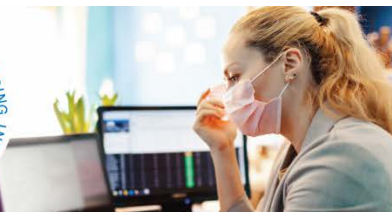


## **CASE STUDY:**

# **Preventing Shortfall During a Pandemic – HUD Example**



## **BACKGROUND**

This case study delineates situations, actions, and outcomes related to Public Housing Authorities (PHAs) that experience a shortfall in HAP funding and work with the HUD Shortfall Prevention Team to correct the shortfall. We will refer to a sample case that we call PHA “ABC,” focus on its unique situations and actions plans as examples and list the steps it took to be released from HUD Shortfall Prevention Team monitoring.

## **STEPS INVOLVED WHEN ENCOUNTERING SHORTFALL**

1. The PHA monitors the Two-year Tool (TYT) is able to determine whether there might be a HAP shortfall.
2. Based on the review of the information in the TYT, the PHA is in a position to evaluate if there is a shortfall on the horizon. However, the HUD Field Office and PHA through routine conversation will identify that the PHA is in a shortfall position and the PHA will be referred to the HUD Shortfall Prevention Team.
3. The PHA will work with the HUD Shortfall Prevention Team (SPT). The SPT will determine the eligibility for shortfall funding.
4. The SPT will make a request for funding and at that point the PHA will make an application for shortfall funding.
5. The HUD Field Office will provide a questionnaire to the PHA.
6. The PHA completes the questionnaire, which allows the Shortfall Prevention Team to obtain information about the financial condition and policies of the PHA. The PHA will need to follow the instructions from the Shortfall Prevention Team leading up to funding to verify that the PHA is eligible for shortfall funding.
7. HUD and PHA develop an Action Plan, and the HUD Shortfall Prevention Team begins monitoring the PHA to ensure it is following the instructions during the months leading up to the funding.
8. The PHA executes agreed-upon steps within the Action Plan. Emails and calls are to be expected for open communication channels among all parties.
9. Once the PHA and the HUD Shortfall Prevention Team agree that milestones detailed in the Action Plan have been met, the PHA will be monitored until it has been confirmed that the shortfall is resolved. At the point of resolution, the SPT will stop monitoring.

## **WHAT DOES AN ACTION PLAN CONTAIN?**

An Action Plan from the HUD Shortfall Prevention Team is devised to fit the unique requirements of each PHA that encounters a shortfall. The Action Plan establishes agreed-upon action items and target dates and identifies the party responsible for accomplishing tasks and reaching goals. Progress is closely monitored. Measurable cost savings are recorded and added to the Action Plan. Release from monitoring only occurs when shortfall is resolved. Major components of any Action Plan are as follows:

- Current conditions and projections
- Financial information
- Actions, tasks, goals, targets, etc.
- Additional comments and notes
- Name of the person completing the Action Plan.

When HACEP's offices first closed, all staff members took their desktop computers home and connected with VPN, a virtual private network that allows users to create a secure network connection to another network over the

## **CASE EVALUATION: SAMPLE PHA "ABC"**

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PHA ABC estimates a shortfall of \$188,125, which was concurred by HUD. The Restricted Net Position (RNP) balance as of 12/31/XX is \$45,569, and the HUD RNP reflects a balance of \$53,099 for the same period. The Unrestricted Net Position (UNP) balance is \$107,301 as of 4/30/XX.

PHA ABC indicates it is applying for Set-Aside Funding. Unreported VMS data was captured for the missing period, and HAP disbursement values and HAP expenses are either actual or estimated. The number of units leased (either actual or estimated) is provided.

### **PHA ABC's Action Plan contains the following steps:**

- Cease issuing vouchers to new applications.
- Cease absorbing new portable families and bill until further notice.
- Deny "port-outs" or movers to higher-cost areas unless the receiving PHA is willing to absorb these families.
- Reconcile the 12/31/XX RNP and balance with Financial Management Center (FMS).
- Ask the receiving PHA to absorb port-outs.
- Ensure rent reasonableness is being completed and perhaps revisit some previous determinations.
- Use PIH Information Center (PIC) and Earned Income Verification (EIV) reports to uncover fraud or other potential HAP over-payments.

## **RELEASE OF PHA ABC FROM SHORTFALL PREVENTION MONITORING**

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After 6 months, PHA ABC was released from Shortfall Prevention Team monitoring. The release documentation delineates the ultimate results of the final call between the PHA and the HUD Shortfall Prevention Team. The HCV Program will no longer show a HAP funding shortfall based on agreed-upon actions and estimation made in the TYT that the team provided.

The release document refers to the assumptions that were entered into the TYT and that previous observations between the PHA's RNP and HUD RNP were reconciled within \$3. After all actual lease-up data and HAP expenditures data are recorded for September 2018 and October 2019, the TYT projects no more shortage, and PHA ABC can now operate within the budget authority.

## **CLOSING**

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All PHAs that experience shortfall go through the process described above. All PHAs that follow their Action Plans may continue to experience shortfall and will be under monitoring until shortfall has been resolved. In the above examples the TYT was used in all instances to demonstrate that no more HAP shortfall exists based on the agreed-upon Action Plan.