

U.S. Department of Housing and Urban Development

PUBLIC AND INDIAN HOUSING

---

Special Attention of:

Transmittal Handbook No: 7475.1 REV.  
CHG-1

Regional Administrators, Directors,  
Offices of Public Housing; Field  
Office Managers; Housing Management  
Directors; Chiefs, Assisted Housing  
Management Branch; Public Housing  
Agencies

Issued: March 9, 1989

---

1. This Transmits

Page changes to Chapter 2 and 4 of the Financial Management Handbook,  
7475.1 REV, dated 3/89.

2. Explanation of Materials Transmitted:

Chapter 2 provides the PHAs/IHAs with conceptual guidance regarding  
preparation and administration of the Operating Budget. The chapter  
cities specific regulatory requirements where applicable, including  
those related to the Performance Funding System (PFS).

Chapter 4 provides guidance on the management of the PHAs/IHAs cash  
flow and investments, and the relationship of the PHA/IHA to financial  
institutions.

3. Significant Changes:

- Changes the calculation of the Estimated Investment Income (EII)  
and the Target Investment Income (TII) from using the thrice  
monthly cash balances to the end of the month cash balance.
- Changes the methods of arranging banking services to require  
competitive solicitation. The Handbook previously allowed PHAs the  
option of (1) sharing the business among banks in the area,  
(2) doing business with one bank and periodically rotating the  
business to another bank or (3) selecting a bank through  
competitive solicitation.
- Provides the revised General Depository Agreement (Form HUD-51999)  
and eliminates the Savings Depository Agreement (Form HUD-52000).
- Adds the investment instrument, Separate Trading of Registered  
Interest and Principal of Securities (STRIPS) to the approved  
investment securities list.

4. Filing Structures:

Handbook 7475.1 REV.

Remove:

Pages 2-11 and 2-12, 2-31 thru  
2-40, 4-1 thru 4-4, 4-23 thru  
4-29 dated 12/87

Handbook 7475.1 REV. CHG-1

Insert: Page 2-11 dated 12/87,

Pages 2-12, 2-31 thru 2-40,

4-1 thru 4-4 and 4-23 dated 3/89,

Page 4-24 dated 12/87, Pages 4-25

and 4-26 dated 3/89

---

Acting General Deputy Assistant Secretary  
for Public and Indian Housing

---

W-3-1, W-2(H), W-3(H), R-1, R-2, R-3, R-3-1 (PIH),  
R-3-2, R-3-3, R-6, R-6-1, R-6-2, R-7, R-7-1, R-7-2, R-9, R-9-1, 138-2  
138-7

HUD-23 (9-81)

W-3-1 Directives Management Officers--Headquarters and Regions,  
library, ACIR (Advisory Commission on Intergovernmental  
Relations)  
W-2 HQ Office Directors, Special Assistants,  
those reporting directly to Assistant Secretaries  
W-3 HQ Division Directors, those reporting directly to Office  
Directors, multiple copies for staff  
R-1 Regional Administrators, Deputy Regional Administrators  
R-2 Office Directors, Principal Assistants in Regional  
Administrators' offices  
R-3 Bulk shipment to Regional Offices  
R-3-1 Bulk shipment to Regional Offices for selective  
distribution by program area  
R-3-2 Directors, Administrative Services Divisions and  
Administrative and Management Services Divisions, and  
Administrative staffs  
R-3-3 Category D offices - bulk  
R-6 Category A offices - Office Managers and Deputy Office  
Managers  
R-6-1 Category A offices - bulk  
R-6-2 Category A offices - Division Directors  
R-7 Category B offices - Office Managers and Deputy Office  
Managers  
R-7-1 Category B offices - bulk  
R-7-2 Category B offices - Division Directors  
R-9 Directors and Deputy Directors, Offices of Indian Programs  
R-9-1 Offices of Indian Programs - bulk

U.S. Department of Housing and Urban Development

PUBLIC AND INDIAN HOUSING

Special Attention of: TRANSMITTAL Handbook No.: 7475.1 REV  
Regional Administrators; Directors,  
Offices of Regional Public Housing; Issued: December 18, 1987  
Field Office Managers; Housing  
Management Directors; Chiefs, Assisted  
Housing Management Branch; Public  
Housing Agencies

1. This Transmits

The Financial Management Handbook, 7475.1 REV

2. Explanation of Materials Transmitted:

This Handbook is a complete revision of the Low-Rent Housing Financial Management Handbook, RHA 7475.1 and the Low-Rent Housing Financial Management Guide Operating Budget, HM G 7475.1. It provides requirements and procedures relating to the financial management of public housing projects administered by Public Housing Agencies (PHAs) under the Housing Act of 1937, as amended. This Handbook serves as a reference manual for both PHA and HUD Office use. Although, this handbook is a revision, there are no asterisks because the material has been rewritten and completely reorganized and it is essential that it be read in its entirety by the user.

### 3. Significant Changes:

- Consolidates information and procedures for budget preparation and Field Office budget review and approval.
- Changes the due date for PHAs submission of year-end adjustments (i.e., Target Investment Income (TII) and Utility) to 30 days from receipt of applicable 91-day Treasury Bill Rate or Heating Degree Day (HDD) Factor from HUD.
- Describes five financial performance standards established by HUD to assist Field Offices in determining the type of budget review to be undertaken.
- Describes the requirements for review and approval of Section 23 Operating Budgets.
- Provides instructions for General Delegation of Budget Approval Authority for Collocated Field/Regional Offices.
- Describes the Performance Funding System (PFS) Regulation Section 990.112(a)(2)(i), for PHAs with a deficiency in residual receipts that cannot present a "balanced" budget.

---

### Financial Management 7475.1 REV Handbook

- Describes circumstances which may require Headquarters to authorize Field Offices to obligate operating subsidies or leased housing adjustment funds by letter of intent (LOI) before an operating budget has been approved.
- Describes revised distribution of approved budget documents, including approved budgets for PHAs in the PFS monitoring sample and LOIs issued to obligate operating subsidy.
- Chapter 4, Cash Management has been included to describe the process of managing the cash flow of a PHA to optimize the use of funds.
- Requires a PHA to remit residual receipts to HUD by check not later than 60 days after the end of its fiscal year with a copy of the check forwarded to the appropriate Field Office.

Residual receipts in excess of \$2,000 shall be paid by wire transfer not later than 60 days after the end of the PHA's fiscal year with a copy of the payment remittal to the Field Office.

- Requires PHAs to request retention of residual receipts in writing not later than 60 days after the end of its fiscal year.
- Requires Field Office to review written request and provide a response in writing to the PHA within 30 days of receipt.
- Provides step by step requirements for PHA completion of financial documents submitted and Field Office procedures for review and approval of such documents.
- Revises the due date for submission of year-end financial statements to Field Offices from 20 days to 45 days after the end of the PHA fiscal year.
- Requires the Report of Tenants Accounts Receivable (TARs), Form HUD-52295, be submitted semiannually and annually.
- Requires preparation of a separate TARs report for (1) PHA owned rental projects and (2) Section 23 leased projects under the same contract, even though combined with other projects for collection purposes.
- Revises the procedures for making payment of approved public housing operating subsidies to PHAs in accordance with the U.S. Department of Treasury Cash Management policy.
- Provides guidance for use by Field Office Action Officials in determining whether or not a PHA audit finding Sustained Costs results in a debt owed HUD (account receivable)

---

Financial Management  
Handbook

7475.1 REV.

- Describes the responsibilities of the Field Office in the collection of amounts owed to HUD by PHAs in the Low-Income Public Housing program when it has been determined that such amounts are delinquent.

5. Cross References:

This Handbook revision shall be used in conjunction with the following; Field Office Monitoring of Public Housing Agencies (PHAs) Handbook, 7460.7 REV, dated 9/85, Performance Funding System Handbook, 7475.13, dated 2/85, including all changes through CHG 13, CHG-14 dated 12/85, CHG-15 dated 4/86, CHG-16 dated 7/86, and Troubled Public Housing Agency Handbook, 7475.14, dated 4/84. Appropriate page changes will be issued to reflect further reference to the Public Housing Decontrol Handbook, 7460.5, dated 10/87.

## 6. Cancellations

Low-Rent Housing Financial Management Handbook, RHA 7475.1 is cancelled. Low-Rent Housing Financial Management Guide Operating Budget, HM G 7475.1 is cancelled.

---

Assistant Secretary for Public  
and Indian Housing

---

W-3-1, W-2(H), W-3(H), R-1, R-2, R-3, R-3-1

(PIH) 25 copies each, R-3-2, R-3-3, R-6, R-6-1, R-6-2, R-7,

7-2, R-9, R-9-1, 138-2, 138-7

TABLE OF CONTENTS

INTRODUCTION

PURPOSE .....	x
RELATED HANDBOOKS .....	x
LEGAL AUTHORITY .....	x
APPLICABILITY .....	x
DEFINITIONS .....	xi
ACRONYMS .....	xvi

CHAPTER 1 - HUD AND PHA RESPONSIBILITIES

1-1. PURPOSE.....	1-1
1-2. HUD HEADQUARTERS.....	1-1
1-3. HUD REGIONAL OFFICE RESPONSIBILITIES.....	1-2
1-4. HUD FIELD OFFICE RESPONSIBILITIES.....	1-2
1-5. RESPONSIBILITIES OF PHAs.....	1-4

CHAPTER 2 - PHA OPERATING BUDGETS

2-1. PURPOSE.....	2-1
2-2. OPERATING BUDGET DEFINITION.....	2-1
2-3. PHA ROLE IN THE OPERATING BUDGET PROCESS.....	2-1
2-4. OPERATING BUDGET FORMULATION.....	2-2
2-5. TIMING OF BUDGET SUBMISSIONS.....	2-6
2-6. BUDGET SUBMISSION REQUIREMENTS.....	2-9
2-7. GUIDANCE FOR COMPLETION OF BUDGET DOCUMENTS.....	2-12
2-8. OPERATING BUDGET EXECUTION.....	2-13
2-9. CONTROL OF BUDGETARY PROGRAMS.....	2-13

2-10. BUDGET REVISION SUBMISSION REQUIREMENTS.....	2-14
2-11. BUDGET REVISION MATERIAL REQUIREMENTS ARE.....	2-14
2-12. NUMBER OF COPIES REQUIRED.....	2-15
2-13. CONTROLLED CATEGORIES.....	2-15
2-14. BUDGET OVERRUNS.....	2-17

#### EXHIBIT

2-1. PHA OPERATING BUDGET CHECKLIST.....	2-19
2-2. SUMMARY OF BUDGET DATA AND JUSTIFICATIONS.....	2-23
2-3. SCHEDULE OF ALL POSITIONS AND SALARIES.....	2-52
2-4. SCHEDULE OF ADMINISTRATION EXPENSE OTHER THAN SALARIES....	2-56
2-5. SCHEDULE OF NONROUTINE EXPENDITURES.....	2-60
2-6. PREPARATION OF THE OPERATING BUDGET.....	2-64
2-7. THE OPERATING BUDGET OR OPERATING BUDGET REVISION BOARD OF COMMISSIONER RESOLUTION AND CERTIFICATION.....	2-76
2-8. BUDGET CONTROL.....	2-77
2-9. BUDGET CONTROL.....	2-79
2-10. SCHEDULE FOR ESTIMATING UTILITIES FOR PROJECTS WITH 24, 12 AND LESS THAN 12 MONTHS EXPERIENCE MONTHS UNDER ROLLING BASE PERIOD.....	2-84

#### CHAPTER 3 - FIELD OFFICE OPERATING BUDGET REVIEWS

3-1. PURPOSE.....	3-1
3-2. TYPES OF BUDGET REVIEWS.....	3-1
3-3. SELECTING THE TYPE OF REVIEW.....	3-1
3-4. FINANCIAL PERFORMANCE STANDARDS.....	3-1
3-5. BUDGET SUBMISSION AND REVIEW REQUIREMENTS.....	3-2
3-6. BUDGET REVIEW GUIDANCE.....	3-5

3-7. BUDGET APPROVAL - GENERAL PROCESS AND DELEGATIONS OF AUTHORITY.....	3-5
3-8. BUDGET APPROVAL - PHA OWING RESIDUAL RECEIPTS TO HUD.....	3-7
3-9. BUDGET APPROVAL - PHA WITH A DEFICIENCY IN RESIDUAL RECEIPTS.....	3-7
3-10. LETTER OF INTENT.....	3-9
3-11. DISTRIBUTION OF APPROVED BUDGET DOCUMENTS.....	3-10
3-12. ABSENCE OF AN APPROVED OPERATING BUDGET.....	3-12
3-13. ADVANCED FIELD OFFICE APPROVAL OF INDIVIDUAL ITEMS.....	3-12
3-14. UNCOMPLETED OR DEFERRED WORK ITEMS OF EXTRAORDINARY MAINTENANCE OR BETTERMENTS AND ADDITIONS.....	3-12
3-15. INELIGIBLE EXPENDITURES, MANAGEMENT STAGE, LOW-INCOME PUBLIC HOUSING PROGRAM.....	3-12
EXHIBIT	
3-1. PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET FOR FINANCIAL ANALYST (FA).....	3-14
3-2. SAMPLE: BUDGET CHECKLIST FORM LETTER.....	3-20
3-3. SAMPLE: OPERATING BUDGET CHECKLIST FORM LETTER.....	3-24
3-4. SAMPLE: DETAILED REVIEW FORM LETTER.....	3-25
3-5. BUDGET REVIEW PROCESS.....	3-26
3-6. OPERATING BUDGET LIMITED REVIEW CHECKLIST PHA-OWNED RENTAL HOUSING.....	3-86
3-7. OPERATING BUDGET DETAILED REVIEW CHECKLIST FINANCIAL ANALYST (FA).....	3-92
3-8. OPERATING BUDGET DETAILED REVIEW CHECKLIST HOUSING MANAGEMENT SPECIALIST (HMS).....	3-100
3-9. OPERATING BUDGET DETAILED REVIEW CHECKLIST MAINTENANCE ENGINEER.....	3-103



4-2. SELECTING A BANK--GENERAL.....	4-1
4-3. COLLATERALIZATION OF DEPOSITS.....	4-5
4-4. CASH BUDGET.....	4-6
4-5. INVESTMENT OF FUNDS.....	4-10
4-6. CASH MANAGEMENT INCENTIVES.....	4-11
4-7. INVESTMENT STRATEGY.....	4-12
4-8. APPROVED INVESTMENT SECURITIES.....	4-14
4-9. INVESTMENT OF FUNDS HELD BY HOUSING AGENCY FISCAL AGENTS...	4-22

#### EXHIBIT

4-1. GENERAL DEPOSITORY AGREEMENT.....	4-25
4-2. ESTIMATED OPERATING COST BUDGET.....	4-30
4-3. ESTIMATED DEVELOPMENT AND MODERNIZATION COST BUDGET.....	4-31
4-4. DAILY ESTIMATED DEVELOPMENT AND MODERNIZATION CASH BUDGET..	4-32
4-5. NET CASH BUDGET.....	4-33

#### CHAPTER 5 - OPERATING RESERVES - PHA OWNED RENTAL PROGRAM AND LEASED HOUSING PROGRAM

5-1. DEFINITION AND PURPOSE.....	5-1
5-2. AUTHORIZED OPERATING RESERVE.....	5-1
5-3. USE OF OPERATING RESERVE.....	5-1
5-4. RESIDUAL RECEIPTS - PHA-OWNED RENTAL PROGRAM AND LEASED HOUSING PROGRAM.....	5-3
5-5. COLLECTION OF DELINQUENT RESIDUAL RECEIPTS.....	5-6

#### CHAPTER 6 - PHA FINANCIAL STATEMENTS

6-1. PURPOSE.....	6-1
6-2. PHA YEAR-END FINANCIAL CLOSING TO BE COMPLETED PRIOR TO CLOSING THE BOOKS.....	6-1

6-3. PHA YEAR-END CLOSING ENTRIES.....	6-6
6-4. REPORTING REQUIREMENTS.....	6-9
6-5. PHA SUBMISSION OF FORM HUD-52295, REPORTS OF TENANTS ACCOUNTS RECEIVABLE.....	6-10
6-6. PHA PREPARATION OF FORM HUD-52267 - COMPUTATION OF PAYMENTS IN LIEU OF TAXES (PILOT).....	6-10
6-7. PHA PREPARATION OF FORM HUD-52295 - REPORT OF TENANTS ACCOUNTS RECEIVABLE (RESERVED).....	6-11
6-8. PHA PREPARATION OF FORM HUD-52595 - BALANCE SHEET.....	6-11
6-9. PHA PREPARATION OF FORM HUD-52596 - STATEMENT OF INCOME AND EXPENSE AND CHANGES IN ACCUMULATED SURPLUS OR DEFICIT FROM OPERATIONS.....	6-11
6-10. PHA PREPARATION OF FORM HUD-52598 - ANALYSIS OF NONROUTINE EXPENDITURES.....	6-12
6-11. PHA PREPARATION OF HUD-52599 - STATEMENT OF OPERATING RECEIPTS AND EXPENDITURES .....	6-12
6-12. RECORDS RETENTION.....	6-13
EXHIBIT	
6-1. SCHEDULE AND DISTRIBUTION OF REQUIRED FINANCIAL REPORTS.....	6-14
6-2. RECORDS RETENTION.....	6-16
CHAPTER 7 - FIELD OFFICE PROCEDURES FOR REVIEW OF FINANCIAL STATEMENTS	
7-1. PURPOSE.....	7-1
7-2. REVIEWING FINANCIAL STATEMENTS.....	7-1
7-3. REVIEW OF PHA REPORT OF TENANTS ACCOUNTS RECEIVABLE FORM HUD-52295. (EXHIBIT 7-5).....	7-2

EXHIBIT

7-1. FINANCIAL STATEMENTS CHECKLIST FIELD OFFICE REVIEW OF FORM HUD-52599.....	7-3
7-2. FINANCIAL STATEMENTS CHECKLIST FIELD OFFICE	

REVIEW OF FORM HUD-52267.....	7-7
7-3. FINANCIAL STATEMENTS CHECKLIST FIELD OFFICE	
REVIEW OF FORM HUD-52596.....	7-10
7-4. FINANCIAL STATEMENTS CHECKLIST FIELD OFFICE	
REVIEW OF FORM HUD-52595.....	7-13
7-5. FINANCIAL STATEMENTS CHECKLIST FIELD OFFICE	
REVIEW OF FORM HUD-52295 (RESERVED).....	7-17
7-6. FINANCIAL STATEMENTS CHECKLIST FIELD OFFICE	
REVIEW OF FORM HUD-52598 - ANALYSIS OF	
NON-ROUTINE EXPENDITURES.....	7-20

#### CHAPTER 8. RESERVED

#### CHAPTER 9 - DETERMINATION OF PHA SUSTAINED AUDIT FINDING COSTS AS A DEBT OWED HUD

9-1. PURPOSE.....	9-1
9-2. REFERENCES.....	9-1
9-3. AUDIT FINDINGS: DISALLOWED COSTS, QUESTIONED COSTS, AND SUSTAINED COSTS.....	9-1
9-4. SPECIAL PROBLEM IN TREATMENT OF AUDIT RELATED DEBT.....	9-2
9-5. CONSIDERATIONS INVOLVED IN DETERMINING WHETHER AN AUDIT FINDING OF SUSTAINED COST WOULD BE AN AMOUNT PAYABLE TO HUD.....	9-2
9-6. EFFECT OF HUD OWED DEBT COLLECTION UPON THE PERFORMANCE LEVEL OF A PHA: GENERAL ACCOUNTING OFFICE (GAO) OFFSET RESTRICTIONS.....	9-4
9-7. DETERMINATION OF INDEBTEDNESS TO HUD.....	9-5

#### CHAPTER 10 - FIELD OFFICE DELINQUENT DEBT COLLECTION ACTIVITIES

10-1. PURPOSE.....	10-1
10-2. POLICY.....	10-1
10-3. RESIDUAL RECEIPTS.....	10-2
10-4. ADMINISTRATIVE LOANS, UNSUBSIDIZED IMPROVEMENT LOANS, OFFSITE FACILITY AND COMMERCIAL FACILITY LOANS, AND OTHER MANAGEMENT LOANS.....	10-3

10-5. UNCOLLECTIBLE AMOUNTS DUE..... 10-4

EXHIBIT

10-1. FUNDS DUE AND PAYABLE TO HUD BY WIRE TRANSFER..... 10-5

vii

---

7475.1 REV                      Financial Management  
   Handbook

PUBLIC USE REPORTS ARE UNDER REVIEW BY OMB EXPIRATION DATES WILL BE PROVIDED.

Operating Budget Documents

---

OMB Approval 2577-0026

---

Form HUD-52564: Operating Budget  
Form HUD-52566: Schedule of All Positions & Salaries  
Form HUD-52567: Schedule of Nonroutine Expenditures  
Form HUD-52571: Schedule of Administration Expense Other  
   than Salaries  
Form HUD-52573: Summary of Budget Data & Justifications

---

Performance Funding System (PFS)

---

OMB Approval 2577-0029

---

Form HUD-52720: Funding Formula Data Collection Form  
Form HUD-52720A: Worksheet No. I: Multiplications  
Form HUD-52720B: Worksheet No. II: Calculation of Variable  
   Products & Formula Expense Level  
Form HUD-52720C: Worksheet No. III: Calculating Allowable  
   Expense Level (First PFS Year Only)  
Form HUD-52720D: Worksheet IV: Calculating Revised Allowable  
   Expense Level  
Form HUD-52722A: Calculation of Allowable Utilities Expense Level  
Form HUD-52722B: Adjustment for Utility Consumption and Rates  
Form HUD-52721A: Calculation of PFS Operating Subsidy  
Form HUD-52721: Direct Disbursement Payment Schedule Data -  
   Operating Subsidies

---

viii

---

Financial Management  
Handbook

7475.1 REV

PUBLIC USE REPORTS ARE UNDER REVIEW BY OMB EXPIRATION DATES WILL BE

PROVIDED.

---

PFS (Cont)

---

---

OMB Approval 2577- 0066

---

Form HUD-52728-A: PHA Occupancy Percentage for A Requested  
Budget Year (RBY)

Form HUD-52728-B: Vacancy Reduction Goal for Low Occupancy  
PHAs

Form HUD-52728-C: Comprehensive Occupancy Plan Schedule

---

---

Non-PFS

---

---

OMB Approval 2577-0074

---

Form HUD-53087: Request for Payment of Subsidies for Operations  
(Non-PFS)

---

---

Financial Statements

---

---

OMB Approval 2577-0067

---

Form HUD-52599: Statement of Operating Receipts & Expenditures

Form HUD-52596: Statement of Income & Expense and Changes in  
Accumulated Surplus or Deficit from Operations

Form HUD-52595: Balance Sheet

OMB Approval 2577-0040

---

Form HUD-52295: Report of Tenants Accounts Receivable

OMB Approval 2577-0072

---

Form HUD-52267: Computation of Payments in Lieu of Taxes  
Internal Clearance No. HI00188R

---

Form HUD-52598: Analysis of Nonroutine Expenditures

---

ix

---

7475.1 REV Financial Management  
Handbook

INTRODUCTION

PURPOSE.

This Handbook provides requirements and procedures relating to the

financial management of public housing projects administered by Public Housing Agencies (PHAs) under the U.S. Housing Act of 1937, as amended, subsequent to the End of the Initial Operating Period (EIOP).

#### RELATED HANDBOOKS.

Performance Funding System Handbook, 7475.13, dated 2/85, including all changes through CHG 13, CHG-14 dated 12/85, CHG-15 dated 4/86, CHG-16 dated 7/86, CHG-17 dated 12/86, CHG-18 dated 10/87; Field Office Monitoring of Public Housing Agencies (PHAs) Handbook, 7460.7 REV, dated 9/85; Troubled Public Housing Agency Handbook, 7475.14, dated 4/84; Low-Rent Housing Accounting Handbook, RHA 7510.1 dated 6/69, including all changes through 22; Low-Rent Housing Accounting Guide, HM G 7511.1 dated 2/72; The New Public Housing Agency (PHA) Personnel Policies Handbook, 7401.7 dated 10/87 and The Public Housing Decontrol Handbook, 7460.5, dated 10/87.

#### LEGAL AUTHORITY.

a. The United States Housing Act of 1937 (Act). This Act established the Public Housing Program with the goal of providing decent, safe and sanitary housing for families of lower income. The Act vests in PHAs the maximum amount of responsibility in the administration of their housing programs.

b. The Annual Contributions Contract (ACC). Each public housing project is covered by an ACC which is executed between HUD and the PHA and sets forth the specific obligations and responsibilities of each party in the implementation of the Public Housing Program. Among other things, it requires PHAs to:

- (1) Operate projects for the benefit of lower income families by providing decent, safe and sanitary dwellings within the financial means of such families;
- (2) Assure that the income limits as established by statute are adhered to; and
- (3) Maintain the projects in good repair.

#### APPLICABILITY.

a. This Handbook is applicable to: (1) PHA-owned rental projects; and (2) Section 23 Leased projects.

x

b. This Handbook does not apply to: (1) the Section 8 and 23 Housing Assistance Payments Programs or the Voucher Program; (2) the development stage of any public housing project; (3) the

management of a public housing project prior to EIOP; or (4) modernization of any public housing projects under the Comprehensive Improvement Assistance Program (CIAP).

#### REFERENCES

#### DEFINITIONS

CFR 24                    Act -- The U.S. Housing Act of 1937, (42 U.S.C.  
941.103                    1437 et seq.) as amended.

CFR 24                    Allowable Expense Level (AEL). The per unit per  
990.102                    month dollar amount of expenses (excluding Utilities  
and expenses allowed under 990.108) computed in  
accordance with 990.105, which is used to compute the  
amount of operating subsidy.

Allowable Utilities Consumption Level (AUCL). The  
amount of Utilities expected to be consumed per unit  
per month by the PHA during the Requested Budget Year,  
which is equal to the average amount consumed per unit  
per month during the Rolling Base Period. After the  
end of the Requested Budget Year, the AUCL of the  
utility(ies) used for space heating will be adjusted  
by a Change Factor, defined in this section.

CFR 24                    Annual Contributions Contract (ACC). A contract (in  
941.103                    the form prescribed by HUD) for loans and annual  
contributions whereby HUD agrees to provide financial  
assistance and the PHA agrees to comply with HUD  
requirements for the development and operation of a  
public housing project.

CFR 24                    Base Year. The PHA's fiscal year immediately  
990.102                    preceding its first fiscal year under PFS.

Base Year Expense Level. The expense level in the  
approved operating budget (excluding Utilities,  
audits and certain other items) for the Base Year,  
computed as provided in 990.105. The Base Year  
Expense Level does not contain any expenses paid by a  
non-recurring source of income or any non-routine  
expenditure which would materially distort normal  
annual expenditures.

Change Factor. The ratio of the affected PHA fiscal  
year heating degree days (HDD) divided by the average  
annual HDD of the Rolling Base Period. (Affected  
year HDD divided by Rolling Base Period average HDD.)

#### REFERENCES

#### DEFINITIONS

Current Budget Year. The fiscal year in which the PHA is currently operating.

CFR 24 Department of Housing and Urban Development (HUD).  
941.103 The Department of Housing and Urban Development, including the Regional Office and the Area or Service Office (herein called field office) which has been delegated authority to perform functions pertaining to this part.

CFR 24 Formula. The revised formula derived from the actual  
990.102 expenses of the PFS sample group of PHAs, which is used in the PFS as provided in 990.105, to determine the Formula Expense Level and the Range of each PHA. HUD plans to update the Formula each year to reflect actual costs experienced by the sample group of PHAs.

Formula Expense Level. The per unit per month dollar amount of expenses (excluding Utilities and audits) computed under the Formula, in accordance with 990.105.

Heating Degree Days (HDD). The annual arithmetic sum of the positive difference (those under 65 degrees) of the average of the lowest and highest daily outside temperatures in degrees Fahrenheit, subtracted from 65 degrees of Fahrenheit.

CFR 24 Interim Formula. The HUD system, which has been  
990.102 replaced by PFS, for determining the amount of operating subsidy that applied to PHA fiscal years which commenced on or after October 1, 1972 and before April 1, 1975.

Local Inflation Factor. The weighted average percentage increase in local government wages and salaries for the area in which the PHA is located and non-wage expenses based upon the Implicit Price Deflator for State and Local Government Purchases of Goods and Services. This weighted average percentage will be supplied by HUD. HUD anticipates that it will update the Local Inflation Factor each year. This revised Local Inflation Factor is applicable to PHA fiscal years beginning January 1, 1982, and for all fiscal years thereafter.

CFR 24 Operating Budget. The PHA's operating budget and all  
990.102 related documents, as required by HUD, to be submitted in accordance with the Annual Contributions Contract.



## REFERENCES

## DEFINITIONS

ACC,               The term "Operating Budget" shall mean a realistic  
407               estimate of the Operating Expenditures to be incurred  
in connection with the prudent operation of any  
Project during a specified period, broken down  
according to a classification of accounts prescribed  
by the Government.

ACC,               "Operating Expenditures" with respect to each Project  
406               shall mean all costs incurred by the PHA for  
administration, maintenance, establishment of reserves  
and other costs and charges (including, but not  
limited to, payments in lieu of taxes and operating  
improvements) which are necessary for the operation of  
such Project.

ACC,               "Operating Receipts" with respect to each Project  
406               shall mean all rents, revenues, income, and receipts  
accruing from, out of, or in connection with the  
ownership or operation of such Project, from whatever  
source derived: Provided, That Operating Receipts  
shall not include (1) any monies received from the  
development of such Project, (2) annual contributions  
pledged for the payment of Bonds and Notes, (3)  
premiums and accrued interest received in connection  
with the sale of Bonds or Temporary Notes, (4) proceeds  
from the disposition of real property, (5) proceeds  
from the disposition of personal property to the extent  
provided in clause (1) of subsection (C) of Sec. 308,  
or (6) the proceeds of claims against insurers or  
others arising out of damage to or destruction of such  
Project to the extent provided in Sec. 210.

CFR 24            Other Income. Income other than dwelling rental  
990.102           income and income from investments, except for the  
following items: grants and gifts for operations,  
other than for utility expenses, received from  
Federal, State and local governments, individuals, or  
private organizations; amounts charged to tenants for  
repairs for which the PHA incurs an offsetting  
expense; and legal fees in connection with eviction  
proceedings, when those fees are lawfully charged to  
tenants.

CFR 24            Performance Funding System (PFS). The Performance  
990.101           Funding System for the calculation of operating  
subsidy is designed to provide the amount of operating  
subsidy which would be needed for well-managed  
projects. That amount is determined by the difference  
between the projected expenses and projected operating  
income of the PHA computed in accordance with the PFS  
regulation.

REFERENCES

DEFINITIONS

CFR 24 Project. Each project under an Annual Contributions  
990.102 Contract to which the PFS is applicable, as provided  
in 990.103.

Project Units. All dwelling units of a PHA's  
Project(s).

Projected Operating Income Level. The per unit per  
month dollar amount of dwelling rental income plus  
nondwelling income, computed as provided in 990.109.

CFR 24 Public Housing Agency (PHA). Any State, county,  
941.103 municipality, or other governmental entity  
or public body (or agency or instrumentality thereof)  
which is authorized to engage in or assist in the  
development and operation of low-income housing...

CFR 24 Range. \$10.31 below to \$10.31 above the PHA's Formula  
990.102 Expense Level for the Base Year. The dollar amount is  
subject to change from time to time by HUD in  
connection with updating of the Formula. The Range is  
used in connection with determination of the Allowable  
Expense Level, as provided in 990.105, the  
qualification for transition funding, as provided in  
990.106, and in consideration of requests for  
adjustments of the Base Year Expense Level under  
990.110.

Requested Budget Year. The budget year (fiscal year)  
of a PHA following the Current Budget Year.

ACC, "Residual Receipts" of any Project as of the End of  
406 the Initial Operating Period thereof shall mean the  
amount, if any, by which the Operating Receipts  
thereof to such date exceeded the Operating  
Expenditures. "Residual Receipts" for all Projects as  
of the end of any Fiscal Year shall mean the amount by  
which the aggregate Operating Receipts of all such  
Projects for such Year exceeded the aggregate  
Operating Expenditures for all such Projects for such  
Year: Provided, That if the End of the Initial  
Operating Period of any such Project occurred in such  
Fiscal Year, the Operating Receipts and Operating  
Expenditures of such Project during such Initial  
Operating Period shall be excluded from the  
computation, except that any Residual Receipts of any  
such Project as of the End of such Initial Operating  
Period shall be included in the computation.

---

Financial Management  
Handbook

7475.1 REV.

## REFERENCES

## DEFINITIONS

- CFR 24                    Rolling Base Period (RBP). The 36-month period that  
990.102                    ends 12 months before the beginning of the PHA  
Requested Budget Year, used to determine the  
Allowable Utilities Consumption Level, which, in turn,  
is used to compute the Utilities Expense Level.
- CFR 24                    Transition Funding. Funding for excessively high-cost  
990.102                    PHAs, as provided in 990.106.
- CFR 24                    Unit Approved for Deprogramming. (a) A dwelling unit  
990.102                    for which HUD has approved the PHA's formal request  
for removal from the PHA's inventory and the Annual  
Contributions Contract, but for which removal, i.e.,  
deprogramming has not yet been completed, or (b) a  
nondwelling structure or a dwelling unit used for  
nondwelling purposes that the PHA has determined will  
no longer be used for PHA purposes and for which HUD  
has approved removal from the PHA's inventory and  
Annual Contributions Contract.
- CFR 24                    Units Months Available (UMA). Project Units  
990.102                    multiplied by the number of months the Project Units  
are available for occupancy during a given PHA fiscal  
year. Except as provided in the following sentence,  
for purposes of this part, a unit is considered  
available for occupancy from the date on which the End  
of the Initial Operating Period for the Project is  
established until the time it is approved by HUD for  
deprogramming and is vacated or is approved for  
nondwelling use. On or after July 1, 1991, a unit is  
not considered available for occupancy in any PHA  
Requested Budget Year if the unit is located in a  
vacant building in a project that HUD has determined  
is nonviable.
- CFR 24                    Utilities. Electricity, gas, heating fuel, water and  
990.102                    sewerage services.
- CFR 24                    Utilities Expenses Level (UEL). The per unit per  
990.102                    month dollar amount of Utilities Expense, computed as  
provided in 990.107.

## ACRONYMS

ACC.....	Annual Contributions Contract
AEL.....	Allowable Expense Level
AHMB.....	Assisted Housing Management Branch
AII.....	Actual Investment Income
AUCL.....	Allowable Utilities Consumption Level
AO.....	Area Office (See FO)
AOP.....	Actual Occupancy Percentage
AMDR.....	Average Monthly Dwelling Rental
AUEL.....	Allowable Utilities Expense Level
BY.....	Budget Year
CCO.....	Claims Collection Officer
CIAP.....	Comprehensive Improvement Assistance Program
COP.....	Comprehensive Occupancy Plan
CBY.....	Current Budget Year
CY.....	Current Year
DCO.....	Departmental Claims Officer
DOFA.....	Date Of Full Availability
DU.....	Dwelling Unit
EIOP.....	End of Initial Operating Period
EII.....	Estimated Investment Income
FA.....	Financial Analyst
FO.....	Field Office
FMS.....	Financial Management Specialist
FT.....	Financially Troubled
FWP.....	Financial Workout Plan
FY.....	Fiscal Year
FFY.....	Federal Fiscal Year
FYB.....	Fiscal Year Beginning
FYE.....	Fiscal Year Ending
GAO.....	General Accounting Office
GAOD.....	General Accounting Operations Division
HDD.....	Heating Degree Days
HQ.....	Headquarters
HUD.....	Housing and Urban Development
IOP.....	Initial Operating Period
IPA.....	Independent Public Accountant
LHA.....	Local Housing Authority (see PHA)
LOI.....	Letter of Intent
MOD.....	Modernization
OFA.....	Office of Finance and Accounting
OT.....	Operationally Troubled
PFS.....	Performance Funding System
PHA.....	Public Housing Agency
PUM.....	Per Unit Per Month
PUY.....	Per Unit Per Year
POP.....	Projected Occupancy Percentage
RAD.....	Regional Accounting Division

RBY..... Requested Budget Year  
 RBP..... Rolling Base Period  
 RIGA..... Regional Inspector General for Audit  
 RCRC..... Regional Claims Report Coordinator  
 RO..... Regional Office  
 RY..... Requested Year  
 SY..... Subject Year  
 TAR..... Tenants Accounts Receivable  
 TII..... Target Investment Income  
 UEL..... Utility Expense Level  
 UMA..... Unit Months Availability

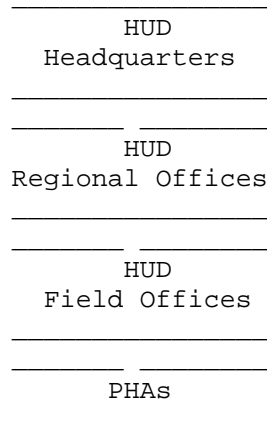
#### LIST OF TERMS ASSOCIATED WITH VACANCY RULE

Acceptable Adjustment  
 Actual Occupancy Percentage  
 Adjusted Actual Occupancy Percentage  
 Adjusted Vacancy Percentage  
 Allowable Vacancies  
 Comprehensive Occupancy Plan  
 Excessive Vacancies  
 Final Rule  
 Form HUD-51234  
 Form HUD-52728-A  
 Form HUD-52728-B  
 Form HUD-52728-C  
 Funded Modernization  
 High Occupancy PHA  
 High Occupancy PHA, but for on-schedule mod  
 High Occupancy PHA, five or fewer vacant units after adjusting for  
 mod  
 Interim Rule  
 Low Occupancy PHA  
 Occupancy Category  
 On-Schedule Modernization  
 Plan Year Occupancy Percentage  
 Projected Occupancy Percentage  
 Report Date  
 Unit Month  
 Vacancy Percentage  
 Workout Plan

CHAPTER 1. HUD AND PHA RESPONSIBILITIES

1-1. PURPOSE.

This chapter describes the relationships between PHAs and the three organizational levels of the Department in the operation of the various Public Housing programs.



1-2. HUD HEADQUARTERS.

Among the major functions exercised by Headquarters are the following: promulgating and interpreting policies for the various Public Housing programs which are consistent with the Act and other applicable statutes and appropriation actions; establishing practices, goals, standards, criteria and procedures for use by HUD Regional and Field Offices and PHAs in the administration of the

1-1

Public Housing programs, granting waivers of regulatory and contractual requirements and procedures, when appropriate; and assigning funds to Regional Offices for subsequent sub-assignment to Field Offices for obligation to PHAs.

1-3. HUD REGIONAL OFFICE RESPONSIBILITIES.

Regional Offices have responsibility for overseeing the administration of Public Housing programs by Field Offices; including productivity, timeliness of service, effectiveness, utilization of resources and quality of performance. Other responsibilities include:

- a. Assigning funds to Field Offices within the Region;
- b. Coordinating Public and Indian Housing reports to Headquarters;
- c. Coordinating with the Regional Inspector General for Audit (RIGA) and the General Accounting Office (GAO) in resolving audit problems and overseeing the resolution of audit findings; and
- d. Conducting periodic reviews of Field Offices to ensure compliance with regulatory and procedural requirements.

#### 1-4. HUD FIELD OFFICE RESPONSIBILITIES.

Field Offices are the primary contact points between HUD and PHAs. Specific responsibilities of Field Offices include:

- a. Reviewing and approving Operating Budgets submitted annually by PHAs (see Chapter 2);
- b. Reviewing and approving PHA requests for operating subsidy in accordance with the regulations and/or procedures applicable to the type of project being funded;
- c. Reviewing periodic financial reports of PHAs to evaluate financial stability, economy of operation, and financial management practices, e.g., procurement practices, investment policies and procedures, collection of accounts receivable, and resource allocation;
- d. Maintaining financial trend data on reserve positions for all PHAs and taking corrective action when negative trends begin to appear, including designation of PHAs as Financially Troubled, when appropriate, and taking subsequent action related to the Financially Troubled designation (see Handbook 7475.14);
- e. Providing technical assistance directed toward financial stability and efficient and economical operations;

1-2

- f. Performing on-site reviews, audits, and surveys of PHA operations designed to:
  - (1) Determine PHA compliance with the ACC, applicable Federal statutes, regulations, and Departmental policies and requirements;
  - (2) Evaluate PHA performance for effectiveness; and

(3) Provide technical assistance to PHAs (see Handbook 7460.7).

g. Assisting in developing training programs for management staffs of PHAs; and

h. Establishing and maintaining a system to control and track the receipt and processing of operating budgets, budget revisions, financial statements, mandatory adjustments and other financial documentation as well as funds sub-assigned from Regional Offices and subsequently obligated to PHAs. The system may be manual or automated and should be designed to meet the following objectives:

- (1) Record the due dates, receipt, processing and actions taken on operating budgets and budget revisions. For operating budgets, the system must be able to establish a processing timeframe that does not exceed 45 days as well as record the actions taken to obtain delinquent operating budgets.
- (2) Record the due dates, receipt and review actions taken on financial statements and mandatory adjustments including the actions taken to obtain these reports if delinquent.
- (3) Record the due dates, receipt, review and actions taken on PHA insurance documents including actions taken to ensure PHAs have required insurance coverage.
- (4) Record the receipt and actions taken on PHA requests for additional subsidy submitted pursuant to 24 CFR Section 990.108(d) (costs beyond control).
- (5) record the receipt and subsequent obligation of funds subassigned from Regional Offices. The system must be able to track over/under obligations in order to ensure proper adjustment of subsidy eligibility and to facilitate preparation of reports for Headquarters use.
- (6) Record separately the due dates, receipt, processing and actions taken on Section 23 financial documents and obligation of lease adjustment funds sub-assigned from Regional Offices.

1-3

---

Financial Management  
7475.1 REV. Handbook

#### 1-5. RESPONSIBILITIES OF PHAs.

PHAs are responsible for operating their public housing projects in compliance with the ACC and applicable regulations and procedural requirements. The ACC, among other things, requires PHAs to operate their housing projects solely for the purpose of providing decent, safe, and sanitary housing within the financial reach of lower income families and in such a



manner as to promote serviceability, efficiency, economy and stability.

Among the specific responsibilities of PHAs are the following:

- a. Properly managing Federal funds without waste, fraud, or mismanagement;
- b. Operating projects for the benefit of lower income families;
- c. Assuring that the income limits, as established by statute, are adhered to;
- d. Maintaining the accounting books and records in accordance with HUD requirements and submitting required six-month/year-end financial statements (see Chapter 6);
- e. Operating projects with maximum efficiency and economy;
- f. Submitting an annual operating budget and all related, supporting documents in accordance with the ACC (see Chapter 2); and
- g. Adhering to Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968 (as amended), and Executive Order 11063.

CHAPTER 2. PHA OPERATING BUDGETS

2-1. PURPOSE.

The purpose of this Chapter is to provide PHAs with conceptual guidance regarding preparation and administration of the Operating Budget. The Chapter cites specific regulatory requirements, where applicable, including those related to the Performance Funding System (PFS).

2-2. OPERATING BUDGET DEFINITION.

A budget is a realistic estimate of operating receipts and expenditures for a given period of time to be used as a plan of operation and a monitoring tool to measure an agency's performance. It is an instrument through which the PHA expresses its thoughts and actions as to proposed activities, including overhead factors, and estimates and assigns available resources to accomplish planned objectives and goals. The purpose of the budget, as a financial summary and analysis of immediate and long-range operating programs and plans, is to provide the PHA with an effective instrument to control operations and achieve operating objectives in a balanced and business-like manner.

2-3. PHA ROLE IN THE OPERATING BUDGET PROCESS.

a. Board of Commissioners

The PHA Board of Commissioners, acting through its delegated officers, has the primary responsibility for ensuring that the PHA is operated in an efficient and economical manner and that its financial integrity is maintained.

This responsibility is exercised through the review, approval and control of the PHA Operating Budget(s) and Operating Budget revision(s) prior to submission to HUD for approval. Approval is expressed in a duly executed board resolution.

PHAs under the PFS are required by 24 CFR 990.112 to submit:

"...a certified copy of a Resolution of the Board of Commissioners stating that the Board has reviewed and approved the Operating Budget or Operating Budget revision and has found:

- (1) That the proposed expenditures are necessary in the efficient and economical operation of the housing for the purpose of serving low-income families.

- (2) That the financial plan is reasonable in that:
  - (i) It indicates a source of funding adequate to cover all proposed expenditures.
  - (ii) It does not provide for use of Federal funding in excess of that payable under the provisions of these regulations (24 CFR 990).
- (3) That all proposed rental charges and expenditures will be consistent with provisions of law and the Annual Contributions Contract".

The content of the board resolution for PHAs not under the PFS is not specified but a similar resolution, duly executed, would be acceptable.

b. Executive Director

In most instances the Executive Director has the overall responsibility for budget preparation. The Executive Director is accountable for the soundness and validity of the budget estimates. This responsibility should not be delegated outside of the PHA (i.e., to a fee accountant). Although outside experts can be helpful in the budget preparation, the responsibility remains with the PHA.

c. Principal Staff

To the maximum extent feasible, all departments within the PHA should have input into the final budget estimates. Smaller PHAs with limited staff should, at a minimum, seek input from the maintenance staff.

2-4. OPERATING BUDGET FORMULATION.

- a. Since the PHA is required by the ACC to send its proposed operating budget to the Field Office not later than 90 days before the beginning of the PHA fiscal year, planning should be developed sequentially beginning early in the "Current Budget Year." This calls for coordinated effort by principal staff members, the Executive Director, and the Board. It will help if staff assignments in connection with planning and preparing a budget are made to each division of the PHA's organization. For example, Project and Organization Unit Managers should outline major operating problem areas and recommend specific corrective actions and improvement programs. The Maintenance Superintendent should develop plans and programs for routine and non-routine (including cyclical) maintenance of physical properties and essential property

---

Financial Management  
Handbook

7475.1 REV.

improvements. The Occupancy Section or the responsible staff official should develop plans and programs to maximize rental income and occupancy of available units.

- b. More comprehensive planning of the "Requested Budget" will be achieved if it is done as an adjunct to administration of the "Current Year" budget. This will contribute to effective execution of the PHA's program by providing a continuity in financial planning. With respect to planning and preparing the "Requested Budget," the following schedule is suggested:

- (1) First through sixth month of current year:
  - (a) Review actual financial statements of past year's activity. Compare actual activity of past year against the Operating Budget estimates for that year. Analyze differences between estimated activity and actual activity.
  - (b) Place actual activity of past year into historical data base. Review and analyze for trends.
  - (c) Reappraise the budgetary program and financial plan for the current budget year, taking into account completed major work programs and the present actual financial position.
  - (d) Make specific detailed staff assignments of studies and planning for the requested budget.
  - (e) Begin preparing worksheets for requested year's budget.
  - (f) Note progress of activities on major administration and operating programs
  - (g) Review trends of receipts and expenditures, relating them to the budgeted levels.
  - (h) Progress on the "Current Budget" year program should be studied in summary by the Executive Director and staff and tentative plans for formal revision of the budget, if necessary, as soon as possible after the close of the sixth month.
- (2) Seventh month of current year:

- (a) Complete any necessary revision of the "Current Year" Budget.

2-3

---

7475.1 REV. Financial Management Handbook

- (b) On the basis of revised work programs for the current year and studies started earlier, develop an outline of programs to be included in the requested budget.
- (c) Develop a tentative financial plan including a calculation of operating subsidy eligibility under the PFS.
- (3) Eighth month of current year:
  - (a) Refine administrative and operating program plans and related monitoring estimates.
  - (b) Develop a final financial plan.
  - (c) Complete drafts of budget schedules and associated materials.
  - (d) Conduct formal staff and Board reviews of final draft.
  - (e) Put the budget in final form for submission to the Field Office prior to the close of the month.
- c. Collect pertinent records throughout the year to be used in the final PFS calculation and budget preparation. It is recommended that a separate budget file be maintained for each fiscal year. The file should contain copies of the data used to prepare all the budget estimates.

Following are some suggested records or activities to be developed, reviewed and/or maintained:

- (1) Maintain copy of applicable rent roll at time of actual preparation.
- (2) Review performance in meeting tenant reexamination schedules.
- (3) Review current utility allowances to determine if they are adequate.
- (4) Review charges for tenant damages, excess utilities, etc., to determine if they are adequate.

- (5) Maintain cash/investment balances on the 10th, 20th and 30th of each month (see Exhibit 2-2, Interest on General Fund Investments pages 2-30 thru 2-40).

2-4

---

Financial Management  
Handbook

7475.1 REV.

- (6) Review the Statement of Operating Receipts and Expenditures, Form HUD-52599 (both the semi-annual report for current year and the annual report for previous year).
- (7) Review the cost allocation system if more than one program is administered by the PHA.
- (8) Review Financial Workout Plan (FWP) for financially troubled (FT) PHAs and Workout Plan (WP) for operationally troubled (OT) PHAs, if applicable (see Troubled Public Housing Agency Handbook 7475.14).
- (9) Review Comprehensive Plan, if applicable (see CIAP Handbook 7485.1 REV-2).
- (10) Review Comprehensive Occupancy Plan, if applicable (see Performance Funding System (PFS) Handbook 7475.13).
- (11) Assure current posting of the general ledger.
- (12) Review HUD correspondence, issuances, reports and surveys (i.e., Project Engineering Surveys, Maintenance Operation Reviews, Utilities Reviews, Management Reviews, Occupancy Audits, etc.).
- (13) Review latest fiscal audit.
- (14) Review the Housing Manager's Certification status for all required employees (see 24 CFR 967).
- (15) Update salary comparability data for all administrative positions.
- (16) Review staff training needs.
- (17) Record utility consumption and cost records using Forms HUD-51466a, Gas Data; HUD-51466b, Electricity Data; and HUD-51466c, Water and Sewage Disposal Data. Review current rates. Contact utility companies to see if rate changes have been approved.
- (18) Review energy audit.
- (19) Obtain Maintenance Wage Rate Determination from HUD.

- (20) Review preventative maintenance schedule needs.
- (21) Review maintenance inspection records.

2-5

---

7475.1 REV. Financial Management Handbook

- (22) Review current contracts.
- (23) Review the insurance policies or insurance register.
- (24) Review tenants' accounts receivable for vacated tenants' accounts and determine what amount is not collectible. Write off uncollectible amount by Board action.
- (25) Review the status of on-going development and modernization program, including adequacy of funds.
- (26) Obtain cost estimates for repair work, replacement of equipment and any betterments and additions required using your procurement policy.
- (27) Review the status of ranges, refrigerators and maintenance equipment. Will replacements be needed? If so, when, how many and at what cost?
- (28) Make notes of fund requirements when they come to your attention.
- (29) Review HUD repayment agreements (if applicable).
- (30) Review current utility consumption records to estimate possible mandatory (24 CFR 990.110c) adjustment impact.

2-5. TIMING OF BUDGET SUBMISSIONS.

a. Initial Operating Budget--PHA Owned Rental Housing.

An Initial Operating Budget for such project must be submitted by a PHA to the Field Office not later than 120 days before the estimated Date of Initial Occupancy of any project. The Initial Operating Budget shall govern, on a prorated basis operation of such project from the End of the Initial Operating Period (EIOP) through the end of the first full fiscal year. Thus, the initial Operating Budget would cover a period which would be no less than 12 months nor greater than 23 months.

2-6

---

Financial Management  
Handbook

7475.1 REV.

---

PHA  
Owned Rental  
Housing

---

---

Initial Operating Budget  
submitted not later than  
120 days  
before the estimated date  
of Initial Occupancy of  
any project.  
(original and 2 copies)

---

---

Period Covered in  
Operating Budget is from  
End of Initial Operating  
Period through the end of  
the First Full Fiscal Year

---

b. Initial Operating Budget-Section 23 Leased.

PHAs shall submit their first operating budget to the Field Office not later than the Date of Execution of the Annual Contributions Contract (ACC) covering a Section 23 Project. The first budget shall be prepared for the period from the Date of Execution of the Contract through the end of the first full fiscal year, as established under the terms of the contract, and shall govern the operation of the project for such period.

2-7

---

7475.1 REV. Financial Management  
Handbook

---

Section 23 Leased

---

---

First Operating Budget  
submitted not later  
than date of ACC  
Execution (original  
and 2 copies)

---

---

Period covered in

---



Operating Budget is  
from Date of  
Execution of  
Contract to the end  
of PHA fiscal year

---

c. Subsequent Operating Budgets (Including Section 23 Leased).

PHAs shall submit subsequent operating budgets to their respective HUD Field Offices not earlier than 150 days nor later than 90 days before the expiration of the first and each succeeding fiscal year.

Fiscal Year Beginning (FYB)	Fiscal Year Ending (FYE)	Budget Due not earlier than 150 days	Budget Due Not Later than 90 days
10/1	9/30	5/1	7/1
1/1	12/31	8/1	12/1
4/1	3/31	11/1	1/1
7/1	6/30	2/1	4/1

2-8

---

Financial Management  
Handbook

7475.1 REV.

d. Delayed Submissions.

A Field Office may authorize delayed submission of operating budgets under the following circumstances:

- (1) If the Performance Funding factors have not been published and distributed by the due date (PHA-owned projects only).
- (2) If the PHA submits a written request for delayed submission, indicating adequate justification for the delay and the anticipated date of submission.

In no event will a budget be approved by the Field Office after the end of the fiscal year involved.

2-6. BUDGET SUBMISSION REQUIREMENTS.

Each PHA operating a low-income public housing project under an approved Annual Contributions Contract (ACC) with the Department of Housing and Urban Development (HUD) must submit for HUD approval an annual operating budget (Form HUD-52564). The following tables provide a summary of forms and other materials required when submitting an Operating Budget for Rental Housing and Section 23.

---

BUDGET MATERIAL  
REQUIREMENTS

---

PHA  
OWNED RENTAL HOUSING

---

---

OPERATING BUDGET MATERIALS  
FORM HUD 52564 52571  
52566 52573  
52567

---

2-9

---

7475.1 REV. Financial Management  
Handbook

---

PERFORMANCE FUNDING  
SYSTEM (PFS) MATERIALS  
FORM HUD 52720 1/ 52721A  
52720A 1/ 52721  
52720B 1/ 52722B  
52720C 1/ 52728-A 2/  
52720D 52728-B 3/  
52722A 52728-C 3/

---

---

Certificate of Reexamination of family  
Income and Composition (24 CFR 960.209)

---

---

Resolution of the Board of Commissioners  
approving the Operating Budget (Exhibit 2-7)

---

- 
- Extract from minutes of the meeting
  - Certificate of Recording Office
  - HUD 52158, Maintenance Wage Rate  
Determination
  - List of Housing Manager and Assisted  
Housing Manager positions in  
accordance with Handbook 7460.2 dated  
November 1980, paragraph 24(b).
- 

1/ No longer required starting FYB 4/1/86 and thereafter, unless PHA experiences a change of 5 percent or 1,000 units, whichever is less, or it is the PHA's initial request for subsidy other than audit cost under PFS. Form HUD 52720B last used in calculating Allowable Expense Level (AEL) must be attached to each PHA fiscal year original operating budget submission.

2/ Form HUD-52728-A is required annually from PHAs requesting operating subsidies.

3/ These forms comprise the Comprehensive Occupancy Plan which a PHA may elect to submit if categorized as a low occupancy PHA, and are not required otherwise.

2-10

Financial Management  
Handbook

7475.1 REV.

---

BUDGET MATERIAL  
REQUIREMENTS

---

---

SECTION 23 LEASED

---

---

OPERATING BUDGET MATERIALS  
FORM HUD 52564 52571  
52566 52573  
52567

---

---

REQUEST FOR PAYMENT OF SUBSIDIES FOR  
OPERATIONS, - NON-PFS PROJECTS

FORM HUD 53087

---

---

Resolution of the Board of Commissioners  
approving the Operating Budget (Exhibit 2-7)

---

Except for Form HUD-52564, PHAs may, with prior approval, use forms other than those prescribed above, provided the budget submission includes all the information called for by the prescribed forms.

Budget submission requirements may be found in the following primary references:

- a. Part Two, Consolidated Annual Contributions Contract, Article II. Operation, Section 407, Operating Budgets and Control of Operating Expenditures.

2-11

12/87

---

b. Performance Funding System Handbook 7475.13 (PHA-owned projects only).

c. Field Office Monitoring Handbook 7460.7 REV. Change 4.

It is the responsibility of the PHA to submit a complete Operating Budget package to the Field Office for review. An Operating Budget Checklist (Exhibit 2-1) has been developed to reflect the materials required for budget submissions. It is recommended that the PHA complete the Operating Budget Checklist and submit it with the budget package to the Field Office. Upon receipt, the Field Office shall review the budget package for completeness using the Operating Budget Checklist. In instances of incomplete budget submission, PHAs shall receive written notification identifying the missing materials. A Budget Checklist also has been developed for Field Office use (Exhibit 3-2) as an attachment to the written notification of missing materials. Field Offices may use the sample letters found in Exhibit 3-3 as notification to a PHA that budget submission is incomplete.

#### 2-7. GUIDANCE FOR COMPLETION OF BUDGET DOCUMENTS

(1) The following are supporting documents to the Operating Budget (Form HUD-52564):

- a. Summary of Budget Data and Justifications, Form HUD-52573 (4 pages). See Exhibit 2-2 for the form with instructions.
- b. Schedule of All Positions and Salaries, Form HUD-52566 (1 page). See Exhibit 2-3 for the form with instructions.
- c. Schedule of Administration Expense Other Than Salaries, Form HUD-52571 (1 page). See Exhibit 2-4 for the form with instructions.
- d. Schedule of Nonroutine Expenditures, Form HUD-52567 (1 page). See Exhibit 2-5 for the form with instructions.

(2) Complete these documents in conjunction with the corresponding line items on the Operating Budget. Unless specified herein, follow the instructions included on the forms. A copy of the instructions for Form HUD-52564 is shown in Exhibit 2-6. The Operating Budget (Form HUD-52564) and all the above mentioned supporting documents can be submitted on computer generated forms instead of the manually completed ones as long as the form conforms to the original.

## 2-8. OPERATING BUDGET EXECUTION.

The approved operating budget should be used to schedule activity on operating programs. Thus, the budget will be a "master plan" for management efforts and will provide a comprehensive checkpoint for staff and Board evaluation and control of progress in achieving operating objectives.

## 2-9. CONTROL OF BUDGETARY PROGRAMS.

Although the Executive Director, in most cases, is responsible for directing the budgetary program, the job of carrying out the program will be easier if each principal staff member is assigned the job of initiating action phases of the program related to his/her specialty, and each principal organizational unit official is delegated all necessary authority and responsibility to ensure the adequacy and effectiveness of budget execution and control with respect to his/her functional area. Periodically, the Executive Director should evaluate progress on the total program. The review should be related to the current financial situation, both actual and budgetary. This will provide an opportunity to pinpoint those phases of the program which require accelerated effort and to plan revision of the program, if necessary, because of current and prospective financial circumstances or other factors.

- a. The budget control methods and systems required will depend on the PHA's size and organization and the scope and complexity of its operations.

Exhibits 2-8 and 2-9 provide sample budget controls that PHAs may wish to adopt.

Exhibit 2-9 provides a sample budget control for all accounts included in the Statement of Operating Receipts and Expenditures (Form HUD-52599). The Executive Director may wish to utilize this type of a control to personally review income and expenditures on a monthly basis.

Larger PHAs may find it necessary to develop a series of formal organizational unit control reports and schedules. In any case, those additional records essential for clear evaluation of major budget elements should be developed. The detail and depth of analysis can be determined as individual circumstances demand.

- b. At a minimum, the system should incorporate a method to (a) review the level and trend of rental and other income items in order to determine the effectiveness of budgetary programs related to them, (b) earmark funds budgeted for specific routine purposes such as salaries, utilities, contracts, and materials, (c) measure the rate of expenditures to assure

---

Financial Management  
7475.1 REV. Handbook

prudent use of operating funds and to evaluate adequacy of budgetary estimates, and (d) relate cumulative expenditures for each non-routine work program to its budgetary limitation, and determine the rate of progress toward its completion. The last named control will help in planning succeeding years' programs and financial requirements if carryover work appears probable or if current year budget revision is required.

2-10. BUDGET REVISION SUBMISSION REQUIREMENTS.

Budget revisions are required when necessary to achieve operations within controlled accounts enumerated in paragraph 2-13. As a general rule, formal budget revisions changing expenditures should not be prepared prior to the end of the first six months of operation in the fiscal year involved. Satisfactory evaluation of the need for a budget revision probably cannot be made at an earlier date. The Statement of Operating Receipts and Expenditures (Form HUD-52599) covering the first six-month period should be the basis for the mid-year review of the first six months of operations. In the event a budget revision is required because of anticipated overruns of controlled accounts, the revision should also reflect any significant changes (increases or decreases) in all budgeted receipts and expenditures. During the balance of the fiscal year following the mid-year review, a budget revision may be prepared and processed at any time if it appears that any controlled account will be overrun. No budget revision should be submitted solely because of a known increase in any one item without a determination that such increase cannot be absorbed in underruns of other items in the same controlled account of the consolidated budget (see paragraph 2-14, Budget Overruns). However, in order to give the Field Office adequate time for review, budget revisions should be submitted not later than 30 days prior to the end of the PHA fiscal year. In no event will a budget revision be approved by a Field Office after the end of the PHA fiscal year.

2-11. BUDGET REVISION MATERIAL REQUIREMENTS ARE:

- a. HUD-52564 Operating Budget, as well as revised schedules, if any of the schedules listed under Budget Material Requirements (see pages 2-9 thru 2-11) are affected by the submission.
- b. A narrative statement explaining and giving the justification for all significant revisions of the

budget.

- c. The Operating Budget or Operating Budget Revision Board of Commissioners Resolution and Certification (see Exhibit 2-7).
- d. If a budget revision is made to incorporate a PFS utility adjustment, Form HUD-52722B, Adjustment for Utility Consumption and Rates, must be submitted along with a Revised

2-14

---

Financial Management  
Handbook

7475.1 REV.

Form HUD-52721A, Calculation of Performance Funding System Operating Subsidy, for the fiscal year of the respective adjustment and Form HUD-52721, Direct Disbursement Payment Schedule Data - Operating Subsidy.

- e. If a budget revision is made to incorporate a PFS investment income or estimated rental adjustment, submit a Revised Form HUD-52721A for the fiscal year of the respective adjustments.
- f. If a budget revision is made because there are allowable changes, up or down, to the projected occupancy percentage used in the original budget submission, the PHA will submit Form HUD-52728-A, PHA Occupancy Percentage for a Requested Budget Year (RBY), along with a Revised Forms HUD-52721A for the fiscal year of the respective adjustments and Form HUD-52721.
- g. If a budget revision is being made that incorporates several adjustments, for the same fiscal year the adjustments may be consolidated and displayed on the Revised Form HUD-52721A for the fiscal year of the respective adjustments and Form HUD-52721.

2-12. NUMBER OF COPIES REQUIRED.

PHAs are required to submit an original and 2 copies of Budget Documents for review and approval, unless otherwise advised by the Field Office.

2-13. CONTROLLED CATEGORIES.

- a. PHAs subject to a limited budget review.

The controlled category for PHAs subject to a limited budget review is Total Operating Expenditures, Line 890 of the Operating Budget. Therefore, a budget

overrun will not occur unless the PHA incurs expenditures in excess of the Total Operating Expenditures approved by HUD in the applicable budget or budget revision.

Where the budget includes provision for extraordinary maintenance or substantial betterments and additions, Field Office approval of the budget will be conditioned on the PHA using the funds so provided solely for such work or for uncompleted work from the previous year under the provisions of Chapter 3, paragraph 3-14 (see Uncompleted or Deferred Work items).

2-15

---

7475.1 REV. Financial Management  
Handbook

Examples:

- (1) If the approved budget includes three ranges at a total cost of \$900 and the actual cost for the three ranges is \$975, an overrun would not occur unless the PHA incurs expenditures in excess of the Total Operating Expenditures approved by the Field Office.
- (2) If the approved budget includes three ranges at a total cost of \$900, the PHA cannot buy one riding lawn mower at a total cost of \$900 instead without prior HUD approval.
- (3) If the fiscal year 1986 approved budget included \$20,000 for replacing a roof but the cost was not incurred until fiscal year 1987, the amount is automatically approved to be carried forward for an expenditure during 1987. It is, however, recommended that the PHA include the roof replacement in a budget or budget revision for fiscal year 1987.

- b. PHAs subject to a detailed budget review (including Section 23 Leased).

The controlled categories for PHAs subject to a detailed budget review are:

- (1) Total Administrative Expenses, Line 190 of the Operating Budget.
- (2) Total Routine Expenses, Line 600 of the Operating Budget.
- (3) Total Rent to Owners of Leased Dwellings, Line 610 of



the Operating Budget - Section 23 Leased only.

- (4) Extraordinary Maintenance, Line 710 of the Operating Budget. Both the total dollar amounts and the specific individual items are controlled.
- (5) Replacement of Equipment, Line 720 of the Operating Budget. Both the total dollar amounts and the specific individual items are controlled.
- (6) Betterments and Additions, Line 730 of the Operating Budget. Both the total dollar amounts and the specific individual items are controlled.

2-16

---

Financial Management  
Handbook

7475.1 REV.

- (7) Other Nonroutine Expenditures, Line 740 of the Operating Budget. Both the total dollar amounts and the specific individual items are controlled.

2-14. BUDGET OVERRUNS.

a. Definition.

A budget overrun is defined as any expenditure incurred in controlled categories in excess of the amount approved by HUD on the applicable Operating Budget or Operating Budget Revision (Form HUD-52564). Permissible exceptions not requiring prior HUD approval are as follows:

- (1) Expenditures incurred in emergencies where necessary to eliminate an immediate serious hazard to life, health or safety of the residents of a specific project.
- (2) Overruns attributed to increased utility expenses or terminal leave payments (i.e., if the difference between estimated and actual utility cost is equal to or greater than the overrun in Total Routine Expenses).
- (3) Uncompleted or deferred work items of extraordinary maintenance or betterments and additions budgeted (with HUD approval) in the prior year but not completed during that year.

All or any portion of the overrun may be declared an ineligible expenditure by the Field Office in accordance with Chapter 3 paragraph 3-15 on ineligible expenditures.

b. ACC Requirements.

The Annual Contributions Contract, Part Two, Article II, Section 407, Subsection H, states:

"(H) The PHA shall not (1) at any time after the end of the Initial Operating Period for any project incur any Operating Expenditures with respect to such project except pursuant to and in accordance with an approved Operating Budget for such Project, nor (2) during any Fiscal Year or other budget period, incur with respect to any Project expenditures in excess of the amounts included in approved Operating Budgets for Controlled Accounts as may be specified by the Government, nor (3) incur Operating Expenditures for any purpose or in any amount contrary to any condition or modification imposed by the Government upon any Operating Budget: Provided, that nothing in this subsection (H) shall preclude the incurring of expenditures in emergencies where necessary to eliminate an

2-17

---

7475.1 REV. Financial Management Handbook

immediate serious hazard to life, health, or safety of the occupants of a Project, and that the amount of any such emergency expenditures shall be reported promptly to the Government and the Operating Budget amended accordingly."

c. Corrective Procedures for Overruns.

Operating budget overruns are a matter of serious concern to HUD. They may be indicative of poor financial management controls and have an adverse effect on the serviceability, efficiency, economy or stability of the PHA's housing operations. A PHA with an overrun needs to give prompt attention to identifying its cause and to implement corrective actions. In order to secure compliance, the Field Office may take several actions including:

- (1) Subjecting the PHA's operating budget and/or budget revisions to a detailed budget review;
- (2) Imposing explicit conditions or limitations on budget expenditures that are reasonably related to the overrun cause; and
- (3) Taking follow-up actions, such as special reporting requirements or field visits, to assure that corrective procedures are being made.

Additional information on overruns and their consequences  
may be found in Chapter 3, paragraph 3-15.

2-18

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 2-1

PAGE 1 OF 4

PHA  
OPERATING BUDGET CHECKLIST

Submission (Check One)

☐ Original      ☐ Resubmission No. \_\_\_\_\_      ☐ Revision No. \_\_\_\_\_

PHA NAME \_\_\_\_\_ FYE \_\_\_\_\_

(The documents (original and 2 copies) checked are included in the  
operating budget package)

PHA USE

OPERATING BUDGET FORMS

FIELD OFFICE USE

<input type="checkbox"/>	<input type="checkbox"/>	HUD-52564 (2 pages)	<input type="checkbox"/>	<input type="checkbox"/>
Included	Missing	Operating Budget	Included	Missing

<input type="checkbox"/>	<input type="checkbox"/>	HUD-52566 Schedule of	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	All Positions and	<input type="checkbox"/>	<input type="checkbox"/>
Included	Missing	Salaries	Included	Missing

<input type="checkbox"/>	<input type="checkbox"/>	HUD-52567 Schedule of	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	Nonroutine Expenditures	<input type="checkbox"/>	<input type="checkbox"/>
Included	Missing		Included	Missing

<input type="checkbox"/>	<input type="checkbox"/>	HUD-52571 Schedule of	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	Administration Expense	<input type="checkbox"/>	<input type="checkbox"/>
Included	Missing	Other Than Salaries	Included	Missing

<input type="checkbox"/>	<input type="checkbox"/>	HUD-52573 (4 pages)	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	Summary of Budget Data	<input type="checkbox"/>	<input type="checkbox"/>
Included	Missing	and Justifications	Included	Missing

PFS FORMS

<input type="checkbox"/>	<input type="checkbox"/>	HUD-52720, Funding Formula	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	Data Collection Form	<input type="checkbox"/>	<input type="checkbox"/>
Included	Missing		Included	Missing

2-19

---

PHA  
OPERATING BUDGET CHECKLIST

PHA NAME \_\_\_\_\_ FYE \_\_\_\_\_

PHA USE                      PFS FORMS (con't)                      FIELD OFFICE USE

—	—	HUD-52720A Worksheet	—	—
Included	Missing	No. I: Multiplications	Included	Missing

—	—	HUD-52720B Worksheet No. II:	—	—
—	—	Calculation of Variable	—	—
Included	Missing	Products and Formula Expense Level	Included	Missing

—	—	HUD-52720C (4 Pages)	—	—
—	—	Worksheet No. III:	—	—
Included	Missing	Calculating Allowable Expense Level (First PFS Year Only)	Included	Missing

—	—	HUD-52720D Worksheet No. IV:	—	—
Included	Missing	Calculating Revised Allowable Expense Level	Included	Missing

—	—	HUD-52722A Calculation of	—	—
—	—	Allowable Utilities Expense	—	—
Included	Missing	Level	Included	Missing

—	—	HUD-52721A (2 Pages)	—	—
—	—	Calculation of PFS Operating Subsidy	Included	Missing
Included	Missing			

—	—	HUD-52721 (5 Pages)	—	—
—	—	Direct Disbursement Payment	—	—
Included	Missing	Schedule Data - Operating Subsidy	Included	Missing

1/ Forms should be submitted with a budget revision.

2-20

# OPERATING BUDGET CHECKLIST

PHA NAME _____		FYE _____
PHA USE	PFS FORMS (con't)	FIELD OFFICE USE
—	—	—
—	—	—
Included	Missing	Included
Missing	—	Missing
—	—	—
—	—	—
Included	Missing	Included
Missing	—	Missing
—	—	—
—	—	—
Included	Missing	Included
Missing	—	Missing
—	—	—
—	—	—
Included	Missing	Included
Missing	—	Missing
—	—	—
—	—	—
Included	Missing	Included
Missing	—	Missing
—	—	—
—	—	—
Included	Missing	Included
Missing	—	Missing

1/ Forms should be submitted with a budget revision.

2-21

## PHA OPERATING BUDGET CHECKLIST

PHA NAME _____		FYE _____
PHA USE	PFS FORMS (con't)	FIELD OFFICE USE
—	—	—
—	—	—
Included	Missing	Included
Missing	—	Missing
—	—	—
—	—	—
Included	Missing	Included
Missing	—	Missing

—	—	the Meeting	—	—
Included	Missing		Included	Missing
—	—	Certificate of Recording	—	—
—	—	Officer	—	—
Included	Missing		Included	Missing
—	—	HUD-52158 Maintenance Wage	—	—
—	—	Rate Determination	—	—
Included	Missing		Included	Missing
—	—	List of Housing Manager and	—	—
—	—	Assistant Housing Manager	—	—
Included	Missing	Positions in accordance with	Included	Missing
		Handbook 7460.2 dated 11/80		
		paragraph 24(b)		

2-22

EXHIBIT 2-2

7475.1 REV. CHG-1  
PAGE 9 OF 29

INTEREST ON GENERAL FUND INVESTMENTS (Continued)

The formulas for Interest on General Fund Investments (Estimated Investment Income (EII) and/or Target Investment Income (TII) calculations) for PHAs under the PFS are as follows:

1. End of the Month Cash Balances for 12 months, DIVIDE by 12. The result equals Average Monthly Cash Balance.	End of the Month Cash Balances for 12 months	=	Average Monthly Cash Balance
	12		
2. DEDUCT \$10,000 or \$10 times total number of units, whichever is greater (not to exceed \$250,000), from Average Monthly Cash Balance to obtain Estimated Cash Available for Investment or Actual Cash Available for Investment.	Average Monthly Cash Balance	-	\$10,000 or \$10 times total number of units, whichever is greater (not to exceed \$250,000)
		=	Estimated or Actual Cash Available for Investment
3. Estimated Cash Available for Investment or Actual Cash Available for Investment, TIMES	Estimated or Actual	FYE estimated or actual average	Estimated Investment Income

FYE estimated or actual average 91-day Treasury Bill Rate, equals Estimated Investment Income (EII) or Target Investment Income (TII).	Cash Available for Investment	X	91-day Treasury Bill Rate	= (EII) or Target Investment Income (TII)
--	-------------------------------	---	---------------------------	---

4. Estimated Investment Income (EII) or Target Investment Income (TII) DIVIDED by Unit Months Available (UMA) equals Per Unit Per Month (PUM) Interest on General Fund Investments, Line 19 Form HUD-52723.	Estimated Investment Income (EII) or Target Investment Income (TII) Unit Months Available (UMA)	=	PUM Interest on General Fund Investments, Line 19, Form HUD-52723
---	---	---	---

These instructions are not included in those provided on Form HUD 52573

2-31

3/89

7475.1 REV. CHG-1  
EXHIBIT 2-2

PAGE 10 OF 29

# INTEREST ON GENERAL FUND INVESTMENTS (Continued)

## To Determine EII or TII Calculations

The end of the month cash balances for each month. Include Development Funds Available after EIOP. Exclude cash balances representing Security Deposits, Account 1114, when the interest earned thereon is either (1) returned to the tenants or (2) used for tenant services or activities in accordance with 24 CFR 966.4(b)(3)(ii), and General Fund Account 1111.2. (Unapplied Debt Service Fund) do not reflect in the calculation of EII or TII any credit balances in cash accounts, e.g., resulting from overdrafts.

Cash Balances Used Represent:

Account 1111.1	Cash-General Fund, after exclusion of above items;
----------------	--

Account 1111.3	CIAP (Modernization) funds;
----------------	-----------------------------

Account 1117	Petty Cash;
--------------	-------------

Account 1118	Change Fund;
--------------	--------------

Account 1155	Advances - Limited Revolving Fund;
--------------	------------------------------------

Account 1156	Advances- Unlimited Revolving Fund;
--------------	-------------------------------------

Account 1157            Advances - Master Account; and

---

Account 1162            Investments General Fund, after exclusion of  
Development Investments representing Investment of  
Development Funds before EIOP.

---

These instructions are not  
included in those provided  
on Form HUD 52573

3/89

2-32

---

EXHIBIT 2-2

7475.1 REV. CHG-1  
PAGE 11 OF 29

INTEREST ON GENERAL FUND INVESTMENTS (Continued)

To calculate Estimated Investment Income (EII), not later than 60 days before the beginning of the Fiscal Year, use available balances from preceding 12 months (include figures from two different fiscal years, as necessary).

To calculate Target Investment Income (TII), not later than 30 days after the receipt of the actual average 91 - day Treasury Bill Rate - - , use actual balances for that fiscal year ONLY.

Following are suggested formats, with examples of each, to determine Interest Earned on General Fund Investments:

1. FORMAT: Schedule of Cash Balances for FYE Computation of Estimated/Targeted Investment Income Funds Available after EIOP (page 2 - 34),
2. EXAMPLE: Schedule of Cash Balances for FYE Computation of ESTIMATED INVESTMENT INCOME Funds Available after EIOP for ROOP HOUSING AGENCY FOR FYE 12/31/85 (page 2 - 35),
3. EXAMPLE: Schedule of Cash Balances for FYE Computation of TARGET INVESTMENT INCOME Funds Available after EIOP for ROOP HOUSING AGENCY FOR FYE 12/31/85 (page 2 - 36),
4. FORMAT: Estimated/Target Investment Income Calculation (page 2 - 37),
5. EXAMPLE: ESTIMATED/TARGET INCOME CALCULATION for ROOP HOUSING AGENCY FOR FYE 12/31/85 (page 2 - 38),
6. FORMAT: Year-End Reconciliations (page 2 - 39), and
7. EXAMPLE: YEAR-END RECONCILIATIONS for ROOP HOUSING AGENCY FOR FYE 12/31/85 (page 2 - 40).

These instructions are not  
included in those provided  
on Form HUD 52573



---

7475.1 REV. CHG-1  
EXHIBIT 2-2

PAGE 12 OF 29

---

INTEREST ON GENERAL FUND INVESTMENTS (Continued)

```
*****
*
*
*
*
*
*
*
*
*
*
*      GRAPHICS  MATERIAL  IN  ORIGINAL  DOCUMENT  OMITTED
*
*
*
*
*
*
*
*
*
*
*****
```

---

3/89

2-34

---

EXHIBIT 2-2

7475.1 REV. CHG-1  
PAGE 13 OF 29

---

INTEREST ON GENERAL FUND INVESTMENTS (Continued)

```
*****
*
*
*
*
*
*
*
*
*
*
*      GRAPHICS  MATERIAL  IN  ORIGINAL  DOCUMENT  OMITTED
*
*
*
*
```

2-35 3/89

PAGE 14 OF 29

```
*****
*
*
*
*
*
*
*
*
*
*
*
GRAPHICS MATERIAL IN ORIGINAL DOCUMENT OMITTED
*
*
*
*
*
*
*
*
*
*
*****
```

2-36

7475.1 REV. CHG-1  
PAGE 15 OF 29

```

*****
*
*
*
```

\* \* \* \* \*

GRAPHICS MATERIAL IN ORIGINAL DOCUMENT OMITTED

\* \* \* \* \*

\*\*\*\*\*

---

2-37

3/89

---

7475.1 REV. CHG-1  
EXHIBIT 2-2

PAGE 16 OF 29

---

INTEREST ON GENERAL FUND INVESTMENTS (Continued)

\*\*\*\*\*

\* \* \* \* \*

GRAPHICS MATERIAL IN ORIGINAL DOCUMENT OMITTED

\* \* \* \* \*

\*\*\*\*\*

---

3/89

2-38

INTEREST ON GENERAL FUND INVESTMENTS (Continued)

```
*****
*
*
*
*
*
*
*
*
*
*
*      GRAPHICS  MATERIAL  IN  ORIGINAL  DOCUMENT  OMITTED
*
*
*
*
*
*
*
*
*
*
*****
```

INTEREST ON GENERAL FUND INVESTMENTS (Continued)

```
*****
*
*
*
*
*
*
*
*
*
*
*      GRAPHICS  MATERIAL  IN  ORIGINAL  DOCUMENT  OMITTED
*
*
*
*
*
*
*****
```

\* \*  
\* \*  
\* \*  
\* \*  
\* \*  
\*\*\*\*\*

### CHAPTER 3. FIELD OFFICE REVIEW AND APPROVAL OF OPERATING BUDGETS

#### 3-1. PURPOSE.

This chapter provides guidelines and procedures for use by Field Offices in the review and approval of Operating Budgets and budget revisions.

#### 3-2. TYPES OF BUDGET REVIEWS.

When an Operating Budget or a budget revision is submitted to a Field Office, it will receive either a limited budget review or a detailed budget review. These types of reviews are described further in paragraph 3-5 of this chapter.

#### 3-3. SELECTING THE TYPE OF REVIEW.

The decision on the type of review to be performed will be made by the Field Office after considering the following areas:

- a. Type of HUD-assisted project. The type of HUD-assisted project covered by the Operating Budget will influence the type of review. For example, all Operating Budgets (and budget revisions) for projects assisted under the Section 23 Leased Housing Program will receive a detailed review. Operating Budgets for conventional Low-Income projects will normally receive a limited review, if the PHA meets the performance standards described in paragraph 3-4.
- b. Past year performance in meeting financial performance standards. Five financial performance standards have been established to assist Field Offices in determining the type of budget review to be undertaken. If a PHA meets these standards based on a Field Office review of its year-end financial statements for the past year and other reports, the standard procedure will be to conduct a limited review.
- c. Current year information on PHA performance. Regardless of past year financial performance, a Field Office may decide to undertake a detailed review of an Operating Budget if current information indicates that the PHA is operating its program in such a manner that threatens the future serviceability, efficiency, economy or stability of the housing it operates.

#### 3-4. FINANCIAL PERFORMANCE STANDARDS.

Listed below are general descriptions of the five financial performance standards established to assist Field Offices in determining the type of budget review to be undertaken.

Information on the data sources and formats that may be used to determine if the standard has been met, have been outlined in Exhibit 3-1.

- a. Financial Performance Standard #1 - Operating Reserves exclusive of Tenant Accounts Receivable (TARs) are at least 30% of Maximum Allowable Reserves.
- b. Financial Performance Standard #2 - Operating Expenses are less than or equal to Income.
- c. Financial Performance Standard #3 - Annual Utility Consumption as compared to the average of the previous three years' rolling base consumption which has been adjusted for variances in heating degree days has been increased by more than 5%.
- d. Financial Performance Standard #4 - PHA is a High Occupancy PHA or is meeting the occupancy goals of an approved Comprehensive Occupancy Plan (COP).
- e. Financial Performance Standard #5 - Tenants Accounts Receivable for Tenants In Possession excluding amounts covered by formal up-to-date Repayment Agreement are less than 10% of total charges.

### 3-5. BUDGET SUBMISSION AND REVIEW REQUIREMENTS (INCLUDING SECTION 23).

The selection of either a limited or detailed budget review does not change any of the budget submission requirements currently in effect. Budgets that are incomplete or do not have adequate justification will be returned without HUD approval. Exhibits 3-2 and 3-3 are provided as sample notifications that required documents are missing from the Operating Budget submission.

Presented below are general review requirements for conducting a limited, detailed or Section 23 budget review.

- a. Limited Budget Review. The intent of the limited review procedure is to place the responsibility for operating a financially solvent PHA with its Board of Commissioners. Paragraph (b) of 24 C.F.R. 990.112 states that the HUD review of operating budgets will normally be limited to:
  - (1) Reviewing prescribed Performance Funding System (PFS) forms;
  - (2) Reviewing the projected operating reserve to assure that it meets HUD requirements; and

---

Financial Management  
Handbook

7475.1 REV.

- (3) Assuring that it is complete and does not include illegal or ineligible expenditures, mathematical errors or errors in application of accounting procedures, or is otherwise unacceptable to HUD.
- b. Detailed Budget Review. Paragraph (c) of 24 CFR 990.112 states that HUD may deviate from the limited budget review if it is determined that the PHA is operating its program in a manner which threatens the future serviceability, efficiency, economy or stability of the housing which it operates. Failure to pass the five financial performance standards (paragraph 3-4) will trigger a detailed review. If such action is deemed necessary, the PHA will normally be given written notice prior to the submission of the budget that a detailed budget review will be performed (Exhibit 3-4). Once this is determined, HUD will review the Operating Budget in depth, making any necessary changes.
- c. Review of Section 23 Operating Budgets.
  - (1) The PFS regulations does not apply to the Section 23 program; therefore, Field Offices must conduct a detailed budget review for each Section 23 operating budget. Budgets are to be reviewed to determine that all proposed expenditures are fully supported and are necessary for the efficient operation of the program. Particular care should be taken to determine the reasons for significant differences in budgeted PUM amounts between the conventional and Section 23 programs.

Each budget should fully explain the method used to allocate salaries and indirect costs between the Section 23, conventional and Section 8 programs. Field Offices should review the PHA's cost allocation method to assure that the Section 23 budget is not being "loaded" with costs that should be charged to either the conventional or the Section 8 programs.

  - (2) Approval of Nonroutine Expenditures. In general, the responsibility for nonroutine expenditures such as extraordinary maintenance and replacement of equipment rests with the project owner. The lease between the owner and the PHA usually specifies which party to the lease is responsible. However, due to the great variation in leases currently in effect, it is important that a copy of the lease agreement be kept in the permanent file to be used as a guide in



reviewing budget requests for extraordinary maintenance and/or replacement of equipment.

3-3

---

7475.1 REV. Financial Management Handbook

- (a) Bond Financed Projects. Most bond indentures require that escrow accounts be established for extraordinary maintenance and equipment replacement. The escrow accounts are usually held by the Bond Trustee and are disbursed to the PHA upon written request to cover items identified as the lessor's responsibility in the lease. Neither the PHA's financial statement nor operating budget normally reflect expenditures funded from the escrow accounts.

Any budgeted nonroutine expenditures must be carefully reviewed to determine the responsible party under the lease. If a budgeted nonroutine item is the responsibility of the lessor and escrow funds are available, the budgeted item is to be deleted from the budget and the PHA advised to make a formal request to the Trustee for release of escrowed funds. If sufficient escrow funds are not available or the Trustee refuses to release the funds, the appropriate Office of Public Housing should be advised. Operating subsidies are not to be provided for nonroutine items which are determined to be the responsibility of the lessor without first notifying the Field Office.

- (b) Privately Financed Projects (Private Owner Projects). Lease agreements with individual owners vary; however, most leases provide that extraordinary maintenance and equipment replacement are the responsibility of the lessor. If the Section 23 budget includes nonroutine items, the Field Office must again determine the responsible party under the lease. Generally, no Section 23 operating budget should be approved nor operating subsidy obligated which includes nonroutine items that are determined to be the responsibility of the owner. Most leases provide that if the lessor fails to perform extraordinary maintenance, the PHA can have the work done and withhold the cost from the quarterly requests for partial payment of rent under the lease. Field Offices should be assured that PHA's are enforcing this provision of the lease.

The key to the responsibility for extraordinary maintenance and replacement of equipment for both the Bond Financed and Privately Financed projects is the lease contract. Since almost all of the leases are different, Field Offices must use their judgment in

applying the guidance in (a) and (b) above to the

3-4

---

Financial Management  
Handbook

7475.1 REV.

requirements of individual lease contracts.  
Field Offices Counsel should be consulted if  
questions of lease interpretation need  
resolution.

- (3) Monitoring Responsibilities. Field Offices have a responsibility to specifically review the Leased Housing Program during PHA monitoring visits.

3-6. BUDGET REVIEW GUIDANCE.

In order to provide advice and guidance to Field Offices in the review of Operating Budgets, several exhibits have been developed and are described below.

- a. Exhibit 3-5. This exhibit leads the reviewer through a series of consistency and mathematical checks on the Operating Budget and its supporting documents. This type of analysis will be done on each Operating Budget regardless of whether a limited or detailed budget review will be conducted.
- b. Exhibit 3-6. The Limited Review Checklist has been developed to assist the Field Office in determining if the Operating Budget conforms to HUD requirements.
- c. Exhibits 3-7, 3-8, and 3-9. Separate Checklists have been prepared for the Financial Analyst, Housing Management Specialist and Engineer's use when performing a detailed budget review.

3-7. BUDGET APPROVAL - GENERAL PROCESS AND DELEGATIONS OF AUTHORITY

- a. General Description. The Field Office Manager or his/her designee will approve, disapprove or will give modified approval of Operating Budgets. If the budget is disapproved or approved with modifications, the PHA will be notified in writing of the reason for disapproval or modified approval. A modified budget shall constitute an approved budget unless the PHA notifies the Field Office in writing, within fourteen (14) days after receipt of the budget, that they consider the modified approval a disapproved budget. The Field Office shall promptly notify the Regional Office of Public Housing and the Regional Accounting Division (RAD) to suspend the payment schedule should the PHA consider the modified budget as a disapproval.

- b. Approval of Operating Budgets and Operating Reserve Levels. Section 990.111(b) of the PFS regulation states: "... The PFS does not specifically provide operating subsidy to augment the PHA's operating reserve. However, the full amount of the PHA's operating subsidy eligibility may be

3-5

---

7475.1 REV. Financial Management Handbook

provided to the PHA, and some part or all of this amount may be used to augment the operating reserve as long as the estimated year-end reserve balance, as shown in the approved operating budget for the year for which these funds are requested, does not exceed the Maximum Operating Reserve amounts as shown in the same operating budget."

The approval of an operating budget that contains operating subsidy obligates HUD to pay the amount identified. The Field Office must ensure, therefore, that the amount of subsidy contained in an operating budget does not exceed the amount available with the RAD. See paragraph 1-4.h. on Field Office controls.

- c. General Delegations of Budget Approval Authority.

1. Field Offices.

- (a) The Chief, AHMB, may approve operating budgets and budget revisions for PHAs with less than 500 units which do not include a provision for operating subsidies.
- (b) The Deputy Director of Housing Management may approve operating budgets and budget revisions for PHAs as follows:
  - (i) PHAs having less than 500 units, for which the budget and/or budget revision includes provision for operating subsidies.
  - (ii) PHAs having 500 or more units, for which the budget and/or budget revisions do not include provision for operating subsidies.
- (c) The Manager must approve operating budgets and budget revisions which include a provision for operating subsidies for PHAs with 500 or more units.

2. Collocated Field/Regional Offices

- (a) The Director, Housing Management Division or the

Director, Technical Support Division (whichever is applicable) may approve operating budgets and budget revisions as follows:

- (i) For PHAs having less than 500 units, for which the budget and/or budget revision includes a provision for operating subsidies.

3-6

---

Financial Management  
Handbook

7475.1 REV.

- (ii) For PHAs having 500 or more units, for which the budget and/or budget revision do not include a provision for operating subsidies.
- (b) The Director, Office of Public Housing must approve operating budgets and budget revisions which include a provision for operating subsidies for PHAs with 500 or more units.

3-8. BUDGET APPROVAL - PHA OWING RESIDUAL RECEIPTS TO HUD.

Prior to approving an Operating Budget which provides for the payment of operating subsidy, the Field Office shall review the most recent listing of Residual Receipts due from PHAs within its jurisdiction. If an amount due appears on the listing and the PHA cannot provide satisfactory evidence that the debt has been settled, (PHAs shall provide Field Offices with a copy of the check or the wire transfer attachment 10-1(D) in Exhibit 10-1, when remitting payments) the Field Office shall determine whether any further debt service annual contributions are payable under the ACC. If no further debt service contributions are payable, the amount shall be offset from the operating subsidy approved for the PHA. The Field Office shall obligate the full amount of operating subsidy for which the PHA is eligible, but shall advise the RAD to withhold payment of the amount owed and transfer it by Standard Form 1081, "Voucher and Schedule of Withdrawals and Credits" to Director, Office of Finance and Accounting, Attention: Director, Subsidized Housing Programs Division, AFGH. The Field Office shall provide the RAD with the purpose of the transfer, the PHA name, the project name and number, as appropriate, and a clear identification of the amount withheld by using the appropriation account symbol (04) 86x0164. In cases where the Field Office has approved a repayment schedule, any payment not made in accordance with the repayment schedule shall be offset from operating subsidy in the same manner as provided above. In all other cases, the Field Office shall forward the claim for unpaid residual receipts to the Claims Collection Officer.

3.9. BUDGET APPROVAL - PHA WITH A DEFICIENCY IN RESIDUAL RECEIPTS.

- a. Definition. A deficiency in residual receipts (deficiency) exists when the cumulative operating expenditures of a PHA exceed its cumulative operating receipts (including operating subsidy and operating reserve). (At this point, the PHA, having exhausted its operating reserve, is sometimes said to be in a "negative reserve" position).
- b. Normal Budgetary Process. At the time the Operating Budget, Form HUD-52564, is prepared for the requested budget year, any approved deficiency amount that will exist at the close of the current fiscal year operation will be listed as an expense on

3-7

---

7475.1 REV. Financial Management Handbook

Line 820, Other Deductions. In order to present an approvable budget, the PHA normally would be expected to absorb the entire amount of this deficiency during the requested budget year. If this is done, the requested Operating Budget would be "balanced" and, therefore, could be approved by the Field Office in accordance with the instructions contained in this Handbook.

- c. Approval of "Deficit" Budgets. If a PHA has a deficiency in the current budget year that cannot be totally absorbed in the requested budget year without jeopardizing the normal operation of the PHA, HUD will consider approving the "deficit" Operating Budget under the following conditions:
  - (1) As a part of the Operating Budget, the PHA shall prepare and submit to the Field Office a Financial Workout Plan (FWP) acceptable to the HUD Field Office. See the Troubled Public Housing Agency Handbook 7475.14 for more information on preparing a FWP.
  - (2) The FWP must project the elimination of the deficiency within a period of time of no longer than five fiscal years including the fiscal year in which the initial FWP is approved under these procedures. The FWP shall be reviewed each year and updated if necessary.
  - (3) The proposed Operating Budget for the requested budget year must reflect an amount of operating receipts (including operating subsidy and non-HUD contributions, if any) equal to or greater than the projected annual amount of the total operating expenditures. A FWP is unacceptable if the

deficiency is projected to increase during the requested budget year. In such cases, therefore, the Operating Budget is unapprovable.

- d. Operating Budget Approval. The Operating Budgets of PHAs experiencing a deficiency will be subject to a detailed review by the Field Office and are approvable contingent upon the acceptability of the FWP.
- (1) PHAs of less than 1,250 dwelling units. The FWP and Operating Budget for this size PHA may be approved by the Field Office Manager if so delegated by the Regional Office. The Field Office submits a copy of the approved FWP to the Director, Office of Public Housing.
  - (2) PHAs of 1,250 or more dwelling units. The Field Office will review the FWP and Operating Budget in-depth and send its comments and recommendations to the Regional Administrator, Attention: Director, Office of Public Housing, for review and evaluation. The Regional Office

3-8

---

Financial Management  
Handbook

7475.1 REV.

will transmit its recommendations and a copy of the FWP to Headquarters, Assistant Secretary for Public and Indian Housing, Attention: Chief, Troubled Projects Branch. These documents will be reviewed by Headquarters, and the Regional and Field Offices will be advised, in writing, regarding approval or disapproval. Based upon Headquarters' notification, the Field Office revises, approves or disapproves the Operating Budget and advises the PHA accordingly.

- e. Compliance with PFS Regulation Section 990.112(a)(2)(i). For PHAs with a deficiency in residual receipts that cannot present a "balanced" budget, an Operating Budget shall be deemed to comply with the requirements of Section 990.112(a)(2)(i) of the PFS regulations if it indicates a source of funding adequate to cover all proposed expenditures and if the PHA has presented a FWP acceptable to HUD.

3-10. LETTER OF INTENT.

Special circumstances as described below may require Headquarters to authorize Field Offices to obligate operating subsidies or leased housing adjustment funds by letter of intent (LOI) before an operating budget has been approved.

a. Circumstances in which using a LOI may be appropriate include:

- (1) When changes to the Performance Funding System (PFS) Handbook 7475.13 are made that update the PFS equation and inflation factors, but do not allow PHAs with fiscal years beginning January 1 sufficient time to use the new factors in the preparation and submission of their Operating Budgets. In this case, Field Offices may be authorized to use a letter of intent as an obligating document in lieu of an approved Operating Budget for these PHAs. Detailed instructions for the use of a LOI in this situation will be provided by Headquarters.
- (2) When there is the need to assure the timely obligation of funds before the end of the Federal Fiscal Year (FFY). In this case, all operating subsidy eligibility, estimated eligibility and adjustments to eligibility, for all PHAs with fiscal years beginning January 1, April 1, July 1, and October 1 of the current FFY must be obligated by September 30th. Specific authority will be provided by Headquarters.
- (3) When a PHA has been designated as a Financially Troubled (FT) PHA and has not prepared and/or submitted an approvable FWP or in some other way cannot have its

3-9

---

7475.1 REV. Financial Management Handbook

Operating Budget approved because of failure to meet requirements of the Troubled Public Housing Agency Handbook, 7475.14.

b. The amount of funds requested should be based on:

- (1) For operating subsidy requests in which the PHA is not a Low Occupancy PMA, the PHA's last approved operating subsidy eligibility, as reflected on Line 03 of Form HUD 52721, Direct Disbursement Payment Schedule Data-Operating Subsidy, excluding any utility and other prior year adjustments, increased by the PFS inflation factor issued for the requested budget year. If the last approved budget was not for the current year, then the last approved eligibility amount will be increased sequentially by each inflation factor issued since the last approved budget.

- (2) For operating subsidy requests for a Low Occupancy PHA without an approved Comprehensive Occupancy Plan, the last approved operating subsidy eligibility should be recalculated using 97% as the occupancy percentage before increasing the amount by the PFS inflation factor issued for the RBY.
  - (3) For lease adjustment funds requests, the estimated amount required for routine operating costs and rents to owners not covered by Basic Annual Contributions.
- c. Procedures for requesting use of a LOI. Approval to use a LOI must come from the Assistant Secretary for Public and Indian Housing. A Field Office should request authorization to use a LOI in writing through the Regional Administrator. Upon receipt, Headquarters will consider authorization to obligate by LOI and pay operating subsidy Funds. All requests for authorization to use LOI must contain the following information:
  - (1) The name of the PHA, ACC number, project number(s), how the requested amount of the subsidy to be obligated was calculated, Federal fiscal year and the PHA fiscal year.
  - (2) A written justification explaining why a LOI is needed. The narrative should refer to any steps taken, or that will be taken, to obtain an approvable operating budget.

3-11. DISTRIBUTION OF APPROVED BUDGET DOCUMENTS.

- a. The Approved Operating Budget and supporting documents shall be distributed as follows:

3-10

---

Financial Management  
Handbook

7475.1 REV.

- (1) A complete set to the PHA, with original signatures.
- (2) One copy of the complete set to the Field Office files.
- (3) One copy of the complete set to Administrative and Management Services Division, Office of Public and Indian Housing, PFA, Headquarters.
- (4) One copy of the complete set to the Director



of Public Housing, Regional Office.

- (5) One copy of the Form HUD-52564, with original signatures of both the PHA and the HUD official along with one copy of the Form HUD-52721, with original signature of the HUD official to the Director, Regional Accounting Division.
- (6) One copy of the Form HUD-52564 to Director, Subsidized Housing Program Division, AFGH, Office of Finance and Accounting.

NOTE: PHAS ARE REQUIRED TO SUBMIT AN ORIGINAL AND 2 COPIES OF BUDGET DOCUMENTS FOR REVIEW AND APPROVAL (SEE CHAPTER 2 PARAGRAPH 2-12)

- b. If a letter-of-intent is issued to obligate operating subsidy, it shall be distributed as follows:
  - (1) The original letter to the PHA.
  - (2) One copy to the Field Office files.
  - (3) One copy to the Director, Regional Accounting Division, with an original signature.
- c. If a PHA is in the PFS Monitoring System sample, one copy of HUD-52564 and the PFS Worksheets shall be sent to Financial Management and Occupancy Division, Office of Public Housing, Headquarters. See Performance Funding System Handbook 7475.13, Paragraph 19 and Appendix 22, for instructions and a list of PHAs in this sample.

3-12. ABSENCE OF AN APPROVED OPERATING BUDGET.

If a PHA begins its fiscal year without an approved budget, all expenditures must be limited to the Total Routine Expenses Line 600 included in the latest approved budget or budget revision.

3-11

---

7475.1 REV. Financial Management Handbook

3-13. ADVANCE FIELD OFFICE APPROVAL OF INDIVIDUAL ITEMS.

- a. A PHA may at any time request advance Field Office approval of individual items immediately necessary for the operation of its program which, in its opinion, would probably result in an overrun of any controlled account in its approved consolidated budget. Advance Field Office approval of such items shall constitute a commitment to approve a subsequent budget or budget

revision incorporating such items and increasing the authorized total expenditures in any controlled account by the amount necessary to avoid an overrun, up to but not exceeding, the amounts approved. In the case of increases in the HUD-determined prevailing wage rates, the approved Form HUD-52158, Maintenance Wage Rate Determinations, shall represent Field Office approval for such increases.

- b. No request for advance Field Office approval is necessary for the types of expenditures listed in Chapter 2, Paragraph 2-14. Expenditures over the approved budget caused solely by these items are exempted as budget overruns. However, in the event a budget revision is prepared due to other overruns in controlled accounts, the revision should also include any known increases in these items.

3-14. UNCOMPLETED OR DEFERRED WORK ITEMS OF EXTRAORDINARY MAINTENANCE OR BETTERMENTS AND ADDITIONS.

In the case of Extraordinary Maintenance or Betterments and Additions, approved work items authorized in the previous year's budget may be completed or accomplished during the current year even though such items are not specifically included in the current year's budget. This authorization, to complete or accomplish carryover work, does not eliminate the need to reflect the items in a subsequent year's budget. If in the subsequent year additional funds are required to complete the budget carryover work, a budget revision increasing the total amount approved for the particular controlled account must be prepared and approved prior to the end of the fiscal year. The above provisions provide flexibility in the handling of contracts, in cases where the required work is contracted for in one fiscal year but cannot be completed until the following fiscal year.

3-15. INELIGIBLE EXPENDITURES, MANAGEMENT STAGE, LOW-INCOME PUBLIC HOUSING PROGRAM.

- a. Purpose. This paragraph outlines the policy of the Department of Housing and Urban Development (HUD) with respect to ineligible expenditures made by PHAs. It also prescribes the actions to be taken by Field Offices in the event that ineligible expenditures are made by a PHA.

- b. Policy.

- (1) A PHA expenditure which is in violation of existing statutes, the ACC or HUD regulations, or the result of fraudulent activity by the PHA, is an ineligible expenditure of the PHA's low-income housing programs.
- (2) The Field Office shall review PHA reports, field audits, field reviews, investigations or other pertinent data, to assure that all expenditures are proper.
  - (a) If it is initially determined that a PHA expenditure is ineligible, the Field Office shall immediately notify the PHA of such determination and request the PHA to (1) submit additional information or documentation, (2) justification of the expenditure or (3) make restitution to the program of the amount found to be ineligible.
  - (b) If a final determination is made that an expenditure is ineligible and the PHA fails to make full restitution of the amount involved, the Field Offices shall instruct the PHA to record the amount as a debit to Account 1620, Undistributed Debits-Ineligible Expenditures, and as a credit to either the expense account(s) to which the expenditure was initially charged or to Account 6010 - Prior Year Adjustments.
- (3) Annual Reporting. Any ineligible expenditure shall remain on the PHA's books of account and shall be reported annually in its statements as a balance sheet item until restitution is made or its elimination is authorized by HUD.

3-13

---

Financial Management  
Handbook

EXHIBIT 3-1

PAGE 1 OF 6

PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

GENERAL DIRECTION. The following table illustrates for each Financial Performance Standard, the Forms to be used in determining if the Standard has been met, the period of time the data on the Form should cover and the time the Form would normally be submitted to the Field Office.

FINANCIAL PERFORMANCE STANDARD	FORM(s) USED	PERIOD OF TIME COVERED	DATE FORM IS SUBMITTED TO FIELD OFFICE
#1. Operating Reserves exclusive of Tenants	HUD-52599 1 HUD-52722B 2	Immediate Past Fiscal	1/45 days after close of

Accounts Receivable (TARS), are at least 30% of Maximum Operating Reserves.	HUD-52721A 2 Year	fiscal year 2/30 days after receipt of HDD (Generally will be rec'd 90 to 120 days after the PHA fiscal year ends)
---	-------------------	--

---

#2. Operating Expenses are less than or equal to Income.	HUD-52599	Immediate Past Fiscal Year	45 days after close of fiscal year
--	-----------	----------------------------	------------------------------------

---

#3. Annual utility consumption as compared to the three years' rolling base consumption which has been adjusted for variances in heating degree days (HDD) has not increased by more than five percent.	HUD-52722B 2 Year	Immediate Past Fiscal Year	30 days after receipt of HDD (Generally will be rec'd 90 to 120 days after the PHA fiscal year ends)
---	-------------------	----------------------------	--

---

#4. PHA is a High Occupancy PHA or is meeting occupancy goals of an approved Comprehensive Occupancy Plan (COP).	HUD-52728A HUD-52728C (if under a COP)	Current Fiscal Year	With Operating Budget for current fiscal year
--	---	---------------------	---

---

#5. Tenants Accounts Receivable for Tenants in Possession (excluding amounts covered by formal up-to-date repayment agreement) are less than 10% of total charges.	HUD-52295	Immediate Past Fiscal Year	45 days after the semiannual and annual reporting period.
--	-----------	----------------------------	---

---

Previous Edition May Be Used	3-14	HUD-21D (10-68)
------------------------------	------	-----------------

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-1

PAGE 2 OF 6

PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER ONE

OPERATING RESERVES EXCLUSIVE OF TENANTS ACCOUNTS RECEIVABLE (TARS)  
ARE AT LEAST 30% OF MAXIMUM OPERATING RESERVES.

1. Operating Reserve. (Line 790, Form HUD-52599, Statement of Operating Receipts and Expenditures) \$\_\_\_\_\_
2. Accounts Receivable. (Line 810 plus Line 820, Form HUD-52599) \$\_\_\_\_\_
- 3 Line 1 minus Line 2 \$\_\_\_\_\_
4. Increase or (decrease) to operating reserve for Year end adjustment to utilities. (Line 22, Form HUD-52722-B, Adjustment for Utility Consumption and Rates) \$\_\_\_\_\_
5. Increase or (decrease) to operating reserve for Year end adjustment to interest earnings. (Line 11, Form HUD-52721A Calculation of Performance Funding System Operating Subsidy, Target Investment Income portion only) \$\_\_\_\_\_
6. Increase or (decrease) to operating reserve for Year end adjustment to audit expenses. (Line 3, Form HUD-52721A) \$\_\_\_\_\_
- 7 Adjusted Operating Reserve (Add Line 3 plus increase or (decrease) of Lines 4, 5, and 6) \$\_\_\_\_\_
8. Maximum Operating Reserve approved (Line 800, Form HUD-52599) \$\_\_\_\_\_
9. 30 Percent of Maximum Operating Reserve approved. (Line 8 times .30) \$\_\_\_\_\_
10. Is amount on Line 7 greater than or equal to amount on Line 9? yes\_\_\_\_\_ no\_\_\_\_\_

3-15

---

7475.1 REV. Financial Management Handbook

EXHIBIT 3-1

PAGE 3 OF 6

PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER TWO

OPERATING EXPENSES ARE LESS THAN OR EQUAL TO INCOME.

1. Total Operating Receipts Exclusive Of HUD Contributions. (Line 170, Form HUD-52599, Statement of Operating Receipts and Expenditures) \$\_\_\_\_\_
2. Contributions Earned - Operating Subsidy: Current Year. (Line 720, HUD-52599) \$\_\_\_\_\_
3. The portion of the adjusted operating reserve above 30% of the maximum operating reserves exclusive of Tenants Accounts Receivable (TARs), may be counted as income. (see Financial Performance Standard Number One, Line 7 minus Line 9) \$\_\_\_\_\_
4. Total income (Add Lines 1, 2, and 3) \$\_\_\_\_\_
5. Total routine expenses. (Line 520, Form HUD-52599) \$\_\_\_\_\_
6. Total income minus routine expenses (Line 4 minus Line 5) \$\_\_\_\_\_
7. Is amount on Line 6 greater than or equal to zero? yes\_\_\_\_\_ no\_\_\_\_\_

3-16

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-1

PAGE 4 OF 6

PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER THREE

ANNUAL UTILITY CONSUMPTION, AS COMPARED TO THE AVERAGE OF THE PREVIOUS THREE YEARS' ROLLING BASE CONSUMPTION, WHICH HAS BEEN ADJUSTED FOR VARIANCES IN HEATING DEGREE DAYS (HDD) HAS NOT INCREASED BY MORE THAN FIVE PERCENT.

1. Total Actual Utilities in fiscal year for which adjustment is Requested. (Line 13, col. 3, Form HUD-52722B, Adjustment for Utility Consumption and Rates) \$\_\_\_\_\_
2. Costs of Estimated Consumption at Average Rate adjusted for the HDD of Rolling Base

Period (RBP) for PHA fiscal years indicated  
above. (Line 17, col. 3, Form HUD-52722B) \$\_\_\_\_\_

3 Actual Utility Consumption divided by Base  
Consumption (Line 1 divided Line 2) \_\_\_\_\_%

4 Is the amount on Line 3 less than or equal  
to 1.05? yes\_\_\_\_\_ no\_\_\_\_\_

3-17

---

7475.1 REV. Financial Management  
Handbook

EXHIBIT 3-1

PAGE 5 OF 6

PHA FINANCIAL PERFORMANCE STANDARDS WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA\_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER FOUR

PHA IS A HIGH OCCUPANCY PHA OR IS MEETING THE OCCUPANCY GOALS OF AN  
APPROVED COMPREHENSIVE OCCUPANCY PLAN (COP).

1. Is the PHA currently a High Occupancy PHA?

Has box 35, 35a or 35b been checked  
on Form HUD-52728-A? If yes, skip to  
Line 4 and check yes. yes\_\_\_\_\_ no \_\_\_\_\_

2. If the PHA is currently a Low Occupancy PHA,  
does it have an approved Comprehensive  
Occupancy Plan (COP)?  
If no, skip to Line 4 and check no. yes\_\_\_\_\_ no\_\_\_\_\_

3. If the PHA has an approved COP, is it  
meeting the occupancy goals of the Plan?

If Line 25 of Form HUD-52728-A for the current  
year, is equal to or greater than Line 17  
of Form HUD-52728-C for the equivalent Plan Year,  
check yes on Line 4. If not, check no.  
(Note: If appropriate, substitute Line 28  
of Form HUD-52728-C for Line 17)

4. Does the PHA meet this Financial  
Performance Standard? yes\_\_\_\_\_ no\_\_\_\_\_

3-18

---

Financial Management

PHA FINANCIAL PERFORMANCE STANDARD WORKSHEET  
FOR FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

FINANCIAL PERFORMANCE STANDARD NUMBER FIVE

TENANTS ACCOUNTS RECEIVABLE FOR TENANTS IN POSSESSION (EXCLUDING AMOUNTS COVERED BY FORMAL UP-TO-DATE REPAYMENT AGREEMENT) ARE LESS THAN 10% OF TOTAL CHARGES.

1. Percent of amount delinquent (excluding amount covered by formal up-to-date repayment agreement) to total charges. (Section E, Item 5, column A of the annual or semiannual Report of Tenants Accounts Receivable, Form HUD-52295) \_\_\_\_\_%

Is the amount on Line 1 less than 10% ?      yes \_\_\_\_\_ no \_\_\_\_\_

3-19

---

7475.1 REV.                      Financial Management  
   Handbook

SAMPLE: BUDGET CHECKLIST FORM LETTER

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear Executive Director:

This is to notify you that your budget package submitted for Project(s) \_\_\_\_\_ for the FYE \_\_\_\_ is incomplete. When items are missing, there is a delay in completing the budget review and approval process.

Please provide the materials (original and 2 copies) indicated on the attached budget checklist within ten days after receipt of this letter. No further processing will be done until the documents have been received by this office.

If you have questions regarding the budget submission requirements, please call \_\_\_\_\_.

Sincerely,



Attachment

3-20

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-2

PAGE 2 OF 4

FIELD OFFICE  
OPERATING BUDGET CHECKLIST

Submission (Check one)

☐ Original      ☐ Resubmission No. \_\_\_\_      ☐ Revision No. \_\_\_\_

PHA \_\_\_\_\_ FYE \_\_\_\_\_

The documents as checked are missing from the Operating Budget submission.

- \_\_\_\_\_ a. HUD-52564 Operating Budget
- \_\_\_\_\_ b. HUD-52566 Schedule of All Positions and Salaries
- \_\_\_\_\_ c. HUD-52567 Schedule of Nonroutine Expenditures
- \_\_\_\_\_ d. HUD-52571 Schedule of Administration Expense  
Other Than Salaries
- \_\_\_\_\_ e. HUD-52573 Summary of Budget Data and  
Justifications
- \_\_\_\_\_ f. HUD-52720 Funding Formula Data Collection Form
- \_\_\_\_\_ g. HUD-52720A Worksheet No. I: Multiplications
- \_\_\_\_\_ h. HUD-52720B Worksheet No. II: Calculating Variable  
Products and Formula Expense Level
- \_\_\_\_\_ i. HUD-52720C Worksheet No. III: Calculation of  
Allowable Expense Level (First PFS  
Year Only)
- \_\_\_\_\_ j. HUD-52720D Worksheet No. IV: Calculating Revised  
Allowable Expense Level

3-21

FIELD OFFICE  
OPERATING BUDGET CHECKLIST

Submission (Check one)

— Original                      — Resubmission No. \_\_\_\_\_ — Revision No. \_\_\_\_\_

PHA \_\_\_\_\_ FYE \_\_\_\_\_

The documents as checked are missing from the Operating Budget submission.

- \_\_\_\_\_ a. HUD-52564                      Operating Budget
- \_\_\_\_\_ b. HUD-52566                      Schedule of All Positions and Salaries
- \_\_\_\_\_ c. HUD-52567                      Schedule of Nonroutine Expenditures
- \_\_\_\_\_ d. HUD-52571                      Schedule of Administration Expense  
Other Than Salaries
- \_\_\_\_\_ e. HUD-52573                      Summary of Budget Data and  
Justifications
- \_\_\_\_\_ f. HUD-52720                      Funding Formula Data Collection Form
- \_\_\_\_\_ g. HUD-52720A                      Worksheet No. I: Multiplications
- \_\_\_\_\_ h. HUD-52720B                      Worksheet No. II: Calculating Variable  
Products and Formula Expense Level
- \_\_\_\_\_ i. HUD-52720C                      Worksheet No. III: Calculation of  
Allowable Expense Level (First PFS  
Year Only)
- \_\_\_\_\_ j. HUD-52720D                      Worksheet No. IV: Calculating Revised  
Allowable Expense Level

3-22

Financial Management  
Handbook

7475.1 REV.

FIELD OFFICE  
OPERATING BUDGET CHECKLIST

- \_\_\_\_\_ y.                      List of Housing Manager and Assistant Housing  
Manager Positions in accordance with Handbook  
7460.2 dated 11/80, paragraph 24(b)

\_\_\_\_\_ x.                      Other (comments): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3-23

---

7475.1 REV.                      Financial Management  
   Handbook

EXHIBIT 3-3

PAGE 1 OF 1

(To be used with Exhibit 2-1.)  
SAMPLE:    OPERATING BUDGET CHECKLIST FORM LETTER

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Dear Executive Director:

This is to notify you that the materials indicated under the column marked "Field Office Use" were not received. Please review the attached Operating Budget Checklist and submit (original and 2 copies) the required information within ten days of receipt of this letter.

No further processing of your budget will be done until the documents are received by this office. If you have questions regarding the requirements for budget submission, please contact your Housing Management Specialist, \_\_\_\_\_ or your Financial Analyst, \_\_\_\_\_ at \_\_\_\_\_.

Sincerely yours,

Field Office Official

Enclosures

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-4

PAGE 1 OF 1

SAMPLE: DETAILED REVIEW FORM LETTER

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear \_\_\_\_\_:

This is to advise you that in accordance with 24 CFR 990.112(c) future Operating Budgets and Operating Budget revisions for \_\_\_\_\_, Project No. \_\_\_\_\_, will be scheduled for a detailed review by this Office. This determination has been made for the following reason(s).

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

You will receive written notification when the limited review is being reinstated. If you have questions concerning this decision, please contact your Financial Analyst at \_\_\_\_\_, or your Housing Management Specialist at \_\_\_\_\_.

Sincerely,

Field Office Official

---

7475.1 REV.  
EXHIBIT 3-5

PAGE 1 OF 60

BUDGET REVIEW PROCESS

Review Operating Budget (Form HUD-52564 for completeness i.e., FYE, Projected Number(s), and Contract Number).

Review Operating Budget for mathematical accuracy.

Review items and information in budget for eligibility and compliance with regulations.

Do amounts reported in columns 2 and 3 of Operating Budget agree with the year end financial statements and/or latest approved budget?

1. Add Form HUD-52564, Operating Budget and calculate PUMs.

NOTES:

3-26

EXHIBIT 3-5 7475.1 REV.  
PAGE 30 OF 60

HUD-52721A Form Approved  
December 1976 OMB. No. 2577 - 0029

U.S. Department of Housing and Urban Development  
Low-Income Housing  
PHA-OWNED RENTAL HOUSING  
Calculation of Performance Funding System Operating Subsidy

Public Housing Agency Submission:  
\_\_\_\_ Original  
\_\_\_\_ Revision No.\_\_\_\_

Unit Months Available Fiscal Year Ending Contract Number

Line Requested Approved  
No. Description by PHA by HUD

(PUM) (PUM)

ALLOWABLE EXPENSES AND ADDITIONS:

01 Allowable Expense Level plus Transition  
Funding, if applicable (See instructions.) \_\_\_\_\_

02 Utilities Expense Level (Line 12, form  
HUD-52722A) \_\_\_\_\_

03 Estimated or Actual Cost of Biennial IPA  
Audit Scheduled for Requested Year \_\_\_\_\_

04 Costs Attributable to Deprogrammed Units \_\_\_\_\_

05 Total Allowable Expenses and Additions  
(Sum of Lines 01 thru 04) \_\_\_\_\_

DWELLING RENTAL INCOME

06 Estimated Dwelling Rental Income \_\_\_\_\_

07 Change Factor \_\_\_\_\_

08 Projected Dwelling Rental Income (Line 06 \_\_\_\_\_  
x Line 07) \_\_\_\_\_

09 Average Occupancy Percentage \_\_\_\_\_

10 Estimated Dwelling Rental Income (Line 08 \_\_\_\_\_  
x Line 09) \_\_\_\_\_

NON-DWELLING INCOME:

11 Interest on General Fund Investments \_\_\_\_\_

12 Other Income \_\_\_\_\_

13 Total Non-Dwelling Income (Line 11  
plus Line 12) \_\_\_\_\_

14 TOTAL OPERATING RECEIPTS (Line 10 plus  
Line 13) \_\_\_\_\_

OPERATING SUBSIDY CALCULATION

15 (Income) or Deficit PUM (Line 05 minus  
Line 14) (See instructions.) \_\_\_\_\_

16 Unit Months Available \_\_\_\_\_

3-55

---

7475.1 REV.  
EXHIBIT 3-5

PAGE 31 OF 60

BUDGET REVIEW PROCESS

\* Compare Line 23, Form HUD - 52721A with Lines 930-960 Form HUD -  
52564.

3-56

---

EXHIBIT 3-5

7475.1 REV.  
PAGE 32 OF 60

HUD-52721A  
December 1976

Form Approved  
OMB. No. 2577-0029

Line No.	Description	Requested by PHA	Approved by HUD
-------------	-------------	---------------------	--------------------

(In Whole Dollars)

17 (Income) or Deficit Before Add-On  
(Line 15 x Line 16) \_\_\_\_\_

18	Add-Ons to Allowable Expense Level (See Instructions)	_____	_____
19	(Income) or Deficit after Add-Ons - Subject Year (Line 17 plus or minus Line 18)	_____	_____
20	Utilities Adjustment - Subject Year (Line 22, Form HUD 52722B, See Instructions)	_____	_____
21	(Income) or Deficit - After Utility Adjustment (See Instructions)	_____	_____
22	Actual or Estimated Cost of Biennial IPA Audit Scheduled for Subject Year	_____	_____
23	Operating Subsidy Eligibility (See Instructions)	_____	_____
<p>Note: Use Lines 24, 25, and 26 only if a revision of HUD-52721A is being submitted for a fiscal year prior to the current year, to determine the additional amount of operating subsidy eligibility which could be approved per adjustment, or the amount of previously approved operating subsidy which must be recovered by HUD.</p>			
24	Previously Approved PFS Operating Subsidy for Prior Fiscal Year (See Instructions)	_____	_____
25	Additional Amount of Operating Subsidy Eligibility which could be due PHA (See Instructions)	_____	_____
26	Amount of Previously Approved Operating Subsidy which Must be Recovered by HUD (See Instructions)	(_____)	(_____)

3-57

#### BUDGET REVIEW PROCESS

1. The PFS Form HUD-52722B for utility adjustment now requires changes to Line 16, HUD-52722B, to adjust space heating consumption upward and downward by a factor. This factor is obtained by dividing the Heating Degree Days (HDD) for the subject year into the average HDD for the rolling base years. This adjustment cannot be completed until the HDD factors have been made available to the PHA

by the Field Office.

2. For projects with less than 12 months consumption (including projects not substantially occupied for the 12 months) adjust Line 08, HUD-52722A, consumption figures as follows:

Eliminate the estimated consumption included on Line 08 for the projects with less than 12 months experience before including Line 09, HUD-52722A. On Line 16, HUD-52722B add to Line 16 actual consumption for project where estimated consumption was estimated.

3-58

---

EXHIBIT 3-5

7475.1 REV.  
PAGE 60 OF 60

BUDGET REVIEW PROCESS

Part VIII - Certification of Public Housing Agency/Indian Housing Authority

Obtain signature of Deputy Director for Housing Management or Manager, as applicable. Refer to General Delegations of Budget Approval Authority, paragraph 3 - 7c.

3-85

---

7475.1 REV. Financial Management  
Handbook

EXHIBIT 3-6

PAGE 1 OF 6

OPERATING BUDGET LIMITED REVIEW CHECKLIST: PHA-OWNED RENTAL HOUSING

Submission (Check One)

☐ Original      ☐ Resubmission No. \_\_\_\_      ☐ Revision No. \_\_\_\_

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_

Date Rec'd \_\_\_\_\_ Date to HMS \_\_\_\_\_

45th Day \_\_\_\_\_ Date to Engineer \_\_\_\_\_

Question	Yes	No	N/A	Remarks
----------	-----	----	-----	---------

General Budget

1. Are all items listed on Operating Budget Checklist included in budget package submission? \_\_\_\_\_  
(FA)



2. Have all vacant deprogrammed units, nondwelling units, and employee units for which rent is not being charged in accordance with 24 CFR 960, been excluded from the calculation of unit months? ☐ ☐ ☐

(HMS FA)

3. Has PHA been conducting annual reexams in accordance with 24 CFR 960.209? If not, refer to 24 CFR 990.115 for conditions on subsidy payments. ☐ ☐ ☐

(HMS)

4. Has PHA been calculating rents in accordance with 24 CFR 913? If not, should operating subsidy be withheld? ☐ ☐ ☐

(HMS)

3-86

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-6

PAGE 2 OF 6

OPERATING BUDGET LIMITED REVIEW CHECKLIST: PHA-OWNED RENTAL HOUSING

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

General Budget (con't)

5. If PHA has over 75 units, have all required employees been certified as Housing Managers? ☐ ☐ ☐

(HMS)

6. Does the budget include any illegal or ineligible expenditures? ☐ ☐ ☐

(HMS & FA)

7. Has budget been reviewed (and corrected, if necessary) for mathematical errors or errors in application of accounting procedures? ☐ ☐ ☐

(FA)

PFS

1. Is the PHA able to omit the submission of Forms HUD-52720, HUD-52720A, and HUD-52720B in accordance with HUD

Handbook 7475.13 Chg-15, Paragraph 23,  
Simplification of the Delta? If no, are  
historical data and PFS factors used on  
these forms correct?                   \_\_\_   \_\_\_   \_\_\_  
(FA)

2. Have the PFS forms been reviewed and  
found to be correct?                   \_\_\_   \_\_\_   \_\_\_  
(FA)

3. Has independent audit cost on Line 03  
of Form HUD-52721A been verified?                   \_\_\_   \_\_\_   \_\_\_  
(FA)

3-87

---

7475.1 REV.                   Financial Management  
  Handbook

EXHIBIT 3-6

PAGE 3 OF 6

OPERATING BUDGET LIMITED REVIEW CHECKLIST PHA-OWNED RENTAL HOUSING

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

PFS (con't)

4. What rent roll was used in calculating  
estimated dwelling rental income (Line  
06 of Form HUD-52721A) \_\_\_\_\_? Is it  
correct?                   \_\_\_   \_\_\_   \_\_\_  
(FA)

5. Has average (projected) occupancy  
percentage (Line 09 of Form  
HUD-52721A) been calculated  
in accordance with the vacancy rule?                   \_\_\_   \_\_\_   \_\_\_  
(FA)

6. Is Interest on General Fund Investments  
(Line 11 of Form HUD-52721A) based on  
estimated investment income  
requirements?                   \_\_\_   \_\_\_   \_\_\_  
(FA)

7. Does PUM for Other Income agree with  
budgeted amount for Excess Utilities  
plus Nondwelling Rentals, plus  
applicable Other Operating Receipts?                   \_\_\_   \_\_\_   \_\_\_  
(FA)

8. Does Line 16 of Form HUD-52721A agree  
with the unit months used on the

Operating Budget? \_\_\_\_\_  
(FA)

9. Have all required adjustments been processed? \_\_\_\_\_

a. Utility, FYE \_\_\_\_\_  
b. Investment Income, FYE \_\_\_\_\_  
c. Audit, FYE \_\_\_\_\_  
(FA)

3-88

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-6

PAGE 4 OF 6

OPERATING BUDGET LIMITED REVIEW CHECKLIST PHA-OWNED RENTAL HOUSING

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

PFS (con't)

10. Itemize Subsidy				
a. Current Year Eligibility	_____			
b. Utility Adj. (FYE_____)	_____			
c. Investment Income Adj. (FYE _____)	_____			
d. Audit Adj. (FYE _____)	_____			
Other Adj. (Itemize and include any offsets)	_____			
f. Total Eligibility	_____			
(FA)				

11. Does Line 10 above agree with Line 960 of the Operating Budget? \_\_\_\_\_  
(FA)

12. Are the utility rates shown on Form HUD-52722A reasonable? \_\_\_\_\_  
(Engineer)

13. Are the applicable three years being used on Lines 1, 2, and 3 on Form HUD-52722A, in accordance with Section 990.107 of the PFS regulations? \_\_\_\_\_  
(Engineer)

14. Are the utility rates and consumption amounts shown on Form HUD-52722B reasonable? \_\_\_\_\_

(Engineer)

3-89

---

7475.1 REV. Financial Management Handbook

EXHIBIT 3-6

PAGE 5 OF 6

OPERATING BUDGET LIMITED REVIEW CHECKLIST PHA-OWNED RENTAL HOUSING

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Question

Remarks

Operating Reserves

To determine the cash available in the operating reserve, and analyze the relationship between the projected reserve balance and the maximum reserve authorized, the following calculation should be performed:

1. Latest actual Operating Reserve (\_\_\_\_\_) date. \$ \_\_\_\_\_
2. Sum of Projected increase or decrease in operating reserve for current budget year and requested budget year. \$ \_\_\_\_\_
3. Projected Operating Reserve for requested budget year. (Line 1 plus Line 2) \$ \_\_\_\_\_
4. Maximum Operating Reserve authorized. \$ \_\_\_\_\_
5. Percentage of maximum (Line 3 divided by Line 4). \_\_\_\_\_ %
6. Analyze projected cash flow utilizing Balance Sheet (Form HUD-52595) for date shown in Line 1 as Follows:

Operating Reserve (Account 2820)	\$ _____
LESS:	
Accounts Receivable (Accounts 1122-1145)	\$ _____
Advances (Accounts 1155-1157)	\$ _____
Deferred Charges (Account 1211-1290)	\$ _____
Total Reductions	\$ _____
Available Cash	\$ _____
ADD:	
Projected Increase (Line 2 above )	\$ _____
Projected Cash Available (FA)	\$ _____

3-90

---

EXHIBIT 3-6

PAGE 6 OF 6

OPERATING BUDGET LIMITED REVIEW CHECKLIST PHA-OWNED RENTAL HOUSING

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Financially or Operationally Troubled Gross Indicators (1,250 or more dwelling units)

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

1. Does budget project an Operating Reserve level of less than 20% of the maximum? (FA)	___	___	___	
--	-----	-----	-----	--

2. As Operating Reserve between 20 and 40% of the maximum? (FA)	___	___	___	
--	-----	-----	-----	--

3. Do vacancies exceed 3% of available dwelling units, or are than 5 vacant units after adjusting for on-schedule modernization? (HMS)	___	___	___	
---	-----	-----	-----	--

4. Do accounts receivable from Tenants in Possession exceed 10% of monthly rental and other charges? (HMS)	___	___	___	
---	-----	-----	-----	--

Recommendations:

Approval	—	—	Approval	—	—	Approval	—	—
Disapproval	—	—	Disapproval	—	—	Disapproval	—	—
Modified Approval	—	—	Modified Approval	—	—	Modified Approval	—	—

_____	_____	_____
FA	HMS	Engineer

3-91

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

Submission (Check One)

— Original — Resubmission No. — Revision No. —

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Date Rec'd \_\_\_\_\_ 45th Day \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

General Budget

1. Have all vacant deprogrammed units  
nondwelling units, and employee  
units, for which rent is not being  
charged in accordance with 24 CFR 960  
been excluded from the calculation  
of unit months? \_\_\_\_\_

2. Has Housing Management Specialist (HMS)  
Detailed Review Checklist been received  
and comments adhered to? \_\_\_\_\_

3. Has Engineer's Detailed Review Checklist  
been received and comments adhered to? \_\_\_\_\_

4. Do amounts included in Columns 2 and 3  
of Operating Budget agree with the year  
end financial statements and/or latest  
approved budget? \_\_\_\_\_

5. If PHA has over 75 units, (excluding  
Section 23) have all required  
employees been certified as  
Housing Managers? \_\_\_\_\_

3-92

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-7

PAGE 2 OF 8

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

General Budget (con't)

6. Does the budget include any illegal or  
ineligible expenditures? \_\_\_\_\_

7. Has budget been reviewed (and corrected,

if necessary) for mathematical errors or errors in application of accounting procedures?      \_\_\_\_\_

#### Operating Income

1. Refer to PFS checklist for operating income for PHAs under PFS. If budget does not agree with PFS calculations on Form HUD-52721A, is variance realistic and justifiable?      \_\_\_\_\_

#### Operating Expenditures

1. If the PHA is under contract management, does PUM for administration agree with management fee in the management contract?      \_\_\_\_\_

2. Are amounts budgeted for salaries and positions reasonable?      \_\_\_\_\_

3. If the PHA has other HUD-aided or nonaided programs, are prorations of salaries and other administration expenses to these programs reflected on Forms HUD-52566 and 52571?      \_\_\_\_\_

Is proration reasonable?      \_\_\_\_\_

3-93

---

7475.1 REV      Financial Management Handbook

EXHIBIT 3-7

PAGE 3 OF 8

#### OPERATING BUDGET DETAILED REVIEW CHECKLIST FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

#### Operating Expenditures (con't)

4. Has the PHA scheduled single audit during the requested budget year?      \_\_\_\_\_

5. Are maintenance salaries in line with (no less than) the latest approved Maintenance Wage Rate Determination (Form HUD-52158)? Effective date of latest Form HUD-52158.      \_\_\_\_\_

7. Does Form HUD-52573 contain adequate justification to support budgeted amounts? \_\_\_\_\_

8. Does PILOT (Line 520) equal 10% of shelter rent? (Line 040 minus Line 390 times 10%). \_\_\_\_\_

#### Nonroutine Expenditures

1. Are nonroutine expenditures explained in sufficient detail on Form HUD-52567? \_\_\_\_\_

#### Other Expenditures

1. Are amounts included in these line items sufficiently explained? \_\_\_\_\_

Line 910 of Form HUD-52564 (Section 23)

1. Does the Basic Annual Contribution (Leased project) agree with the amount in the latest approved Annual Contributions Contract? \_\_\_\_\_

3-94

---

#### Financial Management Handbook

7475.1 REV.

EXHIBIT 3-7

PAGE 4 OF 8

#### OPERATING BUDGET DETAILED REVIEW CHECKLIST FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N A	Remarks
-----------	-----	----	-----	---------

#### Other HUD Contributions

#### PFS

1. Have the PFS Forms been reviewed and found to be correct? \_\_\_\_\_

2. Has independent audit cost on Line 03 of Form HUD-52721A been verified? \_\_\_\_\_

3. What rent roll was used in calculating estimated dwelling rental income (Line 06 of Form HUD-52721A) \_\_\_\_\_? Is it correct? \_\_\_\_\_

4. Has average (projected) occupancy



percentage (Line 09 of Form HUD-52721A)  
been calculated in accordance with the  
vacancy rule? \_\_\_\_\_

5. Is Interest on General Fund Investments  
(Line 11 of Form HUD-52721A) based on  
estimated investment income  
requirements? \_\_\_\_\_

6. Does PUM for Other Income agree with budgeted amount for Excess Utilities plus Nondwellling Rentals, plus Applicable Other Operating Receipts? Are the amounts reasonable based on past history? \_\_\_\_\_

3-95

7475.1 REV. Financial Management Handbook

EXHIBIT 3-7

PAGE 5 OF 8

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

PFS (con't)

7. Does difference in PFS and budgeted other income represent income excluded by PFS regulations? \_\_\_\_\_

8. Does Line 16 of Form HUD-52721A agree with the unit months used on the operating budget? \_\_\_\_\_

9. Have all required adjustments been processed?           

a. Utility, FYE \_\_\_\_\_

b. Investment Income, FYE \_\_\_\_\_

c. Audit, FYE \_\_\_\_\_

10. Itemize Subsidy

a. Current Year Eligibility \_\_\_\_\_

b. Utility Adj. (FYE \_\_\_\_ ) \_\_\_\_\_

c. Investment Income Adj. (FYE \_\_\_\_ ) \_\_\_\_\_

d. Audit Adj. (FYE \_\_\_\_ ) \_\_\_\_\_

e. Other Adj. (Itemize and include any \_\_\_\_\_  
offsets) \_\_\_\_\_

f. Total Eligibility \_\_\_\_\_

3-96

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-7

PAGE 6 OF 8

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

PFS (con't)

11. Does Line 10 above agree with Line 960 of the Operating Budget?	_____	_____	_____	
---	-------	-------	-------	--

12. Are the utility rates and consumption amounts shown on Form HUD-52722A reasonable?	_____	_____	_____	
--	-------	-------	-------	--

13. Are the utility rates and consumption amounts shown on Form HUD-52722B reasonable?	_____	_____	_____	
--	-------	-------	-------	--

Section 23

1. Does operating subsidy agree with subsidy requests?	_____	_____	_____	
--	-------	-------	-------	--

NOTE: Subsidy should be the lesser of the amount of the deficit shown on Line 920 or the amount necessary to keep reserves at 40% of maximum.

Operating Reserves

To determine the cash available in the operating reserve, and analyze the relationship between the projected reserve balance and the maximum reserve authorized, the following calculation should be performed:

- |  |         |
|--|---------|
| 1. Latest actual Operating Reserve (_____) date  | \$_____ |
| 2. Sum of Projected increase or decrease in operating reserve for current budget year and requested budget year. | \$_____ |

3-97

---

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
FINANCIAL ANALYST (FA)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Questions	Yes	No	N/A	Remarks
-----------	-----	----	-----	---------

Operating Reserves (con't)

3. Projected Operating Reserve for requested  
budget year. (Line 1 plus Line 2) \$\_\_\_\_\_

4. Maximum Operating Reserve authorized. \$\_\_\_\_\_

5. Percentage of maximum (Line 3 divided  
by Line 4). \_\_\_\_\_%

6. Analyze projected cash flow utilizing Balance Sheet  
(Form HUD-52595) for date shown in Line 1 as follows:

OPERATING RESERVE (Account 2820) \$\_\_\_\_\_

LESS:

Accounts Receivable (Accounts 1122-1145) \$\_\_\_\_\_

Advances (Accounts 1155-1157) \$\_\_\_\_\_

Deferred Charges (Account 1211-1290) \$\_\_\_\_\_

TOTAL Reductions \$\_\_\_\_\_

Available Cash \$\_\_\_\_\_

ADD:

Projected Increase (Line 2 above ) \$\_\_\_\_\_

Projected Cash Available \$\_\_\_\_\_

Financially or Operationally Troubled Gross Indicators (1,250 or  
more dwelling units)

1. Does budget project an Operating Reserve  
level of less than 20% of the maximum? \_\_\_\_ \_\_\_\_ \_\_\_\_

2. Is Operating Reserves between 20 and 40%  
of the maximum. \_\_\_\_ \_\_\_\_ \_\_\_\_

3-98

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Question Yes No N/A Remarks

Financially or Operationally Troubled Gross Indicators (1,250 or more dwelling units) (con't)

3. Do vacancies exceed 3% of available dwelling units or more than 5 vacant units, after adjusting for on-schedule modernization? \_\_\_\_\_

4. Do accounts receivable from tenants in possession exceed 10% of monthly rental and other charges? \_\_\_\_\_

5. Is the physical condition of units deteriorating to a degree threatening the long-term viability of the projects? \_\_\_\_\_

Recommendation: Approval \_\_\_\_\_  
Disapproval \_\_\_\_\_  
Modified Approval \_\_\_\_\_

FA \_\_\_\_\_ Date \_\_\_\_\_

3-99

7475.1 REV. Financial Management Handbook

EXHIBIT 3-8

PAGE 1 OF 3

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
HOUSING MANAGEMENT SPECIALIST (HMS)

Submission (Check One)

Original Resubmission No. \_\_\_\_\_ Revision No. \_\_\_\_\_

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Date to HMS \_\_\_\_\_ Date Due to FA \_\_\_\_\_

Attached is the subject PHA's operating budget/budget revision. Based on this budget and any additional information, please forward your comments on the following items to the Financial Analyst.

1. Has PHA been conducting annual reexams in accordance with 24 CFR 960.209? (If not, refer to 24 CFR 990.115 for conditions on

subsidy payments.)

2. Has PHA been calculating rents in accordance with 24 CFR 913? If not, is there a justifiable reason that subsidy should not be withheld?

3. Operating Receipts (Lines 010-060 of Form HUD-52564 and Form HUD-52573)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

3-100

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-8

PAGE 2 OF 3

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
HOUSING MANAGEMENT SPECIALIST (HMS)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

4. Administration (Lines 110-190 of Form HUD-52564, Forms HUD-52573, HUD-52566 and HUD-52571)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

5. Tenant Services (Lines 210-290 of Form HUD-52564)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

6. Ordinary Maintenance and Operations (Lines 410-450 of Form HUD-52564 and Form HUD-52573)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

7. Protective Services (Lines 460-490 of Form HUD-52564)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

3-101

---

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
HOUSING MANAGEMENT SPECIALIST (HMS)

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

8. General Expense (Lines 510-600 of Form HUD-52564 and Form HUD-52573)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

9. Rents to Owners of Leased Projects (Line 610 of Form HUD-52564)

The amounts budgeted are: Reasonable ☐ Unreasonable ☐

Comments:

10. Nonroutine Expenditures (Lines 710-790 of Form HUD-52564, Forms HUD-52573 and HUD-52567)

The items included and amounts budgeted are:

Reasonable ☐ Unreasonable ☐

Comments:

Recommendation: Approval ☐  
Disapproval ☐  
Modified Approval ☐\_\_\_\_\_  
HMS\_\_\_\_\_  
Date

3-102

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
ENGINEER

Submission (Check One)

— — —

\_ Original \_ Resubmission No. \_\_\_\_\_ \_ Revision No. \_\_\_\_\_

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Date to Engineer \_\_\_\_\_ Date Due to FA \_\_\_\_\_

Attached is the subject PHA's original operating budget/budget revision. On the basis of your observations during the latest survey and any other available information, please forward your comments on the following items to the Financial Analyst.

1. Excess Utilities - Line 020 of Form HUD-52564

The amount budgeted and supported on Form HUD-52673 is:

Reasonable \_\_\_\_\_ Unreasonable \_\_\_\_\_

Comments:

2. Utility Allowances (Reference 24 CFR 965.470-480)

Current utility allowances have/have not been calculated and revised in accordance with 24 CFR 965.470-480 and are

Reasonable \_\_\_\_\_ Unreasonable \_\_\_\_\_

Comments:

3-103

---

7475.1 REV. Financial Management  
Handbook

EXHIBIT 3-9

PAGE 2 OF 3

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
ENGINEER

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

3. Utility Adjustment (Reference 990.107(d) to (f))

The rates and consumption amounts on Form HUD-52722A are:

Reasonable \_\_\_\_\_ Unreasonable \_\_\_\_\_

Comments:

4. Ordinary Maintenance and Operation (Lines 410-450 of Form HUD-52564 and Form HUD-52573)

Amounts budgeted for Labor, Materials and Contract Costs are:

Reasonable \_\_\_\_\_ Unreasonable \_\_\_\_\_

Comments:

5. Nonroutine Expenditures (Lines 710-790 of Form HUD-52564 and Forms HUD-52573 and HUD-52567)

Individual items included and amounts budgeted for  
Extraordinary Maintenance, Replacement of Equipment,  
Betterments and Additions and Other Nonroutine Expenditures are:

Reasonable      ☐      Unreasonable      ☐

Comments:

3-104

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 3-9

PAGE 3 OF 3

OPERATING BUDGET DETAILED REVIEW CHECKLIST  
ENGINEER

PHA \_\_\_\_\_ Fiscal Year Ending \_\_\_\_\_

Recommendation:      Approval      ☐      ☐  
                                 Disapproval      ☐  
                                 Modified Approval      ☐

\_\_\_\_\_  
Engineer      Date

3-105

---



CHAPTER 4. CASH MANAGEMENT

4-1. OVERVIEW.

Cash management is the process of managing the cash flow of a Public Housing Agency (PHA) to optimize its use of funds. This process involves the timing of receipts and disbursements to assure the availability of funds to meet expenditures and to maximize the yield from the investment of temporarily surplus funds. Effective cash management calls for organized planning. Good relations between the PHA and the financial institution can improve the effectiveness of a cash management program.

4-2. SELECTING A BANK--GENERAL.

a. Range of Bank Services.

- (1) Commercial banks and savings and loan associations are equipped to provide a number of services to PHAs. The services which they provide are: (1) Collection services (lock box systems, transfer of funds, bank messengers, safe deposit boxes and night depositories); (2) Account services and deposit management (regular checking accounts, concentration accounts and "zero balance accounts" used to speed concentration of collected funds so they can be invested), and special disbursement services (such as payroll processing); (3) Monitoring and recording services (daily account notification, account reconciliation and special computer services); and (4) Investment services (day-of-deposit-to-day-of-withdrawal savings accounts, other time and savings accounts, repurchase agreements, approved money-market instruments and investment advice).
- (2) Because of the high level of competition for the investment of short-term funds and the ready availability of such investment services, the investment services mentioned above should not be included in the banking contract when the PHA has the staff to manage its own investments.

b. General Depository Agreement.

The General Depository Agreement (Form HUD-51999) shown in Exhibit 4-1, must be executed by the PHA and the depository. The depository must be a bank or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC), Federal Saving and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA).

---

c. Reviewing Bank Services.

The PHA can improve its cash management significantly by reexamining its banking relationship. To do this, the PHA should know what bank services it uses and the cost of such services to the PHA. The PHA should plan to solicit periodic competition among banks for providing these services and should plan periodic evaluation of its banking relationship.

d. Minority-Owned Institutions.

In order to promote minority enterprise and to support the Minority Bank Deposit Program (MBDP), the PHA is encouraged to use minority financial institutions to the maximum feasible extent. A list of minority owned banks, savings and loans, and credit unions participating in the MBDP can be obtained from the Funds Flow Division, Financial Management Services, Department of Treasury, Liberty Center Building, 404 Fourteen Street, N.W., Washington, D.C. 20227.

e. Arranging for Services.

Banking services shall be arranged by selecting a bank through competitive solicitation to assure the PHA that it receives the banking services provided at the lowest cost. It should be noted, however, that PHAs must designate a single bank account for the deposit of all payments that are received from HUD through Direct Deposit-Electronic Funds Transfer (DD-EFT). (A Standard Form 1199A, Direct Deposit Sign-Up Form, must be submitted to designate this account.) Once the funds are received, they may be transferred to separate accounts according to the applicable program handbook.

(1) Procurement Procedure and Period of Service

Banking services should be periodically solicited through competitive solicitation. The solicitation in the form of a Request for Proposal (RFP) would permit the PHA to evaluate the quality of the services received as well as the price. This periodic process should prevent the bank supplying the services from becoming complacent in its dealings with the PHA.

(2) Solicitation Process.

The solicitation process involves four steps: (1) the PHA must determine the type and quantity of services required; (2) it should prepare a Request for Proposal (RFP) and circulate it to the competing banks; (3) it must review the proposals and make the criteria for selection public; and (4) it should select a bank and execute a depository agreement with it. (See Exhibit 4-1, General Depository Agreement.)

f. Evaluating Cost.

- (1) It is difficult to determine bank compensation for services where "packages" of financial services are being requested. Transaction services such as deposit or check processing can be measured and priced on a per unit basis. Investment services are more difficult to price as they usually are tied to fluctuating interest rates. A suggested approach to pricing these services is to "benchmark" or tie the charges to a quoted interest rate. Banks that are not able to give actual costs of specific services should be able to provide estimates.
- (2) Usually banks provide a monthly analysis of the activity within its customers account. If a bank's analysis report is inadequate or unclear or incorrect, then the PHA should request a written explanation and/or a format change. The account analysis should contain the following:
  - (a) A recap of the PHA's monthly activities, listing of the number of deposits processed, the number of checks cleared, the number of returned checks, the number of wire transfers made, etc.
  - (b) A notation of the monthly cost of the specific activity, as well as the unit price for each activity.
  - (c) A full explanation and proper documentation of any other charges, such as investment advice, check printing charges, account reconciliation charges, account maintenance charges, etc.
  - (d) Evidence whether the charges are paid with direct fees or compensating balances.

- (e) A complete computation of average daily deposits,

average funds in the process of collection, average withdrawals (checks written) and the resultant average daily collected balances.

- (f) Show both computation of the bank's reserve requirements and the method (and rate) by which the bank values the PHA's balances if compensating balances are used to defray service charges.
- (g) The PHA may recover the excess earnings if compensating balances exceed those necessary to cover the required amount.
- (h) If compensating balances are insufficient, the resulting charges to the PHA should be enumerated fully along with the expected method by which payment should be made.

g. Payment Methods.

Basically, there are two methods used to pay for banking services. The simplest is to pay the bank each month for services performed. The second method, a compensating balance, in which the bank is not paid directly for services rendered, because the PHA maintains a minimum noninterest-bearing deposit which compensates the bank for the cost of the services provided.

h. Zero Balance Accounts.

Zero Balance Accounts (ZBA) is a system provided by banks to perform accounting transfers which "zero" the balances in each sub-account (i.e. payroll account, receipt account, etc.). When checks are presented against the zeroed sub-accounts, the bank automatically funds them from the main concentration account. Thus, it is unnecessary to maintain balances in individual accounts. The ZBA system provides the PHA with aggregate balance information and reports totals for all accounts as a single balance.

i. Risk of Bank Failure.

Regardless of governmental actions to prevent bank failures, the possibility does exist especially in recessionary periods. The incidence of problem loans at a bank may rise, reflecting the financial difficulties of the bank's loans and resulting in

depressed earnings for the bank. When a bank fails,

deposits in amounts exceeding the \$100,000 insurance limit are at risk and may not be made whole.

- (1) A PHA should make every effort to determine the soundness of its banks even though the information is not readily available.

The Federal regulatory agencies do not make public their evaluations of troubled banks and thrifts. Thrifts and certifications of banks by accountant auditors are no guarantee against failure. Private firms of banking specialists such as Keefe, Bruyette & Woods, Inc. and Cates Consulting Analysts keep comprehensive data on all commercial banks, but the high cost of their analytical service could be prohibitive. Standard & Poor's publishes credit ratings of bank holding companies. The large accounting firms offer a similar service.

- (2) A bank's own published financial statements may be the only source of data available.

Statements must be reviewed for any decline in earnings and profitability. Specific items to note in making an evaluation should include: the ratio of equity (net worth) to assets, the return on assets, the adequacy of loan-loss reserves, the percentage of non-performing loans, and the recovery rate of charge-offs (bad loans). The government regulatory agencies vary in their net worth requirements for banks, but generally consider a three percent ratio of equity to total assets an adequate cushion against losses.

#### 4-3. COLLATERALIZATION OF DEPOSITS.

PHAs shall require their depositories to continuously and fully (100%) secure all deposits whether regular, savings, or time that are in excess of the \$100,000 insured amount. This may be accomplished by the pledging or setting aside collateral of identifiable U.S. Government securities as prescribed by HUD (see sub-paragraph b, c, and d of paragraph 4-8 of this Chapter). The PHA has possession of the the securities (or the PHA will take possession of the securities) or an independent custodian (or an independent third party) holds the securities on behalf of the PHA as a bailee (evidenced by safe keeping receipt and a written bailment for wire contract) and will be maintained for the full term of the deposit. Such securities shall be owned by the depository and the manner of collateralization shall provide the PHA with a continuing perfected

security interest for the full term of the deposit in the collateral in accordance with applicable laws and Federal regulations. Such collateral shall, at all times, have a market value at least equal to the amount of the deposits so secured.

#### 4-4. CASH BUDGET.

##### a. Justification.

Cash budgeting is important because knowledge of expenditure timing and the extent of cash availability permits the design of an investment strategy. The result of planning should be a cash budget including estimates of the sources and uses of cash over a definite period of time. A cash budget basically is a financial plan to improve cash flow and provide overall financial control. It involves a continuous effort to monitor and specify the flow of cash through the PHA's accounts.

##### b. Time Period.

A time period must be selected for the cash budget. Although PHA rentals are collected monthly and are the principal source of revenue, aside from the HUD development and modernization funding and operating subsidy payments, a shorter period for cash flow analysis reflecting the frequency of anticipated drawdown of Federal funds is recommended. Separate cash budgets should be developed for operations and for development and modernization programs in order to schedule Federal payments. It is further recommended that the cash budget should be constructed for the entire fiscal year to allow for income and expenditures that may vary from month to month. It is also recommended to budget for shorter periods for the current month or quarter. It should be updated monthly to reflect rental receipts and other new information available to the PHA.

##### c. Budget Examples .

The Exhibits are for illustration purposes only and do not constitute required formats. Exhibit 4-2 is an example of an Estimated Operating Cost Budget. Exhibits 4-3 and 4-4 illustrate Estimated Development and Modernization Cost Budgets. Exhibit 4-5 is a suggested format for the Net Cash Budget.

##### d. Estimating Operating Cost.

- (1) Exhibit 4-2, Estimated Operating Cost Budget, consists of forecasts of PHA income and expenses by month. A number of techniques can be used to forecast rental income. A table showing the rental income and expenses for the past several years provides a historical perspective that can be used to

---

Financial Management  
Handbook

7475.1 REV.

project future monthly cash flow. A simple equation can be used to forecast income and expenses on the basis of expected tenant occupancy and rental charges per unit. (Such computations can be performed on ordinary business pocket calculators.) While there may be some situations where more sophisticated forecasting techniques would be useful, the benefits of increased accuracy must be balanced against the increased cost of using more refined techniques. To optimize the flow of cash, invoices should be paid as late as possible under the terms stated without incurring any penalties or losses of discounts.

- (2) Line 1 (Rental Dwelling) is the total of estimated rental income in each month of the fiscal year. (Subtract Tenant Accounts Receivable). Scheduled rent increases should be reflected in the forecast. Line 2 (Excess Utilities) is the projected monthly sum of cash from charges for excess utility consumption and reflects the seasonal pattern of such charges. Line 3 (Interest on General Fund Investments) is the projected amount of funds from approved investments. Line 4 (Other Income) includes income from the operation of the project which cannot be otherwise classified, i.e., penalties for delinquent payments, sales and services to tenants, rental of equipment, charges for community space, charges to other programs for the use of central office management and maintenance space, profits from vending machines and laundry facilities. Line 5 (Total Estimated Income) is the sum of Line 1 through 4. In each case, the amount used should be the amount expected to be actually collected and not the amount due. If payments are delayed, the estimated operating cost should reflect the delay.
- (3) Line 6 (Salaries and Wages) is the net amount paid after all payroll deductions and withholdings. It is treated in this manner because of timing differences between paying employees and making Federal deposits and other payments of withholdings from employees' pay. The forecasts should take into account anticipated changes in the number of employees (particularly seasonal changes) and anticipated salary and wage changes. Line 7 (Payroll Taxes) should include such expenses as Federal Income Tax withheld, State Income Tax withheld, Federal Insurance Compensation Act (FICA) tax withheld plus the PHA portion, and unemployment taxes, if applicable. These payments

should be reviewed to assure the longest deferral of payment possible under the law. Line 8 (Employee Benefit Plans) includes payments for employee health benefits, group life insurance premiums, and pension plan payments. Forecasts should reflect anticipated rate changes affecting costs of the plans, changes in the number of covered employees and changes in

4-7

---

7475.1 REV. Financial Management  
Handbook

the employee benefit package. As with other expenses, the PHA should arrange to make all contractual payments for its employee benefit plans as late as possible. Line 9 (Material and Supplies) includes office supplies, supplies for vehicles (gas, oil, tires, etc.) and maintenance materials and supplies.

- (4) Line 10 (Utilities) includes estimated payments for all utilities provided: electricity, gas or oil, sewage, water, telephone, trash collection, etc. The utility payments should be scheduled to take advantage of the cash discounts offered and to avoid any penalties. Adjustments should be made to reflect seasonal variations. Line 11 (Contracts) consists of expenses for contracts for tenant services and other services. Line 13 (Insurance Payments) consists of payments for premiums on each insurance policy. Line 13 (Payments in Lieu of Taxes (PILOT) has been predetermined (see paragraph 6-6, PHA preparation of HUD-52267 - Computation of Payments in Lieu of Taxes (PILOT)). Line 14 (Other Routine Expenses) consists of scheduled expenses not classified elsewhere. Line 15 (Nonroutine and Other Expenses) includes expenses that are not recurring and not covered in the modernization budget. The cash manager should work with the manager in developing estimates of cash needs for capital expenditures.

- (5) Line 16 (Total Estimated Expenses) is the sum of Lines 6 through 15. Line 17 (Net Cash Flow from Operations) is the result of Line 5 (Total Estimated Income) deducted from Line 16 (Total Estimated Expenses).

e. Estimating Development and Modernization Cost.

Exhibit 4-3, Estimated Development and Modernization Cost Budget consists of forecasts of PHA planned development and modernization cost by month. Form HUD-52826, Schedule/Report of Modernization Expenditures and Form HUD-5372, Construction Progress Schedule showing monthly



planned expenditures can be used to project future monthly cash flow. The subtotals of development and modernization should be totalled, then entered in row titled "Total Costs". The row titled "HUD Advances" is the amount of funds requested on the Form HUD-5402 "Requisition for Funds". This amount is Line 2 of Exhibit 4-5.

Exhibit 4-4, Daily Estimated Development and Modernization Cost Budget consists of actual invoices and cost incurred by PHA for development and modernization cost by the date the payments shall be made. Column 1 (Date), enter the date the payments are due to the creditor. Column 2 (Project Number), enter the project or modernization number for the project that requires payment. Under that column, enter the total amount requested on

4-8

---

Financial Management  
Handbook

7475.1 REV.

that date. Column 3 (Total) is the total amount requested for all projects on that particular date. Row (Total) is the amount of cash available at the end of the month. It is possible to invest these funds on a daily basis, therefore funds may not be available for investment for a monthly cash flow projection analysis.

f. Cash Flow Budget Projections.

Exhibit 4-5, Net Cash Budget, utilizes the Estimated Operating Cost Budget (Exhibit 4-2) and Estimated Development and Modernization Cost (Exhibit 4-3 or 4-4) to forecast the funds available for PHA cash balances and investments. (For illustration purposes only, not a required format.) Line 1 is identical to Line 17 of Exhibit 4-2 (Net Cash Flow From Operations). Line 2 (Estimated Cash Available From Development and Modernization) is identical to the Row (HUD Advances) of Exhibit 4-3 or Row (Totals) of Exhibit 4-4 (Estimated Development and Modernization Cost Budget). For the first month, Line 3 (Cash Balance at the Beginning of the Month) is the cash balance available as of the first day of the PHA fiscal budget year. The value for the remaining months is Line 4 (Cumulative Cash) for the preceding month. Line 4 (Cumulative Cash) is the sum of Lines 2 and 3. Line 5 (Target Level Cash) is the amount of funds that the PHA determines is needed on hand for transaction purposes or safeguard against cash shortages. Line 6 (Cash Surplus or Need) is the result of Line 5 (Target Level Cash) deducted from Line 4 (Cumulative Cash). If a negative value results, then a cash deficiency problem may become apparent and investing funds should be delayed until the cash surplus is available and consistent. If a positive value results then it is an indication of funds available for

investment. The invested funds should be scheduled to mature at the time of projected cash needs.

g. Factors for Cash Flow Budget Projections.

These factors should be taken into consideration in determining future cash needs. These factors will also assist in determining the frequency, amount and timing of operating subsidy payments.

- (1) Collection of rental income (including late rent payments);
- (2) Seasonal variation in utility bills;
- (3) Approximate dates of recurring payments, i.e., salaries, wages and benefits;

4-9

---

7475.1 REV. Financial Management Handbook

- (4) Approximate dates of utility and employee benefits payments;
- (5) Drawdown of/provision for the operating reserve;
- (6) Adjustments of prior year's operating subsidy eligibility (i.e., Utility and Target Investment Income Adjustments.

h. Further Guidance.

One publication covering cash management for local governments is:

Improving Cash Management in Local Government: A Comprehensive Approach. By: Frank M. Patitucci and Michael H. Lichtenstein.  
Published by: Municipal Finance Officers Association (Government Finance Officers Association)

4-5. INVESTMENT OF FUNDS.

a. Funds Available for Investment.

Funds on deposit in the General Fund are comprised of four components: (1) funds for current transaction purposes, (2) development and/or modernization funds, (3) funds exceeding those necessary for the daily operation of the PHA which are considered available for investment and (4) any operating reserved funds. As a general rule, the average amount on deposit in the General Fund cash accounts (the

targeted maximum cash balance) should be the amount needed on hand for transaction purposes or as a safeguard against cash shortages.

b. Requirement in Annual Contributions Contract.

Section 401(E) of the Annual Contributions Contract (ACC) requires that excess funds on deposit in the General Fund shall be invested in investment securities selected by the PHA and approved by HUD. This section defines excess monies as funds in excess of prudently estimated needs for the next 90 days. The requirement does not take into account modern cash management techniques which will allow a reduction in nonearning assets and the requirements of Target Investment procedures of the Performance Funding System (PFS) which require a fuller

4-10

---

Financial Management  
Handbook

7475.1 REV.

investment of assets in calculating operating subsidies. In the interest of good cash management, non-interest/bearing deposits should be reduced to the amount necessary to maintain a good banking relationship.

c. Assigning Responsibility for the Cash Management and Investment Program.

A major factor contributing to the success of the investment program is the delegation of responsibility and authority for developing and executing it. The PHA should compare the cost of establishing a cash management program in-house if qualified professional staff are available to contracting out. If PHAs contract for cash management and investment services, then the organization should have qualified personnel to achieve cost-effectiveness. Commercial banks and savings and loans association now offer such services.

4-6. CASH MANAGEMENT INCENTIVES .

a. Introduction.

Good cash management, which is an objective of management, creates responsibilities for the use of funds. Such responsibilities are placed on both the PHA and HUD for a successful program to benefit both. The primary goals of cash management are to assure the availability of cash for transaction needs, preserve the value of cash resources and earn the maximum return on funds until disbursed.

b. Temporary Funds Available for Investment.

- (1) Each PHA with an average cash balance of \$10,000 or more shall invest such funds in HUD-Approved Investment Securities (see Paragraph 4-8 of this Chapter) in order to at least meet the PFS Target Investment requirements (24 CFR Section 990.109 (e)).
- (2) See Handbook 7475.13, Performance Funding System (PFS), regarding reporting requirements for projecting investment income for the purpose of calculating PFS operating subsidy eligibility. These requirements mandate a minimum investment income (Target Investment Income) for calculating operating subsidies and allow PHAs to retain investment income in excess of the required amount. PHAs should review these requirements carefully in developing their cash management programs.

4-11

---

7475.1 REV                      Financial Management  
   Handbook

c.     Monitoring.

The Office of Finance and Management, PIH, will oversee the overall cash management policy and programs for Public Housing. Actual monitoring of each PHA's cash management will continue to be the responsibility of the respective Field Office.

4-7. INVESTMENT STRATEGY.

a.     HUD-Approved Investments.

A list of investments approved by HUD for the investment of PHA funds is contained in Paragraph 4-8 of this Chapter. PHAs are required to choose from these financial instruments. Within the HUD approved instruments, PHAs are permitted to modify their investment policy without prior HUD approvals. The choice of investments from the approved list should be made using the criteria developed in the remainder of this paragraph.

b.     Determination of Investment Type.

The determination of the best types and mixtures of investments is dependent on several factors. The primary objective is safety. Once that objective is attained, the optimum return on the investment should be consistent with the goals of the cash management program of the PHA. The factors that should be taken into account include the following:

- (1)    Safety.

Safety is achieved through adherence to the list of permitted investments which are backed by the full faith and credit of, or a guarantee of principal and interest by, the U.S. Government, a Government agency or issued by a Government-sponsored agency, coupled with an appropriate maturity date.

(2) Yield.

The PHA should strive to achieve the highest yield consistent with the other factors of the investment policy. Tax-exempt securities are not appropriate for investment by a PHA because it would not benefit from the tax advantage.

4-12

---

Financial Management  
Handbook

7475.1 REV.

(3) Liquidity.

All investments must be capable of being liquidated on one day's notice. Therefore, no investments may be made which impose a longer notice period for redemption or which are not readily marketable.

(4) Maturity.

Investments should be scheduled to mature when the funds are needed. Sale of securities prior to maturity should be avoided due to the inherent risk. (If the market interest rate increases above the yield on the investment, the market value of the securities will decline.) Investments shall be limited to securities maturing in periods of up to one year, or such lesser period that coincides with expected disbursements by the PHA, but not beyond the current financing cycle. PHAs may invest in securities up to three years for the investment of operating reserves.

(5) Amount.

The best type of investment depends, to some degree, on the amount available for investment because certain investments require a large initial amount.

(6) Administrative Cost.

In choosing an investment, a PHA must consider the administrative work involved, particularly with regard to investments of short duration. Substantial amounts can be invested for periods as short as one or two days. However, the administrative costs with small amounts may be greater than the return on the

investment, thus would not be justified. Administrative costs will be higher with a more frequent turnover of investments and must be taken into account together with the yield and term in determining the optimum investment strategy.

c. Cash Management by the PHA.

The PHA should compare the return from an in-house cash management program with a program managed by an agent. If the PHA finds that administrative costs of an in-house program are such that the net yield on investments is less than that obtainable through an alternative, the general rule is that the PHA should use that alternative.

4-13

---

7475.1 REV. Financial Management  
Handbook

d. Cash Management by an Agent.

As an alternative to an in-house cash management program, a PHA may enter into a contract with an approved governmental unit such as a State agency established for this purpose (see Paragraph 4-8(g) Municipal Depository Fund of this Chapter) or another PHA, or a financial institution (excluding investment bankers and brokerage houses) to administer its cash management program. Such a program may include any of the functions of cash management, i.e., receipts, disbursements and investments. Such a contractual arrangement will give a small PHA the expertise and administrative skills which it would not otherwise be expected to have and often can make a cash management program cost-effective.

e. Low-Income Public Housing Development and Modernization Funds.

A PHA engaged in Low-Income Public Housing Development or Modernization programs shall not request funds from HUD in excess of their needs for two 30-day periods. Therefore, a PHA shall not consider investing such funds in securities maturing before 30 days unless it has been determined that such securities can be redeemed at par prior to the maturity date and that the yield will be at least equal to that of shorter term securities than available for investment.

4-8. APPROVED INVESTMENT SECURITIES.

a. Introduction.

In most cases, purchases of securities shall be a date which coincides with expected disbursements by the PHA.

For the purpose of investing operating reserves, issues shall be limited to maturities three years or less. Although some of the following securities have maturities longer than three years, they can be traded in the secondary market.

b. Direct Obligations of the Federal Government Backed by the Full Faith and Credit of the United States.

(1) U.S. Treasury Bills.

These securities are short-term obligations which a PHA or its agent may purchase directly. Treasury Bills with 3-month and 6-month maturities are issued weekly and those with 9-month and 12-month maturities are issued monthly. The minimum denomination is \$10,000. They are issued on a discount basis and are redeemed at par upon maturity.

4-14

---

Financial Management  
Handbook

7475.1 REV.

U.S. Treasury Bills are available for purchase at any time after issuance from investment departments of banks and from dealers in investment securities. Purchases may be made conveniently using the PHA's depository bank. Treasury Bills may be acquired by subscription on the issue date from a Federal Reserve Bank or branch in amounts not in excess of \$200,000. Detailed information is contained in the weekly or monthly announcements which may be received regularly upon application to a Federal Reserve Bank or branch.

(2) U.S. Treasury Notes and Bonds.

These securities are issued periodically by the Treasury Department through Federal Reserve Banks and branches. They are medium to long-term obligations which a PHA or its agent can only purchase in the secondary market to assure that they will mature at a date which coincides with scheduled disbursements by the PHA. Outstanding issues may be purchased from banks or dealers in investment securities at the market price which on any given day may be more or less than the face amount.

(a) U.S. Treasury Notes.

These notes mature in not less than one and not more than 10 years from the issue date and bear interest at fixed rates payable semi-annually.

(b) U.S. Treasury Bonds.

These bonds mature after ten years from the issue date and bear interest at fixed rates payable semiannually. Many issues of bonds are redeemable on call by the Treasury Department before maturity. The yield of such issues usually is computed to the first call date which may be as much as 5 years prior to maturity.

c. Obligations of Federal Government Agencies.

(1) Federal Financing Bank (FFB).

The Federal Financing Bank is authorized to purchase obligations held by Federal agencies and to issue obligations to the public.

4-15

---

7475.1 REV. Financial Management  
Handbook

(2) Government National Mortgage Association (GNMA)  
Mortgage-Backed Securities (GNMA I and GNMA II).

The securities, guaranteed by GNMA are issued by an issuer (a GNMA-approved mortgage lender). The securities are backed by a pool of government-insured or guaranteed mortgages. The holders of the securities receive monthly payments of principal and interest. The minimum denomination issued is \$25,000. The difference in GNMA I and GNMA II is that the GNMA II payment date is on the 20th of the month and the GNMA I payment date is on the 15th; GNMA II uses a central paying agency whereas GNMA I has individual issuers sending checks to investors; and GNMA II has interest rates that vary within a one percent range. The maximum maturity for GNMA I and GNMA II is 30 years, except that GNMA I project loans mature in 40 years.

(3) Government National Mortgage Association (GNMA)  
Mortgage-Backed Securities Program Mortgage-Backed  
Bonds (MBS).

These obligations, guaranteed by GNMA, have been issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). They have been issued in maturities varying from one to 25 years, but have not been sold since 1973. They were in denominations of \$25,000, \$100,000, \$500,000, and \$1,000,000.

(4) GNMA Participation Certificates.



These securities, guaranteed by GNMA, were sold by GNMA as the trustee with various other Federal agencies as trustors. They represent beneficial interest in future payments of principal and interest on mortgage pools. Their maturities range between one and 20 years and the minimum denomination is \$5,000.

- (5) Maritime Administration Merchant Marine Bonds, Notes, and Obligations.

These securities are issued by shipping companies and are backed by the full faith and credit of the U.S. Government. Each issue is further secured by a first preferred ship or fleet mortgage. Maturities and denominations vary.

- (6) Small Business Administration (SBA) Small Business Investment Corporation (SBIC) Debentures.

When authorized by appropriation acts, the SBA may guarantee principal and interest payments on debentures of

4-16

---

Financial Management  
Handbook

7475.1 REV.

SBIC. The SBA may also pool these debentures and sell SBA-guaranteed debentures. These issues have maturities of 10 years and are issued in \$10,000 denominations.

- (7) Tennessee Valley Authority (TVA) Power Bonds and Notes.

These securities are secured by a first charge on net power proceeds. Payment of interest and principal on them is ranked ahead of annual payments to the U.S. Treasury. They have been issued in multiples of \$1,000.

d. Securities of Government-Sponsored Agencies.

- (1) Farm Credit Consolidated System-Wide Discount Notes.

These notes are the secured joint and several obligations of the Farm Credit System which consists of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. They are issued in denominations of \$5,000 and maturities are authorized from 5 to 365 days.

- (2) Federal Farm Credit Banks Consolidated System-wide Bonds.

These bonds are the secured joint and several obligations of the Farm Credit Banks. Their issuance supersedes individual bond issues by the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. They are issued in multiples of \$1,000 for maturities in excess of 13 months and in multiples of \$5,000 for shorter maturities.

(3) Federal Land Banks Consolidated Bonds.

These bonds are the secured joint and several obligations of the Federal Land Banks. They are issued in multiples of \$1,000 and with maturities ranging from 1 to 15 years. The last issuances matures in 1997.

(4) Federal Home Loan Banks Consolidated Obligations.

These securities are the secured joint and several obligations of the Federal Home Loan Banks comprised of:

(a) Bonds

which have maturities of one year or more. They are issued in multiples of \$10,000, \$25,000, \$100,000 and \$1,000,000.

4-17

---

7475.1 REV. Financial Management  
Handbook

(b) Notes

which have maturities of less than one year. They are issued in multiples of \$10,000, \$25,000, \$100,000 and \$1,000,000.

(c) Discount Notes

which have maturities ranging from 30 to 170 days. They are issued in denominations of \$100,000 and \$1,000,000.

(5) FHLMC Mortgage Participation Certificates (PC)  
(Guaranteed)

These certificates represent undivided interest in specific fixed rate, first lien conventional and residential mortgages. FHLMC provides monthly interest and principal payments. The final payment is the first of the month and year in which the last monthly payment on the last maturing mortgage is

scheduled to be be paid.

- (6) Federal National Mortgage Association (FNMA) Debentures.

These debentures are issued in denominations ranging from \$10,000 and with maturities ranging from 20 to 25 years.

- (7) FNMA Notes.

The minimum investment in these notes is \$50,000 with maturities ranging from 1 to 20 years.

- (8) FNMA Short-Term Discount Notes.

These notes are similar to commercial paper and are tailored to the individual needs of investors. They are sold at published rates with maturities of 30 to 270 days and in denominations ranging from \$5,000.

- (9) FNMA Capital Debentures.

These debentures are subordinated to the noncapital debentures, notes, and short-term discount notes. They were last issued in 1975 in a \$10,000 minimum denomination and with maturities of 5 and 25 years.

4-18

---

Financial Management  
Handbook

7475.1 REV.

- (10) FNMA Convertible Capital Debentures.

These debentures are subordinated to all senior obligations, including non-convertible capital debentures. There was one 25-year issue in September 1971 maturing in 1996.

- (11) Student Loan Marketing Associations (SLMA) Obligations.

SLMA issues obligations comprises of guaranteed student loans as follows:

- (a) Floating Rate and Master Notes.

These notes bear interest at rates that vary with the 91-day Treasury Bill rate. Short-term borrowings have an original or remaining term maturity of one year or less.

- (b) The Series E and F Floating Rate Notes.

These notes bear interest at rates which vary with the 91-day Treasury Bill, except that each issue has fixed minimum and maximum rates known as interest rate "collars" for any quarterly interest period.

(c) Zero Coupon Notes.

These notes are shown at net proceeds adjusted for accretion of discount.

e. Demand and Savings Deposits.

Demand and savings deposits at commercial banks, mutual savings banks, savings and loan associations and credit unions are permitted for PHA funds provided that the entire deposit is insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF) or by the Federal Savings and Loan Insurance Corporation (FSLIC). A deposit in excess of the insurance coverage may be made at a depository institution provided that it is 100 percent collateralized by any of the securities listed under subparagraphs b, c, and d of this paragraph. Care should be taken that withdrawals may be made on demand without loss of interest and without penalty.

4-19

f. Money-Market Deposit Accounts.

Money-Market Deposit Accounts at depository institutions that may not be insured fully by the FDIC, NCUSIF, or FSLIC are permitted provided that the certificates are fully backed by 100 percent collateral consisting of securities listed under subparagraphs b, c, or d of this paragraph. When accounts exceed the \$100,000 insurance limitation, their safety also may depend on the PHA's control of the underlying collateral which must consist of clearly identified (not pooled) U.S. Government securities. Possession of the collateral securities and a continuous perfected security interest may be the only sure protection against loss in case of bank failure.

g. Municipal Depository Fund.

A Municipal Depository Fund (Fund) or Local Government Investment Pool which is established by States, municipalities, units of local government or other political subdivisions to serve as an investment fund for PHAs is permitted. The securities purchased by a Fund shall be on the HUD-approved list of investment

securities. PHAs shall have either an undivided or divided interest in securities comprising the Fund. The Fund shall be under the control of the Investment Company Act of 1940, and its objective shall be clearly stated. The investment objective of the Fund shall be to obtain as much income as possible consistent with the preservation and conservation of capital. The Fund shall disclose clearly the basis of earnings and how they are distributed. PHAs shall obtain a statement of potential default and risk and a clear demonstration that withdrawals from the Funds will not be so restricted as to impair a PHA's day-to-day cash management needs. The management fee shall be fixed at a reasonable amount and management shall be passive. PHAs shall limit the amount of funds invested in the Fund to no more than 30 percent of a PHA's available investment funds. The Fund shall disclose the relationships of the investment advisor, manager, trustees, custodian and transfer agent. Each financial advisory relationship shall be evidenced by a written document executed prior to, upon, or promptly after the inception of the financial advisory relationship, or promptly after the creation or selection of the issuer. If the issuer does exist or has not been determined at the time the relationship commences, that written document shall set forth the basis of compensation for the financial advisory services to be rendered.

4-20

---

Financial Management  
Handbook

7475.1 REV.

h. Super NOW Accounts.

Super NOW accounts have been available and approved for public funds since January 1983. They offer a relatively high market rate and are fully transactional (have no limitations on the number of checks or transfers). Insurance and collateral requirements are as above for subparagraph e Demand and Savings Deposits.

i. Certificates of Deposit.

- (1) Certificates of Deposit are permitted at depository institutions that are insured by an agency of the Federal Government. Caution must be exercised for certificates exceeding the \$100,000 insurance limit or when the term is longer than 30-90 days. Although the certificates rate of return may be attractive for larger amounts and longer terms, U.S. Treasury securities offer superior safety and liquidity for the same amounts and terms.
- (2) Certificate amounts above \$100,000 are permitted provided that the excess is 100 percent collateralized by clearly identified (not pooled) U.S. Government

securities. Possession of the collateral securities and a continuous perfected security interest may be the only sure protection against loss in case of bank failure.

- (3) Brokered deposits should be avoided because it is no longer possible to get \$100,000 of insurance on a number of deposits placed by brokers.

#### J. Repurchase Agreements.

Repurchase (repos) agreements for a term not to exceed 30 days may be entered into with Federally insured depository institutions to purchase and sale of securities identified under subparagraphs b, c, and d. A repurchase agreement is an agreement negotiated with a bank usually for a short period (1 to 7 days) wherein securities approved for investment are purchased from that bank at a stated price with the bank agreeing to repurchase them on a specified date for a specified amount. The minimum may vary, although it is usually \$100,000. There are three main types: (1) fixed term, where both parties are bound to the negotiated time period, (2) demand, where the agreement stays in effect until terminated by either party, and (3) day-to-day, where daily renewal is by mutual consent and 24-hour notice is required for termination. The PHA should review existing and future repos for compliance with the following certifications. Prior approval by HUD is not necessary,

4-21

---

7475.1 REV. Financial Management Handbook

however, the repos seller depository or its agency must provide a written certification to HUD, Assistant Secretary for Public and Indian Housing (Office of Finance and Management), the Field Office, and to the PHA (OMB Approval Number 2577-0099).

- (1) that the depository's repo program complies with applicable Federal and State statutes and regulations and that the program does not involve sales or loans of Federal securities by securities dealers that are not regulated or that report to the Federal Reserve Board;
- (2) that the depository owns the underlying Federal securities (approved for repurchase under Paragraph 4-8 of this Chapter) when the repo interest is sold and that the value of the securities is equal to or greater than the amount the PHA pays for the repo;
- (3) that the PHA has possession of the securities (or the

- PHA will take possession of the securities) or an independent custodian (or an independent third party) holds the securities on behalf of the PHA as a bailee (evidenced by a safe keeping receipt and a written bailment for hire contract), from the time the repo interest is sold to the PHA and will be (or is expected to be) maintained for the full term of the repo;
- (4) that the repo agreement and any related documents identify specific Federal securities related to the specific repo purchased by the PHA;
  - (5) that the repo interest does not represent any interest in a pool or fund of Federal securities for which registration under the Investment Company Act of 1940 may be required;
  - (6) that the PHA will have a continuous perfected security interest in the underlying Federal securities under State or Federal law for the full term of the repo (disclosing the method by which perfection has or will be accomplished, i.e., by possession, filing, registration of book-entry securities and/or Federal preemption of State law by Federal regulation);
  - (7) that the depository or a reporting dealer selling the repo has not received any adverse financial report from a credit reporting agency, State or Federal regulatory agency; and
  - (8) that the depository will not substitute other securities as collateral, except to increase the value of the repo security to match the repos's purchase price.

4-22

---

Financial Management  
Handbook

7475.1 REV. CHG-1

---

k. Sweep Accounts.

Sweep Accounts is a contractual agreement between a bank and a PHA which provides that the bank will regularly "sweep" or transfer any available collected balances from the PHA's account into repurchase agreements. The Sweep Accounts agreement shall include all the certification provided in the Repurchase Agreement and adherence to paragraph 4-3, Collateralization of Deposits.

l. Separate Trading of Registered Interest and Principal of Securities.

Separate Trading of Registered Interest and Principal of Securities (STRIPS) are Treasury-based zero-coupon securities which consist of interest or principal on U.S. Treasury securities. STRIPS were issued in minimum increments of \$1,000. STRIPS pays no interest until maturity and the rate of return is "locked in" at the time of purchase. The delivery of STRIPS is accomplished by wire transfer through the Federal Reserve book-entry system. STRIPS shall be in the name of the PHA.

4-9. INVESTMENT OF FUNDS HELD BY HOUSING AGENCY FISCAL AGENTS.

a. Approved Type of Investments.

Funds held by the Fiscal Agent in any of the trust funds shall be invested in strict accordance with the Resolution establishing such funds. Where the Resolution contains no provision concerning the investment of funds, the funds shall be invested in securities approved for General Fund Investment provided such investment will mature or may be redeemed at the option of the purchaser at not less than the purchase price on or prior to the date such funds are required to be disbursed by the Fiscal Agent.

b. Description of Funds.

The funds established by PHA resolutions authorizing the issuance of bonds to finance the development cost of projects are as follows:

(1) Debt Service Fund.

This Fund is established pursuant to the Annual Contributions Contracts and PHA Resolutions providing for the issuance of new PHA bonds. The Fiscal Agent is explicitly required under the form of the Fiscal Agency Agreement entered into since 1964 to purchase and sell investment securities as the PHA, with the approval of the Federal Government, may direct.

---

4-23

3/89

---

Financial Management  
Handbook

7475.1 REV. CHG-1

---

(2) Advance Amortization Fund.

(a) Since 1952, the form of Fiscal Agency Agreement in use requires the Fiscal Agent to invest funds on deposit in the Advance Amortization Fund as the PHA, with the approval of the Federal Government, may direct.

(b) With respect to the investment of funds resulting from a consolidated sale of bonds by an Agency Authority,



```
*****
*
*
*
*
*
*
*
*
*
*
*
GRAPHICS MATERIAL IN ORIGINAL DOCUMENT OMITTED
*
*
*
*
*
```

	form HUD-51999 (1/89)
	ref. Handbook 7475.1
4-25	3/89

---

EXHIBIT 4-1 Page 2 of 2

---

3/89
4-26
form HUD-51999

CHAPTER 5. OPERATING RESERVES - PHA OWNED RENTAL PROGRAM AND LEASED  
HOUSING PROGRAM

5-1. DEFINITION AND PURPOSE.

- a. Section 406 of the ACC states that: "...The PHA may establish out of the Operating Receipts of the Projects, and maintain in the General Fund, reserves for such purposes and in such reasonable amounts as may be required in the prudent operation of the Projects and as may be approved by the Government."
- b. The objective is:
  - (1) to establish the maximum operating reserve which a PHA will be permitted to maintain for PHA-owned rental and leased programs, and
  - (2) to use these reserves for such purposes as may be required in the prudent operation of the PHA.

5-2. AUTHORIZED OPERATING RESERVE.

- a. For all PHA-owned rental and leased housing programs, the maximum authorized operating reserve to be established at the end of a particular fiscal year for each contract shall be equal to one-half (50 percent) the estimated total routine expenditures (Line 600, column (5), of the approved Operating Budget, Form HUD-52564) shown on the subsequent fiscal year Operating Budget; e.g., the maximum authorized operating reserve at the end of fiscal year 1986 would be one-half the budgeted total routine expenses for fiscal year 1987. If HUD approves any amount in excess of one-half of line 600, Form HUD-52564, the PHA shall subdivide the operating reserve account to show the excess approved amounts. The PHA shall also show the excess approved amount separately on line 800 of Form HUD-52599.
- b. The operating reserve may be established at the maximum authorized operating reserve level as quickly as funds are available for this purpose.

5-3. USE OF OPERATING RESERVE.

- a. The operating reserve is available to offset a deficit in operations. If the operations for any fiscal year should result in a deficit, the amount of such deficit (i.e., the amount by which operating expenditures exceed operating receipts for such fiscal year) shall be charged against

the operating reserve maintained for PHA owned, or leased housing, as applicable, to the extent of the balance available in the respective reserve accounts. The deficit applicable to each type of program is chargeable only to the reserve maintained for that program even though all of the projects may be covered by a single ACC.

- b. In preparing your Operating Budget for the requested budget year, and thus forecasting the uses of the funds on deposit in the reserve, it is helpful to determine the amount of the reserves forecast to be cash.

To determine the cash available in the operating reserve, and analyze the relationship between the projected reserve balance and the maximum reserve authorized, the following calculation should be performed:

- |   |          |
|---|----------|
| (1) Latest actual Operating Reserve (_____).  | \$ _____ |
| date  |          |
| (2) Sum of Projected increase or decrease in operating reserve for current budget year and requested budget year. | \$ _____ |
| (3) Projected Operating Reserve for requested budget year.<br>(Line 1 plus Line 2)                                | \$ _____ |
| (4) Maximum Operating Reserve authorized.   | \$ _____ |
| (5) Percentage of maximum (Line 3 divided by Line 4).   | \$ _____ |
| (6) Analyze projected cash flow utilizing Balance Sheet (HUD-52595) for date shown in Line 1 as follows:          |          |
| OPERATING RESERVE (Account 2820)  | \$ _____ |
| LESS:   |          |
| Accounts Receivable (Accounts 1122-1145)  | \$ _____ |
| Advances (Accounts 1155-1157)   | \$ _____ |
| Deferred Charges (Account 1211-1290)  | \$ _____ |
| TOTAL Reductions  | \$ _____ |
| Available Cash  | \$ _____ |
| ADD:  |          |
| Projected Increase (Line 2 above)   | \$ _____ |
| Projected Cash Available  | \$ _____ |

5-4. RESIDUAL RECEIPTS - PHA-OWNED RENTAL PROGRAM AND LEASED HOUSING PROGRAM.

- a. Section 406 of the ACC defines Residual Receipts as the amount, if any, by which the operating receipts exceed the operating expenditures after taking into account all amounts for the establishment of reserves, including all increases or decreases therein.
- b. At the end of a PHA's fiscal year residual receipts should be remitted not later than 60 days to HUD by check if \$2,000.00 or less. A copy of the check shall be forwarded to the PHA's respective Field Office to be maintained on file and will serve as a record of payment remittal. Checks shall be made payable to the Department of Housing and Urban Development and mailed to:

Director, Office of Finance and Accounting,  
Attention: Director, Financial Control and  
Accounting Division/Cash and Securities Section  
AFGAC, U.S. Department of Housing and Urban  
Development, Washington, DC 20410.

If residual receipts are over \$2,000.00, payments should be by wire transfer in accordance with the instructions in Chapter 10, Exhibit 10-1, not later than 60 days after the end of the PHA's fiscal year. A copy of Exhibit 10-1(D) shall be forwarded to the PHA's respective Field Office to be maintained on file and serve as a record of payment remittal.

- c. Retention of Residual Receipts.

The PHA must submit a written request to retain residual receipts to the HUD Field Office not later than 60 days after the end of PHA's fiscal year. Upon receipt of such a request, the Field Office shall review and provide a written response to the PHA within 30 days. Copies of the approval letters authorizing the retention of residual receipts shall be provided to the Region and Headquarters as follows:

Regional Office: 1 copy to Regional Administrator  
Attention: Office of Public  
Housing

Headquarters: 1 copy to Assistant Secretary  
for Administration. Attention:  
Director, Subsidized Housing  
Program Division, AFGH, U.S.  
Department of Housing and Urban  
Development, Washington, DC 20410.

Headquarters: 1 copy to Assistant Secretary  
for Public and Indian Housing.  
Attention: Director, Financial  
Management and Occupancy Division,  
PPF, U.S. Department of Housing  
and Urban Development, Washington,  
DC 20410.

The Field Office Manager or his/her designee may approve such requests authorizing the increase of the Maximum Operating Reserve by the retention of the residual receipts for the purposes of:

- (1) supplementing or replacing Modernization funds (CIAP), which have been approved or are in the process of being approved for a Modernization (CIAP) Program (the PHA must have, as a minimum, submitted a preliminary application for modernization (CIAP) funds in accordance with the policy stated in the Final Rule, 24 CFR 968.5), or
  - (2) obligation of funds approved in a PHA's preceding fiscal year budget, but not fully utilized due to unusual circumstances and, therefore, creating residual receipts.
- d. The approval to retain residual receipts may be for a period of two years, provided that the total amount of residual receipts retained does not exceed the costs of the work items for which the request was made initially and which are included in an approved Modernization Program.
- e. Limitations.
- (1) Supplemental of Modernization (CIAP) Program.  
After both the retention of residual receipts and the Modernization Program have been approved, the PHA has two calendar years in which to utilize fully the retained residual receipts. The two-year period begins with either the approval date of the Modernization Program or the approval date of the retention of residual receipts, whichever is later. If, at the end of the two-year period, the PHA has failed to utilize the retained residual receipts fully, a new request authorizing further retention of the unutilized portion of the retained residual receipts has to be approved. The new request must be accompanied by the latest Quarterly Progress Report

---

Financial Management  
Handbook

7475.1 REV.

and a Narrative Report, submitted in accordance with the instructions contained in the Modernization Handbook, 7485.1 REV 2, Chapter 11.

If the Field Office disapproves a new request by the PHA to retain unutilized residual receipts previously approved, the Field Office must require the PHA to revise its Operating Budget accordingly. The Field Office must also inform the Office of Administration, by letter, to ensure the adequate adjustment of the operating reserve account and the subsequent collection of the unutilized residual receipts. The letter should be sent to the following address:

Director, Office of Finance and Accounting,  
Attention: Subsidized Housing Programs  
Division (AFGH), U.S. Department of Housing  
and Urban Development, Washington, DC 20410.

- (2) Previously approved expenses. When funds approved in a PHA's preceding budget are not fully utilized due to unusual circumstances, and thus result in the creation of residual receipts, the authorization to retain such residual receipts may be granted without the approval of a Modernization (CIAP) Program. This circumstance does not require a Modernization (CIAP) Program to be in process for approval. After approval to retain residual receipts in such cases, the PHA has two years in which to fully utilize the retained residual receipts. The use of such funds is restricted to the work item initially approved in the PHA 5 operating budget.
  - (3) In cases where the initial request was approved authorizing the retention of residual receipts on a multi-year basis and the Modernization (CIAP) Program has been approved, the PHA is not required to submit a new request for any unutilized portion of the retained residual receipts until 2 years after the expiration of the number of years for which the multi-year approval was granted.
- f. The PHA must maintain an accurate accounting of the retained funds in order that it may clearly identify and separate those funds with prior retention approval from the residual receipts of a subsequent fiscal

year. The Field Office shall determine, based on its analysis of the Quarterly Progress Reports, whether the PHA is either, not utilizing or improperly utilizing, the retained residual receipts or if the PHA's progress with the Modernization

5-5

---

7475.1 REV. Financial Management  
Handbook

(CIAP) Program is unsatisfactory. In such cases, the Field Office Manager or his/her designee shall require the PHA to remit immediately to HUD all remaining retained residual receipts.

5-5. COLLECTION OF DELINQUENT RESIDUAL RECEIPTS.

See Chapter 10, Field Office Delinquent Debt Collection Activities.

5-6

---



CHAPTER 6 - PHA FINANCIAL STATEMENTS

6-1. PURPOSE.

This Chapter provides guidance to PHAs in closing their books at the end of the fiscal year and in preparing year-end financial reports. HUD Handbooks RHA 7510.1, Low-Rent Housing Accounting Handbook and HM G 7511.1, Low-Rent Housing Accounting Guide, along with the other HUD development, management and financial manuals, should be consulted for a detailed description of accounts to be maintained and a detailed analysis of HUD accounting requirements. This Chapter addresses four basic areas:

- Specific actions/accounting entries to be performed by PHAs prior to year-end;
- Required year-end closing entries;
- Financial reporting requirements; and
- Preparation of various financial reports.

6-2. PHA YEAR-END FINANCIAL CLOSING (TO BE COMPLETED PRIOR TO CLOSING THE BOOKS).

a. Sometime during each fiscal year a Physical Inventory of Nonexpendable Equipment must be taken - (Low-Rent Housing Accounting Guide, HM G 7511.1 Chapter 9, Section 2, Paragraph 11) - and maintained for the auditors.

(1) The Property Record Cards and the Books of Account should be reconciled to the inventory.

(2) For equipment that cannot be accounted for:

(a) General Ledger

Debit:      Account 6120, Gain or Loss  
              From Disposition of Nonexpendable  
              Equipment

Credit:     Account 1400.4, Land, Structures,  
              and Equipment.

(b) Property Ledger

-      For projects in management;

Credit:     Accounts 1465.1, 1475.1, 1475.2,  
              1475.3 or 1475.7, as applicable.

Financial Management  
Handbook

- For projects in development;

Debit: Account 1410.18, Equipment  
Expended

Credit: Account 1475, Nondwelling  
Equipment, in development cost  
ledger.

- b. On the last day of business of the fiscal year, or shortly before, reimburse the Petty Cash Fund to the amount authorized.

Distribute Petty Cash Vouchers to the applicable Expense Accounts (1410.19, 4190, 4420).

- c. Reconcile Bank Statement.
- d. Take a trial balance of the Tenant Ledger Cards or Accounts.
- (1) Reconcile Account 1122, Accounts Receivable-Tenants, to the trial balance.

Make adjustments for minor differences by either:

Debit: Account 1122, Accounts Receivable  
- Tenants

Credit: Account 3690, Other Income  
  
or

Debit: Account 4590, Other General  
Expense

Credit: Account 1122, Accounts  
Receivable Tenants.

- (2) Write-off all uncollectible accounts insofar as the Operating Budget permits.

- (a) Board Resolution approving all write-offs is required

- (b) General Journal entry for write-off is:

Debit: Account 4570, Collection Losses

Credit: Account 1122, Accounts  
Receivable Tenants.

- (3) For statement purposes only, all prepaid rents should be shown in Account 2240, Tenants Prepaid Rents.

No entry is to be recorded on the PHA Books.

6-2

---

Financial Management  
Handbook

7475.1 REV.

- e. Record any interest earned on savings accounts not previously recorded.

- (1) For PHA Interest:

Debit: Account 1162, Investments  
General Fund and Security Deposit  
Fund

Credit: Account 3610, Interest on  
General Fund Investments.

- (2) For interest earned on the investment of the Security Deposits and payable to the tenants:

Debit: Account 1162, Investment General  
Fund

Credit: Account 2114, Tenants  
Security Deposits.

- f. Record Insurance Expense for Prepaid Insurance Policies.

- (1) Development Period

Debit: Account 1400.2, Development Cost  
Account 1410.19, Administration  
Expense Sundry

Credit: Account 1211, Prepaid  
Insurance.

- (2) Initial Operating Period

Debit: Account 1400.2, Development Cost  
Account 1425/4510, Initial  
Operating Deficit-Insurance

Credit: Account 1211, Prepaid  
Insurance.

- (3) Management

Debit: Account 4510, Insurance

Credit: Account 1211, Prepaid  
Insurance.

- (4) Review Insurance Register for assurance that Account 1211, "Prepaid Insurance" and Account 1212, "Insurance-Deposits" are in agreement.

Reconcile any differences.

6-3

---

7475.1 REV. Financial Management  
Handbook

- g. Take a trial balance of Account 1400.2, "Development Cost", and/or Account 1400.4, "Land, Structures, and Equipment". Reconcile Account 1400.2 or Account 1400.4, as applicable, to the trial balance.
- h. Review Contract Register for assurance that Account 1800, "Contracts - Uncompleted Contracts"; Account 1810, "Contracts Contract Awards - Contra"; and Account 2112, "Accounts Payable - Contract Retentions" are in agreement.

Reconcile any differences.

- i. Take a trial balance of the Tenants Security Deposits. Reconcile Account 2114, Tenants Security Deposits, to the trial balance.
- j. Accrue large payables.
- (1) Account 2135 - Accrued Liabilities Salaries and Wages.
- (2) Account 2134 - Accrued Liabilities Utilities.
- (3) Account 2111 - Accounts Payable Vendors and Contractors.

Goods and services must have been received and, therefore, a liability to pay exists.

- k. Accrue Interest Expense
- (1) HUD obligations - 360 day year.

(a) Development Notes and Bonds - HUD

Debit: Account, 1400.2, Development Cost  
Account, 1420.1, Interest to HUD

or Account 5610, Interest on Notes and  
Bonds Payable

Credit: Account 2131.1, Accrued  
Liabilities Interest Payable-  
Development Notes and Bonds -  
HUD.

(b) Administrative Notes - HUD

Debit: Account 4580, Interest on  
Administrative and Sundry Notes

6-4

---

Financial Management  
Handbook 7475.1 REV.

Credit: Account 2131.2, Accrued  
Liabilities-Interest Payable -  
Administrative Notes - HUD.

(2) Non-HUD Obligations - 360 day year.

(a) Notes - Non-HUD

Debit: Account 5610, Interest on Notes and  
Bonds Payable, as applicable

Credit: Account 2132, Accrued  
Liabilities -Interest Payable  
- Notes - Non-HUD.

(b) Bonds - Non-HUD

Debit: Account 5610, Interest on Notes and  
Bonds Payable, as applicable

Credit: Account 2133, Accrued  
Liabilities -Interest Payable  
- Bonds - Non- HUD.

1. Accrue PILOT - Refer to paragraph 6-7 of this Chapter  
entitled PHA Preparation of Form HUD-52267,  
Computation of Payments in Lieu of Taxes (PILOT).

Debit: Account 4520, Payments in Lieu of  
Taxes

Credit: Account 2137, Payments in  
Lieu of Taxes.

- m. Obtain Fiscal Agent Statement and reconcile the books  
to them. Pick up interest earned on Debt Service and  
Advance Amortization Fund investments.

Debit: Account 1172, Advance Amortization  
Fund

Credit: Account 5230, Interest on  
Debt Amortization Fund  
Investments.

- (1) Include copy of reconciliation with year-end  
financials.
- n. Prepare Trial Balance of the General and Subsidiary  
(Income and Expense) Ledgers.
- o. Verify that all applicable costs have been closed to  
Account 1400.4, Land, Structures and Equipment".

6-5

---

7475.1 REV. Financial Management  
Handbook

- (1) For projects that have reached the end of initial  
operating period during the year

Debit: Account 1400.4, Land, Structures,  
and Equipment

Credit: Account 1400.3, Development  
Cost -Contra.

- (2) For projects that have reached the End of Initial  
Operating Period in a prior year, but have  
incurred additional cost during the current year  
that was charged to Account 1400.2

Debit: Account 1400.4, Land, Structures,  
and Equipment

Credit: Account 1400.3, Development  
Cost -Contra.

6-3. PHA YEAR-END CLOSING ENTRIES.

- a. Close the 7500 series of Memorandum Accounts, except  
Account 7580 (remains open).

Reverse all balances recorded in these accounts.

- b. Close the 3000 (Income), 4000 (Expense), 5000 (Other  
Income Credits and Charges Not Affecting Residual  
Receipts) and 6000 (Surplus Credits and Charges)  
series of Accounts into Account 2700 (Income and  
Expense Clearing Account).

- (1) Refer to Form HUD-52596.
- (2) In the Books of Account, the following entries should be recorded:
- (a) Debit: Account 3000, Operating Income (Control), the various 3000 Subsidiary Accounts
- Credit: Account 2700, Income and Expense Clearing Account.
- (b) Credit: Account 4000, Operating Expense (Control), the various 4000 Subsidiary Accounts
- Debit: Account 2700, Income and Expense Clearing Account.

6-6

---

Financial Management  
Handbook

7475.1 REV.

- (c) Debit: Account 5210, Premiums on Bonds  
Account 5220, Bond Purchase  
Discount Account 5230, Interest  
on Debt Amortization Fund Invest  
ments. Account 5240, Interest on  
Payments for Off Site Utilities
- Credit: Account 2700, Income and  
Expense Clearing Account.
- (d) Credit: Account 5610, Interest on  
Notes and Bonds Payable  
Account 5640, Bond Redemption  
Premiums
- Debit: Account 2700, Income and Expense  
Clearing Account.
- (e) Debit or Credit: Account 6010, Prior Year  
Adjustments Affecting  
Residual Receipts or  
Deficit;
- Account 6020, Prior Year  
Adjustments- Not Affecting  
Residual Receipts;
- Account 6110, Gain or Loss  
from Disposition of Real  
Property;

Account 6120, Gain or Loss  
from Disposition of Non-  
expendable Equipment as  
applicable to close;

Debit or Credit: Account 2700, Income and  
Expense Clearing Account, as  
applicable.

(3) All of these entries may be combined in one  
General Journal entry.

c. Make provision for Reserve or Reduction of Reserve.  
Refer to Form HUD-52599 for computation of Residual  
Receipts or Deficit.

(1) Provision for Reserves.

(a) Must have Residual Receipts.

(b) The provision cannot cause the balance of  
Account 2820, "Reserved Surplus - Operating  
Reserve-Locally Owned Projects", to exceed  
the "Maximum Reserve

6-7

---

7475.1 REV. Financial Management  
Handbook

Allowable", Form HUD-52564, page 2, part 1, Line  
01 of next year's Operating Budget.

(c) Refer to Forms HUD-52596 and HUD-52599.

(d) Debit: Account 7010, Provision for Operating  
Reserve - Locally Owned Projects

Credit: Account 2820, Reserved  
Surplus -Operating Reserve  
Locally Owned Projects and

Debit: Account 2810, Unreserved Surplus

Credit: Account 7010, Provision  
for Operating Reserve-Locally  
Owned Projects

(2) Reduction of Reserves

(a) Must have Deficit.

(b) Account 2820, Operating Reserve - Locally Owned  
Projects, cannot be reduced below zero.



(c) Refer to Forms HUD-52596 and HUD-52599.

(d) Debit: Account 2820, Reserved Surplus  
- Operating Reserve Locally Owned  
Projects

Credit: Account 7010, Provision  
for Reserve Locally Owned  
Projects and

Debit: Account 7010, Provision for Reserve-  
Locally Owned Project

Credit: Account 2810, Unreserved Surplus

d. Residual Receipts after Provision for Reserves.

(1) Account 2820, Reserved Surplus - Operating Reserves -  
Locally Owned Projects, must be at the Maximum  
Authorized (see step 2b. above).

(2) Debit: Account 2840, Cumulative HUD Annual  
Contributions

Credit: Account 2118, Accounts Payable  
- HUD.

e. Deficit after the Application of the Operating Reserve.

6-8

---

Financial Management  
Handbook

7475.1 REV.

(1) Account 2820, Reserved Surplus - Operating Reserves -  
Locally Owned Projects, must have been reduced to  
zero.

(2) In next year's year-end Financial Statements, this  
deficit must be shown on line 650 of Form HUD-52599.

(3) If at all possible, this deficit should be reflected  
on Line 820, page 2 of the next fiscal year's budget,  
Form HUD-52564.

f. Close Account 2700, "Income and Expense Clearing Account",  
and Account 7010, "Provision for Operating Reserves-Locally  
Owned Projects", into Account 2810, "Unreserved Surplus."

g. Close Accounts 8020, "Contributions Earned - Operating  
Subsidy-Current Year", and 8021, "Contributions Earned -  
Operating Subsidy Prior Year(s) Adjustment", into Account  
2840, "Cumulative HUD Annual Contributions".

Debit: Account 8020, Contribution Earned-

Operating Subsidy - Current Year  
Account 8021, Contributions Earned  
Operating Subsidy - Prior Year(s)  
Adjustment

Credit: Account 2840, Cumulative  
HUD Annual Contributions.

- h. Set up Annual Contributions for the amount of contribution reflected on Form HUD-52266, line 3.

Debit: Account 1176, HUD Annual Contributions  
Receivable

Credit: Account 2840, Cumulative  
HUD Annual Contributions.

#### 6-4. REPORTING REQUIREMENTS.

Exhibit 6-1 provides a "Schedule and Distribution of Required Financial Reports" which includes (a) a description of financial reports to HUD, (b) the frequency of reporting, (c) the number of copies to be submitted, and (d) the office to which the report shall be submitted.

Specific instructions for submission of financial reports are referenced in Chapter 13, Handbook RHA 7510.1, Low-Rent Housing Accounting Handbook, with one noted Reporting Requirement exception. Report of Tenants Accounts Receivable, Form HUD-52295, shall be submitted semiannually and annually in accordance with paragraph 6-5 of this Chapter.

6-9

---

Financial Management  
7475.1 REV. Handbook

#### 6-5. PHA SUBMISSION OF FORM HUD-52295- REPORT OF TENANTS ACCOUNTS RECEIVABLE.

- a. Purpose.

This paragraph establishes PHA submission requirements of Form HUD-52295, which differ from the instructions contained in HUD Handbook RHA 7510.1, Low-Rent Housing Accounting Handbook.

- b. Submission Requirements.

- (1) A separate report shall be prepared for (a) PHA owned rental projects under the same contract and (b) Section 23 leased projects under the same contract, even though combined with other projects for collection purposes.

- (2) "Report of Tenants Accounts Receivable," Form HUD-52295, shall be submitted semi-annually and annually, unless otherwise requested by the HUD Field Office. More frequent reports and greater detail may be requested by the Field Office in cases where the PHA is experiencing a serious rent collection problem. The Field Office may choose to accept annual reports on a case-by-case basis, if it is determined that the PHA is not experiencing a rent collection problem. A PHA which believes its collection experience evidences satisfactory performance, may request a waiver of semi-annual reporting.
- (3) Other reports or summaries may be submitted in lieu of Form HUD-52295, provided prior approval is obtained from the Field Office and such other reports or summaries contain substantially the same information as that required in Form HUD-52295.

c. Documentation.

Any requests for waivers of semi-annual reporting and acceptability of reports other than the prescribed report format shall be documented by letter from the PHA to the Field Office. Requests for more frequent and/or increased reporting by the PHA shall also be documented by letter from the Field Office to the PHA.

6-6. PHA PREPARATION OF FORM HUD-52267 - COMPUTATION OF PAYMENTS IN LIEU OF TAXES (PILOT).

- a. Pilot payments are determined in accordance with the terms of the Cooperation Agreement(s) entered into by the PHA and the

6-10

---

Financial Management  
Handbook

7475.1 REV.

local governing body(ies). The amount payable is limited to the lesser of (a) 10 percent of shelter rent or (b) the amount prescribed by state law.

- b. Lines 1 through 7 represent the components of shelter rent and result in a calculation of "shelter rent charged" in determining PILOT.
- c. Lines 9 through 13 calculate "shelter rent collected" and are used in lieu of Lines 1 through 8 when this basis for calculating PILOT is specified in the Cooperation Agreement.
- d. Line 14 shows the approximate amount of full real property taxes that will assure compliance with the

provision of the Act which limits PILOT to the amount prescribed by state law.

- e. Lines 15 and 16 compare the amounts described above in order to determine the amount to be used in making PILOT payments.
- f. Detailed instructions for the preparation of Form HUD-52267 are on the reverse side of the Form and in HUD Handbook RHA 7510.1, Low-Rent Housing Accounting Handbook.

6-7. PHA PREPARATION OF FORM HUD-52295 - REPORT OF TENANTS ACCOUNTS RECEIVABLE.

Reserved.

6-8. PHA PREPARATION OF FORM HUD-52595 - BALANCE SHEET.

- a. All amounts on this report should be taken from the general ledger after all closing adjustments have been prepared and recorded.
- b. In each distribution of Annual Financial Statements include copies of all closing Journal Vouchers and copies of any other Journal Vouchers recorded during the fiscal year which affect Account numbers 2700, 2810, 6010, 8011, 8021 and 8114.
- c. In each distribution of Annual Financial Statements include a copy of the confirmation on fiscal agents Accounts.
- d. Detailed instructions for the preparation of Form HUD-52595 are on the reverse side of the Form and in HM G 7511.1, Low-Rent Housing Accounting Guide.

6-9. PHA PREPARATION OF FORM HUD-52596 - STATEMENT OF INCOME AND EXPENSE AND CHANGES IN ACCUMULATED SURPLUS OR DEFICIT FROM OPERATIONS.

- a. The amounts on Lines 1, 7 and 20 or 21 are taken from Lines 140, 570 and 770 of Form HUD-52599.

6-11

---

7475.1 REV. Financial Management Handbook

- b. The amounts on lines 2, 3, 4, 5, 6, 9, 10, 11, 12, and 13 will come from the general ledger prior to closing.
- c. The amounts on Lines 17 and lines 25 or 29 are taken from Lines 24 and 28 or 32 of Form HUD-52596, prepared for the end of the previous fiscal year.

- d. Any adjustments to surplus furnished by the Office of Finance and Accounting (OFA) should be reflected on Lines 18 and 26 or 30.
- e. The amounts on Lines 24, 28 or 32 and Line 37 must agree with the amounts reported on Lines 87, 88, or 97 of Form HUD-52595 (dated 2-85).
- f. There are detailed instructions for the preparation of Form HUD-52596 in HM G 7511.1, Low-Rent Housing Accounting Guide.

6-10. PHA PREPARATION OF FORM HUD-52598 - ANALYSIS OF NONROUTINE EXPENDITURES.

- a. The totals in Part I must agree with the amounts on Lines 530, 540, 580, 590 and 600 of Form HUD-52599.
- b. The budget information for Part II is taken from the Operating Budget, Form HUD-52567 - Schedule of Nonroutine Expenditures.
- c. The actual cost information must come from PHA records which account for the cost of each item of nonroutine expenditures by individual item.

Note: A separate form must be prepared for each Section 23 Leased Project.

If an Annual Contributions Contract includes both Conventional and Section 23 Leased Projects, a separate form must be prepared for the Conventional Projects.

- d. There are detailed instructions for the preparation of Form HUD-52598 in HM G 7511.1, Low-Rent Housing Accounting Guide.

6-11. PHA PREPARATION OF FORM HUD 52599 - STATEMENT OF OPERATING RECEIPTS AND EXPENDITURES.

- a. Be sure to complete all items in the heading, especially the number of unit months of availability. Homeownership and/or Section 23 Leased Projects require a separate HUD-52599.

- b. Complete first two columns (Budget Amount and Budget PUM) by copying the amounts from the latest approved Operating Budget for the fiscal year for which the

report is being prepared.

- c. Using the income and expense ledgers as a source, enter the final balances of these accounts in the last column (actual amount). Be sure that actual amounts are used. Do not round these figures.
- d. The general ledger will be the source for all other amounts shown in the last column not obtained from c. above.
- e. Calculate PUM amounts for the third column (Actual PUM) by dividing the amounts used in the last column (c. and d. above) by the number of unit months availability.
- f. Section 23 Leased Projects - Stop at Line 680 and complete Form HUD-52981 before completing the remainder of this form.
- g. All Projects - Complete Form through Line 760. Insert the Maximum Operating Reserve from Line 01 or 02 of Form HUD-52564 for the subsequent fiscal year, on Line 800.
- h. Compare the amount recorded on the general ledger in Account 2820, prior to closing, and insert on Line 770 the lesser of the difference between the previous balance in Account 2820, 2821, or 2823 as applicable, and Line 800 or the amount on Line 760. Line 780 is then calculated. (If line 760 is a deficit, the reserve level can not be reduced to less than zero.)
- i. Lines 810 and 820 are taken from the trial balance of Tenants Accounts Receivable at the end of the reporting period.
- j. Detailed instructions for the preparation of Form HUD-52599 are on the reverse side of the Form and in HM G 7511.1, Low-Rent Housing Accounting Guide.

6-12. RECORDS RETENTION.

- a. PHAs are required to maintain certain project, application, tenant, personnel and financial records. Depending on the nature of the records, disposition may or may not be recommended.
- b. Exhibit 6-2 provides a suggested method of filing and recommended period for retention of various PHA records and reports. The suggested method of filing may not apply to all PHAs. PHAs may be subject to more stringent requirements as a result of state or other legal requirements. It has been prepared primarily for small PHAs.



CHAPTER 7. FIELD OFFICE PROCEDURES FOR REVIEW  
OF FINANCIAL STATEMENTS

7-1. PURPOSE.

This chapter provides the requirements for Field Office review and verification of information reported on PHA Financial Statements, and procedures for review of the PHA Revised Report of Tenants Accounts Receivable, Form HUD-52295.

7-2. REVIEWING FINANCIAL STATEMENTS.

Each PHA is required to submit financial statements within forty-five days after the end of its fiscal year. See Chapter 6, Exhibit 6-1 (Schedule and Distribution of Required Financial Reports) and Chapter 13, Appendix 1 of HUD Handbook RHA 7510.1, Low-Rent Housing Accounting Handbook. The Field Office is required to review the PHA financial statements for compliance with the applicable approved operating budget or budget revisions. We have provided Field Office review procedures in the form of a checklist. It is recommended, but not required, that the checklist be used for review of the financial statements. Exhibits 7-1 thru 7-6 contain the copies of the financial forms and the financial statement checklists. The financial statements, with the exception of budget information, must be reported in exact amounts. The required statements are as follows:

HUD-52599	Statement of Operating Receipts and Expenditures (Exhibit 7-1)
HUD-52267	Computation of Payments in Lieu of Taxes (Exhibit 7-2)
HUD-52596	Statement of Income and Expense and Changes in Accumulated Surplus or Deficit from Operations (Exhibit 7-3)
HUD-52595	Balance Sheet (Exhibit 7-4). Journal Vouchers affecting accounts 2700, 6010, 2810, 2820, and 2840 should also be included.
HUD-52295	Revised Report of Tenants Accounts Receivable (Exhibit 7-5). This Form is required semiannually unless requested more frequently by the Field Office.
HUD-52598	Analysis of Nonroutine Expenditures (Exhibit 7-6)



7-3. REVIEW OF PHA REPORT OF TENANTS ACCOUNTS RECEIVABLE, FORM HUD-52295: (Exhibit 7-5)

PURPOSE.

This paragraph establishes procedures for Field Office review of Form HUD-52295, Report of Tenants Accounts Receivable.

Review Process.

- a. Responsibility for Review. The Assisted Housing Management Branch (AHMB) has primary responsibility for reviewing reports. Where no Field Office exists, the requested action shall be taken by the Regional Office. The Branch is also responsible for evaluating and interpreting the information on the form and for recommending timely and appropriate corrective action in any case where conditions indicate the need for such action.

Scope of Review.

- (1) The required review shall be of sufficient scope and depth to ascertain current effectiveness of the PHA's collection policies and practices.
  - (2) In cases where the report reveals significant worsening of the PHA's collection effectiveness, the Chief, AHMB, may request the PHA to submit:
    - (a) more exhaustive analysis of its tenants accounts receivable, and
    - (b) more frequent reports of its tenants accounts receivable, as circumstances warrant, until improved collection effectiveness is achieved.
  - (3) In cases where the PHA is not experiencing a collection problem, the Chief, AHMB, may waive semiannual reporting and require only annual reports.
  - (4) In all cases, at the discretion of the Chief, AHMB, other reports or summaries prepared by a PHA which contain substantially the same information as that required in the Form HUD-52295 may be accepted in lieu of that form.
- c. Documentation. Any requests for more frequent and/or increased reporting by a PHA, waivers of semiannual reporting, and acceptability of reports other than the prescribed report format shall be documented by letter from AHMB to the PHA.



CHAPTER 9. DETERMINATION OF PHA SUSTAINED AUDIT FINDING COSTS AS A  
DEBT OWED HUD

9-1. PURPOSE.

This Chapter provides guidance for use by HUD Field Office action officials in determining whether or not a PHA audit finding of Sustained Cost results in a debt owed HUD (account receivable). It includes: (a) guidelines in determining whether or not a sustained audit cost is a debt owed HUD or the PHA, (b) discussion of GAO offset restrictions applicable to the payment of debt owed by PHAs to HUD, and (c) information on procedures for the final determination and disposition of sustained audit cost indebtedness by the HUD action official in the Field Office.

9-2. REFERENCES.

HUD Handbook 2000.6 REV, Audits Management System, May 1982.  
Handbook 1900.25 REV-3, Delinquent Debt Collection Handbook.

9-3. AUDIT FINDINGS: DISALLOWED COSTS, QUESTIONED COSTS, AND  
SUSTAINED COSTS.

- a. Disallowed Costs. HUD Handbook 2000.6 REV., Appendix 1, paragraph 3 defines disallowed costs as follows:

"Costs charged to a HUD-financed or insured program or activity which are not allowable by law, contract, or Federal, State or local policies and regulations.

Disallowed costs may be applicable to development or construction type expenditures, operating or administrative type expenditures, fund reserves, distribution of project equity, or revenue activities that could cause higher net expenses. The auditor removes disallowed costs from the Schedule of Project or Audited Costs included in the audit report and recommends that HUD officials direct the auditee to adjust the project records and reimburse the project or HUD for any amounts due as a result of that disallowance."

- b. Questioned Costs. HUD Handbook 2000.6 REV., Appendix 1, paragraph 9 defines questioned costs as follows:

"...costs charged to a HUD-financed or insured program or activity whose eligibility cannot be determined at the time of audit. These costs require a future decision on the part of HUD program officials regarding their eligibility. This decision can involve a legal interpretation or clarification of Departmental policies and procedures.

Questioned costs may be applicable to development or construction type expenditures, operating or administrative type expenses, fund reserves, distributions of project equity, or revenue activities that could cause higher net expenses.

- c. Sustained Costs. HUD Handbook 2000.6 REV., Appendix 1, paragraph 12 defines sustained costs as follows:

"Questioned or disallowed costs which HUD officials have concurred in and have agreed to seek recovery of the related amounts....Sustained costs do not have to be categorized into questioned and disallowed costs."

9-4. SPECIAL PROBLEM IN TREATMENT OF AUDIT RELATED DEBT.

A special problem that arises in the treatment of audit related debt is set forth in Secretary Pierce's response to the General Accounting Office Report entitled, "Federal Agencies Negligent in Collecting Debts Arising from Audits," dated January 22, 1982. The following is an excerpt from the letter:

"...audit findings at HUD that reflect disallowed costs do not necessarily result in a debt owed to HUD or the Federal Government. In many cases, because of the nature of the statutory and regulatory structure of the programs involved, the audit disallowance may not create a debt at all, or the disallowed costs may be owed to a HUD-insured or funded housing project, to a program account, or even to program beneficiaries, rather than directly to HUD or the Federal Government. Thus, it is not appropriate to set up accounts receivable in favor of the Government until there has been a determination as to whether the audit disallowances are due and owing to HUD." (Underlining supplied.)

9-5. CONSIDERATIONS INVOLVED IN DETERMINING WHETHER AN AUDIT FINDING OF SUSTAINED COST WOULD BE AN AMOUNT PAYABLE TO HUD.

- a. Increase in Federal Funding. A significant point is whether the amount of a sustained audit debt resulted in an increase in Federal funding liability or whether the level of Federal funding is unchanged as a result of the action causing the finding. In this connection, it is important to note that the regulations for the Performance Funding System (PFS) control the amount of operating subsidy to be approved in a PHA operating budget, and that this amount may well be unaffected by actions resulting in audit findings. Accordingly, if that is the case, there is

really no basis for recording the amount included as a debt to HUD. Certainly, however, if the sustained audit cost resulted from an overpayment of operating subsidy to the PHA (e.g., error in calculation), a debt to HUD occurs.

9-2

---

Financial Management  
Handbook

7475.1 REV.

b. **Commingling of Funds.** It is important to determine whether the sustained audit cost was the result of commingling of funds. In this context, commingling of funds is construed to mean the use of funds obligated for a specific program purpose for an alternative unauthorized purpose, i.e., the use of development funds to support operating expenditures of projects under management. It does not relate to the fact that such funds from separate funding sources are jointly deposited in the general fund. If the sustained audit cost has not resulted in the PHA being paid federal funds for which it was not otherwise eligible under the PFS regulations at 24 CFR 990, it should be accounted for as a debt in which the PHA must reimburse its individual program account.

c. **Who is Responsible?** If the sustained audit cost is well documented, the person(s) responsible will, in most instances, be identified. If not, the HUD Field Office action official and the PHA should attempt to pinpoint personal responsibility wherever feasible. If PHA employees, in some way, profited as a result of the sustained audit costs, appropriate recovery efforts must be made. In so doing, appropriate legal and employee disciplinary action must be taken. Again, this is a PHA responsibility subject to Field Office oversight.

d. **Cause of the Sustained Audit Cost.** Ordinarily, the cause of the sustained audit cost will be discussed in the audit finding; however, in some instances, further examination of the underlying cause(s) will be needed on the part of the Field Office and the PHA. Frequently, the basic causes relate to employee error, inadequate supervision and control, and inadequate operating policies and procedures. The sustained audit cost may also derive from gross negligence, malfeasance, and fraud. The PHA is accountable and responsible for the sustained audit cost, and for corrective and remedial action, subject to Field Office oversight. If payment of additional program funds did not result, the audit cost does not constitute indebtedness to HUD. In these cases, however, recovery of loss by the PHA should be vigorously pursued against responsible employees and appropriate disciplinary action should be taken. PHA operating policies and procedures that will prevent recurrence of a sustained audit cost must be established, maintained and reviewed periodically by both the PHA and Field Office.

e. Impact of PHA Reimbursement to HUD for a Sustained Cost. The Department should not as a general rule pursue corrective actions which would impact adversely on the physical or financial condition of the PHA's program, or involve

9-3

---

7475.1 REV. Financial Management  
Handbook

retroactive payments by project tenants on a matter over which they had no control. In the event that the corrective action involves the repayment of funds to a PHA program account and the PHA submits documentation that immediate repayment would have an adverse impact, a repayment schedule may be established by the Field Office. Such schedules would not exceed 5 years. Questioned and disallowed costs which result in a debt owed to HUD or the Federal Government will be transmitted in accordance with instructions contained in Chapter 10, Exhibit 10-1. Again, repayment should not result in an adverse impact upon the PHA (see discussion which follows in paragraph 9-6).

9-6. EFFECT OF DEBT OWED HUD COLLECTION UPON THE PERFORMANCE LEVEL OF A PHA: GENERAL ACCOUNTING OFFICE (GAO) OFFSET RESTRICTIONS.

GAO guidelines do not allow the use of offset in the case of audit related debt if the performance level of a program participant is reduced thereby. Comptroller General decision B-171019, "Setoff Against Block Grant Funds," December 14, 1976, advises:

"...by administrative policy, this office has limited the availability of grant funds as a source for setoff where setoff would have the effect of defeating or interfering with the purpose of the grant."

The decision refers to provisions now included in Attachment J, OMB Circular No. A-102 which also provides:

"Unless otherwise required by law, grantor agencies shall not withhold payments for proper charges made by State and local governments at any time during the grant period unless (a) a grantee has failed to comply with the program objectives, grant award conditions, or Federal reporting requirements, or (b) the grantee is indebted to the United States and collection of indebtedness will not impair accomplishment of the objective of any grant program sponsored by the United States." (Emphasis supplied.)

The GAO Report, "Federal Agencies Negligent in Collecting Debts Arising from Audits," January 22, 1982, not only prohibits offsets reducing program participant performance, but recommends certification by program participants that the payment of audit-related debt has not decreased performance. The Report

concludes:

"Regardless of the method agencies use to recover audit disallowances, the recovery should not reduce the performance level of the program... All involved program performance must be maintained."

9-4

---

Financial Management  
Handbook

7475.1 REV.

These GAO requirements and principles are treated in greater detail in HUD Notice 83-7, Financial Control Requirements for Sustained Costs Resulting from Inspector General Audit Findings, March 18, 1983, Appendix 7.

9-7. DETERMINATION OF INDEBTEDNESS TO HUD.

If the Field Office action official determines that a sustained audit cost is not a debt to HUD, and there is a disagreement on this point with the Regional Inspector General for Audit (RIGA), he/she should prepare a written explanation and justification setting forth the reasons why. This must be discussed with the RIGA and every effort made to reach agreement. If agreement cannot be reached, the determination becomes appealable in accordance with HUD Handbook 2000.6 REV., Audits Management System. A similar approach would be appropriate when offset is recommended if the Field Office action official determines that an offset would not be consistent with the principles discussed above.

9-5

---

CHAPTER 10. FIELD OFFICE DELINQUENT DEBT COLLECTION ACTIVITIES

10-1. PURPOSE.

- a. This Chapter outlines the responsibilities of HUD Field Offices in the collection of amounts owed to HUD by PHAs in the Low-Income Public Housing Program when it has been determined that such amounts are delinquent. Specifically, the amounts to which this Chapter applies are: (1) Residual Receipts, as defined in Section 406 of the ACC, which are required to be remitted to HUD no later than 60 calendar days after the end of a PHA's fiscal year, and (2) payments of principal and interest on Administrative Loans, Unsubsidized Improvement, Offsite Facility and Commercial Facility Loans, and other Management Loans, which are required to be made in accordance with a repayment schedule approved by HUD at the time of the origination of a loan (or as subsequently revised). Debts resulting from audit findings are to be handled in accordance with instructions set forth in Chapter 9.
- b. The instructions provided in paragraphs 10-2 through 10-5 are intended to supplement the Departmental Delinquent Debt Collection Handbook 1900.25 REV-3, and provide guidance for applying the procedures contained in that handbook to the areas of the Low-Income Public Housing Program. Since certain provisions of Handbook 1900.25 REV-3, may not be applicable to amounts owed to HUD by PHAs, Field Offices shall request guidance from the Chief, Financial Management Branch, Office of Public Housing, Headquarters, and/or Claim Collection Office (CCO) prior to implementing any provisions of that handbook which appear to be inconsistent with established procedures for the Low-Income Public Housing Program and which are not covered below.

10-2. POLICY.

- a. Responsibilities of the Office of Finance and Accounting. The Office of Finance and Accounting (OFA), Headquarters, has the primary responsibility for taking appropriate actions such as identifying, booking, monitoring, collecting and aging accounts with respect to: (1) collecting Residual Receipts from public housing projects; (2) securing repayment of Administrative and other loans in accordance with approved repayment schedules; and (3) identifying such amounts as may become delinquent (e.g., Residual Receipts not remitted to HUD within 60 days after the end of a PHA's fiscal year and payments of principal and interest on Administrative and other loans not made in a timely manner in accordance with approved



repayment schedules).

10-1

---

7475.1 REV. Financial Management Handbook

- b. Field Office Responsibilities. Field Offices shall assist OFA in the collection of the amounts owed to HUD when OFA notifies the Field Office, through the Regional Office with a copy to the Office of Public and Indian Housing in Headquarters, that it has been unsuccessful in its efforts to collect amounts due and has identified such amounts as delinquent. The lead role for this activity in each Field Office shall be assigned to a Claims Collection Officer (CCO), designated in accordance with Handbook 1900.25 REV-3. If the CCO is assigned to an area of the Field Office outside of the Assisted Housing Management Branch (AHMB), the CCO shall maintain close coordination with the Chief and appropriate staff of that Branch in carrying out the provisions of Handbook 1900.25 REV-3 and this Handbook in the areas identified in this chapter. In particular, the Chief, AHMB, shall be consulted by the CCO prior to effecting any collection through offset. In addition, the Chief, AHMB, shall be the lead person responsible for ensuring compliance with Chapter 3 paragraph 3-8 regarding the offset of delinquent Residual Receipts when approving PHA Operating Budgets.
- c. Regional Office Responsibilities. Regional Offices shall monitor each appropriate Field Office CCO's efforts toward securing payment of amounts for which OFA has requested Field Office assistance, by ensuring that the Department Claims Officer (DCO) is kept apprised of the collection and status of such amounts, in accordance with Handbook 1900.25 REV-3. The lead role for this activity in each Regional Office shall be assigned to the Regional Claims Collection Officer designated in accordance with Handbook 1900.25 REV-3.

10-3. RESIDUAL RECEIPTS.

- a. On a quarterly basis, OFA will provide each Regional Administrator, Attention: Regional Claims Collection Officer (RCCO) with a listing of delinquent Residual Receipts due from PHAs within the jurisdiction of each respective Regional Office. The RCCO shall immediately forward applicable portions of the above listing to appropriate Field Offices within the Region. Copies of the listing shall be provided to both the AHMB and the CCO, if located outside AHMB.

- b. Each appropriate Field Office CCO shall immediately initiate direct communication with the PHAs included in the listing provided by the RCCO in an effort to secure payment of the amounts due. PHAs shall be directed to remit payments in accordance with instructions in Exhibit 10-1. In order to

10-2

---

Financial Management  
Handbook

7475.1 REV.

facilitate Field Office monitoring of payments, the CCO shall request that PHAs provide him or her with a copy of any correspondence with OFA regarding the amounts due.

- c. In cases where the Field Office determines that immediate payment of an amount due would impose a severe financial hardship on a PHA, the Field Office may establish a repayment schedule which, in its opinion, represents the minimum amount of time needed by the PHA to pay the full amount due. The maximum length of a repayment schedule, however, shall be two years, except as otherwise authorized by the Assistant Secretary for Public and Indian Housing. The Chief, AHMB, shall be consulted by the CCO in developing any such repayment schedule and copies of approved repayment schedules shall be provided to OFA at the address in Exhibit 10-1. The Field Office shall have the responsibility for monitoring and ensuring a PHA's compliance with the approved repayment schedule.

10-4. ADMINISTRATIVE LOANS, UNSUBSIDIZED IMPROVEMENT LOANS, OFFSITE FACILITY AND COMMERCIAL FACILITY LOANS, AND OTHER MANAGEMENT LOANS.

- a. On a quarterly basis, OFA will advise the Office of Public Housing at Headquarters of PHAs which are delinquent in repaying, in accordance with approved repayment schedules, Administrative Loans, Unsubsidized Improvement Loans, Offsite Facility and Commercial Facility Loans, and other Management Loans. The Office of Public Housing, in turn, will notify the appropriate Field Office, with a copy to the Regional Office CCO to initiate direct communication with each PHA regarding its failure to meet the terms of the approved repayment schedule. Examples of actions which the Field Office should consider taking in order to secure compliance with the repayment schedule, including personal contact with PHA officials and collection through offset, are provided in Handbook 1900.25 REV-3. In all cases, however, the Chief, AHMB, shall be consulted by the CCO prior to effecting any collection through offset.

- b. In cases where the Field Office CCO determines that PHA compliance with the terms of an approved repayment schedule will result in the imposition of a severe financial hardship on the PHA, the Field Office should develop, in conjunction with the PHA, a revised repayment schedule which the PHA can reasonably be expected to meet. The Chief, AHMB, shall be consulted by the CCO in developing the revised payment schedule. All revised repayment schedules for Administrative Loans (as well as repayment schedules for Unsubsidized Improvement Loans, Offsite Facility and Commercial Facility Loans, and other Management Loans which provide for an

10-3

---

7475.1 REV. Financial Management  
Handbook

extension of 3 years or more) must be approved by the Assistant Secretary for Public and Indian Housing. Once approved, the revised repayment schedule shall be provided to the Field Office Counsel so that a waiver of the ACC or Loan Note and Contract, as appropriate, incorporating the revised repayment schedule, may be processed. The Field Office Manager shall ensure that the following Headquarters units receive copies of all revised repayment schedules:

Director, Office of Finance and Accounting  
Attention: Subsidized Housing Programs  
Division, AFGH

Director, Office of Public and Housing  
Attention: Director, Financial Management  
and Occupancy Division, PPF

- c. PHAs shall be directed to remit payments of \$2,000 or less on the above loans in accordance with instructions set forth in Exhibit 10-1. Payments of \$2,000 or more shall be wire transferred as noted in the referenced Exhibit. In all instances, PHAs shall remit a copy of the check or applicable wire transfer attachment to the Field Office to be maintained on file and serve as a record of payment remittal.

10-5. UNCOLLECTABLE AMOUNTS DUE.

Due to the unique contractual relationship between HUD and PHAs in the Low-Income Public Housing Program (e.g., amounts owed HUD by a PHA create a lien on the PHA's property), Residual Receipts and Administrative Loans, Unsubsidized Improvement Loans, Offsite Facility and Commercial Facility Loans, and other Management Loans,

shall not be written off, terminated, referred to the General Accounting Office (GAO), or otherwise compromised. This shall not, however, preclude Field Offices from approving the retention of Residual Receipts in accordance with Chapter 5 paragraph 5-4. In addition, Regional and Field Offices shall obtain written authorization from the Assistant Secretary for Public and Indian Housing prior to referring to the DCO any amounts due HUD from PHAs.

10-4

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 10-1

PAGE 1 OF 8

FUNDS DUE AND PAYABLE TO HUD BY WIRE TRANSFER

Remittance Procedures.

A remittance of \$2,000 or less shall be forwarded to the following address:

Director, Office of Finance and Accounting  
Attention: Director, Financial Control and Accounting  
Division/Cash and Securities Section, AFGAC,  
U.S. Department of Housing and Urban Development  
Washington, DC 20410

A remittance over \$2,000 shall be wired in accordance with the instructions in 10.1(A). These instructions have been provided by the Treasury Department and are presently being used by the banking industry. When remitting Funds, the PHA is to request its financial institution to wire the funds using the appropriate formats on Exhibits 10-1(B), 10-1(C) and 10-1(D).

Exhibit 10-1(B) used for principal and/or interest repayment, excess advances, and excess financing. Exhibit 10-1 is used for audit findings. Exhibit 10-1(D) is used for residual receipts (initial and subsequent operating period). Exhibit 10-1(E) is used for a sample advice.

Wire Transfer Process.

The Treasury Department has established a computer interface with the Federal Reserve Bank which offers a secure instantaneous transfer mechanism between Treasury and the commercial banking industry. The Treasury Financial Communications System (TFCS) provides the Treasury with "on-line" access to the Federal Reserve Bank of New York computer and utilizing the Federal Reserve Communication System (FRCS or Fedwire System) with access to all other Federal Reserve Banks, their branches, member banks and correspondents of member banks.

When remitting funds, the PHA is to indicate under line 12, Third Party Information Reason Code, one of the following:

---

Financial Management  
7475.1 REV. Handbook

EXHIBIT 10-1

PAGE 2 OF 8

## FUNDS DUE AND PAYABLE TO HUD BY WIRE TRANSFER

## Reasons

- A - Principal and/or interest repayments
- B - Excess advances
- C - Excess financing
- D - Audit findings
- EI- Residual receipts (initial operating period)
- ES- Residual receipts (subsequent operating period)

The following is a step-by-step explanation of the actual TFCS deposit transaction:

1. The PHA notifies its general depository to wire funds to the Department of Treasury, supplying the bank with the specific information required by HUD.
2. If the general depository is an on-line member of the Federal Reserve System, it prepares the standard funds transfer wire message into the Fedwire System. Off-line members would initiate the funds transfer by contacting a servicing Federal Reserve Bank. If the general depository is not a member of the Federal Reserve System, the bank can make the transfer through a correspondent bank that is a member.
3. Via a computer-to-computer link, information on all TFCS funds transfers is transmitted from the New York Federal Reserve Banks computer to a computer maintained by the Treasury Department in Washington, DC.
4. As deposit data is received by the Treasury computer, it is categorized and maintained according to the Agency Location Code for HUD and all other receiving agencies as indicated on the wire message.
5. When accessed, the complete deposit message for each transaction is immediately transmitted from the Treasury computer to a teleprinter located at HUD on the day of funds transmission.
6. At the end of each day, Treasury prepares a computer listing, which details each deposit message. This listing is sent to HUD Headquarters the following work day.

TREASURY FINANCIAL COMMUNICATIONS SYSTEM (TFCS)  
INSTRUCTIONS FOR COMPLETING A REQUEST TO TRANSFER FUNDS BY WIRE

- ITEM 1 - PRIORITY CODE: The priority code will be provided by the sending bank. (Note: Some Federal Reserve District banks may not require this item.)
- ITEM 2 - TREASURY DEPARTMENT CODE: The 9-digit identifier "021030004" is the routing symbol of the Treasury Department. This item is a constant and is required for all funds transfer messages sent to the Treasury Department. The code must be left justified as shown in the attached sample formats.
- ITEM 3 - TYPE CODE: This 9-digit identifier will be provided by the sending bank.
- ITEM 4 - SENDING BANK CODE: This 9-digit identifier will be provided by the sending bank.
- ITEM 5 - CLASS CODE: This class code may be provided by the sending bank at its option (if permitted by its Federal Reserve District bank).
- ITEM 6 - REFERENCE NUMBER: The reference number may be inserted by the sending bank to identify the transaction.
- ITEM 7 - AMOUNT: The amount will include the dollar sign and the appropriate punctuation, including cents digits. This item will be provided by the depositor.
- ITEM 8 - SENDING BANK NAME: The telegraphic abbreviation which corresponds to Item 4 will be provided by the sending bank.
- ITEMS 9, 10, 11 - TREASURY DEPARTMENT NAME, AGENCY LOCATION CODE, AGENCY NAME: These items are of critical importance. They must appear on the funds transfer message in the precise manner as stated to allow for the automated processing and classification of the funds transfer message to the agency location code of HUD. These items are comprised of a rigidly formatted, NONVARIABLE, sequence of 35 characters defined as shown below:

TREAS NYC/(86010300) HUD-WASH, D.C.

These characters must be left justified on Line 5 of the funds transfer message.

TREASURY FINANCIAL COMMUNICATIONS SYSTEM (TFCS)  
INSTRUCTIONS FOR COMPLETING A REQUEST TO TRANSFER FUNDS BY WIRE

ITEM 12 - THIRD-PARTY INFORMATION: This item identifies the purpose of the transfer in the space provided using one of the following designations: Principal and/or interest repayment - Prin/Int Repay; Excess Advances - Excess Ad; Excess Financing - Excess Finan; Audit Findings - Audit Fdg; and Residual Receipts Payments - Rec Resid. FY Ending is the PHA's fiscal year that the residual receipts should be applied to. The proper appropriation number should be noted in the space provided. For principal and/or interest repayment, disposition, excess advances, excess financing use appropriation number A/C 86X4098. For all residual receipts use appropriation number (04) 86X0164. The reason code is the alphabet designations provided on page 10-6. In some instances, the audit report states a finding that requires excess financing to be remitted. Therefore, in the reason code section the "C" should be noted. The reason(s) identified by the audit findings report should be noted by one of the reason codes. The HUD Field Office is the office that services the PHA. The PHA name, the modernization project number (i.e., M1480901) or individual development number (i.e., AK06P017001) as appropriate, and project name should be provided. The Billed By section should provide the office that sent the bill, i.e., Field or Headquarters Office. If no billing office is identified put "NA". When remitting as the result of an audit report, provide the audit report number (i.e., 86-NY-203-2204) in the Billed By section.

This item is limited to 230 character positions of information and must be entered in the format shown in Exhibit 10-1(E).

10-8

REMITTANCE BY WIRE TRANSFER FUNDS MESSAGE  
FORMAT

\*\*\*\*\*

1. PRIORITY CODE: \_\_\_\_\_

2. TREASURY DEPARTMENT CODE: 021030004
3. TYPE CODE: \_\_\_\_\_
4. SENDING BANK CODE: \_\_\_\_\_
5. CLASS CODE: \_\_\_\_\_
6. REFERENCE NUMBER: \_\_\_\_\_
7. AMOUNT: \$\_\_\_\_\_
8. SENDING BANK NAME: \_\_\_\_\_
- 9, 10, AND 11. TREASURY DEPARTMENT NAME, AGENCY LOCATION CODE,  
AGENCY NAME:

TREASURY NYC/(06010300) HUD-WASH, D.C.

12. THIRD PARTY INFORMATION:

PURPOSE OF TRANSFER Prin/Int Repay  
APPROPRIATION NUMBER A/C 86X4098 REASON CODE: A  
HUD FIELD OFFICE: \_\_\_\_\_ PHA: \_\_\_\_\_  
PROJECT NUMBER: \_\_\_\_\_ PROJECT NAME: \_\_\_\_\_

BILLED BY: \_\_\_\_\_

\*\*\*\*\*

All lines in Item 12 must be completed  
to ensure proper credit to your account!

10-9

---

7475.1 REV. Financial Management  
Handbook

EXHIBIT 10-1(C)

PAGE 6 OF 8

REMITTANCE BY WIRE TRANSFER FUNDS MESSAGE  
FORMAT

\*\*\*\*\*

1. PRIORITY CODE: \_\_\_\_\_
2. TREASURY DEPARTMENT CODE: 021030004
3. TYPE CODE: \_\_\_\_\_
4. SENDING BANK CODE: \_\_\_\_\_
5. CLASS CODE: \_\_\_\_\_
6. REFERENCE NUMBER: \_\_\_\_\_



7. AMOUNT: \$\_\_\_\_\_

8. SENDING BANK NAME: \_\_\_\_\_

9, 10, AND 11. TREASURY DEPARTMENT NAME, AGENCY LOCATION CODE,  
AGENCY NAME:

TREASURY NYC/(06010300) HUD-WASH, D.C.

12. THIRD PARTY INFORMATION:

PURPOSE OF TRANSFER Audit Fdg FY ENDING: \_\_\_\_\_  
APPROPRIATION NUMBER A/C 86X4098 REASON CODE: C  
HUD FIELD OFFICE: \_\_\_\_\_ PHA: \_\_\_\_\_  
PROJECT NUMBER: \_\_\_\_\_ PROJECT NAME: \_\_\_\_\_  
BILLED BY: FIELD (AUDIT REPORT #86-NY-203-2204)

\*\*\*\*\*

All lines in Item 12 must be completed  
to ensure proper credit to your account!

10-10

---

Financial Management  
Handbook

7475.1 REV.

EXHIBIT 10-1(D)

PAGE 7 OF 8

REMITTANCE BY WIRE TRANSFER FUNDS MESSAGE  
FORMAT

\*\*\*\*\*

1. PRIORITY CODE: \_\_\_\_\_

2. TREASURY DEPARTMENT CODE: 021030004

3. TYPE CODE: \_\_\_\_\_

4. SENDING BANK CODE: \_\_\_\_\_

5. CLASS CODE: \_\_\_\_\_

6. REFERENCE NUMBER: \_\_\_\_\_

7. AMOUNT: \$\_\_\_\_\_

8. SENDING BANK NAME: \_\_\_\_\_

9, 10, AND 11. TREASURY DEPARTMENT NAME, AGENCY LOCATION CODE,  
AGENCY NAME:

TREASURY NYC/(06010300) HUD-WASH, D.C.

12. THIRD PARTY INFORMATION:

PURPOSE OF TRANSFER Resid. Rec FY ENDING: \_\_\_\_\_  
APPROPRIATION NUMBER (04)86X0164 REASON CODE: ES  
HUD FIELD OFFICE: \_\_\_\_\_ PHA: \_\_\_\_\_  
PROJECT NUMBER: \_\_\_\_\_ PROJECT NAME: \_\_\_\_\_  
BILLED BY: Headquarters

\*\*\*\*\*

All lines in Item 12 must be completed  
to ensure proper credit to your account!

10-11

---

7475.1 REV. Financial Management  
Handbook

EXHIBIT 10-1(E)

PAGE 8 OF 8

SAMPLE ADVICE

NATIONAL BANK OF LOUISIANA

WIRE TRANSFER DEPARTMENT  
ADVICE

Account of: White Castle PHA

Principal and/or Interest Repayments

ON THIS DATE 07/24/86 WE HAVE:

---

DEBITED YOUR ACCOUNT 001-00818456 \$60,000.00  
NBO LOUISIANA WIRE/TRANSFER 6784590000014  
TREAS NYC/(86010300) HUD-WASH, D.C.  
ACCT: 86X4098 PRIN/INT PROJECT NAME: Oakleaf

PROJ NO.: LA48P092008 HUD FIELD OFFICE: New Orleans, LA  
PHA: White Castle Housing Authority REF NO.: 6784590000014

\* U.S. GOVERNMENT PRINTING OFFICE: 1968-2 0 1 -9 1 2 / 8 0 0 0 8

10-12

---