

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**ASSISTANCE LISTING 14.871 SECTION 8 HOUSING CHOICE VOUCHERS****ASSISTANCE LISTING 14.879 MAINSTREAM VOUCHER PROGRAM (MV)****I. PROGRAM OBJECTIVES**

The Housing Choice Voucher Program (HCVP) provides rental assistance to help very low-income families afford decent, safe, and sanitary rental housing. The Mainstream Voucher program (MV) enables families for whom the head, spouse, or co-head is a person with disabilities to lease affordable private housing of their choice.

II. PROGRAM PROCEDURES**A. Overview**

The HCVP is administered by local public housing agencies (PHAs) authorized under state law to operate housing programs within an area or jurisdiction. The PHA accepts a family's application for rental assistance, selects the applicant family for admission, and issues the selected family a voucher confirming the family's eligibility for assistance. The family must then find and lease a dwelling unit suitable to the family's needs and desires in the private rental market. The PHA pays the owner a portion of the rent (a housing assistance payment (HAP)) on behalf of the family.

The subsidy provided by the HCVP is considered a tenant-based subsidy because when an assisted family moves out of a unit leased under the program, the assistance contract with the owner terminates and the family may move to another unit with continued rental assistance.

HUD enters into Annual Contributions Contracts (ACCs) with PHAs under which the Department of Housing and Urban Development (HUD) provides funds to the PHAs to administer the programs locally. The PHAs enter into HAP contracts with private owners who lease their units to assisted families (24 CFR section 982.151).

In the HCVP, the PHA verifies a family's eligibility (including income eligibility) and then issues the family a voucher. The family has a minimum of 60 days to locate a rental unit where the landlord agrees to participate in the program (the PHA establishes the maximum number of days). The PHA determines whether the unit meets housing quality standards (HQS). If the PHA approves a family's unit and determines that the rent is reasonable, the PHA contracts with the owner to make HAPs on behalf of the family (24 CFR section 982.1(a)(2)).

The voucher subsidy is set based on the difference between the lower of the PHA's applicable payment standard for the family, the payment standard for the unit size rented, or the gross rent and the total tenant payment (generally 30 percent of the family's monthly adjusted income). This is the maximum amount of subsidy a family may receive regardless of the rent the owner charges for the unit (24 CFR Part 982, Subpart K). Under

the HCVP, apart from the requirement that the rent must be reasonable in relation to rents charged for comparable units in the private unassisted market, there generally is no limit on the amount of rent that an owner may charge for a unit. However, at initial occupancy of any unit where the gross rent exceeds the payment standard, a family may not pay more than 40 percent of adjusted monthly income toward rent and utilities (24 CFR section 982.508).

If the cost of utilities is not included in the rent to the owner, the PHA uses a schedule of utility allowances to determine the amount an assisted family needs to cover the cost of utilities. The PHA's utility allowance schedule is developed based on utility consumption and rate data for various unit sizes, structure types, and fuel types. The PHA is required to review its utility allowance schedules annually and to adjust them if necessary (24 CFR section 982.517).

The PHA must inspect units leased under the HCVP at the time of initial leasing and at least annually thereafter to ensure the units meet HQS. The PHA must also conduct supervisory quality control HQS inspections (24 CFR sections 982.305 and 982.405).

Under the homeownership option of the HCVP, a PHA may choose to provide assistance to a qualified first-time homebuyer to subsidize the family's monthly homeownership expenses. The homeownership option is operated by a PHA as a separate sub-program of the HCVP, which is subject to somewhat different rules (24 CFR sections 982.625 through 982.641).

PHAs must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements. PHAs are required to maintain a HAP contract register or similar record in which to record the PHA's obligation for monthly HAPs. This record must provide information as to (1) the name and address of the family, (2) the name and address of the owner, (3) dwelling unit size, (4) the beginning date of the lease term, (5) the monthly rent payable to the owner, (6) monthly rent payable by the family to the owner, and (7) the monthly HAP (24 CFR section 982.158).

B. Subprograms/Program Elements

1. *Veterans Affairs Supportive Housing*

The 2008 Consolidated Appropriations Act (Pub. L. No. 110-161, 121 Stat. 2414-2415), enacted December 26, 2007, initiated funding for the HUD-Veterans Affairs Supportive Housing (HUD-VASH) voucher program, as authorized under Section 8(o)(19) of the US Housing Act of 1937 (42 USC 1437f(o)(19)). The VASH program is included in Assistance Listing 14.871. The HUD-VASH program combines HUD HCVP rental assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs at its medical centers and in the community. The HUD-VASH program is administered in accordance with regular HCVP requirements (24 CFR Part 982). However, Pub. L. No. 110-161 allows HUD to waive or specify alternative requirements for any provision of any statute or regulation that HUD administers

in connection with this program in order to effectively deliver and administer HUD-VASH voucher assistance.

The HUD-VASH operating requirements (including the waivers and alternative requirements from HCVP rules) were published in the *Federal Register* on March 23, 2012 (see Notice FR-5596-N-01, 77 FR 17086-17090, Implementation of the HUD-VA Supportive Housing Program). Notice PIH 2011-53 (HA) provides further guidance on the reporting and portability requirements of VASH and Notice PIH 2015-10 (HA) addresses how PHAs can use project-basing of HUD-VASH vouchers. The VASH program is included in Assistance Listing 14.871; however, for FASS-PH reporting for PHAs with a fiscal year end of March 31, 2011, and earlier, PHAs were to record rental assistance activities under Assistance Listing 14.VSH. Starting in calendar year (CY) 2011, all original VASH increments and renewals will be funded under the “VO” program type (i.e., the Housing Choice Voucher (HCV) program housing assistance payment (HAP) funding code) and are included in the PHA’s monthly VO disbursements. Because of this change in funding, CY 2011 and subsequent VASH HAP reporting was to be accounted for under the HCVP (Assistance Listing 14.871) and no longer was to be reported under 14.VSH. Special reporting instructions were provided to PHAs and are located at http://portal.hud.gov/huddoc/vash_reporting_inst.pdf. Administrative fee-related revenues and expenses should be recorded under the HCVP as Assistance Listing 14.871 on the FDS. PHAs are required to submit family data using HUD-50058 in PIH Information Center (PIC), and HAP and leasing information using HUD-52681-B via the Voucher Management System (VMS). Also, PHAs have access to the Real Estate Assessment Center’s PHAs accounting briefs, which provide technical assistance in reporting their unaudited and audited financial statements through FASS, which are available at https://www.hud.gov/program_offices/public_indian_housing/reac/products/fass/pha_briefs.

2. *Family Unification Program*

Family Unification Program (FUP) vouchers are made available to families for whom the lack of adequate housing is a primary factor in the imminent placement of the family's child, or children, in out-of-home care; or the delay in the discharge of the child, or children, to the family from out-of-home care; and youth at least 18 years and not more than 24 years of age (have not reached their 25th birthday) who left foster care, or will leave foster care within 90 days, in accordance with a transition plan described in Section 475(5)(H) of the Social Security Act, and are homeless or are at risk of becoming homeless at age 16 or older. As required by statute, a FUP voucher issued to such a youth may only be used to provide housing assistance for the youth for a maximum of 36 months. FUP vouchers enable these families and youths to lease decent, safe, and sanitary housing that is affordable in the private-housing market. Funding for the FUP (Assistance Listing 14.880) has expired, but FUP vouchers still are being issued

(renewed) to FUP-eligible families and FUP-eligible youth through voucher renewals under HCVP.

3. *Non-Elderly Disabled*

Various appropriations acts have provided separate funding for non-elderly disabled (NED) vouchers, which are administered in accordance with regular HCVP requirements (24 CFR Part 982) and are included in under Assistance Listing 14.871. Related revenues and expenses should be recorded under the HCVP, 14.871 on the FDS. PHAs are also required to submit family data (HUD-50058) in PIC, and HAP and leasing information using HUD-52681-B via the VMS.

4. *Disaster Housing Assistance Program*

The Disaster Housing Assistance Program (DHAP) is a program designed by the Federal Emergency Management Agency (FEMA) and HUD to serve families displaced by catastrophic disaster. Through an Interagency Agreement (IAA) executed by both federal agencies, on FEMA's behalf, HUD has the authority to design, implement, and administer DHAP to provide temporary rental assistance to individuals displaced by disaster. The DHAP was established to provide rental assistance, security and utility deposits, and case management services for families who were displaced by hurricanes Katrina, Rita, Gustav, and Ike. The DHAP has now been extended to assist eligible families displaced by Hurricane Sandy (DHAP-Sandy) (with funds from Assistance Listings 97.048; 97.049; and 97.050). The IAA between FEMA and HUD, applicable to DHAP Sandy, expired on December 31, 2014. The DHAP-Sandy funding is separate and distinct from the PHA's regular voucher program, in terms of the source and use of the funding. The PHA is required to maintain records that allow for the easy identification of families assisted under DHAP-Sandy and must report monthly leasing and expenditure for such families separately from housing choice voucher families under the VMS. The PHA must maintain a separate HAP register for DHAP-Sandy to record and control assistance payments for rent subsidies. The PHAs report DHAP-Sandy family information to HUD through the Disaster Information System (DIS). A PHA administering DHAP-Sandy does not complete a HUD-50058 or enter any information on a DHAP-Sandy family into the PIC system.

The underlying authority for DHAP-Sandy is the Department of Homeland Security's general grant authority under Section 102(b)(2) of the Homeland Security Act of 2002, 6 USC 112(b)(2), and sections 306(a), 408(b)(1), and 426 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), 42 USC 5149(a), 5174(b)(1), and 5189d, respectively.

5. *Mainstream Voucher Program (Former Mainstream 5-Year Program)*

The Omnibus Appropriations Act of 2009, Pub. L. No. 111-8, authorized funding for the MV under Section 811(d)(2) of the Cranston-Gonzalez National

Affordable Housing Act (42 USC 8013(d)(2)). PHAs authorized under state law to develop or operate housing assistance programs may apply for the program. In some instances, nonprofit agencies may also apply for housing vouchers. The MV provide housing assistance payments to participating owners on behalf of eligible tenants (i.e., families having the head, spouse, or co-head with disabilities). The MV is administered in accordance with regular HCV program requirements (24 CFR Part 982). However, for FASS-PH reporting, PHAs are to record rental assistance activities under Assistance Listing 14.879. Administrative fee-related revenues and expenses should also be recorded, under Assistance Listing 14.879 in the FDS. PHAs are also required to submit family data (HUD-50058) in PIC, and HAP and leasing (only) information using HUD-52681, and HUD-52681-B via the VMS. MV leasing and HAP costs are not included in the VMS HCV program voucher leasing and HAP totals; they are only considered for renewal calculation purposes. Unlike the HCV program, administrative fees expenses under the MV are not reported in VMS (HUD-52681-B). Only HCV program administrative expenses are reported.

6. *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)*

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Pub. L. No. 116-136), enacted on March 27, 2020, provided additional appropriations for HAP and administrative fee funding to prevent, prepare for, and respond to coronavirus (COVID-19). This included funding for PHAs to maintain normal operations and take other necessary actions during the period the program is impacted by COVID-19. The total supplemental appropriation for the HCV program is \$1.25 billion.

PIH Notice 2020-17, *CARES Act -HCV Program HAP Supplemental Funding*, covers the requirements related to the supplemental HAP funding totaling \$400 million for the HCV program, including mainstream vouchers. The supplemental HAP funding was made available for PHAs that either (1) experience a significant increase in voucher per unit costs (PUC) due to extraordinary circumstances, or (2) despite taking reasonable cost saving measures, as determined by the secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding (herein referred to as Shortfall Funds).

At the same time, PIH Notices 2020-08 and 2020-18 *CARES Act – HCV Program Administrative Fees First and Second Award*, respectively covered the supplemental administrative fee portion totaling \$850 million for the HCV program, including mainstream vouchers. This supplemental administrative fee funding was made available to PHAs to cover administrative expenses and other expenses related to COVID-19, which are the eligible activities initially defined by the secretary and clarified in PIH Notice 2020-08, in addition to new eligible activities described in this PIH Notice 2020-18. The latter contain a complete list of the additional eligible activities (both those activities defined in PIH Notice 2020-08 and the new activities) is provided in section 4 of PIH Notice 2020-18.

PHAs were also instructed to request eligibility for COVID-19 related costs that were not explicitly included in the notice.

The CARES Act also authorized the secretary to use of administrative fees under Pub. L. No. 116-94 for COVID-19 related activities. In addition, the CARES Act authorized the secretary to waive, or specify alternative requirements for, any provision of any statute or regulation that the secretary administers in connection with the use of the amounts made available under this heading and the same heading of Pub. L. No. 116-94 (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the secretary that any such waivers or alternative requirements are necessary for the safe and effective administration of these funds. And that any such waivers or alternative requirements shall remain in effect for the time and duration specified by the secretary in such public notice and may be extended, if necessary, upon additional notice by the secretary.

For CARES Act waivers and alternative requirements, HUD issued PIH Notice 2020-33: *COVID-19 Statutory Requirements and Regulatory Waivers and Alternative Requirements for the Public Housing, Housing Choice Voucher (including Mainstream and Mod Rehab), Indian Housing Block Grant and Indian Community Development Block Grant programs, Suspension of Public Housing Assessment System and Section Eight Management Assessment Program, Revision 2*,

https://www.hud.gov/sites/dfiles/PIH/documents/PIH%202020-33_rev%2012.14.pdf. This notice restates the waivers and alternative requirements included previously in Notice PIH 2020-13, carries forward information on previously specified HUD actions, adds new waivers and alternative requirements, and incorporates the waivers and alternative requirements for mainstream vouchers and the Mod Rehab program. In addition, this Notice extends the period of availability of certain waivers, such as those related to Income Verification and Annual Examinations, until June 30, 2021.

Additionally, the CARES Act authorized the secretary to award any remaining unobligated balances appropriated under this heading in prior Acts for incremental tenant-based assistance contracts under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 USC 8013). No less than 25 percent of such amounts was allocated proportionally to public housing agencies who received awards in the 2017 and 2019 competitions for such purposes.

Furthermore, HUD provided instructions on Financial Data Schedule (FDS) reporting of CARES Act funds in PIH Notice PIH 2020-24.

7. Emergency Housing Voucher Program

The American Rescue Plan Act of 2021 (the ARP) (Pub. L. No. 117-2), enacted on March 11, 2021, provided relief to address the continued impact of the COVID-19 pandemic on the economy, public health, State and local governments, individuals, and businesses.

Section 3202 of the ARP provided appropriations for new incremental Emergency Housing Voucher (EHVs), the renewal of those EHVs, and fees for the cost of administering the EHVs and other eligible expenses defined by notice to prevent, prepare for, and respond to coronavirus to facilitate the leasing of the emergency vouchers, such as security deposit assistance and other costs related to retention and support of participating owners.

Eligibility for these EHVs is limited to individuals and families who are (1) homeless; (2) at risk of homelessness; (3) fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking or human trafficking; or (4) recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability. After September 30, 2023, a PHA may not reissue any previously leased EHV, regardless of when the assistance for the formerly assisted family ends or ended.

EHVs are tenant-based rental assistance under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)). The ARP further provides that HUD may waive any provision of the United States Housing Act of 1937 or regulation applicable to such statute used to administer the amounts made available under section 3202 (except for requirements related to fair housing, nondiscrimination, labor standards and the environment), upon a finding that any such waivers or alternative requirements are necessary to expedite or facilitate the use of amounts made available for the EHVs. EHV waivers and alternate requirements are included in HUD issued PIH Notice 2021-15: Emergency Housing Vouchers – Operating Requirements.

HUD issued Notice PIH 2021-15 on May 5, 2021, in order to provide operating requirements to PHAs administering the EHV program. On May 10, 2021, HUD notified PHAs of their EHV funding eligibility based on the allocation formula outlined in Notice PIH 2021-15. PHAs had until May 24, 2021, to accept or decline their EHV allocation and any remaining vouchers were reallocated by HUD per the process described in Notice PIH 2021-15. Final allocations were made on June 2, 2021.

On June 30, 2021, HUD issued Notice PIH 2021-20, which revised the reporting guidance in Notice PIH 2021-15, the Emergency Housing Vouchers – Operating Requirements Notice, and set forth new requirements for Public Housing Agencies (PHAs) to report Emergency Housing Voucher (EHV) household data into HUD's existing Information Management System/Public Housing Information Center (IMS/PIC) system.

On August 20, 2021, HUD issued Notice PIH 2021-25, which revised the reporting guidance in Notice PIH 2021-20 and PIH 2021-15 and set forth the reporting requirements for Public Housing Authorities (PHAs) to report Emergency Housing Voucher (EHV) data into the Voucher Management System (VMS) and the Financial Data Schedule (FDS).

C. Other

The Section 8 Management Assessment Program (SEMAP) is HUD's assessment program to measure the performance of PHAs that administer the HCV program. Under SEMAP, PHAs submit an annual or biennial (depending on the size and previous SEMAP scores), certification, Form HUD-52648 (*OMB No. 2577-0215*), to HUD concerning their compliance with program requirements under 14 indicators of performance (24 CFR Part 985).

In the HCV program, required program contracts and other forms must be word-for-word in the form prescribed by HUD headquarters. Any additions to or modifications of required program contracts or other forms must be approved by HUD headquarters (24 CFR section 982.162). In addition, housing agencies that are contract administrators for this program must comply with the HUD Uniform Financial Reporting Standards rule. Accordingly, PHAs that administer Section 8 tenant-based housing assistance payment programs are required to submit financial statements, prepared in accordance with generally accepted accounting principles (GAAP), in the electronic format specified by HUD. The unaudited financial statement is due two months after the PHA's fiscal year end and the audited financial statement is due nine months after its fiscal year end (24 CFR section 5.801). The financial statement must include the financial activities of this program.

HUD uses HUD-52681-B via the VMS to monitor the PHA's HCVP financial and operational performance. In 2015, HUD published Notice PIH 2015-16, which clarified the financial reporting requirements and deadlines for those PHAs that administer the HCV program and HCV program-related programs. PIH Notice 2017-06, March 23, 2017) provides guidance on cash management procedures.

Source of Governing Requirements

The HCV program regulations are found in 24 CFR parts 5, 982, 983, and 985.

Availability of Other Program Information

Copies of PIH notices can be found at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/pih.

The Supplement to the Financial Management Handbook, Department of Housing and Urban Development Handbook 7475.1, Changes in Financial Management and Reporting for Public Housing Agencies Under the New Operating Fund Rule (Handbook 7475.1) can be found at http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_9191.pdf.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	Y	N	N	N	N	N	Y	N	Y

A. Activities Allowed or Unallowed

1. *Activities Allowed*

- a. PHAs may use HCVP and MV funds only for HAPs to participating owners, and for associated administrative fees (24 CFR sections 982.151 and 982.152).
 - (1) Accumulated administrative fees prior to 2004 may be used for any housing-related purpose. Unspent administrative fees accumulated after January 1, 2005 (i.e., fees from 2004 and later funding, see III.L.1.e.(4)(a), “Financial Reporting – Financial Reports”) may be used only to support the HCVP. These funds still are considered to be administrative fee reserves and are subject to all of the requirements applicable to administrative fee reserves including, but not limited to, those in 24 CFR section 982.155. The fees accumulated from 2004 and later funding must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities. PHAs must maintain and report balances for both funding sources (see notice

PIH 2015-17 (HA) dated October 6, 2015) (Division I, Title II, Section (5) of Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, 118 Stat. 3296, and subsequent appropriations acts; see Section 5 of Notice PIH 2005-01; 24 CFR section 982.155).

- (2) CY HAP funding must be used for CY HAP and later HAP expenses. PHA's HAP equity balance also known as restricted net position (RNP) provides the balance of the unspent HAP at any given point in time. A negative HAP equity balance at the calendar year end indicates that the PHA may be facing a shortfall, and auditors have to be alert that the PHAs do not use the following year HAP budget authority to cover this shortfall (i.e., cover last year's HAP expense) (2005 Appropriations Act each subsequent appropriations act; see Section 15 of Notice PIH 2015-03).
- b. PHAs may use DHAP-Sandy funds
- (1) to provide eligible families with rental assistance, security, and utility deposit assistance; and
 - (2) for administrative, placement, and broker fees (see Section 4.d, PIH Notice 2013-14, Disaster Housing Assistance Program - Sandy (DHAP-Sandy) Operating Requirements, dated June 10, 2013).
- c. PHAs are allowed to recover their indirect costs related to the HCVP through the use of a fee-for-service model in lieu of a cost allocation plan. In order for a PHA to use a fee-for-service model, the PHA must create a central office cost center (COCC) (24 CFR section 990.280(d)). (Also see Section 7.8 of Handbook 7475.1 and Section 2 of Notice PIH 2008-17.) HUD has established the following as the types of fees the COCC can charge for the HCVP:
- (1) HCVP management fee, and
 - (2) Bookkeeping fee.
- d. PHAs may obtain proceeds from dispositions of public housing real property under Sections 18 and 22 of the 1937 Act (Assistance Listing 14.850). PHAs may use net proceeds, if approved by HUD, for the provision of low-income housing, which includes certain Section 8 HCVP uses. If a PHA receives HUD approval to use proceeds for certain HCVP purposes, those funds would be considered, and audited, under the HCVP.

Audit Objectives Determine whether the PHA used proceeds for HUD-approved eligible expenses.

Suggested Audit Procedures

1. Ascertain if the PHA received any proceeds from disposing of real property under Section 18 or 22 of the 1937 Act;
2. Verify that proceeds received are placed in a restricted account subject to the HUD General Depository Agreement HUD-51999 (GDA)(4/18); and
3. Review PHA invoices and other documentation to verify proceeds were used for HUD-approved eligible HCVP expenses.

HUD is required to publish a notice in the Federal Register that reflects the amount that can be claimed by PHAs administering the program. As of September 6, 2006, HUD has determined that, for PHAs that elect to use a fee-for-service methodology for their HCVPs (as allowed under 2 CFR Part 200, Subpart E), a management fee of up to 20 percent of the prorated administrative fee earned or up to \$12 per unit month (PUM) per voucher leased, whichever is higher, is reasonable. PHAs also can charge the HCVP a bookkeeping fee of \$7.50 PUM per voucher leased (see 71 FR 52710, HUD Notice – Public Housing Operating Fund Program; Guidance on Implementation of Asset Management, September 6, 2006, Section VIII, which is available at <https://portal.hud.gov/hudportal/documents/huddoc?id=fedregister5099-n-01.pdf> (42 USC 1437f(q)(1)).

2. *Activities Unallowed*

- a. HAP funding can only be used to support the payment of HAP expenses.
- b. With the exception of Moving to Work Housing Authorities, Transfers of HAP, and associated administrative fees, even temporarily, to support another program (such as the Low-Rent program or Local Housing programs) or use are not allowed and could be considered a breach of the ACC (see III.L.1.e.(3), “Reporting--Financial Reporting--FDS Transfer Line Items”). Such use may result in civil penalties or sanctions (24 CFR section 985.109).
- c. The 2005 Appropriations Act and subsequent appropriations acts prohibit the use of appropriated funds by any PHA for “over-leasing.” Over-leasing occurs when a PHA has more unit months under a HAP contract for the CY than are available under its ACC baseline, even if the PHA has sufficient Budget Authority to support the additional unit months. Over-leasing is measured on a CY basis. If a PHA engages in over-leasing, it must identify other non-HAP sources to pay for the over-leasing. In addition, the 2008 Appropriations Act and subsequent appropriations acts require that administrative fees be based on actual leasing as of the first day of the month (Division I, Title II, Section (5) of Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, 118 Stat. 3295; Division K, Title II, Section (1) of Consolidated Appropriations Act, 2008, Pub. L.

No. 110-161, 121 Stat. 2413; see Section 7 of Notice PIH 2005-01 and Section 17 of Notice PIH 2015-03). PHAs submit lease information via VMS. (See also III.L.1.d (1), “Reporting--Financial Reporting--Unit Months Leased.”)

B. Allowable Costs/Cost Principles

The amount of salary, including bonuses, of PHA chief executive officers, other officers, and employees paid with Section 8 HCV administrative fees and Section 9 Capital and Operating funds may not exceed the annual rate of basic pay payable for a federal position at Level IV of the Executive Schedule (currently \$164,200) (Section 227 of Pub. L. No. 113-235, 128 Stat. 2756, December 16, 2014, and carried forward in each subsequent appropriations act). Implementing guidance has been issued in PIH Notice 2016-14, “Guidance on Public Housing Agency (PHA) salary restrictions in HUD’s annual appropriations”

(https://www.hud.gov/program_offices/public_indian_housing/publications/notices).

E. Eligibility

1. Eligibility for Individuals

- a. Most PHAs devise their own application forms that are filled out by the PHA staff during an interview with the tenant. The head of the household signs (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a federally prescribed general release form for employment information; and (c) a privacy notice. Under some circumstances, other members of the family are required to sign these forms (24 CFR sections 5.212 and 5.230).
- b. The PHA must do the following:
 - (1) As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516).
 - (2) For both family income examinations and reexaminations, obtain and document in the family file third party verification of (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent (24 CFR section 982.516).
 - (3) Determine income eligibility and calculate the tenant’s rent payment using the documentation from third party verification in accordance with 24 CFR Part 5 Subpart F (24 CFR section 5.601 et seq.) (24 CFR sections 982.201, 982.515, and 982.516).

- (4) Select tenants from the HCVP waiting list (see III.N.1, “Special Tests and Provisions – Selection from the Waiting List”) (24 CFR sections 982.202 through 982.207).
- (5) Reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification (24 CFR section 982.516).

2. Eligibility for Group of Individuals or Area of Service Delivery

Not Applicable

3. Eligibility for Subrecipients

Not Applicable

L. Reporting

1. Financial Reporting

- a. *SF-270, Request for Advance or Reimbursement* – Not Applicable
- b. *SF-271, Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable
- c. *SF-425, Federal Financial Report* – Not Applicable
- d. *HUD-52681-B, Voucher for Payment of Annual Contributions and Operating Statement (OMB No. 2577-0169)*. The PHA submits this form monthly to HUD electronically via the VMS. Congress has instructed HUD to use VMS data to determine renewal funding levels. HUD also uses VMS data for other funding, monitoring, and SEMAP-related decisions. HUD relies on the audit of the key line items below to determine the reasonableness of the data submitted for the purposes of calculating funding under the program.

Key Line Items – The following categories contain critical information:

1. *Unit Months Leased*
2. *HAP Expenses*
3. *All Specific Disaster Voucher Programs*
- e. *Financial Reports (OMB No. 2535-0107)* – Financial Assessment Subsystem, FASS-PH. The Uniform Financial Reporting Standards (24 CFR section 5.801) require PHAs to submit timely GAAP-based unaudited and audited financial information electronically to HUD. The FASS-PH

system is one of HUD's main monitoring and oversight systems for the HCVP.

Key Line Items – The following line items contain critical information:

1. Line Items: The accuracy of these revenue items should be reviewed in conjunction with the participant's annual budget authority, payment schedules, and other reports.
 - (a) FDS Line 70600-010 – (Housing Assistance Payments)
 - (b) FDS Line 70600-020 – (Ongoing Administrative Fees Earned)
 - (c) FDS Line 71100 – (Investment Income – Unrestricted)
 - (d) FDS Line 72000 – (Investment Income – Restricted)
2. FDS Expenditure Line Items: The accuracy of these expenditure items should be reviewed in conjunction with Chapter 7 of the Supplement to HUD Handbook 7475.1, revised April 2007, which provides HUD guidance on maximum fees allowed and associated fee expenses.
 - (a) FDS Line 91300 – (Management Fee)
 - (b) FDS Line 91310 – (Book-Keeping Fee)
 - (c) FDS Line 96900 – (Total Operating Expenses)
 - (d) FDS Line 97300 – (Housing Assistance Payments)
3. FDS Transfer Line Items: The accuracy of these transfer items should be reviewed in conjunction with supporting documentation and/or HUD approvals. For FDS reporting, cash and investments in a cash pool or working capital account should be reported as such and not reflected as due to/due from. Amounts reported on these FDS Lines could represent unallowable costs (see III.A.1.c, "Activities Allowed or Unallowed").
 - (a) FDS Line 144 – (Inter Program – Due From)
 - (b) FDS Line 10020 – (Operating Transfer Out)
 - (c) FDS Line 10030 – (Operating Transfers From/To Primary Government)
 - (d) FDS Line 10040 – (Operating Transfer From/To Component Unit)

- (e) FDS Line 11040 – (Prior Period Adjustments, Equity Transfers, and Correction of Errors)

4. FDS Equity Line Items:

- (a) FDS Line 11170 – (Administrative Fee Equity)

This line represents the administrative fee equity for the Section 8 HCVP only. Amounts reported in this line should not be commingled with other voucher-related activities. It is equal to the beginning administrative fee equity balance plus the total administrative fee revenue minus total administrative expense.

- (b) FDS Line 11180 – (Housing Assistance Payments Equity)

This line represents the HAP equity for the HCVP only. Amounts reported in this line should not be commingled with other voucher-related activities as outlined in PIH-Notice 2012-21. It is equal to the beginning HAP equity plus total HAP revenues minus total HAP expenses. Current CY appropriated HAP funding cannot be used to fund prior CY HAP deficits.

- (c) Recent Office of Inspector General (OIG) reports have noted deficiencies in the reporting of equity balances. Material deficiencies by the entity may require reconciling of prior-year data to establish valid equity balances.

2. Performance Reporting

- a. *HUD-52648, SEMAP Certification – Addendum for Reporting Data for Deconcentration Bonus Indicator (OMB No. 2577-0215)* – PHAs with jurisdiction in metropolitan Fair Market Rent areas have the option of submitting data to HUD with their annual SEMAP certifications on the percent of their tenant-based Section 8 families with children who live in and who have moved during the PHA fiscal year to low poverty census tracts in the PHA’s principal operating area. Submission of this information with the SEMAP certification makes the PHA eligible for bonus points under SEMAP (24 CFR section 985.3(h)).

Key Line Items – The following line items contain critical information:

- 1. Line 1a – Number of Section 8 families with children assisted by the HA in its principal operating area at the end of the last PHA fiscal year (FY) who live in low poverty census tracts

2. Line 1b – Total Section 8 families with children assisted by the PHA in its principal operating area at the end of the last PHA FY
 3. Line 1c – Percent of all Section 8 families with children residing in low poverty census tracts in the PHA’s principal operating area at the end of the last PHA FY
 4. Line 2a – Percent of all Section 8 families with children residing in low poverty census tracts at the end of the last completed PHA FY
 5. Line 2b – Number of Section 8 families with children who moved to low poverty census tracts during the last completed PHA FY
 6. Line 2c – Number of Section 8 families with children who moved during the last completed PHA FY
- b. *HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons (OMB No. 2529-0043)* – Each recipient that administers covered public and Indian housing assistance, regardless of the amount expended, and each recipient that administers covered housing and community development assistance in excess of \$200,000 in a program year, must submit HUD 60002 information using the automated Section 3 Performance Evaluation and Registry System (SPEARS) (24 CFR sections 135.3(a)(1) and 135.90).

Information on the automated system is available at https://www.hud.gov/program_offices/field_policy_mgt/section3/spears. SPEARS pre-populates Form HUD 60002 with recipient name and address along with disbursement data for program funding covered by Section 3. Users have the flexibility of selecting the 12-month reporting period, typically to coincide with their respective fiscal cycle.

Key Line Items – The following line items contain critical information:

1. Number of new hires that meet the definition of a Section 3 resident
2. Total dollar amount of construction contracts awarded during the reporting period
3. Dollar amount of construction contracts awarded to Section 3 businesses during the reporting period
4. Number of Section 3 businesses receiving the construction contracts
5. Total dollar amount of nonconstruction contracts awarded during the reporting period

6. Dollar amount of nonconstruction contracts awarded to Section 3 businesses during the reporting period
7. Number of Section 3 businesses receiving the nonconstruction contracts

3. Special Reporting

HUD-50058, Family Report (OMB No. 2577-0083) – The PHA is required to submit this form electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA’s jurisdiction under portability (24 CFR Part 908 and 24 CFR section 982.158).

Key Line Items – The following line items contain critical information.

1. Line 2a – *Type of Action*
2. Line 2b – *Effective Date of Action*
3. Line 3b, 3c – *Names*
4. Line 3e – *Date of Birth*
5. Line 3n – *Social Security Numbers*
6. Line 5a – *Unit Address*
7. Line 5h, 5i – *Unit Inspection Dates*
8. Line 7i – *Total Annual Income*
9. Lines 2k and 17a – *Family’s Participation in the Family Self Sufficiency (FSS) Program*
10. Line 17k (2) – *FSS Account Balance*

4. Special Reporting for Federal Funding Accountability and Transparency Act

See Part 3.L for audit guidance.

N. Special Tests and Provisions

1. Selection from the Waiting List

Compliance Requirements The PHA must have written policies in its HCVP administrative plan for selecting applicants from the waiting list and PHA documentation must show that the PHA follows these policies when selecting applicants for admission

from the waiting list. Except as provided in 24 CFR section 982.203 Special admission (non-waiting list), all families admitted to the program must be selected from the waiting list. "Selection" from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission (24 CFR sections 5.410, 982.54(d), and 982.201 through 982.207).

Audit Objectives Determine whether the PHA is following its own selection policies in selecting applicants from the waiting list to become participants.

Suggested Audit Procedures

- a. Review the PHA's applicant selection policies.
- b. Test a sample of new participants admitted to the program to ascertain if they were selected from the waiting list in accordance with the PHA's applicant selection policies.
- c. Test a sample of applicant names that reached the top of the waiting list to ascertain if they were admitted to the program or provided the opportunity to be admitted to the program in accordance with the PHA's applicant selection policies.

2. Reasonable Rent

Compliance Requirements The PHA's administrative plan must state the method used by the PHA to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA determination must consider unit attributes such as the location, quality, size, unit type, and age of the unit, and any amenities, housing services, maintenance, and utilities provided by the owner.

The PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract (a) before any increase in the rent to owner, and (b) at the HAP contract anniversary if there is a 5 percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

Audit Objectives Determine whether the PHA is documenting the determination that the rent to owner is reasonable in accordance with the PHA's administrative plan at initial leasing and during the term of the contract.

Suggested Audit Procedures

- a. Review the PHA's method in its administrative plan for determining reasonable rent.

- b. Test a sample of leases for newly leased units and ascertain if the PHA has documented the determination of reasonable rent in accordance with the PHA's administrative plan.
- c. Test a sample of leases for which the PHA is required to determine reasonable rent during the term of the HAP contract and ascertain if the PHA has documented the determination of reasonable rent in accordance with the PHA's administrative plan.

3. Utility Allowance Schedule

Compliance Requirements The PHA must maintain an up-to-date utility allowance schedule. The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised (24 CFR section 982.517).

Audit Objectives Determine whether the PHA has reviewed utility rate data within the last 12 months and has adjusted its utility allowance schedule if there has been a rate change of 10 percent or more in a utility category or fuel type since the last time the utility allowance schedule was revised.

Suggested Audit Procedures

- a. Review PHA procedures for obtaining and reviewing utility rate data each year.
- b. Review data on utility rates that the PHA obtained during the last 12 months and ascertain, based on data available at the PHA, if there has been a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised, and if so, verify that the PHA revised its utility allowance schedule to reflect the rate increase.

4. Housing Quality Standards Inspections

Compliance Requirements The PHA must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)).

Audit Objectives Determine whether the PHA documented the required annual HQS inspections and quality control re-inspections.

Suggested Audit Procedures

- a. Review the PHA's procedures for performing HQS inspections and quality control re-inspections.

- b. Test a sample of units for which rental assistance was paid during the fiscal year and review inspection reports to ascertain if the unit was inspected.
- c. Review the PHA's reports of re-inspections to ascertain if quality control re-inspections were performed.

5. HQS Enforcement

Compliance Requirements For units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

Audit Objectives Determine whether the PHA documented enforcement of the HQS.

Suggested Audit Procedures

- a. Select a sample of units with failed HQS inspections during the audit period from the PHA's logs or records of failed HQS inspections.
- b. Verify that the files document that the PHA required correction of any cited life threatening HQS deficiencies within 24 hours of the inspection and of all other HQS deficiencies within 30 calendar days of the inspection or within a PHA-approved extension.
- c. If the correction period has ended, verify that the files contain a unit inspection report or evidence of other verification documenting that any PHA-required repairs were completed.
- d. Where the file shows that the owner failed to correct the cited HQS deficiencies within the specified time frame, verify that documents in the file show that the PHA properly stopped (abated) HAPs or terminated the HAP contract.
- e. Where the file shows that the family failed to correct the cited HQS deficiencies within the specified time frame, verify that documents in the file show that the PHA took action to enforce the family obligations.

6. Housing Assistance Payment

Compliance Requirements The PHA must pay a monthly HAP on behalf of the family that corresponds with the amount on line 12u of the HUD-50058. This HAP amount must be reflected on the HAP contract and HAP register (24 CFR section 982.158 and 24 CFR Part 982, Subpart K).

Audit Objectives Determine whether owners are receiving, and HUD is billed for, correct HAPs.

Suggested Audit Procedures

- a. Review PHAs' quality control procedures for maintaining the HAP register.
- b. Verify that HAP contracts or contract amendments agree with the amount recorded on the HAP register and the amount on 12u of the HUD-50058.

7. Operating Transfers and Administrative Fees

Compliance Requirements The ACC establishes the amounts HUD will provide a PHA for HAP and administrative fees. With the exception of Moving to Work Housing Authorities, HAP may not be used to cover administrative expenses nor may HAP (including RNP) be loaned, advanced, or transferred to other component units or other programs such as Public and Indian Housing (Assistance Listing 14.850) (24 CFR sections 982.151 and 982.152).

Audit Objectives Determine whether transfers/advances of HCVP funds were properly conducted and HCVP HAP and administrative fee funding were used appropriately.

Suggested Audit Procedures

- a. Selected a sample of transactions related to the following FDS Lines:
 - 144 – Inter Program – Due From
 - 124 – Accounts receivable – other government
 - 125 – Accounts receivable – miscellaneous
 - 10020 – Operating transfers out
 - 10030 – Operating transfers from/to primary government
 - 10040 – Operating transfers from/to component unit
 - 11040 – Prior period adjustments, equity transfers, and correction of errors
 - 11170 – Administrative fee equity
 - 11180 – Housing assistance payment equity
- b. Test for improper transfers or inappropriate use of funds

8. Depository Agreements

Compliance Requirements PHAs are required to enter into depository agreements with their financial institutions in the form required by HUD. The agreements serve as safeguards for federal funds and provide third party rights to HUD. Among the terms in many agreements are requirements for funds to be placed in an interest-bearing account (24 CFR section 982.156).

Audit Objectives Determine whether the PHA has entered into the required depository agreements.

Suggested Audit Procedures

- a. Verify the existence of the agreements.
- b. Verify that the PHA has met the terms of the agreements, including that funds are placed in an interest-bearing account if required by the depository agreement.

9. Rolling Forward Equity Balances

Compliance Requirements PHAs are required to maintain complete and accurate accounts. In addition, the ACC requires PHA to properly account for program activity. Proper accounting requires that (1) account balances are properly maintained, (2) records and accounting transactions support a proper roll-forward of equity, and (3) errors are corrected as detected. Several HUD OIG audits reports have noted that PHAs have not

been accounting and reporting HAP and Administrative Fee equity accounts properly. This has resulted in several PHAs not being funded correctly and has resulted in OIG findings against HUD and PHAs. If audit testing, account analysis, or third party (e.g., HUD) information, provides evidence that the current HAP and Administrative Fee equity is not correctly stated, the PHA is required to correct the account balance. Errors affecting these accounts could have begun starting with 2004 or 2005 financial statements (24 CFR section 982.158). (**Note:** The Administrative Fee equity on the Income Statement may include Net Investments in Capital Assets depending on the PHA's situation, whereas the Unrestricted Net Position or Administrative Fee Reserve (discussed in Notice 2015-17, Use and Reporting of Administrative Fee Reserves) does not include capital assets.)

Audit Objectives Determine whether equity balances have been reconciled and rolled forward correctly.

Suggested Audit Procedures

- a. If audit testing, account analysis, or third party (e.g., HUD) information provides evidence that the current HAP and Administrative Fee equity is not correctly stated, verify that the PHA has corrected the account balances.
- b. Verify that, like any prior-year correction entry, these accounting transactions were properly made and the account balances for the HAP and Administrative Fee equity accounts were properly corrected.

10. CARES Act Funding

Compliance Requirements PIH Notice 2020-17, *CARES Act -HCV Program HAP Supplemental Funding*, covers the requirements related to the supplemental HAP funding totaling \$400 million for the HCV program, including MV. The supplemental HAP funding was made available for PHAs that either (1) experience a significant increase in voucher per unit costs (PUC) due to extraordinary circumstances, or (2) despite taking reasonable cost saving measures, as determined by the secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding (herein referred to as Shortfall Funds). CARES Act HAP funding may only be used for current year eligible HAP expenses. HAP funding cannot be used for the repayment of debts or any amounts owed to HUD by HUD program participants including, but not limited to, OIG, Quality Assurance Division (QAD), or other monitoring review findings. HAP also cannot be used for Administrative Fee purposes. Furthermore, CARES Act HAP funds may not roll into RNP and must be tracked and accounted for separately throughout the period of availability.

PIH Notices 2020-08 and 2020-18 *CARES Act – HCV Program Administrative Fees First and Second Award*, respectively, cover requirements related to the supplemental administrative fee funding totaling \$850 million for the HCV program, including MV. This supplemental administrative fee funding was made available to PHAs to cover administrative expenses and other expenses related to COVID-19. Section 4 of PIH

Notice 2020-18 contains a complete list of additional eligible activities for COVID-19 funds. PHAs were also instructed to request eligibility for COVID-19 related costs that were not explicitly included in the notice.

Furthermore, HUD provided instructions on accounting for and FDS reporting of CARES Act funds in PIH Notice PIH 2020-24. HUD must meet its monitoring responsibilities and provide transparency in the PHAs' receipt and use of CARES Act supplemental funding. Therefore, the Real Estate Assessment Center (REAC), a division of HUD's Office of Public and Indian Housing, has established the following six new columns on the FDS for reporting CARES Act supplemental funds.

#	New Column #	Column Name
1	14.PHC	Public Housing CARES Act Funding
2	14.HCC	HCV CARES Act Funding (both HAP and Administrative Fee)
3	14.MSC	Mainstream CARES Act Funding (both HAP and Administrative Fee)
4	14.MRC	Moderate Rehabilitation CARES Act Funding
5	14.CCC	Central Office Cost Center CARES Act Funding
6	14.CMT	CARES Act Funding Transferred to MTW

If a PHA has received CARES Act funding from any one of the following four programs, 1) Public Housing Operating Fund, 2) HCV, 3) MV, and/or 4) Moderate Rehabilitation, (the latter via the PBRA account), the PHA is required to add the respective reporting column(s) in its FASS-PH submission and report the amounts in accordance with the instructions in PIH Notice 2020-24.

The CARES Act also requires that recipients and sub-recipients of CARES Act funds satisfy quarterly reporting requirements if the recipient has been awarded \$150,000 or more in covered funds. CARES Act quarterly reporting requirements are aligned with PHA FDS reporting guidance in PIH Notice 2000-24. This alignment will allow for consistency in reporting and ensure that PHAs maintain a single record of CARES Act expenses.

Audit Objectives Determine whether CARES Act HAP funds received were used, accounted for, and reported in accordance with program requirements.

Suggested Audit Procedures

- a. Obtain supporting documentation for CARES Act HAP funds received and evaluate to determine whether:
 - (1) The amounts received were accounted for separately under the appropriate program.
 - (2) The amount recorded in the general ledger agrees to supporting documentation.

- (3) Appropriate columns were included in the FDS and that amounts reported in the FDS agree to amounts in the general ledger.
- b. Select a sample of CARES Act HAP fund disbursements and test to determine:
- (1) Whether the funds were used for current year eligible HAP expenses.
 - (2) If any funds were inappropriately used for the repayment of debts or any amounts owed to HUD including, but not limited to, OIG, QAD, or other monitoring review findings.
 - (3) Whether funds were inappropriately used for Administrative Fee purposes.
 - (4) Whether funds were inappropriately rolled into RNP.
 - (5) Whether the transactions for amounts disbursed were accurately recorded in the appropriate program in the general ledger.
- c. Determine whether amounts reported in CARES Act columns on the FDS for HAP disbursements agree to amounts recorded in the general ledger.
- d. Obtain supporting documentation for CARES Act Administrative Fee funds received and evaluate to determine whether:
- (1) The amounts received were accounted for separately under the appropriate program.
 - (2) The amount recorded in the general ledger agrees to supporting documentation.
 - (3) Appropriate columns were included in the FDS and that amounts reported in the FDS agree to amounts in the general ledger.
- e. Select a sample of CARES Act Administrative Fee fund disbursements and test to determine:
- (1) Whether the funds were used for either administrative expenses allowable under the applicable program, or other expenses related to COVID-19 identified in Section 4 of PIH Notice 2020-18.
 - (2) Whether funds were used for a purpose other than those listed in Section 4 of PIH Notice 2020-18, and if so whether HUD approval was obtained for the use.

- (3) Whether the transactions for amounts disbursed were accurately recorded in the appropriate program in the general ledger and follow the guidance provided in PIH Notice 2020-24.
 - f. Select a sample of COCC fee disbursements charged to CARES Act Administrative Fees and determine whether the fee amounts were allowable and properly recorded in the general ledger and reported in the FDS under the provisions in PIH Notice 2020-24.
 - g. Determine whether amounts reported in CARES Act FDS columns resulting from Administrative Fee expenses agree to amounts recorded in the general ledger.
 - h. If HUD has implemented quarterly CARES Act funds reporting requirements:
 - (1) Determine whether required reporting has been completed.
 - (2) Determine whether amounts in the quarterly reports are consistent with amounts reported in the FDS.
11. Emergency Housing Vouchers Program Funding

Compliance Requirements Section 3202 of the American Rescue Plan Act of 2021 (the ARP) provided appropriations for new incremental Emergency Housing Voucher (EHVs), the renewal of those EHVs, and fees for the cost of administering the EHVs and other eligible expenses defined by notice to prevent, prepare for, and respond to coronavirus to facilitate the leasing of the emergency vouchers, such as security deposit assistance and other costs related to retention and support of participating owners.

Eligibility for these EHVs is limited to individuals and families who are (1) homeless; (2) at risk of homelessness; (3) fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking or human trafficking; or (4) recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability. After September 30, 2023, a PHA may not reissue the any previously leased EHV, regardless of when the assistance for the formerly assisted family ends or ended.

EHVs are tenant-based rental assistance under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)). The ARP further provides that HUD may waive any provision of the United States Housing Act of 1937 or regulation applicable to such statute used to administer the amounts made available under section 3202 (except for requirements related to fair housing, nondiscrimination, labor standards and the environment), upon a finding that any such waivers or alternative

requirements are necessary to expedite or facilitate the use of amounts made available for the EHV. EHV waivers and alternate requirements are included in HUD issued PIH Notice 2021-15: Emergency Housing Vouchers – Operating Requirements.

Notice PIH 2021-15, the Emergency Housing Vouchers – Operating Requirements Notice, provided operating requirements to PHAs administering the EHV program. Notice PIH 2021-20 revised the reporting guidance in Notice PIH 2021-15 and set forth new requirements for Public Housing Agencies (PHAs) to report Emergency Housing Voucher (EHV) household data into HUD’s existing Information Management System/Public Housing Information Center (IMS/PIC) system.

Notice PIH 2021-25, the Emergency Housing Vouchers – Voucher Management System and Financial Data Schedule Reporting Requirements Notice revised the reporting guidance in Notice PIH 2021-20 the Emergency Housing Vouchers – Household Reporting Requirements Notice and Notice PIH 2021-15 the Emergency Housing Vouchers – Operating Requirements Notice and set forth the reporting requirements for Public Housing Authorities (PHAs) to report Emergency Housing Voucher (EHV) data into the Voucher Management System (VMS) and the Financial Data Schedule (FDS).

Audit Objectives Determine whether EHV funds received were used, accounted for, and reported in accordance with program requirements.

Suggested Audit Procedures

- a. Determine whether the PHA maintained separate financial records from its regular HCV funding for all EHV funding, both HAP and administrative fee amounts.
- b. Obtain a copy of the memorandum of understanding (MOU) in place with the Continuum of Care (CoC) or another partnering agency and evaluate whether:
 - (1) The MOU was in place within 30 days of the effective date of the ACC funding increment for the EHV.
 - (2) The MOU included, at a minimum, the services identified in Section 9(b) of PIH Notice 2021-15.
- c. Request and review documentation to determine if the PHA has executed a General Depository Agreement (HUD-51999) for EHV funding.
- d. Select a sample of tenants enrolled in the EHV program in the entity’s fiscal period under audit and determine whether:
 - (1) The EHV tenant is eligible to participate in the EHV program by meeting one of the four eligible categories for EHV assistance (e.g., homeless; at

- risk of homelessness; fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking; recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability).
- (2) The CoC or another partnering agency provided supporting documentation to the PHA of the referring agency's verification that the family meets one of the four eligible categories for EHV assistance.
 - (3) The referred tenant was not added to the PHA's regular HCV waiting list.
- e. Obtain supporting documentation for EHV Housing Assistance Payment (HAP) funds received and evaluate to determine whether:
- (1) The amounts received were accounted for separately under the appropriate program.
 - (2) The amount recorded in the general ledger agrees to supporting documentation.
 - (3) Appropriate columns were included in the FDS in accordance with requirements in PIH Notice 2021-25, and that amounts reported in the FDS agree to amounts in the general ledger.
- f. Select a sample of EHV fund disbursements and test to determine:
- (1) Whether the funds were used for current year eligible EHV expenses.
 - (2) If any funds were inappropriately used for the repayment of debts or any amounts owed to HUD including, but not limited to, OIG, QAD, or other monitoring review findings.
 - (3) Whether funds were inappropriately rolled into the regular HCV Restricted Net Position (RNP).
 - (4) Whether the transactions for amounts disbursed were accurately recorded in the appropriate program in the general ledger.
- g. Determine whether amounts reported in EHV columns on the FDS for HAP disbursements agree to amounts recorded in the general ledger.
- h. Obtain supporting documentation for EHV Administrative Fee funds received and evaluate to determine whether:
- (1) The amounts received were accounted for separately under the appropriate program.
 - (2) The amount recorded in the general ledger agrees to supporting documentation.
 - (3) Appropriate columns were included in the FDS in accordance with requirements in PIH Notice 2021-25, and that amounts reported in the FDS agree to amounts in the general ledger.
- i. Select a sample of EHV Administrative Fee fund disbursements and test to determine:
- (1) Whether the funds were used for EHV administrative and other eligible expenses allowable under the applicable program and as identified in Section 6 of PIH Notice 2021-15.
 - (2) Determine whether amounts reported in EHV columns on the FDS for Administrative Fee disbursements agree to amounts recorded in the general ledger.

- (3) Whether the transactions for amounts disbursed were accurately recorded in the appropriate program in the general ledger and follow the guidance provided in PIH Notice 2021-15 and PIH Notice 2021-25.
- j. Determine that the PHA individually tracks each of the four different fee types (e.g., Preliminary Fee; Placement Fee/Expedited Issuance Reporting Fee; On-going Administrative Fee; Services Fee) received, the amount of the expense incurred by that fee type, and how much is unspent as indicated in Section 5 of Notice PIH 2021-25.
- k. Select a sample of COCC fee disbursements charged to the EHV program and determine whether the fee amounts were allowable and properly recorded in the general ledger and reported in the FDS under the provisions in Notice PIH 2021-25.
- l. Determine if EHV program funding is reported under Assistance Listings (formerly referred to as Catalog of Federal Domestic Assistance) number 14.871 - "Housing Choice Voucher Program" on the Schedule of Expenditures of Federal Awards and if the PHA identified how much of the EHV funding is included in the total either by a footnote to the SEFA or adding detail lines in the SEFA itself under the provisions of Notice PIH 2021-25 (HA), Section 8. k.

IV. OTHER INFORMATION

The MTW program (Assistance Listing 14.881) allows selected PHAs the flexibility to design and test various approaches to providing and administering housing assistance consistent with the MTW Agreement executed by the PHA and HUD and under the MTW Operations Notice. An MTW agency may apply funding fungibility from the following three programs:

- Section 8 Housing Choice Vouchers (Assistance Listing 14.871)
- Public Housing Capital Fund (Assistance Listing 14.872)
- Public and Indian Housing (Assistance Listing 14.850)

Depending on if a PHA is operating under an MTW Agreement or the MTW Operations Notice, the auditor should look to the MTW Agreement or the MTW Operations Notice, as applicable, to determine which funds are included. Even though the Mainstream Vouchers program (Assistance Listing 14.879) follows HCVP procedures, that program is excluded from the MTW program. If HCVP funds are transferred out of HCVP, pursuant to an MTW Agreement or the MTW Operations Notice, they are subject to the requirements of the MTW Agreement or the MTW Operations Notice and should not be included in the audit universe and total expenditures for HCVP when determining Type A programs. On the Schedule of Expenditures of Federal Awards, the amounts transferred out should not be shown as HCVP expenditures but should be

shown as expenditures for the MTW Demonstration program. Also, if other program funds are transferred into the HCVP account, pursuant to an MTW Agreement or the MTW Operations Notice, all of the HCVP funds would then be considered MTW funds.

If the MTW agency does not transfer all the funds from the HCVP into the MTW account or another of the authorized programs, those funds would be considered, and audited, under the HCVP.