



FASS - PH
Spring/Summer 2019



PHA Financial Reporting Training: Public Housing

Introduction

2

- Welcome
- Course Objectives
- Purpose of the Training
- Instructor – Les Sparks, president of AHACPA



Session 1: Introduction

Spring/Summer 2019

Agenda

3

- Session 1 – Introduction & Financial Management
- Session 2 – Financial Reporting Models and Reporting Requirements
- Session 3 – Housing Choice Vouchers and Related Programs
- Session 4 – Family Self-Sufficiency (FSS) Program
- Session 5 – Single Audit Changes
- Session 6 – Interim Public Housing Assessment System (PHAS)



Session 1: Introduction

Spring/Summer 2019

Agenda

5

- Session 7 – Public Housing Operating Fund
- Session 8 – Capital Fund Reporting
- Session 9 – Operating Reserves and Excess Cash
- Session 10 – COCC & Elimination Columns
- Session 11 – Rental Assistance Demonstration
- Session 12 – Introduction of the REAC PHA Excel-based Upload Tool



Session 1: Introduction

Spring/Summer 2019

HUD Acronym Listing

ACRONYM	DEFINITION
AE	Account Executive
AAFB	Area Approved for Business
ABA	Annual Budget Authority
ACC	Annual Contributions Contract
AcSEC	Accounting Standards Executive Committee
AFHMP	Affirmative Fair Housing Marketing Plan
AFS	Annual Financial Statement
AHACPA	Affordable Housing Association of CPAs
AICPA	American Institute of Certified Public Accountants
AMP	Asset Management Project
ARC	Annual Required Contribution
ARQ	Audit Required Questions
ARRA	American Recovery and Reinvestment Act
BLI	Budget Line Item
BTA	Business-Type Activities
CA	Contract Administrator
CAAF	Coordinator Access Authorization Form
CAC	EIV Role - Contract Admin. Coordinator (HUD Staff)
CAIVRS	Credit Alert Interactive Voice Response System
CAU	EIV Role - Contract Administrator User (Non-HUD)
CEO	Chief Executive Officer
CFDA	Catalog of Federal Domestic Assistance
CFFP	Capital Fund Financing Program
CFP	Capital Fund Program
CFR	Code of Federal Regulation
CMA	Computer Matching Agreement
COCC	Central Office Cost Center
COSO	Committee of Sponsoring Organizations
CPA	Certified Public Accountant
CPE	Continuing Professional Education
DAS	Deputy Assistant Secretary
DBA	Doing Business As
DCF	Data Collection Form
DE	Direct Endorsement
DEC	Departmental Enforcement Center
DHAP	Disaster Housing Assistance Program
DVP	Disaster Voucher Program
EC	Enforcement Center (see DEC)
EIV	Enterprise Income Verification
ELI	Extremely Low Income
eLOCCS	Electronic Line of Credit Control System
FAIN	Federal Award Identification Number

ACRONYM	DEFINITION
Fannie Mae	Federal National Mortgage Association
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FASS	Financial Assessment Subsystem
FASSMF	See FASSUB
FASS-PHA	Financial Assessment Subsystem - Public Housing Administration
FASSUB	Financial Assessment Subsystem - Submission
FDIC	Federal Deposit Insurance Corporation
FDS	Financial Data Schedule
FDT	Financial Data Template
FHA	Federal Housing Administration
FHA/MF	Federal Housing Administration/Multifamily
FMC	PIH Financial Management Center
FMD	Financial Management Division
FRAG	Financial Reporting and Auditing Guide
Freddie Mac	Federal Home Loan Mortgage Corporation
FSS	Family Self Sufficiency
FYE	Fiscal Year End
GAAFR	Governmental Accounting, Auditing, and Financial Reporting ('The Blue Book')
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAGAS	Generally Accepted Government Auditing Standards
GAO	General Accounting Office
GAS	Government Auditing Standards (see GAGAS)
GASB	Governmental Accounting Standards Board
Ginnie Mae	Government National Mortgage Association
HAP	Housing Assistance Payment
HCV	Housing Choice Voucher
HDK	EIV Role - Helpdesk Personnel
HECM	Home Equity Conversion Mortgage (Reverse mortgage)
HEREMS	Housing Enterprise Real Estate Management System
HFU	EIV Role - HUD Field Office User
HHS	Health and Human Services
HMDA	Home Mortgage Disclosure Act
HOC	HUD Homeownership Center (FHA)
HOH	Head of Household
HQA	EIV Role - HQ User Administrator
HQU	EIV Role - HUD HQ User
HSC	EIV Role - Housing Coordinator (HUD staff)
HSU	EIV Role - Non-HUD User

ACRONYM	DEFINITION
HUD	U.S. Department of Housing and Urban Development
HUD OIG	HUD Office of Inspector General
HUD PM	HUD Project Manager
HUDCAPS	HUD Central Accounting and Program System
IAR	Independent Auditor Report
IG	Inspector General
IP	Improvement Plan
IPA	Independent Public Accountant (See CPA)
KDHAP	Katrina Disaster Housing Assistance Program
LASS	Lender Assessment Subsystem
LDP	Limited Denial of Participation
LI	Low Income
LIHTC	Low-income Housing Tax Credit
LLC	Limited Liability Company
LOCOM	Lower of cost or market
M2M	Market to Market-OHMAR Restructured Loans
MAHRA	Multifamily Assisted Housing Reform and Affordability Act
MASS	Management Assessment Subsystem
MCAW	Mortgage Credit Analysis Worksheet
MD&A	Management Discussion and Analysis
MF	Mixed Finance
MFH	Multifamily Housing
MINC	Management Interactive Network Connection (Rural Housing)
MIP	Mortgage Insurance Premium
MOR	Management & Occupancy Review
MRB	Management Review Board
MTW	Moving-to-Work
NASS	iNtegrated Assessment Subsystem
NCGAS	National Council on Governmental Accounting Statement
NCUA	National Credit Union Administration
NDNH	National Directory of New Hires
NH	Nursing Home
NPO	Non Profit Organization
NRA	Net Restricted Assets
O/A	Owners / Management Agent
OAHP	Office of Affordable Housing Preservation
OCBOA	Other Comprehensive Basis of Accounting
OHA	Office of Hearings and Appeals
OIG	Office of Inspector General
OIG	EIV Role - OIG User
OMB	Office of Management and Budget
ONAP	Office of Native American Programs

ACRONYM	DEFINITION
OPEB	Other Post Employment Benefits
ORCF	Office of Residential Care Facilities
P&U Division	Processing & Underwriting Division in an HOC
PASS	Physical Assessment Subsystem
PCAOB	Public Company Accounting Oversight Board
PEL	Project expense level
PHA	Public Housing Authority
PHAS	Public Housing Assessment System
PIC	PIH Information Center
PIH	(Office of) Public and Indian Housing
PUM/PUPM	Per-Unit per Month
QAD	Quality Assurance Division
QAR	Quality Assurance Review
QASS	Quality Assessment Subsystem
QC	Quality Control
QWHRA	Quality Housing & Work Responsibility Act
R&O	Regulatory & Operating Agreement
RA	Rental Assistance
RAD	Rental Assistance Demonstration Program
RASS	Residential Assessment Subsystem
RDA	Rural Development Agency
REAC	Real Estate Assessment Center
REMS	Real Estate Management System
RESPA	Real Estate Settlement Procedures Act
RHIIP	Rental Housing Integrity Improvement Project
RHS	Rural Housing Services
RMCR	Residential Mortgage Credit Reports
RRH	Rural Rental Housing
RSI	Required Supplementary Information
SAA	Single Audit Agency
SAC	Special Application Center
SAS	Statement on Auditing Standards
SEFA	Schedule of Expenditures of Federal Awards
SEPHAS	Section 8 Public Housing Assessment System
SFAS	Statements of Financial Accounting Standards issued by FASB
SKE	Skills, Knowledge, Experience
SOP	Statement of Position
SSAE	Statements on Standards for Attestation Engagements
SSN	Social Security Number
SUB	REAC AFS Submitter
TAC	Technical Assistance Center
TFAE	Total Federal Awards Expended
TIN	Tax Identification Number

ACRONYM	DEFINITION
TPA	Transfer of Physical Assets
TRACS	Tenant Rental Assistance Certification System
TSP	Tenant Selection Plan
TYT	Two-Year Tool
UAAF	User Access Authorization Form
UEL	Utility Expense Level
UFRS	Uniform Financial Reporting Standards
UI	Unemployment Benefits
UII	Unique IPA Identifier
URL	Uniform Resource Locator
VASH	HUD Veterans Affairs Supportive Housing Program
V-Form	Yearly Verification Report for Lender
VLI	Very Low Income
VMS	Voucher Management System
WASS	HUD's Secure Connection / Secure Systems
Yellow Book	Government Auditing Standards issued by GAO (See GAGAS)

- Please Turn off Cell Phones
- Please Ask Questions
- Please Enter and Leave Quietly
- Take your Materials with you at the End of the Day



PHA - Portfolio Snapshot

Portfolio Snapshot: PHA Type

7

Public Housing Authority Inventory						
#	PHA Type	PHA Count	% of PHAs	# of Units	% of Units	Average # of Units
1	Combined	1404	36%	2,690,261	74%	1916
2	Public Housing Only	1655	43%	225,764	6%	136
3	Section 8 Only	794	21%	707,647	20%	891
	Total	3853	100%	3,623,672	100%	940

- Nationally, there are 3,854 PHAs that in total administer almost 3.6 million PH units and Housing Choice Vouchers
- Nationally 74% of all PHAs (2,863 of 3,854) manage the Public Housing program
- Nationally 57% of all PHAs (2,198 of 3,854) manage the Housing Choice Voucher program.
- There are 39 Moving-to-Work PHAs nationally; most manage both the PH and HCV programs.



Session 1: Introduction

Spring/Summer 2019

Portfolio Snapshot: PH Program

8

Public Housing Inventory							
#	PH Size Category	PHA Count	% of PHAs	Low Rent Only	# of Units	% of Units	Average # of Units
1	Less than 50 units	734	26%	608	21,402	2%	29
2	50 – 249 units	1433	50%	827	169,215	19%	118
3	250 – 400 units	294	10%	92	92,091	10%	313
4	401 – 1,250 units	291	10%	37	191,097	22%	657
5	More than 1,250 units	110	4%	7	405,726	47%	3688
	Total	2,862	100%	1,655	879,531	100%	307

- Count excludes 196 PHAs who list as Low Rent or combined but have no units shown



Session 1: Introduction

Spring/Summer 2019

Section 8 Inventory							
#	Section 8 Size Category	PHA Count	% of PHAs	Section 8 Only	# of Vouchers	% of Vouchers	Average # of Vouchers
1	Less than 50 vouchers	150	7%	64	4,355	<1%	29
2	50 – 249 vouchers	768	35%	328	103,669	5%	135
3	250 – 400 vouchers	277	13%	94	87,729	3%	313
4	401 – 1,250 vouchers	593	27%	198	423,733	16%	709
5	More than 1,250 vouchers	410	18%	105	1,949,058	76%	4,754
Total		2198	100%	789	2,568,544	100%	1,169

- Nationally, the HCV program is the larger of the two federal housing programs with PHAs managing almost 2.6 million vouchers or 71% of all units (compared to 1.0 million public housing units)



Common PHA Findings

Insufficient Internal Controls

11

- Misuse use of **credits cards, petty cash** and **vehicles**
- Lack of **internal control policies** or policies were not followed
 - **Travel** policies were not followed
- Improper use / monitoring of **times sheets** resulting in overpayment of unused leave for staff that had left the PHA
- **Bank reconciliations** not completed timely
- **Tenant account receivables** and **FSS escrow** balances improperly carried on the books because the subsidiary ledger was not reconciled to the general ledger
- Lack of **segregation of duties**
- **Conflict of interest**
- Lack of **Board oversight**



Session 1: Introduction

Spring/Summer 2019

Ineligible Program Expenses

12

- **Improper cost allocation** (lack of adequate documentation); federal programs were charged for more than the program's fair share of expenses
- **Lack of supporting documentation** for transactions, such as a vendor payment
- **Procurement policy** was not followed or needs to be updated
- **Use of funds for personal use**
- **Unreasonable salaries**



Session 1: Introduction

Spring/Summer 2019

Improper Financial Management

13

● Improper Financial Management

- While the PHA followed its policy, the policy is not current (non-compliant) or inappropriate. Examples include:
 - ◆ FSS escrow accounts not held in a separate bank account, PHA policy allowed employee payroll advances, and the Executive Director received an unreasonable amount of salary
- Lack of planning or follow-through (normally associated with actions of senior management (i.e., Executive Director)). Examples include:
 - ◆ PHA failed to complete and file its audit within nine months, operating budget not prepared/approved before the start of the fiscal year, CFP drawdowns not requested in a timely manner
- Issues related to the PHA likely not understanding program rules. Examples include:
 - ◆ Ineligible costs, FSS participants not notified of their FSS escrow balances, and Declaration of Trusts were not renewed



Session 1: Introduction

Spring/Summer 2019

Rent Calculations and Tenant Files

14

● Rent Calculation Errors

- Wrong payment standards were used
- 50058 reflects different amounts than income and assets information in the tenant file
- Medical expense deductions were incorrectly calculated
- Wrong utility allowance schedule applied to the unit (which was the most common finding)
- Utility allowance schedule was outdated



Session 1: Introduction

Spring/Summer 2019

Rent Calculations and Tenant Files (continued)

15

- Rent Calculation – Other Errors
 - Findings are related to rent reasonableness standards that were not properly applied; resulting in overpayments of HAP to the landlords
 - Unexplained / unsupported payments to landlords
 - Ineligible person allowed into the program
 - Recertifications not completed in a timely manner
- **Tenant Files – Improper Documentation in Tenant Files**
 - 3rd party income verification not in the file
 - Income discrepancies not documented
 - No community service documentation
 - No background check information
 - No lease



Session 1: Introduction

Spring/Summer 2019

HUD's OIG Report: Oversight of Small PHAs (2015-FW-0802)

16

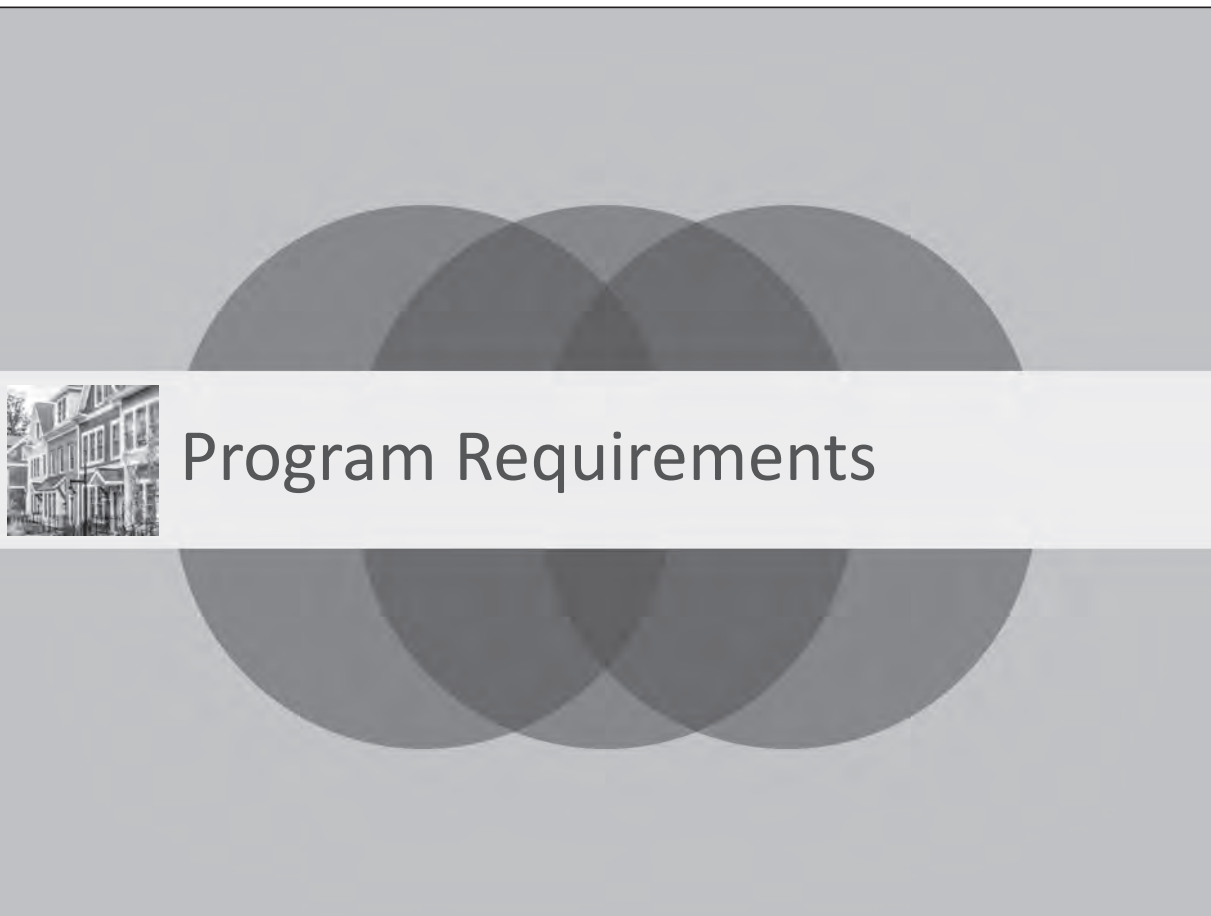
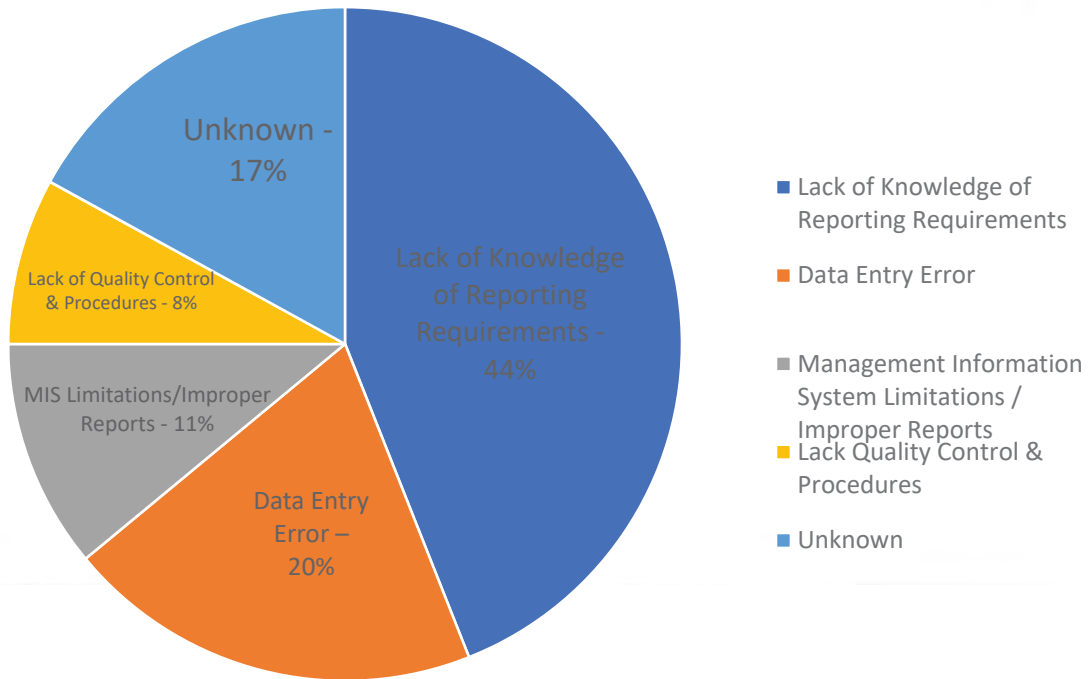
- Report concluded that there was a high risk associated with small and very small PHAs
- Of the 26 PHAs that were reviewed, 24 had common violations of HUD and other requirements
 - Did not have adequate financial controls (18 housing agencies); including mis-use of funds, financial conflicts of interest, and other similar issues, some of which resulted in criminal charges
 - Did not follow procurement regulations or maintain documentation to support the PHA's procurement functions (15 housing agencies)
 - Did not properly administer tenant rents (7 housing agencies)



Session 1: Introduction

Spring/Summer 2019

- QAD Review Results – Root Cause of PHA Reporting Errors



Program Requirements

19

- Law. Usually not self-implementing, typically needs new regulation or regulatory change to become effective
- HUD Federal Regulations (24 CFR xxx). Further defines and clarifies law.
- PIH Notices. Clarifies and provides implementation detail of regulation
- Annual Contribution Contract. Binding legal agreement between HUD and PHA. Establishes / defines requirements
 - Major programs (i.e., Public Housing, Capital Fund, HCV) have their own ACC
- HUD handbooks, website postings, accounting briefs, etc. Provides data, information best practices, examples, safe harbors



Session 1: Introduction

Spring/Summer 2019

Program Requirements

20

- Other Federal Regulation
 - OMB (2 CFR 200)
 - Labor (Employee Management and Pay)
 - IRS (Tax Credits, Non-profits)
- State and Local Law
- Operating Budget
- PHA Policy
- The most strict guidance must be followed



Session 1: Introduction

Spring/Summer 2019

- Requires PHA to operate all projects covered under the ACC in accordance with requirements listed in the following:
 - ACC Contract
 - Title 24 of the Code of Federal Regulations
 - Additional HUD Notices (PIH Notices, etc.)
- A Number of Important Financial Provisions
 - Depository Agreement
 - Establishment of General Fund
 - Further defines program income
 - Defines allowable investments
 - Defines insurance requirements
 - Limits payments to Board members
 - Provide for government access to PHA's books and records
 - Requires cooperative agreement with local government body
 - Provides for HUD remedies for non-compliance
- Currently being re-issued



2 CFR 200 & Eligible Costs

- Office of Management and Budget Regulation (Most Requirements Not New)
 - The purpose of the regulation is to provide uniform administrative requirements, cost principles, and audit requirements for Federal awards to all non-Federal entities
 - Merged and updated various OMB circulars into one rule, most notably, the following guidance are now part of 2 CFR 200:
 - ◆ 24 CFR 85 (Common Rule)
 - ◆ OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments)
 - ◆ OMB Circular A-133 (Audits of States, Local Governments, & Non-Profit Organizations)
 - Official Title of 2 CFR 200: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
 - ◆ Referred to as “Uniform Guidance” and the “Single Audit Act”



- Must be necessary and reasonable for efficient administration of Federal awards
- Must be allocable to Federal awards (i.e., an eligible use of the federal grant)
- Must conform to limitations set forth under other governing regulations
- Must be adequately documented
- Must be authorized or not prohibited under State or local laws
- Must be consistent with other activities of the governing unit
- Must be charged consistently between programs for similar expenditures
- Cost must be reasonable such that the cost does not exceed that which would be incurred by a prudent person
 - Consideration will be given to the following factors:
 - ◆ Cost is ordinary and necessary;
 - ◆ Sound business practices, arms length transaction; and
 - ◆ Whether the individuals involved acted with prudence in their responsibility to the governmental unit



Reasonable Cost?

25

The Executive Director wants to purchase a desk for their office. The ED is looking at buying one of the four desks shown below. What desk would you recommend and what did you consider in making your recommendation?

#	Desk	Desk Description
1		Paramount 72" Desk Gray - \$250 Description - 1 inch thick scratch resistant laminate work surfaces; 2-3/16" diameter cable management opening and modesty panel and adjustable leveling glides.
2		The Harbor View L-desk - \$500 Description - Engineered wood with a melamine top surface; Pull-out keyboard tray and two utility drawers; One file drawer that accepts hanging files; Storage area designed to hold a CPU tower. Hutch has two concealed storage areas along with one wide storage shelf.
3		Sauder Executive Office Set - \$2,000 Description - Set includes an executive desk, a credenza and hutch, a lateral file; two tone laminate surfaces. Credenza w/ two drawer mobile file and a three-drawer mobile file. Credenza hutch w/ four hidden storage cabinets and four open cubbies. Lateral file w/ two file drawers. All of the drawers lock for security.
4		Belmont L-Shape Executive Desk - \$4,500 Description - Cherry wood. Base moulding and double reeded crown moulding; fully locking and extending drawers w/ felt liner (75 lb. load capacity); drawers accept letter, legal side-to-side and letter front-to-back files; tower CPU storage cabinet in return component w/ power manager; and mortise and tenon construction with wood cleats.

2 CFR 200 – Specific Ineligible Costs

26

- Automobiles
 - That portion of automobile costs furnished by the PHA that relates to personal use by employees (including transportation to and from work) is unallowable
- Alcoholic Beverages
 - Costs of alcoholic beverages are unallowable
- Entertainment Costs
 - Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable
- Fines, penalties, damages and other settlements
 - Costs resulting from PHA violations of, alleged violations of, or failure to comply with, Federal, state, local laws and regulations are unallowable
- Goods or services for personal use
 - Costs of goods or services for personal use of the PHA's employees are unallowable
- Interest
 - Interest costs for interest on borrowed capital is unallowable
 - Interest costs for the acquisition or replacement of capital assets is allowable



Cost Allocation Plan

27

- A documented plan to allocate indirect costs and sometimes front-line costs to various programs
- A cost allocation plan must be mathematically supported using cost drivers to determine the rate
 - The allocation plan cannot be estimated
- Cost drivers typically used include:
 - Direct payroll cost
 - Number of units
 - Tenant case load
 - Office space



Session 1: Introduction

Spring/Summer 2019

Example of Cost Allocation

28

Cost Driver

Indirect Cost and Overhead Cost

<i>Description</i>	<i>Number of Units</i>	<i>% of Units</i>	<i>Monthly Charge to Program</i>
Monthly Salary			\$6,000
Programs			
Public Housing	100	50%	\$3,000
Rural Housing	60	30%	\$1,800
Other Housing	40	20%	\$1,200
Total	200	100%	\$6,000

Allocated Costs

Common Cost Allocation Problems

29

- Cost allocation plans are not supported
- Costs are not allocated as described in the allocation plan
- Cost drivers used do not adequately allocate costs in a fair method between the programs
 - New allocation methodology used to help ensure program expenses can be covered by program revenue (cost shifting) but allocation method is not reasonable
- Indirect costs (overhead) charged to a grant or program are above the allowed amount
 - Some grants do not allow any indirect cost to be charge to the grant (i.e. HUD's FSS Coordinator grant)



Session 1: Introduction

Spring/Summer 2019

Reasonable Cost Allocation?

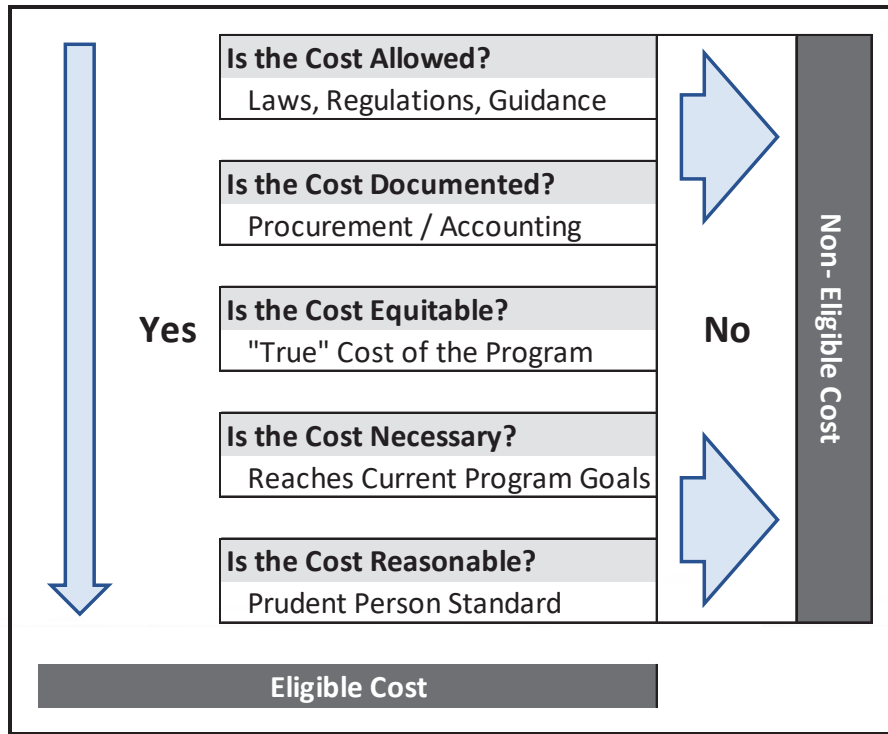
30

- Facts
- A PHA administers two programs - 600 Low Rent units and 400 Rural Development units
- The PH cost of the Executive Director is allocated at a rate of 60% (600/1,000 units)
 - Question - Does this cost allocation appear to be adequate?
- Facts
- A PHA administers two programs – 600 Low Rent units and 400 Housing Choice vouchers
- The PH cost of the Executive Director is allocated at a rate of 60% (600/1,000 units)
 - Question - Does this cost allocation appear to be adequate?



Session 1: Introduction

Spring/Summer 2019



Waste, Fraud, and Abuse

Not At My PHA

33

- (Commissioner Name) was arrested back in February in connection to a fraud and money laundering investigation related to the (PHA Name). He was charged with wire fraud, conspiracy to commit wire fraud, money laundering, and conspiracy to commit money laundering
- (Former Commissioner Name) of the Board of Commissioners of the (PHA Name) was convicted by a jury on Tuesday of multiple corruption charges
- (PHA Employee Name), a housing authority employee, used money intended to help the poor, disabled and needy to pay for cruises, cars, jewelry, cable and even a prom dress. She plead guilty in U.S. District Court to wire fraud for diverting into her own hands nearly \$150,000 in funds meant for improvements on low-rent housing
- Federal auditors would be arriving at (PHA Name) offices to conduct an investigation following a report from the Office of Inspector General last month that determined the agency had written off \$2 million in accounts receivables and could not account for another \$200,000 in additional write-offs. Surveillance video shows (ED Name) on at least two separate occasions removing documents from file cabinets in a common outer office area and disposing of them after cursory inspection



Session 1: Introduction

Spring/Summer 2019

Association of Certified Fraud Examiners - 2018 National Report

34

- 89% of fraud committed was asset misappropriation
 - Normally billing schemes and check tampering schemes
 - Where the organization had cash transactions, fraud from misappropriation of cash was the largest scheme
- Median duration of fraud scheme was 18 months
- 28% of all fraud was committed most frequently in small organizations (fewer than 100 employees)
 - 30% of the fraud committed by owner / executive
 - Median loss is \$200,000
- Of the 15 industries surveyed, the government and public and administration industry had the 3rd highest cases of fraud at 11.8%
 - 50% of fraud is corruption (bribery, kickbacks, bid rigging conflicts of interest, illegal gratuities) in the government and public and administration industry
- In 95% of the cases, the perpetrator took some effort to conceal the fraud
 - Most common concealment was creating and altering physical documents and records



Session 1: Introduction

Spring/Summer 2019

ASSOCIATION OF CERTIFIED FRAUD EXAMINERS - 2018 REPORT TO THE NATIONS (continued)

35

- How Did Fraud Occur?
 - Lack of Internal Controls (30%)
 - Override of Existing Controls (19%)
 - Lack of Management Review (18%)
 - Poor Tone/Culture at the Top (10%)
 - All Other (23%)
- Fraud detection method
 - Tip (40%)
 - Various Internal Controls (22%)
 - Internal Audit (15%)
 - By Accident (7%)
 - External Auditor (4%)
 - All Other (12%)



Session 1: Introduction

Spring/Summer 2019

Defining Waste, Fraud, and Abuse

36

Waste

- Government funded activity (i.e. taxpayer dollars) not receiving reasonable value for the money used due to an inappropriate act or omission by the PHA
- Relates to mismanagement, inappropriate actions and inadequate oversight

Fraud

- Illegal act that involves obtaining something of value through willful misrepresentation
- Willful misrepresentation includes false representation of facts, false or misleading allegations/statements, or concealment of that which should have been disclosed
- Associated with accounting irregularities (fraudulent financial reporting) or misappropriation of assets

Abuse

- Behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice given the facts and circumstances
- Misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate

A Tale of New Kitchen Faucets

37

- There is a 300-unit project where all the faucets were very old, resulting in a high number of work orders each year to fix leaks and other related issues
- Working with the maintenance lead, the property manager purchased 300 kitchen faucets with the goal of installing them over the course of the spring and summer, a new faucet was installed in each unit, eliminating the problem
- The overall implementation plan:
 - The overall implementation plan was that when a tenant called in a work order for a kitchen faucet, maintenance would replace the faucet, regardless of the problem
 - Maintenance would also replace the faucet anytime a work order was called in by a tenant, since maintenance would be in the unit anyway. This would leave a small group of units where a new faucet has not been installed
 - For these units, maintenance would provide notice to the tenant that they would be replacing the faucet



A Tale of New Kitchen Faucets, cont'd

38

- In February, the property manager purchased 300 kitchen faucets at the cost of \$24,000 (\$80.00 per faucet – no discount)
- Maintenance staff at this project has a history of buying substantial amounts of materials that never gets used and the project has very poor inventory controls
- At the end of August, only 70 faucets were installed with 230 faucets still waiting to be installed in the units. There were 210 in inventory
- Maintenance could not provide a report showing in which units the 70 faucets were installed

Has waste occurred in this case?

Waste is defined as government funded activity not receiving reasonable value for the money used due to an inappropriate act or omission by the PHA



Session 1: Introduction

Spring/Summer 2019

Deterrents to Waste, Fraud and Abuse

39

- The responsibility for the prevention and detection of fraud, waste, and abuse rests primarily with the Board and management
- A PHA culture that embodies integrity, ethical values, and accountability along with proper effective internal controls is the single most successful deterrent to waste fraud and abuse



Session 1: Introduction

Spring/Summer 2019

Sample of Circumstances that Increase the Possibility of Waste, Fraud, and Abuse

40

- Is there a lack of appropriate PHA management oversight (for example, inadequate supervision or inadequate monitoring of remote locations)?
- Inadequate procedures (i.e., criminal background checks, credit checks, reference calls, etc.) to screen job applicants for positions where employees have access to assets susceptible to misappropriation?
- Is there evidence of the following?
 - Lack of availability of other than photocopied documents when original documents should exist;
 - Inconsistent, vague, or implausible responses from PHA management or employees arising from inquiries or analytical or data analysis procedures; or
 - Handwritten alterations to documentation, or handwritten documentation that ordinarily is electronically printed
- (See Handout 1)



Session 1: Introduction

Spring/Summer 2019

Sample Conditions or Events that Increase the Risk of Irregularities

41

- Is there a motivation for PHA management to engage in fraudulent financial reporting? For example:
 - Executive Director compensation contingent upon achieving performance targets
 - Aggressive use of accounting practices to achieve performance targets
- Has there been a failure by PHA management to display and communicate an appropriate attitude regarding internal control and the financial reporting process? For example:
 - PHA management is dominated by a single person or small group without effective oversight
 - Inadequate monitoring of significant controls or failure to correct material weaknesses in controls
 - PHA management disregards regulatory authorities
- Are there inadequate computer skills among relevant PHA staff and/or the concentration of computer knowledge in a individual or a few individuals?
- (See Handout 2)



Session 1: Introduction

Spring/Summer 2019



The Financial Management Concept

What is Financial Management?

43

- Financial Management refers to the planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization
- Objectives of Financial Management
 - To ensure a regular and adequate supply of funds
 - To ensure optimum use of funds
 - To ensure safety of investments and assets
 - To plan sound capital outlays
 - To comply with laws and regulations



Session 1: Introduction

Spring/Summer 2019

PHA Culture and Effective Controls

44

- The Board and management's directives, attitudes, and behavior reflect the integrity and ethical values expected throughout the PHA
- The Board and management actions demonstrate the PHA's values, philosophy, and operating style, which sets the tone and culture throughout the PHA and is fundamental to an effective internal control system
- Tone and culture at the PHA is either the top driver or largest barrier to effective internal controls and management
- Management must enforce accountability of staff through:
 - Clear communication of expectations and outcomes
 - Performance appraisals, and
 - A fair system of rewards and disciplinary actions



Session 1: Introduction

Spring/Summer 2019

Financial Management Framework

45

Financial Management

PHA Environment

- Board Governance
- PHA Culture (i.e., Senior Leadership, Ethical Behavior)
- Staffing and Service Delivery Model
- Understanding the Operating Environment / Regulations
- Understanding the Eligible Uses of Funds

Financial Controls

- Operating and Capital Budgets
- Quality Control and Monitoring Processes
- Financial Policies and Procedures

Financial Management Tools

- Financial Statements and the Annual Audit
- Use of Fee Accountants and Financial Consultants
- Budget to Actual Reports
- Monitoring Reports
- Review and Inspections



Session 2: Financial Reporting Models and Reporting Requirements

Overview

2

- Describe the financial reporting requirements under UFRS
- Provide a brief introduction to the FASS-PH System
- Discuss the different financial reporting models
 - A description of each reporting model
 - The applicability of each model based on a PHA size
 - FDS reporting requirements for each model





FASS Reporting Requirements

Uniform Financial Reporting Standards

4

- Applicability
- Submission of Financial Information
- Reporting Compliance Dates
- Annual Financial Report Filing Dates
- Responsibility for Submission of the Financial Report



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Applicability

5

- UFRS Rule is applicable to all entities that receive HUD Financial Assistance
 - Low-rent, Section 8, Combined, and Multi-Family
 - PHAs that are non-profits, part of non-profits, or part of another government (e.g., department of a city)
 - Moving to Work PHAs



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Submission Due Dates

6

Financial Reporting Schedule Due Date

Fiscal Year End (FYE)	06/30	09/30	12/31	03/31
Unaudited (due 2 months after FYE)	08/31	11/30	02/28	05/31
Audited (due 9 months after FYE)	03/31	06/30	09/30	12/31



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Extension Request

7

- Request Additional Time for an Unaudited Submission
- Request is Due 15 days prior to the Submission Due Date

The screenshot shows the 'iNtegrated Assessment SubSystem' interface. At the top, the title 'iNtegrated Assessment SubSystem' is circled in red. Below it are navigation links: 'Individual Reports', 'Correspondence', and 'Administrative'. The main section is titled 'PHA Extension Request'. It contains the following fields and text:

- PHA Code: DC777
- Fiscal Year: 2010
- PHA Name: CARLSBURG
- Instructions: "Notify the PHA that the extension request applies to Un-audited Financial submissions only. Responses will be sent to the Executive Director's email address. Extension requests must be received by the REAC no later than 15 days prior to the PHA's due date."
- Text: "Extensions granted will be applied to this PHA's submission due date based on its fiscal year end date and not on the date that the extension is requested or granted."
- Fields: "Days Extension Requested:" and "TAC Call Number:"
- Field: "Comments:"
- Buttons: "Submit" (at the top) and "Submit" (at the bottom)



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Waiver Request

8

- Request Additional Time for an Audited Submission
- PIH Notice 2009-41
- Written request to local field office
 - Request is Due 30 days prior to Submission Due Date
 - Include Verifiable Justification
 - Include Reference to Applicable Regulation



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



The FASS-PH System

Introduction to the FASS-PH System

10

- Meets UFRS Requirements
 - GAAP-based System
 - Web-based Electronic System
 - In Form and Substance as prescribed by HUD
- In Conformity with Final Rule: Revisions to Public Housing Operating Fund Program
 - Asset Management Model
 - Project Level Reporting
 - All PHAs must use the same FDS Template



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Introduction to the FASS-PH System, cont'd.

11

- Part of HUD's Monitoring and Oversight Responsibilities
 - Helps Assess Financial Health & Compliance
 - Identifies Possible Instances of Waste, Fraud, and Abuse
 - Helps in Risk Ranking of Portfolio
 - Used to Inform Policy Decisions
 - Used in Funding Formulas



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

FASS-PH Website

12

HUD > Program Offices > Public and Indian Housing > Real Estate Assessment Center (REAC) > REAC > Financial Assessment of Public Housing Agencies

Financial Assessment of Public Housing Agencies (FASS PHA)

FASS PH reviews the annual financial statements of over 4,000 public housing agencies and section 8 only entities in the country to assess their financial condition and risk.

Mixed Finance Properties

Entering mixed finance property status in the Mixed Finance Event from FASS-ghr filed in B312 FIC.

General Guidance on the Definition of a Mixed Finance Property

Within the Office of Public and Indian Housing (OPIH) there are various "definitions" of a mixed finance property. In addition, a number of data sources are being used to determine a property's mixed finance status for different purposes. To date, there has not been a consistent definition of a mixed finance property over a single data source that is relied on to determine a property's status. To address this, the following guidance is provided:

- Only those properties with a fully executed mixed finance memorandum to their Annual Contributions Contract (ACC) will be considered mixed finance for FIAS scoring and future reporting, subject to funding availability. (Under FIAS, mixed finance properties do not receive a FASS or a Management Operations score.)
- Beginning with fiscal year end September 30, 2016, and continuing thereafter, the data source for whether a property is mixed finance will be the FASS gh indicator in the Inventory Management System (PHS) for simulation (IMSPIC) (see below). If a property is mixed finance (and therefore has a fully executed mixed finance ACC) and is not in the FASS gh indicator should be marked "yes."

Financial Submission Tools

- ▶ Accounting Briefs
- ▶ Calendar of Financial Submission
- ▶ Frequently Asked Questions
- ▶ FDS Line Definition Guide - July 2014
- ▶ FDS Submission Upload Tool
- ▶ Find Your Financial Analyst
- ▶ GAAP Flyers
- ▶ GASB Statements Updated in the FDS
- ▶ Program & Entity Reporting in the FDS
- ▶ Submission Tips

Other Information

- ▶ Asset Management
- ▶ Appeal & Waiver Process
- ▶ Appeals & Waivers Submitted to NASS
- ▶ Appeal Process
- ▶ Waiver Request Process
- ▶ Documents & Guidance
- ▶ Financial Scoring Notices
- ▶ PHAS & UFRS Rule
- ▶ FASS PH Team

Systems Information

- ▶ Login to FASS PH
- ▶ Registration Instructions
- ▶ PHA User Quick Tips
- ▶ PHA Coordinator Quick Tips
- ▶ Step by Step Guide for PH Coordinator
- ▶ Coordinator: Assign roles to staff, accountant & auditors
- ▶ Password Reset
- ▶ FASS PH User Guide
- ▶ FASS System Updates
- ▶ FASS PH XML Interface
- ▶ Changes in XML interface
- ▶ Other REAC Systems (i.e. MASS, NASS, etc.)
- ▶ REAC Customer Service (TAC)

Useful Links

- ▶ AICPA
- ▶ CFDA - HUD Programs
- ▶ Federal Register
- ▶ GASB
- ▶ GAO (Yellow Book)
- ▶ HUD Library
- ▶ PH Notices
- ▶ 24 CFR Housing and Urban Development
- ▶ OMB Circulars (A-87 & A-133)
- ▶ OMB Guidance for Grants & Agreements (2 CFR 200)

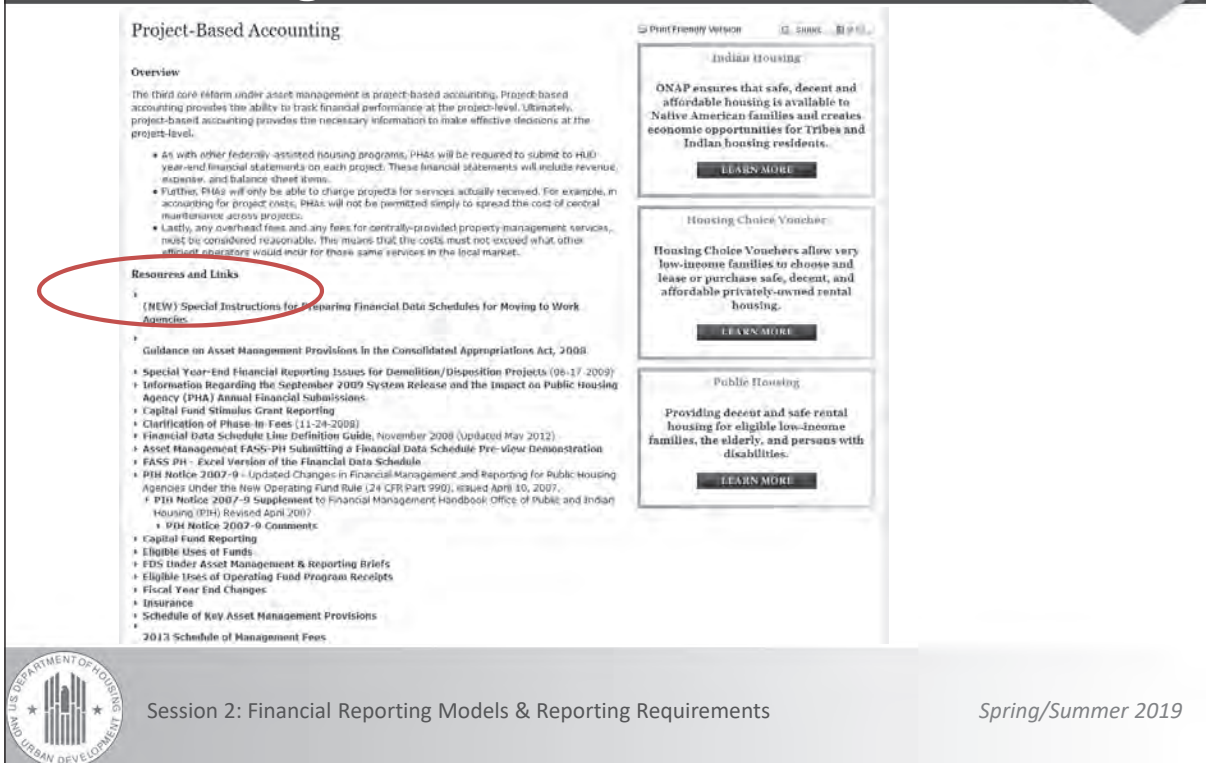


Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Asset Management/Project-Based Accounting Website

13



The screenshot displays the 'Project-Based Accounting' page. The 'Overview' section explains that the third core reform under asset management is project-based accounting, which allows for tracking financial performance at the project level. A red circle highlights the 'Resources and Links' section, which contains a list of documents and reports, including 'Special Instructions for Preparing Financial Data Schedules for Moving to Work Agencies' and 'Guidance on Asset Management Provisions in the Consolidated Appropriations Act, 2008'. To the right, there are three featured articles: 'Indian Housing', 'Housing Choice Voucher', and 'Public Housing', each with a 'LEARN MORE' button.

Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Additional HUD Resources

14

● Housing Choice Voucher Program


Additional financial and accounting related information, including information on the Voucher Management System (VMS) related to the HCV program and other PIH voucher programs (i.e., Disaster Voucher program (DVP)), can be found at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv

● Public and Indian Housing One-Stop Tool (POST) for PHAs

POST website provides in one place, commonly used links to PIH systems, tools, training, opportunities, program requirements, and commonly used external websites. The website can be found at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/post



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



Financial Reporting Models

Four Reporting Models

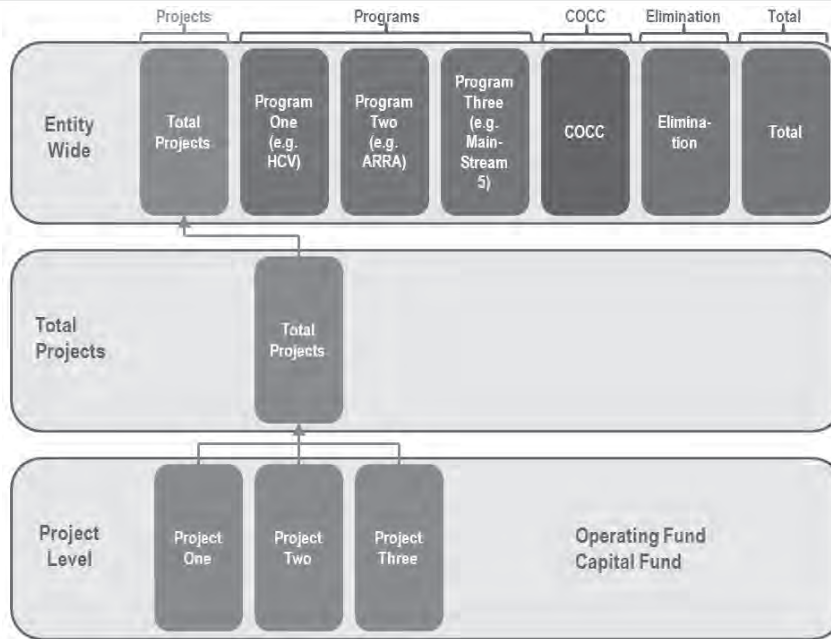
16

- Model 1 – Asset Management with COCC
- Model 2 – Asset Management using Allocated Overhead
- Model 3 – Non-asset Management
- Model 4 – Small PHAs under Asset Management
- HUD Accounting Brief #16



FDS Template – Model 1

17

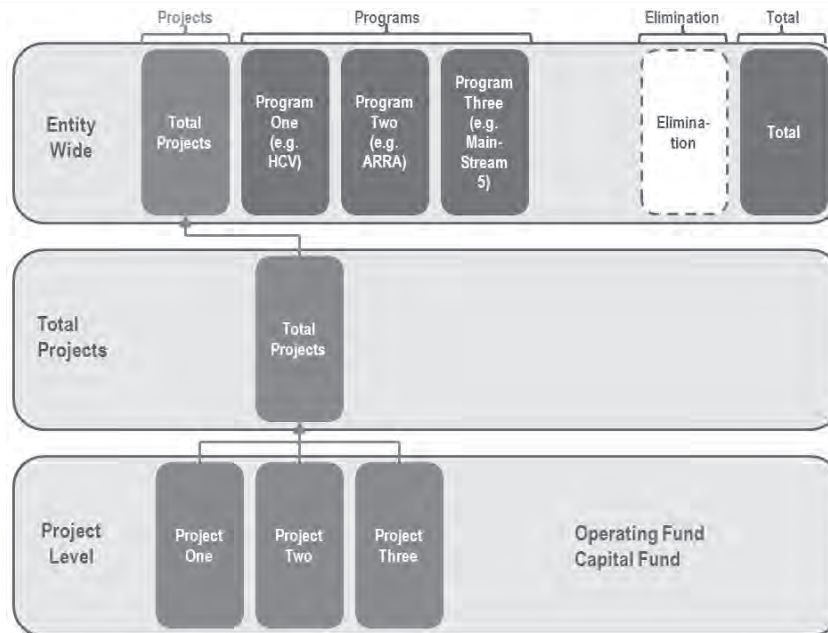


Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

FDS Template – Model 2

18

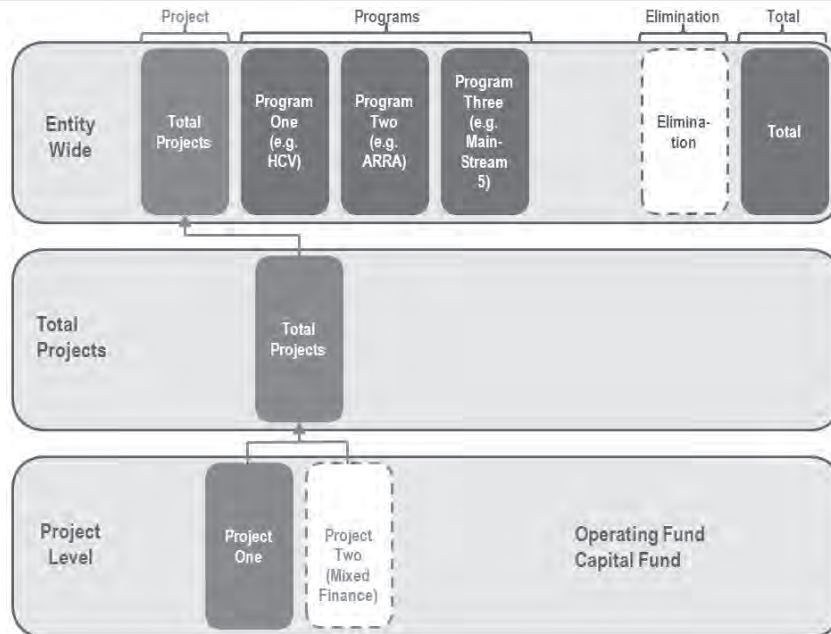


Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

FDS Template – Model 3

19

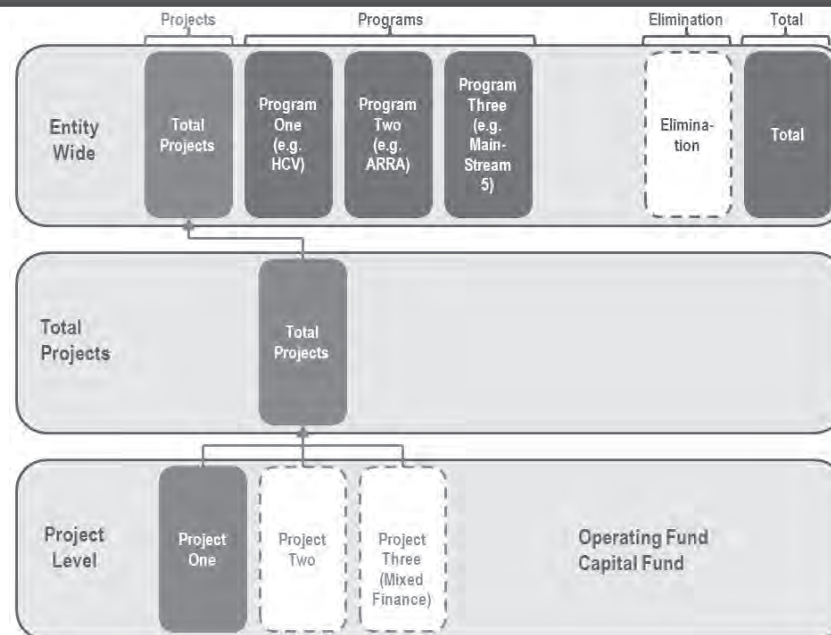


Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

FDS Template – Model 4

20



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Asset Management Reporting Models and FDS Reporting Types

21

FDS Reporting Types	Model 1 PHAs under Asset Management <u>with</u> COCC	Model 2 PHAs under Asset Management with Allocated Overhead and no COCC	Model 3 PHAs not under Asset Management	Model 4 Small PHAs under Alternate Asset Management Method
1. Non-Asset Mgmt with Elimination Only			•	
2. Non-Asset Mgmt with COCC/Elimination				
3. Non-Asset Management			•	
4. Asset Mgmt without COCC/Elimination		•		•
5. Asset Mgmt with Elimination		•		•
6. Asset Mgmt with COCC/Elimination	•			



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Cost Reasonableness

22

- All PHAs reporting under asset management were required to comply with Cost Reasonableness by 2011

PHA Fiscal Year End	Per Financial Management Handbook		Current HUD Guidance
	Project-based Budgets and Project-based Accounting	Cost Reasonableness	Cost Reasonableness
June	07/01/2007 through 06/30/2008 and after	07/01/2008 through 06/30/2009 and after	07/01/2010 through 06/30/2011 and after
September	10/01/2007 through 09/30/2008 and after	10/01/2008 through 09/30/2009 and after	10/01/2010 through 09/30/2011 and after
December	01/01/2008 through 12/31/2008 and after	01/01/2009 through 12/31/2009 and after	01/01/2011 through 12/31/2011 and after
March	04/01/2008 through 03/31/2009 and after	04/01/2009 through 03/31/2010 and after	04/01/2011 through 03/31/2012 and after



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



Understanding the Unaudited Submission Process

Unaudited Submission Overview

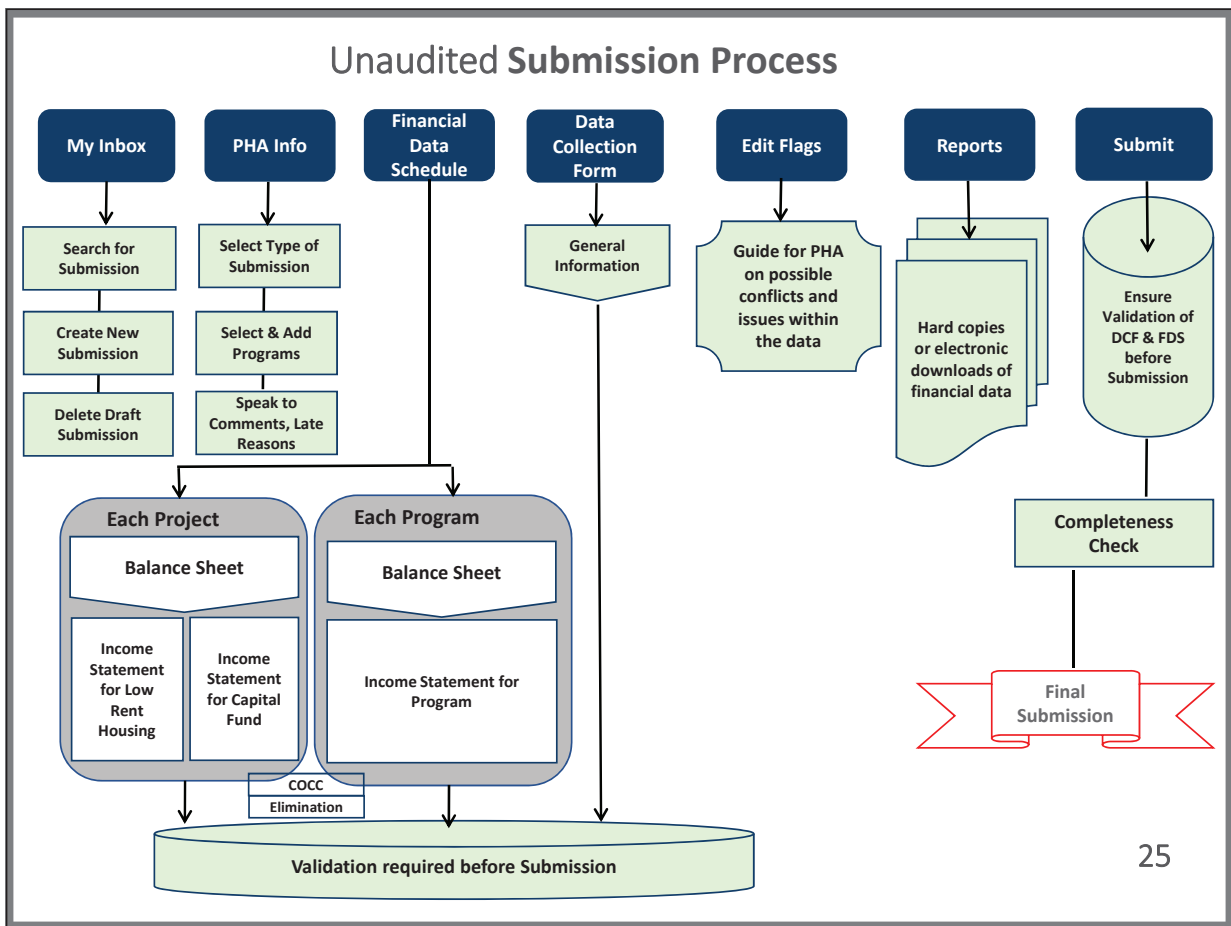
24

- All PHAs are required to submit unaudited financial data to HUD
- The unaudited submission generally consists of:
 - Financial Data Schedule (FDS)
 - Data Collection Form (DCF) – General Information tab only
 - Submission Comments
- Submission Comments
 - While optional, it is strongly suggested that the PHA address any issues that were questioned in prior REAC reviews and any other reporting requirements that may cause the submission to be rejected



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



PHA Info Screen: Asset Management Types

26

- Asset management is a business model that is used by PHAs administering public housing
- The PHA must select an asset management type on the PHA Info Screen

Asset Management

- Non-Asset Management with Elimination Only
- Non-Asset Management with COCC/Elimination
- Non Asset Management
- Asset Management without COCC/Elimination
- Asset Management with Elimination Only
- Asset Management with COCC/Elimination

Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



Understanding the Audited Submission Process

Audited Submission: 3-Step Procedure

28

1. Draft Status

- PHA creates a draft “Audit Submission” (Upload unaudited submission and make any changes required)
- Unlike Unaudited Submissions, the Audited Submission must include:
 - ◆ Notes to Financial Statements
 - ◆ Audit Info
 - ◆ Action plan, if applicable
 - ◆ Audited Financial Statements
 - ◆ Management Discussion & Analysis (MD&A)
 - ◆ Audit Findings
- Once submitted, status changes to “IPA Review”



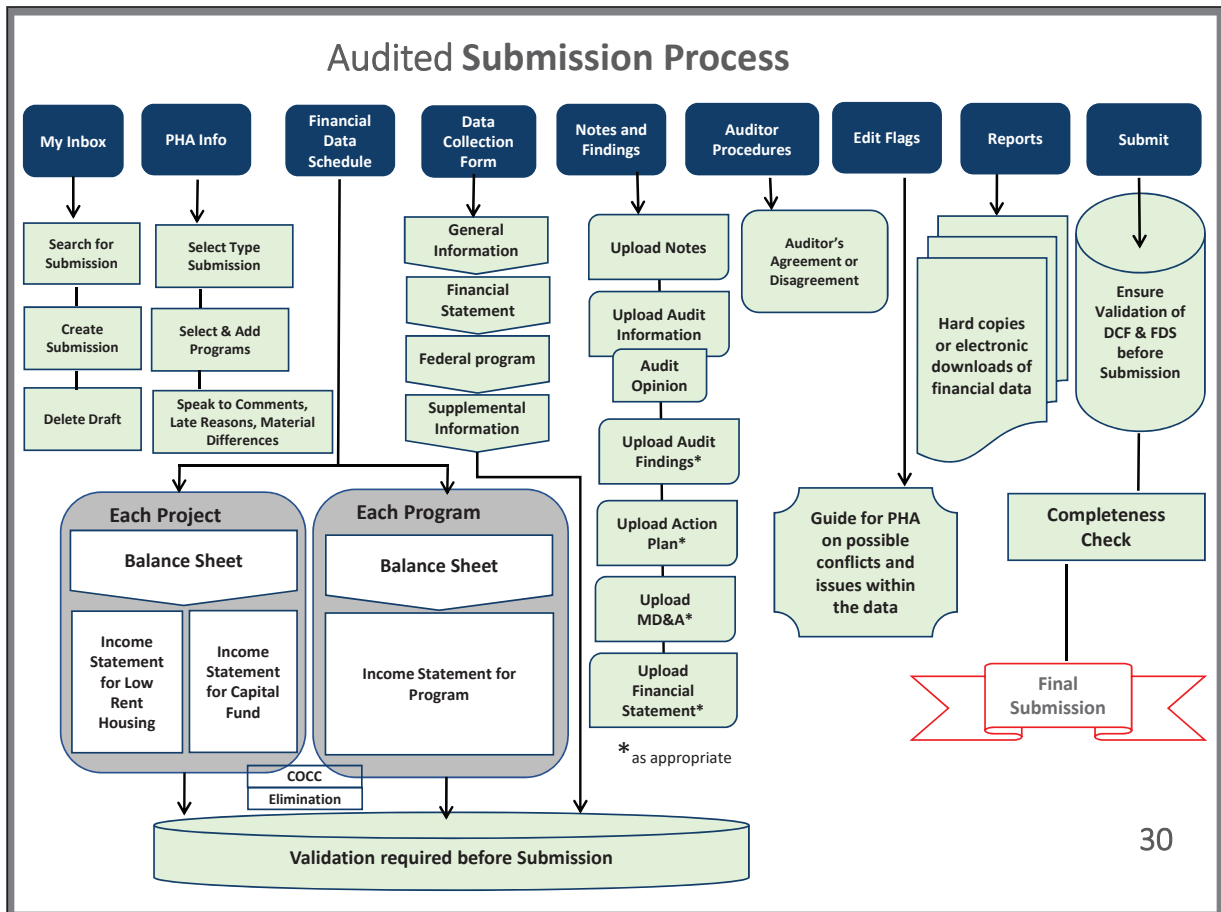
Audited Submission: 3-Step Procedure

2. IPA Review Status

- IPA performs agreed upon procedures (AUP)
- Status changes to “IPA Agree” or “IPA Disagree”
- If IPA disagrees, PHA must edit “IPA Disagree Submission”

3. Submission to HUD

- One CPA approves the AUP (Step 2), PHA must Submit the Audited Statements
- HUD Review and Acceptance
 - PIH-REAC reviews and approves or rejects submission
 - Process is complete once audited submission is approved





Data Collection Form

Data Collection Form

32

- Unaudited Submission
 - Includes General information for PHA
 - ◆ Name, address, contact info, etc.
 - ◆ Auditor information
 - ◆ Fee Accountant information
 - ◆ Federal Awards expended data
- Audited Submission
 - The DCF consists of the following 4 tabs:
 - ◆ General Information
 - ◆ Financial Statements
 - ◆ Federal Programs
 - ◆ Supplemental Information



Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info **FDS** DCF Submit Edit Flags Reports Logout

General Information

PHA Information

PHA Code: CA999
 PHA Name: Hometown Housing Authority
 Fiscal Year End Date: 06/30/2015
 Submission Type: Unaudited/A-133

Unaudited / Single Audit

General Information			
Element#	Description	Value	Details
*G9000-010	Fiscal Year Ending Date	06/30/2015	---
*G2000-021	Reporting Period Covered	None	---
*G2000-031	Reporting Period Covered - Months		---
*G9000-020	Employer Identification Number		---
*G2000-040	Multiple EIN Indicator	None	---
*G9000-030	Data Universal Numbering System (DUNS) Number		---
*G2000-050	Multiple DUNS Indicator	None	---

Session 2: Financial Reporting Models & Reporting Requirements Spring/Summer 2019

DCF – Financial Statements Tab: Audit Details

- Audit Details Page requests Fund Type and Fund Opinion
 - PHAs are required to enter the Fund Type and Fund Opinion for each opinion unit
 - An opinion unit is a major fund or group of non-major funds that receive a financial statement opinion by the auditor
 - If the PHA is reporting only a single fund – all fund types should be marked as “major”

- The DCF is requesting information on the fund type and fund opinion that the CFDA Program is contained in. The DCF is NOT asking for a financial statement audit opinion of the CFDA Program

Session 2: Financial Reporting Models & Reporting Requirements Spring/Summer 2019

DCF – Financial Statements Tab: Audit Details, cont'd.

35

CFDA#	NAME OF PROGRAM	DETAILS
14.850 Fund Type and Opinion of the Fund containing Low Rent Public Housing		
*G3000-200	Fund Type	Non Major Fund
*G3000-210	Fund Opinion	Unmodified Opinion
*G3000-220	Is the Departure or qualification related to the Low Rent Program?	No
14.872 Fund Type and Opinion of the Fund containing Public Housing Capital Fund Program		
*G3000-200	Fund Type	Non Major Fund
*G3000-210	Fund Opinion	Unmodified Opinion
*G3000-220	Is the Departure or qualification related to the Capital Fund Program?	Yes
14.866 Fund Type and Opinion of the Fund containing Revitalization of Severely Distressed Public Housing		
*G3000-200	Fund Type	Major Fund
*G3000-210	Fund Opinion	Modified Opinion
8 Fund Type and Opinion of the Fund containing Other Federal Program 1		
*G3000-200	Fund Type	Major Fund
*G3000-210	Fund Opinion	Modified Opinion
14.871 Fund Type and Opinion of the Fund containing Housing Choice Vouchers		
*G3000-200	Fund Type	Major Fund
*G3000-210	Fund Opinion	Modified Opinion

Save Reset




Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

DCF – Financial Statements Tab

36



Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF Notes and Findings Submit Edit Flags Reports Logout

General Information	PHA Information	
Financial Statement	PHA Code	CA999
Federal Program	PHA Name	Hometown Housing Authority
Supplemental Information	Fiscal Year End Date:	12/31/2015
	Submission Type:	Audited / Single Audit

Element#	Description	Value	Details
*G3000-005	Financial Statements Using Basis Other Than GAAP	No	---
*G3000-010	Type of Audit Report	<input checked="" type="radio"/> Modified Opinion <input type="radio"/> Unmodified Opinion <input type="radio"/> Adverse Opinion <input type="radio"/> Disclaimer of Opinion	[Details]
*G3000-020	Going Concern Indicator	Yes	---
*G3000-030	Significant Deficiency Indicator	Yes	[Details]
*G3000-040	Material Weakness Indicator	Yes	[Details]
*G3000-050	Material Noncompliance Indicator	Yes	[Details]
*G3000-060	Fraud	Yes	[Details]
*G3000-070	Illegal Acts	Yes	[Details]
*G3000-080	Abuse	Yes	[Details]

Save Reset

*mandatory field

Yellow Book



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

DCF – Financial Statements Tab, cont’d.

37

- Values selected on financial statements tab must match:
 - Auditor’s Report on Financial Statements
 - Auditor’s Report on Compliance and Internal Control over Financial Reporting
 - If the auditor notes any significant deficiencies (G3000-030) or material weaknesses (G3000-040), the respective box should be marked with a “Yes” on the financial statements tab



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

DCF - Federal Programs Tab

38



Real Estate Assessment Center Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF Notes and Findings Submit Edit Flags Reports Logout

General Information
Financial Statement
Federal Program
Supplemental Information

PHA Information
PHA Code: PHA Fiscal Year End Date: 12/31/2015
PHA Name: Housing Authority PHA County
Submission Type: Audited/Single Audit

Federal Program			
Element#	Description	Value	Details
*G4000-020	Dollar Threshold Used to Distinguish Type A and Type B Programs	\$750,000	---
*G4000-030	Low-Risk Auditee Indicator	Yes	---
*G4000-040	Indicator-Any Audit Findings Disclosed that are Required to be Reported	Yes	---
*G4000-080	Was a Schedule of Prior Audit Findings prepared?	Yes	---
*G4100-040	Total Federal Awards Expended	\$8,885,997	[Details]

*mandatory field



Session 2: Financial Reporting Models & Reporting Requirements

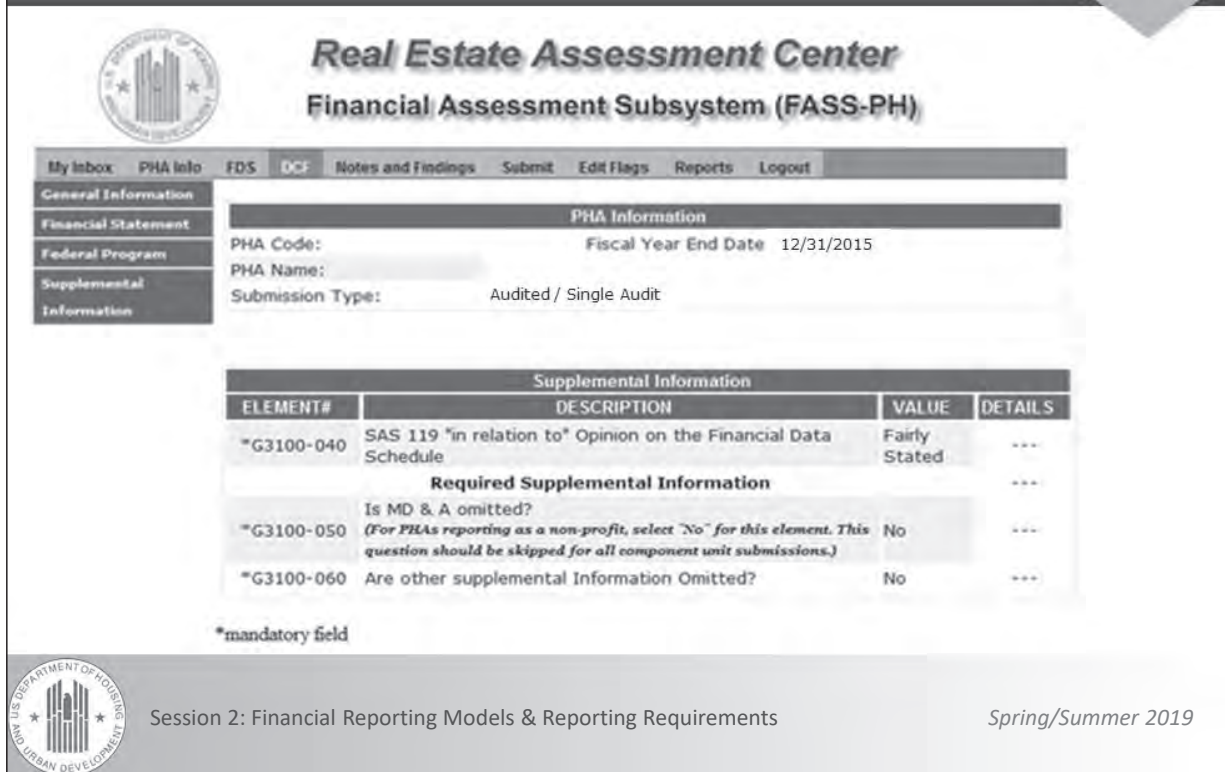
Spring/Summer 2019

- The Federal Programs page includes dollar threshold, opinion and findings, agency risk indicator, and Total Federal Awards Expended (TFAE)
- Information reported should match:
 - Auditor’s Report on Compliance and Internal Control (Major Program),
 - Auditor’s Schedule of Expenditure of Federal Awards (SEFA), and
 - Auditor’s Schedule of Findings and Questioned Costs



14.871 Housing Choice Vouchers			
*G4100-030	Amount Expended	\$7,338,716	---
*G4200-010	Major Federal Program Indicator	Yes	---
*G4200-050	Type of Opinion on Major Federal Program	Unmodified Opinion	---
*G4200-060	Number of Single Audit Compliance Audit Findings	0	[Details]
G4200-070	Audit Finding Reference Number		---
*G4200-090	Are Awards Received Directly from a Federal Agency?	Yes	---
*G4200-100	Significant Deficiency Indicator	No	---
*G4200-110	Material Weakness Indicator	No	---
*G4200-120	Material Non-compliance Indicator	No	---
*G4100-050	Total Amount of Questioned Costs	\$0	---





Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF Notes and Findings Submit Edit Flags Reports Logout

General Information

PHA Information

PHA Code: Fiscal Year End Date 12/31/2015


PHA Name:

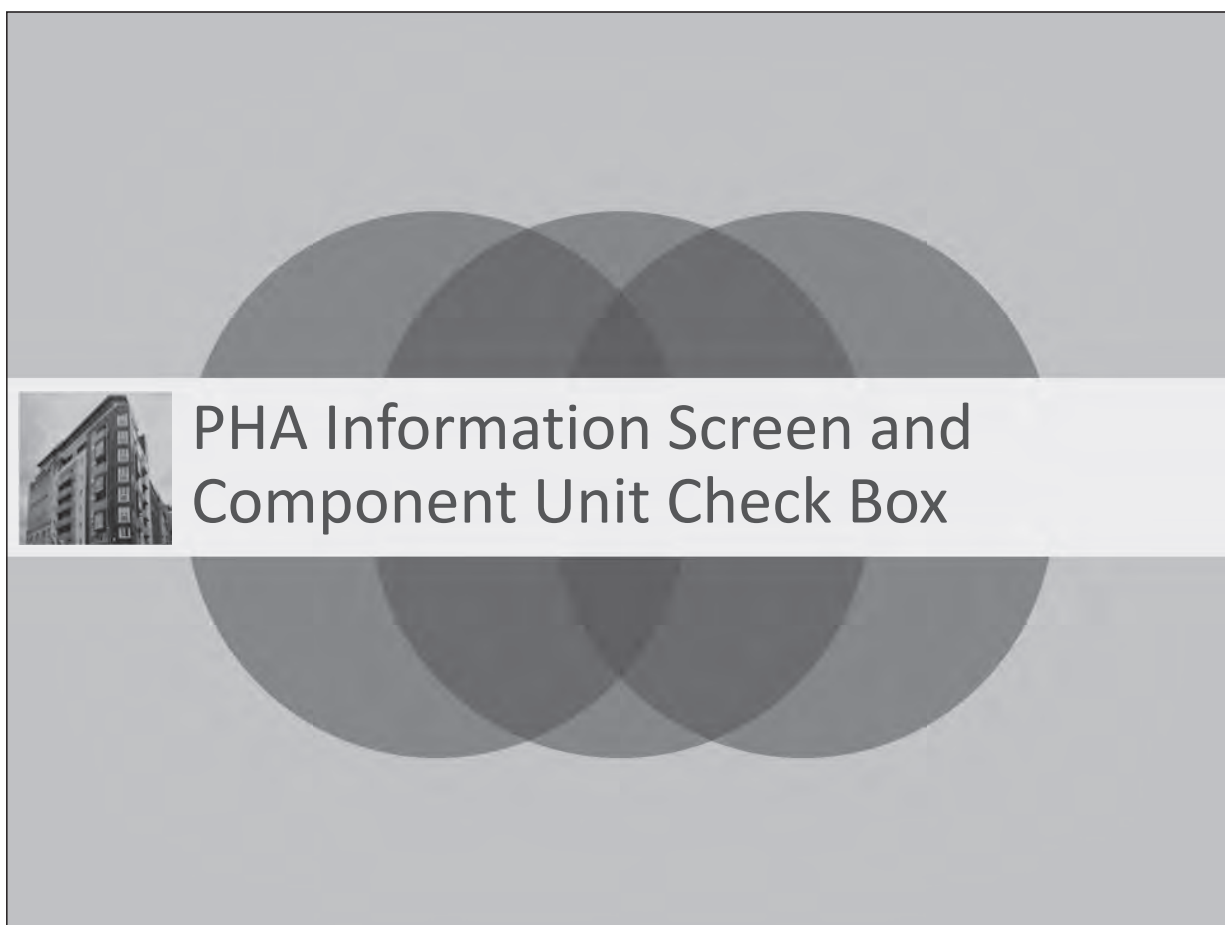
Submission Type: Audited / Single Audit


Supplemental Information

ELEMENT#	DESCRIPTION	VALUE	DETAILS
*G3100-040	SAS 119 "in relation to" Opinion on the Financial Data Schedule	Fairly Stated	---
Required Supplemental Information			
*G3100-050	Is MD & A omitted? <i>(For PHAs reporting as a non-profit, select "No" for this element. This question should be skipped for all component unit submissions.)</i>	No	---
*G3100-060	Are other supplemental Information Omitted?	No	---

*mandatory field

 Session 2: Financial Reporting Models & Reporting Requirements Spring/Summer 2019



 **PHA Information Screen and Component Unit Check Box**

The Component Unit Check Box

43

- Two criteria must be met in order to select the Component Unit box on the PHA Info page:
 - PHA is a component unit, department or program of a local government or jurisdiction or nonprofit agency, AND
 - PHA will not have its own separate Single Audit (or non Single Audit)
- Checking the CU box is not simply an issue of whether the entity is a component unit as defined by GASB



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

The Component Unit Check Box, cont'd.

44

- For PHAs that select the Component Unit box, there are 4 required attachments:
 - Notes to Financial Statements,
 - Audit information (currently mandatory),
 - Audit Findings (if applicable), and
 - Action Plan (if applicable)
- All other PHAs must submit the required audit attachments based on the audit type selected



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



Required Audit Attachments

Required Audit Attachments: Uniform Guidance (UG) Audit

46

- Uniform Guidance Audit:

1. RSI (MD&A and GASB 68)
2. Basic Financial Statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows
3. Notes to the Basic Financial Statements
4. Auditor's Report on Financial Statements
5. Auditor's Report on Compliance and Internal Control (Government Auditing Standards)
6. Auditor's Report on Compliance and Internal Control (Major Program)
7. Schedule of Expenditure of Federal Awards
8. Schedule of Findings and Questioned Costs
9. Schedule of Prior Audit Findings
10. Corrective Action Plan



Required Audit Attachments: Non UG Audit

47

- Non Non-Single Audit (Yellow Book Audit):
 1. Required Supplemental Data (MD&A and GASB 68)
 2. Basic Financial Statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows
 3. Notes to the Basic Financial Statements
 4. Auditor's Report on Financial Statements
 5. Auditor's Report on Compliance and Internal Control (Financial Reporting)



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Required Audit Attachments

48

- Audit Information must be attached to the appropriate section of the Notes & Findings page
 1. RSI (MD&A and GASB 68)
 2. Financial Statements
 3. Notes to the Financial Statements
 4. Audit Information
 5. Audit Findings
 6. Action Plan

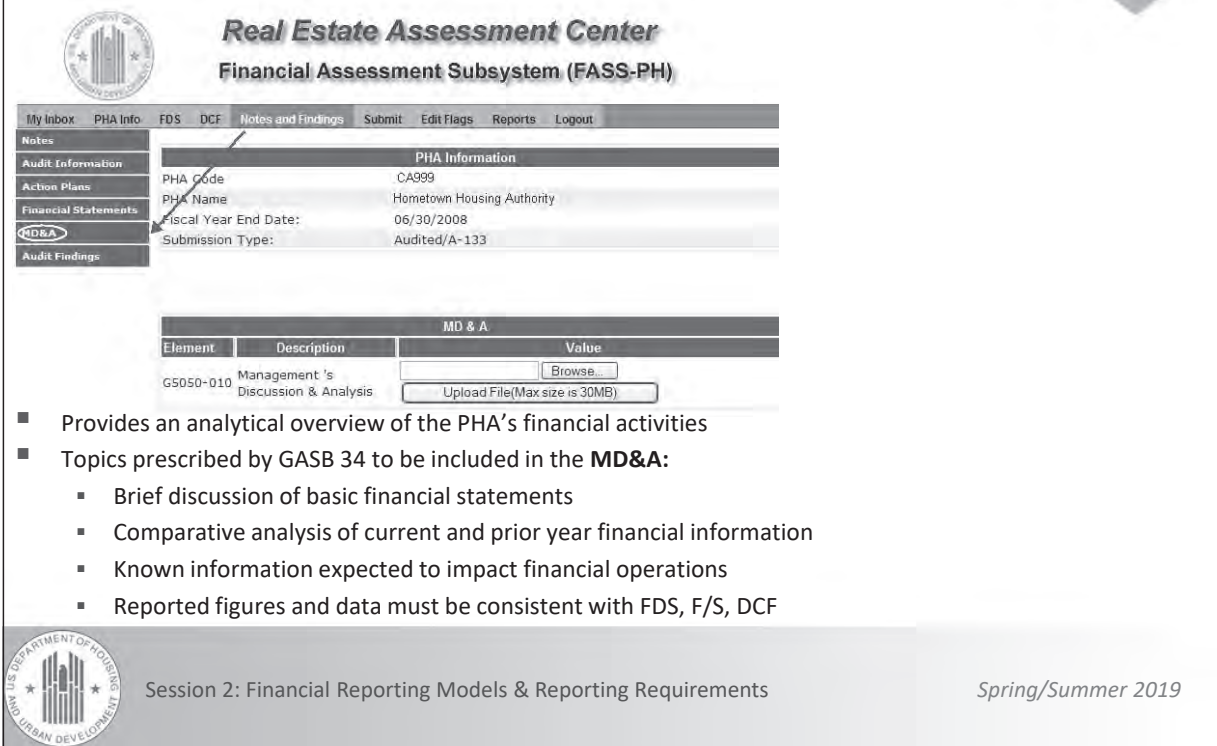


Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Required Audit Attachments: MD&A

49



Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF Notes and Findings Submit Edit Flags Reports Logout

Notes

Audit Information PHA Information

Action Plans PHA Code CA999


Financial Statements PHA Name Hometown Housing Authority

MD&A Fiscal Year End Date: 06/30/2008

Audit Findings Submission Type: Audited/A-133

MD & A		
Element	Description	Value
G5050-010	Management's Discussion & Analysis	<input type="text"/> <input type="button" value="Browse..."/>


- Provides an analytical overview of the PHA's financial activities
- Topics prescribed by GASB 34 to be included in the **MD&A**:
 - Brief discussion of basic financial statements
 - Comparative analysis of current and prior year financial information
 - Known information expected to impact financial operations
 - Reported figures and data must be consistent with FDS, F/S, DCF

 Session 2: Financial Reporting Models & Reporting Requirements Spring/Summer 2019

Required Audit Attachments: GASB 68

50

- New FDS Lines in REAC template
 - 200
 - 357
 - 400
- 10 year schedules regarding:
 - Sources of changes in the components of NPL
 - Ratios that assist in the assessing the magnitude of the NPL
 - Comparisons of actual employer contributions to actuarially required amounts

 Session 2: Financial Reporting Models & Reporting Requirements Spring/Summer 2019

Required Audit Attachments: Financial Statements

51

**Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)**

My Inbox PHA Info FDS DCF Notes and Findings Submit Edit Flags Reports Logout

Notes

Audit Information

Action Plans

Financial Statements

MD&A

Audit Findings

PHA Information

PHA Code: CA999
 PHA Name: Hometown Housing authority
 Fiscal Year End Date: 06/30/2008
 Submission Type: Audited/A-133

Financial Statements

Element	Description	Value
G5150-010	Government-wide AND OR Fund Financial Statements	<input type="text"/> <input type="button" value="Browse..."/>

- **Government-wide Financial Statements**
 - Statement of Net Position
 - Statement of Activities
 - Statement of Cash Flows (full accrual)
- **Fund Financial Statements**
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Required Audit Attachments: Notes to Financial Statements

52

**Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)**

My Inbox PHA Info FDS DCF Notes and Findings Submit Edit Flags Reports Logout

Notes

Audit Information

Action Plans

Financial Statements

MD&A

Audit Findings

PHA Information

PHA Code: CA999
 PHA Name: Hometown Housing Authority
 Fiscal Year End Date: 06/30/2016
 Submission Type: Audited/A-133

Notes

Element	Description	Value
G5000-010	Foot Notes	<input type="text"/> <input type="button" value="Browse..."/>

- **The attached Notes tab:**
 - Should be Completed and Properly Presented
 - Amounts should tie to FDS and/or F/S
- **Topics include:**
 - Summary of Significant Accounting Policies
 - All Other Disclosures



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Required Audit Attachments: Audit Information

53

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF Notes and Findings Submit Edit Flags Reports Logout

Notes

Audit Information

PHA Information

PHA Code: CA999
PHA Name: Hometown Housing Authority
Fiscal Year End Date: 06/30/2008
Submission Type: Audited/A-133

Element	Description	Value
G5100-010	Opinion on Supplemental Information	None <input type="button" value="Save Opinion Type"/>
G5100-020	Auditor Opinions and Schedule of Expenditure of Federal Awards	<input type="button" value="Browse..."/> <input type="button" value="Upload File(Max size is 30MB)"/>

■ **The following attachments belong in the Audit Information Tab:**

- Auditor's opinion and Financial Statements
- Auditor's Report on Compliance Internal Controls (Yellowbook Report)
- Auditor's Report on Internal Compliance and Internal Control (Major Programs)
- SEFA should match TFAE (including CFDA #) on DCF



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Required Audit Attachments: Audit Findings

54

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF Notes and Findings Submit Edit Flags Reports Logout

Notes

Audit Findings

PHA Information

PHA Code: CA999
PHA Name: Hometown Housing Authority
Fiscal Year End Date: 06/30/2008
Submission Type: Audited/A-133

Element	Description	Value
G5200-010	Audit Finding (Current & Prior Year Findings)	<input type="button" value="Browse..."/> <input type="button" value="Upload File(Max size is 30MB)"/>

- **Summary Schedule of Prior Audit Findings**
- **Auditor's Schedule of Findings and Questioned Costs**
 - Summary
 - Financial Statement Findings
 - Federal Program Findings
- Verify that all opinions and findings match DCF



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Required Audit Attachments: Action Plan

55

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF Notes and Findings Submit Edit Flags Reports Logout

Notes

Audit Information

PHA Information

PHA Code: CA999
PHA Name: Hometown Housing Authority
Fiscal Year End Date: 06/30/2008
Submission Type: Audited/A-133

Action Plans

Element	Description	Value
G5300-010	Corrective Action Plan (Current & Prior Year Findings)	

Browse...
Upload File(Max size is 30MB)

- Required if findings are reported for financial reporting and (or) federal programs
- **Corrective Action Plan** should include:
 - Identification of each finding and reference
 - Description of action taken or explanation
 - Name of contact person responsible for corrective action (BE SURE!!)
 - Anticipated completion date of corrective action



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



AU-C 725 and Auditor Attestation

Supplementary Information (SI) and AU-C 725 Opinion

57

- SI is presented for purposes of additional analysis and is not a required part of the financial statements:
 - ◆ SEFA – required by Uniform Guidance
 - ◆ FDS – required by HUD
- SI is presented based on AU-C 725: Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Auditor Attestation

58

- Auditors are required to perform Agreed Upon Procedures (AUP) in order to assure the accuracy and completeness of the data submitted to PIH-REAC
- Auditor compares the electronic data in the draft FASS-PH submission to the hard copy of the basic financial statements, audit reports, and FDS



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



Common Reporting Issues: Unaudited & Audited Submissions

Common Reporting Problems: Unaudited Submission

60

- FASS Data is Materially Different than Other Independent Data Sets
 - Voucher Management System (VMS) examples include:
 - ◆ Housing Assistance Payments
 - ◆ Vouchers Leased
 - ◆ Interest Income
 - ◆ Port-in Information
 - ◆ NRA, UNA, and Cash Balances
 - ◆ Fraud
 - ◆ FSS Escrow Forfeitures
 - Revenue doesn't agree to HUD
 - ◆ HUDCAPS
 - ◆ ELOCCS



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Common Reporting Problems: Unaudited Submission, cont'd.

61

- HCV Compliance and Financial Distress (not rejected if correctly reported)
 - ◆ Due From's and Operating Transfers Out
 - ◆ Negative Equities
 - ◆ Unit months leased greater than unit months available
- Submission Fails Basic Business Rules



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Common Reporting Problems: Unaudited Submission, cont'd.

62

- Other General Reporting Problems
 - PHA failed to report programs or programs are comingled with other programs
 - NRP Adjustment is not reflected in submission
 - Elimination column incorrect
 - Bank overdrafts
 - Debt reported incorrectly
 - Interfund amounts on lines 144 & 347
 - Management fee calculations
 - Security deposits liability & cash
 - Equity accounts



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Common Reporting Problems: Unaudited Submission, cont'd.

63

- Other general reporting problems:
 - Restricted cash vs. Unrestricted cash
 - Validation errors
 - Capital funds – Hard & soft costs and revenue
 - Negative expense lines
 - DCF differences
 - Memo fields
 - Prior period adjustments
 - Transfers
 - Unreported PH units



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Common Reporting Problems: Audited Submission

64

- AU-C 725 opinion on FDS is missing
- PHA submission type is incorrect, therefore, the wrong attachments were submitted
- Federal Awards Expended reported in Audit Report is different than what was reported on the Data Collection Form in the system
- Financial Statements and associated information do not meet minimum professional requirements



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Common Reporting Problems: Audited Submission, cont'd.

65

- Auditors Reports do not reconcile to the Data Collection Form (opinions, findings, federal awards expended)
- Financial Statements do not reconcile to the FDS and the differences are material
- MD&A, Financial Statements, and Notes to the Financial Statements do not reconcile to each other



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



Submission Decision

Submission Decision

67

- REAC's goal is to approve a financial submission that is properly classified and shows data that is a fair reflection of the PHA's financial condition

Recommendation	Description
Accept	No errors noted and all prior issues corrected
Conditionally Accept	Issues noted, but deemed immaterial
Reject	Errors and/or issues noted that are material or a significant number of small issues are present that cause the submission to be unreliable



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Submission Decision, cont'd.

68

- Keeping in mind REAC's goal, submissions are generally conditionally accepted unless the errors or issues noted are material, meaning the FDS may not provide a fair reflection of the PHA's financial condition
- Conditionally accepted issues need to be addressed on the audited submission (or next submission)
- Rejected submissions need to be corrected and re-submitted within 15 days of rejection



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019

Notification and Follow-Up

69

- PHAs receive notification of conditional acceptance and rejections via NASS
- Reminder, past due and other notifications are automatically sent to PHAs
- These notifications are sent using the PHA's email address as reported in PIC



Session 2: Financial Reporting Models & Reporting Requirements

Spring/Summer 2019



Session 3: HCV & HCV-Related Programs

Topics

2

- Introduction to the Housing Choice Voucher Program
- Funding the HCV Program
- HAP Funding and Restricted Net Position
- Administrative Fees and Unrestricted Net Position
- Other HAP / RNP Activity
- Comparing FDS vs VMS RNP Reporting
- Administrative Fees
- Accounting and Reporting of Administrative Fees
- Unrestricted Net Position – Administrative Fee Account



- Family Self-Sufficiency Program
- Portability Provision
- Reporting of HCV Program on the SEFA



Introduction to the Housing Choice Voucher Program

Introduction to the HCV Program

5

- The Housing Choice Voucher (HCV) Program
 - Established in 1974
 - Is the largest federal low-income housing assistance program
 - Since 1998, program expenditures (i.e., outlays) accounts between 47% to 55% of HUD's overall budget
 - Is a tenant-based program (i.e., the program provides vouchers that are attached to the family who use these vouchers to help pay the cost of renting housing on the open market)
 - Is administered by 2,181 PHAs as of June 30, 2018
 - 2.5 million vouchers are authorized as of June 30, 2018 (and growing)
 - ◆ In contrast, the public housing program has roughly 1.1 million units and the portfolio is shrinking



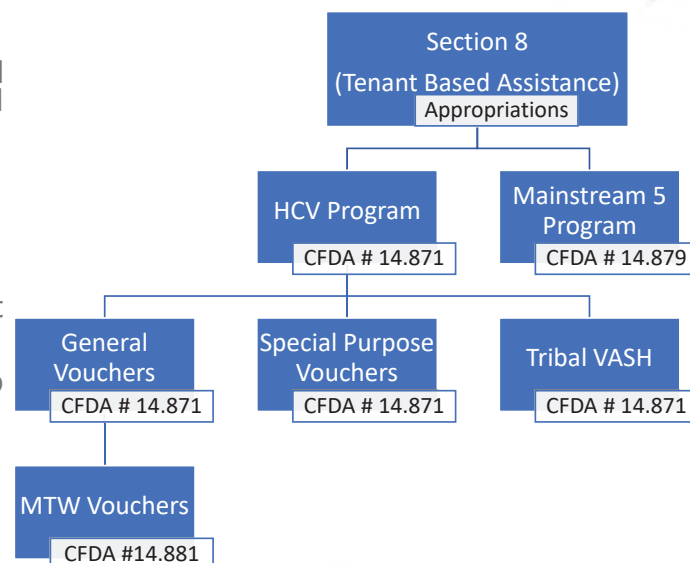
Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Introduction to the HCV Program Appropriations vs CFDA #s

6

- In the same appropriations section, Congress funds both the HCV program (general and special purpose vouchers) and the Mainstream 5 program
- The Mainstream 5 program is reported under CFDA #14.879
- Currently all special purpose vouchers are reported under CFDA #14.871 (Historically not always the case)
- Tribal VASH is only awarded to Tribal Designated Housing Entities (TDHEs), not PHAs



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

General Rules

7

- HUD and other decision makers have a need for timely and accurate HCV financial data
- The Financial Data Schedule (FDS) and the data contained in the Voucher Management System (VMS) are two important sources of this financial information
- The general rule is the information reported in each system should be reported under GAAP. However,
 - GAAP departures exists;
 - VMS now has a focus more aligned to cash basis accounting; and
 - Each system has some reporting nuances



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

General Rules cont'd

8

- The selected accounts / line items presented are based on feedback received from:
 - HCV program office: Quality Assurance Division
 - HCV program office: Financial Management Center
 - REAC: FASS-PH



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

HUD Monitoring

9

March 31, 2016 PHA					
VMS Reporting				FDS Reporting	
Month	Total HAP Expense	RNP	UNP	FDs Line and Description	Amount
4/1/2015	\$350,000	\$150,000	\$80,000		
5/1/2015	\$335,000	\$155,000	\$82,000	97300 HAP Expense	\$4,105,000
6/1/2015	\$335,000	\$154,000	\$79,000		
7/1/2015	\$330,000	\$158,000	\$76,000		
8/1/2015	\$325,000	\$170,000	\$75,000	511.4 RNP	\$170,000
9/1/2015	\$345,000	\$160,000	\$68,000	11180 HAP Equity	\$170,000
10/1/2015	\$345,000	\$158,000	\$65,000		
11/1/2015	\$340,000	\$163,000	\$70,000		
12/1/2015	\$335,000	\$165,000	\$71,000	512.4 UNP	\$73,000
1/1/2016	\$355,000	\$161,000	\$69,000	11170 Admin. Fee Equi	\$80,000
2/1/2016	\$365,000	\$165,000	\$72,000		
3/1/2016	\$345,000	\$170,000	\$73,000		
Total	\$4,105,000	N/A	N/A		



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

HCV Accounting & Compliance

10

- The HCV program has two main sub-accounts
 - Restricted Net Position / HAP Equity – For all activity around HAP funding and uses of HAP funds
 - Unrestricted Net Position / Administrative Fee Equity – For all activity around the receipt and use of administrative fees and other non-HAP funding
- Two memo accounts exist on the FDS HCV income statement to distinguish the HAP balances from administrative fee balances
 - FDS Line 11170 – Administrative Fee Equity (also referred to as UNP)
 - FDS Line 11180 – HAP Equity (also referred to as RNP)
- All HCV transactions will affect either one or both sub-accounts



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

FDS Line - 11180 HAP Equity

11

#	FDS Line	FDS Line Description	FDS Line (Pre-populated)
1	11180-001	Housing Assistance Payments Equity - Beginning Balance	Prior year Line 11180-003
2	11180-010	Housing Assistance Payment Revenues	FDS Line 70600-010
3	11180-015	Fraud Recovery Revenue	FDS Line 71400-010
4	11180-020	Other Revenue	PHA Entered
5	11180-021	Comment for Other Revenue	PHA Entered
6	11180-025	Investment Income	FDS Line 71100-010
7	11180-030	<i>Total Housing Assistance Payment Revenues</i>	<i>Sum of Lines 2-4</i>
8	11180-080	Housing Assistance Payments	FDS Line 97300
9	11180-090	Other Expenses	PHA Entered
10	11180-091	Comment for Other Expense	PHA Entered
11	11180-100	<i>Total Housing Assistance Payment Expenses</i>	<i>Sum of Lines 8 and 9</i>
12	11180-002	Net Housing Assistance Payments	Line 7 minus Line 11
13	11180-003	Housing Assistance Payments Equity - Ending Balance	Line 1 plus line 12



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

FDS Line 11170 - Administrative Fee Equity

12

#	FDS Line	FDS Line Description	FDS Line (Pre-populated)
1	11170-001	Administrative Fee Equity - Beginning Balance	Prior year Line 11170-003
2	11170-010	Administrative Fee Revenue	FDS Line 70600-020
3	11170-020	Hard to House Fee Revenue	FDS Line 70600-030
4	11170-021	FSS Coordinator Grant	FDS Line 70600-031
5	11170-030	Audit Costs	FDS Line 70600-040
6	11170-040	Investment Income	FDS Line 71100-020 or 72000-020
7	11170-045	Fraud Recovery Revenue	FDS Line 71400-020
8	11170-050	Other Revenue	PHA Entered
9	11170-051	Comment for Other Revenue	PHA Entered
10	11170-060	<i>Total Admin Fee Revenues</i>	<i>Sum of Lines 2 - 8</i>
11	11170-080	Total Operating Expenses	FDS Line 96900
12	11170-090	Depreciation	FDS Line 97400
13	11170-095	Housing Assistance Payment Portability In	FDS Line 97350
14	11170-100	Other Expenses	PHA Entered
15	11170-101	Comment for Other Expense	PHA Entered
16	11170-110	<i>Total Expenses</i>	<i>Sum of Lines 11 - 14</i>
17	11170-002	Net Administrative Fee	Line 10 minus Line 16
18	11170-003	Administrative Fee Equity- Ending Balance	Line 1 plus line 17
19	11170-005	Pre-2004 Administrative Fee Reserves	PHA Entered
20	11170-006	Post-2003 Administrative Fee Reserves	PHA Entered



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

HCV Program Equity: Use of Other Revenue and Expense Accounts

13

- A limited number of memo accounts associated with FDS lines 11170 & 11180 will need to be entered manually
- Generally made up of the following:
 - FDS Line 70800 – Other Government Grants
 - FDS Line 71500 – Other Revenue
 - FDS Line 11040 – Prior Period Adjustments
 - Any reclassification of HAP or Administrative Fee Equity
 - Transfer of Administrative Fee Equity to pay for HAP Equity
- PHAs need to ensure that the Other Revenue and Other Expense detail lines are properly completed with explanatory comments



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019



Funding the HCV Program

Funding the HCV Program – General

15

- Congress has created two separate funding streams to cover the cost of the HCV program
 - Administrative fees to cover PHA costs of administering the program
 - HAP to cover the costs of rental assistance payments (i.e., payment to landlords)
 - Appropriation language ties the funding and formulas to a calendar-year basis
- 99% of all available funds for the program are from these two appropriations line items (almost no program income)
- Renewal / ongoing funding is provided via formulas
- New voucher increments are provided via a competitive grant (NOFA) and then becomes part of the formula in subsequent years



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

2018 Appropriations

16

#	Program	Purpose	Amount
1	HCV Program – HAP	Renewal (Ongoing) Funding	\$19,600,000,000
2	HCV Program – Administrative Fees	Ongoing and New Vouchers	\$1,760,000,000
3	Tenant Protection Vouchers	New Vouchers (HAP)	\$85,000,000
4	Veterans Affairs Supportive Housing	New Vouchers (HAP)	\$40,000,000
5	Family Unification Program	New Vouchers (HAP)	\$20,000,000
6	Mainstream 5 Program	Ongoing HAP & Admin. Fees	\$505,000,000
7	Tribal HUD-VASH	Ongoing HAP & Admin. Fees	\$5,000,000
8	Total Available CY 2018 Appropriations		\$22,015,000,000

- HCV Program – HAP includes \$75 million set aside for prevention of terminations and other unforeseen circumstance
- HCV Program – Administrative Fee includes \$30 million set aside for special fees and to cover extraordinary costs



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Introduction to the HCV Program Portfolio Snapshot

17

#	Vouchers Leased - June 2018	Count	% of Total
1	<i>General Vouchers</i>		
2	General Vouchers	1,526,830	68.6%
3	Project-based Vouchers, (includes RAD)	227,738	10.2%
4	MTW Vouchers	200,967	9.0%
5	Portability Out Provision	51,005	2.3%
6	Total General Vouchers	2,006,540	90.2%
7	<i>Special Purpose Vouchers</i>		
8	Veterans Affair Supportive Housing Vouchers	73,198	3.3%
9	Tenant Protection Vouchers	63,324	2.8%
10	Non-Elderly Disabled Vouchers	44,109	2.0%
11	Family Unification Vouchers	17,036	0.8%
12	Homeownership Vouchers	10,357	0.5%
13	Mainstream 1-Year Vouchers	5,596	0.3%
14	Litigation Vouchers	3,600	0.2%
15	DHAP to HCV Conversion Vouchers	645	0.0%
16	Total Special Purpose Vouchers	217,865	9.8%
17	Total HCV Program Vouchers	2,224,405	100.0%
18	Total Mainstream 5 Vouchers	13,756	



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

18



HAP Funding & Restricted Net Position

Session 3: HCV & HCV-Related Programs

REAC Financial Review #01

19

Instructions: You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's submission. The PHA reported the following amounts in their HCV program and provided the following comments

Operating Transfer In (FDS line 10010)	\$20,000
Operating Transfer Out (FDS line 10020)	\$15,000
Equity Transfer (FDS line 11040_070)	\$90,000



Remember – operating transfer is subject to restrictions. PHAs should use line 973 to fund PBV units in business activities and blended component units



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

REAC Financial Review #01, cont'd

20

The PHA provided the following comments:

- This "Operating Transfer In" of \$20,000 was from our COCC. Our HAP expense over the course of the last few months has dramatically increased, HUD is aware of the issue and is in the processing of releasing additional HUD-held program reserves as our current disbursement schedule does not cover the increase
- The \$15,000 "Operating Transfer Out" are HAP payments made to our non-profit, which is reported as a blended component unit. The non-profit was part of the public housing program but was converted to project-based voucher development through a RAD conversion
- The \$90,000 of "Equity Transfer" was provided by our business activity in order to increase the number of families served by the voucher program due to insufficient HAP funds that are provided by Congressional funding. Our PHA is authorized 1,000 vouchers but we are now only funded enough to lease 950 vouchers

Question: Assume the comments are factual. What transfers would seem to indicate non-compliance or improper reporting and why?



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Annual Budget Authority (ABA)

21

- **Annual Budget Authority** is the term used in the HCV program to describe the amount of HAP funds the PHA will be awarded from the HAP renewal line item of the appropriations for any given year
- **General Formula:**
 - Eligible HAP Expense for Prior Calendar Year as Reported in VMS
 - Multiplied by Inflation Factor
 - Multiplied by Proration
 - Congressional authority for HUD to make small offsets/reallocations from/to PHAs to reach a minimum proration factor of 99.5%



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Eligible Use of HAP Funds

22

- HAP can only be used for eligible program participants for rental assistance payments, defined as
 - Housing Assistance Payments
 - Family Self-sufficiency Escrow Payments
 - Utility Reimbursements
- For FDS reporting, all three activities are reported as HAP expense (FDS line 97300)
- Eligible uses of HAP funds applies to both
 - PHA-held program reserves (restricted net position (RNP))
 - HUD-held program reserves



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Eligible Use of HAP Funds

23

- HAP funds can be used to pay back HAP payments made by another program (COCC / administrative fees), as a result of time needed by HUD to process and release additional HUD held program reserves for the PHA
- Funds cannot under any circumstances be used for any other purpose, such as:
 - To cover administrative expenses,
 - Loaned, advanced, or transferred to another program or component unit
- HAP funding may not be used for prior calendar year costs
- Use of HAP for any purpose other than eligible HAP needs is a violation of law, and such illegal uses or transfers may result in sanctions and possible declaration of breach of the ACC



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Prohibition on Augmentation of HAP Funds

24

- No other funds besides annual budget authority, program reserves, restricted net position and a prior fiscal year unrestricted net assets can be used to make housing assistance payments (HAP)
- Examples of prohibited funds include:
 - HOME funds, proceeds from PH disposition, COCC funds, state funds, and donations
- Exception – With HUD approval, PHAs may use prohibited funds to prevent termination of assistance to current program participants, if:
 - The PHA has taken reasonable cost-saving measures;
 - Is in a HUD-confirmed shortfall position; and
 - Needs additional funds to prevent the termination of current participants
- HUD's HOME Investment Partnerships funds may never be used to fund the HCV program
- Shortfall funds may not be used to increase leasing

Per Notice PIH 2013-12: Guidance on the Use of Outside Sources of Funds in the Housing Choice Voucher (HCV) Program



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Cash Management and HUD-held Program Reserves

25

- HUD is required to disburse HAP funding to PHAs under the Cash Management rules of the U.S. Treasury
 - 100% of ABA is no longer automatically disbursed to PHAs
 - HUD's disbursements of ABA is based on PHA need minus known PHA-held program reserves
 - Undisbursed HAP funds accumulates with previous years' undisbursed HAP funds (if any) and remains available for future HAP payments or Congressional offset/reallocation
 - Undisbursed HAP funds are termed **HUD-held program reserves**
 - HUD-held program reserves are not reported on the PHA's balance sheet or on the FDS
 - ◆ Some PHAs will provide a note in their financial statements as to the amount of HUD-held program reserves



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Cash Management HAP Funding Model

26

	A	B	C	D	E	F	G	H
1	2016 Budget Authority			\$1,260,000				
2	Program Reserve			\$100,000				
3	NRP - 1/1/2015			\$50,000				
4								
5	Line #	Period	Actual HUD HAP Disbursement in VMS	Actual HAP Expenses (VMS)	Net HAP Activity	Fraud Recovery	NRP Balance	Program Reserve
6	1	Jan-15	\$50,000	\$100,000	(\$50,000)	\$2,000	\$2,000	\$1,310,000
7	2	Feb-15	\$100,000	\$100,000	\$0	\$0	\$2,000	\$1,210,000
8	3	Mar-15	\$100,000	\$90,000	\$10,000	\$2,000	\$14,000	\$1,110,000
9	4	Apr-15	\$90,000	\$100,000	(\$10,000)	\$3,000	\$7,000	\$1,020,000
10	5	May-15	\$100,000	\$110,000	(\$10,000)	\$0	(\$3,000)	\$920,000
11	6	Jun-15	\$110,000	\$100,000	\$10,000	\$0	\$7,000	\$810,000
12	7	Jul-15	\$100,000	\$95,000	\$5,000	\$2,000	\$14,000	\$710,000
13	8	Aug-15	\$125,000	\$115,000	\$10,000	\$1,000	\$25,000	\$585,000
14	9	Sep-15	\$115,000	\$125,000	(\$10,000)	\$300	\$15,300	\$470,000
15	10	Oct-15	\$110,000	\$110,000	\$0	\$0	\$15,300	\$360,000
16	11	Nov-15	\$110,000	\$100,000	\$10,000	\$2,000	\$27,300	\$250,000
17	12	Dec-15	\$100,000	\$100,000	\$0		\$27,300	\$150,000
18	Totals		\$1,210,000	\$1,245,000	(\$35,000)	\$12,300	\$27,300	\$150,000

Unearned, undisbursed ABA does not become program reserves until the end of the calendar year but are still available for the PHA for HAP needs, other than to cover the cost of over leasing during the calendar year. For illustration purposes, the table does not make that distinction.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Disbursement Schedules

27

- HUD provides each PHA a HAP disbursement schedule that shows the amount of HAP funds that will be made available to the PHA on the first of every month
- The number of months of disbursements shown on the schedule varies due to the U.S. budget process and amount of funds made available to HUD from OMB
- Based on current methodology, cash disbursed would only equal PHA need by coincidence
- HCV program and HUD CFO continue to have open OIG findings around non-compliance with cash management



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Example Calculation of HAP Disbursement Schedule

28

Calculation of Two Month Disbursement Schedule		
Description	Validated VMS HAP Expense	Disbursement Schedule
Jan-18	\$245,000	
Feb-18	\$250,000	
Mar-18	<u>\$255,000</u>	
Actual Need (3-months)	\$750,000	
Actual Average Monthly Need	\$250,000	
Inflation Factor @1%	<u>\$252,500</u>	
PHA-held Program Reserves (RNP)	<u>\$152,500</u>	
Jul-18		<u>\$100,000</u>
Aug-18		<u>\$252,500</u>

If the scheduled disbursement amount is not expected to cover the actual HAP expense of the PHA, taking into consideration any unspent HAP funds at the PHA, the PHA should be working with HUD's FMC to adjust the disbursement amount, if possible



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

HAP Funding Revenue Recognition (GASB 33)

29

- Revenue should be recognized in F/S when:
 - Measurable and
 - Probable of collection
- Eligibility Requirements for Voluntary Nonexchange Transactions:
 - Criterion 1: Required Characteristics of Recipients
 - Criterion 2: Contingencies
 - Criterion 3: Time Requirements
 - Criterion 4: Reimbursements
- PHA must have an enforceable legal claim to resources (Need)
- Funds must be available as defined by GASB Statement No. 33 as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (additional modified accrual criteria)



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Application of Revenue Recognition Criteria HAP Disbursement Equals or Greater than Need

30

- HAP revenue will equal actual HAP disbursements received by the PHA

HUD HAP Disbursement Equal to or Greater Than PHA HAP Need			
FDS Line Item		Debit	Credit
113	Cash - Other Restricted	\$200,000	
70600-010	HUD PHA Operating Grants - HAP		\$200,000

- There will be no accounts payable to HUD if the PHA received disbursements from HUD greater than actual HAP expense
 - In this case, HUD disbursements will equal HAP revenue for the year
 - The difference (unspent HAP funds) will accrue to the PHA's RNP / HAP Equity account



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Application of Revenue Recognition Criteria HAP Disbursement Less than Need

31

- In the case where a PHA's HAP need exceeds disbursements from HUD (i.e., PHA needs more HAP funding than what was disbursed)
 - HAP revenue for the year would equal HUD HAP disbursements plus the amount of need not funded less any amounts in the PHA's RNP / HAP equity account; limited to the PHA's HUD held program reserves

HUD HAP Disbursement Less Than PHA HAP Need			
FDS Line Item		Debit	Credit
122	Accounts Receivable - HUD Other Projects	\$5,000	
70600-010	HUD PHA Operating Grants - HAP		\$5,000



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Unspent HAP Funding

32

- For FDS reporting, unspent HAP funds are considered restricted as the funds are
 - Contractually and legally unavailable for use in the day-to-day operations of the program and
 - The restrictions on the use of the funds is imposed by the source of the funding and not the PHA
- Unspent HAP Funds should be reported in FDS Lines
 - Other Restricted Cash (FDS line 113)
 - Restricted Investments (FDS line 132)



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Relationship of RNP – HAP Equity - Cash

33

Relationship of Restricted Net Position - HAP Equity - Restricted Cash			
Description	Amount	Balance Sheet	FDS Line
Beginning PHA-held Program Reserves	\$50,000	Cash	113, 511.4, 11180
HUD HAP Disbursements	\$1,000,000	Cash	113, 70600-010
FSS Escrow Forfeitures	\$5,000	Cash	113, 71500
Fraud Recovery	\$10,000	Cash & Receivable	128, 113, 71400-010
HAP Expense	-\$975,000	Cash	113, 97300
Net HAP	\$40,000		11180-002
Ending PHA-held Program Reserves	\$90,000	Cash	113, 511.4, 11180

- Except in very unusual situations, RNP (511.4) and HAP equity (11180) should be the same
- Except for the amount of fraud recovery booked as revenue via a repayment agreement and not yet collected but still collectable, RNP and HAP equity should be fully supported by unspent cash



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

HAP Expense

34

HAP Expense

FDS Reporting

- FDS line 97300 HAP Expense and 97350 HAP Portability-In
- The FDS lines represents housing assistance payments accrued to the owners of dwelling units leased to eligible families (regardless of whether it is paid)
- Also included in both FDS lines are HAP-related expenses such as contributions to FSS escrow accounts, utility reimbursements, and mortgage payments paid using HAP subsidy for a HCV homeownership program

VMS Reporting

- All HAP expense amounts for the various voucher categories are to be reported in these voucher categories as of the first day of the month (initial check run for that month)
- HAP expenses are entered for the month for which the payment is applicable, regardless of the month in which it is actually paid
- HAP expenses are only entered after the payment has been made (i.e., cash basis)
- There is only one separate line for reporting after the first of the month HAP expenses



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Restricted Net Position – FDS Reporting

35

Restricted Net Position – FDS Reporting

FDS – RNP (FDS line 511.4)

- Total restricted current and long-term assets minus total restricted current and long-term liabilities (Typically associated with unspent HAP)
- Besides HAP activity, any other GAAP restricted items are reported in this account:
 - Debt issued for renovation of administrative building,
 - Certain homeownership activity, and
 - Net Pension and OPEB asset (some states require this asset to be reported as restricted)
- Cannot be negative
- Reported on an accrual basis (i.e., includes HAP funds earned but not received)

HAP Equity (FDS line 11180)

- Includes only HAP equity activity (i.e., other non-HAP restricted activity is reported in FDS line 11170)
- Can be negative if PHA has used all funding and is no longer paying landlords

Notes

- Provide comments and notes to describe unusual transactions in reporting



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Restricted Net Position – VMS Reporting

36

Restricted Net Position – VMS Reporting

VMS Reporting

- Report the cumulative sum of total HAP revenues received minus the total cumulative HAP expenses for eligible unit months that have been paid
 - Beginning RNP plus
 - Total HAP revenue (as defined as total HUD HAP disbursements, portion of fraud recovery revenue collected in cash, FSS forfeitures and other allowable sources of revenue (PIH Notice 2013-28)) minus
 - Eligible HAP paid

Notes

- Does not include Mainstream 5 or port-in activity
- Does not include interest earned on RNP balances
- Can be zero or negative
 - A negative RNP balances in the VMS indicates that an additional HUD disbursement may be needed to support HAP expenses



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019



Other HAP / RNP Activity

Session 3: HCV & HCV-Related Programs

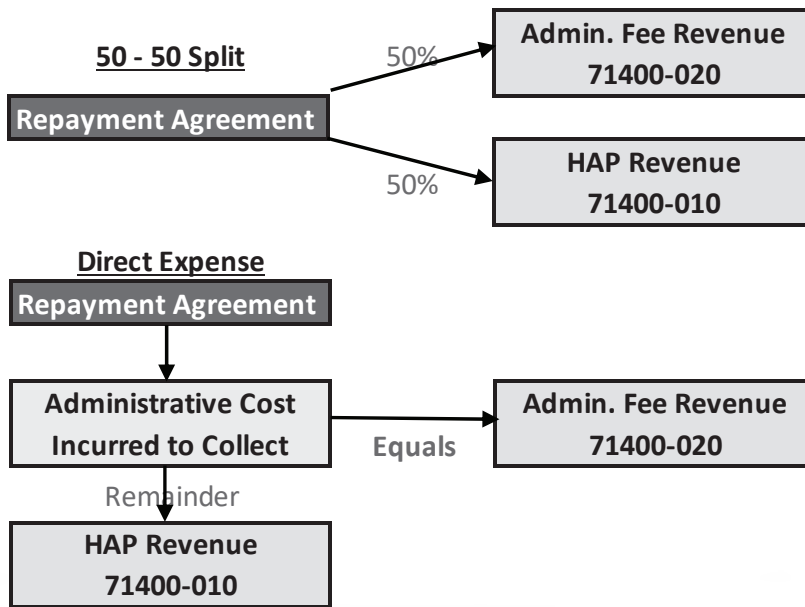
Fraud Recovery

- 24 CFR Part 792 – Public Housing Agency Section 8 Fraud Recoveries
 - Allows a PHA to retain a portion of any funds collected from a family that resulted from the overpayment of HAP by the PHA due to fraud committed by the family
 - The regulation allows two methods to determine the amount of funds a PHA can keep
 - ◆ 50 – 50 split method
 - ◆ Direct expense method
 - PHA does not remit funds back to HUD, the funds are classified as either HAP equity (RNP) or administrative fee equity (UNP)



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019



Fraud Recovery – FDS Reporting

Income Statement

- Report the full amount of fraud recoveries earned by the PHA (total repayment agreement entered into during the year) (FDS line 71400 Fraud Recovery)
- Split the amount between the Administrative (UNP) and HAP (RNP) accounts using appropriate detail accounts (71400-010 HAP and 71400-020 Admin Fee)

Balance Sheet

- Report the full amount of the receivable from program participants who committed fraud or misrepresentation and now owe additional rent for prior periods or retroactive rent (FDS line 128 Fraud Recovery Receivable)
- Report the reasonably anticipated loss (not likely to be collected) inherent in the fraud recovery account receivable balance (FDS line 128.1 Allowance for Doubtful Accounts – Fraud and 96600 Bad Debt – Other)

Notes

- Through the use of the other revenue and expense lines, adjust the Administrative Fee and HAP Equity Memo Accounts (FDS line 11170 and 11180) for the “split” to ensure that bad debt expense is appropriately allocated to each account

Booking Fraud Recovery Accounts Receivable (method 2)

41

- It may be simpler to just net the amounts and record revenue as received due to the uncertainty of receipt of fraud funds

To record fraud revenue:			
Description		Debit	Credit
128 - Accounts Receivable - Fraud Recovery		\$2,000	
128.1 - Allowance for Doubtful Accounts - Fraud			\$2,000
Record Fraud A/R			
111 - Unrestricted Cash		\$500	
113 Cash Restricted		\$500	
128 - Accounts Receivable Fraud Recovery			\$1,000
128.1 Allowance for Uncollectible Accounts - Fraud		\$1,000	
71400-010 - Fraud Recovery Revenue HAP			\$500
71400-020 - Fraud Recovery Revenue Admin			\$500



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Fraud Recovery – FDS Reporting

42

Record Fraud Recovery			
FDS Line Item		Debit	Credit
128	Accounts Receivable - Fraud Recovery	\$20,000	
71400-010	Fraud Recovery Revenue - Admin Fees		\$10,000
71400-020	Fraud Recovery Revenue - HAP		\$10,000

Allowance for Doubtful Accounts			
FDS Line Item		Debit	Credit
96600	Bad Debt Expense - Other	\$18,000	
128.1	Allowance for Doubt Accounts - Fraud		\$18,000



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Fraud Recovery – Example Adjustment to Memo Accounts

43

Line Item 11170 Details (readonly mode)		
Line Item #	Description	Value
*11170-001	Administrative Fee Equity - Beginning Balance	\$ 19074
11170-010	Administrative Fee Revenue	\$ 2040144
11170-020	Hard to House Fee Revenue	\$ 0
11170-021	FSS Coordinator Grant	\$ 101287
11170-030	Audit Costs	\$ 0
11170-040	Investment Income	\$ 9
11170-045	Fraud Recovery Revenue	\$ 56782
*11170-050	Other Revenue	\$ 0
11170-051	Comment for Other Revenue	
11170-060	Total Admin Fee Revenues	\$ 2198222
11170-080	Total Operating Expenses	\$ 2095694
11170-090	Depreciation	\$ 0
11170-095	Housing Assistance Payment Portability In	\$ 0
*11170-100	Other Expenses	\$ 0
11170-101	Comment for Other Expense	
11170-110	Total Expenses	\$ 2095694
11170-002	Net Administrative Fee	\$ 102528
11170-003	Administrative Fee Equity- Ending Balance	\$ 121602
*11170-005	Pre-2004 Administrative Fee Reserves	\$ 0
*11170-006	Post-2003 Administrative Fee Reserves	\$ 121602

- PHA uses the 50 / 50 split method
- PHA reported \$55,650 in bad debt expense related to fraud recovery

- PHA should have reported \$27,825 as Other Revenue for a bad debt expense; adjustment would increase Admin. Fee Equity
- A similar adjustment to the Other Expense account should have been made to account 11180 HAP Equity (not shown)

- Total expense, includes 100% of bad debt expense and therefore the Admin. Fee Equity balance is reduced by the full \$55,650



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Fraud Recovery – VMS Reporting

44

Fraud Recovery – VMS Reporting

VMS Reporting

- Report total dollar amount of cash collected as fraud recoveries during the month that is applied to the RNP account

Notes

- Fraud recovery amounts should not be netted / deducted from HAP expenses
- RNP reported in VMS should include the amount associated with the cash collected (not the amount associated with amount earned and associated bad debt expense as under FDS reporting)



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Interest Income on Unspent HAP (RNP)

45

Interest Income on RNP

FDS Reporting

- Report the first \$500 earned in the calendar year on:
 - FDS line 72000-020 Investment Income - Restricted - Administrative Fee or
 - FDS line 71100-020 Investment Income - Unrestricted - Administrative Fee
 - Do not use FDS lines 71100-010 or 72000-010 as these accounts incorrectly credits the interest to RNP
- Interest amounts earned on RNP above \$500 must be remitted to the Treasury and is not considered revenue to the PHA and should be reported in FDS line 115 Cash - Restricted for Payment of a Current Liability and FDS line 331 Accounts Payable – HUD PHA Programs until the interest earned is actually remitted to Treasury

VMS Reporting

- Report the amount of interest earned on the RNP funds in the Interest Earned or Other Income Earned this Month from the Investment of HAP Funds and Restricted Net Position line
- The first \$500 earned per calendar year is credited to UNP and the remainder is returned to Treasury. Therefore, RNP is not affected by interest earned



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

46



Comparing FDS vs VMS RNP Reporting

Session 3: HCV & HCV-Related Programs

REAC Financial Review #02

47

Instructions: You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's financial submission. The PHA under review has a June 30th fiscal year end with annual budget authority of \$2.5 million. The PHA reported the following HCV balances on their FDS submission to REAC

- Restricted Net Position (FDS line 511.4) \$0
- Housing Assistance Payment Equity (FDS Line 11180) -\$65,194

Question: Is this a reporting problem and why?



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

UNP/RNP Reporting Example #1

48

- Small Net Income (any fiscal year end)
 - PHA starts the year with:
 - ◆ RNP of \$20,000 (assumes fully supported by cash)
 - ◆ UNP of \$10,000 (assumes fully supported by cash)
 - ◆ HUD Held Reserves of \$40,000
 - Net HAP activity for the year is a profit of \$5,000
 - Net Admin Fee activity for the year is \$0 (breakeven)

Fiscal Year End Reporting			
FDS Account	Balance	VMS Account	Balance
FDS – Restricted Net Position (511.4)	\$25,000		
FDS – HAP Equity (11180)	\$25,000	VMS – RNP	\$25,000
FDS – UNP (512.4)	\$10,000	VMS – UNP	\$10,000



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

UNP/RNP Reporting Example #2

49

- Small Net Loss Absorbed by RNP (any fiscal year end)
 - PHA starts the year with:
 - ◆ RNP of \$20,000 (assumes fully supported by cash)
 - ◆ UNP of \$10,000 (assumes fully supported by cash)
 - ◆ HUD Held Reserves of \$40,000
 - Net HAP activity for the year is a loss of \$15,000
 - Net Admin Fee activity for the year is \$0 (breakeven)

Fiscal Year End Reporting			
FDS Account	Balance	VMS Account	Balance
FDS – Restricted Net Position (511.4)	\$5,000		
FDS – HAP Equity (11180)	\$5,000	VMS – RNP	\$5,000
FDS – UNP (512.4)	\$10,000	VMS – UNP	\$10,000



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

UNP/RNP Reporting Example #3

50

- Net Loss to be Paid by HUD Held Reserves (any fiscal year end)
 - PHA starts the year with:
 - ◆ RNP of \$20,000 (assumes fully supported by cash)
 - ◆ UNP of \$10,000 (assumes fully supported by cash)
 - ◆ HUD Held Reserves of \$40,000
 - Net HAP activity for the year is a loss of \$35,000
 - Net Admin Fee activity for the year is \$0 (breakeven)

Fiscal Year End Reporting			
FDS Account	Balance	VMS Account	Balance
FDS – Restricted Net Position (511.4)	\$0		
FDS – HAP Equity (11180)	\$0	VMS – RNP	(\$15,000)
FDS – UNP (512.4)	\$10,000	VMS – UNP	\$10,000

1. PHA pays HAP using UNP and other eligible sources of funding (e.g., COCC)
2. HUD-held reserves will be reduced by \$15,000 (\$35,000 loss minus \$20,000 RNP balance)
3. Under cash management, PHAs should report negative RNP under VMS to reflect the need to have further funds disbursed (up to those available funds), which is different than when HUD disbursed the full annual budget authority



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

- PHAs should be requesting HAP funds from the FMC to cover any deficit ahead of time and not wait for HUD to provide additional funds as part of the reconciliation process
- Deficits will be covered through additional release of HAP funds:
 - Annual Budget Authority
 - HUD Held Reserves
 - Set-aside Funds
 - Cost Saving Measures
- The use of UNP to cover HAP deficits is optional

The previous examples are the reporting possibilities that would exist if the PHA is managing its HAP costs, requesting HAPs funds ahead of time, and applying for set-aside funding if needed



Administrative Fees

Administrative Fees

53

- PHAs are paid a fee by HUD to administer the HCV program
- Administrative fees are not subject to cash management as the law requires each PHA to be provided a fee for each voucher that is under HAP contract as of the first day of each month



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Administrative Fees

54

- Formula:
 - Administrative fees will be paid based on units leased as of the first day of each month per the Voucher Management System (VMS)
 - Two administrative fee rates are provided for each public housing authority (PHA). The first rate, Column A, applies to the first 7,200 unit months leased in the calendar year. The second rate, Column B, applies to all remaining unit months leased in the calendar year, subject to proration

PHA Code	2019 A Rate	2019 B Rate
AK901	\$98.76	\$92.18
ID005	\$67.21	\$62.73
ID013	\$83.52	\$77.95
ID016	\$83.52	\$77.95
ID021	\$83.52	\$77.95

ID013: 1,000 vouchers leased & 78% proration
12,000 UMLs

$\$601,344 = \$83.52 * 7,200$ (A rate calculation)

$\$374,160 = \$77.95 * (12,000 - 7,200)$ (B rate calculation)

$\$975,504 = \text{Total Fee Earned}$

$\$760,893 = \text{Total Prorated Fee Earned (78\%)}$



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Administrative Fee Rates

55

State	2017		2018			2019		
	A Rate	B Rate	A Rate	B Rate	% Increase	A Rate	B Rate	% Increase
Alaska (1 PHA)								
Min	\$94.54	\$88.24	\$96.19	\$89.78	1.7%	\$98.76	\$92.18	2.7%
Max	\$94.54	\$88.24	\$96.19	\$89.78	1.7%	\$98.76	\$92.18	2.7%
Average	\$94.54	\$88.24	\$96.19	\$89.78	1.7%	\$98.76	\$92.18	2.7%
Idaho (5 PHAs)								
Min	\$63.82	\$59.56	\$64.88	\$60.56	1.7%	\$67.21	\$62.73	3.6%
Max	\$79.30	\$74.02	\$80.63	\$75.25	1.7%	\$83.52	\$77.95	3.6%
Average	\$74.15	\$69.21	\$74.79	\$69.80	0.9%	\$77.47	\$72.30	3.6%
Oregon (21 PHAs)								
Min	\$73.82	\$68.90	\$75.44	\$70.42	2.2%	\$77.62	\$72.46	2.9%
Max	\$89.76	\$83.78	\$92.96	\$86.77	3.6%	\$96.28	\$89.86	3.6%
Average	\$80.42	\$75.06	\$82.88	\$77.35	3.1%	\$85.64	\$79.93	3.3%
Washington (28 PHAs)								
Min	\$61.12	\$57.05	\$62.83	\$58.64	2.8%	\$65.20	\$60.86	3.8%
Max	\$95.05	\$88.70	\$97.82	\$91.28	2.9%	\$101.38	\$94.60	3.6%
Average	\$80.18	\$74.83	\$82.51	\$77.00	2.9%	\$85.52	\$79.82	3.7%



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Eligible Use of Administrative Fees

56

- Administrative fees may only be used to cover costs incurred to perform a PHA's HCV administrative responsibilities in accordance with HUD regulations and guidance (24 CFR 982.152)

During Fiscal Year

Any administrative fees received in the PHA's fiscal year may only be used for the administrative purposes of the HCV program.

End of Fiscal Year

If a surplus of administrative fee remains at the end of the PHA's fiscal year, the amount is added to the PHA's administrative fee reserve.

Administrative Fee Reserves¹

Post-2003 Administrative Fee Reserves
1. May only be used for activities related to the HCV program, including related development activities.

Pre-2004 Administrative Fee Reserves
1. May be used for other housing purposes permitted by State and local law.
2. HUD may prohibit use of the funds for certain purposes.

¹ Administrative Fee Reserves Notes:

- PHAs must maintain a single administrative fee reserve account (24 CFR 982.155).
- Pre-2004 Administrative fee should not increase.
- All current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves.

11170-003	Administrative Fee Equity- Ending Balance	\$3177850
*11170-005	Pre-2004 Administrative Fee Reserves	\$886018
*11170-006	Post-2003 Administrative Fee Reserves	\$2291832

Session 3: HCV & HCV-Related Programs

Spring/Summer 2019



Eligible Use of Administrative Fees, cont'd

57

- Post-2003 Administrative fees reserves may be used to cover shortfalls in HAP if the fee is not needed to cover administrative expenses
- Non-federal, non-restricted funds may be loaned to the HCV program to cover shortfalls in the administrative fee account. Subsequent administrative fees may be used to reimburse the funding source
- Once pre-2004 administrative fees have been spent on an eligible activity, FDS line 11170-005 Pre-2004 Administrative Fee Reserves should not be increased
 - All current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Administrative Fee FDS Lines

58

- 70600-060 All Other Fees - Homeownership Fees; Special Fees for Multifamily Housing Conversion Actions; Special Fees for Portability; Disaster Fee Adjustments; and One-Time Costs Associated with adoption of Small Area Fair Market Rent

Line Item 70600 Details (readonly mode)		
Line Item #	Description	Value
*70600-010	Housing Assistance Payments	\$21785635
*70600-020	Ongoing Administrative Fees Earned	\$2263630
*70600-030	Hard to House Fee Revenue	\$0
*70600-031	FSS Coordinator Grant	\$0
*70600-040	Actual Independent Public Accountant Audit Costs	\$0
*70600-050	Total Preliminary Fees Earned	\$0
*70600-060	All Other Fees	\$0
70600-070	Admin Fee Calculation Description	
Total Amount		\$24049265

[Back to IncomeStatement](#)



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019



Accounting and Reporting of Administrative Fees

Session 3: HCV & HCV-Related Programs

Administrative Fee Revenue Recognition (GASB 33)

60

- Same criteria as used for HAP Funding
- For administrative fee, specifically
 - Timing and enforceable legal claim requirement apply because the appropriation language requires that a fee be earned only based on the number of **vouchers leased** on the **first of the month**
- PHAs in practice, recognize administrative fees based on disbursements from HUD (cash basis) and then reconcile to actual fees earned at year-end
 - Book accounts receivable from HUD for fees earned but not received
 - Book unearned revenue for fees received but not earned
 - ◆ Should not be reported as an accounts payable back to HUD



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Disbursement Schedules

61

- Administrative fees are disbursed/available on the first of each month
- Since HUD does not know the number of vouchers leased on the first of the month, the fee disbursed is based on past months voucher leased reported in VMS
- Throughout the year, this funding mechanism results in a small overpayment or underpayment of fees each month, but will essentially correct itself in later months, as VMS data for prior month becomes available
- At the end of the calendar year, when all calendar year VMS data, is available and re-certified, HUD recalculates a final administrative fee for each PHA; reducing / increasing the administrative fee disbursed as necessary



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Illustration of Vouchers Leased in a Disbursement Schedules

62

Housing Authority of the Anywhere - Voucher Leased Data						
#	Month	HUD Estimate of Voucher Leased	Actual Vouchers Leased	Difference	% Difference	Payment
1	Apr-17		482			
2	May-17		479			
3	Jun-17		477			
4	Jul-17		476			
5	Aug-17		480			
6	Sep-17		486			
7	Oct-17	482	480	2	0.4%	Over-Payment
8	Nov-17	479	475	4	0.8%	Over-Payment
9	Dec-17	477	490	-13	-2.7%	Under-Payment
10	Jan-18	476	488	-12	-2.4%	Under-Payment
11	Feb-18	480	481	-1	-0.2%	Under-Payment
12	Mar-18	486	484	2	0.4%	Over-Payment
13	Apr-18	480	479	1	0.2%	Over-Payment
14	May-18	475	476	-1	-0.2%	Under-Payment
15	Jun-18	490	489	1	0.2%	Over-Payment
16	Jul-18	488	488	0	0.0%	n/a
17	Aug-18	481	484	-3	-0.6%	Under-Payment
18	Sep-18	484	486	-2	-0.4%	Under-Payment
Total Oct 17 - Sept 18		5,778	5,800	-22	-0.4%	Under-Payment



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Administrative Fee Reporting - Underpayment

63

VMS and Fee Calculation Data					
Data	Vouches Leased on 1st of Month	Fee Rate	Proration	Amount Disbursed	Amount Earned
Older VMS Data	500	\$60	75%	\$22,500	
Actual	550	\$60	75%		\$24,750

FDS Reporting			
FDS Line Item		Debit	Credit
111	Cash - Unrestricted	\$22,500	
122	Accounts Receivable - HUD Other Projects	\$2,250	
70600-020	HUD PHA Operating Grants - Administrative Fees		\$24,750



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Administrative Fee Reporting - Overpayment

64

VMS and Fee Calculation Data					
Data	Vouches Leased on 1st of Month	Fee Rate	Proration	Amount Disbursed	Amount Earned
Older VMS Data	550	\$60	75%	\$24,750	
Actual	500	\$60	75%		\$22,500

FDS Reporting			
FDS Line Item		Debit	Credit
111	Cash - Unrestricted	\$22,500	
115	Cash Restricted for Payment of Current Liability	\$2,250	
70600-020	HUD PHA Operating Grants - Administrative Fees		\$22,500
342	Unearned Revenue		\$2,250



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Unspent Administrative Fees

65

- For FDS reporting, unspent and earned administrative fees are considered unrestricted as the funds are
 - Available for full use in the day-to-day operations of the program, including the payment of HAP (as needed)
- Unspent and earned Administrative fees should be reported in FDS Lines
 - Unrestricted Cash (FDS line 111)
 - Unrestricted Investments (FDS line 131)
- Port-in payments (both HAP and administrative fees from the initial PHA) are not considered restricted and should be reported in the PHA's administrative fee account



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

REAC Financial Review #03

66

- Instructions. You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's financial submission. The table below provides HUD funding information for the PHA you are reviewing

FDS Line	FDS Description	Amount	%
70600-010	Housing Assistance Payments	\$3,920,000	91%
70600-020	Ongoing Administrative Fees Earned	\$375,000	9%
70600	Total HUD Revenue	\$4,295,000	100%

- Other information: The PHA reported unearned revenue of \$105,000 and provided the following information
- The PHA's beginning HAP equity was zero and the PHA's HAP need / expense for the year was \$3,820,000
- The PHA does not operate an FSS program and no repayment agreements were entered into this year or prior years
- HUD disbursed \$380,000 in administrative fees in the year but the PHA only earned \$375,000 in fees

Question: Based on the above information, is there a reporting or problem? Why or why not?



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019



Unrestricted Net Position - Administrative Fee Account

Session 3: HCV & HCV-Related Programs

Unrestricted Net Position – FDS Reporting

Unrestricted Net Position – FDS Reporting

FDS – UNP (FDS line 512.4)

- Total unrestricted current and long-term assets minus total unrestricted current and long-term liabilities
- Does not include net investments in capital assets

Administrative Fee Equity (FDS line 11170)

- Should normally equal the sum of unrestricted net position (512.4) and net investments in capital assets (508.4)
- Some GAAP restricted items may be reported in this account, such as:
 - Debt issued for a renovation of administrative building,
 - Certain homeownership activity,
 - Net Pension and OPEB asset and liabilities (some states require this asset to be reported as restricted; but is reported under 11170 for FDS reporting)

Notes

- Can be zero or negative



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Unrestricted Net Position – VMS Reporting

69

Unrestricted Net Position – VMS Reporting

VMS Reporting

- At the end of the PHA's fiscal year, report the difference between the HCV program's asset and liabilities that do not meet the definition of restricted net assets or invested in capital assets
- In all other months, the PHA's UNP should reflect any administrative fee net loss for the year and the income or loss of other activity reported under UNP (i.e., portion of fraud recovery, interest income, etc.)

Notes

- Include all port-in activity
- Interest earned on RNP up to \$500 is considered UNP / admin activity
- Pensions and OPEB liabilities should be included in UNP with comment
- FSS grants should not be reported as UNP
- Does not include Mainstream 5 activity or other non-HCV programs (i.e. Mod Rehab)
- Can be zero or negative



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

70



Portability Provision

Session 3: HCV & HCV-Related Programs

Portability Provision

71

- 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, but 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 HCV 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



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Common Terms Used in Portability Discussions

72

- **Initial PHA.** The PHA that issues the ACC voucher to a family that wants to move to a different jurisdiction
- **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, the voucher remains an ACC voucher of the initial PHA or
 - The receiving PHA may absorb the voucher into its own program. The voucher used is now the receiving PHA's ACC
- **Port In (Family).** Refers to program participant at the receiving PHA
- **Port Out (Family).** Refers to program participant that no longer resides in the initial PHA's jurisdiction but is under the receiving PHA's jurisdiction, i.e., a family ports out of the initial PHA's jurisdiction and ports into the receiving PHA's jurisdiction

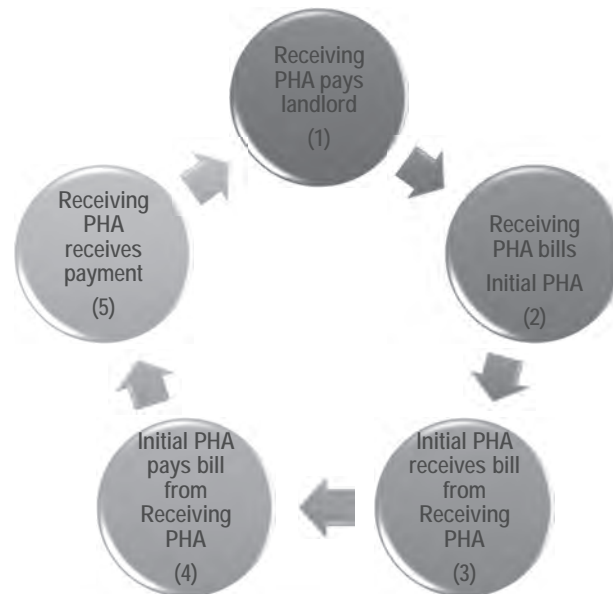


Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Portability Accounting and Billing Cycle

73



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Billing Amounts

74

- The initial PHA is required to pay the receiving PHA
 - HAP: 100% of the HAP paid by the receiving PHA
 - Administrative Fee: Lessor of
 - ◆ 80% of the initial PHA's ongoing administrative fee; or
 - ◆ 100% of the receiving PHA's ongoing administrative fee

Administrative Fee Details

- ◆ Fee rate is based on column B rate of the fee schedule
- ◆ Proration is applicable
- ◆ PHAs can agree to another amount



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Portability – FDS Line Items

75

FDS Line	Account Description
121	Accounts Receivable - PHA Projects
332	Accounts Payable - PHA Projects
71500	Revenue Portability (HAP & Admin Fees - Receiving PHA)
96200	Other General Expense (Admin Fees - Initial PHA)
97300	HAP Expense (Initial PHA)
97350	HAP Portability-In (Receiving PHA's Landlord Payment)



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Portability – Journal Entry

76

HAP Payment to Landlord by the Receiving PHA:		
FDS Account & Description	Debit	Credit
(97350) Housing Assistance Payment Portability	XXX	
(111) Cash - Unrestricted		XXX

Receiving PHA Invoices the Initial PHA:		
FDS Account & Description	Debit	Credit
(121) Account Receivable - PHA Projects (HAP and Administrative Fee)	XXX	
(71500) Revenue Portability (HAP and Admin Fee)		XXX



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Portability – Journal Entry

77

Initial PHA Records Payment to the Receiving PHA:

FDS Account & Description	Debit	Credit
(97300) Housing Assistance Payments (Reimbursement for Landlord Payment)	XXX	
(96200) Other General Expense (Admin Fee Paid) (332) Accounts Payable - HUD PHA Programs (HAP and Admin Fee)	XXX	XXX

Initial PHA Makes Payment to the Receiving PHA:

FDS Account & Description	Debit	Credit
(332) Accounts Payable - HUD PHA Programs (Reimbursement for Landlord Payment and Administrative Fee)	XXX	
(111) Cash - Unrestricted (Admin Fee)		XXX
(113) Cash - Other Restricted (HAP)		XXX



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Portability – Journal Entry

78

Receiving PHA Records Payment from the Initial PHA:

FDS Account & Description	Debit	Credit
(111) Cash - Unrestricted	XXX	
(121) Accounts Receivable - PHA Projects (Reimbursement for landlord payment and Admin Fee)		XXX



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019



VMS Reporting Issues

Session 3: HCV & HCV-Related Programs

Issues to Discuss

80

- Reporting of Cash/Investment Balances
- Reporting of Administrative Expenses
- Reporting of HAP Expenses
- Reporting of UNP Balances
- Reporting of RAD Vouchers
 - VMS Quality Audits
 - Units Leased
 - Reporting of RNP



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Number of PBVs under HAP and not leased with vacancy payment and associated vacancy HAP expense		
Number of PBVs under HAP and not leased with vacancy payment and associated vacancy HAP expense(HAP)		
Fraud Recovery Total Collected This Month	\$542	\$102
Interest or other income earned this month from the investment of HAP funds and Net Restricted Assets		\$1
FSS Escrow Forfeitures This Month	\$112	
Number of Hard to House Families Leased		
Number of LBP Initial Clearance Tests		
Number of LBP Risk Assessments		
Portable HAP Costs Billed and Unpaid - 90 Days or older		
FSS Coordinator Expenses Covered by FSS Grant		
FSS Coordinator Expenses Not Covered by FSS Grant		
Non - MTW Administrative Expenses	\$37,870	\$33,067
Audit		
Unrestricted Net Position (UNP) as of the Last Day of the Month	(\$10,181)	\$39,279
Restricted Net Position Funds (RNP) as of the Last Day of the Month	\$94,303	(\$95,830)
Cash/Investment as of the Last Day of the Month - Voucher Program Only	\$88,423	\$40,166



Veterans Affairs Supported Housing (VASH) Voucher	24	21
Veterans Affairs Supported Housing (VASH) HAP	\$12,593	\$10,970
DHAP to HCV Vouchers Leased		
DHAP to HCV Voucher HAP		
All Other Vouchers	157	149
All Other Vouchers HAP	\$66,330	\$62,537
MTW - Family Unification 2008/Forward HAP expenses after the First of the Month		
MTW - Family Unification pre-2008 HAP After the First of the Month		
MTW - Non-Elderly Disabled 2008/Forward HAP Expenses after the First of the Month		
MTW - VASH HAP Expenses after the First of the Month		
MTW - One year Mainstream HAP After the First of the Month		
FSS Escrow Deposits	\$2,146	\$4,243
All Voucher HAP Expenses After the First of Month		\$1,612
Total Vouchers	596	665
HAP Total	\$253,209	\$283,437
Number of Vouchers Under Lease (HAP Contract) on the last day of the Month	595	667
HA Owned Units Leased - included in the units leased above	8	7
New vouchers issued but not under HAP contracts as of the last day of the month	8	7
Portable Vouchers Administered (Port In)	1	3
Total HAP for Portable Units Administered	\$266	\$1,586
5 Year Mainstream	74	72
5 Year Mainstream HAP	\$22,247	\$22,746
Number of PBVs under AHAP and not under HAP		
Number of PBVs under HAP and leased	197	199
Number of PBVs under HAP and not leased	5	6



Number of PBVs under HAP and not leased with vacancy payment and associated vacancy HAP expense		
Number of PBVs under HAP and not leased with vacancy payment and associated vacancy HAP expense(HAP)		
Fraud Recovery Total Collected This Month	\$542	\$02
Interest or other income earned this month from the investment of HAP funds and Net Restricted Assets		\$1
FSS Escrow Forfeitures This Month	\$12	
Number of Hard to House Families Leased		
Number of LBP Initial Clearance Tests		
Number of LBP Risk Assessments		
Portable HAP Costs Billed and Unpaid - 90 Days or older		
FSS Coordinator Expenses Covered by FSS Grant		
FSS Coordinator Expenses Not Covered by FSS Grant		
Non - MTW Administrative Expenses	\$37,870	\$33,067
Audit		
Unrestricted Net Position (UNP) as of the Last Day of the Month	(\$10,181)	\$39,279
Restricted Net Position Funds (RNP) as of the Last Day of the Month	\$94,303	(\$95,830)
Cash/Investment as of the Last Day of the Month - Voucher Program Only	\$88,423	\$40,166



Issues to Discuss, cont'd

- The Voucher Management System (VMS) is an online system created to track voucher unit and HAP cost data
- Used for funding purposes
- VMS submissions are due on the 22nd of the following month
 - The amounts reported in VMS follow specific rules that do not necessarily follow GAAP accounting principles
 - Data fields in VMS have a “?” If you click on it, it gives a description of what should be reported in that field.



Cash/Investments as of the last day of the month – Voucher Program only. Cash/Investments as of the last day of the month are the total amount of HAP and AF cash and investments for the HCV program. Amounts reported include all cash and investments as they relate to NRP and UNP balances as of the last PHA FYE, as well as any additional funds that may have been reported in the UNP and NRP fields through the month being reported. This total amount must include only those HAP and AF funds (including any interest or revenue derived) received for the HCV program, including interest earned, fraud recovery and Family Self-Sufficiency (FSS) forfeitures. Funds received for an FSS Coordinator and not expensed must not be included. **Cash and investments for FSS escrows must not be included, nor should any cash or investments representing other current liabilities to the PHA, such as outstanding checks and “accrued compensated absences – current period” as these funds are already restricted for specific purposes and are not available for use to pay HAP or other administrative costs.**



Spring/Summer 2019

VMS Reporting – Cash & Investments Example

Cash	60,000
Cash - FSS Deposits	6,000
Prepaid Insurance	1,500
Equipment - (Net of Depre.)	4,500
Total Assets	72,000
Accounts Payable	2,000
Accrued Leave - Current	3,000
Interprogram - Due to	15,000
FSS Escrow Liabilities	6,000
Accrued Leave - Noncurrent	12,000
Pension Liability (GASB 68) - Noncurrent	14,000
Total Liabilities	52,000
Unrestricted Net Position	8,000
Restricted Net Position (HAP)	7,500
Investment in Capital Assets	4,500
Total Net Position	20,000
Total Liabilities and Net Position	72,000

Item	Balance
Cash	\$60,000
Add: Investments	-----
Less: Accounts Payable	\$(2,000)
Less: Accrued Leave-Current Portion	\$(3,000)
Less: Inter-Program Due To	\$(15,000)
Net Cash to Report in VMS	\$40,000

The cash amount reported in VMS differs from the balance reported on the FDS due to VMS requirements mandating that current liability balances be deducted from cash balances to arrive at a net balance available.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

VMS Reporting – Administrative Expense

87

- Total administrative expenses, direct and indirect, incurred by the PHA for the Voucher Program. This amount excludes expenses covered by FSS/Homeownership Coordinator grants, Housing Conversion fees, Mobility Counseling and ROC fees (and other special purpose one time fees provided), Preliminary Expenses and Portability Payments due from another Housing Authority.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

VMS Reporting – Admin Expenses

88

- A PHA may need to include capitalized expenditures, as these costs have a direct impact to the unrestricted net position balance.
- Depreciation expense, as this cost does not impact unrestricted net position. It impacts Investment in Net Capital Assets.
- Portability HAP payments (Port-in) are not being included as a cost due to the reimbursement nature of the program transaction.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Calculate VMS Admin Expenses

89

Admin. Salaries	12,000	★
Employee Benefits	4,100	★
Audit	700	
Office Rent	400	★
Office Supplies	350	★
Insurance	500	★
Port-out Admin. Fees	250	★
Port-in HAP Payments	1,380	
Capitalized Expenditures	1,200	★
Depreciation	600	
Transfer of Pre-2004 Reserves	5,000	
Total Admin. Costs	26,480	

★ Administrative expenses to be reported to VMS total \$18,800.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

VMS Reporting – UNP Balance

90

- AF revenue used to calculate the UNP reported in this field does not include AF received during the current PHA FY, because excess AF received does not accumulate to the UNP until the end of the PHA's FY. The excess fees received during the PHA's current FY will not be reported in the UNP field until after the PHA's FYE. The monthly amount reported is the UNP balance at the beginning of the year plus any interest earned and fraud recovery allocated to the UNP account for the months in the current year. PHAs must include in this field their pre-2005 AF balance, formerly referred to as their operating reserve (also known as their AF reserve).



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

- In a nutshell, PHAs are prohibited from including any administrative fee profits generated from HUD funding (HCV Admin. Fees) in the unrestricted net position balance.
- However, net losses related to administrative fees should still be included as a reduction to the unrestricted net position balance.



Miscellaneous

Adjustments & Corrections

93

- PHAs are reminded that a number of accounting transactions do not automatically flow into FDS accounts:
 - 11170 Administrative Fee Equity
 - 11180 HAP Equity
(e.g., other state/local grants, transfers, other revenue, prior period adjustments, corrections of errors, etc.)
- PHAs need to ensure that the Other Revenue and Other Expense detail lines are properly completed with explanatory comments
- Audit adjustments and other errors, especially related to HAP will normally require the PHA to revise VMS reporting



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Pre-2004 Administrative Fee Equity

94

- Once pre-2004 administrative fees have been spent on an eligible activity, FDS line 11170-005 Pre-2004 Administrative Fee Reserves should not be increased
 - Ancillary all current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

New VMS RAD Leasing and HAP Lines

95

- Effective April 2016, RAD Component 1 and 2 leasing and expense information is no longer reported in the Tenant Protection voucher lines
- Effective April 2016, RAD HAP and Leasing information should be reported in
 - Rental Assistance Component 1 (RAD 1) - Total HAP paid / units leased beginning January 1 of the first full calendar year for all RAD Component 1 awards
 - Rental Assistance Component 2 (RAD 2) - Total HAP paid / units leased beginning January 1 of the first full calendar year for all RAD Component 2 awards
- (Note – Do not revise Tenant Protection data for January – March of 2016)



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

PHA Review of Reported Data

96

- Recommended that quarterly, PHA accounting and HCV staff review the last two of years of VMS, FDS and other in-house reports and review the data for:
 - Consistency in reporting;
 - Variances that cannot be explained;
 - Known variances;
 - Known variances where a correction should have already been applied; and
 - Known variances where a correction will be applied at a future time



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019



Example QAD Findings

Improper Cash Reporting

98

- Cash on hand does not match amount reported in VMS.
- For this issue QAD looked at the actual bank statement to work backward to the amount reported in VMS.

Item	Amount
Bank Balance	\$50,000
Investment Balance	\$28,000
MINUS	
Unspent FSS Coordinator Grants	\$-----
FSS Escrow balances	\$(12,500)
Outstanding checks	\$(3,200)
Other current liabilities	(4,200)
QAD validated cash	\$58,100



Comingling of Cash

99

- The PHA comingles all their funds into one general fund and an accounting structure has not been established in a manner that clearly determines how much cash is available for the HCV Program. The PHA provided bank statements and reconciliation documents but the PHA was unable to provide QAD with an entity-wide balance sheet demonstrating how much cash and investments represented the cash specific to the HCV Program.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Insufficient Cash Balances

100

- The PHA's cash balances were insufficient to cover the PHA RNP account balance.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

General Depository Agreement

101

- The PHA failed to execute a General Depository Agreement (GDA) (HUD-51999), for the HCV accounts with their financial institution.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Inter-Program Due To/Due From

102

- The HCV program has significant “due to” balances owed to the COCC that has accumulated over several years.
- Recommendation: the PHA should evaluate the COCC fees to determine if they are reasonable. In addition, the PHA may consider writing off the accounts owed to the COCC as a “bad debt”.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

- General ledger balances for participant escrow amounts did not match documentation received from the FSS Coordinator
- FSS escrow bank account balance was insufficient to support the actual escrow balances.



- PHAs are required to report HAP expenses in the month they were incurred and to apply HAP expenses against the RNP in the month incurred.
- Finding: The PHA did not adjust retroactive expenses as required for VMS reporting.



Transfer of Equity

105

- The PHA lacked support to confirm the validity of a transfer of equity from the DHAP account to the HCV Administrative Account.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Portability

106

- Finding: Portability expenses and revenues were incorrectly tracked and reported.
- HAP expense was expenses in its regular HAP account. The related receipts and admin. fees were adjusted upon the preparation of the FDS
- Port-in outstanding balances were unable to be supported, thereby utilizing HAP funds to support the port-in units.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Administrative Expenses Review

107

- Finding: A comparison of administrative expenses reported in VMS to the general ledgers. The administrative expenses were over reported by \$?????? for the 12 month period.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Inappropriate Use of HCV Program Funds

108

- Undocumented cost allocation plans
- Travel Costs
- Use of funds for other programs
- Managing other programs within the HCV Fund



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Cost Allocations

109

- Example Finding: The PHA's allocation methodology forced the inappropriate use of HCV funds to cover Low Rent's administrative expenses.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Peer-to-Peer Analysis

110

- Typically, QAD will include a report comparing the administrative cost to other PHAs with a similar number of units and close in proximity.
- The costs is reported as a cost per unit month leased basis.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Equity Balances Reported

111

- Finding: The RNP and UNP account balances were incorrectly reported in VMS.
- Cause: Accounting processes increase the workload for staff as expenses are moved between the administrative section and HAP sections.
- Noted discrepancies included:
 - HUD disbursements could not be reconciled to trial balance
 - Admin. fee disbursements could not be reconciled to trial balance
 - Admin. fee equity detailed port-in income without amounts being reported properly on the trial balance or the top-level FDS.
 - FSS forfeitures were not reported on the appropriate line item.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Travel Example

112

- Administrative fees were used to reimburse employees for meals within the PHA's jurisdiction.
- These costs were disallowed and required the PHA to reimburse the HCV Program from non-federal sources.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

- The PHA provided counseling services for families participating in a first-time home buying program. The costs of providing these services were charged to the HCV Program. Some of the participating families were not in the HCV Program.
- This was considered a separate program that should have reported costs separately from the HCV Program. Costs related to the Program were not permitted to be charged to the HCV Program.



A large graphic featuring a Venn diagram with three overlapping circles. A white horizontal banner is overlaid across the middle of the circles. On the left side of the banner is a small image of a multi-story apartment building. To the right of the image, the text "QAD Concerns" is written in a large, bold, sans-serif font.

Reporting of RNP and UNP Balances

115

#1 Concern – Overall RNP and UNP balances are not calculated following the guidelines set forth in PIH Notice 2015-17.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Failure to Correct VMS

116

- Several PHAs fail to make necessary corrections in VMS upon the discovery of an error.
- This could result in the issuance of non-compliance letter.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Portability-In HAP Payments

117

- Incorrectly including port-in HAP payments in the regular voucher HAP payments and in the restricted net position (RNP) calculation.
- It is recommended that Port-in HAP payments be separated in the general ledger from other HAP payments.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Failure to Maintain Proper Internal Controls

118

- Due to establishing an appropriate internal control, PHAs are put in financial risk:
 - From using HAP funds for non-HAP expenses;
 - Excessive spending on questionable items;
 - Misuse of HAP funds preventing assistance for additional families.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Corrective Action Plans

119

- The PHA has failed to respond to HUD's Review by not completing Corrective Action Plan (CAP).
- The CAP is poorly thought out
- The CAP is not being adhered within the schedule provided by the PHA.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Ineligible use of HCV Administrative Fees

120

- During reviews, increased incidences of ineligible costs including:
 - Unsupported travel expense reimbursements
 - Food
 - Employee personal cell phones
 - Other disallowed items

Risks: PHAs need to be clear as to charges permitted to the HCV program, excluding COCC costs, other program related costs, and excessive centralized fees.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Management Fee Calculation

121

- PHA's using the 20% of admin. fee threshold for charging management fees are not revising the amounts to match with the actual fees earned after proration.
- Fees are not being recalculated as units leased amounts are recomputed in VMS.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Pre-2004 Admin. Fee Reserves

122

- Pre-2004 admin. fee reserves are being replenished with current admin. fees earned after resources have been used in the previous year.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Failure to Carry a Fidelity Bond

123

- A fidelity bond is not maintained for individuals processing payments throughout the program.

Risks: *Fidelity bonds are not being maintained as required by the ACC Contract. Individuals are not being identified that may have access to create fraudulent payments.*



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

VMS Amounts Not Matching G/L

124

- Amounts recorded in VMS does not match the trial balances without documented adjustments.

Risks: *Amounts being reported are not being initially taken from financial statement data. Amounts are being taken from separate systems without a reconciliation to the general ledger system. Amounts reported in VMS is estimated.*



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

Due to/Due from Accounts

125

- PHAs fail to settle inter-program account balances by the end of the fiscal year.

Risks: Cash balances have been improperly reported in VMS due to the result of carrying these balances. Funding for the HCV program has been inappropriately used for other programs.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

FSS Forfeitures

126

- Reported FSS forfeitures:
 - Are not reported in general ledger;
 - Are being reported in the Administrative fee equity section as other income;
 - Are being reported as a reduction to HAP expense.

Risks: Accounting for the FSS Program does not comply with Accounting Brief #23.



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

- Lack of communication between program and accounting staff;
- Turnover in PHA staffing without training being provided;
- Timeliness of financial statement processing
- Lack of providing actual financial statements including the balance sheet



Reporting of HCV Program on the SEFA

Federal Awards Expended

129

- Determining Federal Awards Expended on the Schedule of Expenditure of Federal Awards (SEFA) (2 CFR 200.502 (a))
 - For a Federal award to be considered expended, it must be based on when the activity related to the Federal award occurred
 - Activity pertains to events that require the non-federal entity to comply with federal statutes, regulations, and the terms and conditions of Federal awards



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

SEFA and HCV Program Expenses

130

- For the HCV program, REAC will accept the federal awards expended reported on the SEFA/DCF as either:
 - 1) equal to FDS line 70600 (HUD PHA Operating Grants); or
 - 2) equal to FDS line 90000 (Total Expenses) less FDS line 97400 (Depreciation Expense) plus transfers out of Federal funds plus balance sheet only activities

FDS Line Items	Description
FDS Line 70600 (HUD PHA Operating Grants)	Annual Budget Authority or HUD Revenue Recognized
FDS Line 90000 (Total Expenses) less FDS Line 97400 (Depreciation Expense) plus any transfers out of Federal funds plus federal funds used for balance sheet only activities, such as the acquisition of capital assets.	Program Expenditures



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

SEFA and Port-In Activity

131

- 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) SEFA and be subject to audit procedures if the PHA 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



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

References

132

- PIH Notice 2018-09: Implementation of the Federal Fiscal Year (FFY) 2018 Funding Provisions for the Housing Choice Voucher Program
- PIH Notice 2013-28: Guidance on the Use of Outside Sources of Funds in the Housing Choice Voucher (HCV) Program
- Accounting Brief #19: Revenue Recognition for Housing Assistance Payments and Administrative Fees for the Housing Choice Voucher Program
- 24 CFR Part 792 – Public Housing Agency Section 8 Fraud Recoveries



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

- FSS program
 - 24 CFR 984: Family Self-Sufficiency Regulation
 - FFY 2014, 2015 and 2017 Notice of Funding Availability (NOFA) for Family Self-Sufficiency Program
 - Accounting Brief #23: Financial Reporting for the Family Self-Sufficiency Program
- Portability Provision
 - 24 CFR 982.353 through 982.355
 - Accounting Brief #18: Accounting Procedures for Recording Portability Transactions for the Housing Choice Voucher (HCV) Program
 - PIH Notice 2016-09: Housing Choice Voucher (HCV) Family Moves with Continued Assistance, Family Briefing, and Voucher Term's Suspension





Session 4: Family Self-Sufficiency (FSS) Program

FSS Program Introduction

2

- The FSS program enables families assisted through the HCV, PH and now multi-family programs to increase families' earned income and reduce their dependency on welfare assistance and rental subsidies
- Provides families opportunities for:
 - Education,
 - Job training counseling, and
 - Other forms of social service assistance
- In addition, escrow accounts are set-up for participants by the PHA
 - As a participant's skills increase, earnings will likely increase, resulting in an increase in rent
 - The increase in rent is placed 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



FSS Program Introduction, cont'd

3

- In managing this program, PHAs typically employ an FSS coordinator whose responsibilities include:
 - Ensuring that program participants are directed to the supportive services needed to achieve self-sufficiency;
 - Building partnerships with employers and service providers in the community to provide participants with the necessary services and jobs; and
 - Ensuring that program participants are fulfilling their responsibility under the program and that the escrow accounts are established and properly maintained



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

FSS Coordinator Grant Reporting

4

- FFY 2014 FSS Coordinator Grant activity is no longer reported under the HCV program but under the new CFDA program 14.896
 - All subsequent FSS Coordinator Grants are also reported under CFDA number 14.896
- Older HCV FSS Coordinator Grant funds (i.e., FFY 2013 and before) were/are to be reported under the HCV program
- 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
- REAC Accounting Brief #23 "Financial Reporting for the FSS Program" provides detailed guidance for proper grant and escrow accounting



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

FSS Coordinator Grant Reporting - FDS

5

FSS Coordinator Grant

FDS Reporting

- FFY 2014 FSS grants and forward should not be reported under the HCV program but under 14.896
- Unspent FFY 2013 and prior grants should be reported in FDS line 342 Unearned Revenue and 115 Cash Restricted for Payment of a Current Liability, therefore not affecting UNP
 - If and when FFY 2013 and prior grants are spent the costs would be reported in the HCV program under FDS line 92100 – 92500 Tenant Services
- HAP expense, forfeitures and escrow balances should continue to be reported under the HCV program regardless of the grant year
- FSS escrow forfeitures should not be netted with HAP expense but reported under 71500 Other Revenue
- Eligible FSS coordinator expenses above the grant amount or other non-salary and benefit costs of the FSS program should be reported as an HCV expense under FDS line 92100 – 92500 Tenant Services



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

FSS Coordinator Grant Reporting - VMS

6

FSS Coordinator Grant

VMS Reporting

- FSS escrow deposits (HAP expense) and FSS escrow forfeitures continue to be reported in VMS (no change)
- Unspent FSS Coordinator grants funds that have been received but not spent should not affect UNP
 - FFY 2014 grants and forward should not be reported in VMS as this grant is no longer considered an HCV activity
 - FFY 2013 grants and prior should be reported as unearned revenue with supporting cash (therefore no affect on equity)
- FSS Coordinator Expenses (covered and not covered by grant) should:
 - Continue to be reported for FFY 2013 and prior grants
 - Should not be used for FFY 2014 and forward grants
 - Eligible amounts charged to the HCV program would be reported as part of administrative expense

Notes

- FSS escrow forfeitures increase RNP not UNP



Session 3: HCV & HCV-Related Programs

Spring/Summer 2019

FSS Coordinator Grant – Revenue Recognition

7

- FDS line 70600 (HUD operating grants) 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 guidance for FSS expenses depends entirely on whether amounts are chargeable (i.e., eligible expenses) to the program
- Refer to HUD Accounting Brief #23



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

FSS Coordinator Grant – Revenue Recognition, cont'd

8

- 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



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

FSS Coordinator Grant – Revenue Recognition, cont'd

9

- 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



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Expenses Chargeable to the FSS Coordinator Grant

10

- Costs charged directly to CFDA #14.896 are limited to the annual salaries and fringe benefits of the FSS coordinator(s). In addition Administrative & Training costs associated with the grant.
 - Salary costs should be reported using FDS line 92100 (Tenant services – salaries)
 - Benefits should be reported using FDS line 92300 (Employee benefits contributions – tenant services)
 - Administrative expenses should be reported using FDS lines 92400 or 91XXX
 - The grant revenue should be reported using FDS line 70600 (HUD operating grants)



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Expenses Chargeable to the FSS Coordinator Grant, cont'd

11

- FSS coordinator salary and benefit amounts expended 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, 92400, or 91XXX) described previously



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Expenses Chargeable to the FSS Coordinator Grant, cont'd

12

- Beginning in 2017, grant funds may now also be used to cover eligible administrative and training costs.
- Limited to 10% of the total grant award and requires HUD approval
- Costs must be related to the FSS program. See 2017 NOFA (Section IIA.1) for more details



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Expenses Chargeable to the FSS Coordinator Grant, cont'd

13

- Example admin costs include mileage costs for visits to FSS families, coaching functions & outreach materials
- Examples of ineligible expenses, include security deposits, landlord incentives and food and beverage
- Eligible training expenses may include materials, cost of registration trainings related to case management, service coordination and self-sufficiency



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Expenses Not Chargeable to the FSS Coordinator Grant, cont'd

14

- Costs not chargeable should be reported in FDS line 92400 (Tenant services – other) or in the FDS line 91xxx series (administrative expense series)
- PHAs with both PH and HCV families must develop a cost allocation plan that allocates expenses fairly between PH and HCV
- For PH expenses – transactions must be reported in the project that incurred the cost
 - If multiple projects are involved, the PHA will need to ensure that each project incurs its fair share of the non-chargeable costs



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

FSS Coordinator Grant – LOCCS Draw-downs

15

- Funding is disbursed through HUD’s Line of Credit Control system (LOCCS)
- PHAs should only draw down funds for eligible costs that have actually been incurred
 - Per 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”



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

FSS Coordinator Grant – LOCCS Draw-downs, cont’d

16

- If a PHA has draw 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); and
 - Equity should not accrue in the FSS coordinator grant



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Escrow Activity – General Requirements

17

- The FFY 2014 change in funding of the FSS coordinator does not change the requirements or reporting associated with the participant's escrow account
- Funding of escrow account must come from either the PH or HCV program under which the family participates



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Escrow Activity – General Requirements, cont'd

18

- FSS escrow accounts must be held in a separate depository account (i.e., not comingled with other PHA funds)
- FSS escrow account funds should be supported by a subsidiary ledger showing the balance applicable to each participating FSS family
- 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



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Escrow Activity – FDS Reporting

19

- Escrow balances should 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 belong
- Escrow balances are not to be reported under CFDA #14.896



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Escrow Activity – FDS Reporting, cont'd

20

FDS Line	Account Description
111	<i>Cash - unrestricted</i> : To record amounts held in cash associated with unspent PH operating subsidy, tenant rents and other PH program income (i.e., operating reserves).
113	<i>Cash - other restricted</i> : 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	<i>Cash - restricted for payment of current liability</i> : 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	<i>Investments - unrestricted</i> : To record investments associated with unspent PH operating subsidy, tenants rents and other PH program income (i.e., operating reserves).
132	<i>Investments - restricted</i> : 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	<i>Investments - restricted for payment of current liability</i> : 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	<i>Other current liabilities</i> : To record FSS escrow account balances that are estimated to be paid out during the next fiscal year.
353	<i>Non - current liabilities - other</i> : To record FSS escrow account balances that are estimated not to be paid out during the next fiscal year.
71500	<i>Other revenue</i> : To record FSS forfeitures under both the HCV and PH program.
72000	<i>Investment income - restricted</i> : To record an increase the participants escrow balance due in interest earnings using a control account.
96200	<i>Other general expenses</i> : 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.



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Escrow Activity – FSS Forfeitures

21

- Any FSS escrow forfeiture is either PH or HCV program income based on the source of the funds that was initially used to fund the escrow account
 - PH participants – Escrow forfeiture would be considered PH program income and restricted to those eligible activities of the PH Operating Fund
 - HCV participants – Escrow forfeiture would be considered HAP income and restricted to HAP activities



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

Escrow Activity – FSS Forfeitures, cont'd

22

- If a FSS participant switches programs, the PHA must be able to separate the amount of FSS deposits by the different programs that were used to fund the escrow
- Example:
 - A FSS participant was initially in PH and then received housing assistance through the HCV program due to a Rental Assistance Demonstration (RAD) conversion
 - Assume that while under the PH program the participants escrow grew to \$2,000 and
 - 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



Session 4: Family Self-Sufficiency (FSS) Program

Spring/Summer 2019

- Recording Escrow Deposits

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

Instead of using account 96200, use account 3110.1



- Recording Investment Income

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



● Recording 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



● Recording Escrow Disbursements

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



- In the PH program, PHAs have two (2) FDS reporting options for escrow balances:
 - The PHA may report the escrow balance in the project in which the participant resides
 - The PHA may report the escrow balance in the other project column of the FDS
- Forfeitures of PH escrow would become program income to the respective project that funded the deposits



- PH and HCV FSS coordinator funds awarded from FFY2013 and prior appropriations are still restricted to the applicable program
 - PH FSS coordinator funding made available under the FFY 2013 (or earlier) PH FSS NOFA that has not been expensed (used) by the PHA can only be used to serve PH FSS participants or must be remitted back to HUD (if instructed)
 - HCV FSS funding made available under the FFY 2013 (or earlier) HCV FSS NOFA that has not been expensed (used) by the PHA can only be used to serve HCV FSS participants or must be remitted back to HUD (if instructed)



- PH participants will continue to be eligible for FSS once their housing is converted under RAD in accordance with PIH Notice 2012-32
- PH to PBV or PBRA can use FSS Funds to continue to serve PH FSS participants affected by RAD until such participants exit the FSS program
- PHAs that convert all of their ACC units to PBRA 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
- The Office of Multifamily Housing is expected to be issuing guidance to PBRA owners, including PHAs, who want to serve PBRA residents with a FSS program



- FFY 2015 appropriations law
 - PHAs may offer enrollment in the FSS program to:
 - ◆ PH Residents in projects converted to PBRA that were not previously enrolled in the FSS program;
 - ◆ Any other residents at the PBRA project; and
 - ◆ 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 apply for FFY 2015 FSS coordinator funds
 - A PHA awarded FSS coordinator funds under FFY 2015 may serve any PBRA resident (affected by RAD or not) under the PHA's FSS program with funds awarded under the FFY 2015 NOFA



- Continue to be Reported in VMS
 - FSS deposits made to escrow accounts
 - FSS escrow forfeitures (reported in the month of the forfeiture)
 - FFY 2013 and prior FSS coordinator expenses
 - All FSS coordinator expenses charged to the HCV program should continue to be reported as administrative expense
- No Longer Reported in VMS
 - FSS coordinator expenses associated with FFY 2014 and subsequent awards



- Accounting Brief #23: Financial Reporting for the Family Self-Sufficiency Program
- 24 CFR 984: Family Self-Sufficiency Regulation
- FFY 2014 and 2015 Notice of Funding Availability (NOFA) for Family Self-Sufficiency Program
- Notice PIH 2012-32 (HA), Rev-1 "Rental Assistance Demonstration - Final Implementation, Revision 1"





FASS - PH

Spring/Summer 2019



Session 5 – Single Audit Update

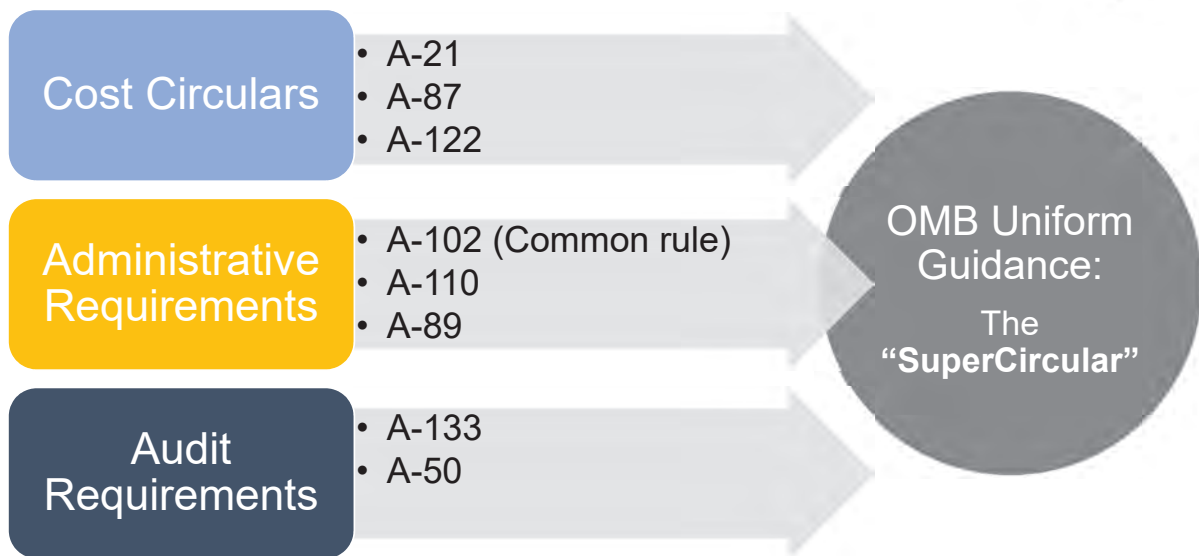
2 CFR Part 200 – OMB Uniform
Guidance: Cost Principles, Audit
and Administrative Requirement
for Federal Awards (OMB Uniform
Guidance)



Session 5: Single Audit Changes

2 CFR Part 200 Replaces

3



Session 5: Single Audit Changes

Spring/Summer 2019

Uniform Administrative Requirements, Cost Principles and Audit Requirements

4

- Effective to all new federal awards and to additional funding to existing awards made after 12/26/2014
- Audit requirements effective for years beginning on or after 12/26/14, Subpart F (12/31/15 year ends)
- Early implementation NOT permitted by auditees



Session 5: Single Audit Changes

Spring/Summer 2019

HUD Implementation Dates

5

- Grants agreements awarded before December 31, 2014 and not modified after that date are governed by 24 CFR Parts 84 or 85
 - Example - “This Agreement will be governed and controlled by the following, in effect as of the date of the Agreement. The Act, the NOFA, and HUD regulations, laws and policies incorporated into the NOFA. In this case, an agreement signed November 1, 2013, would be governed by the regulations in effect in November 2013.
- Where the terms of a HUD award made prior to December 26, 2014, state that the award will be subject to regulations as may be amended, the Federal award shall be subject to 2 CFR Part 200.
 - For example, the agreement might say: “This Agreement will be governed and controlled by the following: the Act, the NOFA, and HUD regulations, and policies incorporated into the NOFA as may be amended.”



Session 5: Single Audit Changes

Spring/Summer 2019

Exception to Effective Date - Procurement

6

- “For the procurement standards in §200.317-200.326, non-Federal entities may continue to comply with the procurement standards in previous OMB guidance (superseded by this part as described in §200.104) for two full fiscal years after this part goes into effect.
- If a non-Federal entity chooses to use the previous procurement standards for an additional fiscal year before adopting the procurement standards in this part, the non-Federal entity must document this decision in their internal procurement policies.”
- That non-Federal entity will be required to comply with the 2 CFR 200 procurement standards for the fiscal year starting July 1, 2016 and ending June 30, 2017.



Session 5: Single Audit Changes

Spring/Summer 2019

Effective Date – Practical Considerations

7

- Reform rules apply prospectively, as new grants are awarded/renewed
- Organizations with multiple grants with different funding periods have unique challenges
- Consider changing entity-wide policies and procedures
 - Procurement systems
 - Payroll (time and effort)
- Determine if two-year delay for procurement will be utilized – MUST document decision!



Session 5: Single Audit Changes

Spring/Summer 2019

Uniform Grant Guidance

8

- Subpart D: Post-Award Requirements for Financial and Program Management
 - Internal controls: explicit IC requirements for awardees
 - Procurement standards: must be used by awardees
 - ◆ Simplified acquisition
 - ◆ Micro-purchase
 - ◆ Seal bids
 - ◆ Competitive proposals
 - ◆ Noncompetitive proposals
 - Sub-recipient monitoring and management
 - ◆ Risk assessment before sub-award
 - ◆ Information to be provided to sub-awardee
 - ◆ Monitoring procedures



Session 5: Single Audit Changes

Spring/Summer 2019

Subpart E – Cost Principles

9

- Allowable Costs
 - Time and effort reporting
 - Prior Approval Requirements
- Direct Costs – Admin
- Indirect costs/Allocation Plans
- Required Certifications
- Written policy for determining allowable costs



Session 5: Single Audit Changes

Spring/Summer 2019

Cost Principles – Time and Effort Reporting

10

A-87 – Old requirements

Charges to Federal Awards will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of the salaries and wages must be supported by personnel activity reports.

Records **MUST** be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards.

These records **MUST**:

- Reflect an after-the-fact determination of actual activity (note: budget estimates do NOT qualify as support)
- Account for the total activity
- Be signed by the employee, or a responsible supervisory official having first hand knowledge of activities
- Be prepared at least monthly and must coincide with one or more pay periods



Session 5: Single Audit Changes

Spring/Summer 2019

Cost Principles – Time & Effort Reporting

11

New Requirements

- Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
 - Be supported by a system of internal control which provides reasonable assurance that the charges are *accurate, allowable, and properly allocated*;
 - Be incorporated into the *official records*
 - Reasonably reflect the *total* activity for which the employee is compensated
 - Encompass both federally assisted and all other activities compensated on an integrated basis, but may include the use of subsidiary records
 - Comply with the *established* accounting policies and practices of the Organization
 - Support the *distribution* of the employee's salary or wages among specific activities or cost objectives



Session 5: Single Audit Changes

Spring/Summer 2019

Cost Principles – Time & Effort Reporting, cont'd.

12

New Requirements (cont'd.)

- Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
 - (viii) Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
 - ◆ (A) *Reasonable* approximations of the activity actually performed;
 - ◆ (B) Significant changes are identified and entered into the records in a *timely* manner.
 - ◆ (C) *internal controls* includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates.
 - (ix) Can be expressed as a percentage distribution of total activities.



Session 5: Single Audit Changes

Spring/Summer 2019

Time & Effort Reporting

13

Do you have to change? Not necessarily...

- Focus on strengthening controls over time and effort report to ensure compliance with the overarching requirements
- Many organizations will not have to make significant changes.
- Other organizations may wait to see what passes a federal agency audit.



Session 5: Single Audit Changes

Spring/Summer 2019

Cost Principles – Direct Costs

14

	What Is New?	What Does This Mean To You?
Costs (generally)	<ul style="list-style-type: none">• Provides a common set of rules for allowable costs across ALL entity types• Prior Approval requirements - various conditions under which prior approval is required• Clarifies the allowable cost for certain expenses• Certain administrative expenses may now be allowable as a direct expense	<ul style="list-style-type: none">• Commonality in rules between different cost circulars• You will need to understand the prior approval rules in order to get advance federal agency blessing as required• Clarification on allowability of certain types of costs• Changes to cost classifications, cost allocation plans, and indirect cost rates may be necessary



Session 5: Single Audit Changes

Spring/Summer 2019

Cost Principle – Administrative Support

15

- Allowable to charge administrative support as a direct cost if:
 - Services are integral to a project/activity
 - Individuals involved can be identified specifically with that project/activity
 - Costs are included expressly in the budget or have prior written approval of the federal awarding agency
 - Costs are NOT recovered as indirect costs
- Should simplify charging of costs especially for smaller entities



Session 5: Single Audit Changes

Spring/Summer 2019

Cost Principles – Direct Costs

16

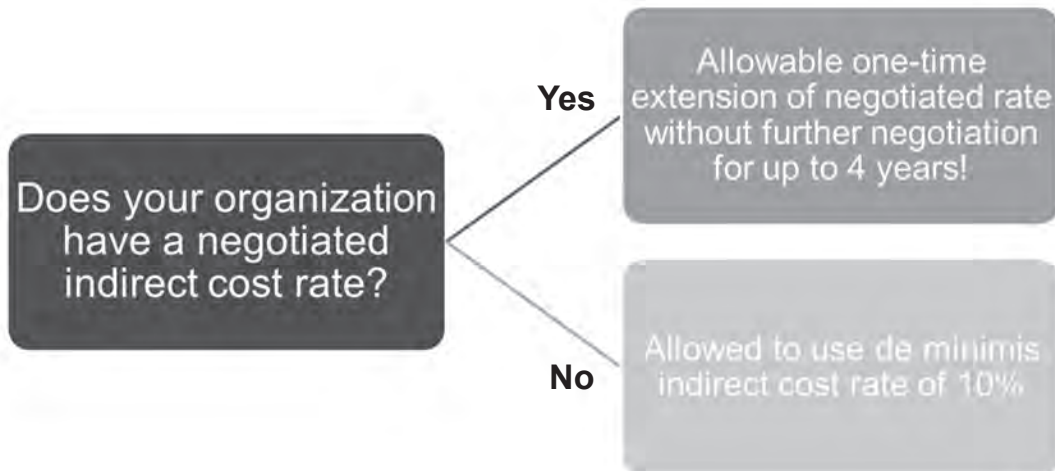
- Allowable to charge administrative support as a direct cost if:
 - Services are integral to a project/activity
 - Individuals involved can be identified specifically with that project/activity
 - Costs are included expressly in the budget or have prior written approval of the federal awarding agency
 - Costs are NOT recovered as indirect costs
- Should simplify charging of costs especially for smaller entities



Session 5: Single Audit Changes

Spring/Summer 2019

	What Is New?	What Does This Mean To You?
Indirect cost rate	<ul style="list-style-type: none"> A 10% de minimis IDC rate is now available under §200.414 (f). Allowable one-time extension of negotiated rate without further negotiation for up to 4 years! IDC rate needs approval if govt receives more than \$35 million in DIRECT federal awards Cognizant agency for approval is the federal agency with the largest dollar value of DIRECT federal awards. 	<ul style="list-style-type: none"> Those that have NEVER received a negotiated indirect cost rate MAY be able to recoup certain additional costs by using the new 10% de minimis IDC rate Those with a negotiated rate may be able to reduce administrative burden by requesting this extension. May need approval of IDC rate Cognizant agency may have changed



Cost Principles – Certifications and Written Procedures

19

	What Is New?	What Does This Mean To You?
Required certifications	<ul style="list-style-type: none"> Annual and final fiscal reports or vouchers requesting payment must include a certification signed by an official authorized to legally bind the organization Indirect cost rates and cost allocation plans require certification 	<ul style="list-style-type: none"> Certifications need to be established and processes designed to ensure continuing compliance Certification needs to be made regardless of whether plans require federal approval Individual at a level no lower than VP or CFO must certify
Written procedures	<ul style="list-style-type: none"> Grants reform requires written procedures for determining allowability of costs 	<ul style="list-style-type: none"> Your organization will need to develop these procedures.



Session 5: Single Audit Changes

Spring/Summer 2019

Cost principles - Certifications

20

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”



Session 5: Single Audit Changes

Spring/Summer 2019

BAD Debt Expense and FDS Reporting

21

Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable. See also § 200.428

- Consequently many PHAs are reducing rental revenue by the amount of bad debt to satisfy UG. However, reducing tenant income results in bad debt expense being charged to federal awards since revenue is a component of the subsidy calculation
- Avoid this issue by using the COA line item for bad debt (96400)



Session 5: Single Audit Changes

Spring/Summer 2019

BAD Debt Expense and FDS Reporting, cont'd.

22

- Reporting bad debt Expense on a non-Federal entity's financial statements does not constitute charging a Federal award. As stated in Section 200.400(d), *"the application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award."*



Session 5: Single Audit Changes

Spring/Summer 2019

- Subpart F: Audit Requirements
 - Basis for determining expenditures
 - Frequency
 - Audit costs
 - Auditee responsibilities
 - Auditors
 - ◆ Scope
 - ◆ Reporting and findings
 - ◆ Documentation
 - ◆ Major program determination
 - ◆ Risk assessment



Changes to Audit Requirements

Single Audit Requirement	Current Requirements	Changes
Single Audit threshold	\$500,000	\$750,000; below threshold records available to agency and OMB
Type A/B threshold	\$300,000	\$750,000
High-risk Type A	Not audited as major program in last 2 years; significant deficiency, material weakness, material noncompliance, qualified opinion on compliance; questioned costs >\$10,000, known fraud, summary of prior audit findings misstated	Failed to receive unqualified opinion; material weakness; questioned costs > 5% of program expenditures



Changes to Audit Requirements

25

Single Audit Requirement	Current Requirements	Changes
Type B programs	½ number of low-risk Type A programs	¼ of number of low-risk Type A programs No add'l risk assessment Small Type B = 25% of Type A/B threshold
Coverage rule	50% (normal) 25% (low-risk auditee)	40% (normal) 20% (low risk auditee)
Low-risk auditee	Audited in previous two audit periods; unqualified opinion on f/s and SEFA; no material weakness in YB report; SA report no material weakness, no noncompliance and no questioned costs > 5% of program expenditures; no late submission of DCF	Additional requirements: No going concern report GAAP f/s required (state law exception) No waivers given



Session 5: Single Audit Changes

Spring/Summer 2019

Changes to Audit Requirements

26

Single Audit Requirement	Current Requirements	Changes
Compliance requirements	14 requirements	In Compliance Supplement 12 requirements: •Activities allowed or unallowed •Allowable costs/cost principles •Cash management •Eligibility •Equipment and Real Property Management •Matching Level of Effort, Earmarking •Period of Performance •Procurement and Suspension and Debarment •Program Income •Reporting •Subrecipient monitoring •Special tests and provisions
Cost circulars	8 Circulars: A-21, A-87, A-102, A-110, A-122, A-133	One combined circular



Session 5: Single Audit Changes

Spring/Summer 2019

Changes to Audit Requirements

27

Single Audit Requirement	Current Requirements	Changes
Indirect costs and time and effort reporting		Changes to cost pools
Administrative requirements		Pass-through entities must use indirect cost rate negotiated at Federal level (flat rate of 10% total direct costs) Must pass on negotiated indirect cost rate to subrecipients FAR threshold set at \$150,000 Eliminates Cost Accounting Standards Vendor changed to contractor



Session 5: Single Audit Changes

Spring/Summer 2019

Changes to Audit Requirements

28

Single Audit Requirement	Current Requirements	Changes
Reporting changes		All contracting subject to consideration of auditor's peer review report Changes in reporting of non-cash awards Corrective action plan and summary of prior audit findings includes financial statement findings Summary schedule of prior audit findings include reason finding recurred. Standard numbering for CY and PY findings
Corrective action plans		Clock starts when FAC report submitted



Session 5: Single Audit Changes

Spring/Summer 2019

Effect on Single Audit Reporting Package

29

- Corrective Action Plan
 - Separate document which must address each audit finding
 - Name of person responsible, action planned, completion date
 - Statement if auditee doesn't agree with the finding
 - Statement if auditee believe that correction action not required



Session 5: Single Audit Changes

Spring/Summer 2019

Effect on Single Audit Reporting Package

30

- Summary of Prior Audit Findings
 - Status of prior financial statement audit findings as well as status of prior year noncompliance
 - If prior year findings repeated reason for recurrence
 - Standardized numbering system; identify prior year finding number
- Schedule of Expenditures of Federal Awards
 - Must report amount passed-through to sub-recipient by program
 - *Notes to SEFA must disclose indirect cost rate used*



Session 5: Single Audit Changes

Spring/Summer 2019

Effect on Single Audit Reporting Package

31

- Audit Findings reported in more detail
 - If use sampling, required to report whether sample was statistically valid
 - Threshold for reporting known or estimated likely question costs raised to \$25,000 from \$10,000
 - Abuse as defined in the Yellow Book now a part of the “OMB Uniform Guidance”



Session 5: Single Audit Changes

Spring/Summer 2019

OMB Uniform Guidance

32

- What should you as an auditor be doing in 2016?
 - Client Education (next slide)
 - Firm leaders should learn the details of the Uniform Grant Guidance
 - Provide staff training on the new Circular
 - Establish policies and procedures for areas that will be affected now
 - ◆ Proposals and audit contracts



Session 5: Single Audit Changes

Spring/Summer 2019

- Remember
- The audit of fiscal years ending June 30, 2015 will determine compliance with the OLD rules from July 1, 2014 thru Dec 26, 2014
- And the NEW rules from Dec 27, 2014 thru June 30, 2015.



Common Peer Review Findings Single Audit

- Incorrect determination of major programs
 - Failure to properly cluster programs
 - Failure to combine programs with the CFDA# when determining Type A programs
 - Incorrect threshold calculation
 - Failure to meet % coverage test
 - Failure to test Type A programs as a major program once every 3 years
 - Failure to apply risk-based approach to selecting major programs
 - Incorrect low risk auditee determination



Common Peer Review Findings Single Audit

35

- Failure to adequately test or document testing of internal control over compliance and compliance
- Failure to distinguish IC testing from compliance testing
- Failure to identify key controls
- Failure to follow agency audit guides and compliance supplements
- Use of Compliance Supplement as safe harbor



Session 5: Single Audit Changes

Spring/Summer 2019

Common Peer Review Findings Single Audit

36

- Deficient assessment of fraud risk
- No determination of compliance materiality at three levels
- Current compliance requirements not considered
- Management rep letter not tailored; misdated



Session 5: Single Audit Changes

Spring/Summer 2019

Common Peer Review Findings – Single Audit

37

- Unreported audit findings
- Deficiencies in the SEFA
- Misreported coverage of major programs
- Prior audit findings not updated
- Improper wording on findings
- Lag release in separate Single Audit report



Session 5: Single Audit Changes

Spring/Summer 2019

FAC Filing Deficiencies

38

- In addition to peer review findings
 - Missed major program based upon Type A program 2-year look back
 - Missed major program based on Type A program with prior year finding
 - Improper determination of low-risk auditee
 - Improper determination of low risk program



Session 5: Single Audit Changes

Spring/Summer 2019

Subpart D – Administrative Requirements

39

	What Is New?	What Does This Mean To You?
Requirements for non-federal entities (continued)	<ul style="list-style-type: none"> Establish and maintain effective internal controls (200.303) 	<ul style="list-style-type: none"> Evaluate and monitor compliance Take prompt action on audit findings Safeguard protected personally identifiable/sensitive information Best practice guidance Standards for Internal Control in the Federal Government (Green book) Internal Control Framework (COSO) Compliance Supplement, Appendix XI, Part 6



Session 5: Single Audit Changes

Spring/Summer 2019

Subpart D – Internal Controls

40



Provides reasonable assurance that entity is managing award in compliance with Federal Statutes, regulations, and terms and conditions of the award.



Session 5: Single Audit Changes

Spring/Summer 2019

17 Codified Principles

41

Control Environment	<ol style="list-style-type: none"> 1. Demonstrates commitment to integrity & ethical values 2. Exercises oversight responsibility 3. Establishes structure, authority and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability
Risk Assessment	<ol style="list-style-type: none"> 6. Specifies suitable objectives 7. Identifies and analyzes risk 8. Assesses fraud risk 9. Identifies and analyzes significant change
Control Activities	<ol style="list-style-type: none"> 10. Selects and develops control activities 11. Selects and develops general controls over technology 12. Deploys through policies and procedures
Information & Communication	<ol style="list-style-type: none"> 13. Uses relevant information 14. Communicates internally 15. Communicates Externally
Monitoring	<ol style="list-style-type: none"> 16. Conducts ongoing and or separate evaluations 17. Evaluates and communicates deficiencies



Session 5: Single Audit Changes

Spring/Summer 2019

Effect on the Audit

42

COSO Framework requires:

- **Each** of the five components and 17 principles be
 - **(1) present; and**
 - **(2) functioning**
- **Evidence** that the components, principles and attributes are operating in an integrated manner
- **Redefines reporting requirements**
 - Material weakness: component, principle, or attribute not present or not functioning
 - Significant deficiency: shortcoming in a principle or attribute



Session 5: Single Audit Changes

Spring/Summer 2019

Principle 10 – Control Activities

43

- Common Categories
 - Top-level reviews
 - Reviews by management at activity level
 - Management of human capital
 - Controls over Info Systems
 - Physical control over vulnerable assets
 - Establish and review performance measures
 - Segregation of duties
 - Transaction execution
 - Accurate and timely recording
 - Access Restrictions
 - Documentation



Session 5: Single Audit Changes

Spring/Summer 2019

Control Activities at Various Levels

44

- Entity level transactions – pervasive, pertain to multiple components
- Transaction level control – built into operational processes
- Always segregation of duties
- Smaller organizations require creativity and more action by Board



Session 5: Single Audit Changes

Spring/Summer 2019



Internal Controls

What are Internal Controls?

46

- Internal controls address and minimize identified risks in key organization areas by establishing procedures and controls.



Management's General Role in Internal Controls

47

Management should provide for reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations



Session 5: Single Audit Changes

Spring/Summer 2019

The Board's Oversight Role in Internal Controls

48

- Review budget variance to ensure actual costs are in line with budget estimates
- Review PHA action on tenant accounts receivable
- Review discussion of PHA payment status for accounts payable
- Review write-offs to ensure all are board approved
- Review bank statements to ensure all disbursements are approved, including electronic debits and cash withdrawals
- Review credit card statement detail—not just the summary
- Review petty cash reconciliation to verify all receipts are for valid expenses



Session 5: Single Audit Changes

Spring/Summer 2019

Why are Internal Controls Important?

49

An organization should be concerned with internal controls to:

- Protect its assets
- Reduce the risk of fraud



Session 5: Single Audit Changes

Spring/Summer 2019

Internal Control Trends

50

- Recent government-wide initiatives have also contributed to improvements in financial management and placed greater emphasis on implementing and maintaining effective internal control over financial reporting.



Session 5: Single Audit Changes

Spring/Summer 2019

Internal Controls Include

51

- Control environment
- Risk assessments
- Control activities
- Information and communication
- Monitoring



Session 5: Single Audit Changes

Spring/Summer 2019

Control Environment

52

- Sets a positive and supportive attitude toward internal control and conscientious management throughout the organization
- Can also be thought of as the process of creating an ethical environment



Session 5: Single Audit Changes

Spring/Summer 2019

Risk Assessments

53

Refer to the identification, analysis, and management of uncertainty facing the organization.

- Focus is on the uncertainties in meeting the organization's:
 - Financial objectives
 - Compliance requirements
 - Operational objectives



Session 5: Single Audit Changes

Spring/Summer 2019

Control Activities

54

- Internal control activities are the policies and procedures - as well as the daily activities - that occur within an internal control system to minimize risk.



Session 5: Single Audit Changes

Spring/Summer 2019

Five Control Activity Types

55

1. Preventive controls: To limit the possibility of an undesirable outcome being realized.
2. Corrective controls: To correct undesirable outcomes that have been realized.
3. Directive controls: To ensure that a particular outcome is achieved or an undesirable event is avoided.



Session 5: Single Audit Changes

Spring/Summer 2019

Five Control Activity Types

56

4. Detective controls: To identify undesirable outcomes "after the event."
5. Performance controls: To orientate and motivate the organization's people to focus on the achievement of targets that are appropriate for the achievement of objectives.



Session 5: Single Audit Changes

Spring/Summer 2019

Information and Communications

57

Information and communication encompasses the identification, capture, and exchange of financial, operational, and compliance information in a timely manner.

People within an organization who have timely and reliable information are better suited to conduct, manage, and control the organization's operations.



Session 5: Single Audit Changes

Spring/Summer 2019

Monitoring

58

Monitoring helps to ensure that control activities and other planned actions to affect internal controls are executed in a proper and timely manner.

Ongoing monitoring activities evaluate and improve the design, execution, and effectiveness of internal control.



Session 5: Single Audit Changes

Spring/Summer 2019



Internal Controls Review

Internal Controls Review

60

In assessing internal controls, practical areas for consideration include:

- Segregation of duties
- Bank reconciliation
- Supporting documentation
- Employees
- Safeguarding assets



Session 5: Single Audit Changes

Spring/Summer 2019

Segregation of Duties

61

Certain accounting and bookkeeping functions are designed to cross-reference each other for accuracy. If the same person is responsible for multiple duties, the natural checks and balance of your financial system is compromised.

Giving a single person unbridled authority over your resources is not a wise practice.



Session 5: Single Audit Changes

Spring/Summer 2019

Bank Reconciliations

62

- Bank statements can only help you find discrepancies if they are reviewed in a timely manner.
- At a minimum, bank statements should be reconciled once a month.



Session 5: Single Audit Changes

Spring/Summer 2019

Supporting Documentation

63

- Never sign checks, or any other document for that matter, without reviewing the supporting information.
- Though grantees often face a hectic work environment, it is not a wise practice to “take someone’s word for it.”



Session 5: Single Audit Changes

Spring/Summer 2019

Safeguarding Assets

64

Though this sounds complex, it is quite simple . . .

Safeguarding the organization’s assets includes small tasks such as:

- Locking up blank checks
- Depositing all cash and checks daily
- Password-protecting all of your sensitive electronic data
- Maintaining an inventory list of office furniture, electronics, etc.
- Ensuring you have adequate insurance coverage for all of your assets



Session 5: Single Audit Changes

Spring/Summer 2019

HUD Internal Controls

65

All HUD grantees are required to establish internal controls.

- Internal controls are the plans, methods, and procedures adopted by management to help PHAs manage financial assets and adhere to an approved budget.
- Internal controls help to prevent and detect loss of funds that the PHA could otherwise use for housing.



Session 5: Single Audit Changes

Spring/Summer 2019

HUD IC and How it Relates to Financial Management

66

HUD Internal Controls, as it relates to financial management internal controls, is divided into six basic functions:

- Payroll
- Revenue
- Expenditure
- Property
- Treasury/Cash management
- Financial reporting



Session 5: Single Audit Changes

Spring/Summer 2019



Internal Controls Deficiencies

Internal Controls Deficiencies

68

- A **deficiency in internal controls** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.



Deficiencies

69

A **design deficiency** exists when a control necessary to meet the control objective is missing or an existing control is not properly designed, so that even if the control operates as designed, the control objective is not always met.

An **operation deficiency** exists when a properly designed control does not operate as designed or when the person performing the control is not qualified or properly skilled to perform the control effectively.



Session 5: Single Audit Changes

Spring/Summer 2019

Management's Role

70

Management has a fundamental responsibility to develop and maintain effective internal control.

The proper stewardship of federal resources is an essential responsibility of an organization's managers and staff.



Session 5: Single Audit Changes

Spring/Summer 2019

Management's Role

71

Managers must take systematic and proactive measures to:

- Develop and implement appropriate, cost-effective internal control for results-oriented management
- Assess the adequacy of internal control in programs and operations



Session 5: Single Audit Changes

Spring/Summer 2019

Management's Role

72

- Separately assess and document internal control over financial reporting
- Identify needed improvements
- Take corresponding corrective action
- Report annually on internal control through management assurance statements



Session 5: Single Audit Changes

Spring/Summer 2019

Setting the Tone

73

A successful internal control environment requires management's commitment and support.

Management's goal is not to make each person an expert in internal controls, but to increase awareness and understanding of why we need them and how we use them.



Session 5: Single Audit Changes

Spring/Summer 2019

Grantees' Roles

74

Grantee programs must operate and resources must be used:

- Consistent with agency missions
- In compliance with laws and regulations
- With minimal potential for risk, waste, fraud, and mismanagement



Session 5: Single Audit Changes

Spring/Summer 2019



Does Your Organization Have Effective Internal Controls?

You Have Effective Controls If...

76

- Your organization has developed and communicated rules of operations to employees and members.
- Follow-up is done to ensure expectations are met.
- Financial duties are properly segregated.
- The accounting system tracks grant and matching funds separately.
- The accounting system is used to create financial reports.
- Proper safeguards over assets exist.





Developing Internal Controls

Put it in Writing

78

Internal controls are formal operating policies and procedures for mitigating risk.

These are calculated, discussed, refined, and incorporated into how an organization operates.



Purpose of Formal Written Internal Control Documents

79

- Create and expand guidance for implementation of the controls
- Reduce the risk of errors and fraud
- Focus on high-risk areas in order to lessen the chances of errors and fraud
- Examine conflicting policies and duties (i.e., segregation of duties issues)
- Provide a system to create cross-training procedures
- Provide support for operational and performance decisions



Session 5: Single Audit Changes

Spring/Summer 2019

Internal Control Documents

80

- Written internal control document(s) should be continuously reviewed and updated for changes within an organization's environment.
- Regular internal audits are needed to ensure that personnel are aware of the internal controls procedures and the process requirements that it documents.
- Writing internal control procedures without the necessary awareness and follow-up is counterproductive.



Session 5: Single Audit Changes

Spring/Summer 2019



How to Maintain Internal Controls

Management's Responsibility

82

- Management has primary responsibility for assessing and monitoring controls, and should use other sources as a supplement to – not a replacement for -- its own judgment.



Session 5: Single Audit Changes

Spring/Summer 2019

Management's Responsibility

83

Managers should continuously monitor and improve the effectiveness of internal control associated with their programs.

Certain “tools” can help management maintain their internal control procedures.



Session 5: Single Audit Changes

Spring/Summer 2019

Tools for Maintaining Internal Controls

84

- Management's knowledge gained from the daily operation of agency programs and systems.
- Management reviews conducted:
 - Expressly for the purpose of assessing internal control
 - For other purposes with an assessment of internal control as a by-product of the review



Session 5: Single Audit Changes

Spring/Summer 2019



Assessing Control Risks

What is a Control Risk?

86

- A control risk is the threat that an event or action (including non-action) will adversely effect an organization's ability to achieve its business objectives and execute its financial strategies successfully.



Control Risk Identification Methods

87

Risk identification methods may include:

- Qualitative and quantitative ranking activities
- Management meetings
- Forecasting and strategic planning



Session 5: Single Audit Changes

Spring/Summer 2019

Qualitative and Quantitative Ranking Activities

88

- Both qualitative and quantitative tools are available to assist in determining the level of risk associated with an organization's operations.



Session 5: Single Audit Changes

Spring/Summer 2019

Qualitative

89

A qualitative risk assessment is usually conducted through a combination of questionnaires and collaborative workshops involving people from a variety of groups within the organization.

What differentiates qualitative risk assessment from quantitative risk assessment is that the former does not try to assign hard financial values to assets, expected losses, and cost of controls.



Session 5: Single Audit Changes

Spring/Summer 2019

Prioritizing Risks

90

In ideal risk management, a prioritization process is followed:

- The risks with the greatest loss (or impact) and the greatest probability of occurring are handled first
- Risks with lower probability of occurrence and lower loss are handled in descending order



Session 5: Single Audit Changes

Spring/Summer 2019



Risk Management

Focus of Risk Management

92

- The focus of good risk management is the identification and treatment of risks.



Session 5: Single Audit Changes

Spring/Summer 2019

A Good Risk Management Process Involves:

93

- Methodically identifying the risks surrounding your business activities
- Assessing the likelihood of an event occurring
- Understanding how to respond to these events
- Putting systems in place to deal with the consequences
- Monitoring the effectiveness of your risk management approaches and control

This helps to :

- Improve decision-making, planning, and prioritization
- Allocate capital and resources more efficiently
- Improve the probability that you will deliver your services on time and in accordance with your budget



Session 5: Single Audit Changes

Spring/Summer 2019



Common Financial Risks

Allowing a Financial Loss

95

- A financial loss can have a tremendous impact on an organization.
- The loss of money can create a cash flow crunch and force the organization to reduce its spending, including eliminating staff or reducing the hours worked and minimizing the services offered to clients.



Session 5: Single Audit Changes

Spring/Summer 2019

Financial Loss

96

Besides reduced services, the nonprofit may experience negative publicity about the incident.

Lastly, a financial loss can affect the reputations of the people involved. Often, the board dismisses an executive director if a large theft occurs on his or her "watch."

	Planned \$	Planned Uses
	21,840,474	Operations
	14,104,966	Capital Improvements
	-	Housing Assistance
ased	566,462,063	Community Service Cent
	0	Housing Assistan
ehab,	52,914,314	Senior C
	332,094	Assistants
Grants	190,885	Work



Session 5: Single Audit Changes

Spring/Summer 2019

Misuse of Funds

97

- All nonprofits exist for a specific purpose with a defined mission.
 - Management is responsible for ensuring that the organization stays focused on its mission. An excellent way to monitor an organization's progress is through its use of funds.
 - Many HUD grantees receive funding with restrictions or limitations on its use. The improper use of these funds can cause HUD to withdraw the money, require repayment of the expended funds, and refuse to provide future funding.



Session 5: Single Audit Changes

Spring/Summer 2019

Purpose of Internal Control Over Financial Reporting

98

- Internal controls facilitate the preparation of reliable financial statements.
- Reliable financial statements must be materially accurate in all respects.
- Internal controls over financial reporting is a formal system of checks and balances, monitored by management and reviewed by an outside auditor.



Session 5: Single Audit Changes

Spring/Summer 2019

Financial Reporting Serves Many Goals

99

- Identifying material weaknesses
- Bringing issues to light early
- Ensuring compliance with industry standards
- Employing competent personnel
- Allowing for fewer “spot-checks” during an audit
- Holding public organizations to the standards of private best practices



Session 5: Single Audit Changes

Spring/Summer 2019

Bringing Issues to Light (Early)

100

Effective internal control over financial reporting can also help companies deter fraudulent financial accounting practices.

Solid internal control policies will bring these deficiencies to light because they are in place, allowing financial reporting to detect them earlier and perhaps reduce their adverse effects.



Session 5: Single Audit Changes

Spring/Summer 2019

Ensuring Compliance with industry Standards

101

- Internal control over financial reporting is designed by management to provide reasonable assurance of financial reporting and the preparation of financial statements in accordance with the Generally Accepted Accounting Principles (GAAP).



Session 5: Single Audit Changes

Spring/Summer 2019

Personnel

102

To maintain effective internal control over financial reporting, an organization needs to retain individuals who are competent in financial reporting and related oversight roles.

Smaller organizations may address their needs for financial reporting competencies through engaging outside professionals to ensure proper internal controls over financial reporting.



Session 5: Single Audit Changes

Spring/Summer 2019

Maintenance of Proper Effective Internal Controls

103

- If adequate, an organization is not subject to as many financial tests (or “spot checks”) that would otherwise be required.
- If inadequate, an organization must participate in more testing of its financial systems and statements to uncover deficiencies.



Session 5: Single Audit Changes

Spring/Summer 2019



Session 6: Interim Public Housing Assessment System (PHAS), Emphasis on Financial and Management

Overview

2

- Discuss scoring under Interim PHAS Rule, including:
 - The financial condition scoring methodology used in determining the FASS score
 - The management operations scoring methodology used in determining the MASS score
 - The key aspects of the PHAS Interim Rule (informational only)





Interim PHAS Scoring Methodology

PHAS Scoring

4

- Only scored on projects column of FDS
 - No COCC
 - No RAD Projects



Session 6: Interim PHAS

Spring/Summer 2019

PHAS Indicator	Interim PHAS Rule	Transition Year 2
	Max Points	Max Points
1. Physical Condition	40 points	30 points
2. Financial Condition	25 points	30 points
3. Management Operations	25 points	30 points
4. Capital Fund Program	10 points	10 points
Overall PHAS Score =	100 Points	100 Points

- Interim PHAS scores assess only the public housing program (the financial assessment is no longer based on an entity-wide assessment)
- Mixed-finance projects will not receive financial or management scores; they will receive a physical score



FINANCIAL CONDITION INDICATOR (FASS) SCORING METHODOLOGY

FASS Scoring Overview & Asset Management

7

- Under Interim PHAS Rule, the financial condition of each PHA is evaluated to determine whether the PHA has sufficient financial resources and is managing those resources effectively to support the provision of decent, safe, and sanitary housing in the PHA's public housing projects
- Low Rent and Capital Fund (CFP) activities are reported at the project level; and all other programs and activities (entity-wide) are reported separately from the projects in their own columns on the Financial Data Schedule (FDS)
- There are three new FASS sub-indicators under Interim PHAS



Session 6: Interim PHAS

Spring/Summer 2019

Changes in FASS Scoring

8

Prior PHAS

Current Ratio 9.0

Months Exp. Fund Balance (MEFB) 9.0

Tenant Rec. Outstanding (TRO) 4.5

Occupancy Loss (OL) 4.5

Net Income (NI) 1.5

Expense Management (EM) 1.5

TOTAL POINTS 30.0

Interim PHAS

Quick Ratio 12.0

Months Exp. Net Assets (MENAR) 11.0

Debt Service Coverage (DSCR) 2.0

TOTAL POINTS 25.0

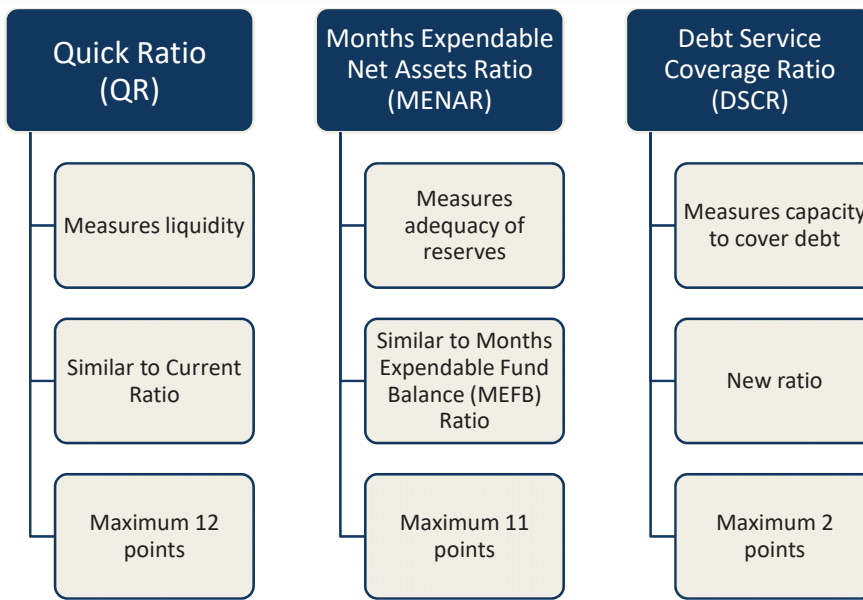


Session 6: Interim PHAS

Spring/Summer 2019

FASS Financial Condition Sub-Indicators

9



Session 6: Interim PHAS

Spring/Summer 2019

Quick Ratio Calculation (12 Points)

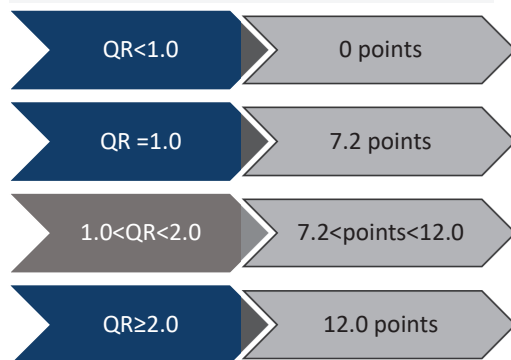
10

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{\text{Cash} + \text{Cash Equivalents} + \text{Current Receivables}}{\text{Current Liabilities}}$$

$$\frac{111 + 114 + 115 + 120 + 131 + 135 + 142 + 144}{310 - 343.010}$$

How QR is Scored



When the QR calculates to a value > 1.0 but < 2.0, the number of points that will be assigned for this ratio can be calculated as follows: $7.2 + ((QR-1) \times 4.80)$



Session 6: Interim PHAS

Spring/Summer 2019

Quick Ratio Calculation (12 Points) on FDS

11

**Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)**

My Inbox PHA Info FDS DCF Notes and Findings Submit Review Submission Edit Flags Reports Logout

Review Comments PHA Information
 PHA Code: NY029 Fiscal Year End Date: 06/30/2010
 PHA Name: Lackawanna Municipal Housing Authority
 Submission Type: Audited/Single Audit

Quick Ratio (QR) Details
 Organization: NY029000001 Overall Score: 17.38
 Score: 10.70 Value: 1.73
 Formula: Adjusted Unrestricted Current Asset/Current Liabilities
 ((111+114+115+120+131+135+142+144)/(310-343-010))

Line Item	Description	Amount
Numerator:		
111	Cash - Unrestricted	\$400,026
114	Cash - Tenant Security Deposits	\$20,226
115	Cash - Restricted for Payment of Current Liabilities	\$
120	Total Receivables, Net of Allowances for Doubtful Accounts	\$34,930
131	Investments - Unrestricted	\$
135	Investments - Restricted for Payment of Current Liability	\$
142	Prepaid Expenses and Other Assets	\$28,005
144	Inter-Program Due From	\$
Sub-Total		\$492,270
Denominator:		
310	Total Current Liabilities	\$285,204
343-010	CFFP	\$
Sub-Total		\$285,204

Each Project ID will have its own quick ratio

Note: This is the total score for all three ratios, not just the QR



Session 6: Interim PHAS

Spring/Summer 2019

Quick Ratio: FDS Reporting

12

- Ensure that the long-term portion of accrued compensated absences, FSS escrow liabilities, and any other long-term debt is reported as non-current on the FDS
- Ensure that cash and investments are properly reported between unrestricted and restricted, paying special attention to any restricted cash and investments that will be used for payment of a currently liability
 - For PHAs that have multiple projects and excess cash, consider transferring excess cash to those projects that have a quick ratio of 2.0 or less
 - Ensure CFFP & EPC debt is identified separately on the FDS detail lines.



Session 6: Interim PHAS

Spring/Summer 2019

- Since only scored on projects look at allocation of expenses between projects and COCC
 - Also look at allocation of Assets & Liabilities between projects and COCC
 - ◆ Prepaid expense
 - ◆ Payables
 - ◆ Receivables
- Review current Liabilities, are they really current?



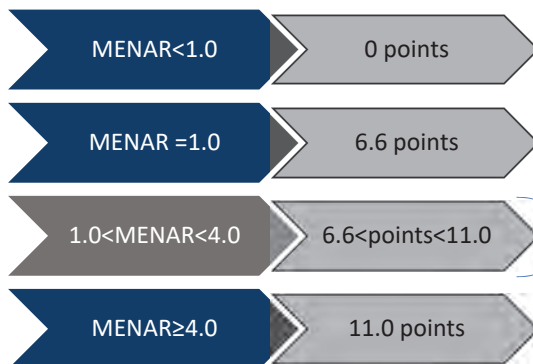
Months Expendable Net Asset Ratio Calculation (11 Points)

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{\text{Unrestricted Resources}}{\text{Average Monthly Operating and Other Expenses}}$$

$$\frac{[(111+114+115+120+131+135+142+144)-310]}{[(96900+97100+97200+97800)/12]}$$

How MENAR is Scored



↑
For the MENAR calculation, the denominator is from the Low Rent column of the project only and does not include any amounts reported in the Capital Fund column for these line items

When the MENAR calculates to a value > 1.0 but < 4.0, the number of points that will be assigned for this ratio can be calculated as follows: $6.6 + ((\text{MENAR} - 1) \times 1.46667)$



MENAR: Based on Low Rent Only

15

- For the MENAR calculation, the denominator (FDS Lines 96900, 97100, 97200, and 97800) is from the Low Rent column of the project only and does not include any amounts reported in the Capital Fund column for these line items

	Low Rent	Capital Fund	Total Project
→ 96900 Total Operating Expenses	\$2,327,013	\$184,110	\$2,491,122
97000 Excess of Operating Revenue over Operating Expenses	-\$204,800	\$158,795	-\$46,005
→ 97100 Extraordinary Maintenance	\$30,724		\$30,724
→ 97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$455,323		\$455,323
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
→ 97800 Dwelling Units Rent Expense			



Session 6: Interim PHAS

Spring/Summer 2019

Months Expendable Net Asset Ratio Calculation (11 Points) on FDS

16

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

By Index PHA Info FDS DCI Issues and Findings Submit Review Submission Editing Reports Logout

Review Comments PHA Information

View Prior Fiscal Year PHA Code: NY029 Fiscal Year End Date 06/30/2010

Comments PHA Name: Lackawanna Municipal Housing Authority

Submit Review Submission Type: Audited/Single Audit

Review Score

Months Expendable Net Assets Ratio (MENAR) Details

Organization: NY029000000 Overall Score: 47.39

Score: 6.68 Value: 1.05

Formula: Adjusted Unrestricted Current Asset - Current Liabilities / Monthly Operating Expense

$((131 + 114 + 115 + 120 + 131 + 135 + 142 + 144) - (310)) / ((96900 + 97100 + 97200 + 97800) / 12)$

Line Item	Description	Amount
Numerator		
111	Cash - Unrestricted	\$400,026
114	Cash - Tenant Security Deposits	\$29,228
115	Cash - Restricted for Payment of Current Liabilities	\$
120	Total Receivables, net of Allowances for Doubtful Accounts	\$24,930
131	Investments - Unrestricted	\$
135	Investments - Restricted for Payment of Current Liability	\$
142	Prepaid Expenses and Other Assets	\$28,095
144	Inter Program Due from	\$
310	Total Current Liabilities	\$285,204
Sub-Total		\$207,075
Denominator		
96900	Total Operating Expenses	\$2,327,013
97100	Extraordinary Maintenance	\$30,724
97200	Casualty Losses - Non-capitalized	\$
97800	Dwelling Units Rent Expense	\$
Sub-Total		\$2,357,737

[Back to Review Score Details](#)

Note: the Income Statement items below are pulled only from the Low Rent Income Statement



Session 6: Interim PHAS

Spring/Summer 2019

- See Quick Ratio
- Ensure that Capital Fund Management fees or other CFP Administration expenses (BLI 1410) are reported in the CFP column of the project
- Ensure that CFFP Debt transactions are reported in the CFP column of the project
- Check Extraordinary Maintenance expense – should any of it be capitalized?

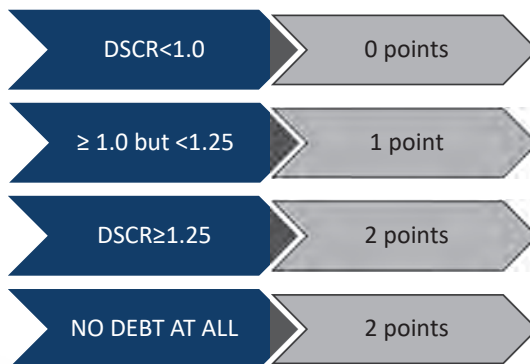


Debt Service Coverage Ratio Calculation (2 Points)

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{\text{Adjusted Operating Income}}{\text{Annual Debt Service, excluding CFFP Debt}} = \frac{(97000 + 96700)}{(96710 + 96720 + 11020)}$$

How DSCR is Scored



NOTE: The numerator and denominator are derived from the "Operations Column" of the project only and do not include any amounts reported in the "Capital Fund" column for those line items



Debt Service Coverage Ratio Calculation (2 Points)

19

Real Estate Assessment Center
Financial Assessment Subsystem (FAS-PH)

My Inbox PHA Info FDS DCF Notes and Findings Submit Review Submission Edit Flags Reports Logout

PHA Information
PHA Code: NY029 Fiscal Year End Date: 06/30/2010
PHA Name: Lackawanna Municipal Housing Authority
Submission Type: Audited/Single Audit

Debt Service Coverage Ratio (DSCR) Details
Organization: NY02900000 Overall Score: 17.38
Score: 0.00 Value: Income Zero or Neg.
Formula: Adjusted Operating Income/Annual Debt Service
(96700+97000)/(96710+96720+11020)

Line Item	Description	Amount
Numerator		
96700	Total Interest Expense and Amortization Cost	\$206,240
97000	Excess of Operating Revenue over Operating Expenses	\$-204,596
Sub-Total		\$1,644
Denominator		
11020	Required Annual Debt Principal Payments	\$0
96710	Interest of Mortgage (or Bonds) Payable	\$206,240
96720	Interest on Notes Payable (Short and Long Term)	\$
Sub-Total		\$206,240

Back to Review Score Details

Note: the Income Statement items below are pulled only from the Low Rent Income Statement



Session 6: Interim PHAS

Spring/Summer 2019

DSCR: FDS Reporting

20

- Ensure that CFFP Debt transactions are reported in the CFP column of the project



Session 6: Interim PHAS

Spring/Summer 2019

Projects Assessed

21

- PIC contains a list of PHA's projects and the project's status:
 - In Management;
 - In Development; or
 - Terminated
 - ◆ RAD Inventory Removal
- Projects designated as "In Management" are available for selection in the FASS system
- Projects shown as "In Management" are the only projects that are scored under the Financial Condition Indicator



Session 6: Interim PHAS

Spring/Summer 2019

Projects Not Scored

22

- The following project types are not scored under the Interim PHAS Financial Condition Indicator:
 - FDS Line 513 Total Equity/Net Assets = 0
 - Project "In Development"
 - Mixed Finance Projects
 - Other Project
 - Terminated
 - In Development
 - Activities not project-specific (example: Homeownership program)
 - COCC
 - RAD



Session 6: Interim PHAS

Spring/Summer 2019

Projects Scored/Not Scored

23

ID	Project Type	Description	Financial Condition Indicator	
			Project Scored	Not Scored
1	In Management	Is the only project type that is scored under FASS. These projects are contained in PIC and are available for selection in the FASS-PH System	●	
2	In Development	Active projects that are not yet in management status are termed "in development". These projects are contained in PIC but the "in development" projects are not available for selection in the FASS-PH System.		●
3	Mixed Finance Project	Self-identified by PHA based on "Y" for yes response on Project Statement screen. Screen is only displayed if the PHA has more than (1) project available.		●
4	Other Project	PHAs have the option to add an "other project" column. "Other Projects" are coded with a project code of "99999999" and are typically used to identify projects that are: 1) Terminated; 2) In development phase but not displayed in PIC; and 3) associated with activities that are not project-specific (e.g., homeownership program).		●
5	"9999" Project	PHA created projects that reflect land and buildings of the Public Housing program that are used by the COCC (i.e., administrative offices, central warehouses) and are not reflected in any of the other PHA's projects.		●



Session 6: Interim PHAS

Spring/Summer 2019

Calculating PHA-wide FASS Indicator Score

24

- Step 1. Calculate FASS Indicator score (QR, MENAR, and DSCR) for each project. Mixed finance projects are excluded from scoring

Project	Mixed Finance	QR		MENAR		DSCR		Project Score
		Value	Score	Value	Score	Value	Score	
Project 1	No	6.65	12.00	2.31	8.57	N/A	2.00	22.57
Project 2	No	1.22	8.26	1.23	6.95	Negative	0.00	15.21
Project 3	No	3.75	12.00	1.55	7.43	N/A	2.00	21.43
Project 4	Yes	Excluded (Mixed Finance Project)						N/A



Session 6: Interim PHAS

Spring/Summer 2019

Calculating PHA-wide FASS Indicator Score, cont'd.

25

- Step 2. Convert the UMAs for each Project into Units (UMAs/12)
- Step 3. Calculate the weighted value for each project (Col 3 x Col 4)
- Step 4. Calculate unit weighted FASS score by summing the weighted value and then dividing this amount by the total number of units (8,570.50/450 = 19.05 FASS Score)
- Note: For the audited submission, the unit weighted FASS score is then adjusted by the results of the audit (i.e., audit adjustments) and other score adjustments, such as the significant change penalty (A reduction in score of 10%)

1	2	3	4	5
Project	Unit Months Available (FDS Line 11190)	Units (Col 2 ÷ 12 months)	Project Score (Previous slide)	Weighted Value (Col 3 × Col 4)
Project 1	1,800	150	22.57	3,385.50
Project 2	2,400	200	15.21	3,042.00
Project 3	1,200	100	21.43	2,143.00
PHA Totals		450		8,570.50
PHA Unit Weighted FASS Score (PHA Total Weighted Total / Total Units)				19.05

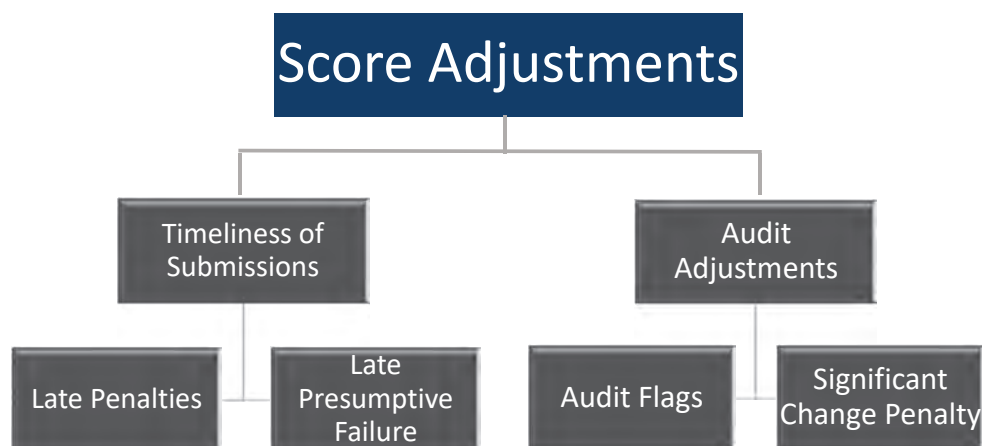


Session 6: Interim PHAS

Spring/Summer 2019

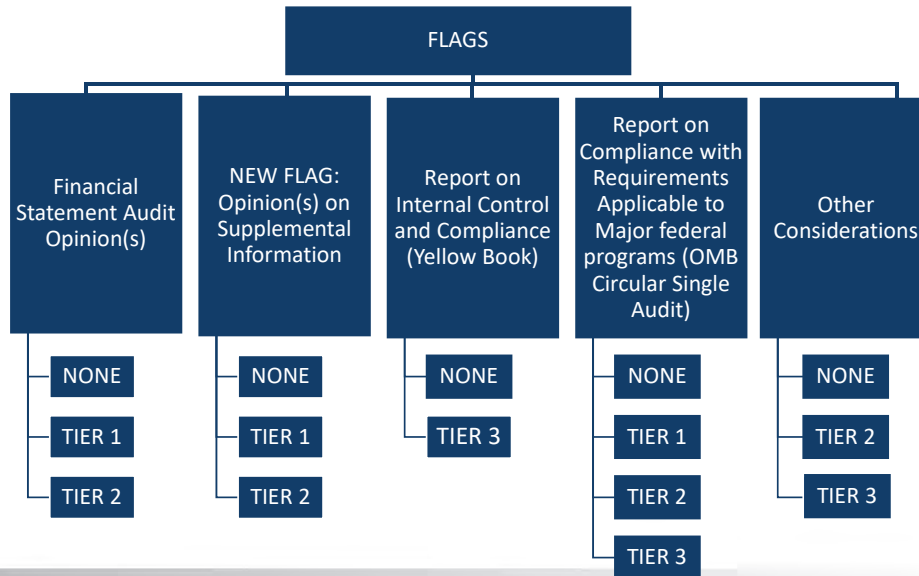
FASS-PH Scoring Process

26



Session 6: Interim PHAS

Spring/Summer 2019



Each tier assesses point deductions of varying severity

Tier 1

- Any Tier 1 finding assesses a 100% deduction of the PHA's financial condition indicator score

Tier 2

- Any Tier 2 finding assesses a point deduction equal to 10% of the unadjusted financial condition indicator score

Tier 3

- Each Tier 3 finding assess a 0.5 point deduction per occurrence to a maximum of 4 points of the financial condition indicator score

Unmodified Opinion (no penalty)



Financial Statement Audit Flags

29

Financial Statement			
Element#	Description	Value	Details
*G3000-005	Financial Statements Using Basis Other Than GAAP	No	---
	<p>Tier 2. Assesses a point deduction equal to 10% of the unaudited financial condition indicator score</p>		
		<p>Tier 2 <input type="checkbox"/> Modified Opinion</p> <p>None <input checked="" type="checkbox"/> Unmodified Opinion</p>	
*G3000-010	Type of Audit Report		Details
	<p>Tier 1. Assesses a 100% (25 pts) deduction of the PHA's financial condition indicator score</p>		
		<p>Tier 1 <input type="checkbox"/> Adverse Opinion</p> <p>Tier 1 <input type="checkbox"/> Disclaimer of Opinion</p>	
*G3000-020	Going Concern Indicator	No	---
*G3000-030	Significant Deficiency Indicator	No	---
*G3000-040	Material Weakness Indicator	No	---
*G3000-050	Material Noncompliance Indicator	No	---
*G3000-060	Fraud	No	---
*G3000-070	Illegal Acts	No	---
*G3000-080	Abuse	No	---

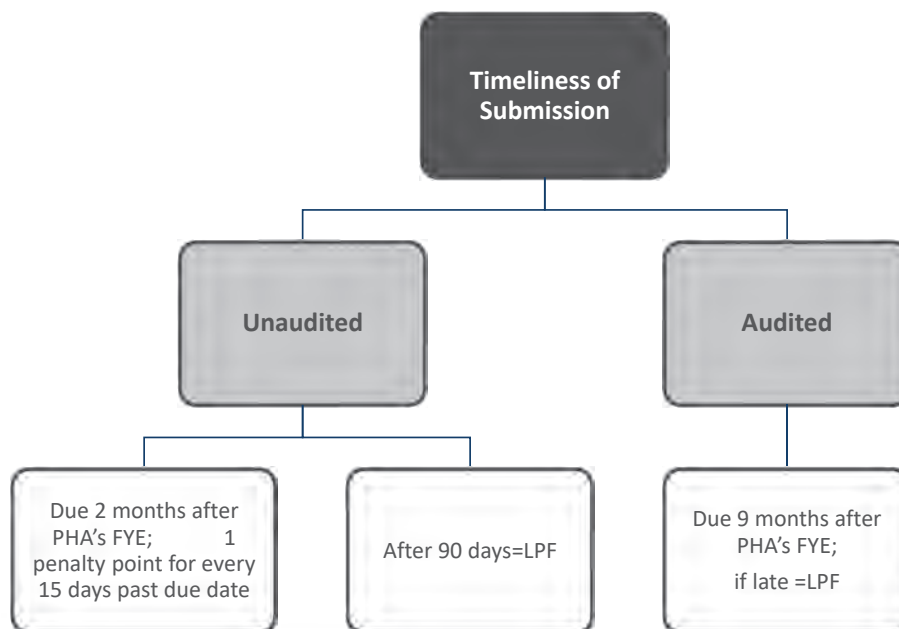


Session 6: Interim PHAS

Spring/Summer 2019

Timeliness of Submission

30



Session 6: Interim PHAS

Spring/Summer 2019



MANAGEMENT OPERATIONS (MASS) SCORING METHODOLOGY

MASS Scoring Overview

32

- The Interim Rule removes the requirement for a PHA to submit and self-certify to management indicators using the form HUD-50072
- The management capability of a PHA is assessed annually based on detailed information submitted electronically to REAC through the FASS system (unaudited and audited submissions)
- The PHA is assessed under three management performance indicators



Changes in MASS Scoring

33

Prior PHAS

Vacant Unit Turnaround Time	4.0
Capital Fund	7.0
Work Orders	4.0
Annual Inspections	4.0
Security	4.0
Economic Self-Sufficiency	7.0
Total Points	30.0

Interim PHAS

Occupancy	16.0
Tenants Account Receivable	5.0
Account Payable	4.0
Total Points	25.0

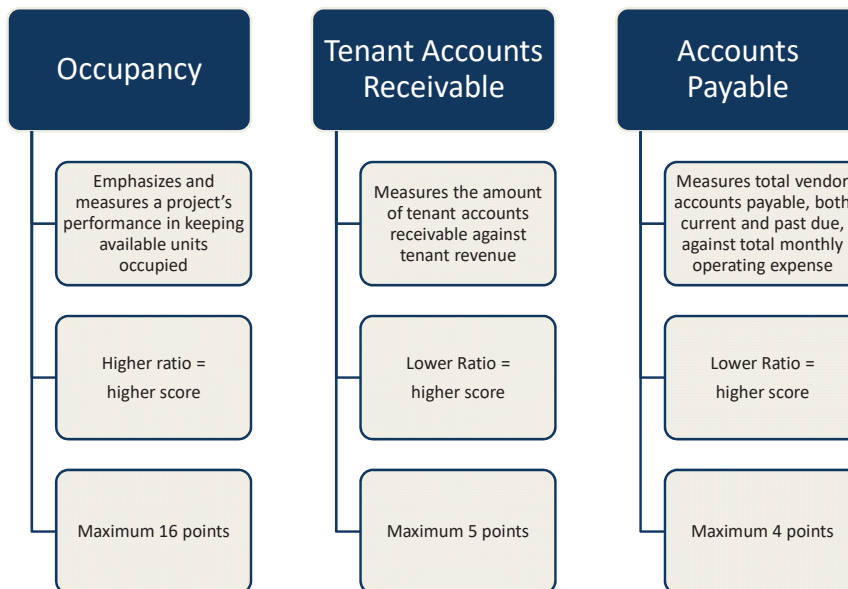


Session 6: Interim PHAS

Spring/Summer 2019

MASS Sub-Indicators

34



Session 6: Interim PHAS

Spring/Summer 2019

Occupancy (16 points)

35

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{\text{Unit Months Leased}}{\text{Unit Months Available}} = \frac{11210}{11190}$$

How Occupancy is Scored

≥98%	16 points
98% >but ≥ 96%	12 points
96% >but ≥ 94%	8 points
94% >but ≥ 92%	4 points
92% > but ≥ 90%	1 point
<90%	0 points



Session 6: Interim PHAS

Spring/Summer 2019

Occupancy (16 points)

36

- HUD Approved vacant units (per 24 CFR 990.145)
 - Vacant units under going HUD approved modernization
 - Special use units
 - Vacant units as a result of court litigation
 - Vacant units due to natural disaster
 - Vacant units due to casualty loss



Session 6: Interim PHAS

Spring/Summer 2019

Occupancy: FDS Reporting

37

- Units leased should be tracked monthly and supported by underlying data (the rent roll or rental register)
- Track, document, and report the number of HUD approved vacancy unit months

Occupancy	Unit Months
Base units available (100 units * 12 months)	1,200
Units occupied	1,090
Vacant units under CFP repair	42
Vacant units being turned	66
Police unit (1 unit)	12

- Based on the table above, the PHA's occupancy rate was 95.1% resulting in an occupancy score of 8 points out of a possible 16 points. $[1,090 \div [(1,200 \text{ base units available}) - 42 \text{ vacant unit months} - 12 \text{ special unit months}]$



Session 6: Interim PHAS

Spring/Summer 2019

Tenant Accounts Receivable (TAR) (5 points)

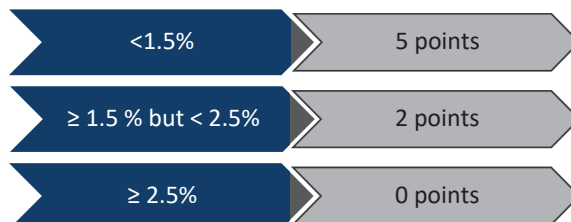
38

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{\text{Accounts Receivable - Tenants}}{\text{Total Tenant Revenue}^*} = \frac{126}{70500}$$

How Tenant Accounts Receivable is scored

*Includes rents and other charges to the tenants



Session 6: Interim PHAS

Spring/Summer 2019

Tenant Accounts Receivable: FDS Reporting

39

- Write off non-collectable tenant accounts receivable in accordance with the PHA's policy before the end of the fiscal year
- Separate any fraud receivable balance accrued from tenants that have committed fraud and owe additional rent from prior periods (retroactive adjustments) from tenant accounts receivable balances. Report additional tenant income such as misc. charges, late fees, excess utilities on FDS line 70400 (Tenant revenue – other), not on FDS line 71500 (Other Revenue)



Session 6: Interim PHAS

Spring/Summer 2019

Accounts Payable (AP) (4 points)

40

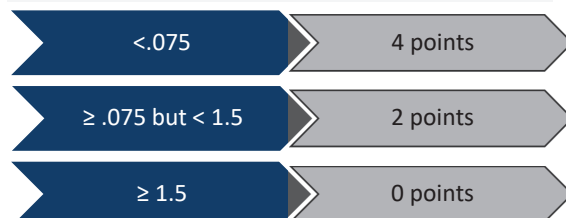
- Calculation Methodology

$$\frac{(\text{Current Accounts Payable} < 90 \text{ days} + \text{Past Due Accounts Payable} > 90 \text{ days})}{(\text{Total Operating Expenses} / 12)}$$

- Detail Line Item Calculation

$$\frac{312 + 313}{96900 \div 12}$$

How Accounts Payable is scored



Session 6: Interim PHAS

Spring/Summer 2019

Accounts Payable: FDS Reporting

41

- Make sure that all CFP liabilities have been paid by the end of the fiscal year
- Ensure that accounts payable lines (FDS lines 312 and 313) do not contain accrual transactions that are to be reported in FDS lines 321-325 and 346. Commonly misreported items include, accrued employee benefits and payroll, construction premiums, and utilities
- Review A/P to see if any amounts can be allocated to COCC



Session 6: Interim PHAS

Spring/Summer 2019

Physical Condition & Neighborhood Environment (PCNE)

42

Prior PHAS		Interim PHAS	
Max Points	3 points	Max Points	2 points
Category under	PASS	Category under	MASS
Physical Condition	10 years	Physical Condition	28 years
Neighborhood Environment	51%	Neighborhood Environment	40%
Via PHA Certification		Via Data from PIC	



Session 6: Interim PHAS

Spring/Summer 2019

Physical Condition & Neighborhood Environment (PCNE), cont'd

43

Physical Condition (PC)

Projects **at least 28 years** old, based on the unit-weighted average Date of Full Availability (DOFA) date

Maximum 1 point

Neighborhood Environment (NE)

Projects in census tracts, in which **at least 40%** of families have an income below poverty rate

Maximum 1 point

- The PCNE adjustment cannot exceed the maximum number of possible MASS points (i.e., 25 points)
- A PCNE adjustment, if warranted, will be made to each individual project scores



Session 6: Interim PHAS

Spring/Summer 2019

Calculating PHA-wide MASS Indicator Score

44

- Step 1. Calculate MASS Indicator score (Occupancy, TAR, and AP) for each project, including any PCNE adjustment. Mixed finance projects are excluded from scoring

MASS Project Scores					
Project	Mixed Finance	MASS Score	PCNE		Project Score
			PC	NE	
Project 1	No	24.00	1	1	25.00
Project 2	No	16.50	1	1	18.50
Project 3	No	22.68	0	1	23.68
Project 4	Yes	Excluded (Mixed Finance Project)			N/A



Session 6: Interim PHAS

Spring/Summer 2019

Calculating PHA-wide MASS Indicator Score

45

- Step 2. Convert the UMAs for each Project into Units (UMAs/12 – same as FASS)
- Step 3. Calculate the unit weighted value for each project (Col 2 x Col 3)
- Step 4. Calculate unit weighted MASS score by summing the weighted value and then dividing this amount by the total number of units (9,818.00/450 = 21.82)

Calculation of PHA-wide Management Score			
1	2	3	4
Project	Units	Project Score (Previous slide)	Weighted Value (Col 2 x Col 3)
Project 1	150	25.00	3,750.00
Project 2	200	18.50	3,700.00
Project 3	100	23.68	2,368.00
PHA Totals	450		9,818.00
PHA Unit Weighted MASS Score (PHA Total Weighted Value / Total Units)			21.82



Session 6: Interim PHAS

Spring/Summer 2019

Conclusion

46

- Thoughts
- Questions?
- Comments?



Session 6: Interim PHAS

Spring/Summer 2019



Session 7: Public Housing Operating Fund Reporting

Overview

2

- This session will cover:
 - Establishment of Projects and Project Types
 - General Project Level Reporting, with Emphasis on Mixed Finance Projects
 - Common Reporting Issues in Low Rent
 - ◆ Cash and Investments
 - ◆ Specific Revenue and Expense Line Items
 - ◆ Operating Transfers & Due To / From
 - ◆ Memo Accounts





Projects

Project Overview

4

- Focus is now at a project level
- Grouping of buildings for management efficiencies
- Recorded in PIC
- Projects consist of Public Housing and Capital Fund activity
- PHAs began reporting project level submissions beginning with June 30, 2008 FYE submissions



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

General Guidance

5

- All PHAs with public housing units will need to establish projects in PIC, including MTW PHAs
- PHAs with fewer than 400 dwelling units may group their entire portfolio as a single project, unless required to operate under asset management (stop loss)
- Mixed finance projects must generally have a separate project number
- PHAs are required to designate administrative buildings and central maintenance facilities with a project number ending in “9999”



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Conventional Projects

6

- Conventional projects are projects under management and are funded through the Operating and Capital Fund programs
- Conventional projects form the basis and foundation of project level reporting



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Demolition / Disposition Projects

7

- Units will be recoded in PIC as “approved for demolition” or “approved for disposition”
- Once demolished or disposed, units are recorded as “removed from inventory”
- A project is terminated in PIC only after the land has been disposed and the Field Office has released the Declaration of Trust (DOT). A project marked as terminated in PIC is not available in FASS
- PHAs should continue to report all project-related activity until the project number is no longer available in FASS



Session 7: Public Housing Operating Fund Reporting

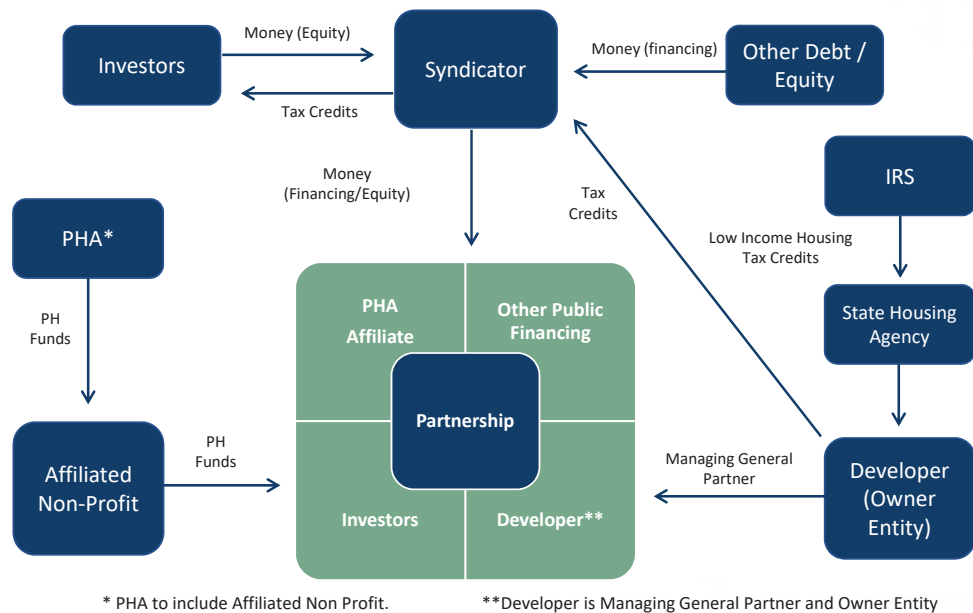
Spring/Summer 2019



Mixed Finance Projects

Example Mixed Finance Model

9



Session 7: Public Housing Operating Fund Reporting

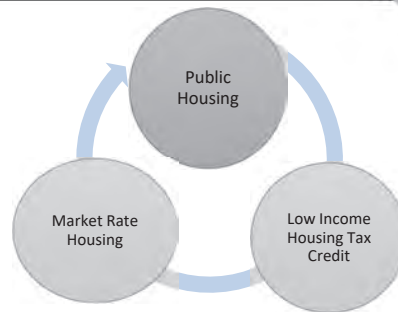
Spring/Summer 2019

Which Units are Public Housing?

10

Mixed Finance Units

- Floating units. ACC units are not tied to a permanent physical address; for example a unit may house a Public Housing family one year and house a LIHTC family the next year
- Based on the funding sources & parties involved, the development must maintain a specific number of units for each program type (ACC Units)



Unit Mix	Units	1 br	2 br	3 br	4 br
Public Housing	110	12	34	53	11
LIHTC	80	6	34	36	4
Market Rate	70	15	33	22	0
Total Rental Units	260	33	101	111	15

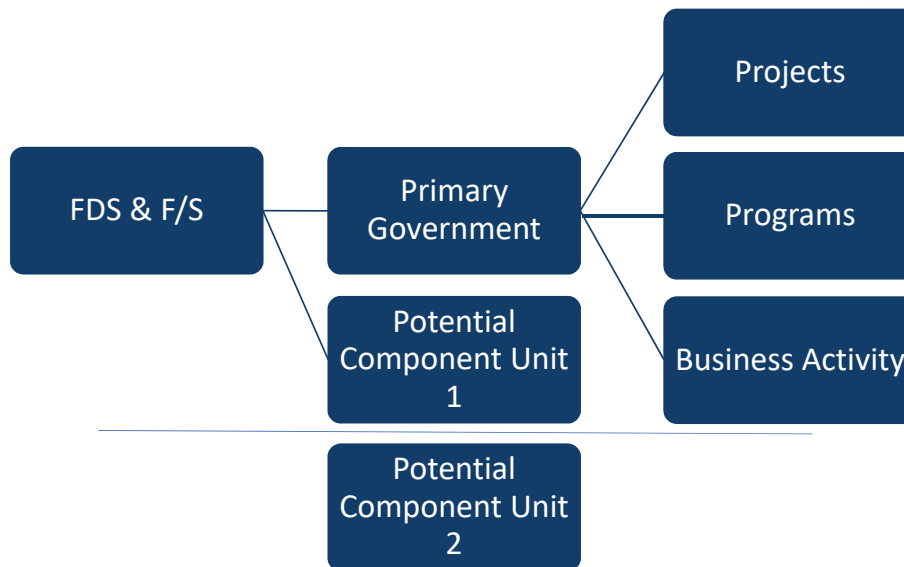


Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

GASB and the Reporting Entity

11



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Clarification of Project Definition

12

- Project Definition 1 (Required to be Reported)
 - Low Rent & Capital Fund Program Funding
 - PIC Number
 - Identifies ACC Units
 - The “PHA Transactions”
- Project Definition 2 (FDS Reporting Varies)
 - Mixed Finance Development
 - Identifies both ACC and Non-ACC Units
 - Tied to Physical Building(s)
 - Usually Legally Separate Entity (not PHA)
 - This indicator is now hard-coded in PIC. This also applies to RAD projects



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Mixed Finance – FDS Reporting

13

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Inbox PHA Info FDS DCF Notes and Findings Submit Review Submission Edit Flags Reports Logout

BalanceSheet+
Income Statement+

PHA Information

PHA Code: CA027 Fiscal Year End Date: 12/31/2015
 PHA Name: Housing Authority of the County of Riverside
 Submission Type: Audited / Single Audit
 Project Name: DESERT HOT SPRINGS APTS
 Project Status: Validated **Mixed Finance: Y**
 Select Entity: [Program List](#) [Mod Rehab Projects](#) [Project List](#) [Other Project](#)

Income Statement - Project Program Listing

CFDA #	Program Name	Status
14.872	Public Housing Capital Fund Program	Validated
14.850	Low Rent Public Housing	Validated



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Example 1 – No Component Unit

14

Financial Data Schedule (FDS)							Financial Statements
FDS Line Item	Description	Total Projects	COCC	Housing Choice Voucher	Elimination	Total	Total
Balance Sheet							
190	Total Assets	\$ 10,100,000	\$ 500,000	\$ 10,000,000	\$ (500,000)	\$ 20,100,000	\$ 20,100,000
300	Total Liabilities	\$ 500,000	\$ 100,000	\$ 200,000	\$ (500,000)	\$ 300,000	\$ 300,000
513	Total Equity/Net Assets	\$ 9,600,000	\$ 400,000	\$ 8,000,000	\$ -	\$ 18,000,000	\$ 18,000,000
Income Statement							
70000	Total Revenue	\$ 5,800,000	\$ 1,000,000	\$ 3,000,000	\$ (800,000)	\$ 9,000,000	\$ 9,000,000
90000	Total Expenses	\$ 4,700,000	\$ 900,000	\$ 2,500,000	\$ (800,000)	\$ 7,300,000	\$ 7,300,000
10000	Net Income	\$ 1,100,000	\$ 100,000	\$ 500,000	\$ -	\$ 1,700,000	\$ 1,700,000



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

FDS Reporting – No Component Unit

15

- New project added to FDS
- Marked as mixed finance in PIC
- Revenue and expense associated mainly with the flow of Operating Subsidy (akin to a HAP payment)
- Unit information associated with ACC units only
- Balance sheet will be minimal - cash and investments, maybe notes /loans receivables
- No elimination entries



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Example 2 – Discretely Presented Component Unit

16

Financial Data Schedule (FDS)							Financial Statements		
FDS Line Item	Description	Total Projects	COCC	Housing Choice Voucher	Component Unit	Elimination	Total	Total	Component Unit
Balance Sheet									
190	Total Assets	\$ 10,100,000	\$ 500,000	\$ 10,000,000	\$ 200,000	\$ (500,000)	\$ 20,300,000	\$ 20,100,000	\$ 200,000
300	Total Liabilities	\$ 500,000	\$ 100,000	\$ 200,000	\$ 50,000	\$ (500,000)	\$ 350,000	\$ 300,000	\$ 50,000
513	Total Equity/Net Assets	\$ 9,600,000	\$ 400,000	\$ 8,000,000	\$ 150,000	\$ -	\$ 18,150,000	\$ 18,000,000	\$ 150,000
Income Statement									
70000	Total Revenue	\$ 5,800,000	\$ 1,000,000	\$ 3,000,000	\$ 2,000,000	\$ (800,000)	\$ 11,000,000	\$ 9,000,000	\$ 2,000,000
90000	Total Expenses	\$ 4,700,000	\$ 900,000	\$ 2,500,000	\$ 1,500,000	\$ (800,000)	\$ 8,800,000	\$ 7,300,000	\$ 1,500,000
10000	Net Income	\$ 1,100,000	\$ 100,000	\$ 500,000	\$ 500,000	\$ -	\$ 2,200,000	\$ 1,700,000	\$ 500,000



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

FDS Reporting – Discretely Presented Component Unit

17

- Same as “No Component Unit” example
- New component unit column added to FDS
- Component unit column contains the balance sheet and income statement data for all units in the development (ACC and non-ACC units)
- Transactions between the project and component unit are shown as revenue and expense, notes receivables and payables, and not operating transfers or due to or due from
- No elimination entries



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Example 3 – Blended Component Unit (Business Activity)

18

Financial Data Schedule (FDS)								Financial Statements
FDS Line Item	Description	Total Projects	COCC	Housing Choice Voucher	Business Unit	Elimination	Total	Total
Balance Sheet								
190	Total Assets	\$ 10,100,000	\$ 500,000	\$ 10,000,000	\$ 200,000	\$ (500,000)	\$ 20,300,000	\$ 20,300,000
300	Total Liabilities	\$ 500,000	\$ 100,000	\$ 200,000	\$ 50,000	\$ (500,000)	\$ 350,000	\$ 350,000
513	Total Equity/Net Assets	\$ 9,600,000	\$ 400,000	\$ 8,000,000	\$ 150,000	\$ -	\$ 18,150,000	\$ 18,150,000
Income Statement								
70000	Total Revenue	\$ 5,800,000	\$ 1,000,000	\$ 3,000,000	\$ 2,000,000	\$ (1,600,000)	\$ 10,200,000	\$ 10,200,000
90000	Total Expenses	\$ 4,700,000	\$ 900,000	\$ 2,500,000	\$ 1,500,000	\$ (1,600,000)	\$ 8,000,000	\$ 8,000,000
10000	Net Income	\$ 1,100,000	\$ 100,000	\$ 500,000	\$ 500,000	\$ -	\$ 2,200,000	\$ 2,200,000



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

FDS Reporting – Blended Component Unit

19

- Same as “Discretely Presented Component Unit” example except:
 - The component unit will be reported in the blended component unit column of the FDS
 - New project added to FDS (subsidy flow)
 - Use when the mixed finance project is:
 - ◆ Determined to be a blended component unit and
 - ◆ Where some of the units in the development are not ACC units
- Elimination entries required



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Example 4 – Blended Component Unit (Project)

20

Financial Data Schedule (FDS)							Financial Statements
FDS Line Item	Description	Total Projects	COCC	Housing Choice Voucher	Elimination	Total	Total
Balance Sheet							
190	Total Assets	\$ 10,200,000	\$ 500,000	\$ 10,000,000	\$ (500,000)	\$ 20,200,000	\$ 20,200,000
300	Total Liabilities	\$ 550,000	\$ 100,000	\$ 200,000	\$ (500,000)	\$ 350,000	\$ 350,000
513	Total Equity/Net Assets	\$ 9,650,000	\$ 400,000	\$ 8,000,000	\$ -	\$ 18,050,000	\$ 18,050,000
Income Statement							
70000	Total Revenue	\$ 7,000,000	\$ 1,000,000	\$ 3,000,000	\$ (800,000)	\$ 10,200,000	\$ 10,200,000
90000	Total Expenses	\$ 5,500,000	\$ 900,000	\$ 2,500,000	\$ (800,000)	\$ 8,100,000	\$ 8,100,000
10000	Net Income	\$ 1,500,000	\$ 100,000	\$ 500,000	\$ -	\$ 2,100,000	\$ 2,100,000



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

- The mixed finance project should be reported as a “typical conventional project”
 - All units are reported
 - All revenue and expenses are reported
 - “Full” balance sheet
- Use when the mixed finance project is:
 - Determined to be a blended component unit and
 - All of the units in the mixed finance project are ACC units
- Marked as mixed finance in PIC
- No elimination entries



Public Housing Reporting Revenue and Expenses

Management Fees

23

- July 2014 – Latest changes made to FDS lines:
 - 70750-010 – From PHA administered program (only for COCC)
 - 70750-020 – From 3rd party / outside entity (only for COCC)
 - 91300-010 – To PHA administered program
 - 91300-020 – To a 3rd party / outside entity



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Fee Revenue Reconciliation

24

- REAC is now monitoring and calculating fees reported by a PHA that has implemented the asset management model.
- Upon the discovery of a fee above the maximum amount allowed, the FASS-PH system will send a fee alert letter to the Field Office for follow up.
- Both the Public Housing projects and HCV programs will be analyzed.
- The reconciliation currently does not take into account rounding for the calculation of fees, especially bookkeeping fees due to the “.50” nature.
- It is recommended that bookkeeping fees be rounded down in order to prevent a fee alert letter being generated.



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Allocated Overhead

25

- Allocated overhead (FDS line 91820)
 - Required to be used by any PHA with over 400 public housing units. Under Asset management, where a PHA allocates cost instead of using a fee for service approach.
 - Activities that must be accounted for in this line item are determined by HUD
 - This line item along with other allowed allocations will be discussed in the COCC section of this course



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Maintenance Contracts

26

- Maintenance Contracts (FDS line 94300)
 - Twelve (12) maintenance contract FDS line items
 - Record contract expenses with third-party vendors
 - Record frontline services for centralized maintenance charges to the project under a fee-for-service methodology



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Other General Expenses

27

- Other General Expenses (FDS line 96200)
 - This account is used by PHAs to represent the cost of all items of general expense
 - These expenses are typically not part of routine administrative expenses and would not be appropriately recorded in FDS line 91900 (Other administrative expense)



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Other General Expenses, cont'd.

28

- Examples include:
 - Payments to developers for mixed financing transactions and ongoing subsidy
 - Amount of energy savings earned by the COCC as a result of a HUD-approved energy performance contract
 - Expenses arising from personal injury and damages to property and the loss of cash and/or securities resulting from robbery or theft that is not considered fraud-related
 - Unaccountable differences in inventories of materials, supplies, and expendable equipment



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

- Examples cont'd:
 - Fiscal agent fees and fees paid to collection agents other than attorneys incurred in connection with the collection of amounts due from tenants but are not chargeable to tenants
 - Fines and penalties imposed by the federal, state or local government. Caution should be exercised in expensing fines and penalties to federal awards, as these items are typically considered to be ineligible. This category was added in order to accommodate the recording of fines and penalties expense to an appropriate funding source
 - Costs of FASB 5 Contingency claim



- Extraordinary maintenance (FDS line 97100)
 - Extraordinary maintenance represents costs that are unforeseen and highly unusual in nature
 - These costs represent items that were not anticipated prior to the start of the fiscal year
 - The costs do not meet the GAAP definition of being capitalized





Public Housing Reporting Transfers and Due To / From

Operating Transfers

32

- FDS has four types/sets of operating transfers:
 - Operating Transfer In/Out
 - Inter-Project Excess Cash Transfer In/Out
 - Transfers between Programs and Projects In/Out
 - Other Operating Transfers:
 - ◆ From/To Primary Government
 - ◆ From/To Component Unit
- Erroneous reporting may cause the Department to initially determine that the PHA is not in compliance with financial management regulations



Operating Transfer In/Out

33

- FDS Line 10010 – Operating Transfer In
- FDS Line 10020 – Operating Transfer Out
 - Report transfers of Capital Fund grant revenue to the Low Rent column of the project income statement

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$200,000		\$200,000
70610	Capital Grants			
10010	Operating Transfer In	\$200,000	\$200,000	
10020	Operating Transfer Out	(\$200,000)		(\$200,000)



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Operating Transfer In/Out

34

- FDS Line 10010 – Operating Transfer In
- FDS Line 10020 – Operating Transfer Out
 - Report transfers of Capital Fund grant revenue to the Low Rent column of the project income statement.

Program- Income Statement				
FDS Line Item		Program Total	HCV	COCC
10010	Operating Transfer In	\$100,000	\$100,000	
10020	Operating Transfer Out	(\$100,000)		(\$100,000)



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Inter-Project Excess Cash Transfer

35

- FDS Line 10091 – Inter-Project Excess Cash Transfer In
- FDS Line 10092 – Inter-Project Excess Cash Transfer Out
 - Report transfers from one project to another (only used by PHAs with multiple projects)

Project - Income Statement						
FDS Line Item		Project Total	Project 1	Project 2	Project 3	
10091	Inter Project Excess Cash Transfer In	\$100,000	\$75,000	\$25,000		
10092	Inter Project Excess Cash Transfer Out	(\$100,000)			(\$100,000)	



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Transfers Between Programs and Projects

36

- FDS Line 10093 – Transfer Between Programs and Projects In
- FDS Line 10094 – Transfer Between Programs and Projects Out
 - Report funds transferred out or received by a project from another program, including the COCC
 - Not used to report Management Fees paid to the COCC

Project - Income Statement						
FDS Line Item		Project Total	Project 1	Project 2	HCV	
10093	Transfers between Program and Project - In	\$75,000	\$50,000	\$25,000		
10094	Transfers between Project and Program - Out	(\$75,000)			(\$75,000)	



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

- Other Operating Transfers:
 - FDS Line 10030 – Operating Transfers From/To Primary Government
 - FDS Line 10040 – Operating Transfers From/To Component Unit
 - ◆ Positive amounts represent transfers in
 - ◆ Negative amounts represent transfers out



- FDS line 144 (Inter-program – due from) and FDS line 347 (Inter-program – due to) represent amounts due from or to other PHA projects, programs and funds
 - FDS line 144 (Inter-program – due from) represents inter-program transactions resulting in a decrease of expendable resources of the transferring PHA program and funds that are expected to be repaid “within a reasonable time”
 - FDS line 347 (Inter-program – due to) represents inter-program transactions resulting in an increase of expendable resources of the receiving PHA program and funds, which are expected to be repaid “within a reasonable time”
 - HUD Accounting Brief #14, instructs PHAs to offset any balances on FDS lines 144 & 347 against cash, unless it results in having a negative cash balance.



- Repayment should typically not exceed the annual operating cycle
- For year-end reporting, the cash and investment balances that are maintained in a revolving or working capital account must be:
 - Disaggregated
 - Reconciled, and
 - Settled prior to closing the books
- Funds are normally not fungible between different federal programs regardless of the nature of the transfer or receivable
- Inappropriate use of funds, even a temporary loan, are ineligible costs resulting in non-compliance



Public Housing Reporting Memo Accounts

Low Rent Income Statement – Capital Activity Memo Accounts

41

- Memorandum accounts are used to record capitalized costs incurred in the current fiscal year that were funded by the Operating Fund Program
 - Capital Costs funded by reserves, Operating Fund program income, ESCOs, insurance proceeds, etc are reported in the income statement of the Operating Fund program

Line	Description
11610	Land Purchase
11620	Building Purchase
11630	Furniture and Equipment – Dwelling Purchases
11640	Furniture and Equipment – Administrative Purchases
11650	Leasehold Improvement Purchases
11660	Infrastructure Purchases



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Capital Activity Memo Accounts

42

- Memorandum accounts are used to record capitalized costs incurred in the current fiscal year that were funded by either the Operating Fund Program or Capital Fund Program
- These memo accounts are required and are intended to provide additional information on the use of Low Rent program funds for non-operating expenses (capitalized expenditures) incurred during the reporting period



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Capital Activity Memo Accounts

43

- FDS Memo account line 11020
 - The FDS line represents the required debt principal payments during the reporting financial year, regardless of whether or not the actual payment has been made.



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Units Leased Accounts (FDS Lines 11190 & 11210)

44

- Units leased reported on the Financial Data Schedule has gained more significance due to the points earned on the occupancy sub-indicator on the MASS indicator.
 - Remember to exclude from units available, and HUD allowable vacancies.
- Units leased is also used in the calculation of your operating subsidy.
- Units leased are used to calculate management and bookkeeping fees.
 - As a qualitative measurement, units leased should be analyzed.



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019

Conclusion

45

- Thoughts?
- Questions?
- Comments?



Session 7: Public Housing Operating Fund Reporting

Spring/Summer 2019



Session 8: Public Housing Capital Fund Program

Overview

2

- Financial Data Schedule (FDS) reporting requirements for the CFP Program
- Reporting of soft and hard costs associated with the CFP Program
- Use of the memorandum accounts on the FDS for the CFP Program
- Reporting the Capital Fund Financing Program





Capital Fund Program

General FDS Reporting

4

- The CFP Program must be reported at the individual “project” level
 - Each project has an individual balance sheet combining both the Low Rent and CFP programs
 - Each project has two income statements reporting financial activity for the Low Rent Housing Program and the Capital Fund Program
- CFP activities must be reported in accordance with generally accepted accounting principles (GAAP)



BLI Quick Reference Chart	
Capital Fund Activity	BLI
Development and Physical Work	
• Site Acquisition	1440
• Site Improvement	1450
• Dwelling Structure	1460
• Dwelling equipment, nonexpendable	1465
• Non-dwelling structures	1470
• Non-dwelling equipment	1475
• Demolition	1485
• CFFP Debt Service Payments	1501 (by PHA) 9000 (by LOCCS)
Soft Costs	
• Financing	1430
• Transfer to Operations	1406
• Management Improvements	1408
• Resident Relocation and Mobility Counseling	1495
• Safety and Security	BLI for associated activity*
Other Costs	
• Administrative Costs	1410
• Capital Fund Program Fee	1410
• Audit	1411
• Fees and Costs, Legal	1430
• Homeownership	BLI for associated activity*
• Force Account Labor	BLI for associated activity*
• Physical Needs Assessment and Energy Audit	1430
• RAD	1503
• RAD	1504
• Economic Self-Sufficiency (soft cost)	1408
• Economic Self-Sufficiency (capital expenditure)	BLI for associated hard cost activity*

BLI Accounts

Session 8: Public Housing Capital Fund Program

Capital Fund FDS Reporting: Recognition of Revenue

- Recognition of Revenue (hard and soft)
 - CFP revenues still need to be distinguished between soft and hard costs for GAAP reporting (NOT BLI ACCOUNT)
 - Hard costs typically include activities associated with the purchase of equipment, modernization work and other capital activity
 - ◆ These costs meet the PHA's capitalization threshold policy
 - Soft costs refer to the use of CFP funds to either support a project's operations or other expenses that do not meet the PHA's capitalization threshold policy



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting: Recognition of Revenue

7

- PHAs capitalization policy ultimately determines how Capital Fund amounts are reported on FDS
- Revenue related to “hard costs” should be reported on FDS line 70610 (Capital Grants)
 - This would include principal payments on CFFP Debt.
- Amounts below the PHA’s capitalization threshold are considered soft costs, and the corresponding revenue is reported on FDS line 70600 (HUD PHA Operating Grants)



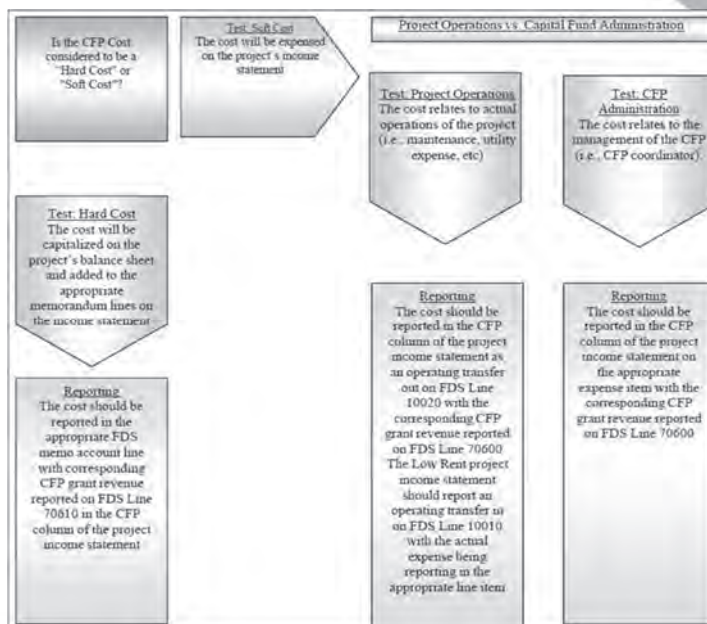
Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting

8

- A flowchart has been included as a guide on how to report both hard and soft costs on the FDS



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Eligible Activities Overview

9

- Development – Construction and acquisition, development of mixed finance, consultants, operating expenses, pre-development costs, cost certification
- Financing – Applications, legal services construction interest, due diligence
- Modernization & Physical Work – Demo, reconfiguration, planning, site acquisition, site improvement, dwelling structures, vehicles, non-routine maintenance



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Eligible Activities Overview, cont'd

10

- Soft Costs – Economic self-sufficiency, Mgmt Improvements, resident relocation
- Safety & Security – cameras, lights, equipment, access control, security, fencing
- Other costs
 - Administrative - salaries, benefits, Doc prep, Resident Participation, Litigation
 - Cap Fund Fee – annual audit, legal, home ownership



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Ineligible Activities

11

- Not related to PH, nor in 5 year action plan
- Not modest in design or eligible based on OMB guidance
- PH operating assistance, except for BLI 1406
- Benefits other programs
- Security or Supportive services



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Other Limitations

12

- Other programs – limited to amounts directly attributable to PH
- Modernization – amounts in excess of 90% of TDC (reasonable costs) Some exceptions (emergencies, essential maint., safety and security of demo sites)
- Administrative costs
 - Non asset management limited to 10%
 - CFP fee 10%
 - Development admin costs by asset management limited to 3%



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Management Improvement Cost Limits

13

- Reduction in Management Improvements

Federal Fiscal Year	Maximum % allowed
2014	18%
2015	16%
2016	14%
2017	12%
2018 and later	10%



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Transfer of Capital Funds for Operations

14

- Use only if in 5 year plan & approved by Board
- PHAs > 250 units – may use no more than 20% of annual grant
- PHAs < 250 units may use 100%
- Remember to use the correct transfer lines and make sure to record in the proper program



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting: Beginning Equity

15

- Capital Fund Program Equity
 - Report beginning equity – Should be PY hard costs not transferred to LIPH – FDS Line 11030
 - Transfer of assets using the equity transfer FDS line 11040

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
11030	Beginning Equity	\$850,000	\$700,000	\$150,000
11040	Prior Period Adjustments, Equity Transfers & Correction of Errors	\$0	\$100,000	(\$100,000)



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting – 1. Transfers to the Operating Fund

16

- Transfers to the Operating Fund (BLI 1406)
 - The PHA would reflect amounts associated with BLI 1406 on the FDS as follows:
 - ◆ The project’s Capital Fund income statement would report grant revenue in FDS line 70600 (HUD PHA Operating Grants) and would also report the same amount in FDS line 10020 (Operating Transfer Out)
 - ◆ The project’s Low Rent income statement would report the same amount on FDS line 10010 (Operating Transfer In) with a corresponding increase in the project’s cash balance reported on line 111 (Cash unrestricted)



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting – 1. Transfers to the Operating Fund

17

- Reporting of Capital Project Funds for Operations

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$200,000		\$200,000
70610	Capital Grants			
10010	Operating Transfer In	\$200,000	\$200,000	
10020	Operating Transfer Out	(\$200,000)		(\$200,000)

Project - Balance Sheet		
FDS Line item		Project Total
111	Cash - Unrestricted	\$200,000



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting – 2. Management Improvements

18

- Management Improvements (BLI 1408)
 - The PHA would reflect amounts associated with BLI 1408 if used for soft costs on the FDS as follows:
 - ◆ The project's Capital Fund income statement would report grant revenue in FDS line 70600 (HUD PHA Operating Grants) and would report the same amount in FDS line 10020 (Operating Transfer Out)
 - ◆ The project's Low Rent income statement would report the same amount on FDS line (Operating Transfer In) with a corresponding expense. The FDS expense line(s) used to show the expense is dependent upon the nature of the expense



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting – 2. Management Improvements

19

- Management Improvements (BLI 1408)
 - Once transferred to Low Rent, the “expenses” are not differentiated from other expenses funded through the Operating Fund
 - If capitalized, report the expense like any other hard cost transaction
 - Management Improvements are limited to 10% of the grant award



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting – 3. Administration/CFP Mgmt Fees

20

- Administration / Capital Fund Management Fee (BLI 1410)
 - Used to account for:
 - ◆ Eligible administrative costs of the Capital Fund Program
 - ◆ Capital Fund management fee
 - Limited to 10% of total grant award
 - Activity is only recorded in the project’s Capital Fund income statement column



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting – 3. Administration/CFP Mgmt Fees

21

- Administration (BLI 1410) – Management Fees

Project - Income Statement				
FDS Line item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$100,000		\$100,000
70610	Capital Grants			
91300	Management Fees	\$100,000		\$100,000



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting – 3. Administration/CFP Mgmt Fees

22

- Administration (BLI 1410) – Expense

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$100,000		\$100,000
70610	Capital Grants			
91100	Administrative Salaries	\$70,000		\$70,000
91500	Employee Benefit Contributions - Administrative	\$30,000		\$30,000



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund FDS Reporting – 4. CFP Audit Costs

23

- Audit Costs (BLI 1411)
 - Costs of the audit associated with the CFP Program
 - ◆ Preference is to not charge any audit costs to the CFP program. Use low rent operating fund to pay for audit fee. Use CFP for capital needs.
 - Reasonable determination of allocated cost

Project - Income Statement				
FDS Line Item		Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$2,000		\$2,000
70610	Capital Grants			
91200	Auditing Fees	\$2,000		\$2,000



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Reporting Other Capital Fund Activities – Force Account Labor

24

- Force Account Labor
 - Labor performed directly by the PHA for CFP work items
 - ◆ Force account labor used to support capital works if capitalized, treated as hard costs
 - ◆ Force account labor not capitalized is treated as soft cost, recorded using transfer out to the Operating Fund



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Reporting Other Capital Fund Activities – Modernization Coordinators

25

- Modernization Coordinators
 - Position is funded through the Capital Fund Management Fee
 - Reported on the income statement of the COCC
 - Non-asset management PHAs would report this expense as a soft cost in the Capital Fund income statement



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Reporting Other Capital Fund Activities – Modernization Inspectors/Construction Supervisors

26

- Modernization Inspectors and Construction Supervisors
 - Charged to each project for actual supervision / inspection work
 - Typically, the documented cost associated with the inspector or construction supervisor is capitalized to a work in progress account



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Reporting Other Capital Fund Activities – Replacement Housing Funds

27

- Replacement Housing Funds (RHF)
 - Reported similar to any other Capital Fund Transaction
 - Must also report in FDS line 13901 (Replacement Housing Factor Funds)



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Capital Fund Program Final Rule

28

- Published October 24, 2013
- Effective November 25, 2013
- Capital Fund Guidebook April 1, 2016
- Caps management improvement expenditures to 10% to be phased in over 5 years
- Defines ineligible expenses for management improvements
 - Ongoing security services not eligible
 - Direct social services
 - Security personnel are not eligible
 - Routine maintenance



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

- Emergencies not identified in the 5-year action plan are eligible costs
- Requirement for the new GPNA (Green Physical Needs Assessment)
- Additional Guidance on Replacement Housing Factor funding



Capital Fund Financing Program (CFFP) Reporting

CFFP Reporting

31

- CFFP allows a PHA to borrow private capital to make improvements
- PHA pledges a portion of its future CFP funds to make debt service payment
- The CFFP is not affected programmatically by changes introduced in the Operating Fund Final Rule
- Project level reporting is required



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

CFFP Reporting: CFFP Transactions

32

- Bond / Loan proceeds and related debt liability will be recorded at the respective projects
- The increase in fixed assets due to modernization/construction work will be recorded on the respective project's balance sheet
- Grant Revenue associated with principal and interest payments will be recorded at the projects
 - Interest Expenses should be booked under the Capital Fund column. The corresponding grant revenue for this transaction is considered a "soft cost"
 - CFP revenue for debt principal payment should be booked as a "hard cost"



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

CFFP Reporting: CFFP Transactions, cont'd.

33

- The project's balance sheet will be adjusted annually to reflect the reduction in outstanding principal and to reclassify a portion of non-current liability to current liability



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

CFFP Reporting: CFFP Transactions, cont'd.

34

- Reporting CFP funds for a debt service payment on the new FDS:

Project - Income Statement				
FDS Line	Item	Project Total	Low Rent	Capital Fund
70600	HUD PHA Operating Grants	\$20,000		\$20,000
70610	Capital Grants	\$70,000		\$70,000
96710	Interest of Mortgage (or Bonds) Payable	\$20,000		\$20,000
11020	Required Annual Debt Principal Payments	\$70,000		\$70,000
13510	CFFP Debt Service Payments	\$90,000		\$90,000



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019

Conclusion

35

- Thoughts?
- Questions?
- Comments?



Session 8: Public Housing Capital Fund Program

Spring/Summer 2019



Session 9: Operating Reserves and Excess Cash

Overview

2

- This session will cover:
- Excess Cash
 - Definition
 - Calculation
 - Eligible Uses of Excess Cash





Excess Cash

Excess Cash Definition

4

- 24 CFR section 990.280
- Excess Cash
 - Represents the sum of certain current asset accounts less current liabilities and less one month worth of operating expenses
 - Non-restricted liquid or near liquid assets
 - Calculated via balance sheet approach
 - Calculated using PHA-reported data (from FDS)
 - Calculated and applied at the project level
 - Calculated from prior year FDS



Excess Cash Calculation

5

Seq	FDS Line	FDS Description	Type
1	111	Cash - Unrestricted	CA
2	114	Cash - Tenant Security Deposits	CA
3	115	Cash - Restricted for Payment of Current Liabilities	CA
4	120	Total Receivables, Net of Allowances for Doubtful Accounts	CA
5	131	Investments - Unrestricted	CA
6	144	Inter Program Due From	CA
7		Total (1+2+3+4+5+6)	
8	310	Total Current Liabilities	CL
9	96900	Total Operating Expenses ÷ 12 months	
10		Total (8+9)	
11		Total Excess Cash (7-10)	



Session 9: Operating Reserves and Excess Cash

Spring/Summer 2019

Excess Cash Calculation, cont'd

6

PHA Information

PHA Code: [REDACTED] Fiscal Year End Date: 09/30/2010
 PHA Name: [REDACTED]
 Submission Type: Audited/A-133
 Project Name: [REDACTED]
 Program Name: Low Rent Public Housing Change Program
 Select Entity: [Program List](#) [Project List](#) [Other Project](#)

Income Statement (readonly mode)

Line Item #	Description	Value	Details
Memo Account Information:			
*11020	Required Annual Debt Principal Payments	\$ 0	-
*11030	Beginning Equity	\$ 2,798,951	-
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ 905,750	[Details]
*11190	Unit Months Available	3,672	-
*11210	Number of Unit Months Leased	3,483	-
11270	Excess Cash	\$ 539,368	-
*11610	Land Purchases	\$ 0	-
*11620	Building Purchases	\$ 8,480	-
*11630	Furniture & Equipment - Dwelling Purchases	\$ 0	-
*11640	Furniture & Equipment - Administrative Purchases	\$ 0	-
*11650	Leasehold Improvements Purchases	\$ 0	-
*11660	Infrastructure Purchases	\$ 0	-
*13510	CFFP Debt Service Payments	\$ 0	-
*13901	Replacement Housing Factor Funds	\$ 0	-



Session 9: Operating Reserves and Excess Cash

Spring/Summer 2019

Allowable Uses & Restrictions of Excess Cash

7

- If the Project has Excess Cash, the PHA can elect to have the Project:
 - Retain the Excess Cash for Future Use
 - Transfer the Excess Cash to Other Projects
 - Pay an asset management fee to the COCC (\$10.00 PUM based on all ACC units of the project)
 - Use the Excess Cash to Pay other HUD-approved eligible purposes (e.g. Certain development costs, legal judgments, etc.)
- Restrictions
 - Excess cash cannot be used for loans or transfers to the COCC



Session 9: Operating Reserves and Excess Cash

Spring/Summer 2019

Excess Cash Other Considerations

8

- Excess Cash Rules
 - Amount of excess cash is ultimately based on the final approved FDS for the year, but is available as soon as the PHA closes its books and can make the calculation
 - Final excess cash calculations are determined by the data submitted on the audited FDS and could result in retroactive re-payments
 - Projects may not transfer excess cash or loan funds at any time during a given fiscal year based on projections or “expected” excess cash calculations for that same year
 - Asset management fee (lines 70720 (COCC) and 92000 (project) can be no greater than prior year excess cash



Session 9: Operating Reserves and Excess Cash

Spring/Summer 2019

Excess Cash Other Considerations, cont'd.

9

- Excess Cash Rules (continued)
 - The working capital component of the excess cash calculation is eliminated on mixed finance projects that are managed by a separate owner or entity
 - PHAs are encouraged to develop their own minimum working capital levels for each project based on the individual current and projected need, including any management restrictions



Session 9: Operating Reserves and Excess Cash

Spring/Summer 2019

Conclusion

10

- Thoughts?
- Questions?
- Comments?



Session 9: Operating Reserves and Excess Cash

Spring/Summer 2019



Session 10: Central Office Cost Center & Elimination Column Reporting

Overview

2

- This session will:
 - Provide an overview of the COCC
 - Describe COCC fees and corresponding expenses to the projects and other programs
 - Describe the difference between front-line expenses, fee expenses, and allocated overhead expenses;
 - Describe reasonableness of fee expenses and allocated overhead;
 - Describe when elimination entries are appropriate and how to record the entry
 - Clarify accounting for fixed assets and legacy costs (informational only)





Central Office Cost Center

Overview of Reporting Models: Who must have a COCC?

4

- Generally, PHAs with over 400 public housing units must either establish a COCC, or adopt allocated overhead
- PHAs with 250 or more public housing units that applied for stop loss had to establish a COCC
- Exceptions:
 - Those PHAs using CFP funds for central expenses are not allowed to establish a COCC and must use allocated overhead
 - PHAs with 249 or less public housing units, the establishment of a COCC is optional



COCC Overview

5

- The COCC is a business unit within a PHA that generates fee income from the management of public housing, HCV, and other programs
- Expenses accounted for in the COCC are recovered through charging reasonable fees
- Fee income earned by the COCC is considered de-federalized income. Consider creating (2) equity and cash accounts. One for defederalized reserves and one for federalized reserves.
- Unrecovered COCC expenses (fee expenses) must be absorbed by the COCC's equity balance



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Central Office Cost Center Fee Revenue

6

- The COCC will generate the majority of its revenue from fees charged to projects and programs
- Typical COCC fee revenue sources include:
 - Management fees
 - Bookkeeping fees
 - Asset management fees
 - Front-line Service fees



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

COCC Management Fees

7

- A fee earned for providing management and general oversight services to the projects, other HUD programs, and non-federal programs
- Types of management fees include:
 - Public Housing Management Fee
 - HCV Management Fee
 - Capital Fund Management Fee
- All management fees are reported in FDS line 70710 (Management Fees)
 - Now includes detail links for fees from PHA Programs and other sources (70710 -010 and 020)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

COCC Management Fee

8

- Projects and programs will record the management fee as an expense on FDS line 91300 (Management Fees)
- For PH project reporting in the FDS:
 - The Management Fee is reported as an expense in the Low Rent column of the income statement of the project
 - The CFP Management Fee is reported as an expense in the CFP column of the income statement of the project



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

COCC Management Fees

9

- Fee activity (fee revenue and fee expense) will be eliminated through the Elimination Column on the FDS to accommodate top level financial statement reporting (consolidated B/S & I/S) required by GAAP
- Management fees earned from non-PHA owned projects and programs should be reported on FDS line 70750 (Other Fees)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Bookkeeping Fees

10

- Charged by the COCC to the projects and programs for the provision of accounting services
- Reported by the COCC as revenue on FDS line 70730 (Bookkeeping Fees)
- Reported by projects and programs as an expense on FDS line 91310 (Bookkeeping Fees)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Asset Management Fee

11

- Earned for providing strategic planning activities to the projects
- Strategic planning activities include the following:
 - Development activities
 - Capital planning
 - Financing activities
- Reported as revenue of the COCC in FDS line 70720 (Asset Management Fee)
- Recorded as an expense to projects in FDS line 92000 (Asset Management Fee)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Asset Management Fee, cont'd.

12

- Charged only if Project had Excess Cash in previous year (Balance Sheet Approach)
- Lower of:
 - \$10 per month per ACC Unit
 - Excess Cash from previous year
- Cannot be accrued as Accounts Receivable from projects if an individual project is unable to generate excess cash



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Front-line Service Fees

13

- Charged by the COCC for centrally provided services; fee calculated based on reasonable market rate
- Reported by the COCC as revenue in FDS Line 70740 (Front-line Service Fee)
- Recorded as an expense of the project in a related FDS line item (typically a maintenance contract cost line item)
- Not the same as the allocation of certain prorated front-line administrative costs



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Front-line Service Fees

14

- Example: Assume the COCC maintains a centralized plumbing service that charges an hourly rate to the individual projects and programs for services provided
 - COCC will record the revenue in FDS line 70740 (Front-line Service Fee)
 - Individual projects and programs will record the expense in FDS line 94300-080 (Plumbing contracts)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

COCC Non-Fee Revenue

15

- Possible COCC non-fee revenue includes income generated from the COCC's assets, provided the assets are not federal assets or purchased with federal program funds
- Examples:
 - Interest earned on cash and investments
 - Rental income from leasing office space
 - Equipment rentals



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

COCC and the Capital Fund

16

- CFP Management Fee
 - Charged for COCC's oversight and management of the CFP
 - Reported in the operations column of the COCC's income statement
 - ◆ Reported in line 706, if not capitalized
 - ◆ Reported in line 70610 if capitalized
- Activity reported in the Capital Fund column of the COCC income statement
 - Pre-2007 Capital Funds (FFY 2006 and prior)
 - CFFP Debt Service Payments
 - Modernization of Non-dwelling Structure (DOT)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Non-COCC Revenue

17

- Examples of non-COCC revenues:
 - Revenues earned by the projects or from assets owned by the projects
 - Proceeds from the disposal of project assets
 - Loans or transfer of excess cash from projects to the COCC
 - “Special” Operating Subsidy to supplement administration and management costs for projects undergoing demolition or disposition (Asset Repositioning Fee)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

PHAs Using Allocated Overhead (No COCC)

18

- PHAs with over 400 PH units that elect to use CFP funds for central office expenses may not establish a COCC
 - PHAs will not have fee income or expense
 - PHAs will establish a cost allocation plan and allocate central office expenses to the various programs based on the plan
- To accommodate the reporting of allocated overhead, PHAs will use FDS line 91810 (Allocated Overhead)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019



Reporting COCC Expenses and Project/Program Expense

Overview

20

- Expenses can be classified as direct costs and overhead and/or indirect costs
 - Direct costs are those that are easily identified to a project, program or the COCC
 - Overhead costs are costs that are not easily identifiable to a program or project and must be charged to a program or project through an allocation



Overhead/Indirect Costs

21

- In the case of allocating overhead costs, the method, by which these costs will be distributed to programs and projects, will be outlined in an indirect cost allocation plan
 - The plan will define the elements of indirect costs and the cost driver(s) that will be used to share the overhead costs with all programs and projects of the PHA



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Separation of Front-Line Expense vs. Allocated Overhead Expense

22

- How PHAs meet this requirement will be dependent on the reporting model
 - Under Model 1, the PHA will have a COCC and will be charging reasonable fees to recover overhead expenses. Overhead costs will be shown as fee expense at the program and project level
 - Under Model 2, the PHA will not have a COCC but will be using cost allocation. Overhead will be reported in Allocated Overhead (FDS Line 91810) at the program and project level
 - Under Model 3 (Non-asset Management) or Model 4 (Alternative Asset Management), PHAs are not required to separate direct and indirect costs



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Separation of Front-Line Expense vs. Allocated Overhead Expense, cont'd.

23

- Historically, most PHAs have not separated direct vs. indirect costs in their accounting system
- Under asset management, depending on the reporting model the PHA is using, these costs will be separated
 - PHAs using either Model 3 (Non-Asset Management) or Model 4 (Alternate Asset Management) are not required to separate direct vs. indirect costs
 - PHAs using reporting Model 1 (COCC) or 2 (Allocated Overhead) are required to separate front-line expenses from allocated overhead expenses

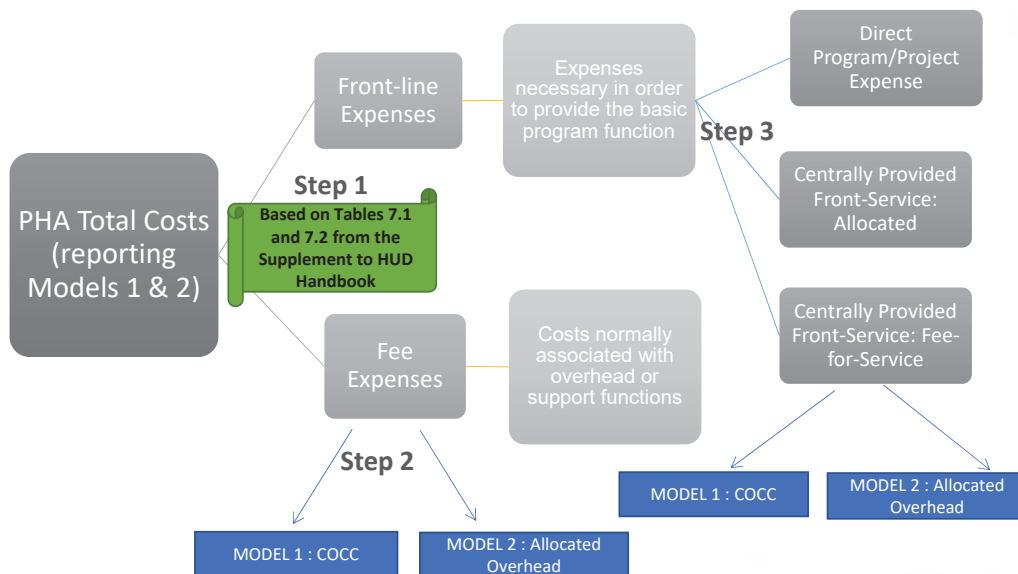


Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Step -1 Classification of Costs Overview

24



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Step 1 – Classification of Costs

25

- Fee Expenses are related to the following activities



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Step 1 – Classification of Costs

26

- Capital Fund: Fee vs. Front-line Expense Classification

Fee Expenses	Front-line Expenses
<ul style="list-style-type: none"> ▪ General capital planning ▪ Preparation of the Annual Plan and other reports ▪ Processing of e-LOCCS ▪ Drawing of funding, budgeting, and accounting ▪ Procurement of construction and other miscellaneous contracts ▪ Architectural, engineering and other like costs that are not directly related to a project or substantiated by time sheets 	<ul style="list-style-type: none"> ▪ Architectural and engineering fees related directly to a specific construction project ▪ Project equipment purchases ▪ Force account activities directly related to a specific construction project ▪ Physical Needs Assessment ▪ Construction supervisory and inspection costs incurred during construction are considered front-line costs of the project. These expenses consist of documented costs incurred during the construction phase of the project. Only actual, documented costs pertaining to construction supervision activities, can be charged directly to the project



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Step 2 - Fee Expenses – Model 1

27

Model 1 (COCC): Fee (Overhead) Expenses reported as an expense of the COCC. These costs are recoverable through Management Fee (*FDS Line 91300*), Bookkeeping Fee (*FDS Line 91310*) and Asset Management Fees (*FDS Line 92000*)

COCC Example

FDS Line	Project 1	Project 2	Project 3	COCC	Elim	Total
70710 Management Fee				\$18,000	-\$18,000	\$0
70720 Asset Management Fee				\$16,500	-\$5,500	\$0
70730 Bookkeeping Fee				\$5,500	-\$16,500	\$0
91300 Management Fee	\$10,000	\$8,000	\$18,000		-\$18,000	\$0
91310 Bookkeeping Fee	\$3,000	\$2,500	\$5,500		-\$5,500	\$0
92000 Asset Management Fee	\$9,000	\$7,500	\$16,500		-\$16,500	\$0
All Other Expenses				\$465,000		



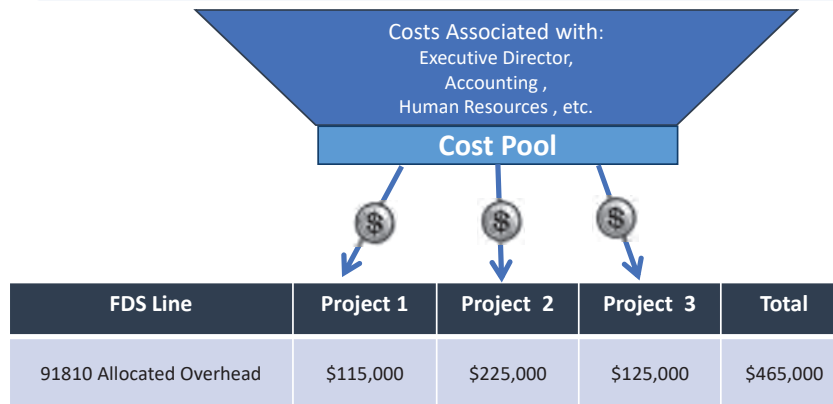
Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Step 2 - Fee Expenses – Model 2

28

Model 2 (Allocated Overhead): Costs need to be aggregated into expense cost pool, which will then be allocated to the projects and other programs based on some reasonable allocation method, using FDS line 91810 (Allocated Overhead)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Step 3 - Front-line Expenses

29

- For those expenses that have been classified as Front-line expenses, the PHA must further classify these costs into one of three categories:
 1. Direct Program / Project Expense;
 2. Centrally Provided Front-line Service: Allocated; or
 3. Prorated Front-line Administrative Costs
 4. Centrally Provided Front-line Service: Fee-for-Service



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

1. Front-line Expenses: Direct

30

Direct Program/Project Expense

Expenses that are clearly identified with the program or project

Examples: Project manager ; Utility Bills; PILOT payments

Reported as expenses to the project in which they were incurred

Example – Direct Costs

FDS Line	Proj #1	Proj #2	Proj#3	Total
91100 Administrative Salaries	\$50,000	\$60,000	\$30,000	\$140,000
93000 Total Utilities	\$30,000	\$40,000	\$20,000	\$90,000
Total	\$80,000	\$100,000	\$50,000	\$230,000



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

2. Centrally Provided Front-line Expenses: Allocated

31

Centrally Provided Front-line Service: Allocated

Expenses that have been classified by HUD as front-line expense but may be provided centrally

Expenses associated with Discrete Functions: Protective services; Resident Services; Intake Activity; Rent Collection; Work Order Processing

Pooled, allocated to the projects/programs and reported in the same line items as direct expenses

Example – Work Order Clerk

FDS Line	FDS Description	Proj #1	Proj #2	Proj #3	Total
91100	Administrative Salaries	\$6,500	\$7,020	\$12,480	\$26,000
91500	Employee Benefit Admin	\$1,700	\$1,836	\$3,264	\$6,800
91600	Office Expenses	\$188	\$202	\$360	\$750
	Total	\$8,388	\$9,058	\$16,104	\$33,550



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

3. Prorated Front-line Administrative Cost (Allocated) Example

32

- PHA maintains a centralized work order system for three individual projects. The cost of providing this service centrally is as follows:

Expense Type	Cost
Work Order Clerk Salary	\$26,000
Employee Benefits	\$6,800
Office Expense	\$750
Total Expense	\$33,550



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

3. Prorated Front-line Administrative Cost (Allocated) Example - cont'd.

33

- PHA uses the number of tenant generated work orders as the allocation basis to distribute costs between the projects

Project #	Work Orders	Percent
1	1,345	25%
2	1,489	27%
3	2,569	48%
Total	5,403	100%



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

3. Prorated Front-line Administrative Cost (Allocated) Example - cont'd.

34

- Actual costs for providing the allowed centralized service will be charged to the corresponding FDS line item in the Operating Fund column of the projects

FDS Line	FDS Description	Cost	Proj #1	Proj #2	Proj #3
91100	Administrative Salaries	\$26,000	\$6,500	\$7,020	\$12,480
91500	Employee Benefit Admin	\$6,800	\$1,700	\$1,836	\$3,264
91600	Office Expenses	\$750	\$188	\$202	\$360
	Total	\$33,550	\$8,388	\$9,058	\$16,104



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

4. Centrally Provided Front-line Expenses: Fee-for Service

35

Centrally Provided Front-line Service: Fee-for-Service

Expenses that have been classified by HUD as front-line expenses but are provided centrally and are not on HUD's list of discrete functions that can be allocated

Can be reported in

Examples: Maintenance, Legal (evictions), Inspections, IT

COCC column

FDS line 91810
Allocated Overhead



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

4. Centrally Provided Front-line Expenses: Fee-for-service (COCC)

36

- COCC cost include all direct labor, down-time, supervision, supplies, other overhead, and equipment purchases
- The expenses will be recovered by the COCC through Front-line service revenue
- The project or program will report an expense equal to the amount charged by the COCC
- The expenses reported by the project or program and the Front-line service fee will be eliminated in the elimination column



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

4. Centrally Provided Front-line Expenses: Fee-for-service (COCC) - cont'd.

37

COCC Example – Centrally Provided Plumbing

FDS Line	Proj #1	Proj #2	Proj #3	COCC	Elim	Total
70740 Front-line Service Fee				\$46,000	-\$46,000	\$0
94100 Ordinary Maintenance and Operations - labor				\$30,000	\$0	\$30,000
94200 Ordinary Maintenance and Operations - materials and other				\$10,000	\$0	\$10,000
94300-030 Ordinary Maintenance and Operations - Plumbing Contracts	\$13,000	\$23,000	\$10,000		-\$46,000	\$0
94500 Employee benefit contribution – ordinary maintenance				\$10,000	-\$0	\$10,000
94000 Total Maintenance	\$13,000	\$23,000	\$10,000	\$50,000	-\$46,000	\$50,000



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

4. Centrally Provided Front-line Expenses: Fee-for Service (Allocated Overhead)

38

- The actual costs for the activity will be reported as a project/program expense with which the cost is associated. Expenses beyond these amounts are to be reported in the allocated overhead line:
 - Actual cost is defined as actual time incurred completing the work at that employee's hourly rate plus any material and equipment used to complete the task
 - The hourly rate is based on that employee's actual salary, fringe benefit load, and non-chargeable time associated with the PHA's leave policy
 - The project or program will report these expenses as salary and benefits just like these are direct expenses



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

4. Centrally Provided Front-line Expenses: Fee-for Service (Allocated Overhead) - cont'd.

Allocated Overhead Example – Centrally Provided Plumbing

FDS Line	Proj #1	Proj # 2	Proj #3	Total
91810 Allocated Overhead	\$1,000	\$2,000	\$1,000	\$4,000
94100 Ordinary Maintenance and Operations - labor	\$8,000	\$11,000	\$8,000	\$27,000
94200 - Ordinary Maintenance and Operations - materials and other	\$2,750	\$3,500	\$2,750	\$9,000
94500 Employee benefit contribution – ordinary maintenance	\$2,000	\$5,000	\$3,000	\$10,000
94000 Total Maintenance	\$12,750	\$19,500	\$13,750	\$46,000
Total Expense	\$13,750	\$21,500	\$14,750	\$50,000



Fee Reasonableness

● Compliance Requirement

- HUD considers any fees that are within HUD guidance to be reasonable
- For those PHAs using fee-for-service, reasonableness is determined by comparing the amount of fees charged to the project to the amount the HUD allows to be charged to a project
- Fees above the guidelines that have not been approved by HUD are considered ineligible costs
- With the issuance of the 2011 Compliance Supplement in March 2011, auditors are now required to determine if the fees charged to the projects by the COCC are reasonable



Fee Reasonableness Summary

Fees		Reasonableness	Restrictions
COCC	Management Fee	<ul style="list-style-type: none"> • Calculated as a PUM • Determined by PIH management fee schedule, multifamily schedule and other compelling market data • Based on the number of occupied units or approved vacancies 	<ul style="list-style-type: none"> • Management and bookkeeping fees are to be earned monthly for each <u>occupied unit or approved vacancy/special use unit</u>, as per 24 CFR §990.140 and §990.145, respectively. • PHAs will not earn a property management fee on units defined as "limited vacancies" pursuant to 24 CFR §990.150.
	Bookkeeping Fee	<ul style="list-style-type: none"> • \$7.50 per unit month • Based on the number of occupied units or approved vacancies 	
	Asset Management Fee	<ul style="list-style-type: none"> • \$10.00 per unit month • Based on the total units under ACC for a particular project 	<ul style="list-style-type: none"> • Subject to availability of excess cash from the prior year
	Fees charged for centralized services	<ul style="list-style-type: none"> • Must not exceed the market rates • Each project must be charged for the actual services received and only to the extent that such amounts are reasonable • The fee charged to the project must be for the like service provided 	<ul style="list-style-type: none"> • Centrally provided front-line services must be in the best interest of the projects. • The market survey establishes the upper bounds of the rate, however the COCC can charge a lower rate and/or have different rates for different projects
Allocated Overhead		Tested by comparing the total allocated overhead expense (FDS Line Item 91810) charged to a project or program, to the total fees that could be charged to a project or program under a fee-for-service method	



Example: Fee Reasonableness – Management and Bookkeeping Fees

43

#	Description	Project 1	Project 3	Project 7
		175 Units	160 Units	150 Units
Actual Fee Expense				
1	Public Housing Management Fee	\$9,625	\$8,800	\$8,800
2	Book-keeping Fee	\$1,313	\$1,200	\$1,200
Safe Harbor				
3	Units Leased	165	156	148
4	Units Undergoing Modernization	5	4	2
5	Approved Non-Dwelling (Police Substation)	0	0	0
6	Total Unit Base	170	160	150
7	Maximum Management Fee Rate - \$55.00	\$9,350	\$8,800	\$8,250
8	Maximum Book-keeping Fee Rate - \$7.50	\$1,275	\$1,200	\$1,125
Result of Test				
9	Public Housing Management Fee	(\$275)	\$0	(\$550)
10	Public Housing Book-keeping Fee	(\$38)	\$0	(\$75)
11	Ineligible Costs (Sample Projects - 1 Month)	(\$313)	\$0	(\$625)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Example: Fee Reasonableness – Asset Management Fees

44

#	Description	Project 1	Project 3	Project 7
		175 Units	160 Units	150 Units
Actual Fee Expense				
1	Asset Management Fee (annual)	\$21,960	\$19,700	\$18,000
Safe Harbor				
2	Unit Months under ACC (PHA Fiscal Year)	2,100	1,920	1,800
3	Total Unit Base	2,100	1,920	1,800
4	Maximum Asset Management Fee Rate - \$10.00	\$21,000	\$19,200 ²	\$18,000
5	Excess Cash - Prior Year	(\$75,395) ¹	\$21,000	\$13,035 ³
6	Lesser of 4 or 5, if negative then zero	\$0	\$19,200	\$13,035
Result of Test				
7	Public Housing Asset Management Fee	(\$21,960)	(\$500)	(\$4,965)
8	Ineligible Costs (Sample Projects - Annual)	(\$21,960)	(\$500)	(\$4,965)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Fee Reasonableness – Fees Charged for Centralized Services

45

- Review that:
 - PHA documentation support the established rate
 - ◆ Market rate survey is current (e.g., annually)
 - ◆ Multiple quotes (e.g., recommend at least three quotes)
 - ◆ Rate should be for identical services
 - Rates charged
 - ◆ Supported by actual “invoice” (time sheets, work orders, etc.)
 - ◆ Rates charged are correct rates for type of service performed



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Example: Fee Reasonableness – Allocated Overhead

46

#	Description	Project 1	Project 3
Actual Expense			
1	Allocated Overhead (FDS Line 91810)	\$264,780	\$212,484
Safe Harbor			
2	Total Unit Base for Mgmt & Book-keeping Fees	2,350	1,800
3	Total Units for Asset Management Fee	2,400	1,800
4	Maximum Management Fee Rate - \$55.00	\$129,250	\$99,000
5	Maximum Book-keeping Fee Rate - \$7.50	\$17,625	\$13,500
6	Maximum Asset Management Fee Rate - \$10.00	\$24,000	\$18,000
7	Maximum CFP Management Fee (10%)	\$38,000	\$32,000
8	Total Maximum Fee	\$208,875	\$162,500
Result of Test			
9	Maximum Fee minus Allocated Overhead	(\$55,905)	(\$49,984)
10	Percent Difference	-26.8%	-30.8%
11	Ineligible Costs (Sample Projects - Annual)	(\$55,905)	(\$49,984)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019



Elimination Entries

Overview

48

- To avoid “double counting”, inter-fund / intra-entity transaction eliminating entries are now recorded on the FDS
- After the posting of the elimination entries, the totals as presented should agree to the general purpose financial statements



Proper FDS Reporting in the Elimination Column

49

- When entering amounts to be eliminated in the FDS, PHA should be cognizant of the following two points:
 - Elimination Entries Decrease Account Balances
 - Eliminate Only Inter-Fund / PHA Activity



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

FDS Lines Normally Eliminated

50

Entity Wide Revenue and Expense Summary	
FDS Line	FDS Description
70710	Management Fee
70720	Asset Management Fee
70730	Book-keeping Fee
70740	Front-line Service Fee
91300	Management Fee
91310	Book-keeping Fee
92000	Asset Management Fee
94300	Ordinary Maintenance and Operations Contracts
10010	Operating Transfer In
10020	Operating Transfer Out'
10091	Inter Project Excess Cash Transfer In
10092	Inter Project Excess Cash Transfer Out
10093	Transfers between Program and Project - In
10094	Transfers between Program and Project - Out

Entity Wide Balance Sheet Summary	
FDS Line	FDS Description
144	Inter Program - Due From
347	Inter Program - Due To



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Example of Eliminations

51

- Examples on the proper reporting of elimination entries for:
 - Balance Sheet
 - Fee-for-service Transaction
 - Operating Transfers



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Example 1: Balance Sheet

52

- The following is an example of a balance sheet elimination entry
- Project 1 loans Project 2 \$100,000

Project Balance Sheet Summary				
FDS Line Item		Project 1	Project 2	Total
144	Inter Program - Due From	\$100,000		\$100,000
150	Total Current Assets	\$100,000		\$100,000
347	Inter Program - Due To		\$100,000	\$100,000
310	Total Current Liabilities		\$100,000	\$100,000



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Example 1: Balance Sheet

53

- The PHA will eliminate the amount from the PHA's entity wide balance sheet as follows:

Entity Wide Balance Sheet Summary						
FDS Line Item		Project Total	COCC	Subtotal	ELIM	Total
144	Inter Program - Due From	\$100,000		\$100,000	(\$100,000)	\$0
150	Total Current Assets	\$100,000		\$100,000	(\$100,000)	\$0
347	Inter Program - Due To	\$100,000		\$100,000	(\$100,000)	\$0
310	Total Current Liabilities	\$100,000		\$100,000	(\$100,000)	\$0



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Example 2: Fee-for-Service

54

- Projects 1 and 2 are charged fees from the COCC
- Project 1 has incurred \$45,000 expense for broken pipes:
 - \$25,000 of the total cost is attributable to services provided by COCC centralized maintenance department
 - \$20,000 is the amount the project was charged by the outside contractor



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Example 2: Fee-for-Service

55

- Revenues recognized by the COCC and eliminating entries are reported on entity wide statement of revenues and expenditures

Entity Wide Revenue and Expense Summary						
FDS Line Item		Project Total	COCC	Subtotal	ELIM	Total
70710	Management Fee		\$55,000	\$55,000	(\$55,000)	\$0
70720	Asset Management Fee		\$35,000	\$35,000	(\$35,000)	\$0
70730	Book-keeping Fee		\$15,000	\$15,000	(\$15,000)	\$0
70740	Front-line Service Fee		\$25,000	\$25,000	(\$25,000)	\$0
91300	Management Fee	\$55,000		\$55,000	(\$55,000)	\$0
91310	Book-keeping Fee	\$35,000		\$35,000	(\$35,000)	\$0
92000	Asset Management Fee	\$15,000		\$15,000	(\$15,000)	\$0
94300-080	Plumbing Contracts	\$45,000		\$45,000	(\$25,000)	\$20,000



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Example 3: Operating Transfer

56

- Project 1 transferred \$30,000 from Capital Fund to the Operating Fund (i.e., Low Rent):

Project Revenue and Expense Summary				
FDS Line	FDS Description	Total	Low Rent	Capital Fund
10010	Operating Transfer In	\$30,000	\$30,000	\$0
10020	Operating Transfer Out	(\$30,000)		(\$30,000)



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Example 3: Operating Transfer

57

- Eliminating entry required to remove the transfer is reported on entity wide statement of revenues and expenditures

Entity Wide Revenue and Expense Summary						
FDS Line	FDS Description	Project Total	COCC	Subtotal	ELIM	Total
10010	Operating Transfer In	\$30,000		\$30,000	(\$30,000)	\$0
10020	Operating Transfer Out	(\$30,000)		(\$30,000)	\$30,000	\$0



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019

Conclusion

58

- Thoughts?
- Questions?
- Comments?



Session 10: Central Office Cost Center & Elimination Column Reporting

Spring/Summer 2019



Session 11 – Rental Assistance Demonstration (RAD)

What We Will Discuss

2

- RAD Goals & HUD Tools
- RAD Program Update (Feb 2017)
- RAD Process Improvements
- Asset Management/Owner Structure
- Accounting Brief #22 Guidance
 - Rad Indicator
 - Reporting Options
 - Ownership Structure
 - After CHAP Issuance
 - Reporting/Component Units
 - Transfers
 - Other Guidance



Key RAD Goals

3

- Build on the proven Section 8 platform
- Leverage private capital to preserve assets
- Offer residents greater choice and mobility



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Key RAD Goals

4

- Build on the proven Section 8 platform
- Leverage private capital to preserve assets
- Offer residents greater choice and mobility



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

2 Path Ways

5

- PBV – Project-Based Vouchers (Section 8)
- PBRA – Project-Based Rental Assistance (MF)



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Tipping Point

6

- Nearly 50% of Public Housing in HUD Portfolio has CHAP or been converted.
 - Will the last 50% be better or worse deal for those left.



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Overview of RAD

7

- Either way PBV or PBRA you are out of Public Housing.
 - Budget will be easier on Revenue side.
 - ◆ Rental Income can be predicted. Increases in PBRA will be automatically adjusted by OCAF. PBV will still be affected by proration.
 - PBV will still be subject to Uniform Guidance. PBRA will be subject to Uniform Guidance or HUD Audit Guide depending on project structure.
 - PBRA income/surplus cash allows for fungibility with other programs as surplus cash is “*distributable*” to owner/COCC
 - PBV fees to COCC may still retain some restrictions as HUD develops additional COCC policies



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Steps to RAD

8

- File RAD Application
- Receive CHAP
- Secure Debt Financing (if applicable)
- Update PHA Plan
- Proved Financing Plan
- Issue Commitment
- Loan Closes

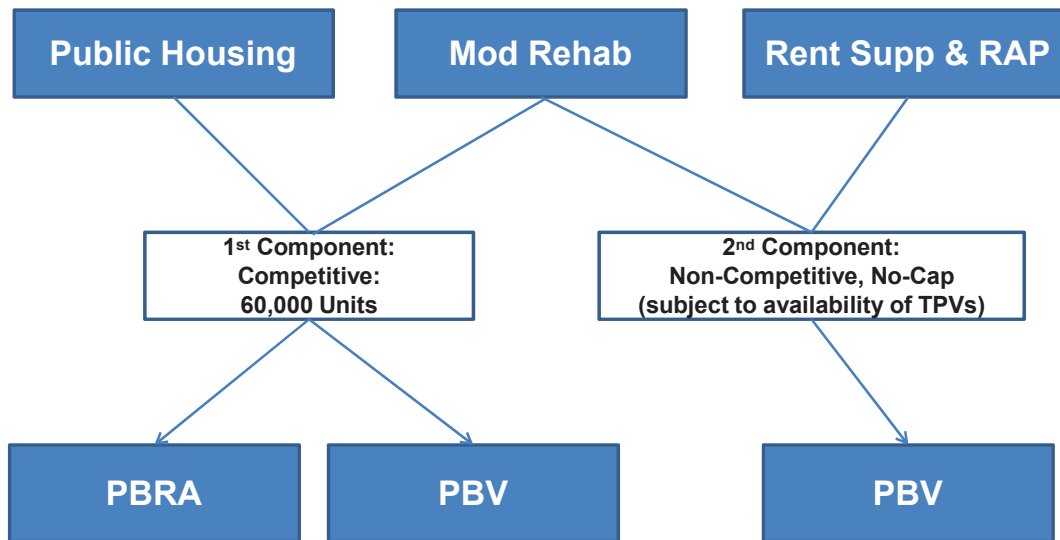


Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

RAD Conversion Eligibility

9



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

RAD FDS Reporting Options

10

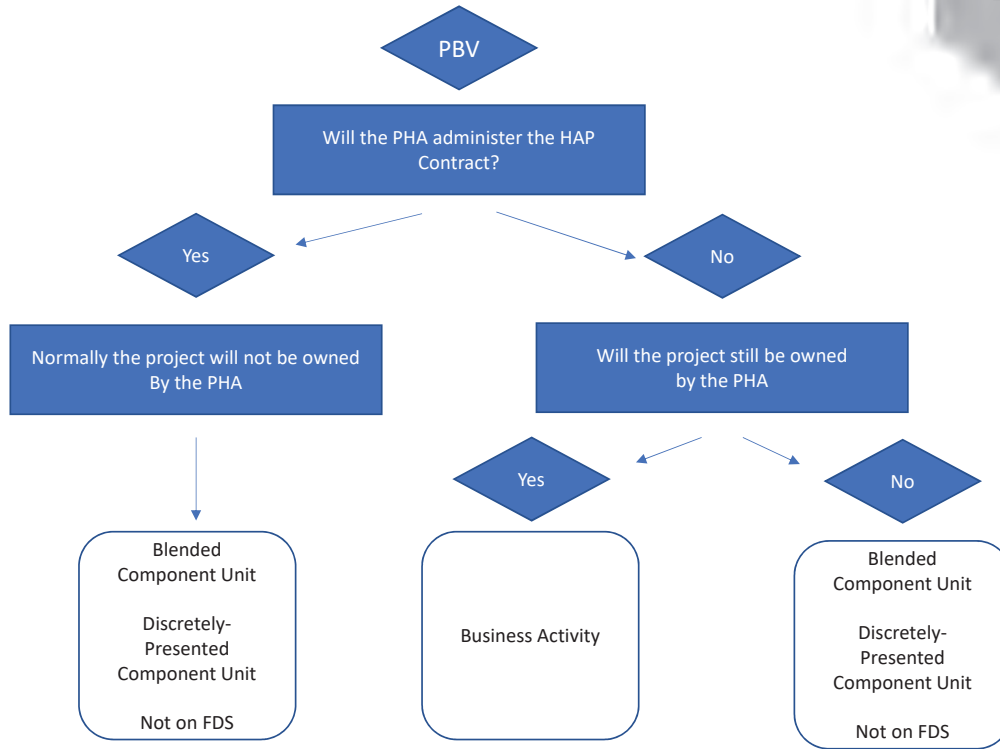
FDS Column Used in Reporting of	Business Activities	Multifamily Program	Component Unit	Removal from FDS
Typical Structure	HA converts project to PBV	PHA converts project to PBRA	PHA converts project to PBV or PBRA	PHA converts project to PBV or PBRA
	PHA Continues to own project A different PHA administers HAP contract or the PHA has created a separate legal entity to manage the property	PHA Continues to own the project under its own TIN	PHA disposes of the project to a legally separate organization; however, the PHA remains financially accountable for this legally separate organization or has a significant relationship with this legally separated organization.	PHA disposes of the project to an independent third party with which PHA has no relationship.
Other Notes		The project must also be reported in FASS-Multifamily System.	For FDS Reportig the PHA will report as CU Also PBRA must be in FASS-Multifamily System.	Any PBRA must also be reported in the FASS-Multifamily System



Spring/Summer 2019

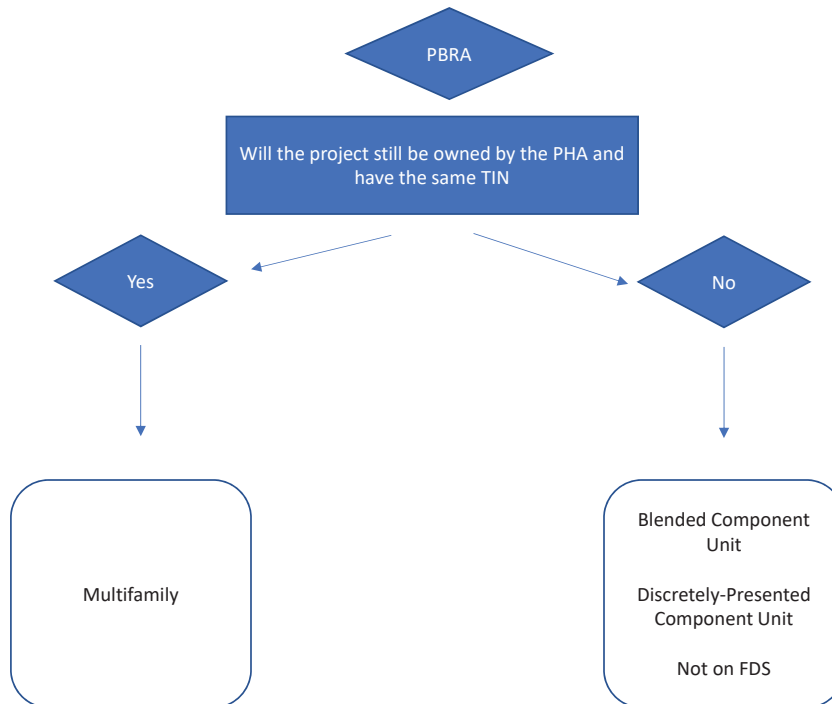
RAD PBV Reporting Choices

11



RAD PBRA Reporting Choices

12



RAD Reporting & Eliminations

13

Housing Authority converts to RAD mid fiscal year. First 9 months are Public Housing last 3 months are PBV. The project is disposed to a Blended Component Unit (BCU). As of year end all assets, liabilities, and net position would be transferred to BCU.

	Public	Blended		
FDS	Housing	CU	Elimination	Totals
70600	12,000			12,000
70800	-	3,000	(3,000)	-
97300	(3,000)		3,000	-
	9,000	3,000	-	12,000

RAD Reporting & Discreet CU

14

Housing Authority converts to RAD mid fiscal year. First 9 months are Public Housing last 3 months are PBV. The project is disposed to a Discretely-Presented Component Unit (DCU). As of Year End all Assets, Liabilities, and Net Position would be transferred to DCU.

	Public	Discretely		
FDS	Housing	DCU	Elimination	Totals
70600	12,000			12,000
70800	-	3,000		3,000
97300	(3,000)			(3,000)
	9,000	3,000	-	12,000

Best Practice

15

- Don't close a deal 1-2 months before year end.
- Check with you Fee Accountant and Auditor about experience
- Consider having all entities on same year end.



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Project-Based Vouchers

16

Pros

- If you have HCV you already know the program.
- Limited learning curve and possible staff reduction
- COCC fees

Cons

- Rent capped at reasonable rents
- Admin fees and proration
- Possible no staff reduction most likely increased staff (HCV)
- Portability



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Project-Based Vouchers, con't

17

- Revenues
 - HAP from HCV program
 - Tenant Fees
 - Is this enough to cover expenses?
- HCV will have additional Admin Fees to then pay additional fees to COCC.
 - Is this enough to cover additional staff?



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

PBV Conclusion

18

- Only available to HCV HA
- Limited on COCC income to fees
- Limited learning curve
- Basically move from PH CFP to a HCV only HA.
- PRORATION and PORTABILITY



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Pros

- Surplus cash
- Source of Funding for Capital Improvement
- No Proration

Cons

- Rent capped at FMR
- New HUD REAC and TRACs
- Only option if PH only with no HCV



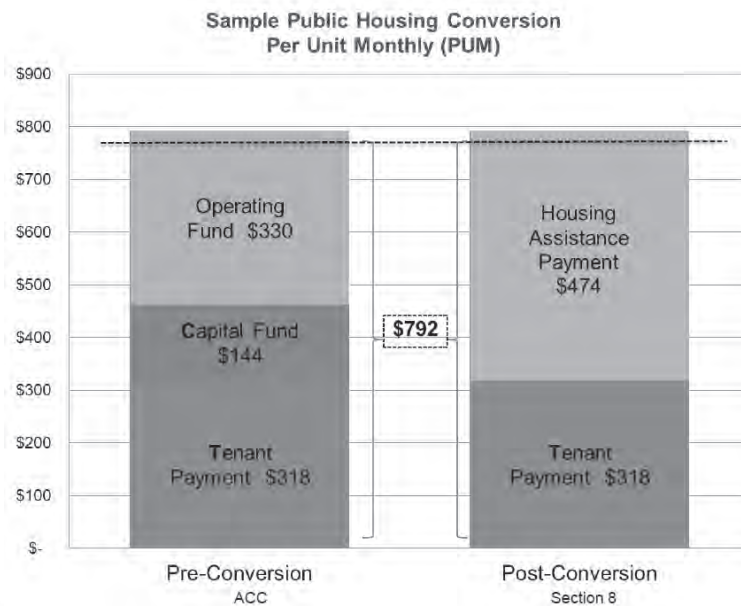
- Revenues
 - TRACs HAP
 - Tenant Fees
 - Is this enough to cover expenses?
- Surplus cash available to support COCC or other Programs.
 - Will there be surplus cash?



- Only option for PH only Authorities
- No proration
- COCC income not limited to admin fees.
- LEARNING new system



Public Housing Conversion Rent Levels



RAD Program Update – Feb 2017

23

- 57,489 units converted
 - 54% Voucher
 - 46% PBRA
- \$3.8 billion in construction improvements
- Accounting Brief #22 Guidance
 - Rad Indicator
 - Reporting Options
 - Ownership Structure
 - After CHAP Issuance
 - Reporting/Component Units
 - Transfers
 - Other Guidance

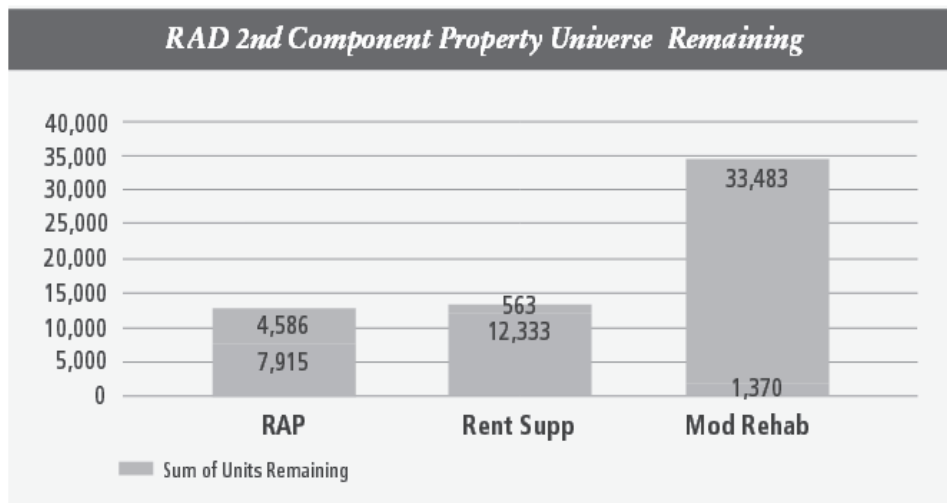


Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

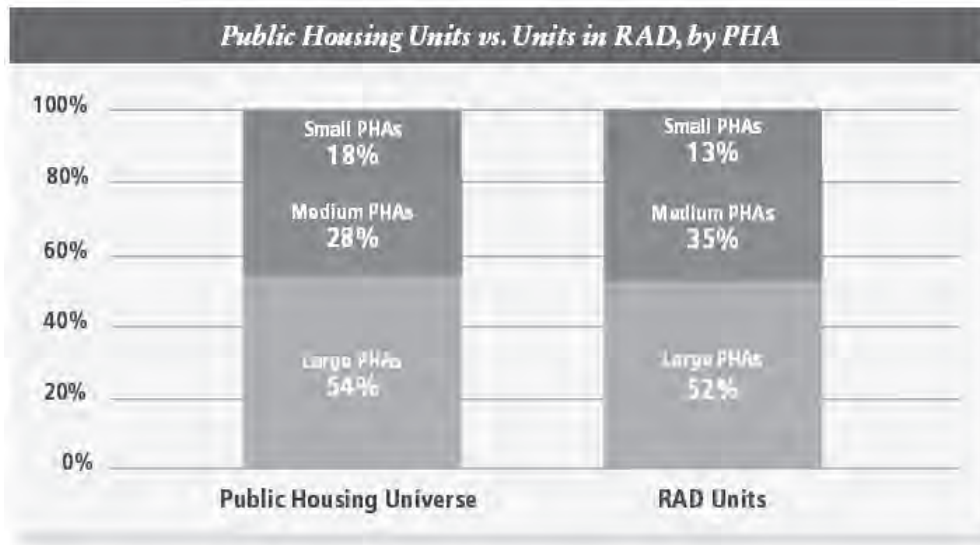
RAD Program Update – Feb 2017

24



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019



Key Program Improvements

- **FHA/RAD Fast Tracking**
 - 5 FHA closings to date; several in processing
 - Centralized processing
 - ◆ Contract support for Section 223(f)/RAD underwriting
 - ◆ Special centralized team in Chicago for Section 221(d)(4)s
 - Streamlined approval processes
 - ◆ One approval committee replaces RAD/FHA loan committees
 - ◆ Waivers of PCAs and most market studies for Section 221(d)(4)s



- Updated Guidance
 - Relocation Notice
 - ◆ Clarifies process for resident relocation in RAD conversions
 - ◆ Demystifies program requirements to shorten approval process
 - Closing Documents
 - ◆ Clarifying lender rights and responsibilities in event of foreclosure
 - ◆ Clarifying HAP contract language with regard to future changes in policy
 - Conversion Guides
 - ◆ Written protocols on PBRA and PBV conversion
 - ◆ Public Housing close-out guide
- PIH Notice 2016-17 – RAD Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements Applicable to RAD 1st Component – PHA Conversions



Asset Management

Asset Management

29

- Regulatory Requirements for LIHTC/SLIHC are 15 years with a 35 Year extended use agreement, total 50 Years.
- Once you have satisfied LIHTC requirements you should seek to satisfy any remaining or more restrictive requirements of your other programs.
- Reporting Requirements:
 - Syndicators - Monthly, Quarterly and Annually
 - NY State HCR - Annually (Budgets and Audits)
 - HUD - Annually
- Inspections Performed:
 - Syndicator - Annual File Testing and Site Visit
 - NY State - Every Three Years
 - HUD - REAC (If PBRA or have HUD Mort.)
- Income Limits:
 - PHA up to 80% of the AMI
 - LIHTC program up to 60% of AMI, SLIHC 90% of AMI



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Factors – Owner Structure

30

- PHA or non-profit entity (control)
- Liability and insurance
- Property tax exemption
- “Private enterprise agreements”
- Management
- Continued existence of other public housing
- Low income housing tax credits (LIHTC)
- FHA loan
- Borrower Status
- Single asset entity
- Mission



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Brief #22 – RAD Indicator

31

- When CHAP is issued, HUD ceases scoring project
 - Public Housing Assessment System (PHAS). Upon issuance of a CHAP, all public housing units covered by the CHAP shall not be issued scores for the fiscal year in which the CHAP was issued, nor any subsequent fiscal year until such time as conversion,... Immediately after the issuance of the CHAP, PHAs must identify the units covered by a CHAP by submitting an application in the Inventory Removals module in PIC as either “RAD Conversion PBV” or “RAD Conversion PBRA.”



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Brief #22 – RAD Indicator, cont'd

32

- REMEMBER PIC – You must submit to PIC that CHAP has been awarded
- RAD indicator must be set to “Y” for scoring and other issues to be reflected appropriately in FASS
- Not currently being done consistently
- CHAP is issued, HUD ceases scoring the project.



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

My Inbox PHA Info FDS DCF Submit Review Submission Edit Flags Reports Logout

BalanceSheet+
Income Statement+

PHA Information

PHA Code: _____
 PHA Name: _____
 Submission Type: Unaudited/A-133
 Project Name: _____
 Project Status: Validated
 Mixed Finance: No **RAD:Yes**
 Select Entity: Program List Project List Other Project

Income Statement - Project Program Listing

CFDA #	Program Name	Status
14.872	Public Housing Capital Fund Program	<u>Validated</u>
14.850	Low Rent Public Housing	<u>Validated</u>



RAD Reporting Options

Table 1. FDS Column Used in Reporting the Project After issuance of a HAP Contract

FDS Column Used in Reporting of Project	Business Activities	Multifamily Program	Component Unit	Removal from FDS
Typical Structure	<ul style="list-style-type: none"> • PHA converts project to PBV • PHA continues to own project • A different PHA administers HAP contract or the PHA has created a separate legal entity to manage the property 	<ul style="list-style-type: none"> • PHA converts project to PBRA • PHA continues to own the project under its own TIN 	<ul style="list-style-type: none"> • PHA converts project to PBV or PBRA • PHA disposes of the project to a legally separate organization; however, the PHA remains financially accountable for this legally separate organization or has a significant relationship with this legally separate organization (see component unit reporting above) 	<ul style="list-style-type: none"> • PHA converts project to PBV or PBRA • PHA disposes of the project to an independent third party with which PHA has no relationship (does not meet component unit reporting requirements)

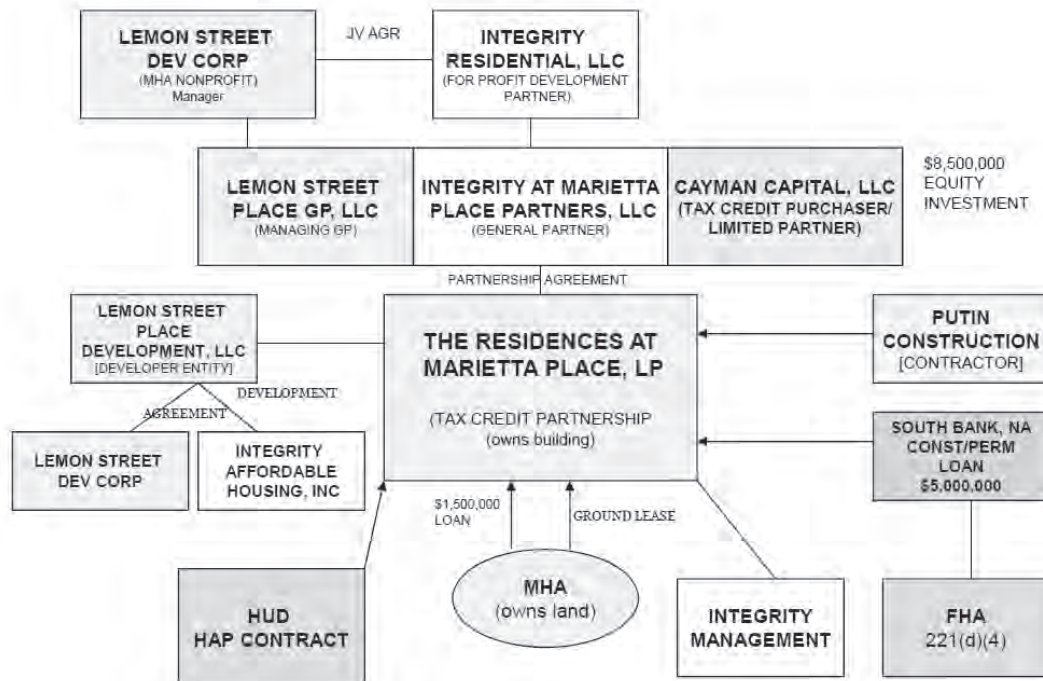


Table 1. FDS Column Used in Reporting the Project After issuance of a HAP Contract

FDS Column Used in Reporting of Project	Business Activities	Multifamily Program	Component Unit	Removal from FDS
Other Notes		The project must also be reported in FASS-Multifamily System (i.e., the project will be reported as part of the PHA's FASS-PH submission and in the FASS-Multifamily System)	For FDS Reporting, the PHA will report the project in FDS column 6.1 Component Unit – Discretely Presented or FDS column 6.2 Component Unit – Blended Projects converting to PBRA must also be reported in the FASS-Multifamily System	Projects converting to PBRA must also be reported in the FASS-Multifamily System



Ownership Structure Example



Brief #22 – After Chap Issuance

37

- At contract issuance project is transferred from PH
- Project receives PH funds thru calendar year end
- After conversion follow new program
- Partial conversions have special rules
- RAD indicator remains from CHAP issuance until contract signing



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Brief #22 - Reporting

38

- HAP Issuance – Financial Reporting
 - Effective date of HAP contract will be 1st day of the month following closing
 - Units remain PH until last day of the month of closing
 - Owner may not be the PHA, but a separate entity
 - Future reporting depends entirely on ownership
 - Every transaction is unique. PHA should involve auditor early on (see GASB 61/14)
 - 4 possibilities
 - ◆ Business Activity
 - ◆ Multifamily program
 - ◆ Component Unit (blended or discreet)
 - ◆ Not on FDS



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Brief #22 – Reporting, cont'd

39

- Component Unit Reporting
 - Legally separate from PHA – unique TIN
 - Two Choices
 - ◆ Discreetly presented (outside of basic financial statements)
 - ◆ Blended (included in PHAs basic statements)
 - Not all transactions will result in component units (referred to as independent 3rd party)
- Use of proceeds from disposition
 - Approved as part of conversion process
 - Unless HUD restricts proceeds, funds may be used for general mission of the PHA
 - Unrestricted cash in either the COCC or Business Activities
 - Any restrictions remain in program



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Brief #22 – Reporting Scenarios

40

- PBV
 - 3 parties (HUD, Administering PHA, Project Owner)
 - ACC with Admin PHA
 - PHA enters into HAP contract with project
 - If project is to be owned PHA, HUD will require that project is disposed of to separate legal entity
 - ◆ Several scenarios – see Notice
- PBRA
 - 2 parties (HUD, project owner)
 - May be retained under PHA TIN (FDS=Multifamily)
 - Separate entity (determine if component unit)

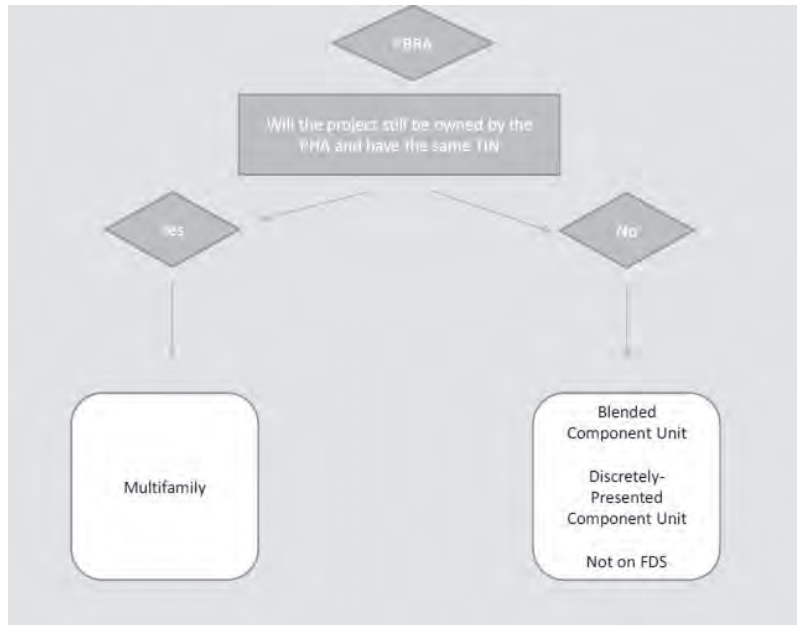


Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Component Unit Decision Tree

41

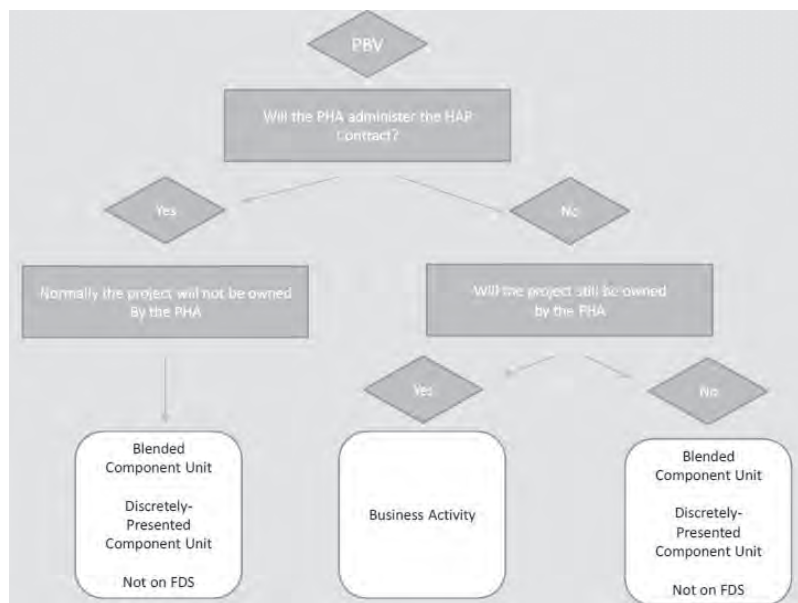


Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Component Unit Decision Tree

42



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

- Revenues
 - Before conversion – in PH program
 - After conversion – in appropriate new program
- Equity out – determined at time of conversion and transferred to new program
 - 11040 – if transferred to program inside PHA
 - 10080 – If disposing to component unit of 3rd party
- Equity In
 - 11040 – if inside the PHA
 - 10080
- Some potential disagreement “special” treatment in basic statements
- HUD requires 10080 for FDS



FDS Column Project is Reported	Business Activity	Multifamily	Blend Component Unit	Discretely-Presented Component Unit	Not on FDS
Removal of Project from Declaration of Trust and ACC (Issuance of HAP)					
What FDS line item should be used in the PHA project column when transferring the project out of Public Housing?	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 10080 Special Items (Net Gain/Loss)	Line 10080 Special Items (Net Gain/Loss)	Line 10080 Special Items (Net Gain/Loss)
What FDS line item should be used in the new applicable program when receiving the project?	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 10080 Special Items (Net Gain/Loss)	Line 10080 Special Items (Net Gain/Loss)	N/A
Do entries need to be eliminated via the elimination column	Yes	Yes	Yes	No	No



Brief #22 – HAP Issuance – Funding

45

- Project undergoing conversion will be funded with Operating and Capital Funds for entire year in which HAP is issued
- Revenue reported PH program for entire calendar year (not fiscal year)
- Funds received after conversion, but before calendar year end will be expensed with one of the following accounts:
 - Out
 - ◆ 10094 – Transfers Between Project and Program-Out (within PHA)
 - ◆ 97300 – Housing Assistance Payments (outside PHA)
 - In
 - ◆ 10093 – Transfers Between Project and Program-In (within PHA)
 - ◆ 70800 – Other Government Grants (outside PHA)



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Brief #22 – Post Closing

46

- Funding – at start of next calendar year funding is from new program
- PBRA
 - Ongoing interest – component unit
 - No interest – not reported
 - Reported separately in Multifamily system (may be reported in both depending on ownership, usually TIN)
 - If over \$500,000 (\$750,000 under new Single Audit rules), will require audit
 - Consult Account Brief #22, as well as your auditor



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Brief #22 – Post Closing

47

- PBV – administered through PHA
 - May require establishment of separate management entity
 - Next calendar year requires no special reporting
 - ◆ Revenues – 70600 – HUD Operating Grants
 - ◆ Expenses – 97300 – Housing Assistance Payments (even if blended component unit)
 - ◆ Revenue and expense are eliminated



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019

Brief #22 – Partial Conversion

48

- For year of issuance there is no difference from a full conversion
- After conversion, converted buildings transferred to new program
- Remaining buildings remain in PH
- RAD indicator remains checked through conversion
- After conversion RAD indicator is removed



Session 11: Rental Assistance Demonstration (RAD)

Spring/Summer 2019



Session 12: FDS Submission Upload Tool

Introduction

2

- Excel-based template for all PHAs
- Used for unaudited submissions only
- All programs, including COCC
- Data entered offline in spreadsheet then uploaded to REAC
- Download from FASS-PH website
- Must be saved in .xls (Excel 97-2003 format)



Steps For Uploading Spreadsheet

3

- Using Dropdown menus populate spreadsheet



Session 12: FDS Submission Upload Tool

Spring/Summer 2019

Complete Data Entry

4

- Enter DCF and FDS data on the worksheet

FDS Line Item	Description	Total	xxxx000001	xxxx000001	xxxx000002	xxxx000002
			14,850	14,872	14,850	14,872
70300	Net Tenant Rental Revenue	\$1,000,000	\$500,000		\$500,000	
70400	Tenant Revenue - Other	\$0				
70590	Total Tenant Revenue	\$1,000,000	\$500,000	\$0	\$500,000	\$0
70600	HUD PHA Operating Grants	\$1,100,000	\$500,000	\$50,000	\$300,000	\$50,000
70610	Capital Grants	\$0				
70710	Management Fee	\$0				
70720	Asset Management Fee	\$0				
70730	Book Keeping Fee	\$0				
70740	Front Line Service Fee	\$0				
70750	Other Fees	\$0				
70790	Total Fee Revenue	\$1,100,000	\$500,000	\$50,000	\$500,000	\$50,000

- See Spreadsheet Sample



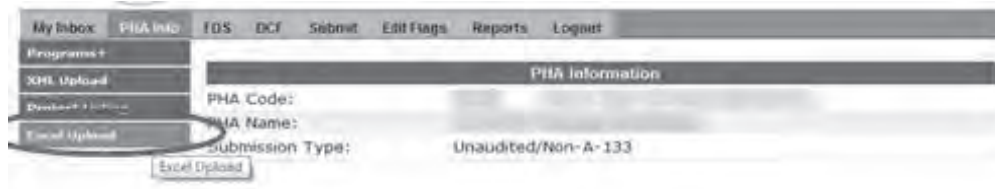
Session 12: FDS Submission Upload Tool

Spring/Summer 2019

Upload Submission to REAC

5

- Log in FASS-PH and create a blank submission
- Complete the PHA Information Section
 - Start as a “Blank Submission”
 - Then click “Save”
 - Select “Excel Upload” from menu



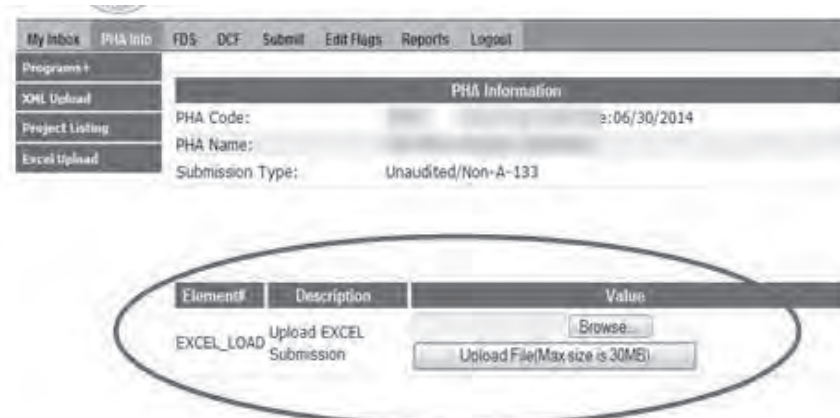
Session 12: FDS Submission Upload Tool

Spring/Summer 2019

Upload Submission to REAC, cont'd

6

- Attach the file by clicking “Browse” and select the file



Session 12: FDS Submission Upload Tool

Spring/Summer 2019

Upload Submission to REAC, cont'd

7

- Click “Excel Upload Status” to review faults

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

My Index PHA Info FDS DCI Submit Edit Flags Reports Logout

Excel Upload Status PHA Information

PHA Code: :06/30/2013

Submission Type: Unaudited/Non-A-133

Excel Upload Status

Status	FASS-PH FDS Upload Tool	Date
DRAFT STATE	_6-30-2013_Test.xls	

Excel Message Center

- Reference No: 20130611113018
- Processing AMP Reference No: 20130611113019
- Processing AMP Reference No: 20130611113019
- Processing Elimination Reference No: 20130611113019
- Processing Other Project Reference No: 20130611113019
- Processing HCV Reference No: 20130611113019
- Error in processing Reference No: 20130611113019
- Asset Type doesn't Support COCC, so Skipping COCC entries. Reference No: 20130611113019



Session 12: FDS Submission Upload Tool

Spring/Summer 2019

Final Upload Procedures

8

- Once file is uploaded, it will so indicate in the status
- Once upload is successful data can be modified or changed
- Other items such as G4100-040 “Total Federal Awards Expended will need to be entered manually after upload
- Normal validation and completion procedures must the completed under existing procedures



Session 12: FDS Submission Upload Tool

Spring/Summer 2019