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Trainer Biographies

Michael Petro, Vice President of Finance & Senior Associate for Nan McKay and Associates

Mr. Michael Petro, is the Vice President of Finance and a Senior Associate for NMA. He has been with the company since January 2019. Previously, Michael worked briefly for BDO when Casterline Associates, the firm he helped build and manage, combined with BDO's existing housing practice in March 2018. Michael has specialized in LIPH and HCV accounting since 1991 and is considered one of the public housing industry's leading experts in the areas of financial management and accounting for HUD's Public Housing and Housing Choice Voucher programs. He started in the affordable housing industry in the accounting department for a Connecticut PHA. Since then, Michael has worked with over 150 PHAs, ranging from less than 100 to 40,000 units.

Michael has personally trained over 3,500 PHA and HUD personnel and delivered over 120 workshops in 23 states. He is proficient in a number of HUD programs, including Public Housing, Housing Choice Voucher, Capital Fund grants (CFP), Moderate Rehabilitation (Mod Rehab) and New Construction, Rental Assistance Demonstration (RAD), Moving to Work (MTW), Homeownership Opportunities for People Everywhere (HOPE VI), Resident Opportunities and Self-Sufficiency (ROSS), Community Development Block Grants (CDBG), the Financial Data Schedule (FDS) and Public Housing Assessment System (PHAS), and various other programs and grants.

He has developed and administered numerous training sessions for these programs including RAD, CFP, HCV, and public housing, and helped train HUD personnel on VMS reporting and HUD regulations. Michael has a thorough knowledge of HUD's online systems (VMS, Two-Year Tool and FASS-PHA).

Raymond G. Adair, Senior Associate for Nan McKay and Associates

Mr. Raymond Adair, MBA, CGFM, served as the Vice President of Finance and a Senior Associate for NMA from 1994 to 2018. He now serves as a Senior Associate. He has been with the company for over 25 years. Mr. Adair is considered one of the public housing industry's leading experts in the areas of financial management and accounting for HUD's Public Housing and Housing Choice Voucher programs.

Over the years, Mr. Adair has trained hundreds of housing authority staff, executives, and commissioners in the proper application of HUD's fiscal requirements for the Housing Choice Voucher and Public Housing programs, as well as the proper application of governmental GAAP. He has also provided technical assistance, conducted fiscal reviews, and accounting and policy reviews for various housing authorities around the country. In addition, he has extensive knowledge of HUD fiscal requirements for various grant programs, HUD's online systems (VMS and FASS-PH), the use of fee-for-service, and the preparation of indirect cost allocation plans.

Mr. Adair has trained HUD Management staff on HCV financial management and reporting. Mr. Adair helped author HUD's handbook supplement "Changes in Financial Management and Reporting Requirements for Public Housing Agencies under the new Operating Fund Rule." In addition, Mr. Adair provided technical assistance under a contract with HUD for the implementation of asset management to various Public Housing Agencies (large and small). He also led a team of property management professionals who conducted reviews nationally for HUD on whether PHAs had implemented HUD's principles of asset management for the Public Housing Program.

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Ronald Urlaub, CPA, President, Urlaub & Company

Ronald Urlaub, CPA, is the President of Urlaub & Co., PLLC., Certified Public Accountants, an accounting firm located in Ada, Oklahoma. The firm specializes in providing accounting services for housing agencies as well as other governmental and nonprofit entities. Over the last 18 years, services provided by Urlaub & Co., PLLC, include performing financial audits and attestation services, fraud investigations, development of accounting policies and procedures for PHAs, establishing quality control programs, and assisting PHAs in their conversion to the asset management model.

Mr. Urlaub graduated from East Central University in 1988. He is a frequent lecturer and trainer for numerous groups at the state, regional and national level, including the American Institute of Certified Public Accountants (AICPA), the AHACPA, state CPA societies, and State Auditor Offices. He has participated in several HUD contracts, including the development of the Changes in Financial Management and Reporting Handbook released by HUD, performed stop-loss submission reviews, and served as an instructor for HUD's sponsored asset management training seminars. Mr. Urlaub is a member of American Institute of Certified Public Accountants (AICPA), Oklahoma Society of Certified Public Accountants, Association of Government Accountants (AGA) and the Affordable Housing Association of Certified Public Accountants (AHACPA). Mr. Urlaub is also a contractor for Nan McKay and Associates, where he is a member of the Financial Services Consulting and Training team.

Maria Urlaub, CPA, Urlaub & Company

Maria graduated from East Central State University in May of 1997 with a Bachelor of Science degree in Business Administration with a GPA of 3.71. She has been with the firm since 1996. Her responsibilities include the preparation of monthly financial statements and Financial Data Schedules. She has developed and presented several presentations for conferences at the local, regional, and national level. She has also participated as a contractor for the HUD stop loss reviews. Maria assists with special projects including writing articles for the monthly newsletter. She has also been assigned as a staff auditor and has participated in audits including housing agencies and nonprofit clients. In 2008, Maria passed her CPA exam to practice public accounting.

CHAPTER 1 Overview of Public Housing and the HCV Program

Introduction

The housing choice voucher (HCV) program is the culmination of public housing legislation and programs that began in the 1930s and changed over time to better serve families and participants.

To better understand how the HCV program came to be, this chapter will give you an overview of the history of public housing legislation in Section 1.1, and will review the characteristics and features of some key programs, including the HCV program, in Section 1.2.

SECTION 1.1 THE EVOLUTION OF HOUSING POLICY

Pre-Public Housing

In 1892, Congress conducted the country's first known study of slum conditions. The four-city study revealed that the quality of housing and services available were less than adequate.

As a direct result of the study, commissions and agencies were created and funded to build, organize and manage housing for war workers. All of the housing that was constructed was eventually sold to private owners or demolished by the 1920s.

By the time of the Great Depression, government became involved in private sector areas, including housing, and the housing finance system was reconstructed.

To stimulate recovery from the Great Depression, Congress passed laws to provide jobs through the construction of public buildings, housing for the working poor, and other projects.

The first major legislation involving housing was the National Industrialization Recovery Act of 1933, which:

- Focused on creating jobs and stimulating capital spending
- Initiated programs that were administered by the Public Works Administration
- Moved the federal government to become directly involved in the construction of housing for America's working poor
- Built some of the largest and (now) oldest public housing developments
- Established use of “eminent domain” - the right of a governmental entity to take property for the common good
    - Eminent domain was used to acquire private property for the construction of housing for the working poor
    - It created conflict between the states and the federal government
    - Eminent domain was eventually ruled unconstitutional by the courts

The second major legislation involving the federal government in housing policy for the working poor was the National Housing Act of 1934, which:

- Was part of President Franklin D. Roosevelt's “New Deal”
- Created the Federal Savings and Loan Insurance Corporation
- Created the Federal Housing Administration (FHA), with the responsibility to encourage private investment in housing by guaranteeing government-insured mortgages

Housing Acts of 1937 and 1949

Public housing during the 1930s and 1940s was primarily seen as an opportunity to create jobs and stimulate the economy through capital spending.

State and local governments had several complaints about the federal government's direct involvement in the construction of housing for the working poor. As a reaction to those complaints, the Housing Act of 1937 was passed.

The 1937 Act established a permanent public housing program, and required that states pass enabling legislation to create a body (public housing agency) with the authority to contract with the federal government.

Once formed, these agencies could receive grants, loans and operating contributions from the federal government, to construct and operate public housing in their communities.

Local governments were required to enter into a cooperative agreement with a housing authority in order to receive federal funds. Under the terms of the cooperative agreement, local governments had to agree not to levy property taxes on public housing units, and to accept in return a Payment in Lieu of Taxes (PILOT) to provide police and fire protection for the units.

Another significant act passed was the Housing Act of 1949, which made sweeping changes to the focus of the program, with the intent of providing a decent home for everyone.

The 1949 Act established the Farmers Home Administration to provide federally insured mortgages to rural and farm communities.

It also created the Urban Renewal Program, which had the objectives of:

- Providing a massive slum-clearance program
- Extending federal mortgage programs
- Expanding the traditional public housing program
- Limiting public housing to low-income families

By this time, an inadvertent result of the housing acts was the concentrating of the very poor into public housing.

The Housing and Urban Development Act of 1965

The Housing and Urban Development Act of 1965 created the first federal program that allowed housing assistance to residents of privately owned housing. It launched:

- The Section 23 Leased Housing Program - which was a forerunner to the Section 8 program
- The rent supplement program

The Housing Act of 1969 – The Brooke Amendment

The Brooke Amendment was passed in 1969 in an effort to direct federal assistance to the most needy. It mandated that families/persons living in assisted housing should pay no more than 25% of their adjusted annual income for rent. Operating subsidies were also established to compensate housing authorities for lost income.

1973 Moratorium

Pending a reevaluation of each program's effectiveness, the Nixon Administration imposed a moratorium on all subsidized housing programs. Under the moratorium, funding was frozen for new public housing units.

During the moratorium, housing policy and funding began to shift from public housing to housing assistance to residents of privately owned housing.

The Housing and Community Development Act of 1974

The Housing and Community Development Act of 1974 created the Section 8 program and provided a formula for distribution of funds to eligible communities.

The Section 8 program was a new, federally assisted housing program that enabled federal housing rental assistance payments to be paid directly to owners of private housing units, as subsidy assistance to lower income families.

Public Housing Legislation and Programs of the 1980s and 1990s

By the end of the 1990s, many more important housing acts were passed, which lead to the creation of various public housing assistance programs.

The next section will give an overview of programs; below are key facts about some of the most notable acts.

The Housing and Community Development Act of 1980

Initiated the Comprehensive Improvement Assistance Program

The Housing and Community Development Act of 1981

Prompted major changes and had a significant impact on housing authorities:

- Changed the percentage of income used to calculate the tenants' portion of the rent from 25% to 30%
- Annual reexamination of eligibility of all families living in assisted housing was initiated

The Housing and Urban-Rural Recovery Act of 1983

Made comprehensive changes to housing programs and changed:

- Definitions of income and assets
- Definitions of deductions and allowances
- The method of rent calculation
- The income standards for eligibility
- Initiated the housing voucher program as a demonstration program

The Housing and Community Development Act of 1987

Made the housing voucher program a permanent program for the Department of Housing and Urban Development (HUD) and initiated portability, allowing certificate or voucher holders to move to a different jurisdiction and keep their housing assistance

The McKinney Homelessness Assistance Act of 1988

Made significant changes to the 1987 Act and included the project-based certificate program which permitted housing authorities to attach up to 15% of their Section 8 assistance to rehabilitation projects.

The HUD Reform Act of 1989

This act focused on funding ethics and:

- Stipulated that funds were to be allocated regionally through a "fair share" formula
- Further required that HUD publish funding decisions
- Provided for registration of consultants, lobbyists and lawyers attempting to influence HUD decisions
- Prohibited anyone from receiving compensation on a contingent basis

The Cranston-Gonzalez National Affordable Housing Act of 1990

Instituted many legislative changes to housing programs including:

- Initiating the Family Self-Sufficiency (FSS) program
- Greater monitoring of housing authority performance was mandated
- HUD developed the Public Housing Management Assessment Program (PHMAP) in response to this mandate

The Housing and Community Development Act of 1992

This act authorized the use of Section 8 certificates and vouchers for homeownership purposes and:

- Further defined the FSS program
- Authorized the comprehensive grant program and drug elimination programs

The Quality Housing and Work Responsibility Act (QHWRA) of 1998

QHWRA is probably the most significant housing act since the 1937 Act. Some major changes QHWRA initiated are:

- Creation of a new voucher program - the HCV program - to replace the old certificate and voucher programs
- Elimination of the three-month delay on reissuance of turnover certificates and vouchers
- Repeal of federal preferences
- Requirement of a public housing agency plan
- Elimination of the shopping incentive for voucher families that remain in the same unit upon initial receipt of assistance
- In the HCV tenant-based programs, permanent elimination of the owner termination notice to HUD
- Permanent repeal of the “take one, take all” provision
- Permanent elimination of the Section 8 “endless lease” provision and the 90-day owner termination notice for tenant-based assistance

Moving To Work Demonstration 1999

The Moving to Work (MTW) demonstration was established to give PHAs and HUD flexibility to design and test various approaches for providing and administering housing assistance that:

- Reduce cost and achieve greater cost effectiveness in Federal expenditures;
- Give incentives to families with children where the head of household is working, seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and
- Increase housing choices for low-income families.

MTW was legislated in 1996, implemented in 1999 and is set to run until the end of each participating agency's 2018 fiscal year. MTW agencies may be granted exceptions to many portions of the 1937 Housing Act. MTW agencies do not receive an allocation of funds by virtue of participating in MTW, they are allowed to combine funds received for the Housing Choice Voucher and Public Housing Capital and Operating Funds to use interchangeably, similar to a block grant. Combined funds are easier to manage and provide an opportunity to explore development and other activities that may require sizable initial investment.

The Operating Fund Final Rule

The final rule on the Operating Fund Program was the product of extensive negotiations between HUD, PHAs, industry groups, residents, representatives, and other partners. The rule includes two major provisions for the public housing program:

- It establishes a new project-based formula for determining operating subsidy
- It introduces a new business model called asset management.

A final rule on the operating fund was issued Sept. 19, 2005.

Exhibit 1.1-1

TIMELINE OF KEY DEVELOPMENTS IN THE EVOLUTION OF HOUSING POLICY
(PHASE ONE)

Little federal involvement in housing	Pre-'30s	
	1932	Federal Home Loan Bank Board
	1933	National Industrialization Recovery Act of 1933 Authorization to charter S&Ls
Housing policy develops, emphasizing depression recovery, slum removal, and federal control	1934	National Housing Act of 1934 • Direct federal construction of low-rent housing begun by Public Works Administration • Federal Savings & Loan Insurance Corporation created • Federal Housing Administration (FHA) created
	1937	United States Housing Act of 1937 (public housing agencies [PHAs] formed)
Housing policy primarily emphasizes public housing (construction)	1942	National Housing Agency
	1949	Housing Act of 1949 (with intent to provide a decent home for everyone)
Experiments conducted using private rental housing	1960	
	1965	Section 23 Leased Housing Program (first "rental certificate" approach) HUD created
	1968	Housing Act of 1968 • Section 235 Homeownership Program • Section 236 Rental Program • Goal of six million PH units in 10 years
	1969	Operating subsidies established • Brooke Amendment passed (limiting tenant rent to no more than 25% of income)

Exhibit 1.1-2

TIMELINE OF KEY DEVELOPMENTS IN THE EVOLUTION OF HOUSING POLICY *(PHASE TWO)*

Experimental housing allowance program demonstration (1974–1983)

1974 — The Housing and Community Development Act of 1974
- Section 8 New Construction Program
- Section 8 Substantial Rehabilitation Program
- Section 8 Existing Housing Program
- Section 23 Leased Housing Program eliminated
- Community Development Block Grant Program

1978 — Section 8 Moderate Rehabilitation Program

1980 — Housing & Community Development Act of 1980
- Comprehensive Improvement Assistance Program created

1981 — The Housing and Community Development Act of 1981

1983 — Housing & Urban/Rural Recovery Act
- Voucher program demonstration
- Many changes in program definitions

Statutory portability instituted

1987 — Community Development Act of 1987
- Portability of certificates allowed
- Voucher program made permanent

1988 — McKinney Homelessness Assistance Act

1989 — HUD Reform Act of 1989
- Funds allocated on fair share formula

Housing policy emphasis on:
- Homeownership
- Preventing homelessness
- Self-sufficiency

1990 — Cranston-Gonzalez National Affordable Housing Act
- Family Self-Sufficiency (FSS) Program
- PHMAP
- Resident initiatives

1992 — Housing and Community Development Act of 1992
- Comprehensive Grant Program
- PHDEP grants
- Certificates and vouchers for homeownership

1998 — Quality Housing and Work Responsibility Act of 1998
- Merging of rental certificate and rental voucher programs into the HCV Program
- Repeal of federal preferences
- Elimination of "take one, take all" provision

2000 — PHAs required to comply with GAAP

2005 — Operating fund final rule adopted
- Requires project-based reporting in the PH program
- Adopts fee-for-service as an alternative to cost allocation
- Allows for the establishment of a COCC
- Operating subsidy calculated at the project level in PH program

SECTION 1.2 TYPES OF LEASED HOUSING PROGRAMS

Now that you are familiar with the history, let's focus on some of the most significant programs that came from public housing legislation.

Section 23 Leased Housing Program

The Section 23 Leased Housing Program was a project-based assistance program, where the assistance was tied to the unit. It was one of the first attempts to use existing rental housing in the private market to provide housing opportunities for low-income families.

The program allowed public housing authorities (PHAs) to lease units from private owners and sublease them to low-income families.

No new funding has been approved by HUD since 1974 for this program, and as its contracts expire, they must be converted to the Section 8 existing housing program.

Characteristics:

- Families paid their portion of the established rent directly to the PHA, like they would in public housing programs
- PHA was responsible for paying the property owner the entire rent
- PHA received a contribution from the federal government to pay the portion of the established rent the family was unable to pay
- PHA had sole responsibility for tenant selection, rent collection and, in some cases, management and maintenance responsibilities

Experimental Housing Allowance Program

The Experimental Housing Allowance Program was a demonstration program conducted in 12 locations between 1971 and 1980. It tested the feasibility of providing housing allowances to eligible families (i.e., a tenant-based assistance approach).

The goal of the Experimental Housing Allowance Program was to give lower income families the opportunity to access decent, safe and sanitary housing in the existing rental housing market.

The demonstration revealed families did not select expensive units, they were able to pay their share of the rent, they gained mobility and they could select better neighborhoods.

It also indicated existing housing stock would be preserved because a housing allowance-type program encouraged owner repairs and maintenance.

Characteristics:

- No rent ceilings were established
- PHAs were allowed to lease units from private owners and sublease to low-income families
- Subsidy payments were made directly to the family

Section 8 Existing Housing Program

The Section 8 Existing Housing Program (later known as the Rental Certificate Program) was the result of the Experimental Housing Allowance Program demonstration. In this program, the subsidy was tied to the tenant, not the unit, which is known as tenant-based assistance.

Like the Experimental Housing Allowance Program, the goal of the Section 8 Existing Housing Program was to give lower income families more decent, safe and sanitary housing choices in the existing rental housing market. This program was in operation from 1974 to 1998.

Characteristics:

- HUD was committed to funding the authorized number of units regardless of the cost
- The property owner signs a housing assistance payments (HAP) contract with the PHA, which defines the obligations of both parties
- The PHA signs an annual contributions contract (ACC) with HUD, which defines the obligations of the PHA and HUD, and establishes budget authority (BA) for the term of the ACC
- The family signs a certificate in the rental certificate program (or a voucher in the rental voucher program), which defines the family's obligations, and allows them to look for a unit
- The family pays its portion of the contract rent directly to the owner
- The PHA receives funds from HUD (a subsidy) to pay the owner the difference between the total tenant payment (TTP) and the contract rent
- Fair market rent (FMR) limitations, or rent ceilings, were established by HUD for each bedroom size

Rental Voucher Program (formerly Housing Voucher Program)

The Rental Voucher Program is a tenant-based assistance program where the ACC reserve cannot be used to support over-leasing. This program was in operation from 1983 to 1998.

It is similar to Section 8 Rental Certificate Program with the following exceptions:

- PHAs received a flat amount of funding and if it was not enough to fund the authorized number of units, the PHA had to reduce the size of their program
- There is no FMR limitation on the part of the family
- Families (within certain limits) can determine the proportion of family income that will be used for housing costs
- Families can choose to pay more or less than 30% of their adjusted monthly income for rent

Section 8 New Construction Program

The goal of the Section 8 New Construction Program was to encourage the private sector to build new rental housing for lower income families in areas where rental housing stock is limited.

Types of new construction projects allowed under the program included single family homes, multi-family structures, housing projects for the disabled, elderly housing, and high-rise elevator projects for the elderly (with HUD approval).

In most other respects, this program was similar to the Section 8 Rental Certificate Program.

No new projects have been funded since approximately 1982-1984.

Characteristics:

- It was a project-based assistance program
- Usually was administered by owners rather than PHAs, but a PHA could be both an administrator and an owner
- Provided only rental assistance (guaranteed cash flow) and not construction or permanent financing (long-term mortgage)
- The owner billed HUD directly for monthly subsidy unless the PHA was the contract administrator

Key features to encourage private sector participation:

- A housing assistance contract with owners had a maximum term of from 20 to 40 years, depending on how the project was financed (as opposed to the Section 8 existing program which is 5 to 15 years)
- The project owner could obtain any type of construction or permanent financing, such as Federal Housing Administration (FHA) mortgage, tax exempt financing/bonds and loans from conventional lending institutions
- The project owner could pledge the housing assistance contract (guaranteed cash flow) to support financing

There were also project-based assistance programs that provided only rental assistance and not construction or permanent financing. Below are two examples of such programs.

Section 8 Substantial Rehabilitation Program

The Section 8 Substantial Rehabilitation Program's goal was to improve existing rental housing in need of substantial rehabilitation - which would vary in degree from gutting and extensive reconstruction, to completing deferred maintenance.

24 CFR 881.201

Substantial rehabilitation may also include renovation, alterations or remodeling, as well as replacement of major building systems or components in danger of failure.

The Section 8 Substantial Rehabilitation Program in most other respects was similar to the Section 8 existing housing program.

No new funding has been approved by HUD since approximately 1982-1984.

Key features to encourage private sector participation:

- Housing assistance contracts could have a maximum term of between 15 to 40 years, depending on how the project was financed
- The project owner could obtain any type of construction or permanent financing such as FHA mortgage, tax exempt financing and loans from conventional lending institutions
- The project owner could pledge the housing assistance contract (cash flow) to support financing

Section 8 Moderate Rehabilitation Program

CFDA #14.856,
24 CFR Part 882

The purpose of this program is to upgrade substandard rental housing and to provide tenant-based rent subsidies (assistance) for low-income families that occupy these units.

Eligible properties are family homes, multi-family structures and group homes.

Key features:

- The rental assistance is project based.
- Housing assistance contracts had an initial term of 15 years.
- Project owner under the contract may receive the FMR, **plus** up to 20% over the FMR.
- Project owner may pledge the housing assistance contract (cash flow) to support financing with a commercial lender.
- Eligible owners can request a renewal at least 75 days prior to contract expiration. Renewals are typically for one year.
- The program has its own separate Annual Contributions Contract (ACC) and Funding Exhibit.
- The program ***is not*** reported on the Voucher Management System (VMS).
- Year-end financial data is reported to the REAC in its own column on the Financial Data Schedule (FDS) in FASS-PH under CFDA #14.856.
- The program must also submit to HUD the following paper forms:
  - Budgeting (90 days before the start of the budget year):
    - HUD-52672, Supporting Data for Annual Contribution Estimates
    - HUD-52673, Estimate of Total Annual Required Contributions
  - Requisitioning funds (along with budget forms):
    - HUD-52663, Requisition for Payment
  - Year-end reporting (45 days after year end):
    - HUD-52681, Year-End Settlement
- The program is no longer funded for new applications.

Section 8 Moderate Rehabilitation–Single Room Occupancy Program

CFDA # 14.246;
24 CFR Part 882, Subpart H

The purpose of this program is to upgrade residential properties that, when rehabilitation is completed (min. expenditure of $3,000 per unit), will contain multiple single-room dwelling units and to provide rental subsidies to homeless individuals that occupy these units.

Key Features:

- The rental assistance is project based.
- Eligible properties include: family homes, multi-family structures, rundown hotels, or an old school.
- The initial HAP contract term is 10 years.
- The initial contract rent is 75% of the 0-BR Mod. Rehab. FMRs plus the cost of rehab at the lower of the projected cost of rehab or per unit cost limitation established by FR notice.
- Owner may use the HAP contract as security for any loan obligation on the property, up to the amount payable under the HAP contract.
- The program has its own separate Annual Contributions Contract (ACC).
- FYE financial data is reported to the REAC in its own column on the Financial Data Schedule (FDS) in FASS-PH under CFDA #14.856.
- The program ***is not*** reported on the Voucher Management System (VMS).
- The program must also submit to HUD the following paper forms:
  - Budgeting (90 days before the start of the budget year):
    - Form HUD-52672, Supporting Data for Annual Contributions Estimates
    - Form HUD-52673, Est. of Total Annual Required Contributions
  - Requisitioning of Funds (along with budget forms):
    - Form HUD-52663, Requisition for Payment
  - Year-End Reporting (45 days after year end):
    - Form HUD-52681, Year-End Settlement

Family Self-Sufficiency (FSS) Program

CFDA #14.896,
24 CFR Part 884

The FSS program has the goal of helping families get "up and out." The program is operated using the PHA's regular housing vouchers.

After 1993, incremental (new) units were only funded if the PHA agreed to implement the FSS program.

Key features:

- The PHA will analyze a family's needs to become employed and then prepare a program for the family.
- The family agrees to follow the program by signing a contract of family participation.
- The PHA establishes a base family contribution for rent at the time of the execution of the contract, based on the family's income at that time.
- Once the family obtains employment, and the family's contribution toward rent increases as it normally would, an amount equal to the increase in the family contribution (due to an increase in income because of employment) is placed in escrow by the PHA for the family. The escrow funds are a form of HAP and they are reported as part of HAP expense.
- When the family completes the contract of family participation, and is no longer on welfare assistance, the family receives the entire amount of the escrow, plus interest.
- Participants are expected to complete their program within five to seven years.

The Housing Choice Voucher (HCV) Program

CFDA #14.871,
24 CFR Part 982

The HCV program is a HUD program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. It replaced the certificate and housing voucher programs in 1998.

The program has its own separate Annual Contributions Contract (ACC), which will be covered in detail in Chapter 2.

In the HCV program, the participant is free to choose any housing unit that meets the requirements of the program and is not limited to units located in subsidized housing projects.

A family that is issued a housing voucher is responsible for finding a suitable unit of the family's choice, where the owner agrees to rent under the program, and the rental units must meet HQS.

A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Under certain circumstances, if authorized by the PHA, a family may use its voucher to purchase a home.

Eligibility for a housing voucher is determined by the PHA based on total annual gross income, family size and is limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status.

In general, the family's income may not exceed 50% of the median income for the county or metropolitan area in which the family chooses to live.

By law, a PHA must provide 75% of its vouchers to applicants whose incomes do not exceed 30% of the area median income. Median income levels are published by HUD and vary by location.

During the application process, the PHA will collect information on an applicant's income, assets, and family composition. The PHA will verify this information with other local agencies, the applicant's employer and bank, and will use the information to determine program eligibility and the amount of the HAP.

If the PHA determines that a family is eligible, the PHA will put the family's name on a waiting list, unless it can assist the family immediately. Once the family's name is reached on the waiting list, the PHA contacts the family and a housing voucher is issued to the family.

PHAs report financial information for the program based on their fiscal year end to the REAC on the Financial Data Schedule (FDS).

- The voucher program *does not use* the following HUD forms:
  - Form HUD-52672, Supporting Data for Annual Contributions Estimates
  - Form HUD-52673, Estimate of Total Required Annual Contributions
  - Form HUD-52633, Requisition for Payment
  - Form HUD-52681, Year-End Settlement

Project-Based Housing Choice Vouchers (PBV)

24 CFR Part 983

If the PHA already has a tenant-based voucher program, the PHA has discretion to operate a project-based voucher program.

No separate funding is provided - funded from part of the PHA's regular tenant-based voucher renewal funding.

Twenty percent of the PHA's tenant-based voucher units can be used for project-based vouchers. These vouchers then become "project based."

No more than 25% of the dwelling units in a project can be tied to project-based vouchers. This threshold can increase through the implementation of HOTMA.

PHA enters into a HAP contract with the owner which can initially be up to 20 years.

Although project-based vouchers have some of their own rules (24 CFR 983), many of the same regulations that apply to tenant-based vouchers also apply to project-based vouchers.

Owner may use the HAP contract as security for any loan obligation on the property, up to the amount payable under the HAP contract.

The PHA enters into a HAP contract with an owner for units in existing housing or in newly constructed or rehabilitated housing.

In the case of newly constructed or rehabilitated housing, the housing is developed under an Agreement between the owner and the PHA (AHAP). In the Agreement, the PHA agrees to execute a HAP contract after the owner completes the construction or rehabilitation of the units.

PHAs are not required to reduce the number of project-based voucher units selected under an AHAP or HAP contract if the amount of budget authority is subsequently reduced.

However, the PHA is responsible for determining the amount of budget authority that is available for project-based vouchers and for ensuring that the amount of assistance that is attached to units is within the amounts available under the ACC.

Whether and to what extent (up to the 20% limitation) the PHA will participate in a project-based voucher program is specified in its Admin Plan.

The PHA may use the same waiting list or a separate project-based waiting list.

Because the assistance if tied to the unit, a family that moves from the project-based unit does not have any right to continued housing assistance.

For VMS and for year-end financial reporting purposes, project-based vouchers are reported as part of the PHA's regular tenant-based program.

Mainstream Vouchers—Supportive Housing for Persons with Disabilities

CFDA #14.181

Mainstream vouchers provide rental assistance to enable persons with disabilities (elderly and non-elderly) to rent affordable private housing.

There are two types of mainstream vouchers, those that were funded with Section 811 funds (five-year mainstream program) and those funded from non-Section 811 funding (one-year mainstream program).

- Since five-year mainstream vouchers were funded from Section 811 funding and they must be tracked and reported independently of the PHA's regular vouchers and one-year mainstream vouchers.
- One-year mainstream vouchers were originally funded from FY 1997 to FY 2002 with budget authority not derived from Section 811 funding and were provided for ***non-elderly disabled families***.

Only elderly disabled families and non-elderly disabled families are to be issued turnover mainstream vouchers originally funded with Section 811 five-year budget authority and subsequently renewed using Section 811 one-year budget authority.

- Failure to reissue turnover Section 811 funded mainstream vouchers to disabled families will result in forfeiture of these vouchers.

Turnover non-Section 811 funded mainstream vouchers must be reissued to non-elderly disabled families to the extent practicable.

If the PHA determines that it is not practicable to reissue non-Section 811 Mainstream turnover vouchers to non-elderly disabled families:

These vouchers will not be forfeited.

- The PHA may issue them to other waiting list applicants (including elderly disabled families and non-disabled families)

One-year mainstream and five-year mainstream vouchers are each reported on the VMS in their own field.

For year-end reporting on FASS-PH, five-year mainstream vouchers are reported in their own column on the FDS under CFDA #14.181. One-year mainstream vouchers (those not funded with Section 811 funds) are reported on the FDS as part of the regular voucher program under CFDA #14.871.

Family Unification Program (FUP) Vouchers

The FUP is a program under which vouchers are provided to two different populations:

- Families for whom the lack of adequate housing is a primary factor in:
  - The imminent placement of a family's child or children in out-of-home care, or
  - The delay in the discharge of the child or children to the family from out-of-home care.

Letter to Executive Directors, 9/26/16

- Youth at least 18 years old and not more than 24 years old who left foster care at age 16 or older and who lack adequate housing.

There is no time limit on FUP family vouchers; however, FUP vouchers used by youth are limited by statute to 36 months of housing assistance.

Initial FUP funding is allocated through a competitive process (NOFA). After the initial funding increment expires, FUP vouchers are rolled into the PHA's renewal formula and the funding for the expiring FUP vouchers is included in the PHA's main HCV renewal increment.

PHAs administer the FUP in partnership with Public Child Welfare Agencies (PCWAs). PCWAs are responsible for referring FUP families and youths to the PHA for determination of eligibility for rental assistance.

Administrative fees are earned like regular vouchers, based on the number of units under lease on the first of each month times the applicable fee rate (col. A or B).

FUP vouchers ***may not*** be project based.

The initial term of the Annual Contributions Contract (ACC) for a FUP award is 12 months, subject to subsequent renewals from future appropriations.

PHAs must administer the FUP in accordance with HCV Program regulations in 24 CFR 982.

As specifically required by the Appropriations Act, upon turnover, a voucher issued to a FUP-eligible family or FUP-eligible youth must be reissued to either another FUP-eligible family or FUP-eligible youth.

For FUP vouchers that port out, if they are absorbed by the receiving PHA ***into their regular voucher program*** they are no longer considered FUP vouchers.

PHAs awarded FUP vouchers (including MTW agencies) must report leasing and cost data for the FUP electronically through VMS. FUP vouchers are reported in their own field on the VMS.

For FYE financial data reporting, FUP vouchers are reported under the regular HCV CFDA number 14.871, even though they have their own CFDA number (14.880).

Enhanced Vouchers

When a private owner leaves a HUD project-based subsidy program, the owner's obligation to maintain the low rents or accept the project-based assistance at the property is lifted. The result is that most of the tenants are unable to pay the new rent without a new rental assistance subsidy.

These new subsidies are provided in two different forms, enhanced vouchers or ordinary tenant protection vouchers, depending upon the nature of the housing conversion action.

Housing conversion actions for a HUD project-based subsidy program may be needed because of the following:

- Prepayment by the owner of the project of a HUD subsidized mortgage
- Opt-out by the owner of the project-based Section 8 contract
- Demolition of public housing units

Enhanced vouchers have two key features:

1. They may exceed the PHA's ordinary payment standard used for regular HCVs, allowing payment of any rent which is determined reasonable, as determined in comparison with market comparables.
2. They provide the tenant with a right to remain in the unit after conversion to market rents, thus creating an obligation for the owner to accept the voucher.

If the tenant elects to move, the voucher loses its enhancement and becomes a regular tenant protection voucher.

Enhanced vouchers are reported as a subset of tenant protection vouchers on the VMS.

For FYE financial data reporting on the FDS, enhanced vouchers are reported under the CFDA number 14.871, regular vouchers.

Initial and renewal funding is based on the PHA's per-unit cost (PUC) as reported in the VMS.

Tenant Protection Vouchers

Tenant protection vouchers are vouchers for tenants facing certain housing conversion actions not covered by enhanced vouchers. These include:

- Demolition or sale of public housing projects
- Foreclosures of HUD-subsidized mortgages
- HUD initiated terminations of project-based Section 8 contracts
- Prepayments of 202 properties

They do not include a higher payment standard or a right to remain in the unit as do enhanced vouchers. With tenant projection vouchers, the tenant is moving from the previously HUD subsidized project.

In some conversion situations, the action may be eligible for enhanced vouchers, but because the property does not comply with HQS, the tenant may not remain in the unit.

Funds are appropriated from regular voucher renewal funding.

Tenant protection vouchers are reported in their own field on the VMS.

For FYE financial data reporting on the FDS, tenant protection vouchers are reported under the CFDA number 14.871, regular vouchers.

Initial and renewal funding for tenant protection vouchers is based on the PHA's PUC as reported in the VMS.

Non-Elderly Disabled (NED) Vouchers

The purpose of this program is twofold:

- To enable non-elderly disabled families find affordable housing
- To enable non-elderly persons with disabilities to transition out of nursing homes and other healthcare institutions into the community

The Appropriations Act of 2009 authorized and initially funded 4,000 incremental non-elderly disabled (NED) family vouchers. These vouchers were awarded to PHAs through competitive award based on a NOFA.

PHAs are required to award these vouchers to the target population for which funding was awarded and at turnover they must continue to remain available for non-elderly disabled families.

Initial funding of awarded NED vouchers was based on the PHA's per-unit cost (PUC) as determined from their 2009 or 2010 VMS data. Initial funding was provided from a separate appropriations. NED vouchers are renewed as part of the PHA's regular yearly renewal funding calculation.

NED vouchers are subject to all the program regulations of regular vouchers (24 CFR part 982). However, MTW agencies can administer NED vouchers in accordance with their MTW agreements, unless inconsistent with Appropriations Act requirements or the requirements of the NOFA. In the event of a conflict, the requirements of the Appropriations Act and/or the NOFA govern.

Initial year administrative fees were not separately funded in the appropriations for NED vouchers. However, HUD made administrative fees available to PHAs from regular voucher administrative fee funding. PHAs earn administrative fees based on units leased on the first of each month times the appropriate fee rate (Col. A or B).

NED vouchers are reported in their own field on the VMS.

For year-end financial reporting purposes, NED vouchers are reported as part of regular vouchers under CFDA #14.871.

Veterans Affairs Supportive Housing (VASH)

The purpose of this program is to provide rental assistance under a supportive housing program for homeless veterans. The program combines housing choice voucher rental assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers and in the community.

PHAs are required to award these vouchers to the target population for which funding was initially awarded and at turnover they must continue to remain available to the same target population.

Administrative fees are paid on VASH vouchers from regular voucher administrative fee funding and are earned based on units leased on the first of each month times the appropriate fee rate (Col. A or B).

Initially, VASH vouchers were funded from a separate appropriations but beginning with the July 1, 2011, original increments and renewals will be funded as part of regular vouchers.

VASH vouchers are reported in their own field on the VMS.

For year-end financial reporting purposes, VASH vouchers were originally reported in their own column on the FDS in FASS-PH under CFDA #: 14.VSH. However, beginning with PHA fiscal year-ends of June 30, 2011, VASH vouchers are reported on the FDS in FASS-PH as part of the regular voucher program under CFDA #: 14.871. Note, administrative fee activity has always been reported as part of the regular voucher program under CFDA #14.871.

Looking Ahead

Public housing has grown and developed tremendously since the 1930s. With a better understanding of the evolution of the HCV program special use vouchers and some of the other Section 8 programs, you’re now ready to move on to program specifics—starting with the ACC.

CHAPTER 2 The Annual Contributions Contract (ACC)

Introduction

An annual contributions contract (ACC) is a written contract between HUD and a PHA.

Under the ACC, HUD agrees to make payments to the PHA, over a specified term, for housing assistance payments (HAPs) and for the PHA administrative fee.

In exchange, the PHA agrees to administer the tenant-based assistance program in accordance with HUD regulations and requirements.

24 CFR 982.151

Commitments for all the funding increments in a PHA program are listed in one consolidated document called the consolidated annual contributions contract (CACC), or form HUD-52520. In this book, a CACC will always be referred to as the ACC.

In this section, you will become familiar with the ACC and its PHA requirements. Section 2.2 will discuss in detail the funding exhibit part of the ACC, which presents all the funding increment information for the PHA.

A sample ACC, and other related documents, are included at the end of this chapter for your review.

Notes

SECTION 2.1 OVERVIEW OF THE ACC (FORM HUD-52520)

Components of the ACC

The actual contract (form HUD-52520) which has:

- Definitions of terms used in the ACC
- A description of the obligations and requirements of the parties signing the ACC (the PHA and HUD)

A funding exhibit (reviewed in Section 2.2), which has a listing of increments available to the PHA and their associated funding.

From the funding exhibit a PHA can identify:

- The increment numbers that still have funding
- The amount of funding HUD is providing for each increment
- The term of the funding obligation
- The number of units HUD awarded the PHA

Under the terms of the ACC, HUD will make payments to the PHA for the operation of the voucher program in accordance with HUD regulations and requirements.

For each funding cycle (January to December) HUD will pay the PHA amounts to cover:

- Housing assistance payments (HAP) up to a PHA's annual budget authority (ABA) and HUD held reserves.
- An administrative fee for administering the program, based on the number of units leased on the first of a month, times a fee rate as established by HUD

Some of the specific requirements listed in the ACC that the PHA must follow include:

- The PHA must comply, and must require owners to comply, with the requirements of the U.S. Housing Act of 1937 and all HUD regulations and other requirements – including any amendments or changes in the law or HUD regulations.
- The PHA must use program receipts to provide decent, safe, and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1937 and all HUD requirements.
- If required by HUD) program receipts in excess of current needs must be promptly remitted to HUD or must be invested in accordance with HUD requirements.
- The PHA must only deposit funds in a depository that has executed a depository agreement with the PHA (form HUD-51999).
- The PHA must maintain complete and accurate books of account and records for the program.
  - The books and records must be in accordance with HUD requirements
  - The books and records must permit a speedy and effective audit
- The PHA must give HUD financial information and program reports, records, statements, and documents, (at such times, in such form), with supporting data, as required by HUD.

Initializing the ACC

Form HUD-52520 (ACC) is signed by the PHA the first time it receives an allocation of vouchers.

- The PHA **does not** receive a new form HUD-52520 each time it is awarded a new funding increment.
- A new form HUD-52520 (ACC) is only signed if the form is revised by HUD.

ACC Section 15 - Default by HA

HUD may reduce payment to the PHA with prior written notice if HUD determines that the PHA:

- Failed to comply with any obligations under the ACC
- Failed to comply with obligations under a contract for housing assistance payments with an owner
- Failed to take appropriate action, to enforce the requirements of owner participation in the program
- Made any misrepresentation to HUD of any material fact

The ACC also gives HUD the ability to take possession of all or any PHA property, rights or interests in connection with a program – including funds held by a depository, program receipts, and rights or interests under a contract for housing assistance payments with an owner.

Form HUD-52520A – HUD Notice to Housing Agency Amending ACC

This form is used by HUD to notify a PHA that a new funding increment has been added to the funding exhibit.

- The PHA does not have to sign it or return it to HUD.
- Attached with it will always be:
  - A letter from HUD explaining why the increment was added
  - An updated funding exhibit

Examples of what HUD sends a PHA when increments are added to the ACC can be found on pages 2.2-10 through 2.2-14.

Notes

SECTION 2.2 THE ACC FUNDING EXHIBIT

As mentioned in the beginning of this chapter, the ACC consists of both the contract document and a funding exhibit. This section will explain the funding exhibit's numbering system and increment terms.

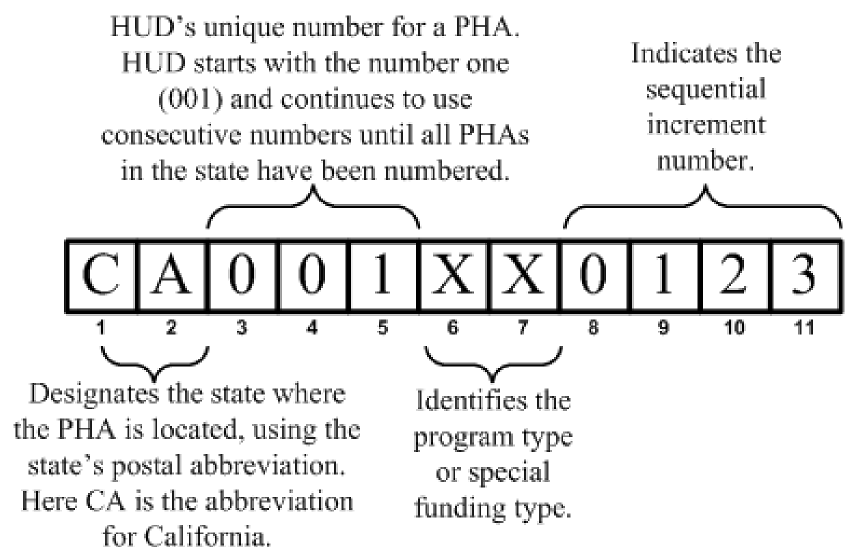
Increment Numbering System and Identifiers

The funding exhibit has a listing of increments and associated funding available to the PHA.

PHAs can use funding exhibits to identify the increment numbers that still have funding, the amount of funding HUD is providing for each increment, the term of the funding obligation, and the number of units HUD awarded the PHA.

HUD uses a unique eleven-digit numbering system for a funding increment number which identifies a group of awarded units or a special allocation of funds such as FSS coordinator funds and hard-to-house fees.

Below is an example of how that one-of-a-kind number is assigned and what the placement of each character means.



HUD will assign a new increment number for:

- Incremental vouchers received (a new allocation of vouchers as appropriated by the congress)
- Renewal of expiring increments
- Special allocations of funding
- Housing conversion vouchers received

HUD has used these program identifiers for identifying program types, or special use vouchers:

- **VO** – voucher program, HAP funding
- **VOPB** – project based vouchers, HAP funding
- **FU** – family unification, HAP funding
- **MR** – moderate rehabilitation program, HAP and Admin funding (Note that the MR program has a separate ACC Funding Exhibit from the HCV program)
- **DV** – Mainstream 5-year vouchers, HAP funding (Note that the mainstream 5 year program has a separate ACC Funding Exhibit from the voucher program)
- **8F** – Mainstream 5, Admin fees

Other program identifiers used by HUD include:

- **AFO** – voucher funding, Admin fees
- **F** – used to identify an increment as funding for a FSS coordinator or a homeownership coordinator grant prior to grant awards made in CY 2016. CY 2016 and subsequent FSS coordinator grant awards are no longer reported as part of CFDA 14.871, housing choice voucher program. They are reported under their own CFDA number 14.896, FSS program coordinators
    - If the agency is receiving funding for a FSS coordinator, the increment will contain **FSF** in the increment number (replacing the previously used identifier of **F** in the increment number)
    - If the agency is receiving funding for a homeownership coordinator, the increment will contain **FSH** in the increment number

- **AFHV** – used to identify the increment as administrative fees for homeownership closings
- **C1; C2; C3; C4** – used to identify funding received from set-aside funding made available by Congress for a CY. The code will include the CY of the funding (i.e., VOC116)
- **FFR1** – adjustment for CY NRA offset (used in 2009)
- **VOPRXX** – HAP proration factor adjustment, the XX is replaced by the year
- **VOTR** – designates the transfer of vouchers from another agency
- Admin fee quarterly settlement codes (where 1-4 are quarters and XX the CY):
    - AFR1XX
    - AFR2XX
    - AFR3XX
    - AFR4XX
- Increments containing a 900 series number designate a state or housing finance agency.

ACC Terminology

Although funding for the HCV program is awarded for a calendar period (January to December), the actual obligation of funds will depend on the increment terms found on the funding exhibit.

The following funding exhibit terminology will help you better understand increment terms:

- *Budget authority (BA)* – the total dollars HUD will make available for the term of an increment.
    - **Note:** For SEMAP assessment purposes, this will include both the budget authority for the calendar year and any portion of HAP reserves attributable to the budget authority that was offset from reserves during the calendar year.
- *Units* – the number of units HUD made available to the PHA for the increment.
- *Contract term* – the number of months an increment will be funded by HUD.

- *First day of term* – the first day funding can begin for an increment.
- *Last day of term* – the last day funding can be disbursed for an increment.

Each increment on the funding exhibit will have a beginning and end of term, as defined above.

Increment terms will be based on available funds at the time an increment expires and is renewed.

Other Important Terminology

Authorized Units – also called the ACC units, the number of units HUD awarded a PHA for each increment. These are found on the ACC Funding Exhibit.

Baseline Units – the number of units the PHA is receiving funding for based on lease-up and HAP cost data reported in the Voucher Management System.

Of note is that the ACC form has not been updated since 12/97, so it does not include changes in HCV program terminology that have occurred since then.

Looking Ahead

Understanding the ACC is the foundation of working with the HCV program. Sample ACC documents can be found on the following pages.

Now that you have a working knowledge of the ACC, its PHA requirements and funding exhibits, let's look at how the HCV program is funded.

Consolidated Annual Contributions Contract

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

Rental Certificate and Rental Voucher Programs

Section 8

Table of Sections

1. Definitions

ACC Annual contributions contract.

ACC Reserve Account An account established by HUD for a program from amounts by which the maximum payment to the HA under the consolidated ACC (during a HA fiscal year) exceeds the amount actually approved and paid. This account is used as the source of additional payments for the program.

Annual Contributions Contract The contract for each funding increment. HUD's commitment to make payments for each funding increment ("project") listed in the funding exhibit constitutes a separate ACC.

Budget Authority The maximum amount of funds available for payment to the HA over the term of a funding increment. Budget authority is authorized and appropriated by the Congress.

Consolidated Annual Contributions Contract (consolidated ACC) This consolidated contract for the HA certificate program and voucher program. HUD's commitment to make payments for each funding increment in a program constitutes a separate ACC. However, commitments for all the funding increments are listed in this consolidated ACC.

Contract Authority The maximum annual payment by HUD to the HA for a funding increment. The amount of contract authority for each funding increment in a program is listed in the funding exhibit for the program.

Fiscal Year The HA fiscal year. The funding exhibit states the last month and day of the HA fiscal year.

Funding Exhibit An exhibit to the consolidated ACC. The funding exhibit states the amount and term of funding for a program. There are separate funding exhibits for the HA certificate program and voucher program.

Funding Exhibit A The funding exhibit for the HA certificate program.

Funding Exhibit B The funding exhibit for the HA voucher program.

Funding Increment (also called a "Project"). Each commitment of budget authority by HUD to the HA for a program under the consolidated ACC. The funding increments for the program are listed on the program funding exhibit.

HA Housing agency.

Housing Agency (HA) The agency that has entered this consolidated ACC with HUD.

HUD U.S. Department of Housing and Urban Development.

Program The HA certificate program or voucher program.

Program Expenditures Amounts which may be charged against program receipts in accordance with the consolidated ACC and HUD requirements.

Program Receipts Amounts paid by HUD to the HA for a program, and any other amounts received by the HA in connection with the program.

Project A funding increment for the program.

2. Funding for HA Certificate or Voucher Program

a. The funding increments in the HA certificate program or voucher program are listed in the funding exhibit for the program.
b. The amount of contract and budget authority for each funding increment in a program is stated in the program funding exhibit.
c. By giving written notice to the HA, HUD may revise the funding exhibit for a program:
   (1) To add a funding increment, or
   (2) To remove a funding increment for which the ACC term has expired.
d. The HUD notice must include a revised funding exhibit, specifying the term, contract authority and budget authority for each funding increment under the consolidated ACC. The HUD notice of a revised funding exhibit for a program constitutes an amendment of the consolidated ACC.

3. **Term**
   a. The funding exhibit states the first date and last date of the ACC term for each funding increment.
   b. If the first or last date of the ACC term for a funding increment is not entered before the consolidated ACC is signed by the HA, HUD may enter the date subsequently, by giving written notice to the HA.

4. **HUD Payments for Program**
   a. HUD will make payments to the HA for a program in accordance with HUD regulations and requirements.
   b. For each HA fiscal year, HUD will pay the HA the amount approved by HUD to cover:
      (1) Housing assistance payments by the HA for a program.
      (2) HA fees for administration of the program.
   c. The amount of the HUD payment may be reduced, as determined by HUD, by the amount of program receipts (such as interest income) other than the HUD payment.

5. **Maximum Payments for Program**
   a. **Annual Limit** Except for payments from the consolidated ACC reserve account, the HUD annual payments for a program during a fiscal year must not be more than the sum of the contract authority amounts for the funding increments in the program.
   b. **Limit on Payments for Funding Increment** The total amount of payments for any funding increment over the increment term must not exceed budget authority for the funding increment.

6. **Reduction of Amount Payable by HUD**
   a. If HUD determines that the HA has failed to comply with any obligations under the consolidated ACC, HUD may reduce to an amount determined by HUD:
      (1) The amount of the HUD payment for any funding increment.
      (2) The contract authority or budget authority for any funding increment.
   b. HUD must give the HA written notice of the reduction.
   c. The HUD notice must include a revised funding exhibit specifying the term, contract authority, and budget authority for each funding increment under the consolidated ACC. The HUD notice of revisions to the funding exhibit for a program constitutes an amendment of the consolidated ACC.

7. **ACC Reserve Account**
   An ACC reserve account may be established and maintained by HUD. The amount in the account is determined by HUD. The ACC reserve account may be used by HUD to pay any portion of the program payment approved by HUD for a fiscal year.

8. **Separate ACC for Funding Increment**
   HUD's commitment to make payments for each funding increment ("project") listed in the funding exhibit constitutes a separate ACC.

9. **Budget and Requisition for Payment**
   a. Each fiscal year, the HA must submit to HUD an estimate of the HUD payments for the program. The estimate and supporting data must be submitted at such time and in such form as HUD may require, and are subject to HUD approval and revision.
   b. The HA must requisition periodic payments on account of each annual HUD payment. Each requisition must be in the form prescribed by HUD. Each requisition must include certification that:
      (1) Housing assistance payments have been made in accordance with contracts in the form prescribed by HUD and in accordance with HUD requirements; and
      (2) Units have been inspected by the HA in accordance with HUD requirements.
   c. If HUD determines that payments by HUD to the HA for a fiscal year exceed the amount of the annual payment approved by HUD for the fiscal year, the excess must be applied as determined by HUD. Such applications determined by HUD may include, but are not limited to, application of the excess payment against the amount of the annual payment for a subsequent fiscal year. The HA must take any actions required by HUD respecting the excess payment, and must, upon demand by HUD, promptly remit the excess payment to HUD.

10. **HUD Requirements**
    a. The HA must comply, and must require owners to comply, with the requirements of the U.S. Housing Act of 1937 and all HUD regulations and other requirements, including any amendments or changes in the law or HUD requirements.
    b. The HA must comply with its HUD-approved administrative plan, and HUD-approved program funding applications.
    c. The HA must use the program forms required by HUD.
    d. The HA must proceed expeditiously with the programs under this consolidated ACC.

11. **Use of Program Receipts**
    a. The HA must use program receipts to provide decent, safe, and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1937 and all HUD requirements. Program receipts may only be used to pay program expenditures.
    b. The HA must not make any program expenditures, except in accordance with the HUD-approved budget estimate and supporting data for a program.
    c. Interest on the investment of program receipts constitutes program receipts.
    d. If required by HUD, program receipts in excess of current needs must be promptly remitted to HUD or must be invested in accordance with HUD requirements.

12. Administrative Fee Reserve

a. The HA must maintain an administrative fee reserve for a program. The HA must credit to the administrative fee reserve the total of:
   (1) The amount by which program administrative fees paid by HUD for a fiscal year exceed HA administrative expenses for the fiscal year, plus
   (2) Interest earned on the administrative fee reserve.

b. The HA must use funds in the administrative fee reserve to pay administrative expenses in excess of program receipts. If any funds remain in the administrative fee reserve, the HA may use the administrative reserve funds for other housing purposes if permitted by State and local law.

c. If the HA is not adequately administering any Section 8 program in accordance with HUD requirements, HUD may:
   (1) Direct the HA to use the funds to improve administration of the Section 8 program or for reimbursement of ineligible expenses.
   (2) Prohibit HA use of administrative fee reserve funds.

13. Depositary

a. Unless otherwise required or permitted by HUD, all program receipts must be promptly deposited with a financial institution selected as depositary by the HA in accordance with HUD requirements.

b. The HA must enter an agreement with the depositary institution in the form required by HUD.

c. The HA may only withdraw deposited program receipts for use in connection with the program in accordance with HUD requirements.

d. The agreement with the depositary institution must provide that if required under a written notice from HUD to the depositary:
   (1) The depositary must not permit any withdrawal of deposited funds by the HA unless withdrawals by the HA are expressly authorized by written notice from HUD to the depositary.
   (2) The depositary must permit withdrawals of deposited funds by HUD.

e. If approved by HUD, the HA may deposit under the depositary agreement monies received or held by the HA in connection with any contract between the HA and HUD.

14. Program Records

a. The HA must maintain complete and accurate books of account and records for a program. The books and records must be in accordance with HUD requirements, and must permit a speedy and effective audit.

b. The HA must furnish HUD such financial and program reports, records, statements, and documents at such times, in such form, and accompanied by such supporting data as required by HUD.

c. HUD and the Comptroller General of the United States, or their duly authorized representatives, must have full and free access to all HA offices and facilities, and to all the books, documents and records of the HA relevant to administration of the program, including the right to audit and to make copies.

d. The HA must engage and pay an independent public accountant to conduct audits that are required by HUD. The cost of audits required by HUD may be charged against program receipts.

15. Default by HA

a. Upon written notice to the HA, HUD may take possession of all or any HA property, rights or interests in connection with a program, including funds held by a depositary, program receipts, and rights or interests under a contract for housing assistance payments with an owner, if HUD determines that:
   (1) The HA has failed to comply with any obligations under this consolidated ACC; or
   (2) The HA has failed to comply with obligations under a contract for housing assistance payments with an owner; or
   (3) The HA has failed to take appropriate action, to HUD's satisfaction or as directed by HUD, for enforcement of the HA's rights under a contract for housing assistance payments (including requiring actions by the owner to cure a default, termination, or reduction of housing assistance payments, termination of the contract for housing assistance payments, or recovery of overpayments); or
   (4) The HA has made any misrepresentation to HUD of any material fact.

b. HUD's exercise or non-exercise of any right or remedy under the consolidated ACC is not a waiver of HUD's right to exercise that or any other right or remedy at any time.

16. Fidelity Bond Coverage

The HA must carry adequate fidelity bond coverage, as required by HUD, of its officers, agents, or employees handling cash or authorized to sign checks or certify vouchers.

17. Exclusion from Program

Single-headed households, pregnant females, and recipients of public assistance may not be excluded from participation in or be denied the benefit of a program because of such status.

18. Exclusion of Third Party Rights

a. A family that is eligible for housing assistance under this consolidated ACC is not a party to or third party beneficiary of the consolidated ACC.

b. Nothing in the consolidated ACC shall be construed as creating any right of any third party to enforce any provision of this consolidated ACC, or to assert any claim against HUD or the HA.

19. Consolidated ACC

a. The consolidated ACC is a contract between HUD and the HA.

b. This consolidated ACC supersedes any previous annual contributions contract for a program. Matters relating to funding or operation of the program under a previous annual contributions contract are governed by this consolidated ACC.

United States of America

Secretary of Housing and Urban Development
Signature of Authorized Representative

Date signed:

X

Name & Official Title: (print or type)

Housing Agency

Name of Agency: (print or type)

Signature of Authorized Representative:

Date signed:

X

Name & Official Title: (print or type)

Consolidated Annual Contributions Contract

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

Rental Certificate and Rental Voucher Programs

Section 8

HUD NOTICE TO HOUSING AGENCY AMENDING CONSOLIDATED ANNUAL CONTRIBUTIONS CONTRACT

Housing Agency: ______________________
(Type or print name of housing agency.)

In accordance with Paragraph 2.c. of the Consolidated Annual Contributions Contract between HUD and the HA, you are notified that the funding exhibits of the Consolidated Annual Contributions Contract are hereby revised to add a new funding increment as provided in the attached revised funding exhibits A and B. (This notice adds one or more funding increments listed on the attached funding exhibits.)

Revised funding exhibits A and B are attached to this HUD notice. These revised funding exhibits replace and revise the prior funding exhibits.

In accordance with Paragraph 2.d. of the Consolidated Annual Contributions Contract, this HUD notice and the attached funding exhibits constitute an amendment to the Consolidated Annual Contributions Contract.

United States of America

Secretary of Housing and Urban Development
Signature of Authorized Representative

X ______________________

Name & Official Title:

Date signed:

Form HUD-52520A (12/97)

Exhibit 2.2-3 Sample Funding Letter and Funding Exhibit

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Financial Management Center
2380 McGee Street, Suite 400
Kansas City, MO 64108-2605

OFFICE OF PUBLIC AND INDIAN HOUSING

March 3, 2020

WI195
KENOSHA HOUSING AUTHORITY
625 52ND ST, RM 98
KENOSHA, WI 53140-3480

Dear Executive Director:

SUBJECT: Renewal of Housing Choice Voucher Program Increments
Expiring February 29, 2020 through April 30, 2020

This letter is to notify you that funds have been obligated to renew expiring Housing Choice Voucher (HCV) Program Housing Assistance Payments (HAP) and Administrative Fee increment(s).

April and May 2020 HAP Funding

The HAP funding is provided to renew increment(s) expiring March 31, 2020 through April 30, 2020, and February 29, 2020 for agencies that were not previously renewed through March 31, 2020. A monthly advance amount was calculated using the November 2019 VMS data adjusted for inflation and prorated at 99.5%.

The monthly HAP is disbursed in accordance with PIH Notices 2011-67 and 2017-06, utilizing cash management procedures and will continue being reconciled periodically to ensure compliance with Treasury Financial Manual at Vol. 1, Part 6, Section 2025.

VASH Renewals

If your agency is administering HUD Veterans Affairs Supportive Housing (VASH) vouchers, the renewal of these vouchers is included in the overall renewal calculations. These vouchers are not renewed separately. PHAs must comply with the statutory requirement that VASH vouchers may only be used to assist VASH-eligible participants, both initially and upon turnover.

Separate tracking of the VASH units from the regular voucher units is required for SEMAP purposes, since VASH units are not included, and will also allow for the utilization monitoring of these special purpose vouchers. A new increment will be established for the VASH renewal units and assigned one dollar ($1.00) of budget authority. These units will continue to be renewed separately upon expiration.

Rental Assistance Demonstration (RAD) Renewals

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renewal of these vouchers is included in the overall renewal calculations. These vouchers are not renewed separately.

Separate tracking of the RAD units from the regular voucher units is required by the Department. A new increment will be established for the RAD renewal units and assigned one dollar ($1.00) of budget authority. These units will continue to be renewed separately upon expiration.

RAD leasing and expenses are to be reported in the VMS in the appropriate RAD field (RAD 1 or RAD 2). In addition, RAD units should also be reported in the VMS as Project-Based Vouchers (PBV). Please refer to the VMS User's Manual for specific guidance on RAD and PBV reporting.

April and May 2020 Administrative Fee Funding

The administrative fees provided for April and May 2020 are an estimated amount based on the leasing data reported in the Voucher Management System (VMS) for September 2019. The amount was capped to the number of available units; prorated to 79% of eligibility; and calculated using the 2019 administrative fee rate.

The Department will continue to use the VMS to calculate administrative fees based on first of the month leasing, and to reconcile the estimated fees advanced with the actual earnings for each month.

MTW Agencies administrative fee funding will be based on their MTW agreement.

Specific information concerning the renewal(s) for your public housing agency (PHA) is identified in the enclosed table.

Enclosed is your Notice to Amend the Consolidated Annual Contributions Contract (CACC) with revised funding exhibits reflecting the change(s) described above. The amendment notice and revised funding exhibits should be filed with your most recent CACC. No execution by HUD or your PHA is required.

Public housing agencies receiving an increment in excess of $100,000 in Budget Authority (BA) are required to submit Form HUD-50071, Certification of Payments to Influence Federal Transactions, and if applicable, Form SF-LLL, Disclosure of Lobbying Activities. If this letter notifies you of a renewal in excess of $100,000, and your PHA has not submitted the Form(s) HUD-50071 (and SF-LLL where applicable) for your current fiscal year; the documents must be submitted to your local field office and Financial Analyst at the Financial Management Center (FMC) within 30 days of the date of this letter. These forms are located on the Internet at the following addresses:

Form HUD-50071
https://www.hud.gov/sites/documents/50071.PDF

Form SF-LLL
https://www.hudexchange.info/resources/documents/HUD-Form-Sflll.pdf

Please contact your Financial Analyst at the FMC if you have any questions.

Sincerely

June E. Burnes

Digitally signed by June E. Burnes
DN: CN = June E. Burnes. C = US
O = Financial Management Center.
OU = Division Director.
Reason: I am approving this document

Division Director

Enclosure(s)
Memo Reference: 20-035

Increment Number Table

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

Housing Choice Voucher Program

Section 8

March 3, 2020

Expiring HAP Funding Increment Number	Replacement HAP Funding Increment Number	Units	HAP Budget Authority	Admin Fee Funding Increment Number	Admin Fee Budget Authority	Eff Date	Term (Mos.)
				WI195AF0126	$112,814	4/1/2020	2
WI195VO0162	WI195VO0164	1181	$1,385,362			4/1/2020	2

(NOTE: The expiring funding increment number(s) listed above with blank fields across are renewed by the first listed replacement funding increment number that follows.)

Consolidated
Annual Contributions Contract

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

Housing Choice Voucher Program | Section 8

HUD NOTICE TO HOUSING AGENCY AMENDING

CONSOLIDATED ANNUAL CONTRIBUTIONS CONTRACT

Housing Agency: **WI195**
KENOSHA HOUSING AUTHORITY

In accordance with Paragraph 2.c. of the Consolidated Annual Contributions Contract between HUD and the HA, you are notified that the funding exhibits of the Consolidated Annual Contributions Contract is hereby revised to add a new funding increment as provided in the attached revised funding exhibit. (This notice adds one or more funding increments listed on the attached funding exhibit.)

The revised funding exhibit is attached to this HUD notice. This revised funding exhibit replaces and revises the prior funding exhibit.

In accordance with Paragraph 2.d. of the Consolidated Annual Contributions Contract, this HUD notice and the attached funding exhibit constitutes an amendment to the Consolidated Annual Contributions Contract.

United States of America

Secretary of Housing and Urban Development
Authorized Representative

Date of Document:

Robert H. Boepple, Director
Financial Management Center

3/3/2020

Form HUD-52520A (12/97)

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PIH SECTION 8 - FUNDING EXHIBIT
PROGRAM-BASED

ACC NUMBER: WI195

FIELD OFFICE: **5IPH**

WI195
KENOSHA HOUSING AUTHORITY
625 52ND ST, RM 98
KENOSHA, WI 531403480

HA FISCAL YEAR-END: **12/31**

PROGRAM TYPE: **Voucher Program**

FUNDING INCREMENT NUMBER	FIRST DAY OF TERM	LAST DAY OF TERM	CONTRACT TERM	BUDGET AUTHORITY	UNITS
WI195AF0110	3/1/2018	3/31/2018	1	48,791	N/A
WI195VO0142	3/1/2018	3/31/2018	1	531,631	1181
WI195AF0111	4/1/2018	4/30/2018	1	48,791	N/A
WI195VO0143	4/1/2018	4/30/2018	1	531,631	1181
WI195AF0112	5/1/2018	5/31/2018	1	48,434	N/A
WI195VO0144	5/1/2018	5/31/2018	1	537,056	1181
WI195AF0113	6/1/2018	6/30/2018	1	48,434	N/A
WI195VO0146	6/1/2018	6/30/2018	1	554,587	1181
WI195VO0148	6/1/2018	6/30/2018	1	33,525	N/A
WI195VOPR17	6/1/2018	6/30/2018	1	5,735	N/A
WI195AF0114	7/1/2018	7/31/2018	1	24,708	N/A
WI195VO0147	7/1/2018	7/31/2018	1	554,587	1181
WI195AF0115	8/1/2018	9/30/2018	2	96,868	N/A
WI195VO0149	8/1/2018	9/30/2018	2	1,036,545	1181
WI195AF0116	10/1/2018	10/31/2018	1	48,434	N/A
WI195VO0150	10/1/2018	10/31/2018	1	541,580	1181
WI195AFR218	11/1/2018	11/30/2018	1	3,368	N/A
WI195AF0117	11/1/2018	12/31/2018	2	107,006	N/A
WI195AFHV18	12/1/2018	12/31/2018	1	200	N/A
WI195VO0151	11/1/2018	12/31/2018	2	1,083,243	1181
WI195AF0118	1/1/2019	2/28/2019	2	107,006	N/A
WI195AFR318	2/1/2019	2/28/2019	1	44,239	N/A
WI195VO0152	1/1/2019	2/28/2019	2	1,168,105	1181
WI195VO0153	3/1/2019	3/31/2019	1	584,053	1181
WI195AF0119	3/1/2019	4/30/2019	2	108,162	N/A
WI195VO0154	4/1/2019	4/30/2019	1	584,053	1181
WI195AF0120	5/1/2019	5/31/2019	1	54,081	N/A
WI195VO0156	5/1/2019	5/31/2019	1	584,053	1181
WI195VO0145	7/1/2018	6/30/2019	12	54,271	11
WI195AFR418	7/1/2019	7/31/2019	1	14,805	N/A

FUNDING INCREMENT NUMBER	FIRST DAY OF TERM	LAST DAY OF TERM	CONTRACT TERM	BUDGET AUTHORITY	UNITS
WI195AF0121	6/1/2019	9/30/2019	4	220,022	N/A
WI195VO0157	6/1/2019	9/30/2019	4	2,327,062	1181
WI195AF0122	10/1/2019	10/31/2019	1	55,005	N/A
WI195VO0158	10/1/2019	10/31/2019	1	583,036	1181
WI195AF0123	11/1/2019	12/31/2019	2	112,306	N/A
WI195VO0155	7/1/2019	12/31/2019	6	1	11
WI195VO0159	11/1/2019	12/31/2019	2	1,166,073	1181
WI195AF0124	1/1/2020	2/29/2020	2	112,306	N/A
WI195VO0160	1/1/2020	2/29/2020	2	957,771	1181
WI195VO0161	2/1/2020	2/29/2020	1	319,257	N/A
WI195AF0125	3/1/2020	3/31/2020	1	56,407	N/A
WI195VO0162	3/1/2020	3/31/2020	1	696,011	1181
WI195AF0126	4/1/2020	5/31/2020	2	112,814	N/A
WI195VO0164	4/1/2020	5/31/2020	2	1,385,362	1181
WI195VO0163	1/1/2020	12/31/2020	12	1	11

CHAPTER 3 Funding the Housing Choice Voucher Program

Introduction

Funding for the HCV program is provided by Congress on a calendar year (CY) basis in an annual HUD appropriations bill. In addition to establishing the funding level for the program, this bill generally specifies how the funding is to be allocated to PHAs and how it may be spent.

After the bill is enacted into law, HUD's Office of Public and Indian Housing (PIH) customarily issues several items. These include:

- A PIH notice explaining how HUD will implement the HCV provisions in the annual appropriations act
- The annual adjustment factors (AAFs) that HUD will use when calculating renewal funding for PHAs
- The annual administrative fee tables that HUD will use to determine how much PHAs will be paid for administering the HCV program

This chapter provides an overview of the HCV funding methodology.

Notes

SECTION 3.1 HOUSING ASSISTANCE PAYMENT (HAP) RENEWAL FUNDING METHODOLOGY

HAP Funding Allocation

For specific details of CY2020-HAP Renewal Funding see Notice PIH 2020-04

Each year, a new HUD appropriations act provides for the methodology HUD must use to determine HAP renewal funding. Typically, the acts specify that renewal allocations to PHAs be based on validated leasing and cost data in the Voucher Management System (VMS) using the most recently ended calendar year. HUD refers to this period as the rebenchmarking period. For CY 2020, the rebenchmark period is the ***calendar year*** January 1, 2019 through December 31, 2019.

The following describes the typical process that HUD uses to calculate HAP renewal funding allocations for PHAs:

- **Step 1:** HUD validates VMS leasing and cost data for the rebenchmarking period to establish a new HAP funding baseline for each PHA.
  - Since overleasing is currently prohibited, HUD caps each PHA's leasing data for the rebenchmarking period at the number of unit months available under the PHA's annual contributions contract (ACC). Moving to Work (MTW) agencies are normally exempted from the cap and follow their MTW agreements.
  - HUD typically includes in each PHA's cost data any unrestricted net position (UNP), extraordinary administrative fees, or outside funding if approved by HUD, that the PHA used to make housing assistance payments during the rebenchmarking period to the extent the PHA did not over lease during the CY.

- **Step 2:** HUD adjusts each PHA's baseline for the first-time renewal of tenant protection vouchers and special purpose vouchers (Family Unification, Veterans Affairs Supportive Housing, and Nonelderly Disabled Vouchers) that were awarded to the PHA on or after a particular date, and will expire before the end of the calendar year. The adjustment to be provided will be an inflation factor to reflect cost increases expected in the calendar year, or those increments not fully funded for 12 months receive the additional funding required for CY 2018.
- **Step 3:** HUD will apply the renewal funding inflation factor adjusted for localities to the PHA's calculated 12 month renewal requirement after all adjustments have been applied under steps 2 and 3 above.
  - The Renewal Funding Inflation Factors HUD will use are posted by HUD's Office of Policy, Development and Research at:
    - http://www.huduser.gov/portal/datasets/rfif/rfif.html
- **Step 4 – Proration:** HUD compares the total HAP eligibility for all PHAs nationally with the amount of renewal funding provided in the HUD appropriations act. If funding is not sufficient to fund all PHAs at 100% of their eligibility, HUD will prorate funding so the total amount awarded to all PHAs will not exceed the appropriated amount. For CY 2020, HUD used a pro-ration factor of 99.4%.
- **Step 5 – Offset:** The 2020 Act provides that HUD may offset PHA's CY 2020 allocations based on the excess amounts of PHA's RNP and HUD-held reserves. In CY 2020 HUD elected to not implement the offset.

Historically, before determining whether a PHA is considered to have excess RNP and HUD Held Reserves, HUD will protect the following amounts from offset:

- Difference between the PHA's 2019 eligibility and prorated eligibility
- CY 2019 amounts needed to fully lease VASH units
- Difference between higher of December 2018 UMLs X 12 or CY 2018 UMLs up to the baseline units under ACC
- CY 2018 new incremental budget authority (1/2 of eligibility)
- CY 2018 set-aside protection, other than any shortfall funding received (1/2 of eligibility)
- A portion of CY 2019 renewal eligibility based on a PHA's units under ACC
  - 4% - 500 and above units
  - 6% - 250 to 499 units
  - 20% - Less than 250 units

Preparing VMS Data for the HAP Renewal Process

PHAs with CY 2019 inflation factors that were higher than the CY 2019 national weighted average inflater – the difference of CY 2019 inflated renewal funding compared to CY 2020 inflated renewal funding is protected.

The HISTORICAL offset formula is:

CY 2018 End of Year Reserves (RNP + HUD Held Reserves)
- Less protected amounts
= Total Funds Available for offset
x 52%
= Offset amount

HUD will typically alert PHAs by an e-mail (letter) to review their VMS data to ensure it is correct before they begin the process of determining HAP renewal funding. Once HUD has verified the VMS data, changes will not be accepted for renewal calculations.

Note: If HUD conducts a VMS data integrity review subsequent to notifying a PHA of their CY renewal funding:

- If HUD determines that HAP costs as reported in the VMS for the benchmark period were overstated, which caused the PHA to be overfunded, HUD will recapture any overfunded amounts by reducing a PHA's subsequent scheduled payment.
- If HUD determines that HAP costs as reported in the VMS for the benchmark period were understated, the PHA's CY funding **will not** be increased.

Notification of Renewal Funding

Typically, the Appropriations Acts give HUD 60 days from the date they are enacted into law to notify PHAs of their funding amounts.

Notification to PHAs includes the following documents:

- Allocation letter discussing the level of renewal funding;
- Calculation worksheets showing how HUD arrived at a PHA's HAP renewal funding; and
- Notes explaining each data item in the calculations used to determine the PHA's HAP renewal funding

Examples of these documents can be found in Exhibit 3.1-1 beginning on page 3.1-7.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Dear Executive Director:

Subject: Housing Choice Voucher Program Calendar Year (CY) 2020 Renewal Funding Allocation

The purpose of this letter is to advise public housing agencies (PHAs) of the CY 2020 Housing Assistance Payments (HAP) renewal funding allocations for the Housing Choice Voucher Program (HCVP). The funding allocations described herein are based on the requirements of the Further Consolidated Appropriations Act, 2020, (P.L. 116-94) referred to hereafter as "the 2020 Act," enacted on December 20, 2019. HUD will publish a PIH Notice that describes the implementation of the 2020 Act in detail. This Notice will be posted at the following link: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/pih.

Your agency's CY 2020 HAP renewal funding is identified at the top of the Enclosure A provided with this letter. Enclosure A sets forth the funding calculations for your PHA and provides estimated RAD 1 funding for the first full year of conversion and CY budget authority associated with tenant protection actions; the calculations are fully explained in the descriptions provided for this enclosure, and you are encouraged to review them thoroughly. Also included is Appendix I. Appendix I provides a list of funding increments for which the PHA is receiving an additional inflation factor in CY 2020 to support increased costs since the increments were initially funded. If your agency is administering HUD Veterans Affairs Supported Housing (VASH) vouchers, the renewal of these vouchers is included in the overall renewal calculations. These vouchers are not renewed separately, other than for Moving to Work (MTW) agencies. PHAs must comply, however, with the statutory requirement that VASH vouchers may only be used to assist VASH-eligible participants, both initially and upon turnover.

The 2020 Act requires the Department to establish a new baseline for HAP funding eligibility, based on Voucher Management System (VMS) data for CY 2019 (January 1, 2019 through December 31, 2019). This practice is commonly referred to as re-benchmarking. Consistent with prior years, the Department provided PHAs with the opportunity to review and update all VMS data related to the funding calculations as detailed in this letter and the enclosure. The VMS data used is the data reported by each PHA and accepted in VMS as of the end of the data review period on February 22, 2020, the same date as the December 2019 data submission deadline. There will be no further appeals or adjustments to these data items, except at the direction of the Department.

The 2020 Act authorizes the Department to offset PHAs' CY 2020 renewal allocations based on excess amounts of restricted net position (RNP) and HUD-held program reserves. The Act provides that HUD shall use the funds from any such offset throughout CY 2020 to prevent

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the termination of rental assistance for families as the result of insufficient funding and to avoid or reduce the need for proration. The Department has decided **not** to exercise this offset authority in CY 2020. However, HUD may consider available reserves in the determination of need of, but not limited to, HAP set-aside funding adjustment applications.

For the months of January through May of 2020, your agency received HAP obligations based on an estimated CY 2020 renewal level. If your PHA has been under-obligated renewal funds through May 2020, based on the prorated funding eligibility indicated on Enclosure A (applicable only to non-MTW PHAs, MTW PHAs will receive a different eligibility enclosure), the additional amount due will be obligated in the immediate future. If your PHA has been over-obligated funds through May 2020, the June obligation will be reduced accordingly, so that your PHA is obligated the accurate amount for the year. HAP disbursements for January through May of 2020, and for the rest of the CY 2020, have and will be based on cash management procedures established in PIH Notice 2017-06.

Except for MTW PHAs, no HAP funds provided for a PHA under the 2020 Act may be used to incur in over leasing, to support prior year deficits or provide for administrative expenses, nor may they be loaned or transferred to cover other program obligations, such as Low-Rent and/or Capital Fund programs. Therefore, it is each PHA's responsibility to retain the appropriate records to support VMS submissions for the collected periods, as they are subject to on-site review by the Quality Assurance Division (QAD). Subsequent recalculation of CY 2020 funding eligibility will occur if a QAD or other HUD review demonstrates that costs were incorrectly reported, resulting in excess funding.

Finally, it is strongly recommended that PHAs utilize the Two-Year Forecasting tool on the HUD web site, in consultation with their local HUD field office, to ensure that correct variables for the PHA are entered into the tool to arrive at the most accurate forecast to enable the PHA to maximize leasing while avoiding the need to terminate assistance to any households. The tool and instructions can be found by clicking on the following link: Two-Year Tool and Instructions. Additionally, HAP Set-Aside funds are available in CY 2020 to address shortfalls, but in order to qualify, a PHA must have the shortfall confirmed by the Shortfall Prevention Team (SPT) and must initiate cost reduction steps. This process is detailed in the implementation notice referenced at the start of this letter.

If you have any questions concerning your CY 2020 HAP renewal funding, please contact your Financial Analyst (FA) at the Financial Management Center (FMC).

Sincerely,

Miguel A. Fontánez

Digitally signed by Miguel A. Fontánez
DN: CN = Miguel A. Fontánez, C = US, O = Housing Voucher Financial Management Division, OU = Director
Reason: I am approving this document

Miguel A. Fontánez
Director
Housing Voucher Financial
Management Division

Attachment

ENCLOSURE A: CALCULATION OF CALENDAR YEAR 2020 RENEWAL FUNDING

Enclosure A

Calculation of Calendar Year 2020 Renewal Funding
Housing Choice Voucher Program

1	HA Number:	WI195	
2	HA Name:	KENOSHA HOUSING AUTHORITY	
	CY 2020 Renewal Funding		
3	CY 2020 HCV Renewal Funding After Amounts Owed to HUD	$8,319,565	
	CY 2020 Non-Renewal Funding		
4	CY 2020 Non-Renewal Funding (TPVs, VASH, etc.) to Date	$0	
5	CY 2020 Estimated RAD 1 Funding For First Full Year After Conversion	$0	
6	CY 2019 Proration Increase	$160	
7	Total CY 2020 HCV Renewal and Non-Renewal Funding		$8,319,725
	ELIGIBILITY		
8	Total Unit Months Leased per VMS - CY 2019	13,059	
9	Total Unit Months Available - CY 2019	14,304	
10	Capping Percentage	100%	
11	Total CY 2019 HAP Expenses per VMS	$7,456,976	
12	Total CY 2019 Capped HAP Expenses (Line 11 x Line 10)	$7,456,976	
13	Renewal Funding Inflation Factor	1.12241	
14	Inflated Eligibility Sub-Total (Line 12 x Line 13)	$8,369,784	
15	First Time Renewals - Appendix I	$0	
16	Transfers In or Out	$0	
17	Total DHAP Eligibility	$0	
18	Total Renewal Eligibility (Line 14 + Line 15 + Line 16 + Line 17)	$8,369,784	
19	Proration Factor		0.99400
20	Prorated Eligibility (Line 18 x Line 19)		$8,319,565
	FUNDING		
21	Total CY 2020 Renewal Funding		$8,319,565
22	Renewal Funding Obligations, January through May 2020		$3,358,402
23	Remaining to Obligate for CY 2020 prior to reduction for funds due to HUD (Line 21 - Line 22)		$4,961,163
24	Reduction for Funds due to HUD		$0
25	Remaining to Obligate for CY 2020 after reduction for funds due to HUD (Line 23 - Line 24)		$4,961,163
26	Total Eligibility Through May 2020		$3,466,485
27	Additional Obligations Due Through May, 2020 (Line 26 - Line 22, if Line 26 is higher; else 0)		$108,083
28	Excess Obligations Through May, 2020 (Line 22 - Line 26, if Line 26 is higher; else 0)		$0
29	CY 2020 Inflated Per Unit Cost This value is calculated as total inflated VMS Expenses, minus HAP Costs After the First of the Month, divided by total Unit Months Leased.		$629.29
30	Comments		

DESCRIPTIONS

Line Number	Title	Description
CY 2020 RENEWAL FUNDING		
3	CY 2020 Renewal Funding after Amounts Due to HUD	Total prorated renewal funding is the amount of funds that will be obligated to the PHA for CY 2020, based on the data and calculations shown on Enclosure A. Obligated funds are available to be disbursed to the PHA as needed, based on calculation of monthly needs and PHA documented requests for additional disbursements. Funds obligated but not disbursed are held for the PHA by HUD.
CY 2020 NON-RENEWAL FUNDING		
4	CY 2020 Non-Renewal Funding (TPVs, VASH, etc.) to Date	The total funds awarded to the PHA for new incremental vouchers, such as tenant protection and VASH funding, that is available for CY 2020. The total funding in each increment is divided by the number of months in the term to determine a monthly amount, which is multiplied by the number of months the increment is funded for CY 2020. Disbursement of these funds is typically based on equal monthly installments across the increment term.
5	CY 2020 Estimated RAD 1 Funding For First Full Year After Conversion	The estimated funding that will be needed by and provided to the PHA for RAD 1 vouchers for CY 2020. This represents funding that is transferred from the Public Housing accounts and, therefore, is not part of the Voucher renewal funding. The amount is an estimate and is subject to change based on the PHA's actual RAD 1 HAP and vacancy costs during the year.
6	CY2019 Proration Increase	Carryover funding reprorated and available in CY 2020.
7	Total CY 2020 Renewal and Non-Renewal Funding	The sum of the three preceding amounts, this is the total new funding currently available for the PHA for CY 2020. This does not include any Restricted Net Position (RNP) funds held by the PHA or any excess prior year funds held for the PHA by HUD.
ELIGIBILITY		
8	Total Unit Months Leased per VMS - CY 2019	Total unit months leased reported by the PHA in VMS for CY 2019 (January 1, 2019 through December 31, 2019). This includes leasing reported for the first of the month in each category of vouchers in VMS, except for Mainstream. This value reflects any changes submitted by the HA during the data review period through February 11, 2020, and accepted by HUD, and any changes required by HUD thereafter.
9	Total Unit Months Available - CY 2019	Total unit months available for CY 2019, consisting of the units under Annual Contributions Contract as of the first day of each month of CY 2019. This includes all categories of vouchers other than Mainstream and DHAP to HCV conversion vouchers, which are separately funded. It also excludes RAD 1 vouchers in the year of conversion, as the leasing of these vouchers is not reported in VMS.
10	PHA's Capping Percentage	The percentage of actual HAP costs which are eligible for inclusion in the funding calculations, in order that costs for over leasing are not included. This is calculated as the unit months available (UMAs) divided by the unit months leased (UMLs), both for CY 2019 (Line 8 divided by Line 7). For example, if a PHA had 90 UMAs and 100 UMLs, and was thus over leased, the capping percentage would be 90.91%, indicating that 90.91% of the total actual HAP costs pertain to 100% of the UMAs; the balance of the costs pertain to the UMLs that exceed UMAs, and may not be included in the renewal calculations.
11	Total CY 2019 HAP Expenses per VMS	Total Housing Assistance Payments (HAP) Expenses reported by the HA in VMS for CY 2019 (January 1, 2019 through December 31, 2019). This includes amounts reported in each category of first of the month voucher expenses in VMS, except Mainstream Program and DHAP to HCV conversion voucher HAP expenses. It includes the amount reported in the category of HAP Expenses for All Contracts Effective After the First of the Month and FSS Escrow Deposits. This value reflects any changes submitted by the HA during the data review period that ended February 11, 2020, and accepted by HUD, and any changes required by HUD thereafter.
12	Total CY 2019 Capped HAP Expenses	The Total HAP Expenses multiplied by the capping percentage. This value represents the eligible CY 2019 HAP costs for baseline units. (Line 11 times Line 10).
13	Renewal Funding Inflation Factor	A national renewal inflation rate is calculated based on a forecasting model using expected annual change in the average per unit cost (PUC) from FY 2019 to FY 2020 for the voucher program on a national basis. The inflation factor for an individual geographic area is based on the national inflation rate, disaggregated to each PHA area on the basis of each one's Fair Market Rent increase. Where Fair Market Rents have decreased, the inflation factor is always 1.000.
14	Inflated Eligibility Sub-Total	The Capped HAP Expenses on Line 12 multiplied by the Renewal Funding Inflation Factor on Line 13.
15	First Time Renewals	First time renewal funding is typically provided for two categories of vouchers: (1) An additional year of inflation for new increments effective in 2019 for those months funded in 2020 from the initial increment, based on the Renewal Funding Inflation Factor and the initial funding amount. This additional inflation is provided to cover any increased costs that may be incurred due to the time elapsed since the effective date of the increment. (2) Funding to complete the initial 12 months of new increments previously funded for a shorter term. All affected increments are identified in Appendix I.
16	Transfers In or Out	An adjustment is provided for transfers into or from the HA's voucher inventory which affects funding eligibility for CY 2020. Transferred amounts are based on VMS reporting by the divesting HA for all months in the baseline period prior to the date of the transfer and are inflated per the Renewal Funding Inflation Factor of the divesting HA.

17	Total DHAP Eligibility	Renewal funding is provided for remaining DHAP-IKE vouchers, based on the number of these vouchers under lease per December 2019 VMS reporting plus movers not leased in December and the higher of the December per unit cost (PUC) or the average CY 2019 DHAP PUC, inflated via the Renewal Funding Inflation Factor. Funding is provided for twelve months. These vouchers are not re-issued as participants leave the program, and are removed from the ACC at that time.
18	Total Renewal Eligibility	Total renewal eligibility consists of the sum of the items on Lines 14 thru 17.
19	Proration Factor	The percentage of total eligibility which serves as the basis for each HA's funding. The total appropriation available for allocation for all renewal vouchers is divided by the total 2020 renewal eligibility for all PHAs. The resulting proration factor is applied to the Total Renewal Eligibility of each PHA.
20	Prorated Eligibility	Prorated Eligibility consists of Total Renewal Eligibility on Line 18 multiplied by the Proration Factor on Line 19. This is the renewal funding that will be available to the PHA for CY 2020.
FUNDING		
21	Total CY 2020 Renewal Funding	Total CY 2020 renewal funding
22	Renewal Funding Obligations, January thru May, 2020	The total CY 2020 HAP renewal funding already obligated to the PHA for the months of January through May, 2020. This includes regular monthly obligations and any renewal funds obligated to provide frontload disbursements.
23	Remaining to Obligate for CY 2020, Prior to Reduction for Funds due to HUD	The CY 2020 HAP renewal funding remaining to be obligated to the PHA, calculated as Line 21 minus Line 22.
24	Reduction for Funds due to HUD	The portion of the excess renewal that has not been recouped by HUD to date is being deducted from the CY 2020 funding to be obligated to those PHAs.
25	Remaining to Obligate for CY 2020, After Reduction for Funds due to HUD	The net CY 2020 HAP renewal funding remaining to be obligated to the PHA, calculated as Line 23 minus Line 24.
26	Total Eligibility through May 2020	The total CY 2020 renewal funding applicable to the months of January through May; the amount that would have been obligated for this period if the funding allocation had been known at the start of the year.
27	Additional Obligations Due through May 2020	The additional obligation is due to the PHA if there was any under-obligation for the period of January through May. An under-obligation has occurred if the total obligations due to the PHA for January through May exceeded the amount that was provided for that period, based on the total CY 2020 prorated eligibility. It is calculated as the total obligations due through May minus the obligations provided through May, if the former is higher. That is Line 26 minus Line 22, if Line 26 is higher
28	Excess Obligations through May 2020	An excess obligation has occurred if the total amount obligated to the PHA for January through May exceeded the amount due to the PHA for that period. It is calculated as the obligations provided through May minus the obligations due through May, if the former is higher. The amount of the excess obligation is reduced from the June obligation, and later months' obligations as needed, to result in obligations for the year equaling the prorated renewal funding. That is Line 22 minus Line 26, if Line 22 is higher
29	CY 2020 Inflated Per Unit Cost	This value is calculated as total inflated VMS Expenses For CY 2019, minus HAP Costs After the First of the Month, divided by the total Unit Months Leased. This PUC will be used to fund any incremental vouchers awarded to the PHA henceforth in CY 2020.
30	Comments	Information as needed for individual PHAs

Appendix I

Listed below are the 2019 new increments being renewed for the first time in CY 2020. The PHA is receiving an an additional local inflation factor in CY 2020 to support increased costs for these new increments that would not have been accounted for in the originally provided budget authority.

PHA Number	Funding Increment Number	Expiration Date	Number of Units	Months Funded in 2020	Inflation For Months in CY 2020 Funded From Initial Increments Effective Prior to 2020

HAP Set-aside Adjustments

Appropriations acts can include various HAP set-asides. These set-asides might be to adjust a PHA's renewal funding for particular circumstances. The 2020 Act provides up to $100 million in set-aside funding. The six categories of set-aside allocation adjustments are:

1. **Shortfall Funds** –This category of HAP set-aside is for PHAs that, despite taking reasonable cost savings measures as determined by the Secretary, would otherwise be required to terminate participating families from the program due to insufficient funds. Note that there are two scenarios related to shortfalls for which PHAs may be eligible for funding under this category.

   To be eligible for funding under this category, the PHA must meet the criteria outlined below for either a) Shortfall Scenario 1 or b) Shortfall Scenario 2 and must submit 2020 Appendix E – Application for Category 1-Shortfall Funds and PHA Certification of Reasonable Cost Savings Measures Undertaken to Prevent Termination of HCV Participants Due to Insufficient Funds.

   Shortfall Scenario 1: This scenario is for PHAs already in an Shortfall Prevention Team (SPT) confirmed shortfall. See Appendix E for the applicable certification language.

   Shortfall Scenario 2: This scenario is for those PHAs that are not currently in an SPT-confirmed shortfall position but are later determined to be in one, despite managing their HCV program budgets in a reasonable and responsible manner. Under this scenario, HUD will review each application on a case-by-case basis to determine if the PHA is eligible for funding under this category. The PHA signature at the bottom of Appendix E indicates that the PHA agrees to comply with all SPT-directed cost savings measures.

   Note: In determining a shortfall and the amount of funding to be provided, HUD will use the HCV Two-Year Projection Tool. PHAs should refer to Appendix D of the notice, which provides the criteria HUD will use to determine if the PHA has a HUD-confirmed shortfall and the calculation of the shortfall amount. HUD's Two-Year Forecasting Tool and the instructions for it can be found through a link on the Office of Housing Vouchers website.

In egregious situations, as determined by HUD, HUD reserves the right to further require a PHA to rescind recently issued vouchers to attain full set-aside eligibility.

PHAs with specific questions related to the calculation and determination of a HUD confirmed shortfall should contact the SPT at: 2020ShortfallInquiries@hud.gov. The subject line of the email must include the PHA's number (for example, TX001).

PHAs applying for shortfall funding must send their application to 2020Shortfallapplications@hud.gov. The subject line of the email must include the PHA's number and the words "Shortfall Application" (for example, TX123 Shortfall Application). The application period will remain open but Appendix E should be followed.

2. (a) **Unforeseen Circumstances** – PHAs that experienced a significant increase in renewal costs because of unforeseen circumstance such as the following:
   - An exceptional increase in rents
   - An economic downturn resulting in lower tenant contributions

   Applications for this category of set-aside HAP funding were due by 5:00 p.m. Eastern Time, Friday, May 15, 2020.

2. (b) **Portability Cost Increases** – To be eligible under this category, the PHA must have experienced a significant increase in renewal costs due to portability for tenant-based rental assistance (Section 8(r) of the Act). HUD calculated eligibility under this category by comparing the average HAP per unit cost for the rebenchmarking period (1/1/2019 - 12/31/2019) to the average port-out voucher HAP PUC based on year-to-date reporting in PIC. If the portability average HAP exceeds 110% of the program wide average HAP PUC for the rebenchmarking period, the PHA is eligible. The eligibility amount will equal the difference between the portability average PUC and 110% of the program wide average PUC times the year-to-date total unit months leased for the port vouchers paid.

   Applications for this category of set-aside HAP funding were due by 5:00 p.m. Eastern Time, Friday, May 15, 2020. PHAs only have to complete, sign, and submit Appendix F by the deadline.

3. **Project-Based Voucher Commitments** – PHAs are eligible that withheld vouchers during the rebenchmarking period so that vouchers would be available to meet a project-based voucher commitment (Section 8(o)(13) of the Act).

   Applications for this category of set-aside HAP funding were due by 5:00 p.m. Eastern Time, Friday, May 15, 2020. See pages 20 and 21 of notice PIH 2020-04 for application requirements.

4. **HUD -VASH** – PHAs whose program-wide funded CY2020 HAP PUC is less than their current VASH HAP PUC based on their latest VASH HAP expenses in CY2020, or whose total VASH leasing for CY2020 will exceed the leasing level included in their renewal funding plus the leasing that will be supported by the RNP and HUD-held program reserves, are eligible for this category of set-aside funding.

   Applications for this category of set-aside HAP funding were due by 5:00 p.m. Eastern Time, Thursday, October 1, 2020. No additional documentation is required except Appendix F.

5. **Lower-than-average Leasing** – PHAs whose leasing is lower-than-average percentage of their authorized vouchers, have low amounts of budget authority in their net restricted asset accounts and HUD Held Reserves relative to other agencies and are not participating in the MTW demonstration.

   Eligibility for this category of set-aside funding will be determined using December 31, 2019 leasing and reserves, by first separating PHAs by size:

   - Small: 0 - 250 units
   - Medium: 251 - 500 units
   - Large: 501 or more units

   Second, determining average leasing as well as average reserves based on PHA size. Next, the eligibility will be limited to PHAs that are below both the 25th percentile of average leasing and below the 25th percentile of median reserves based on PHA size. Regardless of PHA size, awards will be capped at $2 million and may not exceed the PHA's authorized units. Additional information regarding this can be found on page 23 of notice PIH 2020-04. Applications for this category of set-aside were due by 5:00 p.m. Eastern Time, Friday, May 15, 2020.

6. **Disaster** – PHAs must experience increased costs or loss of units in an area for which the President declared a disaster under title IV of the Robert T. Stafford Disaster Relief and Emergency Assistance Act in CY 2019. PHAs that are applying for disaster funding due to a disaster that occurred in CY 2020 may apply under the unforeseen circumstances category.

   a. Loss of Units Due to Disaster. This adjustment is provided to assist the PHA in increasing the number of families under lease, not to exceed 100% of the PHA's authorized units, to help address housing needs in the impacted community. HUD will use the most recently reported and validated month's VMS data to determine the number of units currently under lease. HUD will use the higher of (1) the PHA's most recently reported and validated month's VMS data or (2) the three-month average for the most recent reported and validated VMS data to determine the PUC to calculate the funding adjustment. However, if the PHA requests and HUD approves the PHA's request for an increased PUC, the approved PUC will be used to calculate the increased leasing adjustment, as well as to make the increased PUC adjustment for the PHA's HCV program as a whole.

Additional information on how to apply for this set-aside HAP funding can be found in notice PIH 2020-04 pages 24 and 25. Applications were due by 5:00 p.m. Eastern Time, Friday, May 15, 2020.

Restrictions on Use of HAP Funds and the RNP Account

Appropriations acts and various HUD notices remind non-MTW PHAs of two important restrictions on the use of both HAP renewal funds and funds in the restricted net position (RNP) account, also known as HAP equity.

See Notice PIH 2020-04, page 29

- These funds may not be used for any purpose other than eligible HAP needs of rent, family self-sufficiency escrow payments, and utility reimbursements. For example, they may not be used to cover administrative costs, nor may they be loaned, advanced, or transferred to other component units of a PHA or to other programs, such as the public housing program.
- Further, these funds may only be used for eligible HAP needs in the current calendar year or subsequent calendar years. They may not be used to cover any HAP deficits from prior years.

In instances where a PHA has misappropriated HAP and/or HAP RNP funds, HUD will require the immediate return of the funds. HUD may take action, including suspension and debarment, against a PHA or any party that has misappropriated HAP or RNP funds.

Overleasing

See Notice PIH 2020-04, page 29.

PHAs are currently prohibited in using HAP renewal funds for overleasing. This prohibition applies to all PHAs except those participating in the MTW demonstration program, which are governed by their MTW agreements with HUD.

Overleasing occurs when a PHA has more unit months under HAP contract for the calendar year than are available to the PHA under its annual contributions contract (ACC), even if the PHA has sufficient budget authority and/or restricted net position (RNP), or program reserves, to support the additional unit months.

PHAs must still report all overleasing in the VMS and must also report $0 HAPs in the appropriate categories in VMS.

The cost of overleasing is based on the average per unit cost (PUC) times the overleased unit months. For example, assume the following:

Unit Months Available	13,332
Unit Months Leased	13,452
Overleased Unit Months	120
Average PUC	$512.18
Cost of Overleasing	$61,462.00

If a PHA engages in overleasing, it must identify other funding sources to pay for the overleasing and must take immediate steps to eliminate any current overleasing.

Program Reserve Account and the HUD HAP Disbursement Process

Notice PIH 2011-67
Notice PIH 2012-9

HUD is required by the Treasury to control disbursements to grantees in such a way as to ensure that grantees do not receive federal funds before they are needed. This process of disbursing funds only when needed is part of the Treasury's cash management requirements.

Prior to January 2012 it was HUD’s practice (since January 2005) to disburse to a PHA their entire CY HAP ABA over the course of the CY whether the entire amount was needed to pay HAP or not. This was accomplished by taking the CY ABA and paying out 1/12th of the amount each month in the CY to PHAs regardless of their actual HAP needs for the CY. Any excess HAP funding received by the PHA was moved to the PHA RNP account at year-end. This practice resulted in the accumulation by some PHAs of large RNP balances and the associated restricted cash and/or investments.

Beginning in January 2012 this practice ceased as HUD implemented the cash management requirements of the Treasury by only disbursing HAP funds to PHAs monthly based on the most recent assessment of needs. PHA need is based on the PHA’s VMS reported HAP expenses. Any amount of ABA not disbursed to the PHA during the CY is moved to the HUD-held program reserve.

Excess RNP balances that are held by PHAs are transitioned to the Program Reserve held by HUD. This is accomplished by reducing HAP disbursements of new budget authority to PHAs so that they are forced to draw down from their RNP to support current HAP needs before disbursing new calendar year budget authority.

HUD will base monthly HAP disbursements to a PHA on the PHA's most recent validated month's VMS data. Disbursements will continue to arrive at the PHA's bank on the first business day of the month. See Exhibit 3.1-2 beginning on page 3.1-20 for an example of how HUD determines the amount of HAP to disburse to a PHA.

Exhibit 3.1-2 Sample HAP Disbursement to a PHA

ENCLOSURE A

CY 2020 June Thru August HAP Disbursement Enclosure

1	PHA Name	**KENOSHA HOUSING AUTHORITY**	
2	PHA Number	**WI195**	
	Total VMS HAP Costs Reported:		
3	February 2020	**$638,263**	
4	2% Margin	**$12,765**	
5	Total Calculated Monthly Need (Line 3 + Line 4)		**$651,028**
	Available Funds for CY 2020 Monthly Disbursement		
6	Net HAP Renewal Obligations currently in process through August 2020	**$0**	
7	HUD-HELD Funds as of April 30, 2020	**$4,336,248**	
8	Funds Available to Disburse (Line 6 + Line 7)		**$4,336,248**
	Disbursements		
9	Calculated Monthly Need (Line 5)		**$651,028**
10	Cash on Hand as of 12/31/2019 to be transitioned to HUD-Held Funds	**$102,844**	
11	Net June 2020 Disbursement (Line 9 - Line 10, Minimum $0, Limited to Funds Available Line 8)		**$651,028**
12	Remaining to Offset for Remaining Months	**$102,844**	
13	Net July 2020 Disbursement (Line 9 - Line 12, Minimum $0, Limited to Funds Available Line 8)		**$548,184**
14	Remaining to Offset for Remaining Months	**$0**	
15	Net August 2020 Disbursement (Line 9 - Line 14, Minimum $0, Limited to Funds Available Line 8)		**$651,028**
16	Remaining to Offset for Remaining Months	**$0**	
	PHA Reported Data per VMS, February 2020		
17	Restricted Net Position		**$121,575**
18	Unrestricted Net Position		**$410,561**
19	Cash and Investments		**$342,341**
20	**Comments**		
21			

LINE	DESCRIPTION
1	Official Name of the Public Housing Agency (PHA)
2	HUD Identifying Number for the PHA
	Lines 3 through 5 calculate the PHA's estimated monthly HAP renewal needs for the months of June to August 2020.
3	HAP Costs reported by the PHA in VMS as of April 20 for the month of February 2020.
4	This item represents a margin for estimated increased costs of your February 2020 HAP. HUD analyzed national leasing trends and determined that a 2% margin was warranted.
5	The actual monthly need based on February 2020 VMS HAP costs plus the 2% margin. (Line 3 + Line 4)
6	This line represents the June to October 2020, estimated HAP renewal obligations. HUD is processing your PHA monthly HAP renewal obligations based on your PHA's CY 2020 leasing and HAP data (extrapolated for any months not yet reported in VMS), prorated at 99.5% to stay within the funds provided in the Appropiation.
7	This line represents undisbursed BA and reserves as of April 30, 2020.
8	This line represents the total funds available to disburse to the PHA. (Line 6 + 7)
	Lines 9 through 16 identify the disbursements for June to August 2020.
9	This line represents the monthly need which is line 5.
10	This line represents Cash Excess to be transitioned to HUD-held funds.
11	The net June 2020 Disbursement. (Line 9 - Line 10, Minimum $0, Limited to Funds Available Line 8)
12	This line represents the remaining Cash Excess to offset.
13	The net July 2020 Disbursement. (Line 9 - Line 12, Minimum $0, Limited to Funds Available Line 8)
14	This line represents the remaining Cash Excess to offset.
15	The net August 2020 Disbursement. (Line 9 - Line 14, Minimum $0, Limited to Funds Available Line 8)
16	This line represents the remaining Cash Excess to offset.
	Lines 17 through 19 identify PHA-reported equity balances as of February, 2020, per VMS.
17	Restricted Net Position (formerly titled Net Restricted Assets), defined as excess HAP funds held by the PHA.
18	Unrestricted Net Position (formerly titled Unrestricted Net Assets), defined as excess administrative fee funds held by the PHA.
19	Cash and Investments held by the PHA for the HCVP.
20	Comments Advance Funding if required
21	Advance Funding amount if required

PHAs whose monthly HAP costs are expected to exceed the HUD planned monthly disbursements to a PHA, may submit a request for an additional advance or to front load a monthly disbursement to their Financial Analyst at the Financial Management Center for review and approval.

- The request should include leasing and expense data for any month(s) not yet reported in the VMS and the PHA's projected HAP expenses for the quarter to which the request applies.
- Any advances are limited to available funding, which includes the budget authority for the calendar year, plus any amounts in the PHA's HUD Held Reserve.

The implementation of Treasury's cash management requirements and the use of existing RNP balances in lieu of new budget authority did not change the amount of funding to which each PHA is entitled each calendar year. In addition, the transition from PHA held HAP reserves (RNP) to HUD held HAP reserves (program reserve) did not reduce the PHA's available resources. In any calendar year, a PHA will always have access to the following resources to pay its HAP expense, assuming no over leasing:

- Current Calendar Year Budget Authority
- Amounts in the PHA-held RNP
- Amounts in the HUD-held Program Reserve

At the end of each quarter, and as soon as data for the final month of the quarter has been validated, each PHA's actual costs will be compared to funds disbursed for the quarter and investment interest earned each month (as reported in the VMS).

- Subsequent disbursements will be adjusted as needed to immediately recoup any excess disbursements.
- Any disbursement shortfalls will be made up through extra disbursements.

- A final reconciliation will be performed at the end of the calendar year.
  - This reconciliation will include updating actual HAP expenses for the calendar year, as PHAs may have revised their prior VMS submission after quarterly reconciliations were completed.
  - Based on this final year-end reconciliation HUD will determine whether a PHA has received excess or insufficient disbursements. An additional payment or offset will be provided as needed to complete the reconciliation. In addition, the year-end reconciliation will be used by HUD to determine the change in the PHA's Program Reserve held by HUD.
  - Keep in mind that this final year-end reconciliation will also have to account for any forfeited FSS escrow accounts and portions of fraud recoveries due to HUD.
- See Exhibit 3.1-1 beginning on page 3.1-7 for an example of a HUD CY HAP Reconciliation Worksheet.
- Once funding needs have been determined based on VMS data and the HAP worksheets are sent out HUD will send the PHA an updated HCV Program disbursement schedule.
  - See Exhibit 3.1-4 on page 3.1-27 for an example of a HCV Program monthly disbursement schedule.

Exhibit 3.1-3 Accumulated Program Reserves

Enclosure

HCVP Cash Reconciliation
12-31-2019

PHA Name	**KENOSHA HOUSING AUTHORITY**	
PHA Number	**WI195**	

This enclosure is intended to provide the accumulated Program Reserves as of December 31, 2019

PART I: December 31, 2018 Program Reserves (HUD-Held & PHA-Held)

1	December 31, 2018, HUD-Held Funds	**$970,210**	
2	Prior Period Adjustments / Corrections to Line 1	**$0**	
3	Adjusted December 31, 2018, HUD-Held Funds (Line 1 + Line 2)		**$970,210**
4	Calculated PHA-Held HAP Funds as of December 31, 2018, (or Deficit)	**$76,130**	
5	Prior Period Adjustments / Corrections to Line 4	**$0**	
6	Adjusted PHA-held Funds as of December 31, 2018, (or Deficit) (Line 4 + Line 5)		**$76,130**
7	Program Reserves as of December 31, 2018 (HUD-held and PHA-held) (Line 3 + Line 6)		**$1,046,340**

PART II: Total Funds Available for Calendar Year 2019

8	Program Reserves as of December 31, 2018 (Line 7)	**$1,046,340**
9	2019 Prorated Renewal Eligibility	**$6,996,436**
10	Non-Renewal funds (TP actions, VASH, RAD1, RAD2, etc.)	**$27,136**
11	Fraud Recovery & FSS Forfeitures, January - December, 2019	**$93,104**
12	Total Funds Available in CY 2019 (Sum of Lines 8 through 11)	**$8,163,016**

PART III: CY 2019 Activity (January - December, 2019)

		HUD-Held	PHA-Held
13	Beginning Balances	**$970,210**	**$76,130**
14	Prorated Obligations	**$7,023,572**	
15	Disbursements	**$7,390,586**	**$7,390,586**
16	Allowable HAP Expenses from line 25		**$7,456,976**
17	VMS Reported Fraud Recovery & FSS Forfeitures		**$93,104**
18	Adjustments (If Applicable)	**$0**	**$0**
19	Balances through December, 2019	**$603,196**	**$102,844**

PART IV: Over Leasing Calculation

20	HAP Expenses as reported in VMS as of February 11, 2020	**$7,456,976**	
21	Unit Months Available CY 2019	**14,304**	
22	Unit Months Leased January - December, 2019	**13,059**	
23	Overleased Unit Months CY 2019 (Line 22 less Line 21 if PHA is Overleased)	**0**	
24	Disallowed HAP for Overleased Units	**$0**	
25	Allowable HAP Expenses January - December, 2019 (Line 20 Less Line 24)		**$7,456,976**

December, 2019, PHA Reported Restricted Net Position (RNP) - For Information Only	**$102,844**
December, 2019, PHA Reported Unrestricted Net Position (UNP) - For Information Only	**$408,865**
December, 2019, PHA Reported Cash / Investment - For Information Only	**$397,133**

Enclosure

HCVP Cash Reconciliation
12-31-2019

JANUARY THROUGH DECEMBER, 2019, HAP RECONCILIATION DESCRIPTIONS

This enclosure is intended to provide the accumulated Program Reserves as of December 31, 2019

PART I: December 31, 2018 Program Reserves (HUD-Held & PHA-Held)

Line Number	*Title*	*Description*
1	December 31, 2018, HUD-Held Funds	HUD-held funds as of 12/31/2018 (from Line 19a of the CY2018 HAP Reconciliation Enclosure).
2	Prior Period Adjustments / Corrections to Line 1	Adjustment to HUD-held funds balance as of 12/31/2018.
3	Adjusted December 31, 2018, HUD-Held Funds (Line 1 + Line 2)	HUD-held starting balance after adjustment(s).
4	Calculated PHA-Held HAP Funds as of December 31, 2018, (or Deficit)	The balance HUD calculated as excess cash or deficit as of 12/31/2018 (from Line 19b of the CY2018 HAP Reconciliation Enclosure) unless superseded by the revised 12/31/18 balance from the 2018 RNP Reconciliation or by the revised 12/31/18 balance resulting from a QAD review.
5	Prior Period Adjustments / Corrections to Line 4	Adjustment to HUD calculated PHA excess cash or deficit as of 12/31/2018 (i.e., CY 2018 VMS adjustments, CY 2018 over-leasing adjustments). Notes: In those cases where the PHA's 12/31/18 balance was confirmed via the 2018 RNP Reconciliation or a QAD Review, CY 2018 VMS adjustments are not included here because it is assumed the adjustments were captured in the revised 12/31/18 balance.
6	Adjusted PHA-held Funds as of December 31, 2018, (or Deficit) (Line 4 + Line 5)	PHA-held starting balance after adjustment (s) (Line 4 + Line 5).
7	Program Reserves as of December 31, 2018 (HUD-held and PHA-held) (Line 3 + Line 6)	Sum of Lines 3 + 6.

PART II: Total Funds Available for Calendar Year 2019

Line Number	*Title*	*Description*
8	Program Reserves as of December 31, 2018 (Line 7)	Line 7 above (If Line 7 is negative, this amount will be raised to $0, as deficits are assumed to have been covered from other allowable sources).
9	2019 Prorated Renewal Eligibility	2019 Prorated Renewal Eligibility After Offsets per the PHA's Renewal Allocation Enclosure for 2019.
10	Non-Renewal funds (TP actions, VASH, RAD1, RAD2, etc.)	The CY 2019 Budget Authority attributable to new increments (TP, VASH, RAD1, RAD2, etc.) available in CY 2019. This includes only that portion of the new increment funding attributable to months in CY 2019. Also included are HAP Set-Aside Funds and any CY 2018 Upward Proration Funds Provided.
11	Fraud Recovery & FSS Forfeitures, January - December, 2019	Fraud Recovery & FSS Forfeitures as of the due date reported by the PHA in VMS February 11, 2020, for the period of January through December, 2019.
12	Total Funds Available in CY 2019 (Sum of Lines 8 through 11)	Total resources available to the PHA for HAP for CY 2019, which is the sum of Lines 8 through 11.

Enclosure

HCVP Cash Reconciliation
12-31-2019

PART III: CY 2019 Activity (January - December, 2019)

13	Beginning Balances	HUD-held beginning reserve balance from Line 3 above. PHA-held funds from Line 6 above.
14	Prorated Obligations	Prorated renewal obligations and non-renewal obligations through December 31, 2019.
15	Disbursements	Payments made to PHA from HUDCAPS January 1, 2019, through December 31, 2019.
16	Allowable HAP Expenses from line 25	See Line 25 below.
17	VMS Reported Fraud Recovery & FSS Forfeitures	Fraud Recovery & FSS Forfeitures as of the due date reported by the PHA in VMS February 11, 2020, for the period of January through December, 2019.
18	Adjustments (If Applicable)	Adjustments made to either the current year PHA-held funds or current year HUD-held funds.
19	Balances through December, 2019	**HUD-Held Reserves**: Line 13 + Line 14 minus Line 15 + Line 18. **PHA-held funds**: Line 13 + Line 15 minus Line 16 + Line 17 + Line 18. **Note that if the PHA-held funds identified in this Line are a positive amount, HUD will offset these funds beginning June 2020 and continuing until fully collected.**

PART IV: Over Leasing Calculation

20	HAP Expenses as reported in VMS as of February 11, 2020	January through December, 2019, HAP expenses reported by the PHA in VMS February 11, 2020.
21	Unit Months Available CY 2019	Baseline level of unit months available for CY 2019 as of HUDCAPS data of March 17, 2020.
22	Unit Months Leased January - December, 2019	Units Months Leased January through December, 2019, as of the due date reported to HUD by the PHA in VMS February 11, 2020.
23	Overleased Unit Months CY 2019 (Line 22 less Line 21 if PHA is Overleased)	Not applicable to interim reconciliation. This line represents the over leased units months for CY 2019. Over-leasing is measured on a CY basis; therefore, any Unit Months Leased above the Unit Months Available (Line 21) are disallowed.
24	Disallowed HAP for Overleased Units	Only applicable to interim reconciliation on an exception basis. This line represents the disallowed HAP expenses for over-leased units. HAP expenses are reduced based on the zero and lowest cost HAP families for CY 2019. PIC data is the source for the zero and lowest cost HAPs.
25	Allowable HAP Expenses January - December, 2019 (Line 20 Less Line 24)	Line 20 - Line 24. Allowable HAP expenses for CY 2019 after reduction for over leasing, if applicable.

	December, 2019, PHA Reported Restricted Net Position (RNP) - For Information Only	PHA Reported Values from VMS as of the due date reported to HUD by the PHA in VMS February 11, 2020 -- For information only
	December, 2019, PHA Reported Unrestricted Net Position (UNP) - For Information Only	
	December, 2019, PHA Reported Cash / Investment - For Information Only	

Exhibit 3.1-4 Notification of Monthly Disbursement Schedule

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Financial Management Center
2380 McGee Street, Suite 400
Kansas City, MO 64108-2605

OFFICE OF PUBLIC AND INDIAN HOUSING

April 29, 2020

WI195
KENOSHA HOUSING AUTHORITY
625 52ND ST, RM 98
KENOSHA, WI 53140-3480

Dear Executive Director:

Subject: Notification of Monthly Disbursement Schedule for Housing Assistance Payments and Administrative Fees

This email serves as HUD's notification that funding will be disbursed for your agency's Housing Choice Voucher (HCV) program. Attached you will find the current disbursement schedule reflecting the monthly HAP and/or Administrative Fee amounts. A separate notification will be provided to your agency for new units and funding received or program specific reductions.

If you have any questions regarding how the monthly disbursement amounts were derived, please contact your Financial Analyst at the FMC.

Sincerely,

June E. Burnes

Digitally signed by June E. Burnes
DN: CN = June E. Burnes, C = US
O = Financial Management Center,
OU = Division Director,
Reason: I am approving this document

Division Director

Enclosure

Memo Reference: 20-082

Housing Choice Voucher Program

Disbursement Schedule

FO Code: 5IPH
HA Name: KENOSHA HOUSING AUTHORITY
HA Number: WI195
FYE: 12/31

Month	HAP Disbursement	AF Disbursement
May 2019	$636,873	$54,081
May 2019	$4,523	
June 2019	$557,399	$55,004
June 2019	$4,523	
July 2019	$633,529	$55,006
July 2019		$14,805
August 2019	$633,529	$55,006
September 2019	$630,050	$55,006
October 2019	$630,050	$55,005
November 2019	$520,318	$56,153
December 2019	$636,496	$56,153
January 2020	$638,284	$56,153
February 2020	$638,284	$56,153
March 2020	$632,635	$56,407
April 2020	$645,437	$56,407
April 2020		$200
April 2020		$41,600
May 2020	$645,437	$56,407
June 2020		$58,111
July 2020		$58,110
August 2020		$58,110
September 2020		$58,110

SECTION 3.2 ADMINISTRATIVE FEE FUNDING

Ongoing Administrative Fees

Notice PIH 2020-04, Page 6

Each year Congress appropriates a set dollar amount to fund administrative fees. However, the amount that Congress appropriates may not be sufficient to pay PHAs the amounts they actually earn. In this case, in order for HUD not to exceed the appropriated amount, they may need to prorate the administrative fees they actually pay PHAs.

Appropriations acts prescribe the method HUD must use to determine the amount of administrative fees a PHA earns.

Currently administrative fees are paid to a PHA based on Section 8(q) of the U.S. Housing Act of 1937 "as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998."

- Under this calculation, PHAs will be paid a fee for each voucher that is under HAP contract as of the first day of each month. This data is extracted by HUD from the voucher management system (VMS) at the close of each reporting cycle.
- Administrative fees for incremental (new) vouchers will also be paid based on leasing.

The formula is: units leased on the first of the month times an applicable fee rate as established by HUD, prorated by the availability of administrative funding.

Administrative Fee Rates

Near the beginning of each CY HUD will post the applicable administrative fee rates.

- These rates are found on the HUD housing choice voucher home page.

For each PHA, HUD provides two rates, a Column A rate and a Column B rate.

- The Column A rate applies to the first 7,200 unit months leased in the calendar year.
- The Column B rate applies to all remaining vouchers leased in the calendar year.

In prior years, a Column C was also provided, which applied to all the unit months leased for units owned by the PHA. In CY 2010, Column C administrative fee rates were eliminated. Fees for leasing PHA-owned units are now earned in the same manner and at the same Column A and Column B rates as for all other leasing.

The fee rates typically apply to all vouchers (renewals, incremental, tenant protection and VASH).

The fee rates for each PHA are generally those rates covering the areas in which each PHA has the greatest proportion of its participants, based on public housing information center (PIC) data.

Blended Administrative Fee Rate

HUD has typically allowed eligible PHAs to request a blended administrative fee rate in lieu of using a different rate for each jurisdiction in which the PHA leases vouchers. HUD will establish a due date to make these requests in the annual HCV renewal funding notice.

PHAs serving multiple administrative fee areas can make a written request a blended administrative fee rate based on the actual location of their assisted units. The blended rate, if approved, will apply throughout the calendar year. No documentation is required with a request for a blended rate.

The application deadline for CY 2020 was May 29, 2020.

Higher Administrative Fees

A PHA that operates over a large geographic area, defined as multiple counties, may request higher administrative fees.

Notice 2020-04 outlines the submission requirements. See pages 7 and 8 of the notice.

An approved higher administrative fee rate will only apply to the current CY.

- At the end of the CY, the PHA will be required to submit evidence to the FMC of actual costs incurred for the CY.
- PHAs will only be able to break even on these costs. Any fees received in excess of reasonable and necessary administrative costs will be recaptured by HUD via a reduction in a future disbursement.

The deadline was May 29, 2020.

Proration and Reconciliation

HUD's current practice is to advance administrative fees to PHAs on a monthly basis prior to receiving actual leasing data from PHAs in VMS.

- Every quarter HUD will reconcile each PHA's administrative fee eligibility based on the actual number of units leased as reported in the VMS. Based on the monthly reconciliation, HUD will either increase or offset the amount of subsequent administrative fee payments so that the PHA is not paid more in administrative fees than it earned based on units leased on the first of each month. A sample quarterly admin fee recon can be found in 3.2-1 on page 3.2-5.
- After December leasing data is reported, HUD will complete a final reconciliation for the calendar year. This reconciliation may also result in an increase or offset of subsequent administrative fee payments. A sample CY admin fee recon can be found in 3.2-2 on page 3.2-8.

In order to stay within the amount appropriated for ongoing administrative fees, HUD may prorate monthly administrative fee disbursements to the extent necessary not to exceed the amount appropriated for ongoing administrative fees for the CY.

- HUD determines the proration amount by comparing each month's national eligibility for administrative fees to 1/12th of the appropriated amount available for ongoing administrative fees. If eligibility is greater than available funding, HUD will prorate disbursements to PHA to the extent needed not to exceed funding.

Exhibit 3.2-1 Sample Quarterly Admin Fee Recon

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

June 17, 2020

Dear Executive Director:

Subject: Housing Choice Voucher Program
January through March 2020 On-Going Administrative Fees

The purpose of this letter is to advise each public housing agency (PHA) participating in the Housing Choice Voucher (HCV) Program of the calculation of earned administrative fees for the months of **January through March 2020** and the estimated national proration through this period.

The Consolidated Appropriations Act, 2020, (P.L. 116-94) enacted on December 20, 2019, requires that administrative fees be calculated based on PHA leasing in the HCV Program. Administrative fees will be paid for each voucher under lease on the first day of the month. PHAs are eligible for fee calculations based on their Column A rates for the first 600 units leased each month; if a PHA leases at least 7200 unit months for calendar year (CY) 2020, the PHA will receive fees based on the Column A rate for 7200 unit months, even if the leasing in some months is less than 600 units. The fee rates applicable to each PHA have been previously posted on the HUD website, and all PHAs have had the opportunity to request a blended rate and/or a higher rate if they qualify. Any additional eligibility resulting from an approved higher fee rate or a blended fee rate will be applicable to the entire CY, regardless of when the rate is approved.

Enclosed with this letter is the calculation of administrative fee eligibility and pro-rated earnings for your PHA for the months of **January through March 2020,** for which Unit Months Leased (UML) data was taken from the validated VMS database as of May 12, 2020. The Department has calculated each PHA's eligibility and has established an estimated pro-ration factor which is **80.442%**. Please be aware that this pro-ration factor is an estimated pro-ration factor; the final CY 2020 admin fee reconciliation will reflect a weighted pro-ration factor for the entire CY.

HUD compared total fees earned (after pro-ration) to total fees obligated for January through March 2020, including renewal fees and tenant protection on-going fees. At the end of the enclosure, the final of pro-rated fees earned is compared to the fees obligated for your PHA, resulting in an excess or shortage in the amount provided to the PHA. If the PHA has a shortfall, meaning fees obligated for the period were less than fees earned, an additional fee disbursement in the amount of the shortfall will be made. If the PHA received excess fees for the period, the excess amount will be offset from a future disbursement after the end of CY 2020 when the final fee reconciliation is completed.

After the final VMS data for the year is validated, the Department will update all leasing data for the 12 months; based on the validated data each PHA has entered into VMS, and will make any fee eligibility adjustments for leasing changes that were recorded after the original calculations for each month were completed and other eligibility adjustments as needed. Additionally, any excess fees received by PHAs for CY 2020 will be generally offset from future disbursements at the time of the CY 2020 final fee reconciliation.

Finally, note that if your PHA is over-leased for the CY, the fee earnings for the final period(s) will be reduced such that fees are paid only for unit months up to your PHA's baseline. PHAs that are significantly over-leased may experience a significant reduction, and agencies need to anticipate and prepare for this.

If you have any questions about the fee calculations or the data used for your PHA, please contact your assigned representative from the Financial Management Center.

Thank you for your continued participation in the HCV Program.

Sincerely,

Miguel A. Fontánez
Director
Housing Voucher Financial
Management Division

Calculation of January - March 2020 Administrative Fees
Housing Choice Voucher Program

	HA Number:	WI195	
	HA Name:	KENOSHA HOUSING AUTHORITY	
1	VMS Unit Months Leased	3,318	
2	Unleased PBV UMLs	0	
3	Total UMLs (Line 1 + Line 2)	3,318	
4	Unit Months Available	3,576	
5	Overleased UMLs (Line 3 - Line 4 if overleased)	0	
6	Lesser of UMLs or UMAs (Minimum of Line 3 and Line 4)	3,318	
7	Unit Months Eligible for Column A Rate	1,800	
8	Column A Rate	$68.98	
9	Eligibility - Column A Unit Months (Line 7 x Line 8)		$124,164
10	Unit Months Eligible for Column B Rate (Line 6 - Line 7)	1,518	
11	Column B Rate	$64.37	
12	Eligibility - Column B Unit Months (Line 10 x Line 11)		$97,714
13	Total Eligibility (Line 9 + Line 12)		$221,878
14	Pro-Ration Factor		0.80442
15	Pro-Rated Eligibility (Line 13 x Line 14)		$178,483
16	Fees Obligated		$168,713
17	Calendar Year 2019 Overdisbursements		$0
18	Total Obligated + CY 2019 Overdisbursements Line 16 + Line 17		$168,713
19	Shortfall in Fees Obligated Line 15 - Line 18, if positive		$9,770
20	Excess Fees Obligated Line 15 - Line 18, if negative		$0
21			

Exhibit 3.2-2 Sample Yearly Admin Fee Recon

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Dear Executive Director:

Subject: Housing Choice Voucher Program
January through December 2019 Final Administrative Fees Reconciliation

The purpose of this letter is to advise each public housing agency (PHA) participating in the Housing Choice Voucher Program (HCVP) of the calculation of earned administrative fees for the months of **January through December 2019**.

Consolidated Appropriations Act, 2019, (P.L. 116-6) enacted on February 15, 2019, required that administrative fees be calculated based on PHA leasing in the HCVP. Administrative fees have been paid for each voucher leased and reported in the Voucher Management System (VMS) on the first day of the month, up to the PHA's baseline for the calendar year (CY). PHAs are eligible for fee calculations based on their Column A and B rates. Column A is considered for the first 600 units leased each month, and Column B for each unit above 600. If an PHA leases at least 7,200 unit months for CY 2019, the PHA will receive fees based on the Column A rate for 7,200 unit months, even if the leasing in some months is less than 600 units. The Column A and B rates applicable to each PHA were previously posted on the HUD website, and all PHAs had the opportunity to request a blended rate and/or a higher rate, if they qualify.

The Department has calculated each PHA's final administrative fee eligibility considering actual leased units reported in VMS for the months of **January through December 2019.** HCVP has identified additional funds to support ongoing administrative fees that have increase the national proration. Based on this calculation, the Department has determined the final national pro-ration factor of **0.81100.** Enclosed with this letter is the calculation of fee eligibility and pro-rated earnings for your PHA for the months of **January through December 2019**. Unit months leased (UML) data was taken from the validated VMS database as of February 11, 2020, for the months of **January through December 2019.** Also, any additional eligibility resulting from an approved higher fee rate or a blended fee rate was applied to the entire CY, regardless of when the rate was approved.

The calculation entails the comparison of total fees earned (after pro-ration) to total fees obligated for January through December 2019, including renewal fees and tenant protection on-going fees. At the end of the enclosure, the final amount of pro-rated fees earned is compared to the fees obligated for your PHA, resulting in an excess or shortage in the amount provided to the PHA If the PHA has a shortfall, meaning fees obligated for the period were less than fees earned, an additional fee disbursement in the amount of the shortfall will be made. If the PHA received excess fees for the period, the excess amount will be offset from a future disbursement in CY 2020.

www.hud.gov **espanol.hud.gov**

Finally, if a PHA is over-leased for the CY, the fee earnings for the final period(s) will be reduced such that fees are paid only for unit months up to the PHA's baseline. PHAs that are significantly over-leased may experience a significant reduction, and agencies need to anticipate and prepare for this.

If you have any questions about the fee calculations or the data used for your PHA, please contact your Financial Analyst at the Financial Management Center (FMC).

Thank you for your continued participation in the HCVP.

Sincerely,

Miguel A. Fontánez

Digitally signed by Miguel A. Fontánez
DN: CN = Miguel A. Fontánez, C = US, O = Housing Voucher Financial Management Division, OU = Director
Reason: I am approving this document

Miguel A. Fontánez
Director
Housing Voucher Financial
Management Division

Calculation of January - December 2019 Administrative Fees
Housing Choice Voucher Program

	HA Number:	WI195	
	HA Name:	KENOSHA HOUSING AUTHORITY	
1	VMS Unit Months Leased	13,059	
2	Unleased PBV UMLs	0	
3	Total UMLs (Line 1 + Line 2)	13,059	
4	Unit Months Available	14,304	
5	Overleased UMLs (Line 3 - Line 4 if overleased)	0	
6	Lesser of UMLs or UMAs (Minimum of Line 3 and Line 4)	13,059	
7	Unit Months Eligible for Column A Rate	7,200	
8	Column A Rate	$67.96	
9	Eligibility - Column A Unit Months (Line 7 x Line 8)		$489,312
10	Unit Months Eligible for Column B Rate (Line 6 - Line 7)	5,859	
11	Column B Rate	$63.42	
12	Eligibility - Column B Unit Months (Line 10 x Line 11)		$371,578
13	Total Eligibility (Line 9 + Line 12)		$860,890
14	Pro-Ration Factor		0.81100
15	Pro-Rated Eligibility (Line 13 x Line 14)		$698,182
16	Fees Obligated		$656,582
17	Calendar Year 2018 Overdisbursements		$0
18	Total Obligated + CY 2018Overdisbursements Line 16 + Line 17		$656,582
19	Shortfall in Fees Obligated Line 15 - Line 18, if positive		$41,600
20	Excess Fees Obligated Line 15 - Line 18, if negative		$0

Special Administrative Fees

Notice PIH 2020-04, p.9

The appropriations act can make special administrative fees available. For CY 2020 the special fees provided for are:

- **Homeownership programs:** HUD will pay a $200[1] special fee to PHAs administering vouchers used for a homeownership program. The fee is paid after the homebuyer's closing is reported in PIC and a closing date is provided to HUD.
- **Multifamily housing conversion actions:** A special one-time fee of $200 will be provided for each unit occupied on the date of the eligibility event, for multi-family housing conversions only. HUD will provide these fees automatically. PHAs do not need to apply for them.
- **Special Fees for Portability's:** These fees are available to receiving PHAs where portability vouchers comprise a significant portion of their vouchers under lease. To be eligible for this special fee, PHAs must be administering port-in vouchers which equal 20% or more of the PHAs total number of leased vouchers as of 12/31/2019. For each eligible port-in voucher, the receiving PHA will be provided with 12 months of funding equal to 15% of the PHA's 2020 column A rate for administrative fees. This special fee will be paid automatically to PHAs based on PIC data.
- **Special Audit Fee**: This is a fee for the audit costs for declaring the HCV program a major program per Notice PIH 2015-16.
- **HCV Voluntary Transfers**: Please refer to section 6 of Notice PIH 2018-12 for the eligibility requirements and process to request special fees under this category.
- Additional fees needed where a PHA is experiencing increased administrative expenses, including as a result of administrating tenant protection vouchers, disaster related vouchers, HUD-VASH vouchers, and other special purpose vouchers, special guidance will be provided.

1. In previous years a PHA received a one-time fee of $5,000 for the first homeownership closing reported in PIC and $1,000 for each subsequent closing.

Restrictions on Use of Administrative Fees

The HCV regulations impose some restrictions on the use of administrative fees and administrative fee reserves, or unrestricted net position (UNP). HUD appropriations acts for 2004 and all subsequent years have imposed additional restrictions on the use of administrative fees.

The restrictions do not apply to PHAs approved for fungibility under an MTW agreement or an agreement for Section 901 disaster assistance.

Use of Current Administrative Fees

Notice PIH 2017-10

PHAs are reminded that administrative fees may only be used "to cover costs incurred to perform PHA administrative responsibilities for the program in accordance with HUD regulations and requirements," as provided in 24 CFR 982.152(a)(3).

Notice PIH 2010-7

If a PHA lacks administrative fee reserves and must borrow nonfederal, nonrestricted funds temporarily to cover eligible program expenses, it may use subsequent administrative fees to reimburse the source of the borrowed funds.

However, the PHA may never loan administrative fees to another program to cover expenses, regardless of whether the other program intends to reimburse the HCV program at a later date.

Use of Administrative Fee Reserves (UNP Account)

Appropriations acts beginning with FFY 2004 have specified that administrative fee funding may be used only for activities related to the provision of HCV assistance, including related development activities.

Also see Notice PIH 2020-04

- Notice PIH 2014-05 cites two examples of related development activities: unit modification for accessibility purposes and development of project-based voucher units. However, the notice makes clear that other activities may also qualify as related development activities.

Any administrative fees from a calendar year since 2004 that are moved into the unrestricted net position (UNP) account (formerly known as the administrative fee reserve) at the end of the calendar year are subject to the same usage restriction. HUD refers to these administrative fee reserves as post-2003 reserves.

Excess administrative fees accumulated in the current year will be aggregated in the post-2003 reserve account. Current year surpluses cannot be used to replace pre-2004 reserve balances.

By contrast, administrative fees that remain in the UNP account from funding provided prior to 2004 may be used for "other housing purposes permitted by state and local law," in accordance with 24 CFR 982.155(b)(1).

Beginning with the reporting period ending December 31, 2009, PHAs are required to report pre-2004 and post-2003 balances in the UNP account separately on the Financial Data Schedule (FDS). The UNP FDS Line Item contains a details link to report pre-2004 and post-2003 amounts.

A PHA's use of any amounts in its UNP account may be restricted by HUD if the PHA fails to administer its HCV program adequately. Under 24 CFR 982.155(b)(3), HUD may in such cases "prohibit use of funds in the administrative fee reserve and may direct the PHA to use funds in the reserve to improve administration of the program or to reimburse ineligible expenses."

Notes

SECTION 3.3 GENERAL HUD GUIDANCE

Program Management

Various HUD notices emphasize that PHAs must manage their HCV programs within their calendar year's HAP allocations and voucher baselines. HUD recommends that PHAs review their per unit costs (PUC) as well as their leasing and attrition rates on a monthly basis so that they can manage their waiting lists and lease up accordingly. It is important to point out that SEMAP is scored on the PHA's fiscal year end, but fiscal management is monitored on a calendar year basis.

If necessary, PHAs should follow the cost-savings guidance provided in Notice PIH 2018-05 because typically there will be no additional funding to assist agencies that experience a financial short fall during a calendar year. Any PHAs needing help managing their HCV programs should contact their local HUD field office or their financial analyst at the Financial Management Center (FMC).

HUD began in 2010 to aggressively monitor utilization to ensure that PHAs are complying with all program requirements and provisions in HUD appropriations acts.

Financial Reporting

HUD reminded PHAs in Notice PIH 2015-16 that they must continue to submit all required financial documents, including monthly Voucher Management System (VMS) and annual Financial Assessment Subsystem (FASS) reports.

A PHA that fails to meet a financial submission deadline could be sanctioned under 24 CFR 982.152(d) in accordance with the procedures outlined in Notice PIH 2015-16.

A PHA that fails to meet financial submission requirements will be subject to administrative actions, including the imposition of a penalty against the PHA's monthly administrative fees until the PHA complies with the requirements. Such a penalty would represent a permanent, irreversible reduction for the current calendar year.

Depository for HAP Funds

Notice PIH 2011-67

Any excess HAP funds held by a PHA, as well as any existing RNP balances, are required to be deposited in an interest-bearing account at the available rate.

RNP and UNP Integrity

Because of discrepancies found in restricted net position (RNP) and unrestricted net position (UNP), HUD conducted a reconciliation of VMS and FASS data to ensure that PHAs properly accounted for funds received and expended under the HCV program. HUD is also monitoring RNP balances closely and is requiring PHAs to submit RNP amounts in VMS on a routine basis.

Quality Assurance

HUD will continue to deploy quality assurance (QA) teams to conduct on-site reviews of PHAs. The purpose of these reviews is to ensure both the integrity of PHA-reported data in the VMS and compliance with other program requirements, including overleasing.

PHAs are responsible for retaining the appropriate records to support their VMS submissions. The records and VMS data are subject to review by QA teams. If a QA team demonstrates that a PHA received excess funding because it reported costs incorrectly, any overfunding will be recaptured. However, if PHA reporting errors in VMS caused the PHA to be underfunded, no additional funding will be provided.

QA teams will also review compliance with rent reasonableness requirements to ensure that owners are receiving rents comparable to those for similar unassisted units in the market.

Looking Ahead

The next chapter will cover the budgeting aspects of financial management, even taking a look at how to manage funding challenges.

CHAPTER 4 Budgeting and Financial Monitoring

SECTION 4.1 BUDGET REQUIREMENTS

HUD eliminated the requirement that PHAs submit forms HUD-52673 (Estimate of Total Required Annual Contributions) and HUD-52672 (Supporting Data for Annual Contributions Estimates), in a Web bulletin issued by the Financial Management Center in 2005 and with the issuance of Notice PIH 2005-1.

After that, form HUD-52663 (Requisition for Partial Payment of Annual Contributions) was the only budget document that was still being submitted to HUD by PHAs for the HCV program. The issuance of Notice PIH 2001-5 eliminated the requirement of that form.

So in essence, Notice PIH 2005-1 eliminated the requirement for PHAs to submit any budget document to HUD for the HCV program.

- The moderate rehabilitation, and single room occupancy programs are still required to submit forms HUD-52673, HUD-52672 and HUD-52663 to HUD.

Although PHAs are no longer required to submit budget documents to HUD for the HCV program, PHAs are still required to exercise prudent management and financial monitoring. PHAs should prepare both a HAP expense budget and an administrative expense budget for the program.

For both HAP and administrative costs, the PHA should develop a clear financial plan for the program to ensure it will be solvent for the fiscal year and the calendar year.

Exhibit 4.1-1 is an example of an HCV program administrative budget.

Exhibit 4.1-1 Sample Administrative Budget

Anytown Housing Authority
Housing Choice Voucher Budget
FYE 12/31/2020

Authorized Units	**1,161**
Est # Units Leased	**1,048**
Admin Fee Rate:	
Column A	**60.05**
Column B	**56.04**
Admin Fee Proration	**81%**

Est Occupancy	**90%**
Est Avg PUC	**$527**
Curr Avg PUC	**$524**
Est # of FSS Part	**32**
Anticipated # of Turnovers	**72**
Antic # of Issued Vouchers	**120**

FDS Acct #	Account Title	Admin Fees	HAP	Total
	INCOME			
70600-010	**Housing Assistance Payment Funding**		6,963,260	6,963,260
	Gross Administrative Fees	809,616		
	Less: Unleased Units	(78,000)		
	Less: Proration Level	(139,007)		
70600-020	**Net Administrative Fee Funding**	592,609		592,609
70600-060	All Other Fees	-		-
71100	Investment Income -UNP	3,710		3,710
72000	Investment Income -RNP			-
71400	Fraud Recovery	5,000	5,000	10,000
71500	Other Income (FSS Forfeiture, Port)	36,800	12,000	48,800
	Total INCOME	**638,119**	**6,980,260**	**7,618,379**
	EXPENSES			
91100	Administrative Salaries	342,670	-	342,670
91200	Auditing Fees	6,120	-	6,120
91400	Advertising and Marketing	250	-	250
91500	Employee Benefits	147,510	-	147,510
91600	Office Expenses	46,140	-	46,140
91700	Legal Expenses	-	-	-
91800	Travel	4,700	-	4,700
91900	Other Administrative Expenses	52,440	-	52,440
	Total Administrative Expenses	599,830	-	599,830
92100	Tenant Services - Salaries	-	-	-
92200	Relocation Costs	-	-	-
92300	Employee Benefits	-	-	-
92400	Tenant Services - Other	-	-	-
	Total Tenant Services	-	-	-
94100	Maintenance Labor	-	-	-
94200	Maintenance Materials	-	-	-
94300	Maintenance Contract	530	-	530
94500	Employee Benefits	-	-	-
	Total Maintenance	530	-	530
96110	Property Insurance	1,200	-	1,200
96120	Liability Insurance	2,840	-	2,840
96130	Workmen's Compensation	5,840	-	5,840
96140	All Other Insurance	910	-	910
	Total Insurance Premiums	10,790	-	10,790
96200	Other General Expense	360	-	360
96210	Compensated Absences	-	-	-
96600	Bad Debt - Fraud	4,000	4,000	8,000
	Total Other General Expenses	4,360	4,000	8,360
97300	Housing Assistance Payments		6,627,552	6,627,552
97350	HAP Port In Expense	34,000		34,000
	Total HAP Payments	34,000	6,627,552	6,661,552
	Total EXPENSES	**649,510**	**6,631,552**	**7,281,062**
	Net Cash Flow (Deficit)	**(11,391)**	**348,708**	**337,317**
	Equity Balances @ Beginning of Year	542,156	634,129	1,176,285
	Projected Equity Balance at 12/31/2020	**530,765**	**982,837**	**1,513,602**

SECTION 4.2 PRUDENT PROGRAM MANAGEMENT

PHAs are required to manage their programs in a prudent manner, meaning:

- Staying within HUD-provided annual budget authority (ABA), RNP, and program reserves
- Not exceeding the number of authorized units (baseline) during the calendar year
- Reviewing PHA policies and procedures, to ensure the PHA is not incurring HAP costs beyond what is needed to support decent housing of a modest nature, within market rents for participants (rent reasonableness)

PHAs are reminded that HUD is statutorily prohibited from providing renewal funding outside of the formula set forth in an appropriations act.This means HUD cannot provide additional funding to a PHA that exhausts its available funding or to enable a PHA to reach their authorized level of leasing other than as provided by appropriations acts (i.e., short-fall funds).

PHAs that fail to meet these requirements will be subject to administrative actions including, but not limited to, a reduction in administrative fees paid (a sanction).

Notes

SECTION 4.3 FINANCIAL MONITORING

PHAs should have a financial plan for the HCV program, to ensure that the program is managed in a prudent manner.

PHAs should consider the following to ensure sound financial control of their programs:

- Determine (approximately) how many families can be supported by the ABA provided by HUD. Keep in mind that regardless of the number of units the PHA's budgeted amount may support, the maximum number of units a PHA can lease is its total HUD-authorized units (ACC units).
    - A simple calculation can be done to arrive at the number of units the PHA's ABA will support. The formula is:
        - ***Step 1: Determine the current per unit cost (PUC)*** — Total HAP costs (this can be a monthly snap shot or a year-to-date amount) divided by the number of units leased for the same period = average monthly PUC
        - ***Step 2: Determine the approximate number of units supported*** — Total ABA provided by HUD divided by (monthly PUC X 12) = average units supported
- Monitor the program on a monthly basis.
    - The following should be monitored monthly to ensure that the PHA does not exceed the HUD-provided ABA and amounts in the RNP:
        - HAP expense each month (by regular vouchers and special purpose vouchers (SPV))
        - Monthly amount of funds utilized (%)
        - Year-to-date amount of funds utilized (%)
        - Monthly average per unit cost (PUC)
        - Year-to-date average PUC
    - The following should be monitored monthly to track utilization:
        - Units leased each month
        - Monthly lease-up rate
        - Annual lease-up rate
        - Turnover rate
        - Success rate

Notes

SECTION 4.4 MONITORING TOOLS

Summary Key Program Data (HCV Program Score Card)

An example of an HCV program score card can be found in Exhibit 4.4-1 on page 4.4-2. The example provides how key program data can be tracked which, if monitored monthly, allows the PHA to quickly see whether the program is on track for:

- Leasing
- PUC
- Funding for HAP
- Administrative expenses

Exhibit 4.4-1 Budget to Actual Report

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
HAP												
HAP Budget Authority	**$332,500**	**$332,500**	**$332,500**	**$332,500**	**$332,500**	**$332,500**	**$332,500**	**$332,500**	**$332,500**	**$332,500**	**$332,500**	**$332,500**
Actual HAP (inc port outs & FSS)	$345,685	$342,979	$340,229	$341,750								
Variance	$13,185	$10,479	$7,729	$9,250	$0	$0	$0	$0	$0	$0	$0	$0
Percent Variance	1.04	1.03	1.02	1.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
YTD Variance	$13,185	$23,664	$31,393	$40,643	$0	$0	$0	$0	$0	$0	$0	$0
PUC												
HUD-Funded PUC	**350**	**350**	**350**	**350**	**350**	**350**	**350**	**350**	**350**	**350**	**350**	**350**
Actual HAP PUC	355.64	355.42	354.77	356.73								
Variance	5.64	5.42	4.77	6.73								
Percent	101.61%	101.55%	101.36%	101.92%								
UNITS												
HUD Baseline Units	**1000**	**1000**	**1000**	**1000**	**1000**	**1000**	**1000**	**1000**	**1000**	**1000**	**1000**	**1000**
HUD Funded Units	950	950	950	950	950	950	950	950	950	950	950	950
Actual Leased (inc port outs)	972	965	959	958								
Variance to baseline	-28	-35	-41	-42								
YTD Variance to baseline	***-28***	***-63***	***-104***	***-146***								
Variance to funded	22	15	9	8								
YTD Variance to funded	22	37	46	54								
FEES												
HUD Funded Admin Fees	$44,281	$44,281	$44,281	$44,281	$44,281	$44,281	$44,281	$44,281	$44,281	$44,281	$44,281	$44,281
Actual Admin Costs (month)	$40,390	$39,121	$45,833	$42,111								
Variance	-$3,891	-$5,160	$1,552	-$2,170								
Percent	91.21%	88.35%	103.50%	95.10%								
Cumulative Variance	-$3,891	-$9,051	-$7,499	-$9,669								
PORTABILITY OUT												
Units	10	10	9	9								
HAP	$4,592.00	$4,489.00	$4,222.00	$4,222.00								
Actual PUC port outs	$459.20	$448.90	$469.11	$469.11								
PORTABILITY IN												
Units	14	13	13	14								
HAP	$5,092.00	$4,999.00	$4,999.00	$5,322.00								
Actual PUC port ins	$363.71	$384.54	$384.54	$380.14								

HUD's Two-Year Forecasting Tool

Over the past several years with funding uncertainties and the lack of proper planning, many PHAs have had large swings in lease up, followed by attrition and then cutbacks to avoid overspending.

In order to help PHAs maximize the utilization of their funding and prevent these large swings in program lease up, HUD has developed a planning tool in Excel called the HCV Two Year Forecasting Tool.

Eliminating abrupt cutbacks requires planning across calendar years since spending patterns in one year impact funding in the next year.

Often PHAs will have a goal of achieving a high average leasing for the year which can result in over leasing in the final months of the year.

This can then result in starting the next year over leased and the need to attrition leasing to prevent over spending.

In order to adequately project leasing over multiple years PHAs need to understand and track the following key variables:

- **Success Rates**—the percentage of vouchers issued that result in a lease
- **Turnover Rate**—the annual rate of participants leaving the program
- **Issuance to Leasing-Time**—the percentage of vouchers leased that are within certain time frames (30, 60, 90 days etc.)
- **Per Unit Cost**—the monthly HAP expenses divided by the number of leased units

The spreadsheet tool allows the user to factor in all these variables when planning lease up goals.

Users can plan leasing patterns for the current year plus two years into the future.

It also allows the user to estimate the subsequent year's renewal funding based on projected patterns of leasing and spending in year one.

The spreadsheet tool also provides:

- **Admin Fee Calculation**: this tab contains a table administrative fees that will be earned based on the leasing data input elsewhere in the tool and the current admin fee tables
- **Tracking Actual Success Rate**: this tab provides a spreadsheet where users can maintain data to track success rates and the time from issuance to lease
- **PUC Trend - LY and CY**: this tab contains a table to facilitate an analysis of per unit cost trends to better inform projections.

How to Generate a Two-Year Forecasting Tool

To access and generate a current tool, users must:

- Log into HUD's secure system using their current HUD user ID and password.
- Once logged into HUD's secure system, the tool is accessed from a separate link.

Once a PHA has reached the tool log-in link and clicks the link to generate the tool, the first spreadsheet that will appear is a "Data Input Sheet."

Once the Data Input Sheet has loaded, the PHA must enter their PHA's ACC code in the yellow box and hit return. This will populate the Data Input Sheet.

A link at the top of the Data Input Sheet (next to the PHA code box) must be clicked to load the Two-Year Forecasting Tool

- Link – Open and populate two-year tool

Spreadsheet Tool Organization

The spreadsheet tool is made up of a series of nine possible Excel worksheets. The worksheets that make up the tool are:

- Projection Analysis (the main worksheet)
- Cash Management
- New ACC Units
- PUC Trend - LY and Current Year
- Tracking Actual Success Rate

- Admin Fee Calculations
- Re-Benchmarking Estimate Yr 2 and 3
- Background Leasing
- Background Graph

The spreadsheets in the workbook are protected allowing changes only to the data entry cells which are shaded yellow. Users can turn off protection by clicking on “Format,” scrolling down to “Protect Sheet,” and hitting Return when the top up box appears. No password is needed to unprotect the workbook.

Comment flags offer instruction and guidance for key columns or cells.

The spreadsheet can be unprotected by selecting the “Review” menu and clicking on “Unprotect.”

Projection Analysis Tab

The projection analysis tab contains the main worksheet and is the heart of the spreadsheet tool. It is divided up into the following sections:

- ACC and Funding Information
- Funding Pro-Ration Levels and Admin Fee Pro-Ration Level
- Program Projection Variables
- Leasing and Spending Outcomes—Current and Following Year Projections

Users start with entering their ACC number in the top left of the projection analysis worksheet.

This will result in the name of the PHA and the applicable admin fee rates being auto-populated into the appropriate workbooks.

Entering the year in the Calendar Year field will result in the 2nd and 3rd year column headings being populated in the projection analysis workbook and the other workbooks.

In the Current Year column the user will fill in all the yellow fields and the 2nd and 3rd year columns will be auto-populated based on formulas.

The cell “New ACC Units Funding” is calculated based on the number of new ACC units received during the year that were entered in the “New ACC Units” tab.

ABA per ACC units month is the total ABA divided by UMAs. If the ABA per ACC unit month is less than the actual PUC, the user can see the extent to which funding will not support all ACC units without the use of NRA.

The Funding Pro-ration Section has separate entries for:

- Years 2 and 3 re-benchmarking pro-ration
- Administrative fee pro-ration

This section is used to exercise judgment about likely pro-ration levels which effect funding so the user can test different leasing levels to determine outcomes.

Note: An inflation factor is not used in the funding estimates. This acts as an implicit margin for projection error. The user can incorporate one by just playing around with the pro-ration levels.

Below the "Funding Pro-Ration Levels" cells there is a "Optional RNP Offset" cell. This is used to test the effects on leasing of having an RNP offset applied during years 2 and 3.

- The RNP offset is set as a percent of ABA that will be used to set the maximum allowable RNP, above which, the actual RNP will be used to offset budget authority that would otherwise be funded per the renewal funding formula.
  - It is applied to years 2 and 3 funding projections when entered by the user.

Program Projection Variables

This section is used to input critical program variables used in the spreadsheet to determine funding utilization and future re-benchmarking:

- Success rate
- Annual turnover rate
- Time from issuance to HAP effective date (30, 60, 90 and 120 days)

Leasing and Spending Outcomes: Current and Following Year Projections

This is the main dashboard which shows the resulting:

- % UMLs to UMA
- % Spending to All Funds Available (ABA + RNP)
- % Spending to just ABA
- Projected YR End RNP
- RNP as a percent of ABA - a metric for gauging the size of the RNP
- Beginning YR 3: Monthly Exp. Vs. ABA—this line quickly assesses monthly spending entering into YR 3 compared to ABA on a monthly basis.

Leasing and Spending Outcomes: Current and Following Year Projections Dashboard

Users can consult this dashboard section at least monthly to assess the results from adding an additional month's actual data re-validating key variables and potential PUC changes.

The user can experiment with different issuance scenarios and their resulting YR 1 and YR 2 results until a preferred scenario is adopted.

Two Year by Month Forecast

The lower section of the Projection Analysis Tab contains cells for a two-year period to enter actual monthly lease-up and HAP cost data.

The column headings are self explanatory but keep in mind the following:

- Yellow cells indicate where the user is expected to enter data. Once data is entered the cell color will change.
- The column "Other Planned Additions or Deletions" would be changes coming from other than issuances.
  - Additions might be ports absorbed or Project Based Vouchers
  - Reductions (entered as negative amounts) might be ports absorbed by the receiving PHA, divestiture of units, or other reductions not related to attrition.

Monthly UML% and Monthly ABA Expended %—particularly useful to review at year end since it represents spending pattern for beginning of next YR.

Leasing Graph

This tab provides both leasing data (actual and projected) and spending vs. funding by month in a visual format to more easily see trends.

Admin Fee Calculations

This tab shows the calculations that result in the estimated admin fee earnings displayed on the Projection Analysis tab.

It also contains the Column A and Column B rates for every PHA.

The "Look Up" function in the Projection Analysis tab pulls the correct rates for the PHA whose number was entered into the PHA Number cell.

Cash Management Tab

A tool added to the Forecast Tool to help PHAs ensure they have sufficient cash available to make HAP payments. A table allows the PHA to track the actual and projected HAP expenditures against the actual and projected HUD disbursement of HAP funds and existing program cash balances.

New ACC Unit Tab

This tab is used to enter any new units awarded to the PHA.

New units should be entered in the month they are effective along with the 12 months worth of funding awarded. This is used to calculate the funding that will be distributed to the current year and next year.

Late year awards may be effective in the next year and the workbook permits entry for that situation.

Tracking Actual Success Rate

This tab contain an optional workbook where the user can enter actual vouchers issued for each month and the resulting vouchers leased from that group of issuances in subsequent months.

For each issuance group, the spreadsheet will calculate the success rate, the percent leased in 30, 60, 90, and 120 days, and the average months from issuance to lease.

The period of time captured runs from five months before the current year to the eighth month of the current year to capture only those months with issuance to leasing time periods for which all issued vouchers would have either have been leased or terminated.

Background Leasing

This tab displays the underlying data and calculations that incorporate key variables: success rate, and time from issuance to lease from the "Projection Analysis" tab, along with the number of vouchers issued or planned to be issued.

It then calculates the estimated leased vouchers in succeeding months and returns that number to the Projection Analysis tab in the column "New Leasing Issued Vouchers."

Exhibit 4.4-2 Projection Analysis Spreadsheet

Utilization Report: UtilizationReport (5)

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PHA Name	Kenosha Housing Authority	PHA Number	WI195

ACC/Funding Information

ACC	Current Year (2020)	Year 2 (2021)	Year 3 (2022)
Beginning ACC Vouchers	1,192	1,192	1,192
Funding Components	Current Year (2020)	Year 2 (2021)	Year 3 (2022)
Initial BA Funding (net offset)	$8,319,725	$7,500,480	$7,212,118
Offset of HAP Reserves	$0	$212,882	$0
Set Aside Funding	$0		
New ACC Units Funding	$0	$0	$0
Total ABA Funding Provided	$8,319,725	$7,500,480	$7,212,118
PHA Income	$34,704	$0	
Total Cash-Supported Prior Year-End Reserves	$706,040	$1,347,108	$1,635,470
Total Funding			
Total Funding Available	$9,060,469	$8,847,587	$8,847,587

Funding Proration/Offset Levels

HAP	
Year 2 (2021) Rebenchmark	100.0%
Year 3 (2022) Rebenchmark	100.0%
Year 2 (2021) % 'Excess' Reserves Offset	25.0%
Year 3 (2022) % 'Excess' Reserves Offset	0.0%
Administrative Fees	
Year 1 (2020)	79.0%
Year 2 (2021)	80.0%

Program Projection Variables

Success Rate	70%	Annual Turnover Rate	9.1%
			PIC EOP % as of 6/30/2020 (104 EOPs): 9.39%

Time from Issuance to HAP Effective Date (Current: 2.28 months)	
% leased in 30 days	18%
% leased in 30 to 60 days	40%
% leased in 60 to 90 days	38%
% leased in 90 to 120 days	4%
% leased in 120 to 150 days	0%

	Total Earned Income (Annual)
3.31.2020	$8,356,225
6.30.2020	$7,080,908

	Using PIC data, a 5% decrease in earned income means a ___ increase in the PUC.
3.31.2020	1.7%
6.30.2020	1.3%

Leasing and Spending Outcomes: Current and Following Year Projections

	2020	*2021*
UML % of ACC (UMA)	90.3%	82.7%
HAP Exp as % All Funds	85.1%	81.5%
HAP Exp as % of Eligibility only	92.7%	93.5%
End of Year Results		
Projected 12/31 Total HAP Reserves	$1,347,108	$1,635,470
HAP Reserves as % of ABA (Start: 8.5%)	*16.2%*	*21.8%*
"Excess" Reserves Subject To Offset	$851,527	$1,335,450

End of Year 3 Results (2022)		
$2,266,655	31.4%	Projected Total HAP Reserves ========= Reserves % BA

HUD-Held Reconciliation Cash Sufficiency Check

HUD-established CYE HHR	$603,196		HUD-established CYE HHR
HUD-estimated Net Excess Cash	$102,844	$374,386	PHA-Held Cash 12/31/2019 (VMS)
HUD-Reconciled	*$706,040*	*$977,582*	*HUD-Reconciled (Cash Capped)*
Lower of H17/I17 (May Override)	$706,040		Lower of H17/I17 (May Override)
HUD-Reconciled Excess Cash v PHA RNP (12/31/2019)			
HUD v. PHA difference: $15,732.00 or 0.2% of Eligibility	$87,112	<--VMS EOY RNP ============ EOY Excess Cash -->	$102,844

Administrative Fees Analysis See Detail

CARES Act Admin Fees	<= 7,200 UMLs (No Proration)	> 7,200 UMLs (No Proration)		2020	2021
			Admin Fees Earned (PY: $698,182)	$668,938	$621,833
$139,666	$68.98	$63.42	Expense	$710,854	$750,696
			Expense %	106.3%	120.7%

WI195 has a cost per UML of $49.45 compared to its Earnings/UML & Size peer group of $45.00 (a difference of 9%) and its state peer group (of all PHAs in the state) of $44.01 (a difference of 11%).

Based on the most recent, official (end of fiscal year) UNP, WI195 has a projected 2020 Calendar Year-End (CYE) UNP of $311,143 (or 46.5% of CY 2020 Earned Admin Fees) and a 2021 CYE UNP of $182,279 (or 29.3% of CY 2021 Earned Admin Fees).

HCV Leasing and Spending Projection

2020	UMAs	Actual UMLs	Actual HAP	Vouchers Issued/Projected To Be Issued	Other Planned Additions/ Reductions	New Leasing from Issued Vouchers	Estimated Attrition	UMLs: Actual/Projected	HAP: Actual/Projected	PUC: Actual/Projected	Manual PUC Override	Cumulative % Annual Leased	Cumulative % Eligibility Expended	Monthly UML %	Monthly ABA Expended %
Jan-20	1,192	1,107	$618,065					1,107	$618,065	$558		92.9%	89.1%	92.9%	89.1%
Feb-20	1,192	1,110	$624,648					1,110	$624,648	$563		93.0%	89.6%	93.1%	90.1%
Mar-20	1,192	1,101	$633,586					1,101	$633,586	$575		92.8%	90.2%	92.4%	91.4%
Apr-20	1,192	1,098	$648,663					1,098	$648,663	$591		92.6%	91.0%	92.1%	93.6%
May-20	1,192	1,092	$666,006					1,092	$666,006	$610		92.4%	92.1%	91.6%	96.1%
Jun-20	1,192	**0**	**$0**			0	-8.3	1,084	$660,942	$610		92.2%	92.6%	90.9%	95.3%
Jul-20	1,192	**0**	**$0**			0	-8.2	1,075	$655,917	$610		91.9%	92.9%	90.2%	94.6%
Aug-20	1,192	**0**	**$0**			0	-8.2	1,067	$650,930	$610		91.6%	93.0%	89.5%	93.9%
Sep-20	1,192	**0**	**$0**			0	-8.1	1,059	$645,981	$610		91.3%	93.0%	88.9%	93.2%
Oct-20	1,192	**0**	**$0**			0	-8.1	1,051	$641,069	$610		91.0%	93.0%	88.2%	92.5%
Nov-20	1,192	**0**	**$0**			0	-8.0	1,043	$636,195	$610		90.7%	92.9%	87.5%	91.8%
Dec-20	1,192	**0**	**$0**			0	-7.9	1,035	$631,358	$610		90.3%	92.7%	86.8%	91.1%
Total	*14,304*	*5,508*	*$3,190,968*	*0*	*0*	*0*	*-56.8*	*12,923*	*$7,713,361*	*$597*		*90.3%*	*92.7%*		
2021															
Jan-21	1,192					0	-7.9	1,027	$626,558	$610		86.2%	97.5%	86.2%	97.5%
Feb-21	1,192					0	-7.8	1,020	$621,794	$610		85.9%	97.1%	85.5%	96.7%
Mar-21	1,192					0	-7.8	1,012	$617,067	$610		85.5%	96.7%	84.9%	96.0%
Apr-21	1,192					0	-7.7	1,004	$612,375	$610		85.2%	96.4%	84.2%	95.3%
May-21	1,192					0	-7.6	996	$607,719	$610		84.9%	96.0%	83.6%	94.5%
Jun-21	1,192					0	-7.6	989	$603,098	$610		84.6%	95.6%	83.0%	93.8%
Jul-21	1,192					0	-7.5	981	$598,513	$610		84.2%	95.3%	82.3%	93.1%
Aug-21	1,192					0	-7.5	974	$593,962	$610		83.9%	94.9%	81.7%	92.4%
Sep-21	1,192					0	-7.4	966	$589,446	$610		83.6%	94.6%	81.1%	91.7%
Oct-21	1,192					0	-7.3	959	$584,965	$610		83.3%	94.2%	80.5%	91.0%
Nov-21	1,192					0	-7.3	952	$580,517	$610		83.0%	93.9%	79.9%	90.3%
Dec-21	1,192					0	-7.2	945	$576,103	$610		82.7%	93.5%	79.2%	89.6%
Total	*14,304*	*0*	*$0*	*0*	*0*	*0*	*-90.6*	*11,825*	*$7,212,118*	*$610*		*82.7%*	*93.5%*		

Graphs

SPVs: Additional SPV leasing should focus on the 30 unleased FUP vouchers. FINANCIAL: Beginning Year: Cash & Investments (VMS) of $418,428 compares to RNP (VMS) of $105,769. Current: VMS Cash & Investments of $418,428 compares to VMS RNP plus UNP of $105,769. Most importantly, the Two-Year Tool is not a problem to be solved, but a reality to be experienced.

Comments (PHA VMS Comments in Note)

Looking Ahead

See the exhibits on the preceding pages for examples of monitoring reports and a sample graph of the data. In the following section we'll review challenges in managing your HCV program and suggest some actions PHAs can take to reduce program costs.

SECTION 4.5 MANAGING REDUCED FUNDING

Funding Challenges

In today's financial environment it is critical for PHAs to proactively manage the finances of their HCV programs. Challenges that have the most impact on the program are:

- Participants' loss of income or jobs resulting in increased HAP costs and decreased program attrition rates. One of the important monitoring tools a PHA can use is estimation of future HAP expenses based on historical PUC and turnover rates. However sudden increases in HAP due to loss of family income would not be considered in PHA projections and can leave the PHA with less HAP funding than anticipated. In addition, the normal turnover rate may change significantly making it difficult for a PHA to predict future turnover when trying to reduce costs for the year.
- Late appropriations and lag in timing of data used for re-benchmarking. It is common for Congress to take several months after the end of the federal fiscal year to get a budget in place, which delays HUD's ability to determine the amount of renewal funding for PHAs.
- Funding offsets mandated by Congress. In years past, congress has elected to use some of a PHA's restricted net position (RNP) to fund current year HAP needs. Not knowing whether RNP will be recaptured in a particular calendar year adds to the difficulty in planning.
- Data reporting issues due to VMS revisions after the cut-off date for data submission. If a PHA made significant adjustments to its VMS data after HUD pulled data for re-benchmarking, its funding could be less than what is needed to support current leasing levels.

As a result of these funding challenges, PHAs may find that they cannot support all of their currently leased vouchers at current program expenses. In order to avoid termination of vouchers, PHAs will have to find ways to reduce program costs. The next section will discuss several ways to do so.

Typically, the goal of the PHA when taking steps to reduce program HAP costs should be to prevent termination of assistance to current participants.

PHA Actions to Reduce Voucher HAP Costs

Notice PIH 2011-28 & 2018-05

There are numerous actions PHAs can take to reduce HAP costs. The following is a list and description of several cost-cutting actions:

- *Reduce payment standards* – A PHA may reduce payment standards across the board. To get the benefit of the reduction sooner, the PHA must submit a waiver request to HUD to apply the reduction immediately. The waiver request must provide justification for the decrease and identify any cost saving measures the PHA has already taken.
- *Review utility allowances* – A PHA should review utility allowances to determine whether they are too high. Changes may be implemented immediately, but not later than the next scheduled reexamination of family income. The requirement PHAs to revise utility allowances whenever there is a rate increase of 10% or more is a regulatory requirement, but PHAs can request a waiver of this requirement for good cause.
- *Deny portability moves* – A PHA may opt to deny portability moves, and voluntary moves within the PHA jurisdiction, if the PHA does not have sufficient funds under its ABA and NRA to subsidize families that move to a higher cost area. PHAs may only deny a family's request to move if it has grounds to do so under program regulations. See Notice PIH 2016-09 and the Final Portability Rule for further guidance on denying moves due to insufficient funding. Also, keep in mind the receiving PHA may be able to absorb the family if the initial PHA lacks sufficient funding.
- *Rent reasonableness review* – PHAs do not have to wait until the HAP anniversary date to reevaluate owner rents and reduce them if warranted. If the rent is not reasonable as determined by the PHA, the owner must reduce the rent to the reasonable amount or the HAP contract should be terminated. If the owner rent is reasonable, the PHA could request the owner to voluntarily agree to a temporary rent reduction or defer a rent increase.

- *Stop voucher issuance* – If a PHA is facing a shortfall of funding, new vouchers should not be issued regardless of whether the PHA is leased up to baseline or not. PHAs should consider pulling back outstanding vouchers for applicants searching for housing that have not executed a HAP contract. This should be done in consultation with the PHA board, as it may be controversial.
    - Also, PHAs are reminded in Notice PIH 2012-9 that if they stop issuing vouchers as a result of a renewal funding shortfall in a given calendar year and are not serving the required number of special purpose vouchers, they must issue vouchers first to FUP, NED and HUD-VASH families.
- *Restrict project-based voucher (PBV) allocations* – PHAs that intend to commit some of their voucher funding for project-based vouchers may need to restrict their plans or not make new commitments.
- *Revise subsidy standards* – PHAs should consider revising overly generous subsidy standards to reduce bedroom size eligibility. A subsidy standard of two persons per bedroom, regardless of sex or age, is acceptable. An efficiency subsidy standard (0-BR unit) for single person households is acceptable. PHAs should ensure that payment standards for families leasing a larger unit than the unit size on the voucher are based on the lower of the voucher unit size or the actual unit size leased.
- *Implement minimum rent policy* – If a PHA does not have a minimum rent policy, it should consider implementing a $50 minimum rent. Depending on PHA policy, the PHA could institute increases in family contribution to be effective immediately, before the next reexamination.
- *Family income verification and other anti-fraud efforts* – PHAs can accelerate their efforts of income matching and verification by aggressively utilizing EIV monitoring techniques. PHAs can notify families that enforcement action will be taken where underreporting of income is discovered. If repayment agreements are created, the PHA should implement strict policies for default on the agreement and subsequent collection actions.

- *Conduct interim reexaminations* – PHAs should require families to report all increases in income between annual reexaminations and conduct frequent income reviews for zero-income families. The effective date of the annual or interim reexamination of family income is dependent on PHA policies, so these should be reviewed as well.
- *Voluntary transfer of vouchers to another PHA* – In cases where the PHA has exhausted all other possible options to reduce costs, it may need to consider transferring some of its vouchers to another PHA that has the resources to fund the vouchers. See Notice PIH 2018-12 for further information on voluntary transfers of vouchers.
- *Termination of assistance due to insufficient funding* – This should be an action of last resort and PHAs should notify the field office prior to notifying families of the potential termination of housing assistance. Termination policies should be added to the PHA's administrative plan. The plan should describe how the PHA will determine which HAP contracts will be terminated. It should also include the method the PHA will use to resume assistance based on preferences for the impacted families.
    - Keep in mind that if a PHA has to terminate families from its HCV program due to a funding shortfall, special purpose vouchers (HUD-VASH, NED, and FUP families) that comprise the required number of families served must be last to be terminated. The PHA's administrative plan must also address the order of terminating special purpose voucher families should termination be necessary.

- *Other things to consider prior to the termination of assistance* – Prior to termination of assistance the PHA should consider the following:
  - Does the PHA have administrative reserves to cover its shortfall? HUD will require PHAs to use available administrative reserves to cover shortfall expenses if available.
  - Are HOME funded rental subsidies available?
  - Are any other local funds available?
  - Does the PHA have vacant public housing units to house voucher holders if needed?

A PHA should work closely with its field office or financial management center (FMC) representative when implementing any of the cost reduction measures. These HUD representatives will help determine the best course of action on an individual PHA basis.

PHA Actions to Reduce HCV Program Administrative Costs

Notice PIH 2016-04

Since 2008, the Congress has not appropriated enough in admin funds to pay all PHAs at 100 percent of their eligibility for admin fees based on the formula for earning those fees.

The following are some operating cost saving measures recommended by HUD a PHA could consider. HUD reminds PHAs they must continue to comply with all program requirements, regardless of whether the PHA is experiencing financial difficulties and regardless of the cost saving measures that are implemented.

- More Aggressive Use of EIV
  - Can reduce the administrative time spent trying to verify income of participants through third party verification methods.

- Verify HQS Deficiencies Remotely for Annual or Interim Inspections
  - Although the regulations require PHAs to verify that any HQS deficiencies have been corrected they do not prescribe a particular method be used.
  - Possible options a PHA might consider to verify deficiencies were corrected other than a re-inspection completed by PHA staff include:
    - Accept an owner's certification
    - Vendor receipts
    - Photographs
    - Tenant confirmations

Note: Admin Plan must contain info on how PHA will verify corrections were done.

- Separate the Annual HQS Inspection From the Annual Re-examination of Family Income
  - May allow the PHA to schedule inspections based on geographic areas making better use of staff time and a reduction of transportation costs.
  - May provide a more cost effective bid from an outside contractor to conduct inspections for the PHA.
- Eliminate Interim Re-examinations for Increases in Family Income
  - A PHA could go back to an annual re-examination period for the reporting of increases in income.
  - Could set a threshold for reporting family income increases.
  - CAUTION - May impact HAP expense so caution should be exercised before implementation of this option.
  - Keep in mind:
    - Admin Plan must state the PHA's policy on when interim re-exams will be conducted.
    - PHA must conduct the re-exam if requested by the family due to a change in income or family composition.

- Close the Waiting List
  - If a PHA has sufficient applicants on its waiting list, the PHA may close the waiting list to reduce the administrative tasks associated with accepting and processing applications.
  - Keep in mind when the waiting list is reopened, the PHA must give public notice in accordance with 24 CFR 982.206.
- Eliminate Waiting List Preferences
  - The establishment of local preferences for the selection of families admitted to the program is a PHA option.
  - PHAs needing to reduce administrative burdens could elect to eliminate all local preferences and house families solely by the date and time of the application.
    - Eliminates the staff time needed to verify the preferences and the on-going monitoring of the waiting list to ensure compliance with the preference system.
  - The implementation of this option would require an amendment to the Admin Plan if the PHA has local preferences.
- Conduct Group Briefing Sessions
  - The regulations do not prohibit a PHA from conducting family briefings in group sessions.
  - Utilize briefing videos to minimize the need for staff to conduct the briefings.
  - Many PHAs follow this approach and it significantly reduces the amount of time PHA staff spends on the voucher briefing and issuance process.
- Eliminate the Process of Screening Families for Tenant Suitability
  - Screening families for suitability for tenancy is discretionary for PHAs as stated in 24 CFR 982.307.
  - Owners are responsible for screening families on the basis of their tenancy history.

Note: The PHA's Admin Plan must state its policies on screening applicants for suitability.

- Absorb Incoming Portability Vouchers
  - In order to reduce the administrative tasks associated with portability activity, a PHA may absorb incoming portability families.
  - Of course the receiving PHA must have the financial resources to do so.
- Limiting Portability and Moves Within the PHA's Jurisdiction
  - The regulations allows PHAs to adopt policies that prohibit moves during the initial lease term and prohibit more than one move by the family during any one year period.
  - Can reduce the administrative burden to process the paperwork for each move and the follow up required.
  - PHAs may only deny voluntary moves not moves related to a unit failing HQS or for a family requesting assistance under the Violence Against Women Act.
- Streamline the Re-examination Process
  - Review policies and procedures for conducting annual re-examinations of income to remove unnecessary steps.
    - Does the PHA collect multiple copies of documents which are only needed at initial occupancy.
    - Does the PHA collect third party documents to verify family income that are not needed? For example, HUD allows some types of documents generated by a third party source to be provided by the tenant.
- Partner With Another PHA to Conduct Some Administrative Tasks
  - PHAs in the same geographical area may find it useful to partner with another PHA to consolidate some types of administrative tasks in order to reduce costs.
  - Evaluate various functions and determine if one partner is better at a particular function then the other.
  - Consider a fee-for-service arrangement with another PHA for handling some functions.
  - Examples might be:
    - Inspections conducted by PHA staff or contracted. Perhaps if contracted increased volume will result in a lower per unit price.

- Joint Procurement of Supplies and Services
    - Consolidating purchases with another PHA in the same geographical location who needs similar supplies and services could result in lower costs.
        - Larger volume purchases could result in lower unit prices.
        - Determining common training needs between PHAs could result in reduce training costs (lower travel costs and the overall unit cost per participant).
        - Consolidated unit inspection contracts could result in lower per unit costs.
        - Consolidated medical and other benefit plans could result in lower benefit costs.
        - Consolidated purchasing could result in lower administrative burden for purchasing staff or allow the number of purchasing staff to be reduced.
- Increase the Success Rate of Voucher Holders
    - Low success rates result in higher administrative burden by increasing briefing sessions, HQS inspections, and rent reasonableness determinations.
    - If success rates are low consider:
        - Extending search times for families.
        - Re-assess payment standard adequacy.
        - Increasing outreach to landlords.

- Re-assess Cost Allocation Plans
  - Many S8 only PHAs utilize indirect cost allocation plans to recover administrative overhead costs.
  - Re-assess the method(s) used to allocate costs to the HCV program. Is the method used unfairly driving costs to the HCV program where the benefits received are not proportional?
  - If the HCV program is operated as a division of a larger entity of government (city, county or state) is the program burdened unfairly with allocated overhead. The program must receive benefits to share in the payment of overhead costs.
  - Will the higher level of government agree to a lower overhead burden if the program is showing losses?
- Re-assess the Program Management Fee Paid to the COCC
  - Many PHAs are now operating under the asset management model with allows for a COCC and the payment of various fees by the programs and projects to the COCC in lieu of cost allocations.
  - Allowed amounts include the greater of 20% of the total admin fees earned or $12 per unit month leased plus a $7.50 bookkeeping fee per unit month leased.
  - If the HCV program is paying the full allowed amounts, consider whether these can be reduced.
    - The COCC can always charge less then the allowed amount but not more.

- Utilize an outside contractor for HQS Inspections
  - May be able to conduct the inspections at a lower cost than the PHA.
  - May allow the PHA to reduce salary and benefit costs.
  - May allow the PHA to reduce the costs of maintaining a fleet of inspection vehicles as well as transportation costs. For example:
    - Repair costs
    - Gas
    - Insurance
    - Routine maintenance costs (oil changes, tire rotation, etc.)
- Other Possible Actions Include:
  - Freeze annual wage increases
  - Implement wage rate reductions (if union shop will need to negotiations with the union)
  - Freeze hiring at turnover
  - Layoff staff
  - Modifying retirement benefit contributions where the PHA makes the decision on the contribution amounts.
  - Increasing the amount employees pay toward their medical insurance or other benefits
  - Conduct an organizational assessment - Do we work effectively and efficiently? Are we making the best use of automation to help us do our work?
    - An outside assessment will answer these questions.
    - Will be a cost initially, but could lead to long-term cost savings due to possible opportunities for improvements.

- Consolidation With Another PHA
  - Some PHAs may find that they are still in a dire financial situation even after implementation of many of the options just described.
  - In this case the PHA may wish to consider consolidating its program with another PHA in the same geographical location.
  - See Notice PIH 2012-11 for information on the approval process.
- Contract with a Third Party for Program Administration
  - Some PHAs may find it more cost effective to contract the administration of the program to an outside third party or another PHA.
    - Contracting with another PHA in the same geographical location might make sense for PHAs with very small programs where they are very sensitive to changes in income because they lack economics of scale but don't want to give up local control of the program.
- Some final considerations
  - Maximize leasing – it's more important than ever to maximize leasing rates in order to earn the full amount of admin fees possible.
  - Increase Fraud Recovery Efforts – remember PHAs are allowed to keep the greater of 50% of what they collect or the reasonable direct costs of collection with regard to tenant and landlord committed fraud.
    - The amount the PHA is allowed to keep is considered admin income and can be used to offset admin costs.

Looking Ahead

In order to more fully understand how to apply the information presented so far, Chapter 5 examines the regulatory and statutory financial management requirements as they relate to the housing choice voucher program.

CHAPTER 5 HCV Program Regulatory & Statutory Financial Management Requirements

Introduction

This chapter reviews HCV regulatory and statutory program requirements set forth by Congress, HUD, and the Office of Management and Budget (OMB), as they relate to HCV program financial management.

SECTION 5.1 GENERAL HCV FINANCIAL MANAGEMENT REQUIREMENTS OF THE ACC

Form HUD-52520, Consolidated Annual Contributions Contract

The ACC is the starting place for general HCV program financial management requirements. The ACC contains broad language which is defined in more detail by notices, the *Federal Register* and information posted to various HUD Web pages, such as the housing choice voucher program home page. Of note is that some of the broad requirements listed in the ACC are no longer applicable because of program changes. In addition, some of the terminology used in the ACC has changed but terms in the ACC have not been updated. Regardless of these issues, the ACC remains the main contract document binding the PHA to various responsibilities in the administration of the HCV program.

Some specific HCV program financial management requirements and obligations contained in the ACC include:

- The PHA must use program receipts to provide decent, safe, and sanitary housing for eligible families.
- Interest on the investment of HCV program receipts must be treated as HCV program income.

- Administrative fees earned in excess of administrative expenses must be credited to an administrative reserve account now referred to as Unrestricted Net Position (UNP). These funds must be used to pay administrative expenses in excess of earned administrative fees. If any funds remain in this account, the PHA may use them for other housing purposes permitted by state and local law. (Note, only pre-2004 accumulations can be used in this way. See page 5.5-1 for more information on pre-2004 reserves.)
- If the PHA is not adequately administering the HCV program, HUD may direct the PHA to use Unrestricted Net Position (UNP) to improve program administration, to reimburse ineligible expenses, or entirely prohibit the use of Unrestricted Net Position (UNP).
- PHAs are required to deposit all HCV program funds with a financial institution selected as depository by the PHA in accordance with HUD requirements and to enter into an agreement with the depository in a form required by HUD. The depository agreement must provide upon written notice by HUD to the depository that no funds may be withdrawn from the depository account as well as allow HUD to withdraw funds from the depository account.
- Maintaining fidelity bond coverage for all employees who handle cash, or who are authorized to sign checks or approve payments.

If the PHA is determined to be in default of its obligations under the ACC, upon written notice to the PHA, HUD may take possession of all or any PHA property, rights or interest in connection with the program, including funds held by a depository, program receipts, and rights or interests under a HAP contract with an owner.

SECTION 5.2 ADDITIONAL GENERAL REGULATORY REQUIREMENTS

24 CFR 982.158

In addition to the ACC requirements, PHAs must also meet the following additional financial management requirements:

- Maintain complete and accurate accounts and other records for the program in accordance with HUD requirements.
- Maintain accounts and records in a manner that permits a speedy and effective audit.
- Maintain records in a form required by HUD, including requirements governing computerized or electronic forms of record keeping.
- Furnish to HUD accounts and other records, reports, documents, and information, as required by HUD.
- Provide full and free access to all PHA offices and facilities, and to all accounts and other records of the PHA that are pertinent to the administration of the program. This includes the right to examine or audit the records and make copies. This also includes access to computerized or other electronic records, and to any computers, equipment, or facilities containing such records, as well as providing any information or assistance needed to access the records.

Notes

SECTION 5.3 GENERAL DEPOSITORY AGREEMENT

The ACC for the HCV program requires the PHA to enter an agreement with a depository in a form required by HUD. The current required form is HUD-51999, General Depository Agreement.

Form HUD-51999, General Depository Agreement

Under the requirements stated in form HUD-51999, General Depository Agreement, PHAs are required to deposit HCV program funds in an interest bearing account at a depository that is federally insured (FDIC insured). This includes administrative fees, HAP funding, and FSS escrow deposits.

The General Depository Agreement also requires that all HCV program funds deposited with the depository that exceed the FDIC insurance limit, currently $250,000[1], be fully (100%) and continuously collateralized with specific and identifiable U.S. Government or agency securities prescribed by HUD.

The FDIC insurance coverage for government accounts is known as public unit accounts. FDIC insurance coverage of a public unit account is unique in that the insurance coverage extends to the official custodian of the deposits belonging to the public unit rather than to the public unit.

Each official custodian of time and savings deposits (including interest-bearing accounts) of a public unit is insured up to the current limit of $250,000.

Demand deposits in an insured bank located in the same state as the public unit are insured up to $250,000, separately from time and savings deposits of the public unit.

- For example, the same official custodian may receive up to $500,000 in FDIC insurance coverage—$250,000 in time and savings deposits and $250,000 in demand deposits—provided the deposits are held in an insured bank located in the same state as the public unit.

1. The FDIC insurance coverage was raised from $100,000 to $250,000 per depositor, per insured bank in 2008 as a result of the financial crisis.

Public unit deposits maintained in any out-of-state bank, whether time, savings, or demand deposits, are limited to a maximum of $250,000 in FDIC insurance coverage per official custodian.

To learn more about deposit insurance coverage for government accounts, see the FDIC's fact sheet—Deposit Insurance for Accounts Held by Government.

Although HUD has not identified for the HCV program what "prescribed by HUD" actually means, one can look to the public housing collateralization guidelines. These guidelines, found in Notice PIH 96-33, primarily limit the collateral to direct obligations of the U.S. government or obligations of federal agencies which are backed by the full faith and credit of the United States.

- Examples include: T-bills, notes, and bonds.

In addition, acceptable collateral would be obligations issued by federal government agencies.

- Examples include the Federal Financing Bank, Small Business Administration and Maritime Administration merchant marine bonds, notes, and obligations.

The General Depository Agreement, in paragraph 5, gives HUD the authority to direct the depository to freeze the PHA's account(s) so that no withdrawal of funds from the account(s) by the PHA can be allowed. Once notified, the depository may not allow withdrawals from the account(s) without written notice from HUD to unfreeze the account.

- This action may be needed in cases of fraud, abuse or extreme mismanagement of the program.

PHAs must obtain a General Depository Agreement for each institution in which the PHA deposits federal funds.

- The form is signed by a bank official and a PHA official authorized to sign on the account.
- The form is not sent to HUD but instead kept on file at the PHA. The independent auditor should verify its existence during the audit.

General Depository Agreement
HUD-51999 (GDA)

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

OMB Approval No. 2577-0075
(exp. 01/31/2021)

Public reporting burden for this collection of information is estimated to average 1 hour per response. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. HUD will use this information to ensure PHAs use all Program Receipts received from HUD or otherwise associated with public housing funds for purposes of public housing, by requiring such financial assistance to be deposited into interest-bearing accounts at certain financial institutions. The information requested does not lend itself to confidentiality.

This Agreement, entered into this _ _ day of ___ ___ , 20____ by and between_ ___(herein called the "HA"), a duly organized and existing public body corporate and politic of the_ _ of___ __and___ __(herein called the "Depository"), located at ___ ___.

Witnesseth:
Whereas, the Department of Housing and Urban Development (herein called "HUD") has entered into one or more Annual Contributions Contracts (herein called the "ACC" with the HA for the purpose of providing financial assistance to develop and operate lower income housing projects, as authorized by the United States Housing Act of 1937, as amended (42 USC 1437, et seq.); and

Whereas, under the terms of the ACC the HA is required to select as depositories of its funds, financial institutions whose deposits or accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF) as long as this Agreement is in force and effect.

Now Therefore, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. The deposits and accounts of the Depository shall continue to be insured by the FDIC Corporation or NCUSIF.

2. All monies deposited by the HA with the Depository shall be credited to the HA in a separate interest-bearing deposit or interest-bearing accounts, designated .
Accounts" (herein the "Accounts"). Any portion of HA Funds not insured by a Federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD in a notice. Collateralization is required on a daily basis at the end of the business day. Such securities shall be pledged and set aside in accordance with applicable law or Federal regulations. The HA shall have possession of the securities (or the HA will take possession of the securities) or an independent custodian (or an independent third party) holds the securities on behalf of the HA as a bailee (evidenced by safe keeping receipt and a written bailment for hire contract) and will be maintained for the full term of deposit. The Depository may substitute other securities as collateral to equal or increase the value. If the HA is an agency of an Indian tribe, the collateral shall be in United States bonds and otherwise as may be prescribed for public funds by the United States Secretary of the Treasury.

3. Except as stated in Paragraph 5, the Depository shall honor any **(a)** check or other order to pay from the Accounts, or **(b)** directive to purchase investment securities with monies from the Accounts or to sell securities, if such order or directive is in writing and signed on behalf of the HA by an officer or member designated by resolution of the Board of Directors of the HA to have such authority. To assist the Depository in its obligation, the HA shall furnish the Depository with a certified copy of the resolution.

4. Any securities received from the HA or purchased by the Depository with monies from the Accounts shall be considered to be a part of the Accounts and shall be held by the Depository in safe-keeping for the HA until sold. Interest on such securities and the proceeds from the sale thereof shall be deposited in the Account upon receipt

5. If the Depository receives written notice from HUD that no withdrawals by the HA from the Accounts are to be permitted, the Depository shall not honor any check or other order to pay from the Accounts or directive to purchase or sell securities, or permit any withdrawals by the HA from said Accounts until the Depository is authorized to do so by written notice from HUD.

6. The Depository is not obligated to be familiar, and shall not be charged, with knowledge of the provisions of the ACC, and shall be under no duty to investigate or determine whether any action taken by either the HA or HUD in respect of the Accounts are consistent with or are authorized by the ACC or whether either HA or HUD is in default under the provisions of the ACC. The Depository shall be fully justified in accepting and acting on, without investigation, any certificate or notice furnished to it pursuant to the provisions of this Agreement and which the Depository shall in good faith believe to have been duly authorized and executed on behalf of the party in whose name the same purports to have been made or executed

7. The rights and duties of the Depository under this Agreement shall not be transferred or assigned by the Depository without the prior written approval of the HA and HUD. This Agreement may be terminated by either party hereto upon thirty days' written notice to the other party, and HUD. The rights and duties of the Depository hereunder shall not be transferred or assigned nor shall this Agreement be terminated during any period in which the Depository is required to refuse to permit withdrawals from the Accounts as provided in Paragraph 5.

8. HUD is intended to be a third-party beneficiary of this Agreement and may sue to enforce its provisions and to recover damages for failure to carry out its terms.

9. The Depository shall provide the HA with remote, electronic access to the Accounts for the purpose of monitoring the crediting or depositing of any monies in the Accounts.

10. The provisions of this Agreement may not be modified by either Party without the prior written approval of HUD

11. Strike this paragraph if inapplicable: Previous General Depository or Savings Depository Agreements, if any, entered into between the Depository and the HA are hereby terminated and all monies and securities of the HA on deposit with or held by the Depositories pursuant to the terms of said Agreement shall continue to be held for account of the HA pursuant to and in accordance with the provisions of this Agreement.

12. Strike this paragraph if paragraph 2 applies: For use only in certain States that have statutes that prohibit HAs from implementing paragraph 2.

At no time shall the HA Funds in the Accounts be permitted to exceed the amount insured by Federal deposit insurance (herein the "Insured Amount"). At any such time as the amount of funds in the Accounts reach the Insured Amount, whether by the accrual of interest or otherwise, the Depository shall promptly, as directed by the HA, and in an amount sufficient to limit the funds in the Accounts to the Insured Amount, either: (a) remit payment to the HA or, (b) on behalf of the HA, purchase securities approved for investment by the HA. Such securities shall not be considered to be a part of the Account pursuant to Paragraph 4 hereof but shall be held by the Depository as custodian or trustee for the HA in a separate account established for that purpose by the Depository (herein the "Securities Account"). The Securities Account shall be designated as___ _.

Income or other proceeds from securities held in the Securities Account shall, as directed by the HA, upon receipt, be paid to or on behalf of the HA; provided, however, that such proceeds shall, to the extent consistent otherwise with the provisions of this Paragraph, be deposited in the Accounts. If the Depository receives written notice from HUD pursuant to Paragraph 5 hereof that no withdrawals by the HA from the Accounts are to be permitted, the Depository shall not honor any directive from the HA to sell securities, or permit any withdraws by the HA, from the Securities Account until the Depository is authorized to do so by written notice from HUD. During the pendency of such restrictions on the Accounts and the Securities Account, the Depository, except as directed in writing by HUD, shall not remit any payment to the HA for the purpose of limiting the amount of funds in the Account to the Insured Amount but shall instead purchase securities approved for investment by the HA and hold such securities in the Securities Account.

13. Notice required under the terms and conditions of this agreement shall be deemed to have been given when it made by:

___________ _______________, on behalf of ____________ ____________
Title Organization (HA)

____________ _____________, on behalf of ____________ _____________
Title Organization (Depository)

___________ _______________, on behalf of _____________ ___________
Title Organization (HUD)

Notice shall be made in writing. Notice may be delivered in person, by United States Postal Service mail, by receipted commercial mail delivery, by facsimile machine or other electronic means that clearly identifies the sender as one of the persons so authorized in this paragraph. **Notice under the terms of this agreement shall be implemented by the Depository within 24 hours of actual receipt.**

In Witness Whereof, the HA and the Depository have caused this Agreement to be executed in their respective names and their respective seal to be impressed hereon and attested as of the date and year first above written.

____
HA
(SEAL)
ATTEST:
By____
Chairman
____
Secretary

____
Depository
(SEAL)
ATTEST
By____

SECTION 5.4 SINGLE AUDIT ACT REQUIREMENTS

24 CFR 982.159

PHAs must comply with the Single Audit Act of 1984 which requires each state or local government that in the aggregate expends $750,000 or more in federal financial assistance in any given year, to have an annual comprehensive single audit of its financial operations. The audit also includes tests to determine whether the entity complied with the laws and regulations.

The Office of Management and Budget (OMB) audit requirements which can be found at 200 CFR Part 500-521[1].

This CFR section identifies, along with any supplements, important compliance requirements that the federal government expects to be considered as part of an audit. Without the supplement, auditors would need to research many laws and regulations for each program under audit to determine which compliance requirements are important to the federal government and could have a direct and material effect on a program.

Each year, all federal agencies review and update the compliance supplement for their related programs.

The OMB assigns each program a Catalog of Domestic Assistance (CFDA) number that is used to report individual program requirements. The HCV program CFDA number is 14.871.

The single audit must be conducted in accordance with three levels of auditing standards. The three levels are:

- Generally accepted auditing standards (GAAS)
- Government Auditing Standards, issued by the U.S. General Accounting Office (GAO)
- 200 CFR Part 500-521

1. Effective 12/26/2013, OMB Circular A-133 was incorporated into a set of OMB Regulations at 2 CFR Chapter 1, Chapter 11, Part 200, et al.

At the completion of the single audit, an auditor will issue the following three reports:

- Auditor's report on the financial statements and on the Schedule of Expenditures of Federal Awards
- Auditor's report on internal controls and compliance resulting from the audit performed in accordance with Government Auditing Standards
- Auditor's report on compliance with requirements applicable to each major program and internal control over compliance in accordance with 200 CFR Part 500-521

SECTION 5.5 LIMITATIONS ON THE USE OF ADMINISTRATIVE FEES & ADMINISTRATIVE FEE EQUITY (UNP)

Notice PIH 2015-17

Since Federal Fiscal Year (FFY) 2004, the appropriations acts stipulate that administrative fees provided from these appropriations shall only be used for activities related to the provision of housing choice voucher rental assistance, including related development activities.

- HUD has defined *related development activities* to mean: unit modifications for accessibility purposes and development of project-based voucher units.

Any excess administrative fees earned from funding received in calendar year 2004 and forward that are subsequently moved into Unrestricted Net Position (UNP) account at year-end may not be used for other housing-related purposes as allowed for in the ACC and regulations at 24 CFR 982.155(b)(2). These amounts must also only be used for the provision of housing choice voucher rental assistance, including related development activities.

Although the acts do not specifically define “the provision of housing voucher rental assistance,” HUD in practice has defined this to mean administrative expenses in excess of administrative fees earned, including the direct and indirect cost of program administration. In addition, UNP may be used to cover excess HAP costs when the PHA has exhausted its ABA and Restricted Net Position (RNP) account.

24 CFR 982.155(b)(2)

Regulations at 24 CFR 982.155(b)(2) permit pre-2004 administrative fees accumulated in excess of administrative expenses that were moved into UNP (formerly the Administrative Fee Reserve and UNA) to be used for other housing purposes permitted by state and local law. In order to use pre-2004 UNP balances for other housing purposes, the PHA must:

- Establish by board resolution a threshold by which the board must approve the use of UNP for other housing purposes; and
- Approve by board resolution any amount used from UNP for other housing purposes that exceeded the threshold established by the board.

Notes

SECTION 5.6 RECORDS RETENTION

The PHA should have a written records retention policy that classifies the PHA's records into types (i.e., payroll, retirement, etc.) and specifies the length of time each type of record should be retained.

The PHA's records retention policy must comply with any state or HUD guidelines with regard to the length of time certain documents must be retained.

24 CFR 982.159(e)

HUD requires that most program records be kept for a minimum of three years. However, state law may have longer retention requirements and the PHA will need to meet the stricter of the two requirements. The following are some examples of HUD required document retention periods.

- During the term of each assisted lease, and for at least three years thereafter, the PHA must keep:
  - A copy of the executed lease
  - The HAP contract
  - The application from the family
- The PHA must also keep the following records for at least three years:
  - Records that provide, income, racial, ethnic, gender, and disability status data on program applicants and participants
  - An application from each ineligible family and notice that the applicant is not eligible
  - HUD-required reports
  - Unit inspection reports
  - Lead-based paint records as required by 24 CFR part 35, subpart B
  - Accounts and other records supporting PHA budget and financial statements for the program
  - Records to document the basis for PHA determination that rent to owner is a reasonable rent (initially and during the term of a HAP contract)
  - Other records specified by HUD

Notes

SECTION 5.7 YEAR-END FINANCIAL REPORTING

24 CFR Part 5, Subpart H; 24 CFR 982.158

PHAs must follow the Uniform Financial Reporting Standards (UFRS) when reporting year-end financial information to HUD for the HCV program.

One of the main requirements of the UFRS is that PHAs must submit year-end financial information to HUD-REAC in accordance with generally accepted accounting principles (GAAP). In addition, it requires PHAs to submit year-end financial information in a manner prescribed by HUD. Under this requirement, HUD requires that year-end financial information be submitted electronically using a Web-based template called the Financial Data Schedule (FDS).

Typically the PHA will submit an unaudited submission and an audited submission of year-end financial information using the FDS.

- The unaudited submission is due to HUD 60 days after the PHA’s fiscal year end.
- The audited submission is due nine months after the PHA’s fiscal year end.

HUD will impose a 10% penalty against a PHA’s monthly administrative fees for failure to file by the deadlines until such time that the PHA complies with the filing requirements as provided for in Notice PIH 2015-16.

Notes

SECTION 5.8 VMS REPORTING REQUIREMENTS

Notice PIH 2008-39

PHAs must report leasing and cost data as well as other selected leasing and financial information about the HCV program on a monthly basis to the HCV Financial Management Center using a Web-based template called the Voucher Management System (VMS).

PHAs that do not submit the required data by the reporting deadline may be sanctioned as provided by 24 CFR 982.152(d), and in accordance with the procedures outlined in Notice PIH 2008-9. These include a penalty (typically 10%) against the PHA's monthly administrative fees until the PHA complies with the reporting requirements.

HUD will deploy Quality Assurance Division teams to conduct onsite reviews of PHAs to ensure the integrity of the PHA's reported data for the HCV program, as well as to ensure compliance with other program requirements, including overleasing.

We will explore more information about the VMS in Chapter 8.

Notes

SECTION 5.9 PIC REPORTING

Notice PIH 2007-29

PHAs are required to have a minimum of a 95% reporting rate (or 94.5% before rounding) on form HUD-50058 which is submitted electronically to HUD via PIC.

PHAs whose reporting rates fall below 95% may have their administrative fees for the calendar year reduced or offset in an amount determined appropriate by HUD.

Assessment of PIC reporting is done quarterly.

Notes

SECTION 5.10 USE OF THE HUD ENTERPRISE INCOME VERIFICATION (EIV) SYSTEM

The EIV system is a Web-based application which provides PHAs with employment, wage, unemployment compensation, and social security benefit information of tenants who participate in the public housing and various Section 8 programs, to reduce errors and fraud.

Effective January 31, 2010, all PHAs are required to use the HUD Enterprise Income Verification (EIV) system in its entirety.

The system is used to verify tenant income during annual and interim reexaminations of family income.

Notes

SECTION 5.11 CONFLICT OF INTEREST

24 CFR 982.161
2 CFR 200.112

PHAs are prohibited from engaging in activities that would create a conflict of interest. Neither the PHA nor any of its contractors or subcontractors may enter into any contract or arrangement in connection with the tenant-based programs in which any of the following classes of persons has any interest, direct or indirect, during tenure or for one year thereafter:

- Any present or former member or officer of the PHA (except a participant commissioner)
- Any employee of the PHA, or any contractor, subcontractor, or agent of the PHA, who formulates policy or who influences decisions with respect to the programs
- Any public official, member of a governing body, or state or local legislator, who exercises functions or responsibilities with respect to the programs
- Any member of the Congress of the United States

Any of the persons outlined above must disclose their interest or prospective interest to the PHA and HUD.

The HUD field office may waive the conflict of interest prohibition for good cause.

Notes

SECTION 5.12 REPORTING EXECUTIVE COMPENSATION AND GUIDANCE ON SALARY RESTRICTIONS

Reporting Executive Compensation

Notice PIH 2019-21

PHAs that administer HUD-assisted public housing and housing choice voucher programs are required to report to HUD annually the compensation provided to each of their three highest compensated employees, of these three, one must be compensation data for the top management official and one the top financial official. HUD will post this information on its Web site with job titles but without employee names.

The previous Notice PIH 2017-14 reminds PHA boards that executive compensation, particularly for executive directors, must be at a level within the range of that provided to comparable executive employees.

- Documentation of the PHA's comparability analysis must be maintained for possible HUD review.

The requirements of the notice apply to PHAs that operate a public housing program or HCV program. MTW agencies are also required to comply

PHAs will complete form HUD-52725 and submit online through HUD's secure system. HUD will send all PHAs an email with the link for accessing the HUD-52725 form, including submission instructions.

- Using form HUD-52725, PHAs must identify the following three executives:
  - The top management official
  - The top financial official
  - The highest compensated employee who is neither the top management official nor the top financial official

- To complete the HUD-52725 form, each PHA will use the total compensation figure reported on the PHA employee's IRS form W-2 for the PHA's reporting year. The PHA will further break down the W-2 reporting figure into four components for each executive:

1. Base salary from section 8 and 9 (PH) funds
2. Bonus, incentive, and other compensation from section 8 and 9 funds
3. Base salary from non-section 8 and 9 funds
4. Bonus, incentive, and other compensation from non-section 8 and 9 funds

Schedule of Positions and Compensation	U.S. Department of Housing and Urban Development Office of Public and Indian Housing OMB Approval No. 2577-0272 (exp. 02/28/2022)

Public reporting for this collection is estimated to average 30 minutes per response. This includes the time for respondents to review the instructions, search existing data sources, gather and maintain data needed, and complete and review the collection. This information is used for monitoring and oversight. Responses are required to obtain or retain benefits. The information does not lend itself to confidentiality. Respondents are not required to respond to this information collection unless a current, valid OMB control number is displayed.

Information is required for:
(1) the top management official (e.g., the executive director, Chief Executive Officer (CEO), or person with similar duties);
(2) the top financial/accounting official (e.g., the chief financial/accounting officer or person with similar duties); and
(3) ALL individuals who are paid an annual salary (including bonus) above the prevailing salary for Level IV of the Executive Schedule

IMPORTANT NOTES:
** If the top management official and the top financial/accounting official are the same person, the PHA is to report information for that person and the next highest paid individual.
** A Public Housing Agency (PHA) that has neither a top management official nor financial/accounting official MUST report compensation for its two highest paid employees.
** If a PHA has two or fewer employees, the PHA is to report the information for all its employees.

Section I: PHA Information

(A) PHA Code		(use drop-down list)
(B) Name of PHA*		
(C) PHA Fiscal Year End		(use drop-down list)
(D) This PHA had no employees in 20XX		(check box if this is the case)
(E) This PHA is managed by another PHA or other entity		(use drop-down list to identify the managing PHA or type in the name of the other managing entity if not a PHA)

Section II: Calendar Year Employee Compensation Data **(When entering amounts, do NOT use dollar signs, commas or other special characters. Enter 0 (zero) in any box when the employee did not receive that form of compensation.)**

Box 1 Employee Last Name	Box 2 First name, middle initial	Box 3 Employee Title (Use drop-down list)	Box 4 Total Compensation as reported on the PHA employee's 20XX IRS Form W-2 (Box 5) ($)	Box 5 Base Salary from Section 8 & 9 funds ($)	Box 6 Bonus compensation from Section 8 & 9 funds ($)	Box 7 Incentive, and other compensation from Section 8 & 9 funds ($)	Box 8 Base Salary from NON - Section 8 & 9 funds ($)	Box 9 Bonus compensation from NON-Section 8 & 9 funds ($)	Box 10 Incentive, and other compensation from NON-Section 8 & 9 funds ($)	Box 11 Total (Boxes 5 through 10)	Box 12 Completeness Check: (Box 4 = Box 11) Yes/No	Box 13 If this employee is compensated and reported by more than one PHA, identify all other PHAs below
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Section III: Calendar Year NON W-2 Employee Compensation Data - Other CASH Compensation
[only complete if an employee in Section II above was paid cash compensation not included in the W-2 information reported]

Box 14 Employee Last Name	Box 15 First, middle initial	Box 16 Employee Title (Use drop-down list)	Box 17 Cash compensation paid to employee in CY 20XX **NOT** reported on the employee's W-2 ($)	If an amount is entered in Box 17, please explain the circumstances in the space provided below.

Section IV: Certification

I hereby certify that the above information is true and correct (please type name and title of individual signing, and date this form): ____, ______________

HUD will prosecute false claims and statements. Such false statements and/or entries may be subject to criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802).

* The form will automatically fill in this value based on other entries.

HUD-52725 (rev. 02/2019)

Instructions for Form HUD-52725 (Rev 2/2019)

General Instructions

1. HUD will publish a notice that will provide additional instructions for submitting this form. All PHAs that administer public housing and/or housing choice voucher programs are required to complete this form.

2. Information is required for:
(1) the top management official (e.g., the executive director, Chief Executive Officer (CEO), or person with similar duties);
(2) the top financial/accounting official (e.g., the chief financial/accounting officer or person with similar duties); and
(3) all individuals who are paid an annual salary (including bonus) above the prevailing salary for level IV of the Executive Schedule.

IMPORTANT NOTES:

** If the top management official and the top financial/accounting official are the same person, the PHA is to report information for that person and the next highest paid employee.
** A PHA that has neither a top management official nor financial/accounting official MUST report compensation for its two highest paid employees.
** If a PHA has two or fewer employees, the PHA is to report the information for all its employees.

Section I: PHA Information

(A) PHA Code. Select your PHA code from the drop-down list.
(B) Name of PHA. The form will automatically populate this box.
(C) PHA Fiscal Year End. Select your PHA's fiscal year end from the drop-down list.

(D) This PHA had no employees in 20XX. If the PHA being reported had no employees, check the box provided.

(E) This PHA is managed by another PHA. If the PHA being reported is managed by another PHA or other entity, Identify the other entity here. If it is a PHA use the drop down list to identify the managing PHA. If managed by an entity other than a PHA, enter the name of the entity.

Section II: Calendar Year Employee Cash Compensation Data

Box 1. Enter the executive/employee's last name.
Box 2. Enter the first name and middle initial of the executive/employee.
Box 3. Using the drop down menu, enter the executive/employee's job title or position. The drop down menu provides three options: CEO/ED, Chief Financial Officer (CFO), and Other. Select CEO/ED for the PHA's top management official. Select CFO for the PHA's top financial/accounting official. Select "Other" for the highest paid executive/employee who is not the CEO or CFO.

Box 4. Using the executive/employee's Internal Revenue Service (IRS) FORM W-2 Wage and Tax Statement, enter the amount that is in Box 5 (Medicare wages and tips). If the executive/employee is an employee of another entity but a portion of his or her salary is allocated to the PHA, still enter the **total** amount reported on the individual's W-2

SIX IMPORTANT NOTES FOR COMPLETING BOXES 5 THROUGH 10:

1) Section 8 funds include ALL Housing Choice Voucher program funds and all associated program funds under Section 8 the PHA has received.
2) Section 9 funds include ALL Public Housing Operating Subsidy, Capital funds and all associated program funds under Section 9 the PHA has received.
3) If an executive is paid with MTW funds, these are considered Section 8 and Section 9 funds.
4) For purposes of this compensation survey, Section 8 and 9 funds paid as fees from public housing properties to the Central Office Cost Center are considered federal Section 8 and 9 funds.
5) When entering compensation amounts, do NOT use dollar signs, commas or other special characters.
6) Enter a 0 (zero) for any category when an employee did not receive that form of compensation.

Box 5. Enter the amount of the executive/employee's base salary that was paid from or allocated to Section 8 and 9 program funds in the calendar year.

Box 6. If the executive/employee was paid a bonus, enter the amount of the executive/employee's bonus that was paid from or allocated to Section 8 and 9 program funds in the calendar year.

Box 7. Enter the amount of the executive/employee's incentive or other cash compensation that was paid from or allocated to Section 8 and 9 program funds in the calendar year.

Box 8. Enter the amount of the executive/employee's base salary that was paid from or allocated to **NON**-Section 8 and 9 program funds in the calendar year.

Box 9. If the executive/employee was paid a bonus, enter the amount of the executive/employee's bonus, that was paid from or allocated to **NON-**Section 8 and 9 program funds in the calendar year.

Box 10. Enter the amount of the executive/employee's incentive or other cash compensation that was paid from or allocated to **NON**-Section 8 and 9 program funds in the calendar year.

Box 11. This box will auto-populate as the sum of boxes 5 through 10. The amount in Box 11 should equal the amount entered in Box 4. If these amounts do not agree, please revise the amounts in Boxes 5 through 8. *If the executive/employee received additional CASH compensation from the PHA that was not reported on IRS FORM W-2 BOX 5, this compensation must be reported in Section III of this form.*

Box 12. This box will auto-populate. If the amounts in boxes 4 and 11 do not agree, this box will say "NO". The form may not be submitted until boxes 4 and 11 agree, and this box says "YES"

Box 13. If any employee being reported works for more than one PHA, and therefore, has compensation information submitted by more than one PHA, use the drop-down list to identify all of the PHAs for which compensation information is reported for that employee. Note, a separate submission is required for each such PHA.

Section III: Calendar Year Employee NON W-2 Cash Compensation Data - Other CASH Compensation [This section is only used if employees received cash compensation during the calendar year that was not reported in Box 5 of the employee's W-2.]

Box 14. Enter the executive/employee's last name.

Box 15. Enter the first name and middle initial of the executive/employee.

Box 16. Using the drop down menu, enter the executive/employee's job title or position. The drop down menu provides 3 options: CEO, CFO, and Other. Select CEO for the PHA's top management official. Select CFO for the PHA's top financial/accounting official. Select Other for the highest paid executive/employee who is not the CEO or CFO.

Box 17. Please enter the total CASH compensation paid in the calendar year from Section 8 & 9 funds that was **NOT** reported on the individual's W-2. Do **not** include valid non-taxable PHA expense reimbursements paid to the employee (e.g., valid travel, training, etc. expenses). Please provide a written explanation for any amounts entered in Box 14 in the space provided.

Section IV: Certification. Enter the name and title of the individual who is certifying that the information is true and correct.

Salary Restrictions

Notice PIH 2019-21

In FFY 2012, the Congress first placed a limit in HUD's appropriations on the amount of Section 8 HCV and Section 9[1] funds that can be used for PHA salaries. Since that time, the Congress has included the limitation in all subsequent appropriations acts. In the 2012 and 2013 HUD appropriations, the limitation only applied to salaries. In the 2017 HUD appropriations, the limitation was expanded to include not just salaries, but also bonuses paid.

The limitation on the maximum salary that may be paid using Section 8 HCV and Section 9 funds is tied to the Federal Executive Salary Schedule Level IV. In 2020 the level IV schedule amount was $170,800 and in 2019 it was $166,500. PHAs should consult the schedule each year to determine the correct amount. Keep in mind the determination on what constitutes the limitation for each PHA will depend on the beginning and end dates of the PHA's fiscal year. For example, a PHA with a June 30, 2020 fiscal year end will have six months of the 2019 schedule IV amount and six months of the 2020 schedule IV amount to determine the FY 2020 salary limitation.

The salary restriction applies to a covered individual. A covered individual is defined as the chief executive officer as well as any other official or employee of the PHA with an annual salary (including bonus) greater than the then prevailing salary for level IV of the Federal Executive Salary Schedule.

The limitation also includes any fees a PHA uses to pay salaries that were earned from Section 8 HCV or Section 9 funds.

The definition of salaries includes any bonus paid to an employee but does not include overtime or any benefits such as retirement, life insurance, medical insurance or the use of a PHA vehicle.

In accordance with the OMB Compliance Supplement, HUD expects that PHA auditors will perform compliance testing for the salary restriction requirement.

PHAs who are paying covered individual's salary and bonus that exceed the limitation must be able to demonstrate the amounts paid in excess of the limitations were paid from sources other than Section 8 or Section 9 funds.

1. Section 9 funds are public housing operating subsidies and capital fund grant funds.

SECTION 5.13 OTHER FINANCIAL MANAGEMENT REQUIREMENTS

OMB Regulations at 2 CFR Chapter 1, Chapter 11, Part 200, et al

Other financial management requirements for subgrantees can be found in OMB Regulations at 2 CFR 200.0 through 200.521.

Some of the additional requirements contained in the OMB Regulations at 2 CFR 200.0 - 200.521 that PHAs should become familiar with are:

- 200.100 Purpose - PHAs should review this section of the regulations to get a good idea of the purpose.
- 200.112 Conflict of Interest
- 200.302 Financial Management
- 200.303 Internal Controls
- 200.305 Payment - this section outlines the treasury requirements for the receipt of grant funds and the payment of interest on excess federal funds.
- 200.313 Equipment - this section covers equipment and other capital expenditures using federal funds.
- 200.317-329 Procurement Standards
- 200.333-337 Records Retention and Access
- 200.338 Remedies for Noncompliance
- 200.400-475 Cost Principles - this section replaces the old OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
- 200.500-521 Audit Requirements

Notes

SECTION 5.14 SEMAP FINANCIAL INDICATOR

24 CFR Part 985

The Section 8 Management Assessment Program (SEMAP) is a system for HUD to measure PHA performance in 14 key Section 8 program areas and to assign performance ratings. The 14 key indicators of program performance are:

1. Proper selection of applicants from the housing choice voucher waiting list
2. Sound determination of reasonable rent for each unit leased
3. Determination of adjusted income
4. Utility allowance schedule is up to date.
5. HQS quality control inspections
6. HQS enforcement
7. Expanding housing opportunities (only for PHAs within metropolitan FMRs)
8. Payment standards are current by unit size for each FMR area in the AHA jurisdiction
9. Annual reexaminations
10. Correct tenant rent calculations
11. Pre-contract HQS inspections
12. Continuing HQS inspections
13. Lease-up
14. Family Self-Sufficiency enrollment

PHAs are required to submit a SEMAP self-certification (form HUD-52648) electronically within 60 days of their fiscal year end.

HUD will annually assign each PHA a SEMAP rating on each of the 14 indicators and an overall performance rating of high, standard, or troubled. Metropolitan PHAs will also be able to earn bonus points for their achievements in encouraging assisted families to choose housing in low-poverty areas.

- HUD will conduct on-site reviews of PHAs rated troubled to assess the magnitude and seriousness of the problems identified in the poor ratings.

The Lease-Up Indicator

Under SEMAP, the only indicator that is a financial management indicator is the lease-up indicator. This indicator measures either expenditure of budget authority or lease-up of baseline units.

Notice PIH 2012-44

The formulas for the two methods to determine a PHA's rating under the lease-up indicator are as follows:

- Leasing units

$$\frac{\text{Number of unit months leased (UML) during the PHA's calendar year (per the VMS)}}{\text{Number of unit months available (UMA) during the PHA's calendar year (ACC authorized units)}}$$

- Funding Utilization

$$\frac{\text{Total HAP expended during the PHA's calendar year (per the VMS)}}{\text{Total ABA provided for the PHA's calendar year}}$$

Total ABA available data comes from HUDCAPS.

Once the FMC has provided leasing and expense data from the VMS to the field offices for SEMAP scoring, any appeals of the SEMAP leasing indicator score related to data reporting will only be considered for circumstances outside of the PHA's control.

- An example would be late portability billing information from a receiving PHA for multiple months.

The points possible under the Lease-up Indicator are as follows:

Measurement	Points
98% or more utilization	20 points
Between 97% and 95% utilization	15 points
Less than 95% utilization	0 points

In the determination of a PHA's rating under the lease-up indicator, HUD will exclude units obligated during the last calendar year and any units for litigation, but it will not exclude units obligated for public housing relocation and replacement.

- If a PHA has public housing relocation and replacement vouchers that it will not be able to use during the calendar year, it must request that HUD change the ACC effective date to an appropriate date in the future in order for these units to be excluded from the number of authorized units available for the calendar year.

If a PHA receives a score of zero for this indicator, or any other SEMAP indicator, known as a SEMAP deficiency, then it must:

- Send HUD a written report of the corrective action taken on the deficiency within 45 days of the receipt of its SEMAP score
- If a PHA fails to correct any SEMAP deficiency, the PHA must prepare and submit a written corrective action plan for the deficiency within 30 days. HUD will monitor, to ensure improvement in program management.

If a PHA fails to correct any deficiencies, or to prepare and implement a corrective action plan as required by HUD, HUD may declare the PHA in default of the ACC and take steps to take possession of any or all PHA property, rights, or interest in connection with the HCV program.

If a PHA is assigned an overall performance rating of troubled, HUD may require a PHA to use its administrative fee equity for specific administrative improvements in areas where its administration is found deficient.

Notes

SECTION 5.15 SPECIAL PURPOSE VOUCHER REISSUANCE

Notice PIH 2011-32
Notice PIH 2011-53
Notice PIH 2012-9

Special purpose vouchers (SPV) include such voucher types as HUD-VASH, Family Unification Program (FUP) and Non-Elderly Disabled (NED). PHAs are required to fully lease their SPV allocations and may only re-issue turnover SPVs to the same targeted populations. The specific requirements regarding the re-issuance of these SPVs is as follows:

- **HUD-VASH** – Upon turnover, all HUD-VASH vouchers awarded since 2008 must continue to serve homeless veterans, as required by every Appropriations Act since 2008. For more information on leasing and reporting requirements for HUD-VASH, see Notice PIH 2011-53.
- **FUP** – With the 2009 and subsequent appropriations, requires that assistance made available under the Act shall continue to remain available for family unification upon turnover regardless of practicability. See Notice PIH 2011-53.
- **NED** – All vouchers made available for NED families under Appropriations Acts since fiscal year 1997 shall continue to remain available for NED families upon turnover.
  - This turnover requirement applies to all NED increments awarded since 1997, including FY 2009 NED Category 1 and Category 2 vouchers, Designated Housing, Certain Developments, One-year Mainstream, and Project Access. See Notice PIH 2011-32 for more information.

Notes

SECTION 5.16 REMITTANCE OF INTEREST EARNED ON RESTRICTED NET POSITION & EXCESS HAP FUNDS

Interest earned on the investment of restricted net position (NRP) and excess HAP funds must be returned to yearly to the Treasury except for up to $500 of interest income which may be retained in the HCV program for administrative expenses.

This requirement is part of an OMB requirement found at 2 CFR 200.305 which states "interest earned on amounts up to $500 per year may be retained by the non-Federal entity for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services (HHS) Payment Management System through an electronic medium using either Automated Clearing House (ACH) network or Fedwire Funds Service payment. Remittance must include pertinent information of the payee and nature of payment in the memo area as that will assist in the timely posting of interest earned on federal funds". Pertinent details include the PHA's ACC number, name and address.

PHAs are required to complete an annual certification (see Annual Certification of Restricted Interest Earned on page 2 on page 5.16-2) of the amount of interest if any that was remitted. The certification is retained for the PHA's internal records and must be presented if requested by authorized government personnel or auditors.

For VMS reporting PHAs are required to enter all interest earned on the investment of NRP and excess HAP funds. HUD uses the interest field in VMS to monitor whether a PHA had amounts of interest in excess of $500 that should have been remitted back to the Treasury through HHS.

Housing Choice Voucher Programs
Interest Earned on Excess HAP Funds and RNP Balances
PHA Annual Certification for Internal Records

PHA Name: ______________________________

PHA Number: ____________________________

PHA FYE: ______________

This is to certify that the ____________________________ PHA earned interest on invested HAP and Restricted Net Position (RNP) funds (formerly referred to as Net Restricted Assets or NRA) for the PHA fiscal year ending, ___________ in the amount of $__________.

The PHA remitted $___________ on (date) to the Department of Health and Human Services (HHS), Payment Management System (PMS).

Certification: I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

_______________________________________   _______________

Signature of Authorized PHA Official   Date

____

Printed Official's Name and Title

This Certification can be signed by the appropriate PHA official and keep for financial review purposes by the auditor or the Housing Voucher Quality Assurance Division (QAD). Interest must be remitted to the Treasury via the HHS Payment Management System no later than 45 days following the PHA FYE covered by this certification.

HHS guidance related to funds remittances can be found on the HHS Division of Payment Management website at the following link:
http://www.dpm.psc.gov/grant_recipient/funding_requests/returning_interest.aspx
Click on "*returning funds*" for specific information.

CHAPTER 6 Fraud Recoveries, Portability, and the Family Self-Sufficiency Program

SECTION 6.1 FRAUD RECOVERIES

HCV program regulations at 24 CFR 792 govern tenant and owner fraud recoveries. These regulations allow PHAs to share in the amounts they collect for fraud if certain conditions are met.

24 CFR 792.101

The purpose in allowing a PHA to share in the amount recovered "is to encourage public housing agencies (PHAs) to investigate and pursue instances of tenant and owner fraud and abuse in the operation of the Section 8 housing assistance payments programs."

Fraud and abuse means:

- A single or pattern of actions that constitutes false statement, omission, or concealment of a substantive fact, made with intent to deceive or mislead and that results in payment of Section 8 funds in violation of Section 8 program requirements.

24 CFR 792.102

To be eligible to retain a portion of fraud recoveries, the PHA must be the principal party initiating or sustaining an action to recover amounts from tenants or owners.

To be considered the principal party initiating the action to recover amounts owed to the PHA due to fraud, the PHA must be the one initiating litigation, who initiated a court-order for restitution pursuant to a criminal proceeding obtained on or after October 28, 1986, or initiated the signing of a repayment agreement on or after October 28, 1992.

24 CFR 792.202

PHAs may retain the greater of:

- 50% of the amount they collect from a judgment, litigation (including the settlement of a lawsuit), or an administrative repayment agreement; or
- The reasonable and necessary costs that the PHA incurs related to the collection from a judgment, litigation (including settlement of a lawsuit), or an administrative repayment agreement. Reasonable and necessary costs include the costs of the investigation, legal fees, and collection agency fees.

24 CFR 792.203

A PHA may only use the amount of the recovery it is authorized to retain in support of the HCV program in which the fraud occurred. The remaining balance of what was collected, typically 50%, must be credited to the HCV program Restricted Net Position (RNP) account. The FDS has a details button for Fraud Recovery Revenue, so these amounts can be reported in the correct equity account.

Tenant Repayment Agreements

Notice PIH 2010-19, Section 16

Tenants are required to reimburse the PHA if they were charged less rent than required by HUD's rent formula due to the tenant's under reporting or failure to report income.

In cases where a tenant owes back rent for under reporting or failure to report income, the PHA may enter into a repayment agreement with the tenant to pay back these amounts.

All repayment agreements must:

- Be in writing
- Be dated
- Be signed by both the tenant and the PHA
- Include the total amount owed
- Show the amount of any lump sum payment made if any
- Show the monthly repayment amount

At a minimum, repayment agreements must contain the following provisions:

- Reference to the Section 8 information packet whereby the tenant is in non-compliance and may be subject to termination of tenancy or assistance or both
- The monthly repayment amount is in addition to the family's regular rent contribution and is payable to the PHA and not the landlord
- The terms of the agreement may be renegotiated if there is a decrease or increase in the family's income
- Late or missed payments constitute default of the repayment agreement and may result in termination of tenancy and or assistance

PHAs are required to determine retroactive rent amounts as far back as the PHA has documentation of family reported income.

The monthly repayment amount plus the tenant amount of the rent at the time the repayment agreement is executed should be affordable and not exceed 40% of the family's monthly adjusted income.

PHAs do have discretion to establish thresholds and policies for repayment agreements in addition to HUD required procedures.

If the tenant refuses to enter into a repayment agreement or fails to make payments on an existing or new repayment agreement, the PHA must terminate the family’s tenancy or assistance or both.

HUD does not authorize any PHA sponsored amnesty or debt forgiveness programs.

Notes

SECTION 6.2 PORTABILITY

24 CFR 982.353;
Notice PIH 2016-09;
Final Rule - FR Vol. 80, No. 161, 8/20/2015

A family's housing needs can change over time with changes in family size, job locations, and for various other reasons. The HCV program is designed to allow families to move without the loss of housing assistance. Moves are permissible as long as the family notifies the PHA ahead of time, terminates its existing lease within the lease provisions, and finds acceptable alternate housing. The ability of a voucher family to move is known as portability.

Under the HCV program, new voucher holders may choose a unit anywhere in the United States where there is a PHA operating an HCV program. In order to exercise portability, the PHA can require the family to have lived in the jurisdiction of the PHA issuing the voucher when the family applied for assistance.

The PHA can also require those new voucher holders not living in the jurisdiction of the PHA at the time the family applied for housing assistance to initially lease a unit within that jurisdiction for the first 12 months of assistance.

A family that wants to move to another PHA's jurisdiction must consult with the PHA that currently administers its voucher to verify the procedures for moving.

Under portability, a PHA may be acting as either the initial PHA or the receiving PHA. In many cases PHAs are playing both roles simultaneously. The initial PHA is the PHA that initially issues the family its voucher and who continues to support the HAP from its HCV program funding. The receiving PHA is the PHA that administers a voucher for the initial PHA and then bills the initial PHA for the HAP and an administrative fee for administering the voucher for the initial PHA.

At its discretion the receiving PHA can absorb the incoming family into its HCV program once the HAP contract is executed on behalf of the family, assuming it has funding available under its ACC and the decision to absorb will not result in overleasing for the calendar year. In this case the receiving PHA would not bill the initial PHA for the HAP or an administrative fee.

- Once absorbed by the receiving PHA, the unit will then be counted as part of the receiving PHA's unit count and its funding will support the HAP payment.
- From the initial PHA's perspective, once the receiving PHA absorbs a family, it releases the voucher and can then reissue the voucher if it has funds available.
- The receiving PHA may also absorb a family subsequent to deciding not to initially absorb the family. In this case the receiving PHA would notify the initial PHA of its intent to then absorb the family and would no longer bill the initial PHA.

When a family wishes to move under portability, the family must inform the initial PHA of the area to which they wish to move.

- In the case where the family is not currently participating in the program, the initial PHA must determine if the family is income eligible in the area to which the family wishes to move.
- If the family is not income eligible in the area to which the family wishes to move, the PHA must inform the family that they may not move to the area they have requested and receive assistance.
- Income eligibility is not redetermined when a participant family (one already under a HAP contract) exercises portability.

The initial PHA must contact the receiving PHA via e-mail or other confirmed delivery method to determine whether the receiving PHA will bill or absorb the family's voucher.

- Based on the receiving PHA's response, the initial PHA must determine whether they will approve or deny the portability request. Note, HUD has strict guidelines (reviewed later) regarding when a PHA can deny a portability move.
- If the portability request is approved, the initial PHA will issue the family a voucher and must promptly notify the receiving PHA to expect the incoming family.
- The initial PHA must also advise the family how to contract and request assistance from the receiving PHA.

The receiving PHA must respond by e-mail or other confirmed delivery method to the initial PHA's inquiry to determine if the family's voucher will be billed or absorbed.

- If the receiving PHA notifies the initial PHA that they will be absorbing the voucher, the receiving PHA cannot reverse its decision at a later date.
- After the receiving PHA has received the required paperwork from the initial PHA, the receiving PHA must promptly issue a voucher to the family for its search in the receiving PHA's jurisdiction, the term of which may not expire before the expiration date of the initial PHA voucher.
- HUD expects the receiving PHA to process the family's paperwork and issue the incoming family a voucher for its jurisdiction within two weeks of receiving the required paperwork from the initial PHA, assuming the family has met the requirements under portability.
- The receiving PHA should not process the family if the initial PHA voucher has already expired when it receives the required paperwork from the initial PHA, but should refer the family back to the initial PHA. The initial PHA will then have to decide whether to extend the term of the initial PHA voucher.

Portability Payments

24 CFR 982.355(e); Notice PIH 2016-09; Final Rule - FR Vol. 80, No. 161, 8/20/2015

The regulations require that the initial PHA promptly reimburse the receiving PHA for the full amount of the HAP and the administrative fee allowed. Effective with the new billing requirements implemented through publication of the final portability rule, receiving PHAs must calculate the *lesser* of 80% of the initial PHA's column B administrative fee rate (then prorated to the national proration level), or 100% of their own column B administrative fee rate (then prorated to the national proration level).

The following example shows how the determination of which PHA's fee rate should be used (assume 80% proration):

Initial PHA - Column B rate

- $60.59 x 0.80 = $38.78

Receiving PHA - Column B rate

- $42.05 x 0.80 x 1 = $33.64

Billed administrative fee equals lesser of above - $33.64

For those families that are porting into the receiving PHA's jurisdiction, the HAP payments made by the receiving PHA in behalf of the initial PHA should be funded from the receiving PHA's unrestricted net position (UNP) account until they are reimbursed by the initial PHA. The use of the receiving PHA's ABA or net restricted position (NRP) is restricted to supporting the HAP payments made for vouchers under its ACC.

Portability Billing Form

Form HUD-52665

The regulations provide that the initial PHA and the receiving PHA must comply with financial procedures required by HUD, including the use of HUD required billing forms. For the purpose of uniform portability billing, HUD requires the use of form HUD-52665, Family Portability Information.

Initial PHA Actions on the Portability Billing Form

Once the family is approved to move using portability, the initial PHA completes Part I of the form HUD-52665 and mails or faxes it to the receiving PHA, along with a copy of the family's voucher issued by the initial PHA, a copy of form HUD-50058, and copies of the income verification supporting the form.

- In the case of an applicant, the initial PHA has not completed form HUD-50058 and submitted the information to HUD because the family is not yet a new admission. In this case the PHA must provide the family information and income information to the receiving PHA in a format similar to form HUD-50058 so that the information is easily available for use by the receiving PHA.

Receiving PHA Actions on the Portability Form

The receiving PHA will bill the initial PHA once the family is under a HAP contract by completing Part II of form HUD-52665. The receiving PHA must also attach a copy of the new form HUD-50058.

- The receiving PHA must complete and mail to the initial PHA the initial billing, which may include e-mail or fax, Part II of form HUD-52665 within 10 working days from the date a HAP contract is executed on behalf of a family but no later than 60 days following the expiration date of the family voucher issued by the initial PHA.
- A receiving PHA that fails to send to the initial PHA the initial billing within the required 10 working days generally is required to absorb the family into its own program unless the initial PHA is willing to accept the late billing.

- HUD may in certain instances require the initial PHA to honor a late billing submission, such as where the receiving PHA is over leased and is in danger of not being able to stay under unit months available for the calendar year. In this circumstance, HUD may reduce the receiving PHA's administrative fee and subsequently transfer units and funds from the receiving PHA to the initial PHA.
- The receiving PHA is required to send to the initial PHA a new form HUD-52665 along with form HUD-50058 to report any change in the billing amount within 10 working days following the effective date of the change. However, regardless of a change in the billing amount, the receiving PHA must send a copy of the updated form HUD-50058 within 10 working days to the initial PHA following the effective date of an annual reexamination of family income.
  - If the receiving PHA fails to send form HUD-52665 within the 10 working days following the effective date of the change in the billing amount, the initial PHA is not responsible for paying any increase in the monthly billing amount incurred prior to the notification.
  - If the receiving PHA fails to send an updated form HUD-50058 to the initial PHA within 30 days after the effective date of the annual recertification date, the initial PHA must send a letter to the receiving PHA inquiring about the status of the family with a copy sent to HUD.
  - If the receiving PHA has not provided the initial PHA with a copy of the new 50058 within 30 days of the inquiry, it may request in writing that HUD require the receiving PHA to absorb the family. HUD must make a decision no later than 15 working days following the deadline by which it required the receiving PHA to respond to its inquiry.

- If the receiving PHA decides to absorb a family it has been billing it must notify the initial PHA no later than 10 working days following the effective date of the termination of the billing arrangement.
  - If HUD determines that the receiving PHA has not notified the initial PHA that a billing arrangement has been terminated in a timely manner and has continued to accept payment form the initial PHA, HUD may reduce administrative fee for the receiving PHA. The reduction can be up to 10% of the monthly billing amount in question for each month that the billing payments continued after the billing arrangement was terminated.
  - In all cases where the receiving PHA has received billing payments for billing arrangements no longer in effect, the receiving PHA is responsible for returning the full amount of the overpayment to the initial PHA, including the portion provided for administrative fees.
  - The receiving PHA may not retroactively absorb families for which the receiving PHA was previously billing for any time period that commences before 10 working days from the time the receiving PHA notifies the initial PHA it intends to absorb the family.
  - There is one exception to this requirement. If a PHA is experiencing a funding shortfall and needs to take steps to avoid terminations of assistance, Notice PIH 2011-28 allows a receiving PHA to retroactively absorb families for which the receiving PHA was previously billing if both the receiving PHA and the initial PHA agree. In this case, the receiving PHA would reimburse the initial PHA for payments made back to the effective date of the absorption but only for the current calendar year.

Payment Deadlines

The initial PHA must also comply with the payment deadlines prescribed under the portability financial procedures.

- Payment of the first billing amount – The initial PHA must make payment within 30 days of receipt of Part II of form HUD-52665 indicating the billing amount.
- Payment of subsequent billing amounts – The initial PHA must make payment to the receiving PHA in such time as they will be received by the receiving PHA by the fifth working day of each month for which the monthly billing amount is due.

In the case where the initial PHA fails to make the monthly payment to the receiving PHA by the fifth working day of the month, the receiving PHA must promptly notify the initial PHA in writing of the deficiency, with a copy being sent to HUD.

- If the initial PHA fails to correct the problem by the second month after they were notified, the receiving PHA may request that HUD transfer to them the unit(s) and funding for the units in question.
- HUD will notify the initial PHA within 15 days of the request by the receiving PHA and give the initial PHA 15 days to respond. HUD must render a decision no later than 15 working days following the deadline by which the initial PHA had to respond to HUD

Summary of the Receiving PHA's billing deadlines:.

Activity	Time Frame
Initial Billing	10 working days after HAP contract is executed.
Monthly billing	Not required - new billing only if amounts change.
Change in Billing Amount	10 working days after the change.

Summary of the Initial PHA's Payment Deadlines

Activity	Time Frame
Initial Billing	30 days after receipt of billing.
Monthly (assuming no change)	By the 5th working day of each month
Change in Billing Amount	Notice doesn't address - but one would expect it to be timely.

Denying Family Requests to Move Due to Insufficient Funding

24 CFR 982.314(e)(1); Notice PIH 2016-09; Final Rule - FR Vol. 80, No. 161, 8/20/2015

A PHA may only deny a request to move to a higher cost unit within the PHA's jurisdiction or to higher cost area if the PHA would be unable to avoid terminations of HCV assistance for current participants during the calendar year in order to remain within its ABA and available NRA.

- A higher cost unit – For moves within the initial PHA's jurisdiction, a *higher cost unit* is defined as a unit in which the PHA would have to pay a higher subsidy amount due to an increase in the gross rent for the new unit.
- A higher cost area – For portability moves, a *higher cost area* is defined as an area where a higher subsidy amount will be paid for a family because of higher payment standard amounts or more generous subsidy standards.

Before denying a family's request to move due to insufficient funding, the initial PHA must contact the receiving PHA and confirm via e-mail or other confirmed delivery method whether the receiving PHA will administer or absorb the family's voucher.

- Once the receiving PHA makes the commitment to absorb the voucher, it may not reverse its decision.

The PHA must provide written notification to the local HUD office within 10 business days when they determine it is necessary to deny moves to a higher cost unit based on insufficient funding. The notification must include:

- A financial analysis that demonstrates insufficient funds are projected to meet the current calendar year projection of expenses. The projection must not include vouchers that have been issued but are not yet under contract.
- A statement certifying the PHA has ceased issuing vouchers and will not admit families from its waiting list while the limitation on moves to a higher cost unit is in place.
- A copy of the PHA's policy stating how the PHA will address families who have been denied moves.

HUD may impose a sanction on the PHA, which may include a reduction in the PHA's administrative fee of up to 10% for the two quarters following the quarter that HUD identified the improper denial.

Notes

SECTION 6.3 THE FAMILY SELF-SUFFICIENCY PROGRAM

The Family Self-Sufficiency (FSS) program is a HUD program that encourages PHAs to develop local strategies to help voucher-assisted families obtain employment that will lead to economic independence and self-sufficiency.

A successful program normally requires the PHA to work with welfare agencies, schools, businesses, and other local groups to develop a program that gives participating FSS family members the skills and experience to enable them to obtain employment that pays a living wage.

The financial management activities for the FSS program include:

- Establishing escrow accounts for participating families
- Managing the escrow accounts
- Investing escrow proceeds
- Reporting to tenants on their escrow account balances
- Tracking the disbursement of escrow account funds

Managing the Escrow Account

24 CFR 984.305(a)(1)

The PHA is required to deposit all escrowed funds into a single depository account for each FSS program (public housing or HCV).

24 CFR 984.305 (a)(2)(i)

- The total of the combined FSS account funds for families must be supported in the PHA accounting records by a subsidiary ledger.
- The ledger must show the balance applicable to each FSS family.

24 CFR 984.305(a)(2)(i)

The PHA must credit periodically, but not less than annually, the amount of the FSS credit due the family.

- The PHA may wish to credit the account monthly, since interim adjustments may change the amount of the credit. Crediting participant accounts on a monthly basis will also make VMS data more accurate.
- If a PHA finds that a family did not report income they were required to report, the PHA must not credit the family's escrow account with any portion of back rent.

Investing the Proceeds of the Escrow Account

24 CFR 984.305(a)(1)

Amounts held in the HCV program FSS escrow account must be invested in HUD-approved investments.

24 CFR 984.305(a)(2)(ii)

Any interest earned by the PHA on the amounts in the escrow account must be prorated and credited to each family's escrow account.

The credit is based on the balance in each family's escrow account at the end of the interest income period.

- Before crediting interest to a family's escrow account, the PHA must check to see whether the owner has reported that the family has not paid rent or other amounts due under the lease.

24 CFR 984.305(a)(2)(iii)

- If the family owes these amounts, the PHA must reduce the balance in the account by the amount owed before prorating the interest income to the family's account.

Reporting on the Escrow Account

24 CFR 984.305(a)(3)

The PHA is required to make a report, at least once annually, to each FSS family on the status of the family's escrow account.

The PHA may opt to provide the report on the reexamination date, on the HAP contract anniversary date, at the end of the calendar year, or at any other time selected by the PHA.

At a minimum, the report should include:

- The balance at the beginning of the reporting period
- The amount of the family's rent payment that was credited to the escrow account during the reporting period
- Any deductions made from the account for amounts due the PHA before interest is credited to the account
- The amount of interest earned on the account during the reporting period
- The total in the account at the end of the reporting period

Disbursing the Escrow Account

Interim Disbursements

24 CFR 984.305(a)(2)(ii)

The PHA may, at its sole option, disburse a portion of the funds from the family's escrow account during the contract period for contract related expenses if the family:

- Has fulfilled certain interim contract goals, and
- Needs a portion of the FSS escrow account funds for purposes consistent with the contract, such as:
  - School tuition or other school costs
  - Job training expenses
  - Business start-up expenses
  - Car expenses, when public transportation is unavailable or inaccessible to the family

If a family receives an advance payment from their FSS escrow account prior to completing the contract, the advance payment **does not** have to be repaid to the PHA if they drop out of the FSS program, unless the payment was based on fraud or misinformation by the family.

Final Disbursement

24 CFR 984.305(c)

The amount in an FSS escrow account, in excess of any amount owed to the PHA by the FSS family, is paid to the head of the FSS family:

- When the Contract of Participation has been completed (even if the contract term has not expired), or
- Whenever 30% of the family's monthly adjusted income equals or exceeds the FMR for the unit size for which the family qualifies based on the PHA's Occupancy Standards (even if the contract term has not expired), and
- When, at contract completion, the head of the FSS family certifies that, to the best of his/her knowledge and belief, no family member receives federal or state welfare assistance.

For purposes of the FSS program only, *welfare assistance* means income assistance from federal or state programs, and includes only cash maintenance payments designed to meet a family's ongoing basic needs.

Welfare assistance does **not** include:

- Non-recurrent, short-term benefits that are designed to deal with a specific crisis situation or need, are not intended to meet recurrent or ongoing needs, and will not extend beyond four months
- Work subsidies such as payments to employers or third parties to help cover the costs of employee wages, benefits, supervision and training
- Supportive services such as child care and transportation provided to families who are employed
- Refundable earned income tax credits
- Contributions to, and distributions from, Individual Development accounts under TANF
- Services such as counseling, case management, peer support, child care information and referral, transitional services, job retention, job advancement and other employment-related services that do not provide basic income support
- Transportation benefits provided under a Job Access or Reverse Commute project, pursuant to section 404(k) of the Social Security Act, to an individual not otherwise receiving assistance
- Amounts solely directed to meeting housing expenses
- Amounts for health care
- Food stamps and emergency rental and utilities assistance
- SSI, SSDI, or Social Security

If the head of the FSS family no longer resides with other family members in the assisted unit, the remaining members of the family will have the right to designate another family member to receive the funds, but the PHA must be consulted.

If a family with two adults splits up and the PHA determines that the escrow should be paid to the FSS family, it may be paid if the family member retaining the voucher assistance:

- Is already head of the FSS family, or
- Was not designated as head of the FSS family but now designates himself or herself to receive the escrow

The family may use the final disbursement of escrow funds without restriction.

The IRS does not consider a disbursement from the FSS escrow account to be income for purposes of income tax determination, as long as the FSS escrow account is maintained in the name of the PHA.

A 1099 is not required to be issued to the receiving FSS family when the escrow account is disbursed.

Forfeiting the FSS Escrow Account

24 CFR 984.305(f)

Amounts in the participant's FSS escrow account will be forfeited if any of the following occur:

- The Contract of Participation is terminated
- The Contract of Participation is completed but the family is receiving welfare assistance when the contract expires, including extensions
- The head of the family dies and the remaining members of the family choose not to continue participating in the program and the contract obligations have not been met
- Families do not pay their rents to the PHA or HCV owner

If families do not pay their rents to the PHA or HCV owner, the FSS escrow funds may be forfeited because:

- Compliance with the applicable HCV or public housing lease is a family obligation under the Contract of Participation
- Nonpayment of rent is grounds for terminating a family's FSS participation

FSS escrow accounts that are forfeited by the family are treated as program income and become part of HAP equity.

The actual regulations for the disposition of a forfeited FSS escrow account are as follows:

982.305(f)(2)(ii)

- FSS account funds forfeited by the FSS family will be treated as program receipts for payment of program expenses under the PHA budget for the applicable Section 8 program, and shall be used in accordance with HUD requirements governing the use of program receipts.

FSS Program Administration

To administer the FSS program, a PHA may employ appropriate staff, including a service coordinator or program coordinator.

24 CFR 984.301(b)

A PHA may also contract with an appropriate organization to establish and administer the FSS program, including the FSS account.

For the most part, PHAs must rely on their own or local resources to operate the FSS program.

In some years HUD has been able to provide funding to PHAs for FSS program coordinators, when Congress has provided such funding in the annual appropriations for the HCV program.

The availability of FSS coordinator funding is announced in the *Federal Register* in a notice of funding availability.

Accounting Brief # 23 Financial Reporting for the FSS Program

For FFY 2013 and prior FFYs, FSS Coordinator funding was specific to either the HCV or PH program. This resulted in funding being awarded under two separate Notice of Funding Availability (NOFA), one for the HCV and one for the PH program. The use of funding was restricted to the applicable FSS program. The Consolidated Appropriations Act of 2014 enacted January 17, 2014, provided that FSS Coordinator funding for the HCV and PH programs be combined.

As a result, beginning in FFY 2014, FSS Coordinator funding was awarded through a single NOFA. FFY 2014 FSS Coordinator funds may now be used to serve participants in either the HCV or PH programs. This new single FSS Coordinator program is identified as CFDA # 14.896, Family Self-Sufficiency Program Coordinators and is now reported in its own column on the FDS. Therefore, HCV FSS Coordinator income or expenses covered by the grant are not reported in the VMS or as part of CFDA # 14.871, Housing Choice Voucher program on the FDS.

CHAPTER 7 Processing Payments

SECTION 7.1 MAKING HAP PAYMENTS TO THE LANDLORD

HAP payments are calculated by the PHA's housing staff and entered into the HAP contract.

The PHA, under the terms of the HAP contract, is obligated to pay owners in a timely manner, usually on or about the first of the month.

The PHA must assure that payments are started, stopped and reactivated in a timely manner, and must recapture any funds inadvertently paid to owners.

HAP payments can change as a result of:

- Annual and interim reexamination of tenant income
- Adjustments to the contract rent or utility allowances
- A change in ownership approved by the PHA
- The tenant moving to a different unit

Under the terms of the HAP contract, the owner agrees:

- To repay any payments received in error
- To permit the PHA access to any records necessary to determine compliance with the contract
- That endorsement of the check received from the PHA is a certification that:
  - The full and correct amount was received for the month
  - The unit is in decent, safe, and sanitary condition
  - The owner is providing the services required by the HAP contract
  - The rent is reasonable
  - The owner has not received payments from any source except the family
  - Only authorized family members live in the unit

HAP payments can be abated (stopped) if:

- The PHA determines the owner is not in compliance with the HAP contract.
- The unit does not pass HQS when inspected by personnel of the PHA.

If payments are abated, the PHA cannot pay the owner any retroactive rent for the period the unit was not in compliance with the terms of the HAP contract.

The PHA should consider the following internal control procedures regarding the issuance of payments to owners:

- Set processing deadlines to assure checks are issued on time (on or around the first day of the month).
- Begin HAP contracts only on the first and 15th to avoid difficult prorations and continuous issuance of checks.
- The HAP register should be reviewed by the housing staff prior to or immediately after checks are issued.
  - PHAs using computer systems may want to have the housing staff sign-off on the payment selection register (pre-check register) before checks are actually run
  - The person signing checks should make sure the payment selection register and the check disbursement register match before signing checks
  - Threshold amounts for HAP checks that should be investigated should be established. Examples:
    - Amounts over a certain dollar amount
    - Changes in rent
    - New HAP payments for the month
- The person setting up the landlord payment record should only do so after seeing an original, signed HAP contract.

The PHA should consider, as much as economically possible, the separation of duties.

- The person who calculates the HAP payment should differ from the person who authorizes payment changes.
- If a check signing machine is used, the person who authorizes payments and the check signer should be different. If direct deposit is used, the PHA still needs a system to review the payment batch before HAP checks are processed.
- Two people should be required to be present whenever an automated check signing machine is used.
- The person setting up the landlord payment record should be different from the person negotiating with the owner and securing the HAP contract.

Notes

SECTION 7.2 OTHER TYPES OF HOUSING ASSISTANCE PAYMENTS

Utility Reimbursements

The PHA establishes allowances for tenant paid utilities by unit size, type of structure and fuel type on form HUD-52667.

Utility allowance standards established on form HUD-52667, a copy of the initial utility allowance schedule, and any subsequent revisions, must be sent to the HUD field office. HUD may direct the PHA to make changes.

Utility allowances represent:

- Average costs in average size units
- Average consumption rates

The utility allowance may or may not reflect the actual utility costs of the tenant.

24 CFR 982.512

The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10% or more for a utility category.

Under the voucher program, when utilities are not included in the rent:

- When the payment standard is greater than the HAP, the PHA will deduct the utility allowance from the TTP reducing the amount the tenant pays the landlord and increasing the PHA's HAP payment.
- For example:

Contract rent (without utilities):	$350
PHA’s Payment Standard:	400
TTP (30% of adj. income):	230
Less Utility Allowance:	(50)
Tenant Payment:	180
PHA’s HAP Payment:	170

When the payment standard is the same as the contract rent, the PHA will still deduct the utility allowance from the TTP which often results in a credit amount.

- The tenant payment to the landlord will be zero and the PHA will pay the tenant the amount of the credit as a utility reimbursement.
- Some PHAs make the utility allowance payment payable to the family and the utility company.
- For example:

Contract rent (without utilities):	$400
PHA's payment Standard:	400
TTP 30% of adj. income:	44
Less utility allowance:	(50)
	(6)
Tenant Payment:	0
The PHA will pay:	
Utility reimbursement of:	6
Entire contract rent of:	400
Total PHA Payment would be:	406

Tenant Damages and Unpaid Rent

24 CFR 982.313

The PHA no longer makes payments to the owner for damages to units caused by tenants, or payments to owners for unpaid rent. The owner must first use any security deposit collected.

- If the security deposit is not sufficient to cover amounts owed by the tenant, the owner must collect the balance from the family.
- The PHA no longer has to determine whether damages are tenant-caused.

Vacancy Loss Payments

24 CFR 982.311(d)(1)

Vacancy loss payments are no longer made to the owner.

If a family moves out of a unit, the PHA may not make any payment to the owner for any month after the month when the family moves out.

The owner may keep the HAP for the month when the family moves out of the unit.

Payment of Rent When a Family Moves

If a voucher family moves, with continued assistance, the term of the lease for the new unit may begin during the month the family moves out of the old unit.

24 CFR 982.311(d)(2)

The overlap of the HAP payment, for the old unit in the month when the family moves and the first HAP payment for the new unit, is not considered a duplicative housing payment.

Payment of Late Fee to the Owner

24 CFR 982.451(b)(5)

If the HAP payment is late, the PHA may be obligated to pay the owner a late payment fee in accordance with state or local law. Federal regulations do not override state or local law in this area.

If the PHA is required to pay a late fee, the PHA must use its earned administrative fee or Administrative Fee Reserve as the source of funds for making the payment. HAP funds may not be used for this purpose.

Notes

CHAPTER 8 The Voucher Management System (VMS)

SECTION 8.1 INTRODUCTION

The Voucher Management System (VMS) is a Web-based application used by PHAs to report leasing and expense information to HUD for the HCV program. The primary purpose of the VMS is for HUD to monitor PHA use of vouchers and to provide data to HUD to fund, obligate, and disburse funding in a timely manner to PHAs based on actual voucher use.

VMS Reporting Requirements

Under the latest reporting guidelines, PHAs are required to report on a monthly basis HCV program and Mainstream 5 program leasing and expense information to HUD.

HUD will notify PHAs of when they may begin entering data for a previous month known as the collection period. Typically the system will be opened the first part of the subsequent month for data from the previous month, and it will remain open for about 20 days.

- For example, HUD opened the VMS on May 4, 2019, for purposes of submitting April 2019 data and it remained open until May 22, 2019.

PHAs should not wait unit the final day of the data collection period to submit their data. If something were to go wrong with the system or major errors were found by the PHA that needed to be correct at the last minute, the PHA may not have enough time to correct the problem(s) and submit their data on time.

- Failure to submit VMS data timely can result in a PHA being sanctioned as a nonsubmitter.
- In addition, incomplete submissions and or nonsubmissions could also affect the PHA's future year HAP renewal funding.

Logging Into VMS

In order to access the VMS, PHAs must be valid users in HUD's secure systems. HUD's secure systems are accessed through the REAC home page at www.hud.gov/program_offices/public_indian_housing/reac/.

Each user in HUD's secure systems must have a unique user ID and password. There are two types of PHA user:

- Coordinators – This is the highest level of PHA user. They are responsible for granting access to a PHA's data and user rights to any other type of user in the various secure systems (i.e., VMS), once they have been assigned an ID and a temporary password by HUD. The PHA's coordinator will be able to enter, read, update, save and submit PHA data.
- Users – These are other PHA employees using HUD's secure systems who depending on the user rights they have been granted by the coordinator, may be entering, reading, updating, saving and or submitting data.

Once logged into HUD's secure systems, the HUD systems that will appear on the Main Menu, such as VMS, will depend on what HUD systems the user has been given access to by the coordinator.

Managing Data In the VMS

PHA users manage their data (enter and/or modify) through the "Manage PHA Data" link once in the VMS.

Once on the "Manage PHA Data" link, users will have access to another link, "List of Submissions." It is from this link the PHA will be able to access previously entered data as well as enter data for a new reporting month.

- Data is listed in month and year order, with the most current month and year at the top.
- For each month, the PHA will be able to view the status of that month. A submission can have one of the following statuses:
  - Not entered
  - Prior month corrections
  - Submitted – hard edits approved
  - Submitted – hard edits disapproved
  - Saved – Note saved data has not actually been submitted to HUD
  - Revised – A month will get tagged with this status when it was changed after being submitted to HUD in a previous collection period
  - Submitted

Report HAP expenses in the month they apply, rather than the month in which they are paid.

- This means that if subsequent to submitting a month, the PHA identifies leasing and HAP expense in a subsequent month that belongs to a previous month, the previous month will need to be revised and resubmitted.

All leasing and expense data is entered in positive whole numbers without any punctuation marks or symbols (commas, dollar signs, and decimal points).

Most fields that do not have data to be entered or zero amounts can be tabbed through, except the following fields will accept entries of zero:

- RNP
- UNP
- Vouchers leased end of month
- Vouchers issued but not under HAP contract as of the last day of the month
- Cash/investments as of the last day of the month

The following fields accept negative amounts:

- RNP
- UNP

A voucher under lease must be reported in one and only one main category. Some fields can also have subcategories under a main category field. Examples are:

- New Homeowners This Month is a subcategory of Homeownership
- Enhanced Vouchers is a subcategory of Tenant Protection

If a leased voucher can appropriately be reported in more than one category, it should be reported in the category that reflects how the participants initially qualified for the voucher. For example:

- If a voucher was initially reported under “all other vouchers” but later the family entered the Homeownership program, the voucher would subsequently be reported under the Homeownership field.

The data entry fields in the VMS are organized into the following tabs (sections):

- **Voucher UML/HAP** – This section is used to report the actual units leased on the first of the month and their associated HAP expense. This information is requested by several types of special use vouchers.
  - Contracts on hold are not reported as units leased as of the first day of the month.
  - Abated units are units that are currently under lease but for which the HAP is being withheld for specific reasons. These vouchers *should be* reported as under lease on the first of the month.
  - PHAs must report UMLs for zero HAP units in the same voucher category as they would if the HAP was a positive dollar amount. After 180 days at $0 HAP, the HAP contract terminates automatically.

  In addition, this section also requires the reporting of other information important to the Department such as:
  - Number of vouchers under lease on the last day of the month.
  - Temporary housing units to HCV conversion.
  - HA-owned units leased.
  - New vouchers issued but not under HAP on the last day of the month.
  - Portable vouchers administered.[1]
  - Number of vouchers covered by project-based AHAPs and HAPs.

1. If a SPV ports out, it will still be reported in the appropriate SPV field on the VMS, with a note in the comment field for portable vouchers paid, as to the number that are SPV by type and their associated HAP expense. See Notice PIH 2011-32

- **Income/Expense** – This section is used to report to HUD various administrative expense items and other non-HAP activity. This includes:
  - **Fraud Recovery Total Collected This Month** – This section captures only the HAP portion of the fraud recovery.
    - ***Note:*** The dollar amount recouped is the cash collected, not the revenue recorded under GAAP.
  - **Income Interest or Other** – This section captures any interests or other income earned in the month from the investment of HAP funds and Restricted Net Position.
  - **FSS Escrow Forfeitures** – This section captures the total FSS escrow account forfeitures that occurred during the month.
  - **Number of Hard-to-House Families Leased** – These are families with two or more minors that come onto the program or move during the year.
  - **Portable HAP Costs Billed and Unpaid - 90 Days** – This section captures HAP amounts billed to the initial PHA under portability that are already 90 days past due prior to the current reporting month.
  - **FSS Coordinator Expenses** – This section is no longer used. FSS Coordinator grants are now reported under their own CFDA number 14.896, and are no longer reported as part of the HCV program (CFDA # 14.871).
  - **Administrative Expenses** – This section captures the total administrative expenses for the program during the reporting month. It excludes expenses covered by FSS coordinator grants, housing conversion fees, mobility counseling and ROC fees, preliminary expenses, and portability payments due from another PHA.
  - **Audit** – This section captures the amount billed for the PHA's IPA audit. PHAs report this expense only in the month it occurred.

- **Restricted Net Position (RNP) as of the last day of the Month** – This section captures the current balance of the RNP as of the reporting month. It will reflect the beginning balance from the previous month plus any HAP funds received, less HAP expense for the month plus fraud recoveries due HUD and FSS escrow forfeitures received during the reporting month[1]. REAC analysts will look to see that what is reported in this VMS field ties to what is reported in the FDS memo line item 118, Housing Assistance Payments.
- **Unrestricted Net Position (UNP) as of the last day of the Month** – This section captures the current balance of the UNP as of the reporting month. It will reflect the previous year's beginning balance plus any interest earned and fraud recovery allocated to the UNP account for the month being reported. Admin losses will be included for the month but not admin surpluses. Excess admin fees only close to the UNP for VMS\ reporting at the CY end. It is important to note the following with regard to reporting UNP on the VMS, although HUD uses the term UNP, what HUD wants reported is administrative fee equity (see Notice PIH 2010-16). Administrative fee equity is the UNP plus any amounts invested in capital assets net of accumulated depreciation and any outstanding debt on the assets. REAC analysts will look to see if UNP field reported on the VMS ties to the FDS memo account 1117, Administrative Fee Equity.

1. In compliance with U.S. Treasury regulation and cash management regulations at 2 CFR 200.305, PHAs may retain up to $500 per calendar year beginning in CY2014 and after for administrative costs. Interest amounts earned on excess HAP and RNP funds invested are not recorded on the VMS or closed to RNP. Interest earned in excess of $500 earned on excess HAP funds or RNP balances invested are also not recorded anymore as part of the RNP balance. Instead they are reported as an accounts payable HUD.

  - **Cash/Investments as of the Last Day of the Month** – This section captures the cash and investments as of the last day of the month that relate to RNP and UNP balances. Funds received for an FSS coordinator grant and not expensed are not included; neither are FSS escrows.
- **Comments** – This section should be used by the PHA to explain situations regarding the data that was entered where more information may be needed by HUD to understand the PHA's data input.

Validating and Submitting VMS Data

Once the PHA has entered all the required information for the reporting month or made corrections to a previous month, the data must be validated and then submitted.

During the validation process, data entered will be validated against specific system business rules. The system will restrict the user from submitting data that fails to meet the business rules and will allow the user to correct the data or make a comment to HUD as to why the data is correct. These are known as hard edits.

- Data that fails a hard edit is not necessarily incorrect. The data may simply fall outside system-established reasonable ranges, and the PHA will be required to review the data that was entered and either correct it or explain why it is correct.
- If the PHA provides an explanation for why the data is correct but doesn't actually correct the data, it will be able to submit the data but it will be flagged as "Pending Hard Edit."
- To complete a submission flagged as "Pending Hard Edit," the PHA will need approval by its financial analyst to release the flag. HUD suggests that PHAs that submit VMS data flagged as "Pending Hard Edit" contact their financial analyst to request a decision on the hard edit.

Once the data has been entered and the validation routine has been run, if there are no hard edit errors the data may be submitted by clicking on the "Submit" button. If the data has "Pending Hard Edits," these hard edits must be released by the PHA's financial analyst before the data can officially be submitted.

Prior Month Corrections (PMC)

To make prior month corrections (PMCs), the PHA will use the PMC link on the left side of the main VMS screen. Under the PMC header is a new link "Data Input."

This link is used to *make single or multiple corrections for one or multiple prior submission periods in one setting*, without requiring the FA to approve before entering the next correction.

Corrections will no longer be made in the regular monthly submissions. Once the monthly data has been submitted and received by HUD a status of "Submitted," "Pending Hard Edit," or "Approved Hard Edit" will be assigned to the month submitted.

Once a month has been submitted the user must use the PMC "Data Input" link to make any changes to the current month or prior months.

The submissions shown on the List of Submissions page will be available for review and printing, but no changes will be allowed within submissions themselves once submitted.

PHAs may make prior month corrections to historical data at any time.

- The system allows a PMC submission whether or not the current month submission has been made or whether there are any months pending HUD approval.
- PHAs do not need to wait for HUD approval of PMCs which are pending hard edits before the system will allow another prior month change, whether to that month or another month's submission.

PHAs cannot make a change to a field in a given month which is currently pending hard edit, until action has been taken on the hard edit (i.e., it has been approved/disapproved by HUD).

When changing data for previously reported fields, the final value is entered in the field, not the value of the difference of the change.

A comment field is provided to describe the purpose of the correction, or any information about the correction, for future reference.

Once the new value is entered into a field the data must be validated.

If no errors are found the data can be saved. Otherwise the user will have to respond to the Hard Edit message.

Error message will be displayed below the field which has triggered a hard edit.

The user will need to select the appropriate reason and enter a comment if necessary. Comments should be descriptive enough to explain why the data is correct and to further explain the change.

Once the system has validated the error messages, or there were no validation errors, the system will display a system message "Form is Valid and Can be Submitted."

When HUD approves or disapproves a PMC-Pending Hard Edit, the system will automatically send an e-mail to the PHA Point of Contact, notifying them of the Approval/Disapproval.

The PHA can respond through normal e-mail channels, not via the VMS system.

PMCs will have a status of one of the following:

- PMC-Submitted – passed validation edits with no errors.
- PMC-Pending – there are hard edits the require HUD review and approval.
- PMC-Approved – HUD has approved the hard edit(s).
- PMC-Disapproved – HUD has disapproved the hard edit(s).

SECTION 8.2 VMS INTEGRITY REVIEWS

To validate amounts entered into the VMS system by PHAs, HUD may conduct on-site reviews of a PHA's VMS data.

These VMS Integrity Reviews are conducted by the Quality Assurance Division (QAD) of the Financial Management Division which is modeled after the QAD of the Real Estate Assessment Center. The FMS QAD was formed in 2004 and began its reviews in CY 2004.

The QAD conducts approximately 300 VMS Integrity Reviews annually.

Which PHAs Does HUD Select for VMS Integrity Reviews?

A PHA's selection for on-site review is based on a risk assessment conducted by HUD.

Some of the criteria HUD uses in conducting the risk assessment include:

- The dollar size of the PHA's HCV program
- The incidence of prior audit findings at the PHA
- Whether or not the PHA submits its VMS data on time
- Whether or not the PHA frequently changes previously submitted VMS data
- The length of time since the PHA's last VMS review
- Any problems identified in the PHA's current VMS reporting, such as:
    - Material variations in unit lease-up, as reported from one month to the next, or from quarter to quarter
    - Material variations in HAP dollars spent, as reported from one month to the next, or from quarter to quarter

What Does a VMS Integrity Review Look Like?

When a PHA is selected for a VMS Integrity Review, the QAD reviewer will interview PHA staff regarding the systems used for tracking the number of units leased each month and the monthly HAP register.

QAD will want to review the various reports the PHA uses to collect data on units leased, and compare these with data submitted in VMS.

Some of the reports reviewed include:

- Lease-up reports
- General ledger reports
- HAP registers
- Income and expense subsidiary ledgers
- Form HUD-50058

PHA staff will also be interviewed by the QAD reviewer about the PHA's processing of participants porting into the PHA's jurisdiction.

QAD will determine whether amounts due to the receiving PHA were recorded correctly, and whether amounts were paid timely by the initial PHA.

QAD also reviews the PHA's documents that support each line item on form HUD-52681-B, validating each line with the supporting documentation.

How Can My PHA Prepare for a VMS Integrity Review?

Here are some steps a PHA can take to ensure it is prepared, if it is ever selected for a VMS Integrity Review:

- Develop procedures to ensure VMS submissions are accurate and submitted on time and that the PHA has supporting documentation for data entered on each field of the VMS.
- Make sure special purpose vouchers are recorded correctly—typically, the VMS will require that special purpose vouchers and those funded separately from the regular voucher appropriations be reported in their own fields on the VMS.
- Make sure that the HAP expense reported reflects the month to which it applies, rather than the month during which the check was written. (These problems usually occur when the PHA doesn't process changes in a timely manner.)
- Make sure leased units reported are based on units leased **on the first of the month**. Be sure these numbers are verifiable on your system reports. The units leased should be supported by a listing of tenants.
- Consider tracking expenses in the general ledger by the expense categories reported on the VMS. This will make both reporting and verification easier for the PHA and the QAD reviewer.
- Make it a standard operating procedure for your PHA to routinely reconcile the costs reported on the VMS to the general ledger.
- Make sure fraud recovery amounts have been reported correctly. Did the RNP account get credit for its proper share of fraud recovery amounts (usually 50% of what was collected)?
- Make sure port-in HAP expense hasn't been closed to the RNP account.

VMS User Guide

The following pages have excerpts from the *VMS User Manual*. These sections can be reviewed to more fully explain some of the system concepts that were summarized.

Exhibit 8.2-1 Excerpts from VMS User Manual for Release 15.0.0.0

USER'S MANUAL

Voucher Management System (VMS)
Release 15.0.0.0

U.S. Department of Housing and Urban Development

March 2020

8.0 APPENDICES

8.1 APPENDIX A: FORM HUD 52681-B FIELD DEFINITIONS

This document provides information about each of the fields on the Form HUD 52681-B. The information is broken down by the section titles listed on the form.

A few general rules about the data as entered into each Monthly Submission:

> Each Submission includes data for the specified month only.

> Enter data for the specified month only.

> PHA is responsible for ensuring that all information is correct, and that wrong or missing Official HA data is updated in the PIC information system for future data collection use. The fields that are official HA Data and come from PIC are: Name of Authorized HA Official and Official Housing Authority E-mail Address

> Enter all leasing and expense data in positive whole numbers without any punctuation marks or symbols (commas, dollar signs, and decimal points).

> If your PHA has no report for a field, or if the reported value is zero (0), tab through the field and leave it blank; the exceptions are **the following fields which do accept entries of zero**:

- . Restricted Net Position (RNP)
- . Unrestricted Net Position (UNP)
- . Vouchers Leased End of Month
- . All Voucher HAP Expenses After the First of Month
- . Vouchers issued but not under HAP contract as of the last day of the month
- . Cash/Investments as of the last day of the month
- . Administrative Expenses Non MTW
- . MTW - HCV Administrative Expenses

In addition, the following fields also accept negatives:

- . Restricted Net Position (RNP)
- . Unrestricted Net Position (UNP)

When identified by the Business Office additional fields can be modified to accept zero's (0) and negative numbers.

> Vouchers administered on behalf of another PHA under the portability provisions, and for which HAP is reimbursed to your PHA, should not be reported by you as part of your leasing – they will be reported by the PHA that is paying the HAP. These are commonly referred to as "Port-Ins." Likewise, the HAP expenses associated with these port-in vouchers, which have or will be reimbursed to you by the other PHA, should not be reported as part of your HAP expenses. They will be reported by the PHA that is paying the HAP. There is a separate section in VMS called "Portables Vouchers Administered" with line items for reporting "Portable Units Administered" and "HAP for Portable Units Administered." These are the fields for reporting those vouchers for which hap is reimbursed to your PHA

> A voucher under lease must be reported in one and only one main category. Vouchers reported under the sub-categories “New Homeowners This Month” and “Enhanced Vouchers” are also reported under the main categories of “Homeownership” and “Tenant Protection”, respectively. "If a leased voucher could appropriately be reported in more than one category, it should be reported in the category that reflects how the participant initially qualified for the voucher. However, if a participant initially qualified under “All Other Vouchers” and later qualified under another category, that participant would be reported under the new category. Example 1: A participant initially qualified for a voucher under “All Other Vouchers” and later entered the Homeownership program. That participant would be reported under Homeownership. Example 2: A participant qualified for a voucher under the VASH or NED program. That participant later ported. The PHA that initially qualified the participant under VASH or NED would report that voucher as VASH or NED rather than Port Vouchers Paid. (Please see VASH definition below under DEFINITIONS for exception if a VASH family no longer needs case management and is moved out of the VASH and onto the PHA's regular voucher program, in accordance with Notice PIH 2011-53. In addition, please add information in the "Comments" field to indicate the number of vouchers reported and corresponding expenses on the VASH, NED, FUP, etc. lines that have ported but are not reported on the Portable Vouchers Paid (Port-Out) line."

> Effective with the April 2016 submission, RAD Component 1 and 2 vouchers **under lease** should be reported in the appropriate RAD 1 and 2 fields and should no longer be reported in the Tenant Protection field.

> All HAP expense data is to be reported in the voucher categories as of the first day of the month. HAP expenses are entered under the month for which they are applicable, regardless of the month in which they are actually paid. HAP expenses are only entered after the payment has been made.. A separate line item on the Voucher UML and HAP tab, called "Voucher HAP Expenses for New Contracts Effective After the First of the Month" collects HAP costs incurred for new HAP contracts effective after the first of the month. These costs are not reported elsewhere. PHA should include as HAP in the appropriate categories any amounts expended for utility reimbursements. For RAD 1 and/or VASH, the PHA should report ALL HAP expenses, even the prorated HAP expenses, in the RAD 1 and/or VASH field as appropriate rather than reporting the prorated HAP expenses on the line for “All Voucher HAP Expenses AFTER the First of the Month”. HAP expenses incurred after the first of the month for the Mainstream 5 program should NOT be reported in this field but should be reported in the Mainstream 5 field. "Note, RAD 2 HAP expenses incurred after the first of the month SHOULD be reported in this field".

> Contracts on hold are **not** reported as units leased as of the first day of the month. Contracts on hold are defined as a contract that has been entered into the PHA's system but for which the PHA is awaiting a landlord signature. Units are not reported as under lease until the HAP contract is negotiated. Once the contract is signed, if the monthly submission is completed, the PHA should enter such units as a Prior Month Correction. If not signed within 60 days the HAP contract is void. No HAP may be paid unless the HAP contract has been signed. Abated units are units that are currently under lease but for which the HAP is being withheld for specific reasons such as the unit failing to pass HQS inspection. The PHA **should** enter the UML during the abatement period. The unit **is** under contract. If for some reason the abatement is reversed then the PHA can enter a Prior Month Correction for HAP for those months attributable to the abatement period. Failure by the PHA to report the abated UML will skew the leasing and per unit costs for this agency.

- 5-Year Mainstream – In VMS, there are specific lines provided for 5-Year Mainstream Units Leased and HAP Expenses only. The 5-Year Mainstream program is separate and distinct from the regular HCV program and these values are not included in the Voucher Leasing and HAP totals reported in any other field. If a value greater than zero (0) was entered in any field under "Voucher Units", a value greater than zero (0) must be entered in the corresponding "Voucher HAP Expenses" field.
- Question Mark (?) - For every field containing this symbol, a pop up description of the data entry required for the field, or an explanation of the field will be provided. This field description appears only once for the many occurrences of the (?) Box symbol.
- Leasing and HAP expense data for each category of voucher are now reported on the same line.
- Fields that have been grayed out are prefilled by HUD and are not editable. Data used for these fields reflect the current system information, and are automatically updated when changes are made to prior months.
- The PHA must report UMLs for "Zero HAP" Units. These are units for which the HAP has been calculated to be $0. The units are to be reported in the same voucher category as they would if the HAP was a positive dollar amount. HCV regulations state that a HAP contract may remain in effect for 180 consecutive days while at zero HAP. Thus in VMS, the PHA must report a UML for the "Zero HAP" unit because a contract is still in effect. After 180 days at $0 HAP, the HAP contract terminates automatically. Therefore, the PHA would no longer report a UML for that unit. Refer to 24 CFR 982.455 (Automatic Termination of HAP contracts). **EXCEPTION**: Tenants who were in place at the time of a RAD conversion and have $0 HAP should be reported in the VMS as long as the family is in place. The 180 day limit does not apply to these tenants. Tenants leased after the conversion are limited to the 180 day limit for $0 HAP as described above.

Form 52681-B Field Name	**Definition**
Vouchers Under Lease on the First Day of the Month	
Rental Assistance Component 1	Total number of Vouchers Leased for all RAD Component 1 awards; reporting begins January 1 of the first full calendar year of voucher funding. Effective April, 2016, this information is no longer reported in the Tenant Protection field.
Rental Assistance Component 1 (HAP)	Total HAP expenses incurred for all RAD Component 1 awards. Total HAP includes HAP expenses incurred after the 1st of the month. Effective April, 2016, this information is no longer reported in the Tenant Protection field. NOTE: RAD Rehab Assistance and RAD Vacancy payments should be reported in this field. The PHA should report ALL RAD 1 HAP expenses in this field, including the prorated HAP expenses incurred after the first of the month.
Rental Assistance Component 2	Total number of vouchers Leased for all RAD Component 2 awards. Effective April, 2016, this information is no longer reported in the Tenant Protection field.
Rental Assistance Component 2 (HAP)	Total number of vouchers Leased for all RAD Component 2 awards. Effective April, 2016, this information is no longer reported in the Tenant Protection field.
Litigation	Total number of vouchers leased from award(s) originally made by HUD in conjunction with a judgment or consent decree.
Litigation HAP	Total HAP expenses incurred for litigation voucher leasing reported in Units section
Homeownership	Total number of vouchers used for homeownership subsidy rather than rental subsidy
Homeownership HAP	Total HAP expenses incurred for Homeownership vouchers reported in Units section
New This Month (Homeownership)	Total number of newly assisted homeowners for the specified month. This number must be included in the Homeownership total and cannot be greater than the number of Homeownership Vouchers reported above. This is a sub-category of Homeownership.
Moving To Work Vouchers	Total number of vouchers leased in the PHA's Moving to Work Program. MTW units leased for NED, FUP, One Year Mainstream and VASH should not be reported in this line item; however, they should be reported in the appropriate field designated for those purposes.

Form 52681-B Field Name	Definition
Moving To Work HAP	Total HAP expenses incurred for Moving to Work vouchers reported in the Moving to Work Unit section. Do not include in this section any expenses for purposes other than rental or homeownership assistance. If Moving to Work voucher funds are used for any purpose OTHER THAN rental or homeownership assistance under the Housing Choice Voucher Program, the PHA should identify those funds in the appropriate MTW field(s) in the MTW Section on TAB 2 or in the MTW Other Expense field on Tab 3. HAP expenses for NED, FUP, One Year Mainstream and VASH should not be reported in this line item; however, they should be reported in the appropriate field designated for those purposes.
One Year Mainstream - MTW (UML)	Total number of vouchers leased this month for all One Year Mainstream awards (MTW PHAs ONLY). These awards are pre-2008
One Year Mainstream - MTW (HAP)	Total HAP expenses incurred for One Year Mainstream-MTW reported in the units sections (MTW PHAs ONLY).
Family Unification - Non MTW	Total number of vouchers leased this month from ANY initial or renewal Family Unification Program increment regardless of when the award was funded. Vouchers are reported in this category as long as they are in use by an eligible participant. (non-MTW PHAs ONLY).
Family Unification - Non MTW (HAP)	Total HAP expenses incurred for Family Unification vouchers reported in the units section (non-MTW PHAs ONLY).
Family Unification Pre2008 - MTW	Total number of vouchers leased this month from initial or renewal Family Unification Program increments that were funded from federal fiscal years prior to 2008. Vouchers are reported in this category as long as they are in use by an eligible participant and only if the PHA received a FUP award under a Notice of Funding Availability prior to 2008 (MTW PHAs ONLY)
Family Unification Pre2008 - MTW (HAP)	Total HAP expenses incurred for Family Unification Pre-2008 Vouchers reported in the Family Unification Pre2008 section (MTW PHAs ONLY)
Family Unification 2008/Forward - MTW	Total number of vouchers leased this month from initial or renewal Family Unification Program increments that were funded from federal years 2008 and forward. Vouchers are reported in this category as long as they are in use by an eligible participant and only if the PHA received a FUP award under a Notice of Funding Availability in 2008 or forward (MTW PHAs ONLY)
Family Unification 2008/Forward - MTW (HAP)	Total HAP expenses incurred this month for Family Unification 2008/Forward Vouchers reported in the Family Unification 2008/Forward section (MTW PHAs ONLY)

TAB 1 – VOUCHER UML AND HAP	
Form 52681-B Field Name	**Definition**
Non Elderly Disabled - Non-MTW	Total number of vouchers leased this month from initial or renewal Mainstream 1 or Non-Elderly Disabled program increments (non-MTW PHAs ONLY).
Non Elderly Disabled - Non-MTW (HAP)	Total HAP expenses incurred this month for Mainstream 1 or Non-Elderly Disabled voucher leasing as reported in Units section (non-MTW PHAs ONLY).
Non Elderly Disabled 2008 Forward - MTW	Total number of voucher leased this month from initial or renewal Non-Elderly Disabled Program increments that were funded from federal years 2008 and forward. (MTW PHAs ONLY)
Non Elderly Disabled 2008 Forward - MTW (HAP)	Total HAP expenses incurred for vouchers leased this month for Non-Elderly Disabled 2008 - Forward as reported in the Non-Elderly Disabled section (MTW PHAs ONLY)
Portable Vouchers Paid	Total number of vouchers for which the PHA is being billed by and is remitting HAP costs to another PHA under the portability option. These vouchers are part of the PHA's inventory and are commonly referred to as "Port-Outs".
Portable Vouchers Paid HAP	Total HAP expenses incurred for portability vouchers reported in the Units section. The HAP payments to be reported here are for port-outs for which the PHA is being billed by another PHA.
HOPE VI	Total number of vouchers under lease for households whose vouchers were provided from an award designated for HOPE VI affected participants. A unit is reported in this category as long as the original voucher holder remains a voucher participant, even after the units are renewed and become part of the PHA's baseline units.
HOPE VI HAP	Total HAP expenses incurred for HOPE VI vouchers reported in the Units section.

TAB 1 – VOUCHER UML AND HAP	
Form 52681-B Field Name	**Definition**
Tenant Protection	Total number of vouchers under lease for households whose vouchers were initially provided from an award designated for tenant protection purposes and who were affected by a tenant protection action This includes vouchers awarded for relocation from or replacement of a public housing property; vouchers for tenants affected by a termination, opt-out, or prepayment of a multifamily assisted development or a property disposition action; and vouchers provided for the replacement of expired Mod Rehab HAP and SRO contracts. A unit is reported in this category as long as the original voucher holder remains a voucher participant, even after the units are renewed and become part of the PHA's baseline units. NOTE: Effective April, 2016, RAD Component 1 and 2 leasing and expense information is no longer reported in this field. RAD information should be reported in the appropriate RAD 1 and 2 fields.
Tenant Protection HAP	Total HAP expenses incurred for Tenant Protection vouchers reported in the Units section.
Enhanced Vouchers	Total number of Tenant Protection vouchers reported above that are in use under the terms for enhanced vouchers. All Enhanced Vouchers are also Tenant Protection but not all Tenant Protection vouchers are enhanced. The number of Enhanced vouchers cannot exceed the number of Tenant Protection
Veterans Affairs Supportive Housing (VASH) Vouchers	Total number of vouchers under lease from initial or renewal funds awarded under the VASH program. Vouchers are reported in this category as long as they are in use by an eligible participant and only if the PHA received a VASH award in 2008 or subsequent federal fiscal years. Vouchers should be reported in this category only if the PHA has received an award under this program in FFY2008 or later. A voucher is reported in this category as long as it is in use be an eligible program participant. In accordance with Notice PIH 2011-53, if a HUD-VASH family no longer requires case management services, and the PHA has the funding and elects to serve the family under its regular HCV program, the PHA will no longer report the family on the VASH lines in the VMS. Instead, this family should now be reported on the All Other Vouchers (AOV) lines.
Veterans Affairs Supportive Housing (VASH) HAP	Total HAP expenses incurred for VASH vouchers reported in the Units section. The PHA should report all VASH HAP expenses in this field, including the prorated HAP expenses incurred after the first of the month.

TAB 1 – VOUCHER UML AND HAP	
Form 52681-B Field Name	**Definition**
DHAP to HCV Vouchers Leased	The field captures the number of families assisted via DHAP to HCV conversion vouchers. These vouchers were awarded in 2009 and are subject to reconciliation. For months in CY 2009, the PHA should report the total number of families that were leased. For months in CY 2010, PHAS are only to report the total number of vouchers from the 2009 DHAP to HCV award where former DHAP families were issued their voucher prior to 1/1/2010, were actively seeking assistance as of 12/31/2009, were initially placed under HAP contract effective on or after January 1, 2010, and are under lease as of the first day of the reporting month. Vouchers leased for participants assisted via DHAP to HCV vouchers prior to 2010 and which are still receiving assistance are not reported in this section. These DHAP to HCV vouchers became regular Housing Choice vouchers on January 1, 2010, and their leasing is reported in the appropriate category above (All Other Vouchers, etc.).
DHAP to HCV Vouchers HAP	Total HAP expenses for DHAP to HCV voucher leasing reported in the **units** section**.**
All Other Vouchers	Total number of vouchers leased for all other purposes. Do not include any vouchers already reported in the other voucher categories above.
All Other Vouchers HAP	Total HAP expenses incurred for all other vouchers reported in the units section**,** for contracts in effect on the first day of the month. Do not include any HAP expenses already reported in ANY other Voucher HAP Expense categories above or for FSS Escrow Deposits below.
MTW - Family Unification 2008/Forward HAP expenses after the First of the Month	Total amount of HAP expenses incurred after the first of the month for leased Family Unification vouchers 2008/forward vouchers. (MTW PHAs ONLY). Mandatory field for MTW agencies who have been awarded Family Unification vouchers from 2008 forward
MTW - Family Unification pre-2008 HAP After the First of the Month	Total amount of HAP expenses incurred after the first of the month for leased Family Unification Vouchers from pre-2008 awards. (MTW PHAs ONLY). Mandatory field for MTW agencies who have been awarded Family Unification vouchers prior to 2008.
MTW - Non-Elderly Disabled 2008/Forward HAP Expenses after the First of the Month	Total amount of HAP expenses incurred after the first of the month for leased Non-Elderly Disabled Vouchers 2008/forward vouchers(MTW PHAs ONLY). Mandatory field for MTW agencies who have been awarded Non-Elderly Disabled vouchers from 2008 forward.
MTW - VASH HAP Expenses after the First of the Month	Total amount of HAP expenses incurred after the first of the month for leased VASH vouchers (MTW PHAs ONLY). Mandatory field for MTW agencies who have been awarded VASH vouchers.

Form 52681-B Field Name	**Definition**
MTW - One year Mainstream HAP After the First of the Month	Total amount of HAP expenses incurred after the first of the month for leased One Year Mainstream vouchers (MTW PHAs ONLY). Mandatory field for MTW agencies who have been awarded One Year Mainstream vouchers.
FSS Escrow Deposits	Deposits to FSS participant escrow accounts made for this month
All Voucher HAP Expenses for Contracts Effective After the First of Month	Total amount of HAP expenses incurred for NEW contracts effective after the first of the month for any categories above except RAD 1, VASH, and Mainstream 5. If the amount of HAP covers the entire month then it should not be reported in this field. MTW PHAs with After the First of the Month Expenses for FUP Pre-2008/2008 Forward, NED 2008 Forward, VASH and One Year Mainstream should not report those expenses here, but rather they should be reported in the appropriate MTW After the First of the Month field(s) above. This amount is automatically included in the HAP Total below when the system calculates the HAP Total. For RAD 1 and/or VASH, the PHA should report ALL HAP expenses, including the prorated HAP expenses, in the RAD 1 and/or VASH field as appropriate rather than reporting the prorated HAP expenses on the line for "All Voucher HAP Expenses AFTER the First of the Month". HAP expenses incurred after the first of the month for the Mainstream 5 program should NOT be reported in this field but should be reported in the Mainstream 5 field. "Note: RAD 2 HAP expenses incurred after the first of the month SHOULD be reported in this field".
Total Vouchers	This is a calculated field and does not accept data entry from the user. It contains monthly totals of the following UML fields: RAD 1 RAD 2 Litigation Homeownership Moving to Work One Year Mainstream MTW Family Unification Non - MTW Family Unification Pre 2008 - MTW Family Unification 2008 Forward - MTW Non-Elderly Disabled – Non MTW Non-Elderly Disabled 2008 Forward – MTW Portable Voucher Paid HOPE VI Tenant Protection Veterans Affairs Supportive Housing (VASH) Vouchers All Other Vouchers

TAB 1 – VOUCHER UML AND HAP	
Form 52681-B Field Name	**Definition**
HAP Total	This is a calculated field and does not accept data entry from the user. It contains monthly totals of the following HAP fields: RAD 1 HAP RAD 2 HAP Litigation HAP Homeownership HAP Moving to Work HAP One Year Mainstream MTW – HAP Family Unification Non MTW - HAP Family Unification Pre-2008 MTW - HAP Family Unification 2008 Forward MTW - HAP Non-Elderly Disabled Non-MTW – HAP Non-Elderly 2008 Forward MTW - HAP Portable Voucher HAP HOPE VI - HAP Tenant Protection HAP All Other Vouchers HAP Veterans Affairs Supportive Housing (VASH) Vouchers HAP All Voucher HAP Expenses for contracts effective After the First of Month MTW Family Unification 2008 Forward HAP Expenses After the First of the Month MTW Family Unification Pre-2008 HAP Expenses 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 Expenses After the First of the Month FSS Escrow Deposits Note that the PHA should include as HAP in the appropriate categories any amounts expended for utility reimbursements.
Other Voucher Reporting Requirements	
Number of vouchers under Lease (HAP Contract) on the last day of the Month	Total number of vouchers under lease on the "LAST" day of the month for all categories listed in "HAP Total" above. This includes HAP contracts that expired that day. Zero HAP units continue to be reported for up to six months. The HAP contract terminates automatically 180 calendar days after the last HAP payment to the owner.
HA Owned Units Leased - included in the units leased	Total number of HA-owned units that are under lease in the Voucher program for the month; including RAD units that are PHA-owned. These units should also be included in the appropriate Voucher Units category above.

TAB 1 – VOUCHER UML AND HAP

Form 52681-B Field Name	Definition
Number of vouchers issued but not under housing assistance payments (HAP) contract as of the last day of the month	This figure represents the total **cumulative** number of new vouchers issued for all categories listed above and not yet under a HAP contract as of the last day of the reporting period. This figure excludes vouchers issued to participants who are currently under a HAP contract in one unit but have been issued a voucher to search for another unit to which they intend to move with continued voucher assistance.
Portable Units Administered	Total number of vouchers for the entire month which the HA is administering on behalf of an Initial HA under the portability provisions; the HA is billing the initial HA and has not absorbed the voucher participants into the HA's own program. A household reported in this category is NOT reported as a voucher participant for this HA in any other category. These are commonly referred to as "Port-Ins." NOTE: Portable vouchers administered for the Mainstream program should NOT be reported in this field.
Total HAP for Portable Units Administered	HAP expenses attributable to the Portable Units Administered as reported above. These expenses are NOT included in the HA's total voucher HAP expenses elsewhere reported in VMS.
5-Year Mainstream	The number of 5 Year Mainstream vouchers under lease. Vouchers should only be reported in this category if the PHA has received an award under the 5 year mainstream program, and should be reported in this category for the initial and all renewal terms.
5 Year Mainstream HAP	Total amount of HAP expenses incurred for 5 Year Mainstream vouchers reported in Unit section. The PHA should report ALL MS5 HAP expenses in this field, including the prorated HAP expenses incurred after the first of the month.
Number of PBVs Under AHAP and Not Under HAP	Total number of PBVs under AHAP only. These units are not reported in any other field.
Number of PBVs Under HAP and Leased	Total number of PBVs under HAP contract and leased. These units and associated expenses are also reported in the field that best describes the type of voucher being used (Tenant Protection, AOV, etc.)
Number of PBVs Under HAP and Not Leased	Total number of PBVs that are under a HAP contract and are not leased and are not receiving vacancy payments. These vouchers are not reported in any other field but are eligible for administrative fees. This field should include RAD 1 and RAD 2 units that are under a HAP contract but are not leased and RAD 1 units that are receiving Rehab Assistance Payments (RAP).
Number of PBVs Under HAP and Not Leased with Vacancy Payment and Associated Vacancy HAP Expense	Total number of PBVs that are under a HAP contract and are not leased but are receiving vacancy payments. These vouchers are not reported in any other field but are eligible for administrative fees. RAD Vouchers receiving vacancy payments should also be reported in this field.

TAB 1 – VOUCHER UML AND HAP

Form 52681-B Field Name	Definition
HAP Expenses - Number of PBVs Under HAP and Not Leased with Vacancy Payment and Associated Vacancy HAP Expense	Total HAP expense associated with PBVs under HAP contract and not leased with vacancy payments. These expenses are also reported in the AOV HAP Expense field. Vacancy Payments for RAD vouchers should also be reported in the appropriate RAD HAP Expense field. Note: RAD Rehab Assistance payments should not be reported in this field but should be reported in the RAD 1 HAP expense field.

TAB 2 – OTHER INCOME AND EXPENSE

Form 52681-B Field Name	Definition
Memorandum Reporting	
Fraud Recovery – Total Collected this Month	Total dollar amount recouped by the HA as fraud recoveries during the month that is applied to the RNP account. This consists of the lesser of one-half the amount recovered or the total recovery minus the costs incurred by the PHA in the recovery. This amount should NOT be deducted from HAP Expenses as reported for the month in the HAP expenses section. **Note:** Total dollar amount recouped "is cash collected – not revenue recorded".
Interest or other income earned this month from the investment of HAP funds and Restricted Net Position	Interest or other income earned this month from the investment of HAP funds and Restricted Net Position. Note: the amount of interest earned from the UNP account should not be reported in this field.
FSS Escrow Forfeitures this month	Total value of FSS escrow accounts forfeited by tenants during the month; forfeitures occur when the tenant violates or fails to complete the FSS contract. This amount should not be deducted from HAP expenses as reported for the month in the HAP Expenses section.
Number of Hard to House Families Leased	Total number of families (current participants and new admissions) with three or more minors or with a disabled family member that moved to a new unit during the month. If entered the reported value must be a positive.
Number of LBP Initial Clearance Tests	The total number of initial lead-based paint clearance tests completed during the month. If entered the reported value must be a positive whole number only.
Portable Hap Costs Billed and Unpaid – 90 Days or older	Amount due to the HA for portable HAP costs billed to another agency at least 90 days prior to the end of the current reporting period and not yet paid by that other agency.
Number of LBP Risk Assessments	The total number of lead-based paint risk assessments completed during the month. If entered the reported value must be a positive whole number only.

Form 52681-B Field Name	**Definition**
Administrative Expenses	
FSS Coordinator Expense Covered by the FSS Grant	Include on this line item only those expenses covered with unspent FSS administrative fees earned through grants awarded in FY2014 and prior. Allowable expenses paid from unspent prior year grants that may be reported on this line for expenses incurred after December 2015 are: contracting to do FSS data collection/clean-up/analysis, building the capacity of the Program Coordinating Committee, strengthening your agency's outreach strategies, etc. You may also report expenses incurred for salary and benefits only to hire an extra, temporary HCV FSS coordinator to help with our existing FSS caseload or FSS special project. Please note that any funds remaining unspent from CY2014 and prior may not be used to pay the salary and benefits of current FSS coordinators and may not be reported on this line item. Further, any expenses incurred that are paid with funds drawn down from LOCCs should not be included on this line item. Also note that once funds have been exhausted from your FSS grant (FY15 and beyond) any expenses incurred for covering **HCV** FSS coordinator salary and benefits must be included in the VMS on the regular administrative expenses line item. Do not report these expenses on the line item "FSS Coordinator Expenses Not Covered by Grant".
FSS Coordinator Expenses Not Covered by FSS Grant	This field is no longer active and should not be used to report any FSS data.
Administrative Expense	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.
Audit	Total amount billed for the PHA's IPA audit, if incurred during this reporting cycle, excluding the accounting service fee. Report this amount only in the month that it occurred
Financial Status – as referenced in PIH Notice 2010-16	

TAB 2 – OTHER INCOME AND EXPENSE

Form 52681-B Field Name	Definition
Unrestricted Net Position (UNP) as of the Last Day of the Month	Note: Regardless of the system (VMS or FASS-PH) in which UNA is being reported, the PHA should report its UNP amount as defined by GAAP – *"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 net of related debt."* In essence, HUD is requesting information on net liquid or near liquid resources that can be readily used for the administration of the program, as this definition does not include net assets related to fixed assets (see OPEB liability exception below as related to liquid or near liquid resources). UNP is equal to the cumulative total of Administrative Fee (AF) revenue minus total HCV administrative expenses and any UNP used for housing assistance payments (HAP) or other activities for Section 8 Tenant Based related purposes. UNP (referred to as "Administrative Fee Reserve" in the HCV program regulations) is the amount by which administrative fees paid by HUD for a PHA fiscal year exceeded the PHA administrative expenses for the fiscal year, plus the portion of fraud recovery revenue collected in cash that is returned to the UNP account (see Note 1), any interest earned on AF reserve (see 24 CFR 982.155(a)) and up to $500 per calendar year in interest and investment income earned on HAP and RNP funds, and the net Port-In reimbursement revenue (in excess of Port-In HAP expenses) received from initial Housing Authorities for unabsorbed Port-Ins. This means that the total AF revenue used to calculate the UNP reported in this field does not include excess 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 the end of the last month of the PHA's fiscal year. 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). **PHAs should not report any unexpended FSS Coordinator funds in the UNP field.** FSS coordinator funds from grants awarded prior to Federal Fiscal Year 2014 (which were made available to PHA's beginning in January 2015) can only be spent on FSS coordinator expenses, are not available to support other Section 8 program expenses, and therefore must be recorded in the PHAs financial records as an unearned revenue until spent on FSS coordinator expenses rather than being reported as part of the UNP. FSS coordinator grants awarded in FFY 2014 and future years are treated as a separate program and reported in CFDA 14.896 in FASS. The grant revenue for these awards should not be added to the HCV equity. For guidance on eligible use of AF and UNP funds please reference PIH Notice 2015-17 issued October 6, 2015. This document provides additional information regarding the allowable use of AF earned during the PHA's current fiscal year and the use of available UNP (depending on the source year) and also provides information regarding VMS reporting. Accrued Pension and Other Post Employment Benefits (OPEB) Exception: Any Accrued Pension and OPEB liability must be included in the UNP balance as reported in the VMS even though this unfunded liability may cause the UNP balance to reflect a 'false' negative balance. It is suggested the PHA insert a comment in the 'comments' section to reflect the portion of the UNP balance that is attributable to the unfunded pension and OPEB liability and provide the actual 'cash equivalent' UNP balance (the UNP "should be" balance if the pension and OPEB liability were removed). *Reference GASB 74 (which parallels GASB 67 and replaces GASB 68) and GASB 75 (which replaces GASB 45.*

TAB 2 – OTHER INCOME AND EXPENSE

Form 52681-B Field Name	Definition
Restricted Net Position (RNP) as of the Last Day of the Month	RNP is the amount of Housing Assistance Payments (HAP) Equity for the HCV program. It is equal to the cumulative sum of total HAP revenues received minus the total cumulative HAP expenses for eligible unit months that have been paid and is calculated on a monthly basis. Total HAP expense should include expenses for regular vouchers and for HCV special purpose vouchers including VASH, Non-Elderly Disabled (NED), Family Unification Program (FUP), HOPE VI, One Year Mainstream (MS1), Litigation, RAD Component 1, RAD Component 2, Tenant Protection (TP) and Homeownership, as well as expenses for FSS escrow deposits. Total HAP revenue is defined as total HAP disbursements received during the month including the portion of fraud recovery revenue collected in cash that is returned to the HAP equity (see Note 1) and FSS forfeitures. Excess funds received for the Mainstream 5 program should not be included in this field. Interest income earned on excess HAP and RNP balances should not be included in the RNP. The allowable retention of interest funds should be reported in the PHA's UNP balance as described in greater detail in the UNP field definition. Negative balances must be reported on a monthly basis and carried through the fiscal year-end or calendar year-end, as applicable, until cash revenue is received (from any allowable source) to clear the negative balance. However, if the PHA has a negative balance at the end of the calendar year and no available program reserves to cover the shortage, then the negative amount should not carry over into the subsequent calendar year reporting (see Note 2). This results in the PHA starting January of the following year with a zero balance. Instead, the PHA must transfer HCV UNP or other non-federal funds to the HCV RNP account to cover the negative balance in excess of the HUD-held reserves balance. Please refer to PIH Notice 2013-28 regarding the allowable use of outside sources of funds. The PHA is responsible for operating its program within the amount of funding provided. Negative amounts reported may result in a HUD review and corrective action may be warranted if it is determined the PHA expended any portion of its HAP funding on non-HAP eligible expenses. **NOTE 1:** Fraud Recovery – PHAs should not include fraud receivable revenue not yet collected in the VMS reporting as those funds are not available for the PHA to use for HAP expenses. The amount of fraud recovery sent to the RNP account is usually 50% of the amount collected, but may be less depending on the PHA's situation. See 24 CFR §792.202 for more on the amounts of fraud recovery a PHA may retain in its UNP and the portion of fraud recovery that must be returned to the HCV Program by inclusion in the RNP balance. **NOTE 2:** Reporting Negative RNP – Reporting negative RNP balances in the VMS at the end of the PHA's fiscal year end is acceptable. Reporting negative balances in the VMS provides reviewers the most accurate financial status of the PHA and is an indication that an additional disbursement may be needed to support HAP expenses. If the PHA reflects a negative balance at FYE, the PHA should confirm if there are available HUD-HELD Reserves to support the shortage. If so, the PHA should record an Accounts Receivable from HUD for the amount that can be supported. The PHA should transfer UNP to cover the remaining shortage. GAAP reporting requirements direct PHAs to report zero in FASS when their RNP balance is negative at fiscal year-end. This can result in a discrepancy between the two systems although the information is accurate based on current reporting requirements. MTW PHAs are required to track and report unspent HAP funds, transferred to the single account, in the VMS under the RNP. These are HAP funds transferred to the single account minus HAP and non-HAP expenses allowable under their MTW agreements. The tracking and reporting of HCV originated HAP that has been transferred to the single account but remains unspent will facilitate monitoring budget utilization and establishing operating reserves to be protected from offsets and excess reserves that could be subject to Congressional mandated offsets and or/or offset for reallocation as described by the 2016 Appropriations Act or future requirements. Note that for unaudited and audited FASS reported financial statements, unspent HAP funds that were transferred to the single account will continue to be reported as unrestricted net position (UNP). This results in a known discrepancy between VMS and FASS reporting but is necessary to ensure accurate tracking and reporting of unspent HAP funds. PHAs/Users should refer to PIH Notice 2015-17 for additional information related to the proper calculation and reporting of RNP balances in the VMS.

Form 52681-B Field Name	**Definition**
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 UNP and RNP balances as of the last PHA FYE, as well as any additional funds that may have been reported in the UNP and RNP 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. MTW PHAs should report their financial information as required in their MTW Agreement.
MTW	
MTW - HCV Administrative Expenses	HCV on administrative expenses incurred by the PHA supported by HAP funds as well as administrative expenses paid from earned fees for traditional HCV units including special purpose vouchers (NED, FUP, MS1), RAD, MTW units, non-MTW units and tenant protection vouchers. MTW PHAs **ONLY** should report in this field
MTW - Public Housing Rehabilitation	HCVP HAP funds expended by the PHA for capital improvements of existing public housing units, as allowed under public housing program statutes and regulations
MTW - Debt Service Repayment	HCVP HAP funds expended by the PHA for debt service payments. Expenses reported in this field should only be those made in association with a CFFP, OFFP, EPC or other use under Section 30 of the U.S. Housing Act that has been approved by HUD. Any other use of HCVP HAP funds to pay debt service that would require a waiver or Section 30 must be included by the PHA as an approved MTW activity in the MTW plan before the expenditures are eligible and reported
MTW - Development Activities	HCVP HAP funds expended by the PHA for the development of new public housing units, new project-based HCV units, or new local non-traditional units. In order to expend HCVP HAP funds for the development of local nontraditional units, the PHA must have an approved MTW activity in the MTW plan describing how the funds will be used.
MTW - Local Housing Program	HCVP HAP funding expended by the PHA for operation of local, non-traditional housing programs. In order to expend HCVP HAP funds for the operation of local, non-traditional housing programs, the PHA must have an approved MTW activity in the MTW plan describing how the funds will be used.

TAB 2 – OTHER INCOME AND EXPENSE

Form 52681-B Field Name	Definition
Other - Unspent Funds	
Fund Source 1	
Unspent Fund Source (HCV, CAP, OP or MTW)-1	This section is for MTW PHA reporting of commitments and obligations that have been made for the future expenditure of currently unspent funds. The PHA reports in this field the source of the unspent funds (HCVP, Operating Fund, Capital Fund, or merged MTW)
Type of Account-1	Type of projected expenditure from the fields provided for actual expenses or another category to be added by the PHA
Activity-1	The specific activity within the category which the PHA is undertaking
Funds Committed-1	The total amount from the Unspent Fund Source that the PHA has committed to the activity. This amount should be changed in subsequent reporting if the level of commitment changes but should not be reduced as the commitment moves to obligation.
Type of Commitment-1	The specific action that commits the funds to the activity.
Date of Commitment-1 (MM/DD/YYYY)	The date of the commitment action.
Funds Obligated-1	The total amount from the commitment that the PHA has obligated to the activity. This amount should be changed in subsequent reporting if the level of obligation changes but should not be reduced as the obligated funds are expended.
Type of Obligation-1	The specific action that obligates the funds to the activity, such as a contract executed with Company ABC.
Date of Obligation-1 (MM/DD/YYYY)	The date of the obligation action.
Funds Expended from Commitment/ Obligation-1	The total of the obligated amount that has been expended on the activity.
Projected Date of Full Expenditure-1 (MM/DD/YYYY)	The date by which the PHA anticipates the funds committed and obligated for this activity will be fully expended.
Fund Source 2 -Same as above	
Fund Source 3-Same as above	
Fund Source 4-Same as above	
Fund Source 5-Same as above	
Fund Source 6-Same as above	
Fund Source 7-Same as above	
Fund Source 8-Same as above	
Fund Source 9-Same as above	
Fund Source 10-Same as above	
Fund Source 11-Same as above	

TAB 3 – ADDITIONAL EXPENSE / COMMENTS

Form 52681-B Field Name	Definition
Expenses	
Expense Amount 1	Other expenditures amount incurred by the HA for the Voucher Program, which the HA has been instructed to report.
Expense Description 1	Description of other expenditures incurred by the HA for the Voucher Program, which the HA has been instructed to report. Description field will accommodate up to 255 characters. A message displays when data entered exceed 255 characters
Expense Amount 2	Other expenditures amount incurred by the HA for the Voucher Program, which the HA has been instructed to report.
Expense Description 2	Description of other expenditures incurred by the HA for the Voucher Program, which the HA has been instructed to report. Description field will accommodate up to 255 characters. A message displays when data entered exceed 255 characters
Expense Amount 3	Other expenditures amount incurred by the HA for the Voucher Program, which the HA has been instructed to report.
Expense Description 3	Description of other expenditures incurred by the HA for the Voucher Program, which the HA has been instructed to report. Description field will accommodate up to 255 characters. A message displays when data entered exceed 255 characters
Expense Amount 4	Other expenditures amount incurred by the HA for the Voucher Program, which the HA has been instructed to report.
Expense Description 4	Description of other expenditures incurred by the HA for the Voucher Program, which the HA has been instructed to report. Description field will accommodate up to 255 characters. A message displays when data entered exceed 255 characters
Expense Amount 5	Other expenditures amount incurred by the HA for the Voucher Program, which the HA has been instructed to report.
Expense Description 5	Description of other expenditures incurred by the HA for the Voucher Program, which the HA has been instructed to report. Description field will accommodate up to 255 characters. A message displays when data entered exceed 255 characters
MTW Other Expense Category	
MTW - Other - 1 - PHA to identify the type of expense incurred	HCVP HAP funding expended by the PHA for an activity that does not fit in any other category
MTW - Other - 1 Comments (PHA to identify the type of expenses incurred)	Description of the expenses incurred which do not fit in any other category, in sufficient detail for HUD to ensure expenses are eligible and identifiable
MTW - Other - 2 - PHA to identify the type of expense incurred	HCVP HAP funding expended by the PHA for an activity that does not fit in any other category
MTW - Other - 2 Comments (PHA to identify the type of expenses incurred)	Description of the expenses incurred which do not fit in any other category, in sufficient detail for HUD to ensure expenses are eligible and identifiable
MTW - Other - 3 - PHA to identify the type of expense incurred	HCVP HAP funding expended by the PHA for an activity that does not fit in any other category
MTW - Other - 3 Comments (PHA to identify the type of expenses incurred)	Description of the expenses incurred which do not fit in any other category, in sufficient detail for HUD to ensure expenses are eligible and identifiable

TAB 3 – ADDITIONAL EXPENSE / COMMENTS	
Form 52681-B Field Name	**Definition**
Comments	
Comments	Comment field to allow PHA to explain their data entries or to provide specific information requested by HUD Use this field only to explain the required data or to provide specific information required by HUD. The Comment field will accommodate up to 4000 characters. A message displays when data entered exceed 4000 characters

TAB 4 – DISASTER UML AND HAP	
Form 52681-B Field Name	**Definition**
Disaster Voucher Program (DVP)	
Disaster Name	Specific Name associated with the current disaster
Disaster Families Assisted	Total number of families assisted under the DVP, excluding Homeless DVP families. These units are not reported on any other line.
Disaster Families Assisted (HAP)	Total number of families assisted under the DVP, excluding Homeless DVP families. These units are not reported on any other line.
Disaster Security Deposit	Security Deposit paid during the reporting month for the Disaster Families
Disaster Security Deposit Returned	Amount of security deposit returned for the Disaster Family during the reporting month
Disaster Utility Deposit	Utility Deposit paid during the reporting month for the Disaster Families
Disaster Utility Deposit Returned	Amount of Utility deposit returned for the Disaster Family during the reporting month
Disaster Administrative Expenditures	The amount of Administrative Expenditures incurred for the reporting month
Disaster Broker Fee	The total amount of broker fees paid during the reporting month for Disaster Families

TAB 5 – PHA CONTACT INFORMATION	
Form 52681-B Field Name	**Definition**
PHA Contact Information	
HA Number	Housing Authority identification number (Read only, from PIC Databases)
HA Name	Name of Housing Authority (Read only, from PIC Databases)
HA FYE	Housing Authority Fiscal Year End (Read only, from PIC Databases)
Name of HA Point of Contact (POC)	Name of the person who can answer questions about the Form HUD 52681-B data submission. This field is pre-filled with prior VMS information and is editable. Incorrect information should be corrected.
Point of Contact Phone	Phone number of the PHA Point of Contact. This field is prefilled with prior VMS data and is editable. Incorrect information should be corrected.
Ext.:	The phone number extension for the HA Point of Contact. This field is prefilled with prior VMS data and is editable. Incorrect information should be corrected.
Point of Contact E-mail Address	E-mail address for the HA Point of Contact. This field is prefilled with VMS information from the prior month and can be edited to reflect any changes.
Name of Authorized HA Official	Name of Authorized HA Official (Usually the Executive Director). Prefilled from the PIC system, and not editable. Read only, from PIC Databases)
Official Housing Authority E-mail Address	Official e-mail address for the PHA. This address serves as the primary e-Mail address for official correspondence between HUD and the PHA, and must be the central e-Mail address for the PHA. This field is prefilled from the PIC system, and not editable. Read only, from PIC Databases)
Program Area Point of Contact - FMC	
FMC Financial Analyst	Name of the FMC Financial Analyst assigned to work with the PHA. This data is pre- filled by HUD
FA E-mail Address	Email address of the FMC Financial Analyst assigned to work with the PHA. This field is a “Mail-To” hotlink for emailing the FA. This data is pre- filled by HUD
FA Phone Number	Identifies the phone number of the FA. This data is pre- filled by HUD.
Ext.:	Phone extension of the FA. This data is pre- filled by HUD
Program Area Point of Contact – Field Office	
Field Office Code	HUD field office identifier, assigned by Region, data is pre- filled by HUD
Field Office Name	Official name of the Field Office, data is pre- filled by HUD
Field Office Point of Contact	PIH Field Office employee assigned to work with and assist the PHA, data is pre- filled by HUD
Field Office POC Email Address	E-mail address for the Field Office Point of Contact. This field is prefilled with VMS information from the prior month and can be edited to reflect any changes.
FO POC Phone Number	Phone number assigned to PIH FO POC phone number, data is pre-filled by HUD

TAB 5 – PHA CONTACT INFORMATION	
Form 52681-B Field Name	**Definition**
Ext.:	Phone extension if any assigned to the PIH FO POC, data is pre-filled by HUD
REAC Technical Assistance Center	
Technical Assistance Center	Phone number for the REAC Technical Assistance Center, data is pre-filled by HUD

TAB 6 – SUBMISSION	
Form 52681-B Field Name	**Definition**
Validation History	
PHA Number	Official number assigned to the PHA, 2 character state code, and 3 digit number, data is pre- filled by HUD
PHA Name	Official name of the Public Housing Authority, data is pre- filled by HUD
Reporting Month	Reporting month for the submitted data, data is pre- filled by HUD
Error Tab	Specifies the input tab the error is located on, data is pre- filled by HUD
Field Name	Identifies the specific field that failed the Hard Edit, data is pre- filled by HUD
Error Message with Number	Error message indicating what the error is, data is pre- filled by HUD
Submitted By User ID	User information, identifying last user who submitted the monthly submission with the Hard Edit error, data is pre- filled by HUD
Submission date & time	System date and time stamp indicating when the user submitted the monthly submission, data is pre- filled by HUD
Reviewer ID	Identification of the FA who reviewed the Hard Edit, data is pre- filled by HUD
Review Date & time	System date and time stamp indicating when the FA reviewed the Hard Edit error, data is pre- filled by HUD
Submission History	
Current Status	Status indicator for the specific version of the monthly submission, data is pre- filled by HUD
Last Updated By User ID	User information, identifying last user who submitted the monthly submission, data is pre- filled by HUD
Last Updated By Name	User name identifying who the last user was for the submission, data is pre- filled by HUD
Last Updated Date & Time	System date and time stamp indicating when the specific version was submitted. Data is pre- filled by HUD

TAB 7 – EXECUTIVE SUMMARY- CURRENTLY INACTIVE	
Form 52681-B Field Name	**Definition**
PHA Information	
Selected Month	Reporting Month for the submission period, data is pre- filled by HUD
Selected Year	Reporting Year for the submission period, data is pre- filled by HUD
Selected State	State name, data is pre-filled by HUD
Selected Field Office	HUD field office identifier, assigned by Region, data is pre- filled by HUD
Selected PHA Code	Official number assigned to the PHA, 2 character state code, and 3 digit number, data is pre- filled by HUD
HUD Calculations	
RNP Beginning Balance from prior year end balance	Restricted Net Position as of the last day of the previous year, data is pre- filled by HUD
Budget Authority from HUDCAPS - CYTD	Amount of BA provided to the PHA through the current month, This data is pre- filled by HUD from HUDCAPS
HAP Expense Reported in VMS CYTD	Amount of housing assistance payments the PHA has input into the VMS system, since the beginning of the calendar year, data is pre- filled by HUD from VMS data fields
Other Revenue Reported in VMS - CYTD	Other income amounts reported by the PHA during the regular monthly submission since the beginning of the calendar year, data is pre- filled by HUD
End of Currant Month Restricted Net Position (RNP)	Calculated field using the RNP Beginning Balance, adding in the BA amount (YTD), subtracting the VMS reported HAP Expenses, and adding in any VMS Reported other income, data is pre-filled by HUD
PHA Reported	
PHA Estimate of Restricted Net Position	This information is provided from Income/Expenses Tab – Financial Status Section – Restricted Net Position (RNP) as of the Last Day of the Month field, data is pre-filled by HUD.
PHA Estimates of Cash on Hand (COH)	This information is provided from the Income/Expenses Tab – Financial Status Section – Cash/Investment as of the Last Day of the Month – Voucher Program Only field, data is pre-filled by HUD.
Utilization	
Utilization Units – (UML) Amount	Utilization unit months leased as reported in VMS, data pre-filed by HUD using VMS data
Utilization Units – (UML) Amount	Utilization units months available as identified HUDCAPS, data pre- filed by HUD using VMS data
Utilization Units – (UML/UMA) Percentage	HUD Calculated percentage by taking the number of UML and dividing it by the number of UMA for the month, indicates the monthly performance of the PHA, field pre-filled by HUD
Utilization – HAP Amount	Utilization housing assistance payments as reported in VMS, data pre-filed by HUD using VMS data

TAB 7 – EXECUTIVE SUMMARY- CURRENTLY INACTIVE	
Form 52681-B Field Name	**Definition**
Utilization – ABA Amount	Utilization Budget authority as reported in HUDCAPS and divided by 12, data pre-filed by HUD using VMS data
Utilization – HAP (HAP / ABA) Percentage	HUD Calculated percentage, taking the HAP and dividing it by the ABA for the month, indicates the monthly performance of the PHA, field pre-filled by HUD
Utilization All funds = HAP expended CYTD / ABA + (Budgeted RNP – 1 month prorated RNP cushion) Amount	Calculated: HAP expended CYTD / ABA + (Budgeted RNP – 1 month prorated RNP cushion). Expressed as an Amount
Utilization All funds = HAP expended CYTD / ABA + (Budgeted RNP – 1 month prorated RNP cushion) Percentage	Calculated: HAP expended CYTD / ABA + (Budgeted RNP – 1 month prorated RNP cushion). Expressed as a Percentage
Utilization Units Graph: UMAs vs. UMLs	
Utilization HAP Graph: HAP vs. BA & RNP	

Recap Worksheet -CURRENTLY INACTIVE	
Form 52681-B Field Name	**Definition**
Recap	
RNP Balance as of 1/31/2009	RNP Ending balance provided by HUD for the PHA, data pre-filled by HUD.
ABA Disbursed	CYTD Budget authority that has been provided by HUD to the PHA as identified in HUDCAPS, calculated data pre-filled by HUD.
HAP Expenditures YTD	CYTD Housing Assistance Payments identified by the PHA in VMS, calculated data pre-filled by HUD
Remaining RNP YTD	Calculated field using the RNP balance as of field, adding in the ABA disbursed YTD, and subtracting the HAP Expenditures YTD as reported in VMS, data pre-filled by HUD

Recap Worksheet -CURRENTLY INACTIVE	
Form 52681-B Field Name	**Definition**
CY Eligibility	Calculated field using the Budget Authority provided by HUD for the Calendar Year, data pre-filled by HUD
CY Eligibility Including RNP Offset	Calculated field using the Budget Authority provided by HUD plus the RNP Ending balance, data pre-filled by HUD
Remaining CY Eligibility	Calculated field uses the Budget Authority provided by HUD and subtracts the HAP payments identified in VMS, data pre-filled by HUD
Remaining CY Eligibility Including RNP Offset	Calculated field uses the RNP Ending Balance adds in the Budget Authority provided by HUD and subtracts the HAP payments identified in VMS, , data pre-filled by HUD
CY Months Remaining	Number of months remaining in the calendar year based on the reporting month, data pre-filled by HUD
CY Months Remaining Including RNP Offset	Calculated field uses the Budget Authority provided by HUD and subtracts the HAP payments identified in VMS, data pre-filled by HUD
Monthly CY Eligibility Remaining	Calculated field using the Remaining CY Eligibility amount and divides it by the CY Month remaining, data pre-filled by HUD
Monthly CY Eligibility Remaining Including RNP Offset	Calculated field using the Remaining CY Eligibility including RNP offset amount and divides it by the CY Month remaining, data pre-filled by HUD
Unit Months Available CY	Calculated field using HUDCAPS data to determine Unit Months Available for CY, data pre-filled by HUD
Unit Months Leased CY	CYTD summation of the vouchers leased during the months by the PHA, data pre-filled by HUD using current VMS data
Unit Months Remaining CY	Calculation that determines the number of UMLs left for the remainder of the year, subtract the UML running total from the CY UMA, data is pre-filled by HUD
Monthly Units Months Available Remaining CY	Calculated field to indicate the number of unit months available per month for the remainder of the year, calculated data pre-filled by HUD.
Unit Months Funding Would Support	Calculated value to determine how many unit months the funding would support, Remaining CY Eligibility divided by the (sum(HAP)/sum(UML)), data pre-filled by HUD
Unit Months Funding Would Support, including RNP Offset	Calculated value to determine how many unit months the funding would support, (Remaining CY Eligibility plus RNP offset) divided by the (sum(HAP)/sum(UML)), data pre-filled by HUD
Monthly Units Funding Would Support	Calculated value to determine how many months the remaining funding would support, Unit Months Funding/CY Months Remaining, data pre-filled by HUD

Recap Worksheet -CURRENTLY INACTIVE

Form 52681-B Field Name	Definition
Monthly Units Funding Would Support, including RNP Offset	Calculated value to determine how many months the remaining funding would support, Unit Months Funding w/RNP offset/CY Months Remaining, data pre-filled by HUD
Minimum of Available or Supportable	Lesser of the Unit Months Remaining CY or Unit Months Funding would support, data pre-filled by HUD
Minimum of Available or Supportable, including RNP Offset	Minimum of the (Unit Months Remaining CY with RNP offset) or (Unit Months Funding with RNP offset) would support, data pre-filled by HUD
Minimum of Available or Supportable Monthly	Minimum of the Monthly Unit Months Available or Monthly Units Funding would support, data pre-filled by HUD
Minimum of Available or Supportable Monthly, including RNP Offset	Minimum of the (Monthly Unit Months Available w RNP offset) or (Monthly Units Funding would support w RNP offset), data pre-filled by HUD

Projection Worksheet- CURRENTLY INACTIVE

Form 52681-B Field Name	Definition
Utilization Chart	
Month	Reporting Month, prefilled by HUD
UMA	Unit Months Available per HUDCAPS for the reporting month, prefilled by HUD
UML	Unit Months Leased as reported by the PHA for the specified reporting month.
Leasing Percentage	Calculation of Unit Months Leased divided by Unit Months Available, prefilled by HUD
Annual Budget Authority (ABA)	The amount of budget authority provided by HUD for the reporting month, prefilled by HUD
Housing Assistance Payment	The monthly leasing amount as reported by the PHA for the specified month.

Projection Worksheet- CURRENTLY INACTIVE	
Form 52681-B Field Name	**Definition**
Budget Authority Utilization	Housing Assistance Payment amount divided by the Annual Budget Authority plus budgeted RNP monthly amount, prefilled by HUD
Per Unit Cost	The Per Unit Cost amount is calculated by using the Housing Assistance Payment monthly amount and dividing it by the Unit Month Leased, prefilled by HUD
YTD UMA	Summation of the monthly UMA amount, prefilled by HUD
YTD UML	Summation of the monthly UML amount, prefilled by HUD
YTD Leasing Percentage	Calculated value of the YTD UML divided by the YTD UMA, prefilled by HUD
YTD ABA	Summation of the Monthly ABA amount, prefilled by HUD
YTD HAP	Summation of the Monthly HAP amount, prefilled by HUD
YTD BA Utilization Percentage	Calculated value of the YTD HAP divided by the YTD ABA, prefilled by HUD
YTD PUC	Calculated value based on the YTD HAP divided by the YTD UML amounts, prefilled by HUD
PHA Projection Variables	
RNP budgeted for expenditure	RNP budget for expenditure entered by the PHA for “what if” calculations (0.00 – 100,000,000 – no commas)
Annual Attrition Rate	Rate of attrition entered by the PHA for “what if” calculations (0.00 – 1.00)
Success Rate	Percentage amount of the PHA success rate for leasing units (0.00 – 1.00)
Average Month from issued to HAP effective Date	Number of months between voucher issued and the HAP lease date (0-12)
PUC Monthly Percentage Adjustment	Percentage rate used to adjust the Monthly PUC for inflation (0.00 – 1.00)
Un-contracted Vouchers on the Street	Number of vouchers issued and not under HAP contract (0 – 10,000 – no commas)
Projection Amounts	
Annual Projection with attrition only – UMA	Summation of the YTD UMA monthly amounts
Annual Projection with attrition only – UML with attrition no issuance	Summation of the YTD UML with attrition not issuance monthly amount

Projection Worksheet- CURRENTLY INACTIVE	
Form 52681-B Field Name	**Definition**
Annual Projection with attrition only – Leasing % (w/o leasing from yet to be leased issuances)	Percentage calculation of the YTD UML with attrition not issuance divided by the YTD UMA amount
Annual Projection with attrition only – ABA plus Budget RNP	Summation of the YTD monthly ABA plus Budgeted RNP
Annual Projection with attrition only – HAP	Summation of the YTD monthly HAP costs
Annual Projection with attrition only – Spending as % of BA plus RNP	Percentage calculation of the YTD HAP costs divided by the YTD ABA + Budget RNP amount
Annual Projection with attrition only – PUC	Summation of the YTD PUC costs
Annual Projection with attrition only – Attrition Projected	Calculated amount based on the ((YTD PUC * annual attrition rate * 0.08333)*-1)
Plus UMLs and HAP from not yet leased issuances – UML w/attrition not issuance	Calculated value calculating the (un-contracted vouchers on the street * Success Rate) * number of months greater than 0 minus the average months from issuance to hap effective date
Plus UMLs and HAP from not yet leased issuances – HAP	Calculation of the Plus UML & HAP from not yet leased issuance (UML w/attrition not issuance) time the YTD PUC value.
Year End Projection – UMA	Summation of the UMA monthly values
Year End Projection – UML with attrition no issuance	Summation of the UML w/attrition not issuance plus the Plus UMLs and HAP from not yet leased issuances
Year End Projection – Leasing % (w/o leasing from yet to be leased issuances)	Calculation of the (UML + plus UML and HAP from not yet leased issuances-UML w/attrition not issuance) divided by the UMA

Projection Worksheet- CURRENTLY INACTIVE

Form 52681-B Field Name	Definition
Year End Projection – ABA plus Budget RNP	YTD calculation of the ABA and the Budget RNP
Year End Projection – HAP	YTD HAP amount plus the plus UMLs and HAP from not yet leased issuances
Year End Projection – Spending as % of BA plus RNP	Calculation of HAP divided by ABA plus budgeted RNP

Utilization Graph- CURRENTLY INACTIVE

Form 52681-B Field Name	Definition
Utilization chart	
Month	Reporting Month, prefilled by HUD
UMA	Unit Months Available per HUDCAPS for the reporting month, prefilled by HUD
UML	Unit Months Leased as reported by the PHA for the specified reporting month.
Leasing Percentage	Calculation of Unit Months Leased divided by Unit Months Available, prefilled by HUD
Annual Budget Authority (ABA)	The amount of budget authority provided by HUD for the reporting month, prefilled by HUD
Housing Assistance Payment	The monthly leasing amount as reported by the PHA for the specified month.
Budget Authority Utilization	Housing Assistance Payment amount divided by the Annual Budget Authority plus budgeted RNP monthly amount, prefilled by HUD
Per Unit Cost	The Per Unit Cost amount is calculated by using the Housing Assistance Payment monthly amount and dividing it by the Unit Month Leased, prefilled by HUD
YTD UMA	Summation of the monthly UMA amount, prefilled by HUD
YTD UML	Summation of the monthly UML amount, prefilled by HUD
YTD Leasing Percentage	Calculated value of the YTD UML divided by the YTD UMA, prefilled by HUD
YTD ABA	Summation of the Monthly ABA amount, prefilled by HUD
YTD HAP	Summation of the Monthly HAP amount, prefilled by HUD
YTD BA Utilization Percentage	Calculated value of the YTD HAP divided by the YTD ABA, prefilled by HUD
YTD PUC	Calculated value based on the YTD HAP divided by the YTD UML amounts, prefilled by HUD

Prior Month Corrections	
Form 52681-B Field Name	**Definition**
PMC Data Entry Screen	
PHA Number	Housing Authority identification number of the PHA being corrected (Read only, from PIC Database)
PHA Name	Name of Housing Authority of the PHA being corrected (Read only, from PIC Databases)
Reporting Period	Month and Year of the Submission being corrected, selected from drop-down lists
Tab Selection	Identifies the Tab where the corrected field is located. Selected from drop-down list
Field Selection	Field being modified by the adjustment. Selected from drop-down list.
New Adjusted Value-1st	The value in the field after the adjustment /correction is made. The System places the Old Value–1st in this field initially. The field is then modified by the adjuster, if appropriate. This field is used when only one field is being adjusted by the PMC. If both UML and HAP are displayed for adjustment in the PMC, this field will contain the UML field
Old Value - 1st	Value of the field prior to modification. Generated by the system
Difference between New and Old values - 1st	The calculated difference between the New Adjusted Value–1st and the Old Value-1st. Can be a positive or negative amount. Generated by the system
New Adjusted Value–2nd	The value in the field after the adjustment /correction is made. The System places the Old Value–2nd in this field initially. The field is then modified by the adjuster, if appropriate. This field is only used for HAP fields when both UML and HAP are displayed for adjustment.
Old Value–2nd	Value of the field prior to modification. Generated by the system
Difference between New and Old values - 2nd	The calculated difference between the New Adjusted Value–2nd and the Old Value-2nd. Can be a positive or negative amount. Generated by the system
Adjuster Comment	Comment entered into the system by the adjuster to further explain the adjustment.
Hard Edit Errors and PMC Approval / Disapproval Screen	
HE Error Number-1st	Hard Edit Error number indicating what the error is. Data is pre- filled by HUD. Refers to Adjusted value-1st field.
HE Error Message - 1st	Hard Edit Error message indicating what the error is. Data is pre- filled by HUD. Refers to Adjusted value-1st field.
HE Error Reason for Adjustment-1st	Reason why the Adjusted field should bypass the Hard Edit Error – Selected from list of most likely reasons. Refers to Adjusted Value-1st field.
HE Error Comment-1st	If “Other” Reason for Adjustment was selected, This field should further explain why this should bypass the Hard Edit error. Refers to Adjusted Value-1st field.
HE Error Number-2nd	Hard Edit Error number indicating what the error is. Data is pre- filled by HUD. Refers to Adjusted value-2nd field.
HE Error Message - 2nd	Hard Edit Error message indicating what the error is. Data is pre- filled by HUD. Refers to Adjusted value-2nd field.

HE Error Reason for Adjustment- 2nd	Reason why the Adjusted field should bypass the Hard Edit Error – Selected from list of standard reasons. Refers to Adjusted Value-2nd field.
HE Error Comment-2nd	If "Other" Reason for Adjustment was selected, This field should further explain why this should bypass the Hard Edit error. Refers to Adjusted Value-2nd field.
PMC Submission date & time	System date and time stamp indicating when the user submitted the PMC. Data is pre- filled by HUD
FA Action	Approve or Disapprove buttons to be selected by FA reviewer
FA Comment	Text field where reviewer can explain reason for approval / disapproval
PMC List of Pending Corrections	
Financial Analyst	Name of the Financial Analyst who Approved/Disapproved the Pending PMC
Division	Name of the Administrative Division where the FA reports. The Divisions are: East, North, South, West, and Operations
Rec. #	On a PMC listing, a sequential number, starting with 1, numbering the line item within the context of the listing. Not retained past the display of the listing. The purpose is to make it easier to reference an item within the listing.
PMC Record ID	Unique ID of the PMC record, composed of PHA Number, Submission Reporting Period (Month, Year), and Date and Time the PMC was submitted.
Current Status	The current status of the PMC Correction. Values can be: Pending (PMP), Approved (PMA), Disapproved (PMD), and Completed (PMS).

8.1 APPENDIX B: HARD EDIT ERROR MESSAGES

Error Number	Error Message
Error HE001	PHA has not reported Moving to Work leasing, while the PHA does have a Moving to Work program.
Error HE002	PHA has reported Moving to Work leasing, but PHA does not have a Moving to Work program.
Error HE003	PHA has not reported tenant protection leasing, while the PHA has received one or more awards of tenant protection units.
Error HE004	PHA has reported tenant protection leasing, but PHA has not received an award of tenant protection units.
Error HE005	PHA may not report more Enhanced Vouchers than the number of Tenant Protection Vouchers reported.
Error HE006	PHA has not reported VASH leasing, while the PHA does have a VASH award for 2008 or later.
Error HE007	PHA has reported VASH leasing, but the PHA has not received an award of VASH units in FFY 2008 or later.
Error HE008	Voucher utilization is not within the standard range. PHA should review the UMLs entered for each category to ensure accuracy.
Error HE009	The change in Voucher utilization from the prior periods in the last 12 months is not within the standard range. PHA should review the UMLs entered for each category to ensure they are accurate.
Error HE010	PHA has not reported 5 Year Mainstream leasing, while the PHA does have a 5 Year Mainstream program.
Error HE011	PHA has reported 5 Year Mainstream leasing, but PHA does not have a 5 Year Mainstream program.
Error HE012	PHA has not reported Moving to Work HAP costs, while the PHA does have a Moving to Work program.
Error HE013	PHA has reported Moving to Work HAP costs, but PHA does not have a Moving to Work program.
Error HE014	PHA has not reported Family Unification HAP costs, while the PHA does have a Family Unification program.
Error HE015	PHA has reported Family Unification HAP costs, but PHA does not have a Family Unification program.
Error HE016	PHA has not reported Tenant Protection HAP costs, while the PHA has received one or more awards of Tenant Protection units.
Error HE017	PHA has reported Tenant Protection HAP costs, but the PHA has not received an award of Tenant Protection units.
Error HE018	PHA has not reported VASH HAP costs, while the PHA does have a VASH award for 2008 or later.
Error HE019	PHA has reported VASH HAP costs, but the PHA has not received an award of VASH units in FFY 2008 or later.
Error HE020	Budget Authority utilization is not within the standard range. PHA should review the HAP costs entered for each category to ensure they are accurate.

Error Number	Error Message
Error HE021	The change in Budget Authority utilization from the prior periods in the last 12 months is not within the standard range. PHA should review the HAP costs entered for each category to ensure accuracy.
Error HE022	PHA has not reported 5 Year Mainstream HAP costs, while the PHA does have a 5 Year Mainstream program.
Error HE023	PHA has reported 5 Year Mainstream HAP costs, but PHA does not have a 5 Year Mainstream program.
Error HE024	Budget Authority utilization is not within the standard range. PHA should review the 5 Year Mainstream HAP costs entered to ensure they are accurate
Error HE025	Mid-month HAP costs are not within the standard range. PHA should review the mid-month HAP costs to ensure accuracy.
Error HE026	PHA has an active FSS program but has not reported FSS costs
Error HE027	PHA has no active FSS program, but has reported FSS costs.
Error HE030	PHA has not reported DHAP to HCV Vouchers Leased, while the PHA does have a DHAP to HCV program.
Error HE031	PHA has reported DHAP to HCV Vouchers Leased, but PHA does not have a DHAP to HCV program.
Error HE032	PHA has not reported DHAP to HCV Voucher HAP costs, while the PHA does have a DHAP to HCV program.
Error HE033	PHA has reported DHAP to HCV Voucher HAP costs, but PHA does not have a DHAP to HCV program.
Error HE038	This edit ensures that PHA reports UMLs in Tenant Protection field if the PHA is part of Tenant Protection program. The PHA belongs to Tenant protection program if the reported period is later than the start date uploaded to the system.
Error HE039	This edit ensures that PHA does not report UMLs in Tenant Protection field if the PHA is not part of Tenant Protection program. The PHA belongs to Tenant Protection program if the reported period is later than the start date uploaded to the system.
Error HE040	This edit ensures that PHA reported HAP in the Tenant Protection field if the PHA is part of the Tenant Protection program. The PHA belongs to the program if reported period is later than the start date uploaded to the system under T1 program.
Error HE041	This edit ensures that PHA does not report HAP costs in Tenant Protection field if the PHA is not part of Tenant Protection program. The PHA belongs to the Tenant Protection program if reported period is later than the start date uploaded to the system.
Error HE087	PHA has not reported RAD leasing while the PHA has received one or more RAD component 1 awards.
Error HE088	PHA has reported RAD component 1 leasing, while the PHA has not received a RAD Component 1 award.
Error HE089	PHA has not reported RAD Component 1 costs while the PHA does have one or more RAD component 1 awards.
Error HE090	PHA has reported RAD Component 1 costs while the PHA does not have one or more RAD Component 1 awards
Error HE091	PHA has not reported RAD leasing while the PHA has received one or more RAD component 2 awards

Error Number	Error Message
Error HE092	PHA has reported RAD Component 1 costs while the PHA does not have one or more RAD Component 1 awards
Error HE093	PHA has not reported RAD Component 2 costs while the PHA does have one or more RAD component 2 awards
Error HE094	PHA has reported RAD Component 2 costs while the PHA does not have one or more RAD Component 2 awards
Error HE095	PHA has not reported 1 year mainstream MTW leasing, but PHA does have a 1 year mainstream MTW program
Error HE096	PHA has reported 1 yr mainstream MTW leasing but PHA does not have a 1 yr mainstream MTW program or the PHA is not an MTW Agency
Error HE098	PHA has not reported 1 yr mainstream MTW HAP costs, but PHA does have a 1 yr mainstream MTW program
Error HE099	PHA has reported 1 yr mainstream MTW HAP costs but PHA does not have a 1 yr mainstream MTW program or the PHA is not an MTW Agency
Error HE101	PHA has not reported Family Unification (Non-MTW) leasing, but PHA does have a Family Unification (Non-MTW) program
Error HE102	PHA has reported Family Unification (Non-MTW) leasing but PHA does not have a Family Unification (Non-MTW) program or the PHA is an MTW Agency.
Error HE104	PHA has not reported Family Unification (Non-MTW) HAP costs, but PHA does have a Family Unification (Non-MTW) program
Error HE105	PHA has reported Family Unification (Non-MTW) HAP costs but PHA does not have a Family Unification (Non-MTW) program or the PHA is an MTW Agency.
Error HE107	PHA has not reported Family Unification Pre 2008 (MTW) leasing, but PHA does have a Family Unification Pre 2008 (MTW) program
Error HE110	PHA has reported Family Unification Pre 2008 (MTW) leasing but PHA does not have a Family Unification Pre 2008 (MTW) program or the PHA is not an MTW agency.
Error HE112	PHA has not reported Family Unification Pre 2008 (MTW) HAP Costs, but PHA does have a Family Unification Pre 2008 (MTW) program
Error HE113	PHA has reported Family Unification Pre 2008 (MTW) HAP costs but PHA does not have a Family Unification Pre 2008 (MTW) program or the PHA is not an MTW agency
Error HE115	PHA has not reported Family Unification 2008/Forward (MTW) leasing, but PHA does have a Family Unification 2008/Forward (MTW) program
Error HE116	PHA has reported Family Unification 2008/Forward (MTW) leasing but PHA does not have a Family Unification 2008/Forward (MTW) program or the PHA is not an MTW agency.
Error HE118	PHA has not reported Family Unification 2008/Forward (MTW) HAP costs, but PHA does have a Family Unification 2008/Forward (MTW) program
Error HE119	PHA has reported Family Unification 2008/Forward (MTW) HAP costs but PHA does not have a Family Unification 2008/Forward (MTW) program or the PHA is not an MTW agency.
Error HE121	PHA has not reported Non Elderly Disabled (Non-MTW) leasing, but PHA does have a Non Elderly Disabled (Non-MTW) program
Error HE122	PHA has reported Non Elderly Disabled (Non-MTW) leasing but PHA does not have a Non Elderly Disabled (Non-MTW) program or the PHA is an MTW agency

Error Number	Error Message
Error HE124	PHA has not reported Non Elderly Disabled (Non-MTW) HAP Costs, but PHA does have a Non Elderly Disabled (Non-MTW) program
Error HE125	PHA has reported Non Elderly Disabled (Non-MTW) HAP Costs but PHA does not have a Non Elderly Disabled (Non-MTW) program or the PHA is and MTW agency.
Error HE127	PHA has not reported Non Elderly Disabled 2008/Forward (MTW) leasing, but PHA does have a Family Unification 2008/Forward (MTW) program
Error HE128	PHA has reported Family Unification 2008/Forward (MTW) leasing but PHA does not have Non Elderly Disabled 2008/Forward (MTW) program or the PHA is not an MTW agency
Error HE130	PHA has not reported Non Elderly Disabled 2008/Forward (MTW) HAP Costs, but PHA does have a Family Unification 2008/Forward (MTW) program
Error HE131	PHA has reported Family Unification 2008/Forward (MTW) HAP Costs but PHA does not have anon Elderly Disabled 2008/Forward (MTW) program or the PHA is not an MTW agency
Error HE133	PHA has not reported Family Unification 2008/Forward (MTW) HAP Expenses after the First of the Month, but PHA does have a Family Unification 2008/Forward (MTW) program
Error HE134	PHA has reported Family Unification 2008/Forward (MTW) HAP Expenses after the First of the Month but PHA does not have a Family Unification 2008/Forward (MTW) program or the PHA is not an MTW agency
Error HE136	PHA has not reported Non Elderly Disabled 2008/Forward (MTW) HAP Expenses after the first of the Month, but PHA does have a Non Elderly Disabled 2008/Forward (MTW) program
Error HE137	PHA has reported Non Elderly Disabled 2008/Forward (MTW) HAP Expenses After the First of the Month but PHA does not have Non Elderly Disabled 2008/Forward (MTW) program or the agency is not an MTW Agency
Error HE139	PHA has not reported VASH HAP Expenses After the First of the Month, but PHA does not have a VASH program
Error HE140	PHA has reported VASH HAP Expenses After the First of the Month but PHA does not have a VASH program
Error HE142	PHA has not reported 1 yr mainstream MTW HAP Expenses After the First of the Month, but PHA does have a 1 yr mainstream MTW program
Error HE143	PHA has reported 1 yr mainstream MTW HAP Expenses after the First of the Month but PHA does not have a 1 yr mainstream MTW program or the PHA is not an MTW agency
Error HE145	PHA has not reported Family Unification Pre 2008 (MTW) HAP Expenses After the First of the Month, but PHA does have a Family Unification Pre 2008 (MTW) program
Error HE146	PHA has reported Family Unification Pre 2008 (MTW) HAP Expenses but PHA does not have a Family Unification Pre 2008 (MTW) program or the Agency is not an MTW agency

8.2 APPENDIX C: USER ACCESS LEVELS

Role Code	Role Description	Action Description	User Access
FMG *(Internal User)*	Manager – Financial Management Center	1. Ability to read existing voucher data for PHAs they manage. 2. Ability to update or add new data to pending submissions for PHAs they manage. 3. Ability to submit HUD Form 52681-B data. 4. Ability to administer tasks. 5. Ability to create/edit versions of HUD Form 52681-B. 6. Ability to create, save, and submit data. 7. Ability to approve or disapprove a Pending Submissions that has been submitted by a PHA. 8. Ability to make corrections to Prior Month Submissions	1. Manage PHA Data -Enter PHA Data -Review and Approve Pending Submissions 2. Prior Month Correction -Data Input -Review and Approve Pending Prior Month Corrections 3. Administer VMS 4. Generate reports
HUE *(Internal User)*	Read Only Access	1. Ability to read submitted data. 2. Ability to generate reports	1. Manage PHA Data -View PHA Data 2. Generate reports
UDE *(External User)*	Utilization and Expense Data Submitter	1. Ability to read existing data for assigned PHAs. 2. Ability to update or add new data to a pending submission for a specific PHA. 3. Ability to submit HUD Form 52681-B data. 4. Ability to create, save and submit data. 5. Ability to make corrections to Prior Month Submissions	1. Manage PHA Data -Enter PHA Data 2. Prior Month Correction -Data Input 3. Generate DCR Report
HUR *(Internal User)*	Financial Analyst User	1. Ability to approve or disapprove a Pending Submissions submitted by a PHA. 2. Ability to read submitted data for PHAs. 3. Ability to approve or disapprove corrections made on Prior Month Submissions	1. Manage PHA Data -View PHA Data 2. -Review and Approve Pending Submissions 3. Prior Month Correction - Review and Approve Pending Prior Month Corrections 4. Generate Reports

User Role and Action Codes

NOTE: Although the User Roles delineated above maintain fairly exclusive abilities and responsibilities, it is possible for an individual to be given roles that seem to combine those of the UDE and HUE together. This type of assignment is solely under the jurisdiction of the Administrator, or FMG. Refer to the Table of Contents for link definitions.

Notes

CHAPTER 9 Establishing an Internal Control Structure

SECTION 9.1 INTERNAL CONTROL STRUCTURE

Introduction

2 CFR 200.303

The non-federal entity must establish and maintain effective internal controls over all federal awards. The internal controls must provide reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulation, and the terms and condition of the federal award. In addition the internal controls must take reasonable measures to safeguard protected personal and sensitive information.

An *internal control structure* is the plan of organization, methods, and procedures adopted by management to meet its missions, goals, and objectives. Internal controls can be separated into two areas: administrative controls and accounting controls.

- Administrative controls are concerned with the operations of the PHA.
- Accounting controls are concerned with the integrity of financial reporting and the safeguarding of assets.

Internal control includes the processes of planning, organizing, directing, and controlling program operations, and the systems for measuring, reporting, and monitoring program performance.

Internal controls serve as the first line of defense in safeguarding assets, and preventing and detecting errors, fraud, and violation of laws, regulations and provisions of contract agreements.

A PHA's management's responsibility is to ensure that effective internal controls are established and maintained.

This chapter will outline the four fundamental components that form the policies and procedures of an agency's internal controls, as well as related topics including the importance of communication, the benefit of an internal audit department, steps in designing effective internal control and detecting fraud.

Let's begin with the four components of internal controls.

1. Control Environment

Management is charged with creating an ethical agency environment by setting the tone at the top; establishing a code of conduct; having a good system for hiring, training, and promoting employees; providing ethics training; disciplining violators; and providing proper monitoring and compliance with program requirements imposed by external authorities, such as HUD.

2. Risk Assessment

Management is responsible for identifying and assessing risks related to misappropriation of assets.

Examples include:

- Fraud related financial risks - disbursements, payroll and cash receipts
- Compliance issues with tenant files and procurement

3. Control Activities

Management should implement controls to mitigate risks identified in the risk assessment:

- General Controls
  - Requiring periodic job rotation and mandatory vacations
- Instituting surveillance techniques
- Reviewing monthly financial statements and monitoring reports in a timely manner
- Developing specific internal controls
- Creating separation of incompatible duties
- Maintaining access and authorization controls to safeguard assets, documents, and records
- Performing independent checks of employees' work by supervisors, other employees, or computer validation routines

There are two types of controls:

- Preventive - designed to discourage errors or irregularities from occurring
- Detective - designed to find errors or irregularities after they have occurred

Examples of control activities include:

- Approvals
- Authorizations
- Verifications
- Reconciliations
- Protection of records
- Documentation

4. Monitoring

Management should develop an effective oversight process to verify that controls are in place and they are being utilized. This process should include the following:

- Ongoing monitoring activities occurring during normal hours of operations
- Ongoing tenant file reviews
- Reviews of check registers
  - Documentation is crucial to support the monitoring function
  - Reports should be posted on a monthly or quarterly basis
- Management reports by individuals
- Staff meetings
  - Periodic evaluation of controls (annual basis)
  - Ensure controls are adequately designed and relevant to operations
- Determine if controls are effectively implemented and operational
- Organize related controls and prioritize by vulnerability
- Response to indications of control weaknesses
- Additional training
- Additional monitoring of noted weaknesses
- Revise control activities if necessary

Monitoring internal controls is not a "one-time" effort, it is ongoing and long-term. However, it is important to note that it is not practical to evaluate every control, every year.

Communication

Communication is an important tool that should be used during each step of the internal control process.

Management should continually monitor the quality of information communicated, including:

- Vertical communication: personnel communicate to supervisory staff
- Horizontal communication: the ease of flow of information between departments
- External communication: communication between agency and outside regulatory bodies
- Internal communication: clearly defined job duties by management

Use of an Internal Audit Department

Management can use an internal audit department where practical to provide it with an ongoing monitoring report on the reliance of the established controls, while providing preventive and detective controls.

Internal auditors must be independent of normal operations with direct reporting to management. Professional standards have been established for internal auditors, which can be reviewed at the Web site for The Institute of Internal Auditors at www.theiia.org

Steps in Designing Effective Internal Control

Management can take following steps to design an effective internal control:

1. Step back and review the existing controls of the organization and identify weaknesses.
2. Identify assets susceptible to risk. Close attention should be placed on assets that could result in a large loss either over time or individually if misappropriated.
3. Review the procedures related to the assets noted above, and identify weaknesses in those procedures.
4. Develop controls to lower the risk of misappropriation of those assets.
5. Determine whether the cost associated with the implementation of the controls is worth it.

Detecting Fraud

Management can improve its PHA's chances of detecting fraud by doing the following:

- Follow up on hints and rumors
- Check the details of documents
- Carefully examine unusual transactions
- Conduct analytical reviews

Looking Ahead

Establishing an internal control structure is an important aspect of financial management. But understanding the accounting and financial reporting for the HCV program is equally important. Part II of this book covers these topics, starting in the next chapter with an overview of the general concepts of governmental accounting and reporting.

Exhibit 9.1-1 Example Internal Control Risk Assessment

Identify Possible Risk Areas	Risk Assessment	Symptoms	Control Activities	Monitoring Report
"Ghost" Tenant Files	Fraudulent HAP payments	• Higher than average per-unit cost • Unusual fluctuations of units leased • Unauthorized vendors added to vendor list	• Approval of pre-check run for HAP payments • Comparison to previous month payments • Review sample of new admission tenant files • Random inspections of existing files	• Signature obtained on pre check report • Monthly monitoring report approved • Inspection documented on file review • Report documenting files selected and inspected turned into assistant director
Theft of Disbursement Checks	Availability of signature stamp	• Missing checks • Unlimited access to checks • Check printing machines easily accessed	• Inventory maintained of unused checks • Signature stamp is locked at all times • Only authorized personnel has access to stamp	• Review of bank reconciliation • Check numbers are documented and initialed on check listing report by authorized personnel
Fraudulent payments	Direct wire payments	• Multiple withdrawals within the month • Fluctuating HAP payments	• Dual authorization required for bank processing • Passwords are required • Signatures required on approval report before processing	• Approval report is reconciled to actual bank withdrawal by accounting department. Report is initialed by accountant confirming reconciliation
Cash Receipts	Theft of cash receipts	• Receipt amounts are different from normal • Missing deposit slips • Receipts not accounted for	• Requirement of daily deposits • Reconciliation of cash receipts to deposit summary	• Review of bank reconciliation • Journal entries to cash account signed by account supervisor

CHAPTER 10 Learning Activities

Learning Activity 10-1: Understanding the ACC Funding Exhibit

Using the ACC Funding Exhibit for a HCV program that follows, answer these questions.

1. In what state is the PHA located?

   ____

2. What is the unique number HUD uses to identify the PHA?
   a. WI
   b. AF
   c. WI195
   d. It is not found on the ACC Funding Exhibit

3. What is the fiscal year-end of this PHA?
   a. June 30
   b. September 30
   c. December 31
   d. March 31

4. Has this PHA ever been funded fees for a homeownership program?
   a. Yes
   b. No

5. How can you tell if the PHA was ever funded fees for a homeownership program?

   ____

6. An increment of HAP funding can be identified because it will contain what letters in the increment number?
   a. AF
   b. AFH
   c. VO
   d. Not designated on the ACC Funding Exhibit

7. "Budget Authority" as it is used on the ACC Funding Exhibit represents:
   a. The amount of funding the PHA will receive in a calendar year
   b. The amount of funding the PHA will receive each quarter
   c. The amount of funding the PHA will receive each month during the entire year
   d. The amount of funding that HUD has obligated for the term of the increment

8. What is the total number of authorized units for the PHA?
   a. 1,111
   b. 50
   c. 1,161
   d. Not specified on the ACC Funding Exhibit

9. The “Last Day of Term” as it is used on the ACC Funding Exhibit means:
   a. Funding for that increment will end after that date
   b. Funding for that increment will start on that date
   c. The PHA’s fiscal year ends on that date
   d. The HCV program will end on that date

10. What is the total HAP funding available to the PHA (not considering any amounts that may be in the RNP account)? ***Hint:*** pay close attention to some of the codes in the increment numbers. You are looking for all increments for the CY 2010 that represent any form of HAP funding.
    a. $6,999,111
    b. $6,700,632
    c. $6,777,302
    d. $7,075,781

11. For increment WI195VO0098, how much of the total increment funding should the PHA target to use on a monthly basis?
    a. $587,422
    b. $1,174,844
    c. $306,678
    d. Unable to determine

12. When increment WI195VO0098 expires, renewal funding provided for the increment by HUD will be assigned:
    a. The same increment number
    b. A new increment number

13. Has the PHA been awarded any additional units?
    a. Yes
    b. No

14. Has the PHA ever been funded for set-aside funds?
    a. Yes
    b. No

Sample Funding Exhibit for HCV Program
Consolidated Annual Contributions Contract

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PIH SECTION 8 - FUNDING EXHIBIT

PROGRAM-BASED

ACC NUMBER: WI195AF

FIELD OFFICE: **5IPH**

WI195
KENOSHA HOUSING AUTHORITY
625 52ND ST

KENOSHA, WI 531400000

HA FISCAL YEAR-END: **12/31** PROGRAM TYPE: **Voucher Program**

FUNDING INCREMENT NUMBER	FIRST DAY OF TERM	LAST DAY OF TERM	CONTRACT TERM	BUDGET AUTHORITY	UNITS
WI195AFHV04	1/1/2009	1/31/2009	1	1,000	N/A
WI195AF0028	1/1/2009	2/28/2009	2	103,570	N/A
WI195VO0081	1/1/2009	2/28/2009	2	943,391	1111
WI195AF0030	3/1/2009	3/31/2009	1	51,785	N/A
WI195VO0082	3/1/2009	3/31/2009	1	471,696	1111
WI195AF0031	4/1/2009	4/30/2009	1	51,785	N/A
WI195VO0083	4/1/2009	4/30/2009	1	471,696	1111
WI195AF0032	5/1/2009	5/31/2009	1	51,785	N/A
WI195AF0033	5/1/2009	5/31/2009	1	3,504	N/A
WI195VO0084	5/1/2009	5/31/2009	1	495,281	1111
WI195VO0085	5/1/2009	5/31/2009	1	6,804	N/A
WI195AF0034	6/1/2009	6/30/2009	1	57,792	N/A
WI195AF0035	6/1/2009	6/30/2009	1	12,289	N/A
WI195VO0086	6/1/2009	6/30/2009	1	477,774	1111
WI195AF0036	7/1/2009	7/31/2009	1	57,792	N/A
WI195AF0037	7/1/2009	7/31/2009	1	5,291	N/A
WI195AFHV05	7/1/2009	7/31/2009	1	1,000	N/A
WI195AF0038	8/1/2009	8/31/2009	1	57,792	N/A
WI195AF2008	8/1/2009	8/31/2009	1	25,908	N/A
WI195AF0039	9/1/2009	9/30/2009	1	57,489	N/A
WI195AF0041	9/1/2009	9/30/2009	1	5,265	N/A
WI195AF0042	9/1/2009	9/30/2009	1	5,128	N/A
WI195VO0087	7/1/2009	9/30/2009	3	1,433,322	1111
WI195VOC209	7/1/2009	9/30/2009	3	134,196	N/A
WI195AF0040	10/1/2009	10/31/2009	1	57,489	N/A
WI195VO0088	10/1/2009	10/31/2009	1	517,488	1111
WI195AF0043	11/1/2009	11/30/2009	1	55,192	N/A
WI195VO0089	11/1/2009	11/30/2009	1	517,488	1111
WI195AF0044	12/1/2009	12/31/2009	1	46,608	N/A
WI195AFHV06	12/1/2009	12/31/2009	1	1,000	N/A
WI195VO0090	12/1/2009	12/31/2009	1	517,488	1111
WI195AF0045	1/1/2010	2/28/2010	2	112,984	N/A
WI195VO0091	1/1/2010	2/28/2010	2	1,057,344	1111
WI195AF0046	3/1/2010	3/31/2010	1	49,701	N/A
WI195VO0092	3/1/2010	3/31/2010	1	617,814	1111
WI195AF0047	4/1/2010	4/30/2010	1	55,802	N/A
WI195AF0048	5/1/2010	5/31/2010	1	55,802	N/A
WI195AFHV07	5/1/2010	5/31/2010	1	1,000	N/A

WI195VOC110	5/1/2010	5/31/2010	1	232,626	N/A
WI195VOFFR1	5/1/2010	5/31/2010	1	10,592	N/A
WI195VOPR09	5/1/2010	5/31/2010	1	13,539	N/A
WI195AF0049	6/1/2010	6/30/2010	1	55,073	N/A
WI195AF0050	7/1/2010	7/31/2010	1	54,156	N/A
WI195AF10R1	7/1/2010	7/31/2010	1	4,617	N/A
WI195AF0051	8/1/2010	8/31/2010	1	56,648	N/A
WI195AFR210	8/1/2010	8/31/2010	1	489	N/A
WI195AF0052	9/1/2010	9/30/2010	1	55,833	N/A
WI195AFR310	9/1/2010	9/30/2010	1	704	N/A
WI195AF0053	10/1/2010	10/31/2010	1	55,730	N/A
WI195AFR410	10/1/2010	10/31/2010	1	897	N/A
WI195VO0093	4/1/2010	10/31/2010	7	3,908,702	1111
WI195AF0054	11/1/2010	11/30/2010	1	55,420	N/A
WI195VO0094	11/1/2010	11/30/2010	1	558,386	1111
WI195AF0055	12/1/2010	12/31/2010	1	48,293	N/A
WI195VO0095	12/1/2010	12/31/2010	1	558,386	1111
WI195VOPR10	12/1/2010	12/31/2010	1	41,722	N/A
WI195AFHV08	1/1/2011	1/31/2011	1	5,000	N/A
WI195AF0056	1/1/2011	2/28/2011	2	108,364	N/A
WI195VO0096	1/1/2011	2/28/2011	2	1,155,542	1111
WI195AF0057	3/1/2011	4/30/2011	2	108,364	N/A
WI195VO0097	3/1/2011	4/30/2011	2	1,174,844	1111
WI195AF0058	5/1/2011	5/31/2011	1	54,853	N/A
WI195VO0098	5/1/2011	6/30/2011	2	1,174,844	1111
WI195FU0001	10/1/2010	9/30/2011	12	306,678	50

Learning Activity 10-2: Funding the Housing Choice Voucher Program

1. Which HUD system is used to pull the data needed for the re-benchmarking calculation used to determine a PHA's renewal HAP funding?
   a. Voucher Management System (VMS)
   b. Financial Data Schedule (FDS)
   c. HUD-50058 data in PIC
   d. All of the above

2. A HCV program will automatically be fully funded each year as long as the program is leasing its total authorized units.
   a. True
   b. False

3. Select the appropriate use(s) of HAP funds received from HUD. Check all that apply.
   a. Rental assistance payment
   b. Administrative costs associated with the HCV Program
   c. Utility reimbursement payments
   d. Family self-sufficiency escrow payments
   e. Port-out admin. fees paid to a receiving PHA

4. A PHA cannot over lease in an individual month.
   a. True
   b. False

Use the following information to answer questions 5 through 8:

- Baseline count is 1,161
- Units leased for the month of December is 1,050
- Admin Fee rates:
  - Column A - $60.05
  - Column B - $56.04

5. What is the total amount of admin fees earned for the month of December if HUD is funding administrative fees at 100%?
   a. $63,053
   b. $61,248
   c. $69,718

6. If HUD prorates the administrative fee funding to 85%, how much will the PHA earn in fee revenue for the month of December?
   a. $61,248
   b. $52,061
   c. $59,260

7. What is the maximum amount of administrative fees that can be earned by this PHA monthly with HUD prorating funding at 100%?
   a. $67,468
   b. $69,718
   c. $63,053

8. Pre-2004 administrative fee reserves can be replenished with current year profits.
   a. True
   b. False

9. Which sources of funding cannot be used to cover the cost of over-leasing in a calendar year? Check all that apply.
   a. Existing HAP equity balances
   b. Future year HAP funding allocations
   c. Pre-2004 administrative fee reserves
   d. Local funding sources

10. The period of time HUD gathers leasing and HAP expense in order to determine a PHA's HAP Renewal Funding is the:
   a. PHA's fiscal year
   b. Federal fiscal year
   c. Past calendar year

Learning Activity 10-3: Budgeting and Financial Monitoring

Using the information below, answer the following questions:

- Anytown Housing Authority has authorized units (ACC units) of 1,100
- ABA for CY 2020 is $6,836,332
- HAP Equity Balance (RNP) as of 12/31/2019 is $634,129
- Current number of units leased: 894
- Actual costs per current month:
  - HAP costs $494,428
  - URP costs $3,900
  - FSS escrow $4,100
  - Port-in HAP cost $15,000

1. What is the current month's average HAP per-unit cost?
   a. $599
   b. $562
   c. $596

2. How many months of HAP are reserved in the HAP equity account (RNP)?
   a. 1.26
   b. 1.23
   c. 1.28

3. How many units on average per month will the ABA support?
   a. 1,014
   b. 637
   c. 894

4. To lease all ACC units, how much HAP equity will the PHA have to utilize?
   a. $618,200
   b. $582,068
   c. $494,928

5. How much HAP equity will remain at December 31, 2020 if all ACC units are leased each month in CY 2020?
   a. $634,129
   b. $30,381
   c. $52,061

6. What is the maximum number of unit months that can be leased during the CY?
   a. 13,200
   b. 14,400
   c. 13,968

7. What factors should the PHA monitor that could change the original estimated number of units to be leased?
   a. Average per-unit HAP cost
   b. Cost of HAP for port-out units
   c. Actual number of units leased
   d. All of the above

8. Turnover rate refers to:
   a. The monthly HAP expense per unit
   b. The percentage total of families leaving the program during the year
   c. The percentage of vouchers leased within a certain time frame (30, 60, 90 days)
   d. None of the above

Learning Activity 10-4: HCV Program Regulatory & Statutory Financial Management Requirements

1. HUD requires that all funds deposited in excess of the federal insurance limit be fully collateralized with federal government securities.
   a. True
   b. False

2. HUD requires all PHAs to have a single audit conducted each year.
   a. True
   b. False

3. Administrative fee income received since 2004 may only be used for activities related to the provision of HCV rental assistance, including development activities.
   a. True
   b. False

4. Although a PHA may have multiple checking accounts, HUD only requires PHAs to have a General Depository Agreement (form HUD-51999) with the bank that maintains the PHA's primary account.
   a. True
   b. False

5. PHAs are expected to practice good cash management techniques, which includes investing all idle funds in interest bearing accounts.
   a. True
   b. False

6. The ACC requires PHAs to maintain fidelity bond coverage only on accounting staff.
   a. True
   b. False

7. With regard to document retention requirements PHAs should follow the stricter of federal or state laws.
   a. True
   b. False

8. The uniform financial reporting standards at 24 CFR Part 5, subpart H, do not require Section 8 only PHAs to file year-end financial information in accordance with GAAP.
   a. True
   b. False

9. PHAs that fail to report year-end financial information to HUD as required, may receive a penalty equal to 10% of their monthly administrative fee until they are in compliance.
   a. True
   b. False

10. For those PHAs who are required to submit year-end financial information to HUD, the unaudited version must be submitted within how many days after the PHA's year-end?
    a. 45 days
    b. 30 days
    c. 90 days
    d. 60 days

11. For those PHAs who are required to submit audited financial information to HUD, it must be submitted within how many months after the PHA's fiscal year-end?
    a. 1 month
    b. 2 months
    c. 3 months
    d. 9 months

12. VMS reporting is currently required on a monthly basis.
    a. True
    b. False

13. One of the provisions of the General Depository Agreement is that it gives HUD the authority to take possession of all accounts covered by the agreement if the PHA is found to be in default of the provisions of the ACC.
    a. True
    b. False

14. Current HCV program regulations permit pre-2004 administrative fees accumulated in excess of administrative expenses that were moved into unrestricted net position (UNP) to be used for other housing purposes permitted by state and local law.
    a. True
    b. False

15. PHAs whose PIC reporting rates fall below 95% may have their administrative fees for the calendar year reduced or offset in an amount determined appropriate by HUD.
    a. True
    b. False

16. The EIV system is a Web-based application which provides PHAs with:
    a. Employment information
    b. Wage information
    c. Unemployment compensation and social security information
    d. All of the above

17. PHAs are prohibited from engaging in activities that would create a conflict of interest. Which of the following would be considered a conflict of interest?
    a. The PHA decides to issue a technical assistance contract to a former employee who left the agency three months ago
    b. The PHA contracts for the annual audit with a current member of the board who is a CPA
    c. The PHA recently hired a new Deputy Director from a well known consulting company in the PHA industry, who selects her former employer for a technical assistance contract
    d. All of the above

18. HUD requires that PHAs annually report the compensation provided to each of their three highest compensated employees only if they administer a public housing program.
    a. True
    b. False

19. The SEMAP lease-up indicator measures:
    a. Only the percent of units leased during the last PHA fiscal year as reported on the FDS in FASS-PH
    b. Only the percent of ABA used during the last PHA fiscal year as reported on the FDS in FASS-PH
    c. The greater of the percent of baseline units leased or the expenditure of budget authority during the last fiscal year.
    d. None of the above

20. PHAs that have special use vouchers are only required to reissue them to the same targeted populations to the extent practicable.
    a. True
    b. False

Learning Activity 10-5: HCV Fraud Recoveries, Portability and the Family Self-Sufficiency Program

1. Fraud recoveries should be accounted for in the financial statements when collected.
   a. True
   b. False

2. HAP costs related to a port-out family is paid from HAP funding and the unit is classified as a leased unit for administrative fee revenue recognition purposes.
   a. True
   b. False

3. Rental assistance payments paid to the landlord by the receiving PHA for port-in families not absorbed is considered to be what type of cost?
   a. Administrative fee equity
   b. HAP equity

4. Interest income earned on FSS escrow accounts is considered to be program interest and is credited to administrative fee equity.
   a. True
   b. False

5. Interim disbursements must be repaid back to the PHA before allowing participants to reapply for housing.
   a. True
   b. False

6. The FSS escrow bank accounts should match the total of the individual participants' escrow balances?
   a. True
   b. False

7. Forfeited FSS escrow accounts should be budgeted based on past year's experience and credited to administrative fee equity.
   a. True
   b. False

8. Which of the following is considered to be program income that is credited to administrative fee equity (UNP account)?
   a. Voided HAP checks
   b. All of fraud income when the PHA has initiated the case
   c. Forfeited FSS escrow deposits
   d. Port-in HAP payments received from an initial PHA

Learning Activity 10-6: Processing Payments

1. The timing of the transaction for prior month HAP payments has a significant impact on the reporting in the Voucher Management System.
   a. True
   b. False

2. If the PHA is required by state law to pay a late fee because rent payments to a landlord are late, the late fee can be paid from HAP funds.
   a. True
   b. False

3. Good internal control procedures for processing HAP will consider which of the following:
   a. Segregation of duties between the case worker and the actual individual creating the payment
   b. Reviewing a delta report that lists the changes made from the prior month
   c. Have two people present upon the use of an automated check signing machine.
   d. All of the above

4. Vacancy loss payments can be made to the landlord by the PHA for a voucher holder who vacates a unit without notice until the unit is reoccupied.
   a. True
   b. False

5. If the security deposit is not sufficient to cover the cost of tenant-caused damages to a unit, the owner can collect the balance from the PHA.
   a. True
   b. False

6. For PHAs that have established a minimum rent, utility reimbursement payments will not need to be processed.
   a. True
   b. False

7. The PHA is responsible upon the request of the landlord to attempt to recover tenant damages to the unit.
   a. True
   b. False

8. Utility reimbursements made to tenants are a form of:
   a. Administrative expense
   b. HAP expense

9. The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of what percent or more during the past year?
   a. 5%
   b. 15%
   c. 10%
   d. 20%

10. The overlap of the HAP for an old unit in the month when a family moves and the first HAP for the new unit is paid is considered a duplicative HAP.
    a. True
    b. False

Learning Activity 10-7: Understanding the CY HAP Renewal Worksheet

Using the CY HAP renewal funding worksheet for the Kenosha, WI Housing Authority on page 3.1-9, answer the following questions.

Part I

1. How did HUD come up with the number on Line 11?

2. In determining the total unit months leased for the vouchers reported on Line 8, what time period from the VMS did HUD use?

3. How does HUD determine the Total Unit Months Available for the number on Line 9?

4. What line number can you find the inflation factor HUD used and what was the percentage?

5. What line number can you find the proration factor and what was the percent?

6. On what line(s) can you find the total CY HAP Renewal funding HUD will make available to the PHA and how much is it?

7. Did the PHA receive any non-renewal funding and if so how much?

8. Did HUD apply an offset and if so how much?

Part II

9. What row can you find the funded PUC and how much was it?

10. How many units on a monthly basis will the total CY 2020 funding found on Line 7 support?

11. What is the monthly HAP spending target?

12. **a.** What will happen if the PUC goes up?

b. What will happen if the PUC goes down?

Learning Activity 10-8: The Voucher Management System (VMS)

1. Which of the following programs is reported in the VMS:
   a. Section 8 Moderate Rehabilitation
   b. Section 8 New Construction
   c. Section 8 HCV program
   d. Section 8 Single Room Occupancy

2. A PHA may not enter data into a new month until HUD opens the month for data entry.
   a. True
   b. False

3. In order to access the VMS, PHA users must have a valid:
   a. User ID number
   b. Password
   c. Both a and b

4. Data entry for a new month is accomplished through the following link:
   a. PMC
   b. Management Data

5. VMS monthly data showing "Pending Hard Edits", means:
   a. The PHA has placed the data on hold to fix a problem
   b. HUD has put the data on hold to review an issue

6. The majority of data entry on the VMS for a month will occur under which of the following tabs?
   a. Voucher UML and HAP
   b. Other Income and Expense
   c. Additional Expense / Comments
   d. Disaster UML and HAP
   e. PHA Contact Information

7. UML and HAP expense should be reported in the month they were effective not necessarily the month the check was issued. This may cause a PHA to periodically have to revise previously submitted data for one or more months.
   a. True
   b. False

8. Which of the following fields will accept zero amounts?
   a. RNP
   b. UNP
   c. Vouchers leased end of month
   d. Vouchers issued but not under HAP contract at the end of the month
   e. Cash/Investment as of the last day of the month
   f. All of the above

9. Which of the following fields will accept negative amounts? (Select all that apply.)
   a. RNP
   b. UNP
   c. Cash/Investments
   d. Administrative Expenses

10. Enhanced vouchers are a sub-category of which other voucher type?
    a. All other vouchers
    b. FUP
    c. Tenant Protection
    d. Homeownership

11. If a participant initially qualified under "All Other Vouchers" and later qualified under another category, report under the new category.
    a. True
    b. False

12. If any special use voucher ports out, they must still be reported in the field for that special use voucher.
    a. True
    b. False

13. VMS Field - *Number of vouchers under Lease (HAP Contract) on the last day of the month* includes?
    a. Total number of vouchers under lease on the "Last" day of the month for all categories
    b. Includes HAP contracts that expired that day
    c. Report zero HAP units for up to six months
    d. All of the above

14. If the PHA had a negative RNP balance at December 31st on the VMS, beginning balance that should be reported on the VMS for January 1, of the next year is:
    a. The negative amount from the previous CY.
    b. Zero

15. Total Cash and investments reported as of the end of the month on the VMS, should exclude:
    a. Current liabilities
    b. FSS escrow investments and or cash
    c. All of the above

16. PHA can made changes to previously reported monthly data by either using the Manage Data Link or the PMC link.
    a. True
    b. False

17. A correction to previously reported monthly data can be made whether or not the current month submission has been made or whether there are any months pending HUD approval.
    a. True
    b. False

18. PHAs cannot make a change to a field in a given month which is currently pending hard edit, until the hard edit for that field has been approved/disapproved by HUD.
    a. True
    b. False

19. Before PMCs can be submitted to HUD, they must be validated.
    a. True
    b. False

20. When HUD approves or disapproves a PMC-Pending Hard Edit, the system will automatically send an email to the PHA Point of Contact, notifying them of the Approval/Disapproval.
    a. True
    b. False

Learning Activity 10-9: Review of Internal Controls

1. Which of the following activities is not a type of preventive control?
   a. Check writing policies
   b. Approval of purchase orders
   c. Signing cash receipts
   d. Bank reconciliations performed at the end of the month

2. Monitoring internal controls should only be performed at the end of the year.
   a. True
   b. False

3. Which of the following is an area where a PHA could face a compliance issue?
   a. Payroll
   b. Tenant files
   c. HAP payments
   d. Cash receipts

4. Which of the following is not a fundamental component of internal control?
   a. Communication
   b. Control activities
   c. Monitoring
   d. Control environment

5. Control environment is a component of internal control which focuses on creating an ethical agency environment.
   a. True
   b. False

6. Which of the following is *not true* of monitoring?
   a. Every control should be evaluated every year
   b. Ongoing monitoring activities occur during normal hours of operations
   c. Periodic evaluation of controls ensure controls are relevant to operations
   d. Documentation is crucial to support the monitoring function

7. The internal audit function should report to executive management and/or the board.
   a. True
   b. False

Learning Activity 10-10: Using the HUD Two-Year Forecasting Tool

1. Using the HUD Two-Year Forecasting Tool, PHAs can plan leasing patterns for the current year plus two years into the future.
   a. True
   b. False

2. In order to plan leasing patterns, PHAs need to know the following information:
   a. Success rates
   b. Annual turnover
   c. Time from issuance to HAP effective date
   d. All of the above

3. The field "Beginning ACC # Vouchers, Current Year" is:
   a. The total ACC vouchers at the beginning of the CY
   b. The estimated number of vouchers that will be leased each month of the CY
   c. New ACC units the PHA is expected to receive during the CY
   d. All of the above

4. The amount entered in the field "Initial BA Funding" comes from what HUD document?
   a. The ACC funding exhibit
   b. Calculation of CY renewal funding
   c. The VMS
   d. The FDS

5. The RNP balance needed (requested) for the current year in the tool is:
   a. The end of year balance for the current year
   b. The balance at January 1 for the current year
   c. The current month's ending balance
   d. Not requested by the funding tool

6. The forecasting tool will also provide an estimate of CY admin fees earned based on the leasing patterns projected in the tool.
   a. True
   b. False

7. If the "Current Year End Projection" section of the tool shows UML% of ACC units at 110%, this means:
   a. The PHA is under leasing its ACC units by 10%
   b. The PHA is over leasing its ACC units by 10%

8. If the "Following Year End Projection" section of the tool shows HAP expense as a percent of all funds (ABA + RNP) at 120%, this means:
   a. The PHA is expected to exceed its available funding in the following year
   b. The PHA is expected to underutilize its available funding in the following year

9. Users can only enter data into yellow cells; all other cells are protected from data entry.
    a. True
    b. False

10. In order to project year 2 and 3 re-benchmark funding, the PHA is given the option to estimate how future appropriations will fund the formula re-benchmarking estimate. This estimate should be entered as:
    a. A dollar amount
    b. A percentage

11. The tool will allow the user to enter actual monthly lease-up and HAP expense and then calculate the actual PUC for the month. Once actual lease-up and HAP expense is entered for a month, the PUC calculated will be the default PUC used for the remaining months until actual data is entered for the remaining months.
    a. True
    b. False

12. The tool allows the user to manually override the calculated PUC in order to test the impact on spending and available funding of an estimated change in the PUC.
    a. True
    b. False

13. Data must be entered into the “Tracking Actual Success Rates” spreadsheet for the tool to project spending for year 2 and 3.
    a. True
    b. False

14. The field current year “Eligibility per ACC unit month” is a calculation of the PUC based on:
    a. The total ABA divided by UMLs for the benchmark period
    b. The total ABA divided by the total projected UMLs
    c. The total ABA divided by the UMAs
    d. None of the above

15. The “Potential Terminations” shows the potential participants impacted if a PHA spends beyond its means.
    a. True
    b. False

Answers to Learning Activity 10-1

1. Wisconsin
2. c
3. c
4. a
5. The increment number will have the letters "AFHV"
6. c
7. d
8. c
9. a
10. c
11. a ($1,174,844 ÷ 2 = $587,422)
12. b
13. a
14. a

Answers to Learning Activity 10-2

1. a
2. b
3. a, c and d
4. b
5. b
6. b
7. a
8. b
9. a and b
10. c

Answers to Learning Activity 10-3

1. b ($494,428 + $3,900 + $4,100) ÷ 894 = $562
2. a $634,129 ÷ $502,428 = 1.26
3. a $6,836,332 ÷ ($562 x 12) = 1,014
4. b 1,100 units x ($562x12) = $7,418,400
ABA = <u>6,836,332</u>
$ <u>582,068</u>
5. c $634,129 RNP – $582,068 needed
= $52,061 ending NRA
6. a 1,100 ACC units x 12 = 13,200 UMAs
7. d
8. b

Answers to Learning Activity 10-4

1. a
2. b
3. a
4. b
5. a
6. b
7. a
8. b
9. a
10. d
11. d
12. a
13. a
14. a
15. a
16. d
17. d
18. b S8 only PHAs must also comply
19. c
20. b

Answers to Learning Activity 10-5

1. b
2. a
3. a
4. b
5. b
6. a
7. b
8. d

Answers to Learning Activity 10-6

1. a
2. b
3. d
4. b
5. b
6. b
7. b
8. b
9. c
10. b

Answers to Learning Activity 10-7

Using the CY HAP renewal funding worksheet for the Kenosha, WI Housing Authority on page 3.1-9, answer the following questions.

Part I

1. How did HUD come up with the number on Line 11?

Added up the total HAP expenses as reported in the VMS for the period
Jan. 1, 2019 through Dec. 31, 2019.

2. In determining the total unit months leased for the vouchers reported on Line 8, what time period from the VMS did HUD use?

The period Jan. 1, 2019 through Dec. 31, 2019.

3. How does HUD determine the Total Unit Months Available for the number on Line 9?

The total ACC units (authorized units) times the number of months in the
benchmark period they are available, typically this is 12 months.

4. What line number can you find the inflation factor HUD used and what was the percentage?

Line 13 - 1.12241

5. What line number can you find the proration factor and what was the percent?

Line 19 - 0.99400

6. On what line(s) can you find the total CY HAP Renewal funding HUD will make available to the PHA and how much is it?

Lines 3 and 21, $8,319,565

7. Did the PHA receive any non-renewal funding and if so how much?

Yes, $160

8. Did HUD apply an offset and if so how much?

No

Part II

9. What row can you find the funded PUC and how much was it?

Row 29 - $629.29

10. How many units on a monthly basis will the total CY 2020 funding found on Line 7 support?

$8,319,725 / ($629.29 x 12) = 1,101

11. What is the monthly HAP spending target?

$8,319,725 / 12 = $693,310

12. **a.** What will happen if the PUC goes up?

If the PUC goes up the PHA most likely will have to reduce the size of the
program through attrition as funding will not support as many units

b. What will happen if the PUC goes down?

If it does go down, the PHA may be able to lease additional units up to its ACC
units (authorized number of units)

Answers to Learning Activity 10-8

1. c
2. a
3. c
4. b
5. b
6. a
7. a
8. f
9. a and b
10. c
11. a
12. a
13. d
14. a
15. c
16. b
17. a
18. a
19. a
20. a

Answers to Learning Activity 10-9

1. d
2. b
3. b
4. a
5. a
6. a
7. a

Answers to Learning Activity 10-10

1. a
2. d
3. a
4. b
5. b
6. a
7. b
8. a
9. a
10. b
11. a
12. a
13. b
14. c
15. a