



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
Office of Public and Indian Housing

**Special Attention of**  
Public Housing Agencies administering Housing  
Choice Voucher Programs  
Public Housing Hub Office Directors  
Public Housing Program Center Directors  
Regional and Field Office Directors  
Financial Management Center  
State and Area Coordinators

**Notice** PIH 2008-9 (HA)

Issued: January 30, 2008

Expires: January 31, 2009

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Cross Reference: PIH Notice 2006-3  
PIH Notice 2006-5

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**Subject: Financial Reporting Requirements for the Housing Choice Voucher Program Submitted through the Financial Assessment Subsystem for Public Housing and the Voucher Management System.**

**1. Purpose.**

The Uniform Financial Reporting Standards (UFRS), at 24 C.F.R. § 5.801, require Public Housing Agencies (PHAs) or any other entities<sup>1</sup>, such as non-profit organizations or cities that administer the Housing Choice Voucher (HCV) Program, to submit financial information to the Department of Housing and Urban Development (HUD) electronically. With the issuance of Notice PIH 2006-3 on January 11, 2006, PHAs were reminded of the regulatory requirement to submit their fiscal year end (FYE) financial information to HUD through the Financial Assessment Subsystem for Public Housing (FASS-PH), and to submit certain leasing and cost data through the Voucher Management System (VMS). For some PHAs, this constituted their first year of providing annual financial reports to HUD through FASS-PH. During HUD's review of these submissions, certain common reporting issues were noted.

This letter clarifies the financial reporting requirements and deadlines for those PHAs that administer the HCV and HCV related programs (Disaster Voucher Program (DVP), Katrina Disaster Housing Assistance Program (KDHAP), Moderate Rehabilitation (Mod Rehab) and Mainstream 5-Year program (MS5), if applicable).

**2. Background.**

Under UFRS, PHAs are required to submit their financial data electronically as required by HUD. Notice PIH 2006-3 required PHAs administering the HCV program to submit their Annual Financial Statements through FASS-PH and their monthly/quarterly leasing and cost data through VMS. Failure to do so by the HUD required deadlines may result in a penalty on a PHA's monthly administrative fees.

**3. Program and "Entity-wide" Reporting Requirements.**

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<sup>1</sup>Throughout the remainder of this document the term PHA includes these "other entities."

The FASS-PH system was developed under an “entity-wide” concept; that is, PHAs report all the programs and activities that constitute the PHA as defined by Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). Under this concept, HUD is generally able to gain a higher level of assurance on the financial data as it is directly comparable to the audit. However, for a number of Section 8 Only PHAs, this requirement is not practical and does not provide HUD the usual level of assurance, therefore alternate reporting procedures will be used for these cases. Regardless of the information submitted to HUD under UFRS for this monitoring purpose, Section 8 Only PHAs remain subject to the audit and filing requirements under the Single Audit Act and OMB Circular A-133 – *Audits of States, Local Governments, and Non-Profit Organizations*, where applicable.

#### FASS-PH reporting requirements under UFRS

- *Section 8 Only PHAs as a Stand Alone Reporting Entity (Primary Government).* For those Section 8 Only PHAs that are defined by GAAP as a primary government or component unit that will have its own financial audit, the PHA will report<sup>2</sup> all of its financial activities (entity-wide).
- *Section 8 Only PHAs that are part of a Nonprofit Agency.* For Section 8 Only PHAs that are organized as part of a nonprofit agency that is mostly non-housing related or part of a larger non-general purpose governmental agency (such as a state housing finance agency or state development authority), and whose HCV and related activities (including housing assistance payments) constitute less than 50% of that entity’s activities, the PHA should report<sup>2</sup> only the HCV and HCV related programs (DVP, KDHAP, Mod Rehab, and MS5 program, if applicable) and other UFRS required programs. Activity is defined for this purpose as total operational expense and capitalized costs incurred during the current reporting period.
- *Section 8 Only PHAs that are part of a Larger General Purpose Government.* For those Section 8 Only PHAs that are part of a larger general purpose government (e.g., program, division, or department within a municipality or state), the PHA should report<sup>2</sup> only the HCV related and other UFRS required programs as noted under the Nonprofit Agency section above. It is recommended that this general purpose government declare the HCV related programs as a major “enterprise” fund.

For those HCV related programs that are accounted for as part of a general purpose government’s General or Special Revenue fund(s), the entity may submit to FASS-PH using modified accrual.

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<sup>2</sup> Reporting is completed electronically through HUD’s Financial Assessment Subsystem for Public Housing (FASS-PH).

#### **4. Financial and Compliance Procedures.**

For those general purpose governments and non-profits that have not declared their HCV related programs as a major fund for financial statement purposes or as a major program under OMB Circular A-133, the audit obtained may not be sufficient for HUD to properly monitor its financial and compliance interest in these entities. Therefore, in order for HUD to gain an acceptable level of assurance, these PHAs may be directed to procure Independent Public Accountant (IPA) services for financial and compliance procedures as specified by the Department (auditor agreed upon procedures). These PHAs should contact PIH Financial Management Division (FMD) at [PIH\\_Financial\\_Management\\_Division@hud.gov](mailto:PIH_Financial_Management_Division@hud.gov) in order to confirm the need to undertake such an IPA service. If the Department determines that IPA services must be performed, the Department will reimburse the agency for this cost.

#### **5. Financial Data Schedule (FDS) as Supplementary Information.**

The FDS is prepared as supplementary information to the financial statements, produced in hard copy (normally as part of the annual financial report but may be issued separately), and reported on by the auditor, regardless of whether the FDS is entity-wide<sup>3</sup>. The FDS is essentially a trial balance of the financial statements, currently arranged by Catalogue of Federal Domestic Assistance (CFDA) number. If the supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, the auditor would express no “in relation to” opinion on this schedule, but the report and FDS should still be issued as supplementary information.

#### **6. Fiscal Year End Reporting.**

PHAs submit to FASS-PH based on their FYE. For some PHAs that are part of a larger government or non-profit, the FYE recorded in the Public and Indian Housing Information Center (PIC) is different than the FYE of the primary government or nonprofit agency under which the PHA is organized. For these Section 8 Only PHAs, the PHA should report its year end financial data to FASS-PH based on the primary government or nonprofit agency’s FYE.

- For these PHAs, as described under this section (6. Fiscal Year End Reporting) the PHA should request an update to its HCV FYE in PIC to coincide with that of the primary government or nonprofit agency. The PHA has until 03/31/08 to request such change. If the PHA does not request such an update, HUD will update PIC on its own schedule. The PHA should contact the Real Estate Assessment Center (REAC) at [REACSection8Assessment@hud.gov](mailto:REACSection8Assessment@hud.gov) to notify FASS-PH of its intent to update its FYE and then follow the instructions in a forthcoming PIH Notice that will provide the steps necessary to complete a FYE update in PIC or to notify FASS-PH of its intent to complete the additional financial and compliance procedures as outlined by the Department (see the next bullet).

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<sup>3</sup> In accordance with Statement on Auditing Standards (SAS) No. 29, Reporting on Information Accompanying the Basic Financial Statements in Auditor Submitted Documents and Statement on Standards for Attestation Engagements (SSAE) No. 10, Attestation Standards: Revision and Recodification.

- Until the update in PIC is complete, the PHA will file its unaudited submission based on its current PIC FYE. To fulfill the audited submission as required under UFRS, the PHA may request a waiver for additional time to coincide its audit submission with that of the primary government, or the PHA will need to procure IPA services for financial and compliance procedures as outlined by the Department (auditor agreed upon procedures) if the PHA's HCV related programs are over the A-133 Audit Threshold. PHAs should first contact the FMD at [PIH\\_Financial\\_Management\\_Division@hud.gov](mailto:PIH_Financial_Management_Division@hud.gov) to determine the appropriate reporting mechanism. If the need to procure IPA services is approved, the Department will reimburse the agency for this additional cost.
- In lieu of updating their FYEs, these PHAs may elect to have IPA services for financial and compliance procedures as outlined by the Department completed on their HCV related programs, based on their current recorded FYEs in PIC. PHAs that elect this method need not contact HUD, but are required to submit their information based on FYE as reported in PIC. The additional cost will not be reimbursed by the Department.
- If the FYE of the primary government does not end on a quarter, the PHA should not change its FYE and may need to procure IPA services for financial and compliance procedures as outlined by the Department (auditor agreed upon procedures). PHAs should first contact the FMD at [PIH\\_Financial\\_Management\\_Division@hud.gov](mailto:PIH_Financial_Management_Division@hud.gov) in order to receive confirmation this work is required. If the need to procure IPA services is required, the Department will reimburse the agency for this additional cost.

### **7. FDS Submission Deadlines.**

Unaudited submissions are due no later than 2 months after the PHA's FYE; for those entities required to have an audit, the submissions are due 9 months after the PHA's FYE. PHAs are required to submit their financial information through the FASS-PH system. PIH Notice 2006-3, issued January 11, 2006, reaffirmed this requirement.

The table below illustrates the common PHA FYEs and associated dates that the annual unaudited and audited submissions are due. For example, a PHA with a March 31 (3/31) FYE needs to submit its unaudited submission to HUD no later than May 31, and its audited submission no later than December 31 (12/31).

**Financial Reporting Schedule Due Dates**

<b>Fiscal Year End</b>	<b>12/31</b>	<b>03/31</b>	<b>06/30</b>	<b>09/30</b>
Unaudited Submission	02/28	05/31	08/31	11/30
Audited Submission	09/30	12/31	03/31	06/30

### **8. FASS Waiver and Extension Requests.**

PHAs that need extra time to make their submissions may request a waiver or extension from HUD. Requests for both waivers and extensions need to be made, and will be approved or denied by HUD, prior to the respective due dates. For circumstances beyond the PHA's control, approval of either the extension or waiver defers the normal due date of the financial data. An

example of a circumstance beyond a PHA's control is a natural disaster that results in significant destruction to a PHA's properties, computer systems, or data, thereby impeding the PHA's ability to submit data on time.

If an extension or waiver is not granted, the PHA may be sanctioned as described in Section 11 of this Notice. This sanction will be applied for submissions beginning with March 31, 2008, FYE submissions.

- *Extension Requests.* An extension request is used by a PHA to request additional time to submit its **unaudited** submission. The PHA request, as well as HUD's decision to grant an extension, is performed electronically on-line through a link in the FASS-PH system. Paper, fax, or phone requests will not be accepted.

To request an extension, PHAs need to log into the FASS-PH system normally prior to the reporting deadline. From the inbox, a PHA will need to enter its PHA code and reporting date, select "Unusual Circumstance Request" from the submission-type dropdown text box, and click "Go." The PHA should then select the "Unusual Circumstance Request" link that will appear and provide the information requested on the screen, which is primarily the number of days requested for the extension and an explanation of the circumstances surrounding the need for an extension. The PHA must select the "submit" button to complete its request.

HUD's disposition of the request and the length of the extension will be reflected in this area of the system once HUD has made its determination. The PHA should periodically check this link to find the results of its request. PIH's REAC is responsible for the approval or denial of all extension requests and the processing of these requests. The field office or other PIH offices are not normally part of the extension process.

Section 9, of Chapter 5b of the current Public Housing Agency and Auditor User Guide details this process. This guide can be found at:  
[http://www.hud.gov/offices/reac/products/fass/pha\\_doc.cfm](http://www.hud.gov/offices/reac/products/fass/pha_doc.cfm).

- *Waiver Requests.* A waiver request is used to request additional time to make an **audited** submission. The PHA must submit a hard copy of the request to HUD that conforms to the following requirements:
  1. There must be a written request (i.e., letter) to HUD to waive the audited due date, along with an explanation of the circumstances surrounding the need for additional time.
  2. Documentation that supports the circumstances surrounding the waiver request must be included. If the PHA is requesting additional time to submit the audited submission because of an Independent Public Accountant's (IPA) inability to complete the audit on time, the PHA must submit a copy of the engagement letter documenting when the auditor was hired and the scheduled completion time of the audit.

3. The request and supporting documentation must be mailed to both the PHA's assigned Field Office and to:

U.S. Department of HUD  
 Office of Public and Indian Housing - Real Estate Assessment Center  
 Attention: – Deputy Assistant Secretary  
 550 12<sup>th</sup> Street, SW, Suite 100  
 Washington, DC 20410

Based on a review of the request, PIH REAC will provide a recommendation to the Assistant Secretary of PIH on whether to approve or deny a waiver request and is responsible for the processing of all waiver requests. However, the Assistant Secretary of PIH will make the determination on whether to approve or deny the waiver request. The field office or other PIH offices are not part of the waiver process. If the waiver request is approved, HUD will notify the PHA by mail. It is highly recommended that PHAs mail their requests for waiver 60 days prior to the audited submission date.

REAC provides further waiver guidance at:

[http://www.hud.gov/utilities/intercept.cfm?/offices/reac/products/PDFs/waiver\\_v8\\_for\\_pvcs.pdf](http://www.hud.gov/utilities/intercept.cfm?/offices/reac/products/PDFs/waiver_v8_for_pvcs.pdf).

Waiver requests must be received prior to the submission due date in order to be considered.

#### **9. VMS Submissions.**

PHAs are required to transmit certain leasing and cost data electronically through VMS. In calendar years 2005 and 2007, VMS data was used to determine the renewal funding levels. The Department also uses VMS data for other funding decisions, monitoring, and funding-related factors under the Section Eight Management Assessment Program (SEMAP). Therefore, it is imperative that PHAs comply with reporting requirements and timelines for reporting through VMS, ensuring that the information submitted is both timely and accurate. The data provided in VMS is always subject to verification and review by HUD's Quality Assurance Division.

Data submissions are currently collected quarterly. Although PHAs may enter VMS information at any time, the designated quarterly submission period begins 15 days following the last date of the quarter and ends on the last day in that month.

**VMS Reporting Schedule Due Dates**

<b>Quarter End Date</b>	<b>12/31</b>	<b>03/31</b>	<b>06/30</b>	<b>09/30</b>
Submission Due Date	01/31	04/30	7/31	10/31

Because VMS data reporting is time sensitive, requests to extend submission deadlines cannot be entertained. However, PHAs that are not be able to meet reporting deadlines due to circumstances beyond their control (i.e. natural disasters) should notify the FMC at [Financial\\_Management\\_Center@hud.gov](mailto:Financial_Management_Center@hud.gov). PHAs that do not submit the required data by the reporting deadline will be sanctioned as described in Section 11 of this Notice. This sanction will be applied for non-submissions beginning with the April 30, 2008 due date for submissions.

## **10. HCV Related Programs.**

Mainstream 5-Year Programs, Mod Rehab, DVP, and KDHAP are funded separately from the HCV program. The general HCV program activities are reported under CFDA 14.871 in FDS. For FDS reporting, MS5 activities are reported as a separate program under CFDA 14.181 Supportive Housing for Persons with Disabilities. Mod Rehab activities are reported under CFDA 14.856. The DVP activities are reported under CFDA 14.DVP. These programs should not be combined or reported with the HCV Program. Since there is not a separate CFDA number for reporting KDHAP activities, KDHAP should be reported under Other Federal Programs. As noted in section 3 of this notice, PHAs that are stand alone reporting entities will report all of their financial activity to HUD, while all other PHAs will report on their HCV related programs as defined in this notice along with any other program (for example substantial rehabilitation) as required by UFRS.

PHAs must report Mainstream 5-Year, DVP, and KDHAP activities in the VMS. Specifically, the dollar amount of HAP payments and the number of vouchers utilized must be reported. Mod Rehab is not reported in VMS.

## **11. Sanctions.**

24 CFR 982.152(d) allows the Department to sanction a PHA by reducing a PHA's administrative fee if a PHA fails to perform its administrative responsibilities correctly, such as reporting noncompliance and/or VMS non-submission. The sanction will be calculated beginning the first day of the month following the submission closing due date. The monthly penalty will continue until such time as the PHA complies with the reporting requirements or a waiver is granted. The imposition of such penalties will be communicated under separate cover and represents a permanent reduction in funding for administrative fees for the current calendar year that shall not be reversed. However, this will not impact the baseline administrative fee calculations.

Under FASS-PH reporting for a PHA's unaudited submission any associated sanction for reporting noncompliance will not begin until the 16<sup>th</sup> day of the 3<sup>rd</sup> month following the end of their fiscal year.

## **12. Clarifications for FASS-PH Reporting.**

PHAs are required to report their financial information to the Department using GAAP. PIH Notice 2006-3(HA) states that effective January 1, 2005, excess budget authority disbursed to PHAs that is not utilized to pay housing assistance payments (HAP) or administrative costs would become part of the undesignated fund balance. However, most PHAs utilize a single purpose proprietary fund reporting model. The concept of fund balance does not apply under GAAP for this model.

This clarifies HUD's reporting position that unused HAP under proprietary fund reporting should be reported as *restricted net assets* (equity), with the associated cash and investments also being reported on the FDS as restricted. Any unused administrative fees should be reported as *unrestricted net assets* (equity), with the associated assets being reported on the FDS as unrestricted.

Both administrative fee and HAP revenue should be recognized under the guidelines set forth in Statement No. 33 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Non-exchange Transactions" (GASB 33). Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The HCV program is no longer a cost reimbursement grant, therefore PHAs should recognize unspent administrative fee and HAP revenue in their reporting period as *revenue* for financial statement reporting, not as deferred revenue or as a liability.

Any investment income earned on these funds should be reflected in the equity account on which the investment income was earned. For example, investment income earned on HAP cash balances should be credited to the HAP equity account. Likewise, investment income earned on administrative fee cash balances should be credited to the administrative fee equity account. The FDS provides specific lines to correctly report these transactions. All bank service charges should be reflected in the administrative fee equity account.

### **13. Paperwork Reduction Act.**

The information collection requirements contained in this notice have been approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. §§ 3501-3520), and have been assigned the following OMB control numbers - Voucher Management System: 2577-0169; Financial Assessment Subsystem 2535-0107. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

Any questions regarding this notice should be referred to the FMD at (202) 708-2934 or emailed to [PIH\\_Financial\\_Management\\_Division@hud.gov](mailto:PIH_Financial_Management_Division@hud.gov).

Sincerely,

/s/

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Paula O. Blunt, General Deputy Assistant Secretary  
for Public and Indian Housing