entry 3: Recording FSS escrow forfeitures

Housing Choice Voucher Program		
FDS Account & Description	**Debit**	**Credit**
353: Non-current liability - other (reduction of the FSS escrow liability)	XXX	
71500: Other revenue (increase in program income due to FSS forfeiture)		XXX
113: Cash - other restricted (increase of the HAP equity (i.e., net restricted position cash)	XXX	
113: Cash - other restricted (reduction of FSS escrow cash)		XXX

Public Housing Program		
FDS Account & Description	**Debit**	**Credit**
353: Non-current liability - other (reduction of the FSS escrow liability)	XXX	
71500: Other revenue (increase in program income due to FSS forfeiture)		XXX
111: Cash - unrestricted (increase in operating reserves (i.e., unrestricted net position cash)	XXX	
113: Cash - other restricted (reduction of FSS escrow cash)		XXX

FSS program regulations at 24 CFR 984.305(f)(2)(ii) specify that forfeited HCV FSS escrow accounts are considered program income. This means that any forfeited HCV FSS escrow amounts must be "re-deposited" back to the HAP Equity account since the source of funds for the escrow accounts was HAP funding. The "re-deposited" funds are limited in use to HAP activities.

In order to move forfeited FSS escrow account amounts into the proper HCV program equity account (FDS line 11180), 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.

In the case of PH, the funds would need to be reclassified from FDS line 113 (Cash – other restricted) to FDS line 111 (Cash – unrestricted) as 24 CFR 984.305(f)(2)(i) specifies that forfeited PH escrow amounts will be "re-deposited" back to the PHAs operating reserves. The "re-deposited" funds are limited in use to eligible activities of the PH Operating Fund.

Journal Entry 4: Recording of disbursement of FSS funds

Housing Choice Voucher and Public Housing Program		
FDS Account & Description	**Debit**	**Credit**
353: Non-current liability - other (reclassification of the FSS escrow liability from a long-term liability)	XXX	
345: Other current liabilities (reclassification of the FSS escrow liability to a current liability)		XXX
115: Cash - restricted for payment of current liability (reclassification of FSS escrow cash from the "long-term" account)	XXX	
113: Cash - other restricted (reclassification of FSS escrow cash from the "long-term" account)		XXX
345: Other current liabilities (reduction of the FSS escrow liability)	XXX	
115: Cash - restricted for payment of current liability (reduction of the FSS escrow cash)		XXX

The first two journal entry shows the reclassification of the long term escrow liability to a current liability and the reclassification of restricted cash to cash restricted for payment of a current liability. At year end, PHAs should review the reporting of the associated escrow account liabilities and supporting cash accounts; as improper reporting may result in a reduced financial assessment score under the Public Housing Assessment System (PHAS). The final (third) entry simply shows the reduction of the liability and cash upon the disbursement of the funds to the participant.

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

Public Housing Project Level Reporting

Under asset management, PHAs report their public housing activities at the project level. In particular, PHAs with expenses not chargeable to CFDA #14.896 (for example, office supplies or salary and benefits expenses above the grant amount), must report these transactions in the actual project that incurred the cost. If multiple projects are involved the PHA must modify their cost allocation methodology used to ensure that each project incurs the fair share of these costs.

For PH FSS escrow activity the PHA has two FDS reporting options:

- The PHA may report the escrow balance in the project in which the participant resides, or
- The PHA may report the escrow balance in the other project column of the FDS.

Voucher Management System (VMS) Reporting

As instructed in the FFY 2014 NOFA, the FSS deposits made to participants escrow accounts under the HCV program will continue to be reported in VMS on a monthly basis. Any HCV FSS escrow forfeitures continue to be reported in the VMS in the month the escrow account forfeitures occurs. The FSS coordinator expenses associated with FFY 2014 and subsequent awards are no longer reported in VMS. Amounts expended in excess of the FSS grant for the FSS coordinator's salary and benefits (as well as additional costs associated with the administration of the FSS program such as office space, computer costs, office supplies, etc.), which are allocated to the HCV program must be reported in VMS as administrative expenses.

FFY2013 and Prior FSS Coordinator Funding

PH and HCV FSS coordinator funds awarded from FY2013 and prior appropriations are still restricted to the applicable program, therefore:

- Any PH FSS coordinator funding made available under the FFY 2013 (or earlier) PH FSS NOFA that has not been expensed by the PHA can only be used to serve PH FSS participants or must be remitted back to HUD(if instructed);
- Any HCV FSS funding made available under the FFY 2013 (or earlier) HCV FSS NOFA that has not been expensed by the PHA can only be used to serve HCV FSS participants or must be remitted back to HUD (if instructed); and
- Expenses for HCV FSS coordinators paid from awards prior to FFY 2014 must continue to be reported in VMS until the award is fully expended.

Rental Assistance Demonstration (RAD)

Notice PIH 2012-32 (HA), Rev-1 "Rental Assistance Demonstration - Final Implementation, Revision 1" provided some information on continued participation in the FSS program under the RAD program. Most notably, the notice confirmed that PH FSS participants will continue to be eligible for FSS once their housing is converted under RAD. Listed below is additional information on the FSS program and RAD. PHAs should continue to review HUD's website for additional and subsequent information related to FSS under the RAD program.

Project Based Voucher (PBV) Conversions

PHAs that are converting or have converted public housing units to PBV assistance through RAD are allowed to use PH FSS (or HCV FSS) funds made available under the FY 2013 (or earlier) PH FSS NOFAs (or HCV FSS NOFAs) and/or the FFY 2014 and FFY 2015 combined NOFA to serve those PH FSS participants who live in units converted by RAD and who will as a result be moving to the HCV FSS program. Please note that PH FSS participants whose PH assistance is converted to PBV assistance under RAD continue to be eligible for FSS after their housing is converted.

PBRA Conversions

PHAs that are converting or have converted public housing units to PBRA assistance through RAD are allowed to use FSS funds made available under the FFY 2014 and FFY 2015 combined FSS NOFA and PH FSS funds made available under earlier PH FSS NOFAs to serve those current FSS participants who live in units converted by RAD, until such participants exit the FSS program. FSS participants whose PH assistance is converted to PBRA assistance under RAD continue to be eligible for FSS after their housing is converted. Also, note that PHAs and/or owners may, as of the FFY 2015 appropriations law (Pub. L. No. 113-235, enacted December 16, 2014), offer enrollment in FSS to residents in projects converted to PBRA that were not enrolled in the FSS program prior to the RAD conversion and to any other residents at the project. In addition, PHAs may offer enrollment to residents residing in non-RAD affected PBRA properties. PBRA owners that are not PHAs may implement their own FSS programs but are not eligible to compete for funding under the FFY 2015 NOFA. PHAs that convert all of their ACC units to PBRA (and thus no longer have a Public Housing Program) may continue to use FSS funding that was granted prior to the RAD conversion but will not be eligible to apply for funding as a PBRA owner unless future legislation changes eligibility. PHAs awarded FSS coordinator funds under FFY 2015 may serve any PBRA resident (affected by RAD or not) under their FSS programs with funds awarded under the FFY 2015 NOFA.

The Office of Multifamily Housing will be issuing guidance to PBRA owners, including PHAs, who want to serve PBRA residents with a FSS program.