


Common REAC Rejections on FDS

Tips for a Successful Audit


Hosted by:
**BERMAN HOPKINS
 WRIGHT & LAHAM**
 CPAS AND ASSOCIATES, LLP

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Webinar Outline

- REAC Submission Process
- Resources
- Common Rejection Items
 - Asset & Expense Accounts
 - Central Office Cost Center (COCC)
 - Most Common Eliminations
 - Transfers
 - Cost Reimbursable Grants
 - Capital Fund Program
 - VASH
 - Section 8 Housing Choice Voucher Program
 - Component Units
- Questions



Speaker & Panelist



Speaker:
 Brian L. Nemeroff, CPA
Audit Partner




Panelist:
 Alexis Schaaf, CPA
Senior Accountant



The Real Estate Assessment Center (REAC) Submission

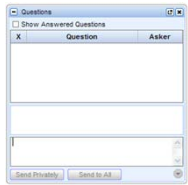

Is there a worse feeling than this?

STATUS	PHA CODE	PHA NAME	TYPE	FISCAL YEAR END	DATE RECEIVED	FASS ANALYST
Rejected	CA999	Hometown Housing Authority	Unaudited/A-133	06/30/2001	08/14/2001	



Enter Questions Into GoToMeeting Panel

If you have any questions during the presentation please enter them into the questions tab and we will answer them at the end of the presentation.

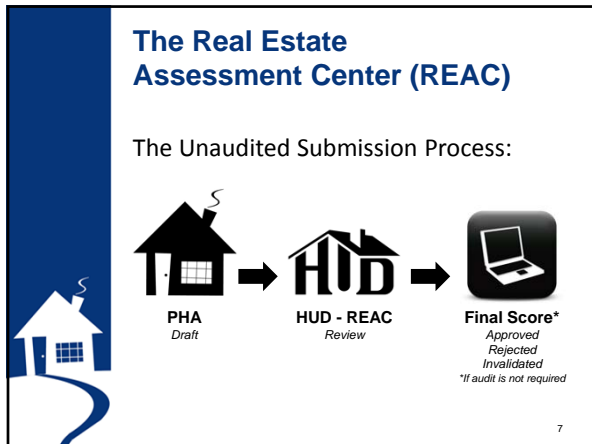



The Real Estate Assessment Center (REAC) Submission

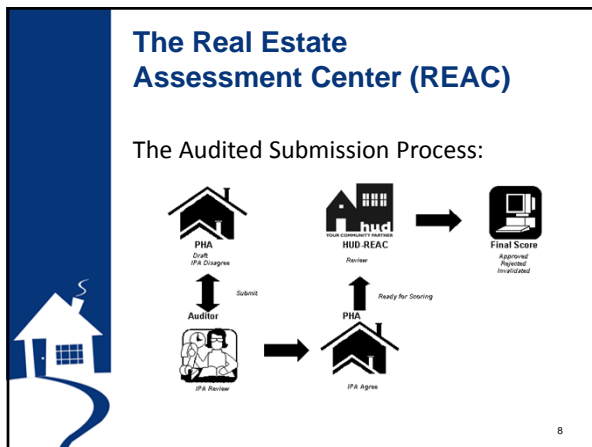
The Primary Goal of this presentation is to receive the status below on the **first** attempt.

STATUS	PHA CODE	PHA NAME	TYPE	FISCAL YEAR END	DATE RECEIVED	FASS ANALYST
Approved	CA999	Hometown Housing Authority	Unaudited/A-133	06/30/2001	09/10/2001	





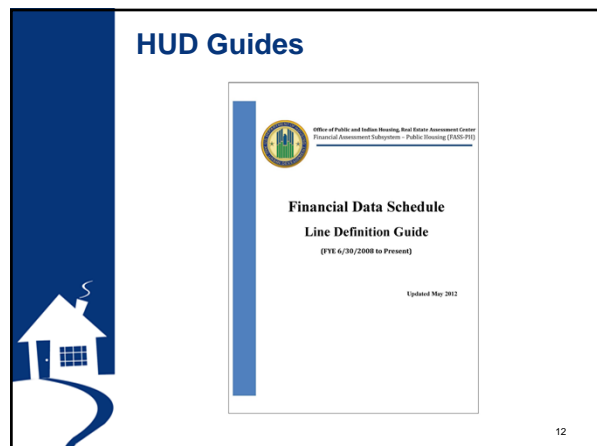
Authority Level	GASB	FASB	AICPA	Other
A	Statements and Interpretations	Pronouncements made applicable by a GASB Statement or GASB Interpretation	Pronouncements made applicable by a GASB Statement or GASB Interpretation	
B	Technical Bulletins		Audit and Accounting Guides made applicable by the AICPA and cleared by the GASB AICPA Statements of Position made applicable by the AICPA and cleared by the GASB	
C	Emerging Issues Task Force consensus positions (if created)		Practice Bulletins made by the AICPA and cleared by the GASB	
D	Implementation Guides			Widely recognized equivalent practices in government
Other Sources	Concepts Statements	Concept Statements	Issues, Concepts and Technical	Examples (not all inclusive): <ul style="list-style-type: none"> Private industry hierarchy categories if not specific to government APB Statements International Accounting Standards of the International Accounting Standards Committee Pronouncements of other professional associations or regulatory agencies Accounting textbooks, handbooks, articles (e.g. GAAPR "Blue Book")



- ## Acronyms/Terms
- GAAP:** Generally Accepted Accounting Principles
 - GASB:** Government Accounting Standards Board
 - AMP:** Asset Management Projects
 - COCC:** Central Office Cost Center
 - UFRS:** Uniform Financial Reporting Standards
 - FDS:** Financial Data Schedule
 - OMB:** Office of Management and Budget

REAC Decision Making

Some REAC accounting requirements may not seem logical but they are based on the GASB Hierarchy.



GAAP Flyers

April 1998
Volume 1 Issue 1

Governmental vs. Enterprise Fund Accounting

This flyer provides information on the differences between governmental and enterprise fund accounting. It includes a comparison of the two types of funds and a list of common errors to avoid. The flyer is available in both English and Spanish.

PHS GAAP FLYER

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Fixed Asset Related Accounts

If a program reports a depreciable asset they must also report related accumulated depreciation.

FDS line 162

FDS line 163

FDS line 164

FDS line 165

FDS line 168

}

FDS line 166

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HUD Accounting Briefs

Office of Public and Indian Housing, Real Estate Assessment Center

FBI REAC: PHA Finance Accounting Briefs

Issued Date: August 2015

Capital Fund Program Reporting

Accounting Brief #15

1. U.S. Housing Act of 1970, 42 USC 14152, Public Housing Capital and Operating Funds, (C)
2. 24 CFR Part 982, Public Housing Administration.
3. 24 CFR Part 9, Subpart F (Federal Financial Reporting Standards).
4. Chapter 10 Federal Management and Reporting for Public Housing, Agency Under the New Operating Fund Rule (24 CFR 982), Supplement to HUD Handbook 7475.1 REAC, CH-1, Financial Management Handbook.

This accounting brief provides information on the proper reporting of common CFF activities on the financial statements (FDS). Specifically, this brief provides reporting guidance on the following items:

1. Reports equity (Page 25).
2. All accounts related to bond costs and FDS reporting (Pages 1-3) such as:
 - Interest on Operating Fund Debt (Line 114)
 - Amortization of Capital Fund Management Fee (Line 115) and
 - CFF bond costs (Line 115)
3. Other CFF activities not separately reported in REAC accounts (Pages 4-9) such as:
 - Real Estate Activities
 - PHA Modernization Inspection and Construction Supervisors and
 - Replacement Housing (Capital Fund) (2015)

PHS REAC: PHA Finance Accounting Briefs Page 1

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Restricted Asset Accounts

If a program reports *Restricted Cash* OR *Restricted Investments* there should be amounts reported under *Investment Income – Restricted*.

FDS line 112

FDS line 113

FDS line 114

FDS line 115

}

FDS line 720

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COMMON REJECTION ITEMS

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Salary Related Accounts

If a program reports *Salary Expense* then they should also report related *Employee Benefit Contributions*.

FDS line 911

FDS line 921

FDS line 941

FDS line 951

}

FDS line 915

FDS line 923

FDS line 945

FDS line 955

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Compensated Absence Expense

FDS line 96210 **Compensated Absences** should:

- Equal amount earned in the current year **not** the amount used.
- Agree to the additions as shown on your long-term liabilities roll forward.

	Payable at January 1, 20X1	Additions	Reductions	Payable at December 31, 20X2	Due within one year	
Compensated Absences	30,000	1,000	(25,000)	6,000	3,000	Agrees to FDS Line 322
Total	\$ 30,000	\$ 1,000	\$ (25,000)	\$ 6,000	\$ 3,000	
Agrees to CY expense in FDS Line 96210.						

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Fees for Service

- FDS line **92000** (*Asset Management Fee*) should **only** be reported in the AMPs.
 - Asset management fee may only be charged to an AMP if it had excess cash in the *prior* year.
- FDS lines **91300** (*Management Fee*) and **91310** (*Book-Keeping Fee*) can be reported in the AMPs and all other programs.

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Central Office Cost Center (COCC)

The COCC is not a federally funded program.

Verify that there are **no amounts** reported on:

- FDS lines 70600 (*HUD PHA Operating Grants*)
- FDS line 70610 (*Capital Grants*)

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Most Common Eliminations

Verify that the following FDS lines are fully eliminated:

- FDS line 144
- FDS line 347
- FDS lines 70710 - 70750
- FDS line 91300
- FDS line 91310
- FDS line 92000
- FDS lines 10010 & 10020
- FDS lines 10091 & 10092
- FDS lines 10093 & 10094
- Additional fees charged by COCC for centralized services.

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Fees for Service

Verify that the following FDS lines are **only** reported in the COCC:

- 70710 (*Management Fee*)
- 70720 (*Asset Management Fee*)
- 70730 (*Book-keeping fee*)
- 70740 (*Front Line Service Fee*)
- 70750 (*Other fees*)

Verify that the following FDS lines are **not** reported in the COCC:

- 91300 (Property Management Fee)
- 91310 (Book-keeping Fee)
- 92000 (Asset Management Fee)

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Transfers on the FDS

- Transfers in should be entered into REAC as positive numbers.
- Transfers out should be entered into REAC as negative numbers.
- Any intra-entity transfers must be fully eliminated.

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Operating Transfers

Any routine operating transfers should be recorded in FDS lines:

- 10010 (*Operating transfers in*)
- 10020 (*Operating transfers out*)

Soft cost transfers from CFP to operations should be recorded in these FDS lines.

Inter-project Excess Cash Transfers							
Line Item No.	Account Description	AMP1 Operating	AMP1 Capital	AMP2 Operating	AMP2 Capital	Total AMPs	Total Primary Gov.
10010	Operating transfers in	100,000	-	25,000	-	125,000	(125,000)
10020	Operating transfers out	-	(100,000)	-	(25,000)	(125,000)	125,000

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Equity Transfers

This FDS line represents transactions that should be excluded from the current period's activity statements.

11040 Prior Period Adjustments, Equity Transfers and Correction of Errors \$-15273533 [\[Details\]](#)

Provide **detailed explanations** for any prior period adjustments or equity transfers reported on FDS line 11040.

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Excess Cash Transfers

Any excess cash transfers among the AMPs should be recorded in FDS Lines:

- 10091 (*Inter-project excess cash transfer in*)
- 10092 (*Inter-project excess cash transfer out*)

Remember: you can only transfer excess cash out of an AMP if that AMP had excess cash in the prior year.

Inter-project Excess Cash Transfers									
Line Item No.	Account Description	AMP1 Operating	AMP1 Capital	AMP2 Operating	AMP2 Capital	AMP3 Operating	AMP3 Capital	Total AMPs	Total Primary Gov.
10091	Prior-project excess cash transfer in	11,000	-	-	-	2,500	-	13,500	(13,500)
10092	Prior-project excess cash transfer out	-	-	(13,500)	-	-	-	(13,500)	13,500

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Line Item 11040 (Details previously noted)		
Line Item #	Description	Value
Prior Period Adjustments and Correction of Errors		
11040-010		\$ -
11040-020		\$ -
11040-030	leaf of apple	\$ 10273533
11040-040		\$ -
11040-050		\$ -
11040-060		\$ -
Total Line for Prior Period Adjustments and Correction of Errors		\$ 10273533
Equity Transfers		
11040-070		\$ -
11040-080		\$ -
11040-090		\$ -
11040-100		\$ -
11040-110		\$ -
Total Equity Transfers		\$ 0
Total Prior Period Adjustments and Correction of Errors and Equity Transfers		\$ 10273533

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Program & AMP Transfers

Any transfers between programs & AMPs should be recorded in FDS Lines:

- 10093 (*Transfers between programs and projects in*)
- 10094 (*Transfers between program and projects out*)

Line Item No.	Account Description	AMP1 Operating	AMP1 Capital	Total AMPs	COCC	Blended CU	Blm.	Total Primary Gov.
10093	Transfers between programs and projects in	5,000	-	5,000	35,000	-	-	(40,000)
10094	Transfers between programs and projects out	-	-	-	-	(40,000)	40,000	-

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Cost Reimbursable Grants


Schedule of Actual Costs and Advances		
PROGRAM	Capital Grant	FDS-Line
BUDGET	XXX	
ADVANCES		
Cash receipts - prior year	XXX	
Cash receipts - current year	XXX	
Cumulative as of December 31, 20XX	XXX	
COSTS		
Prior years	XXX	
Current year	XXX	
Cumulative as of December 31, 20XX	XXX	
RECEIVABLE DUE FROM HUD	XXX	FDS-122
SOFT COSTS		
Prior years	XXX	
Current year	XXX	
Cumulative as of December 31, 20XX	XXX	FDS-70600
HARD COSTS		
Prior years	XXX	
Current year	XXX	
Cumulative as of December 31, 20XX	XXX	FDS-70610
CUMULATIVE HARD, SOFT AND OTHER COSTS	XXX	

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Cost Reimbursable Grants

FDS line **70600** (*HUD Operating Grants*) should tie to current year soft costs on the Schedule of Actual Costs and Advances.

To verify your CFP column use this formula:


$$\begin{array}{r} \text{FDS line 10020 (Operating Transfer Out)} \\ - \text{FDS line 90000 (Total Expenses)} \\ \hline \text{FDS line 70600 (HUD Operating Grants)} \end{array}$$


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Cost Reimbursable Grants

Typically, the only soft costs that should be reported under CFP include:

- 91300 (*Management Fees*)
- 91200 (*Audit Fees*)
- 10020 (*Operating Transfer Out*)




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Cost Reimbursable Grants

FDS line **70610** (*HUD PHA Capital Grants*) should tie to current year hard costs on the Schedule of Actual Costs and Advances.

To verify your CFP column use this formula:


$$\begin{array}{|c|} \hline \text{FDS line 10000} \\ \text{Capital Fund} \\ \text{Program} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{FDS line 70610} \\ \text{HUD PHA} \\ \text{Capital Grants} \\ \hline \end{array}$$


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Cost Reimbursable Grants

Typically, no cash should be reported at year end.

Any cash balances reported in cost reimbursable grants should be classified on FDS line 113 (*Cash - other restricted*).




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Cost Reimbursable Grants

FDS line **122** (*Accounts Receivable – HUD*) should agree to the **receivable due from HUD** on the Schedule of Actual Costs and Advances.



FDS line **331** (*Accounts Payable – HUD*) should agree to the **payable due to HUD** on the Schedule of Actual Costs and Advances.



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Capital Fund Program

What are the common REAC rejections related to the Capital Fund Program (CFP)?

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Capital Fund Program

Hard Cost Transfers:

- ARRA hard costs must be transferred to CFP using FDS Line 11040.
- CFP and ARRA hard costs must then be transferred to operations using FDS line 11040.

Fixed Asset Memo Accounts:

- The total of FDS lines 11610 through 11660 for each AMP should equal the total of FDS line 70610 plus any transferred-in ARRA hard costs.

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Memo Account Side Note

RHF Fund hard costs should be included in FDS lines 11610 through 11660 **and** FDS line 13901.

- Example: Total hard costs of \$25,000
 - \$15,000 CFP
 - \$10,000 RHF

Line Item No.	Account Description	AMP 2 Capital
11610	Land purchases	-
11620	Building purchases	25,000
11630	Furniture & equipment - dwelling purchases	-
11640	Furniture & equipment - administrative	-
11650	Leasehold improvements purchases	-
11660	Infrastructure purchases	-
13901	Replacement housing factor funds	10,000

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Recording the Transfers

Line Item No.	Account Description	AMP 2 Operating	AMP 2 Capital	AMP 6 Operating	AMP 6 Capital	Total AMP 6	ARRA	Total
70610	HLD PWA Capital Grants	19,985	55,540	75,525	30,651	106,176	-	106,176
11040.1	Transfer CFP hard costs to operating AMP	19,985	(19,985)	55,540	(55,540)	-	-	-
11040.2	Transfer of ARRA hard costs to capital AMP	-	1,880	-	-	1,880	(1,880)	-
11040.3a	Transfer ARRA hard costs to operating AMP	1,880	(1,880)	-	-	-	-	-
11040.3	Transfer of ARRA hard costs to capital AMP	-	-	28,771	28,771	28,771	(28,771)	-
11040.3a	Transfer ARRA hard costs to operating AMP	-	-	28,771	(28,771)	-	-	-
11040	Prior Period Adjustments, Equity transfers and correction of errors	21,865	(19,985)	84,311	(65,540)	30,651	(30,651)	-
11610	Land purchases	-	-	-	-	-	-	-
11620	Building purchases	-	21,865	84,311	106,176	-	-	-
11630	Furniture & equipment - dwelling purchases	-	-	-	-	-	-	-
11640	Furniture & equipment - administrative	-	-	-	-	-	-	-
11650	Leasehold improvements purchases	-	-	-	-	-	-	-
11660	Infrastructure purchases	-	-	-	-	-	-	-

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VASH Program

What has recently changed with Veterans Affairs Support Housing (VASH) Program?



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CFP Transfers Check Figure

Total FDS line 11610
 Total FDS line 11620
 Total FDS line 11630
 Total FDS line 11640
 Total FDS line 11650
 + Total FDS line 11660

Total of FDS line 70610 for CFP & ARRA

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VASH Reporting


- All PHAs are required to combine their VASH program activity with the Housing Choice Voucher Program (HCV) after June 30, 2011.
- Once VASH is closed out **no activity** will be reported in VASH in future years.

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VASH Reporting

As a result of the changes to VASH, after June 30, 2011:

- All balance sheet items must be reported under the Housing Choice Voucher Program (HCV) not VASH.
- Equity Transfer (FDS line 11040) must be used to record transfer out of VASH into HCV.
- Memo account data such as Unit Months Available (FDS line 11190) and Unit Months Leased (FDS line 11210) need to be reported under HCV.



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Section 8 Housing Choice Voucher Program

FDS line 113
Cash – Other
Restricted

≥

FDS line 11180
Housing Assistance
Payments Equity



If FDS line 113 is less than FDS line 11180, this could result in a **rejection** and an **audit finding**.



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A Side Note to VASH

Even though VASH activity is now reported under HCV on the FDS, PHAs still must report VASH data separately in HUD's Voucher Management System (VMS) on a monthly basis.

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Section 8 Housing Choice Voucher Program

Your FDS must reflect the following for your Section 8 program:

FDS line 11180 (*Housing Assistance Payments Equity*)
+ Non-current FSS liability

FDS line 113 (*Restricted Cash*)

- Non-current FSS liability should be reported in FDS line 353.
- Current FSS liability should be reported in FDS line 345.
- Cash associated with current FSS liability should be reported in FDS line 115.



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Section 8 Housing Choice Voucher Program

What are the Section 8 FDS reporting requirements?

Housing Assistance Payments Contract (HAP Contract) Section 8 Tenant-Based Assistance Housing Choice Voucher Program


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

Instructions for use of HAP Contract
This form of Housing Assistance Payments Contract (HAP Contract) is used to provide Section 8 tenant-based assistance under the housing choice voucher program (voucher program) of the U.S. Department of Housing and Urban Development (HUD). The main regulation for this program is 24 Code of Federal Regulations Part 982.

The local voucher program is administered by a public housing agency (PHA). The HAP contract is an agreement between the PHA and the owner of a unit occupied by an assisted family. The HAP contract has three parts:
Part A: Contract information (fill in). See section by section instructions.
Part B: Body of contract
Part C: Tenancy address

Use of this form
Use of this HAP contract is required by HUD. Modification of the HAP contract is not permitted. The HAP contract must be used for word in the form prescribed by HUD.
However, the PHA may choose to add the following:

How to fill in Part A
Section 2: Tenant
Section 2: **Tenant**
Enter full name of tenant.
Section 3: **Contract Unit**
Enter address of unit, including apartment number, if any.
Section 4: **Household Members**
Enter full names of all PHA-approved household members. Specify if any such person is a live-in aide, which is a person approved by the PHA to reside in the unit to provide supportive services for a family member who is a person with disabilities.
Section 5: **Initial Lease Term**




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Section 8 Housing Choice Voucher Program

Your FDS must reflect the following for your Section 8 program:

FDS line 11170 (*Administrative Fee Equity*)
+ FDS line 11180 (*Housing Assistance Payments Equity*)

FDS line 513 (*Total Equity*)



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Section 8 Housing Choice Voucher Program

FDS line 511.1
Restricted Net Assets

=

FDS line 11180
Housing Assistance Payments Equity

FDS line 512.1
Unrestricted Net Assets

=

FDS line 11170
Administrative Fee Equity

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Think Like An Analyst

A recent focus of REAC analysts is the **differences** between amounts reported in **VMS** and the amounts reported on the **FDS** for the Section 8 program.

If there are material differences, provide detailed explanations or reconciliations via the "Comments" link.

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Section 8 Housing Choice Voucher Program

Per **PIH Notice 2010-07**, PHAs must submit a reconciliation of their post-2003 and pre-2004 administrative fee reserves:

Post-2003 Administrative Fee Reserves

+ Pre-2004 Administrative Fee Reserves

FDS line 11170 (*Administrative Fee Equity*)

Include your reconciliation in the "Comments" link on your online submission.

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Component Units

How do you report the activity of your component units on the FDS?

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Section 8 Housing Choice Voucher Program

Port-In HAP activity under the Section 8 program must be reported as follows:

- Port-In **HAP expense** should be recorded in FDS line **97350**.
- Port-In **HAP** and **admin fee revenue** should be recorded in FDS line **71500**.
- Port-In **receivables** should be recorded in FDS line **121**.

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Component Units

Blended component units (BCU):

- Reported as part of the primary government.

Discrete component units (DCU):

- Reported separately from the primary government.


FL123 Hometown Housing Authority								
Line Item No.	Account Description	Total AMPs	COCC	Section 8	Blended CU	Elim.	Total Primary Government	Discrete CU
111	Unrestricted cash	XXX	XXX	XXX	XXX	(XXX)	XXX	XXX
112	Cash restricted for modernization	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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Discrete Component Units

FDS presentation for activity related to DCUs that are tax credit partnerships:

- Activity of **all units** at the DCU property should be reported in the **DCU**.
- **Public housing units** at DCU properties must also be separately accounted for on your **mixed-finance AMP**.




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Discrete Component Units


Partner equity contributions for DCUs should be recorded in FDS line **71500** (*Other Revenue*).

FDS line 71500
Other Revenue



FDS line 11040
Prior Period Adjustments and Equity Transf






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Discrete Component Units

Subsidy passed through the mixed-finance AMPs should be reported as follows:

- **Operating subsidy** should be reported in FDS line **70600** (*HUD Operating Grants*) in the AMP.
- **Pass through** to the DCU should be reported in FDS line **96200** (*Other General Expenses*) in the AMP.




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Discrete Component Units


Partner equity distributions for DCUs should be recorded in FDS line **96200** (*Other General Expense*).

FDS line 96200
Other General Expense



FDS line 11040
Prior Period Adjustments and Equity Transf






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Discrete Component Units

Subsidy received by the DCU should be reported as follows:

- **Operating subsidy** should be reported in FDS line **70800** (*Other Government Grants*) in the DCU.




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Discrete Component Units


Loans from **HOPE VI** programs to DCUs should be recorded as follows on PHA:


- Money drawn down from HUD should be recorded in FDS line **70600** (*HUD PHA Grants*).
- Loan should be recorded in the AMP on FDS line **171** (*Notes, loans, and mortgages receivable-non-current*).

FDS line 171
Note Receivable – non-current



FDS line 10030
Transfer to/from Primary Government






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Discrete Component Units


The DCU should report the following:


- Debt should be recorded in FDS line **351**
(Long-term debt, net of current-capital projects/mortgage revenue bonds).

FDS line 351
Long-term
Debt



FDS line 10030
Transfer to/from Primary
Government






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How to Avoid a Rejection

REAC analysts are moving beyond simple classification errors to analytical relationships among FDS line items.

- Why is FDS Line 144 79% of total current assets for this program?
- Other Assets in this program are 30% of total assets – what is recorded here?
- The value on line 508.1 did not equal the net of line 160 minus related debts on lines 343 and 351 – correct or explain.




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Component Units

DCUs and BCUs must present all units months **available** on FDS line **11190** and all unit months **leased** on FDS line **11210**.

- Unit month data for **public housing units** should be reported in the **mixed-finance AMP**.
- DCU should present unit month data for **all units** at the property.




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How to Avoid a Rejection

Add comments to your submission for:

- Unusual/significant relationships or activities
- Descriptions of activity recorded in Business Activities if significant or confusing
- Recurring REAC analyst questions
- Details of transfers if significant or confusing
- Pre-2004/Post-2003 Administrative Fee Equity
- Differences between VMS & FDS





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Think Like An Analyst


To ensure an accepted status it takes more than just putting the right numbers on the right FDS line.

PHAs have to look at the big picture and make sure that the numbers make sense analytically.

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We have given you the keys to achieve a successful REAC submission.



We appreciate the opportunity to present to you today.



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Speaker & Panelist

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Thank you for joining us!

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