

PHA Financial Management Training

Module 10 – Financial Management Tools

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Slide 1: (Title Slide) Module 10: Introduction

Welcome to the Public Housing Authority Financial Management Training. This session provides an overview of the financial management tools that have been developed and are available as part of this training.

Slide 2: Module 10 Topics

In this session, we will provide a description of the financial management tools shown on this slide, suggestions on how to use the tools, and the location on where to download the tools.

Slide 3: (Section Break) Financial Management Tools

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Slide 4: Financial Management Tools

Along with the PowerPoint slides, other useful resources have been developed and are available as part of the training. Specifically,

- A set of sample financial policies and procedures have been developed and can be modified to suit each PHA's situation. There are a total of 34 example policies and procedures that are available.
- Many PHAs already have operating budget templates but for those who do, an example is provided. In addition to the operating budget, a sample budget policy and a checklist of the supporting information that should be provided with the operating budget is also available.
- Partial board report example and financial dashboards with suggested indicators and metrics for the Operating Fund, Capital Fund, and the HCV programs is also available.
- Lastly, example procurements for procuring an audit, a fee accountant, banking services, and insurance have been developed.

Slide 5: Financial Management Tools (continued)

PHAs are required to have an operating budget, a comprehensive list of financial policies and procedures, and to follow procurement regulations. While HUD has provided these tools as part of this training, the use of these tools by PHAs is not required. They are provided to simply aid PHAs in financial management.

In fact, most housing authorities may already have similar tools. Where PHAs already have similar tools, the PHAs may still find it useful to review the tools provided by HUD and determine whether the PHA's policies or tools should be modified to reflect the information provided as part of this training.

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The tools provided represent what HUD considers to be best practices. The use of the tools will greatly improve the likelihood of a PHA's compliance with HUD regulations and improve the PHA's internal controls and financial performance. However, it should be noted that the use of these tools does not guarantee compliance in every aspect of financial management.

Slide 6: Financial Management Tools: Sample Financial Policies & Procedures

The table below provides the list of 34 financial policies and procedures that are available to PHAs. Each policy has been created as a separate Microsoft Word or Excel file that can be easily modified.

This list reflects policies that most PHAs that administer both the public housing and the HCV should have irrespective of PHA size. Some of the policies and procedures are program specific, such as housing assistance payment (HAP) processing policy which would only be applicable to the HCV program and some policies such as maintenance inventory which would only apply to PHAs that manage public housing, rural housing or other similar programs.

Slide 7: Financial Management Tools: Sample Financial Policies & Procedures (continued)

PHAs should review the list of policies provided against their current policies and procedures and determine if there are policies the PHA may not have or that may need to be updated.

Along with the sample policies and procedures is a handout which shows the risk level of all policies. Policies are considered high, moderate, and low risk based on discussions with HUD's field offices, auditors, and fee accountants. The risk ranking can be used as a starting point for PHAs to prioritize which policies and procedures to first review and update, starting with those policies that are designated "high risk".

The review of the financial policies can be a time-consuming task. A best practice used by some PHAs is to choose one or two financial policies to review and discuss at each Board meeting. The policies are then updated based on the feedback received, and provided at the next Board meeting for Board approval. This process continues until all policies are reviewed and then it may be time to review and update the policies again.

PHAs may also find it to be useful to partner with another PHA to review and update the policies and procedures.

Slide 8: Financial Management Tools: Operating Budget Template

HUD requires that PHAs prepare an operating budget annually for the Public Housing program. The operating budget must be approved by the PHA's Board. The PHA Board Resolution (HUD Form 52574) approving the PHA's operating budget must be submitted to the appropriate Field Office prior to the beginning of the PHA's fiscal year. Only one (1) Board Resolution needs to be submitted per PHA, regardless of the number of projects.

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The Public Housing Budget is only required to be submitted to HUD where a PHA is designated troubled or as part of a corrective action plan.

Operating budgets are not required by HUD for other programs such as the Capital Fund, HCV program or other non-HUD programs such as the Department of Agriculture's Rural Housing program. However, the development and approval of operating budgets for all programs administered by the PHA is recommended as a best practice.

The Operating Budget template is an Excel-based file that was developed to provide a tool that PHA management can use to prepare operating budgets for not only the Low Rent Housing Program but the HCV Program, the Central Office Cost Center (COCC), and other programs as well.

The template allows for the preparation of individual program and project budgets and the tool will consolidate these budgets into an overall PHA agency-wide budget.

The budget template has also been designed to provide documentation on how specific line item amounts were developed.

Slide 9: Financial Management Tools: Operating Budget Template (continued)

There are two (2) other documents that are provided with the Operating Budget template.

The **Budget Policy and Procedures** document provides a sample Budget Policy that PHAs can modify. The Budget policy sets forth the Board's expectations for the PHA's budget, including information on:

- Programs that are required to have an operating budget;
- Staff involved in the budget process and their associated responsibilities;
- General timeframe/schedule for the annual budget process, including approval of the operating budget by Board before the start of the fiscal year; and
- Managing budget overruns

The Budget policy is discussed in more detail in **Module 6: Operating and Capital Budgets**.

The second document is the **Operating Budget: Supporting Information Checklist**. This handout provides a helpful checklist of those items that should be provided to the Board as part of the discussions and approval of the budget.

If the housing authority does not currently have an Operating Budget, the PHA should start with the template provided and adjust as needed to fit the authority's structure. However, if the PHA already has a budget, the PHA should compare the current budget to the budget template provided and update the PHA's budget as needed.

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Slide 10: Financial Management Tools: Board Report & Financial Dashboard Templates

There is no HUD requirement that covers what information is required to be provided to the board as part of a board reporting package. However, in order for the Board to provide proper governance and oversight certain information is needed. In terms, of financial management, Boards are normally provided a set of monthly financial statements. While financial statements are important, other metrics (i.e., monitoring reports) and displays of financial data can help the Board and PHA management identify risk areas and variance more efficiently and effectively.

In order to provide examples of metrics and financial displays that could be provided to the Board as part of their board reporting package, HUD has provided the Board Report and Financial Dashboard template.

The Board Report and Financial Dashboards is an Excel-based file consisting of separate tabs organized into three (3) areas:

- Monitoring Reports
- Key Performance Indicators (KPIs)
- Financial Monitoring Dashboards

It is highly recommended that PHA's review and modify their board reporting package to include the Monitoring Reports, KPIs and Financial Monitoring Dashboards with any needed adjustments to fit the housing authority's structure, programs, business model and risk areas.

For example, the template includes **Public Housing Monitoring reports** which provide an approach to presenting metrics for the public housing program. Specifically, the monitoring report provides metrics for:

1. Occupancy Rates
2. PH Waitlist
3. Vacant Unit Status
4. Rent Collection
5. Tenant Accounts Receivable (TAR) Outstanding
6. Work Orders

Slide 11: Financial Management Tools: Board Report & Financial Dashboard Templates (continued)

Key Performance indicators (or KPIs) are provided for the Public Housing and HCV programs. The KPIs provides trending information on a monthly basis for key line items in a format that allows the Board and Executive staff to focus on key program drivers (for example: cash, occupancy, rent collection) and tracks monthly trends (upward/downward) and variances in performance.

Financial Monitoring Dashboards provides another way of presenting trending data, in this case, across several years. Dashboard examples have been developed for the Public Housing, Capital Fund, and HCV programs and are described below.

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1. Public Housing Dashboard: Provides trending data on a PHA's designation, overall PHAS score, and at the PHAS indicator level – 1) REAC Physical Inspection score; 2) Occupancy Rate; 3) Tenant Collection Rate; and 4) for Financial Ratios– Quick Ratio; MENAR (Months Expendable Net Asset Ratio); Expense Management; and Net Income.
2. Capital Fund Dashboard: Provides status and spending plan for the PHA's open Capital Fund grants: 1) obligation/disbursement end date; 2) percent budgeted for hard/soft costs; and 3) amounts budgeted/dispensed by Budget Line Items (BLIs).
3. HCV Dashboard: Provides trending information for key line items for HCV Administrative Fee and HAP across multiple years.

Slide 12: Financial Management Tools: Procurement Templates

The final financial management tools that have been provided with this training are procurement templates for the following four (4) services:

- Audit Services
- Fee Accountant Services
- Banking Services
- Insurance

Not all PHAs will need to procure for audit services or fee accountant services. Although PHAs can elect to have an audit performed, only PHAs that are subject to the Single Audit Act or otherwise required by state law are required to have an audit performed. PHAs that do not have an in-house financial department typically utilize the services of a fee accountant.

With respect to banking services and insurance, all PHAs are required to re-procure for banking services and insurances at minimum, every five years.

The procurement templates have been developed to aid PHAs in properly and effectively procuring these financial services. If the housing authority needs to procure one of these services but does not have an existing RFP to start with, the PHA should start with the respective procurement template provided and adjust as needed. However, if the PHA already has an existing RFP, the PHA should compare the previous version used to the respective procurement template provided and update the PHA's version as needed.

The procurement templates cover:

- Procurement Strategy – The different procurement options or types (for example, small purchase, sealed bid, or competitive) that can be used to procure the service.
- Services Requested – The scope of work that is typically included in the procurement.
- Evaluation Factors – Suggestions on the factors that should be used to evaluate and select a vendor.
- HUD Mandatory Clauses – The required HUD clauses that must be in the RFP and final contract for the respective procurement templates.

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PHAs should review their procurement schedule and determine if any financial procurements are due for rebid and review the RFP and proposal

Slide 13: Access to Financial Management Tools

The final Financial Management tools that are provided with this training can be downloaded from the Resources section of the webpage for this training.

Slide 14: End of Module

This ends the training module on Financial Management Tools. We thank you for time and we hope that this training has provided you useful information and resources.