

Commissioners Financial Training

The Basics of Operating Budgets, Monthly Financial Reports, Year End Financial Reporting, and the Public Housing Assessment System

January 5, 2026

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Learning Objectives

- ▶ Understand the financial basics of Public Housing, Capital Fund and HCV programs.
- ▶ Identify Fiscal Policies adopted by the Board.
- ▶ Learn how to read PHA budgets.
- ▶ Understand the Board's role in the budget process.
- ▶ Understand Internal Controls basics.
- ▶ Understand how to read Monthly Financial Reports comparing Budgeted Revenue & Expenses to Actual Revenue & Expenses.
- ▶ Understand the role of procurement and contracts in the budget and financial management process.
- ▶ Identify audit requirements.





Today's Agenda

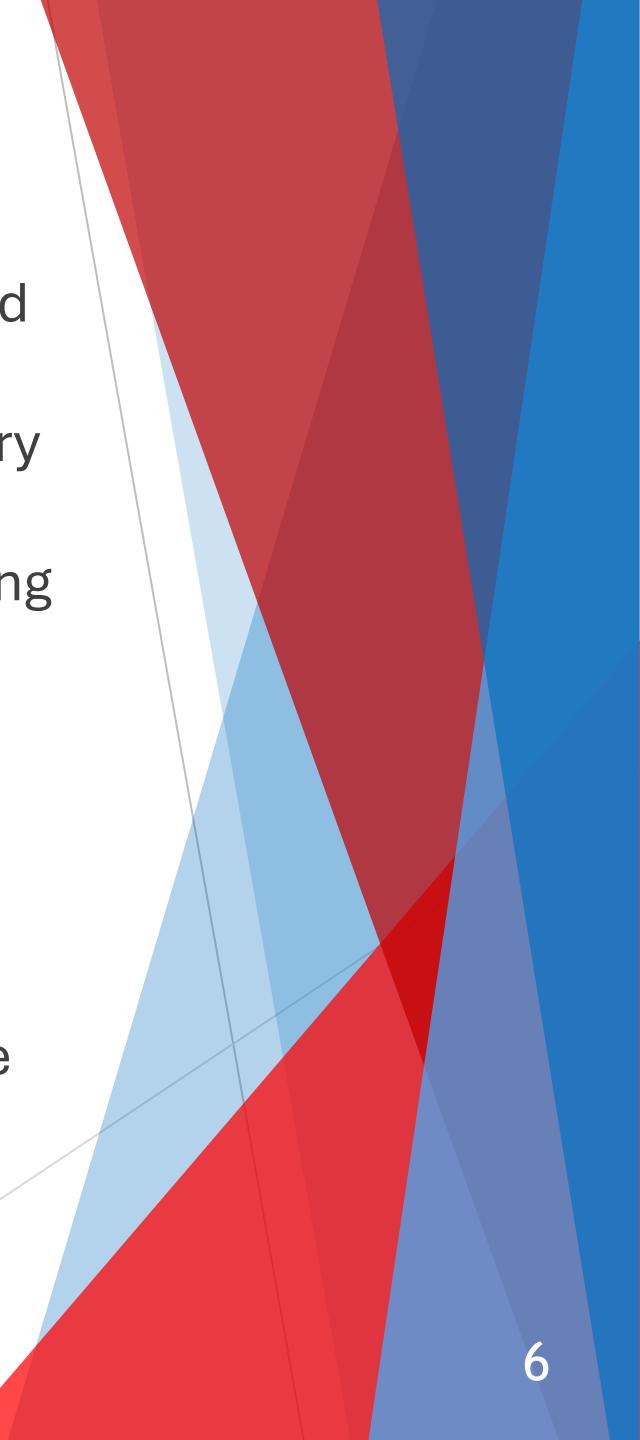
- ▶ Fiscal Policies Adopted by the Board of Commissioners
- ▶ Public Housing and Central Office Cost Center Budget
- ▶ Housing Choice Voucher Budget
- ▶ Operating Budget Process
- ▶ Financial Reporting
- ▶ Public Housing Assessment System Financial Indicator
- ▶ Procurement - Contracts
- ▶ Audit Requirements

The Board and the Budget



- ▶ This is the first step of the financial oversight process. The Board has a fiduciary obligation to ensure there is a realistic and viable financial plan for the year.
- ▶ Ongoing monitoring of budget versus actual revenues and expenses.
- ▶ Ensure the annual audit and other financial reporting is compliant and timely.

Public Housing and the COCC



Public Housing Overview

- ▶ The original HUD affordable housing program.
- ▶ Authorized by U.S. Housing Act of 1937 as updated from time to time.
- ▶ The purpose is to provide decent, safe, and sanitary housing for low-income families.
- ▶ The program is primarily funded by federal operating subsidy provided by HUD and rental income collected from participating families.
- ▶ Rent: Based on 30 percent of a family's monthly adjusted income.
- ▶ PHAs are established by state law.
- ▶ The PHA holds property title but subject to a HUD Declaration of Trust, which is like a lien against the property.
- ▶ Capital funds are also provided by HUD for the purpose of rehabbing / modernizing the units.



Low Rent Housing Program



- ▶ Operating subsidies from HUD are provided each year along with dwelling rental income and other income that is used to cover budgeted expenses.
- ▶ Funds are restricted for the use of the Low Rent Public Housing Program only.
- ▶ The Low Rent Public Housing Program is operated under an Annual Contributions Contract (ACC) between the PHA and HUD.
- ▶ Section 11 of the Annual Contribution Contract (ACC) Paragraph (D) states:
 - ▶ “The HA shall not incur any operating expenditures except pursuant to an approved operating budget.”

Low Rent Housing Program (Continued)

- ▶ In 2007, HUD published new rules known as “Asset Management”, applicable to all PHAs that have more than 400 Public Housing units.
- ▶ Asset Management required these PHAs to implement property based budgeting, accounting, and financial reporting.
- ▶ Operating budgets shall be developed for each Asset Management Project (AMP). An AMP is a property or grouping of properties as determined by the PHA with HUD approval.
- ▶ PHAs shall develop and maintain AMP budgets that allow for comparative analysis of budgeted line items to actual revenues and expenses.
- ▶ Individual AMP budgets must be approved by the Board of Commissioners.

Operating Budget

- ▶ The budget is a tool to quantify financial goals and measure success.
- ▶ All PHAs must develop and maintain a system that allows for analysis of the actual revenues and expenses associated with each property and the overall agency.
- ▶ Facilitates effective planning, decision making and cost controls.
- ▶ Prepared accurately, it provides a precursor of future financial results and method of forecasting.



Budget Walk-Through



- ▶ Let's review a budget
- ▶ The Housing Authority has the following programs:
 - ▶ Low Rent Public Housing (four AMPs)
 - ▶ Capital Fund Program
 - ▶ Central Office Cost Center
 - ▶ Housing Choice Voucher Program (reviewed later)

		Housing Authority Site Budgets April 1, 2024 to March 31, 2025				
		Totals, Low-Rent	Total AMP 1	Total AMP 2	Total AMP 3	Total AMP 4
Units	714	262	122	198	132	
Bedrooms	1,092	273	302	198	319	
% Occupancy	95%	95%	95%	95%	95%	
Unit Months Eligible for Subsidy and Mgmt Fee	8,192	3,018	1,332	2,305	1,536	
REVENUE						
Dwelling Rentals	1,798,350	926,178	158,839	550,934	162,399	
NonDwelling Rentals	18,334	17,134	-	1,200	-	
Other Tenant Revenue	40,894	12,152	9,321	7,763	11,658	
Subsidy based upon CY 2023 HUD funding estimate x 85%	3,161,877	866,761	753,000	734,685	807,431	
Investment Income - Unrestricted	110,488	27,622	30,557	20,033	32,276	
Other Income	18,351	13,915		4,436	-	
Total Revenue	5,148,294	1,863,762	951,717	1,319,051	1,013,764	
EXPENSES						
Administrative Salaries	233,400	59,015	65,283	41,784	67,318	
Benefits: General	158,073	45,440	49,092	26,218	37,323	
Benefits: HRA Expense	23,337	2,204	2,439	6,984	11,710	
Staff Training / Travel	16,500	4,144	4,310	3,480	4,566	
Publications	-	-	-	-	-	
Members Dues and Fees	-	-	-	-	-	
Audit	7,532	1,883	2,084	1,365	2,200	
Telephone	11,253	3,618	549	6,942	144	
Other Administrative Expense	17,212	7,162	2,016	6,879	1,155	
Office Supplies	1,169	317	314	206	332	
Postage	4,983	1,050	1,434	940	1,559	
Police Report Fees	12	3	3	2	4	
Legal	41,812	7,733	11,375	15,360	7,344	
Management Fee	495,597	182,604	80,601	139,436	92,957	
Bookkeeping Fee	61,438	22,637	9,992	17,285	11,524	
Total Administrative	1,072,318	337,809	229,491	266,881	238,137	

Resident Services Salaries	-	-	-	-	-
Resident Services Other	11,250	3,696	2,371	2,679	2,504
Total Tenant Services	11,250	3,696	2,371	2,679	2,504
Water	503,109	169,823	87,726	117,047	128,513
Sewer	253,638	99,403	46,760	52,660	54,815
Electric	293,713	153,413	8,111	123,170	9,019
Gas	43,577	25,709	1,255	15,906	707
Utility Labor	46,272	21,099	-	25,173	-
Utility Labor Benefits	16,950	7,385	-	9,566	-
Total Utilities	1,157,259	476,832	143,852	343,522	193,054
Maintenance Salaries	641,970	166,448	147,774	153,063	174,684
Maintenance Benefits	278,660	58,257	51,721	79,593	89,089
Maintenance Temp Services	35,281	8,820	9,759	6,400	10,302
Maintenance Materials	108,552	31,056	44,498	14,690	18,308
Maintenance Materials - Gasoline	17,024	4,254	4,706	3,088	4,976
Maintenance - Misc Maint/Repairs	272,093	174,247	15,231	73,227	9,388
Maintenance Contract - Elevator	22,822	11,411	-	11,411	-
Maintenance Contract - Fire Alarm System	8,314	3,521	-	4,794	-
Maintenance Contract - Exterm	62,839	26,394	11,840	9,981	14,624
Maintenance Contract - Boiler	1,002	307	-	695	-
Maintenance Contract - Sprinklers	13,210	6,466	-	6,743	-
Maintenance Contract - Verizon	12,409	3,102	3,432	2,251	3,624
Maintenance Contract - HABCO	10,948	2,737	3,028	1,985	3,198
Maintenance Contract - Auditory Resp	187	46	52	34	56
Maintenance Contract - Adv Comm	-	-	-	-	-
Maintenance Contract - Richardson Copy	2,966	742	820	538	866
Maintenance Contract - Crystal Springs	473	118	131	86	138
Maintenance Contract - Pest Control	2,893	862	307	1,582	142
Maintenance Contract - Trash Removal	87,493	8,226	29,937	16,348	32,982
Maintenance Contract - Phones on Call	7,870	1,967	2,177	1,428	2,298
Maintenance Contract - Comcast	32,843	8,290	4,383	6,078	14,092
Total Maintenance	1,619,849	517,271	329,796	394,015	378,767

Security Labor	-	-	-	-	-
Security Contracts	-	-	-	-	-
Total Protective Services	-	-	-	-	-
Insurance	188,445	46,319	51,239	33,595	57,293
PILOT	67,509	46,648	-	20,861	-
Bad Debt Expense	35,967	18,524	3,177	11,019	3,248
Extraordinary Maintenance	-	-	-	-	-
Capital	-	-	-	-	-
Total General Expenses	291,922	111,490	54,416	65,475	60,541
Total Expenses, excl. Asset Management Fees	4,152,599	1,447,097	759,926	1,072,572	873,003
Asset Management Fees	85,680	31,440	14,640	23,760	15,840
Total Expenses	4,238,279	1,478,537	774,566	1,096,332	888,843
Net Income (Loss) Before Transfers	910,016	385,225	177,151	222,719	124,921
Interamp Transfers to Evenly Distribute Net Cash Flow	-	(154,500)	35,000	7,500	112,000
Net Income (Loss) After Transfers	910,016	230,725	212,151	230,219	236,921

HUD Requires a Board Resolution Approving the Public Housing Operating Budget

PHA Board Resolution
Approving Operating Budget

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

OMB Approval No. 2577-0029
(exp. 04/30/2027)

Public reporting burden for this collection of information is estimated to average 136.2 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering, and maintaining the data needed, completing the operating budget and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information including suggestions for reducing this burden, to the Reports Management Officer, QDAM, Department of Housing and Urban Development, 451 7th Street, SW, Room 4176, Washington, DC 20410. When providing comments, please refer to OMB Approval No. 2577-0029. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is required by Section 6(c)(4) of the U.S. Housing Act of 1937. The information is the operating budget for the low-income public housing program and provides a summary of the proposed and budgeted receipts and expenditures, approval of budgeted receipts and expenditures, and justification of certain specified amounts. HUD reviews the information to determine if the operating budget adopted by the public housing agency (PHA) and the amounts are reasonable, and that the PHA complies with HUD prescribed procedures. PHA boards must approve the operating budget and HUD requires boards to certify their approval through this form. Responses are required to obtain benefits. This information does not lend itself to confidentiality.

PHA Name: [REDACTED]

PHA Fiscal Year Beginning: 04/01/2024

Board Resolution Number: 1430

Acting on behalf of the Board of Commissioners of the above-named PHA as its Chairperson, I make the following certifications and agreement to the Department of Housing and Urban Development (HUD) regarding the Board's approval of (check one or more as applicable):

DATE

Operating Budget approved by Board resolution on: 03/21/2024

Operating Budget submitted to HUD, if applicable, on:

Operating Budget revision approved by Board resolution on:

Operating Budget revision submitted to HUD, if applicable, on:

Board Resolution - Continued

I certify on behalf of the above-named PHA that:

1. All statutory and regulatory requirements have been met;
2. The PHA has sufficient operating reserves to meet the working capital needs of its developments;
3. Proposed budget expenditure are necessary in the efficient and economical operation of the housing for the purpose of serving low-income residents;
4. The budget indicates a source of funds adequate to cover all proposed expenditures;
5. The PHA will comply with the wage rate requirement under 24 CFR 968.110(c) and (f); and
6. The PHA will comply with the requirements for access to records and audits under 24 CFR 968.110(i).

I/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct.

WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).

Board Chairperson's Name:	Signature:	Date:
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AMP A	AMP B	HCV	Other Program	Central Office
Rent & Subsidy	Rent & Subsidy	HUD Funding	Revenue	Mgmt & Service Fee Income
Other Income	Other Income	Other Income	Other Income	
Capital Funding	Capital Funding			
Other Grants Funding	Other Grants Funding			
(Direct Costs)	(Direct Costs)	(Direct Costs)	(Direct Costs)	(Direct Costs)
(Front Line Allocated Costs)	(Front Line Allocated Costs)	(Front Line Allocated Costs)	(Front Line Allocated Costs)	
(Mgmt Fee) (Bookkeeping Fee) (Service Fees) (CFP Mgmt Fee)	(Mgmt Fee) (Bookkeeping Fee) (Service Fees) (CFP Mgmt Fee)	(Mgmt Fee) (Bookkeeping Fee)	(Mgmt Fee)	
Net Income	Net Income	Net Income	Net Income	Net Income

Financial Structure Under Fee for Service Approach (as required by Asset Management)

Central Office Cost Center

- ▶ The Central Office Cost Center (COCC) is a business unit that comes along with Asset Management, and consists of the following departments: Executive, Finance, Human Relations, Information Technology, Procurement, and in some cases – Legal.
- ▶ COCC provides program oversight and performs the overall strategic monitoring of projects, programs, and the overall PHA.
- ▶ The COCC is funded based on HUD established management and bookkeeping fees provided by programs such as Low Rent Public Housing, Capital Fund Program, and Housing Choice Voucher Program).

HOUSING AUTHORITY
BUDGET FOR CENTRAL OFFICE COST CENTER
April 1, 2024 - March 31, 2025

REVENUE

Public Housing Management Fees @ \$60.50 x Leased Unit Months	\$497,129
Public Housing Bookkeeping Fees @ \$7.50 x Leased Unit Months	\$61,628
Public Housing Asset Management Fee @ \$10.00 PUM x Unit Months	\$85,920
Capital Fund Management Fee	\$210,000
Housing Choice Voucher Management Fees @ \$12 x Leased Unit Months	\$36,000
Housing Choice Voucher Bookkeeping Fees @ \$7.50 x Leased Unit Months	\$22,500
Investment Income	\$4,122

Total Revenue **\$917,298**

EXPENSES

Administrative Salaries	\$202,220
Administrative Benefits: General	\$90,865
Administrative Benefits: HRA	\$4,534
Legal Fees	\$6,053
Staff Training/Travel	\$12,000
Publications	\$2,341
Member Dues/Fees	\$6,200
Accounting	\$47,819
Audit	\$8,827
Telephone	\$8,740
Other Administrative expenses	\$23,380
Office Supplies	\$9,775
Vehicle / Gasoline	\$706
Postage	\$10,378
Admin Contract - Verizon	\$0
Admin Contract - HABCO	\$18,517
Admin Contract - Auditory Response	\$47
Admin Contract - Richardson Company	\$1,748
Admin Contract - Crystal Springs	\$618
Admin Contract - Payroll Service	\$4,190
Admin Contract - Postage Machine	\$720
Admin Contract - Central Office Rent	\$15,934

Total Administrative Expense **\$475,612**

Water/Sewer	na
Electricity	na
Gas	na
Fuel	na
Labor	na
Other utilities expense	na
Total Utilities	\$0
Maintenance Salaries	
Maintenance Benefits: General	
Materials	\$1,200
Contract Costs	\$1,200
Total Maintenance	\$2,400
Insurance	\$19,111
Other General Expense	
Total General Expense	\$19,111
Total Expenses	\$497,123
Net Income	\$420,175
Less Transfer to Assist the HCV Program Due to Funding Cuts	0
Net Income, After Transfer	\$420,175

Operating Reserve Levels

- ▶ Operating reserve is an important measure of the health of the PHA.
- ▶ The operating reserve formula is shown on the following page.
- ▶ The optimal level of operating reserve is generally regarded to be an amount that is sufficient to cover four months of expenses for a large PHA, six months of expenses for a small PHA.

Operating Reserve Calculation

OPERATING RESERVE CALCULATION GUIDANCE WORKSHEET

Line #	FDS#	Description	
1	111	Cash – Unrestricted	\$377,874
2	114	Cash - Tenant Security Deposits	\$44,349
3	120	Total Receivables, less allowance for doubtful accounts	\$49,624
4	131	Investments – Unrestricted	\$0
5	142	Prepaid expenses and other assets	\$22,436
6	144	Inter-program - due from	\$70,785
7	145	Assets held for sale	
8		Total (1+2+3+4+5+6+7)	\$565,068
9	310	Total Current Liabilities	\$140,866
10	343	Current Portion of Long Term Debt - Capital Projects	
11		Subtotal (9 - 10)	\$140,866
12		Total Operating Reserves (8-11)	\$424,202
13		# of Months Reserves at FYE 2025 Total: Line 12 / Line 17	3.19
14	969000	Annual Operating Expenses	\$1,597,023.00
15	97100	Extraordinary Maintenance	\$0.00
16	97200	Casualty Losses - Non-capitalized	\$0.00
17		Monthly Operating Expenses (Lines 14+15+16)/ 12	\$133,085.25

HCV Program Budget

Housing Choice Voucher Program Basics

- ▶ Purpose: To assist low-income families to afford decent, safe, and sanitary housing in the private market.
- ▶ Rent/Housing Subsidy: Based on PHA determined payment standard that is tied to “Fair Market Rents”. Tenant pays 30 percent of their adjusted income toward rent and HUD pays remainder as a subsidy to the landlord.
- ▶ Voucher Allocation: Varies based on budget authority provided by HUD and the subsidy amount needed per voucher.

Housing Choice Voucher Funding

Administrative Fee Funds:

- ▶ Paid based on leased units as of the first of the month reported to HUD in through the “VMS”.
- ▶ Calculated per leased unit per month.
- ▶ Source to pay eligible HCV administrative expenses.
- ▶ Disbursed monthly/reconciled quarterly by HUD based on VMS reporting.
- ▶ Pro-rated based on appropriations.
- ▶ Unspent funds accumulate to admin reserve.

Housing Assistance Payment (HAP) Funds:

- ▶ Rental assistance provided to landlords.
- ▶ Utility reimbursements to renters.
- ▶ Family Self - Sufficiency (FSS) escrow deposits.
- ▶ Higher HAP costs can result in shortfalls.



HCV Operating Budget

HOUSING AUTHORITY
BUDGET FOR HOUSING CHOICE VOUCHER PROGRAM
April 1, 2024 - March 31, 2025

REVENUE

HUD Administrative Fee	\$191,000
HUD Funding for Housing Assistance Payments	\$1,414,920
Other Income	\$9,287

Total Revenue **\$1,615,207**

EXPENSES

Administrative Salaries	\$41,440
Administrative Benefits	\$21,386
HRA Expense	\$3,625
Legal	\$500
Staff Training	\$2,000
Publications	\$553
Auditing	\$377
Telephone	\$392
Other Administrative expenses	\$908
Office Supplies	\$442
Postage	\$392
HQS Inspections	\$31,116
Management Fee to Central Office	\$36,000
Bookkeeping Fee to Central Office	\$22,500
Administrative Contract - HABCO	\$601
Administrative Contract - Auditory Response	\$21
Administrative Contract - Richardson Copy	\$0
Insurance	\$6,707

Total Expenses from Administrative Fees **\$168,960**

Housing Assistance Payments Expense	\$1,414,920
Housing Assistance Payments Expense Port In	\$7,457

Total Housing Assistance Payments **\$1,422,377**

Total Expenses **\$1,591,337**

Net Income **\$23,870**

Board of Commissioners Budget Roles

- ▶ Approve budgets prior to start of fiscal year.
- ▶ Monitor PHA financial performance by reviewing financial statements that compare actual revenue and expenses to budgeted revenue and expenses, on a monthly basis
- ▶ Is the agency operating at a surplus, break even, or have a deficit?

Review of the Operating Budget

- ▶ Projected operating reserve levels.
- ▶ Revenue streams.
- ▶ Reasonableness of expense categories.
 - ▶ Maintenance.
 - ▶ Insurance.
 - ▶ Salaries/Staffing.
 - ▶ Utilities.
 - ▶ Overall employee benefit rate – the method used to calculate the percentage rate as compared to gross salary cost.
 - ▶ Repayment agreements/capital expenditures.
- ▶ Net cash flow or cash deficiency.



Fiscal Policies Recommended to be Adopted by the Board of Commissioners

- ▶ Fixed Assets Capitalization and Depreciation Policy
- ▶ Intangible Assets Policy (GASB 87, Lease Right-of-Use Assets, and GASB 96 Subscription Based Information Technology Assets)
- ▶ Investment Policy
- ▶ Procurement Policy
- ▶ Check-Writing Policy
- ▶ Internal Control Policy

Fixed Assets Capitalization and Depreciation Policy

- ▶ Sets forth the conditions under which an expenditure is treated as a fixed asset rather than an operating expense.
- ▶ Sets a “capitalization limit” e.g. \$5,000, which is part of determining whether the item purchased is capitalized.
- ▶ Examples include building improvements (vs repairs), furniture and equipment (vs supplies)
- ▶ Depreciation policies outline the useful lives of fixed assets being depreciated
- ▶ Based upon Generally Accepted Accounting Principles

Intangible Assets Policy (GASB 87, Lease Right-of-Use Assets, and GASB 96 Subscription Based Information Technology Assets)

- ▶ Sets a dollar threshold e.g. \$5,000 to determine which arrangements will be treated as intangible assets (capitalized and reported on the balance sheet) rather than operating expenses
- ▶ Based upon Generally Accepted Accounting Principles

Investment Policy

- ▶ Identifies who within the PHA makes investment decisions
- ▶ Sets forth HUD requirements to protect the PHAs investments (e.g. collateralization)
- ▶ Lists investment types identified as permissible by HUD
- ▶ Normally based upon HUD PIH Notice 1996-33, cash management and investments

Procurement Policy

- ▶ Outlines Procurement dollar thresholds limits and approvals required for various types of procurements
 - ▶ Micro-purchase
 - ▶ Small/Simplified Procurement
 - ▶ Advertised Sealed Bid Procurement
 - ▶ Piggybacking
- ▶ Must follow HUD and OMB regulations

Check-Writing Policy

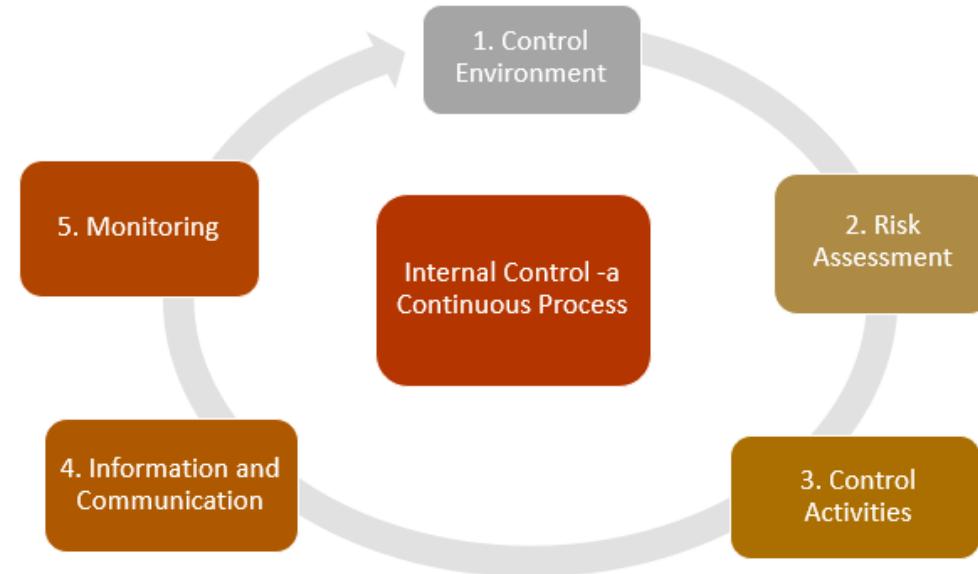
- ▶ Who may create checks
- ▶ Who is authorized to sign checks

Internal Control Policy

- ▶ Describes various internal controls maintained by the PHA (discussed further on the following two slides):
 - ▶ Separation of Duties
 - ▶ Approvals and Sign-offs
 - ▶ Internal Review / Internal Audit
 - ▶ Other Controls

Internal Control Process

- ▶ Control Environment – setting the tone at the top.
- ▶ Risk Assessment – identifying areas at risk of fraud, theft, misappropriation.
- ▶ Control Activities – implement policies and procedures to mitigate the threat of fraud or theft to the identified risk areas.
- ▶ Monitoring – testing controls to ensure they are working.



Examples of Internal Controls

- ▶ Check Signature Authority.
- ▶ eLOCCS security (Authorizing Official).
- ▶ Designated Contracting Officer.
- ▶ Cash Accounts
 - ▶ Separate cash accounts may be required to meet program requirements.
- ▶ Controls over Credit Card Usage.
- ▶ Use of Restricted Funds.
- ▶ Separation of Duties / Financial Responsibilities.
- ▶ Independent Review and Approvals.



Financial Reporting

Monthly Financial Reporting & Monitoring

Receive and review monthly financial reports – budget against actuals. Ask questions:

- ▶ Are there variances in the actuals as compared to the budget? Why?
- ▶ Which AMPs are not performing within their budget?
- ▶ What is the projected occupancy rate used to budget dwelling rent versus the current occupancy rate?
- ▶ Are reserves being used to support budget losses and are they sufficient to cover projected deficits?
- ▶ Is there commingling of funds to cover losses (Due to/Due from balances)?
- ▶ What are the projected proration levels used to budget HUD funding? What are our current proration levels?

Strategies for Improving Financial Performance

Increase Revenue	Decrease Expenses
Evaluate lease enforcement and rent collection policies and implementation.	Energy conservation measures.
Raise minimum rents within HUD guidelines.	Evaluate existing contracts for cost and value.
Consider property repositioning or the sale of non-public housing property.	Evaluate and reprice insurance costs, fleet vehicles, travel, ancillary benefits.
Assess whether portability revenue is fully collected and consider the portability policy.	Contract property management or maintenance to an outside entity or other PHA.
Obtain additional grant or supplemental funding.	Evaluate staffing levels and organizational structure.

Risks of Financial Pitfalls

- ▶ Ineffective oversight of overall PHA financial operation.
- ▶ Failure to notice if PHA resources are effectively spent on designated programs.
- ▶ Failure to implement internal controls: separation of duties and independent review and approval.
- ▶ Lack of external checks on financial reporting
- ▶ Spending restricted funds for unallowed purposes.
- ▶ Mixing family, business, and charitable board work (conflicts of interest).

Public Housing Assessment System (PHAS)

- ▶ Purpose of the PHAS
 - ▶ In 1998 HUD created the Real Estate Assessment Center (REAC). Part of the purpose of REAC was to assess the performance of PHAs in a variety of areas.
 - ▶ The PHAS is sort of like a report card on the PHAs Physical Condition, Financial Condition, Management Operations and Capital Fund.
 - ▶ There have been a variety of iterations of the PHAS. We are currently under a PHAS “Interim” rule, since 2011.

Four Interim PHAS Indicators

- ▶ Physical Assessment Subsystem (PASS)
- ▶ Financial Assessment Subsystem (FASS)
- ▶ Management Assessment Subsystem (MASS)
- ▶ Capital Fund Assessment

PHAS Scoring: The current PHAS “Interim” rule

Indicator	Points
Physical	40
Financial	25
Management Operations	25
Capital Fund	10
Total	100

Scoring Methodology



Scoring Issues

- ▶ The physical, financial, and management operations scores are based on a unit-weighted average of the scores for each AMP.
- ▶ The Capital Fund score is based on all AMPS combined.

Weighted Average Calculation

AMP 1	Total Units	X	AMP Score	=	Unit Weighted Score			
AMP 2	Total Units	X	AMP Score	=	Unit Weighted Score			
AMP 3	Total Units	X	AMP Score	=	Unit Weighted Score			
AMP 4	Total Units	X	AMP Score	=	Unit Weighted Score			
	Total PHA Units				Total Unit Weighted Score	/	Total PHA Units	= Indicator Score

Scores and Status

- ▶ **High Performer:** Overall score of 90% or more and cannot be less than 60% on physical, financial, or management operations indicators. Also cannot be less than 50% on capital fund indicator.
- ▶ **Standard:** Overall score of 60%-89% and at least 60% for physical, financial, and management operations and at least 50% on capital fund indicator.
- ▶ **Substandard:** Overall score of 60%-89% and a score of less than 60% under physical or financial or management operations.

Scores and Status

- ▶ **Troubled:** Overall score of less than 60% or failing on the Capital Fund indicator. This requires a recovery plan.
- ▶ “Substandard” requires a Corrective Action Plan to be submitted to HUD.
- ▶ There will be no “overall” PHAS score for each AMP, but there will be separate scores for physical, financial and management operations.

PHAS Financial Indicators

- ▶ (1) Quick Ratio (QR). The QR compares quick assets to current liabilities. Quick assets are cash and assets that are easily convertible to cash and do not include inventory. Current liabilities are those liabilities that are due within the next 12 months. A QR of less than one indicates that the AMP's ability to make payments on a timely basis may be at risk.



PHAS Financial Indicators

- ▶ (2) *Months Expendable Net Assets Ratio (MENAR)*. The MENAR measures a AMP's ability to operate using its net available, unrestricted resources without relying on additional funding. In particular, this ratio compares the net available unrestricted resources to the average monthly operating expenses. The result of this calculation shows how many months of operating expenses can be covered with currently available, unrestricted resources.



PHAS Financial Indicators



- ▶ (3) *Debt Service Coverage Ratio (DSCR)*. The DSCR is a measure of net operating income available to make debt payments to the amount of the debt payments. This sub indicator is used if the PHA has taken on long-term obligations. A DSCR of less than one would indicate that the AMP would have difficulty generating sufficient cash flow to cover both its expenses and its debt obligations.

Financial Scoring Basics

- ▶ Quick Ratio (QR) – up to 12 points available
- ▶ QR of less than 1 = 0 points
- ▶ QR of 1 = 7.2 points
- ▶ QR from 1 to 2 = score increases from 7.2 up to 12 points
- ▶ QR of 2 or more = 12 points

- ▶ Months Expendable Net Assets Ratio (MENAR) – up to 11 points available
- ▶ MENAR of less than 1 = 0 points
- ▶ MENAR of 1 = 6.6 points
- ▶ MENAR from 1 to 4 = score increases from 6.6 to 11 points
- ▶ MENAR of 4 or more = 11 points

- ▶ Debt Service Coverage Ratio (DSCR) – up to 2 points available
- ▶ DSCR of less than 1 = 0 points
- ▶ DSCR from 1 to 1.25 = 1 point
- ▶ DSCR of 1.25 or more = 2 points
- ▶ No Debt Service = 2 points

Financial Indicator

Housing Authority Name: Casterlinia Housing Authority

For the fiscal Year Ending or End of Period for Interim Scoring: 12/31/2010

Financial Data Schedule Status: Un-Audited

State: PA

Number of Months in Reporting Period: 12

AMP #	AMP Name	ACC Units	Value			Points			Financial Score
			QR	MENAR	DSCR	QR	MENAR	DSCR	
1	Jessica Homes	225	2.6	2.1	5.87	12.00	8.21	2.00	22.21
2	Jake Manor	233	3.5	2.2	1.83	12.00	8.36	2.00	22.36
3	Johnny Tower	540	3.1	2.1	2.53	12.00	8.21	2.00	22.21
4									
5									
6									
7									
8									
9									
10									

Overall Financial Score

22.25

*Score is unit weighted

Notes:

Ratios should be inputted with no more than one decimal place.

Financial scores do not include any applicable audit adjustments based on audited financial information.

Casterlinia Housing Authority

1 Jessica Homes

PHAS Financial Condition Scoring Worksheet

For the fiscal Year Ending or End of Period for Interim Scoring

Financial Data Schedule Status

Number of Months in Reporting Period

Total ACC Units

State (abbreviated)

December 31, 2010

Un-Audited

12

225

PA

12.00

2.60

Quick Ratio - Financial Component 1 - Score

Quick Ratio - Financial Component 1 - Value

FDS Line *Description*

Plus:	111	Cash - unrestricted	\$ 236,336
	114	Cash - tenant security deposits	8,094
	115	Cash - restricted for payment of current liabilities	-
	120	Total receivables, net of allowance for doubtful accounts	135,112
	131	Investments - unrestricted	-
	135	Investments - restricted for payment of current liability	-
	142	Prepaid expenses and other assets	2,415
	144	Interprogram - due from	159,012
		Numerator - Available Current Resources	\$ 540,969

Plus: 310 Total current liabilities

\$ 290,079

Less: 343-010 Current portion of long-term debt - capital projects

80,565

Denominator - Current Obligations

\$ 209,514

**Color indicates data entry point*

Scoring Thresholds Based on 2/23/2011 Federal Register (Vol. 76, No. 36)

Casterline Associates, D.C.

Casterlinia Housing Authority

1 Jessica Homes

PHAS Financial Condition Scoring Worksheet

For the fiscal Year Ending

Financial Data Schedule Status

Total ACC Units

State (abbreviated)

December 31, 2010
Un-Audited
225
PA

Months Expendable Net Assets Ratio - Financial Component 2 - Score

8.21

Months Expendable Net Assets Ratio - Financial Component 2 - Factor

2.10

	<i>FDS Line</i>	<i>Description</i>	
<i>Plus:</i>	111	Cash - unrestricted	\$ 236,336
	114	Cash - tenant security deposits	8,094
	115	Cash - restricted for payment of current liabilities	-
	120	Total receivables, net of allowance for doubtful accounts	135,112
	131	Investments - unrestricted	-
	135	Investments - restricted for payment of current liability	-
	142	Prepaid expenses and other assets	2,415
	144	Interprogram - due from	<u>159,012</u> \$ 540,969
<i>Less:</i>	310	Total current liabilities	\$ 290,079 \$ 290,079
Numerator - Available Current Resources			<u>\$ 250,890</u>

<i>Plus:</i>	96900	Total operating expenses	\$ 1,418,349
	97100	Extraordinary Maintenance	-
	97200	Casualty losses - non-capitalized	500
	97800	Dwelling units rent expense	<u>-</u> \$ 1,418,849

Divided By: Reporting Period - Months

Denominator - Total Monthly Operating & Other Expenses

12

\$ 118,237

**Color indicates data entry point*

Scoring Thresholds Based on 2/23/2011 Federal Register (Vol. 76, No. 36)

Casterline Associates, D.C.

Casterlinia Housing Authority

1 Jessica Homes

PHAS Financial Condition Scoring Worksheet

For the fiscal Year Ending

Financial Data Schedule Status

Total ACC Units

State (abbreviated)

December 31, 2010

Un-Audited

225

PA

Debt Service Coverage Ratio - Financial Component 3 - Score

2.00

Debt Service Coverage Ratio - Financial Component 3 - Factor

5.87

FDS Line Description

Plus: 97000 Excess operating revenue over operating expenses	\$ 650,586	
96700 Total Interest and Amortization Costs	33,636	684,222

Numerator - Adjusted Net Income (Loss)

\$ 684,222

Plus: 96710 Interest of Mortgage (or Bonds) Payable	\$ 33,636	
96720 Interest on Notes Payable (Short and Long Term)	-	
11020 Required Annual Debt Principal Payments	82,944	116,580

Denominator - Annual Debt Service excluding CFFP debt

\$ 116,580

**Color indicates data entry point*

Scoring Thresholds Based on 2/23/2011 Federal Register (Vol. 76, No. 36)

Casterline Associates, D.C.

Procurement - Contracts

Procurement Oversight

- ▶ The Board approves certain contracts, based upon the PHAs procurement policy.
- ▶ The dollar amount of contracts that come to the Board is established by this policy.
- ▶ The procurement policy itself is approved by the Board.



Procurement Questions

- ▶ Is this contract necessary?
- ▶ Are we procuring it in the most appropriate, compliant and cost efficient way?
- ▶ Did the PHA do an independent cost estimate so that they could properly judge price reasonableness and perform cost analysis?



Procurement Questions (Continued)

- ▶ Are these costs eligible at the HUD program level and also OMB regulations at 2 CFR 200.420?
- ▶ Do we have the funds to pay for this contract? Do they have an expiration date or specific requirements?
- ▶ Does the procurement action follow our approved Procurement Policy?



Audits

FDS Submissions to HUD

- Regulations for Financial Reporting
 - Uniform Financial Reporting Standards
 - Public Housing Assessment System

Unaudited FDS

- Submitted to REAC
- Due 2 months after Fiscal Year End
- Prepared by Finance/Fee Accountant

Audited FDS

- Submitted to REAC
- Due 9 months after Fiscal Year End
- Prepared by Finance/Fee Accountant
- Auditor performs “Agreed Upon Procedures”

Important Concepts Concerning Annual Audit

- ▶ It is important for the Commissioners to gain a thorough understand of items communicated in the audit report
- ▶ Independent Auditor opinions: (1) Report on the Financial Statements, (2) Report on Internal Control over Financial Reporting and on Compliance, (3) Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance
- ▶ Types of Opinions: Unqualified/Unmodified, Qualified/Modified, Adverse Opinion, Disclaimer of Opinion
- ▶ Findings
- ▶ The Board of Commissioners should insist on an Exit Conference where the report is reviewed and explained in detail

Questions?