



Public Housing Authority Financial Management Training

Module 4:

Eligible Uses of Funding





Module 4 Topics

- **2 CFR 200 & Eligible Costs**
- **Eligible Costs – Cost Allocation**
- **HUD Regulations and Guidance**
 - Eligible Activities of the Operating Fund
 - Eligible Activities of the Capital Fund
 - Eligible Activities of the Housing Choice Voucher (HCV) Program



Module 4

2 CFR 200 & ELIGIBLE COSTS





2 CFR 200

- Office of Management and Budget Regulation (Requirements Not New)
 - The purpose of the regulation is to provide uniform administrative requirements, cost principles, and audit requirements for Federal awards to all non-Federal entities
 - Various OMB circulars were updated and merged into one rule, most notably, the following guidance are now part of 2 CFR 200:
 - 24 CFR 85 (Common Rule)
 - OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments)
 - OMB Circular A-133 (Audits of States, Local Governments, & Non-Profit Organizations)
 - Official Title of 2 CFR 200: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
 - Referred to as “Uniform Guidance” and the “Single Audit Act”





2 CFR 200 – Eligible Cost Guidelines

- **All** of the requirements listed below must be met before any federal funds can be used to purchase goods and services
 - Must be necessary and reasonable for efficient administration of Federal awards
 - Must be allocable to Federal awards (i.e., an eligible use of the federal grant)
 - Must be adequately documented
 - Must be authorized or not prohibited under State or local laws
 - Must be consistent with other activities of the governing unit
 - Must conform to limitations set forth under other governing regulations
 - Must be charged consistently between programs for similar expenditures
 - Cost must be reasonable such that the cost does not exceed that which would be incurred by a prudent person. Consideration will be given to the following factors:
 - Cost is ordinary and necessary;
 - Sound business practices, arms length transaction; and
 - Whether the individuals involved acted with prudence in their responsibility to the governmental unit









Reasonable Cost?

The Executive Director of a combined PHA with 300 PH units and 150 vouchers wants to purchase a desk for his office. The ED is looking to buy one of the four desks shown below.

- What desk is reasonable and why?

#	Desk	Desk Description
1		Paramount 72" Desk Gray - \$230.57 Description - 1 inch thick scratch resistant laminate work surfaces; 2-3/16" diameter cable management opening and modesty panel and adjustable leveling glides.
2		The Harbor View L-desk - \$498.99 Description - Engineered wood with a melamine top surface; Pull-out keyboard tray and two utility drawers; One file drawer that accepts hanging files; Storage area designed to hold a CPU tower. Hutch has two concealed storage areas along with one wide storage shelf.
3		Sauder Executive Office Set - \$2,089.00 Description - Set includes an executive desk, a credenza and hutch, a lateral file; two tone laminate surfaces. Credenza w/ two drawer mobile file and a three-drawer mobile file. Credenza hutch w/ four hidden storage cabinets and four open cubbies. Lateral file w/ two file drawers. All of the drawers lock for security.
4		Belmont L-Shape Executive Desk - \$4,554.00 Description - Base moulding and double reeded crown moulding; fully locking and extending drawers w/ felt liner (75 lb. load capacity); drawers accept letter, legal side-to-side and letter front-to-back files; tower CPU storage cabinet in return component w/ power manager; and mortise and tenon construction with wood cleats.





Reasonable Cost?

- Is a desk necessary and reasonable for efficient administration of Federal award?
- Is the purchase of a desk an eligible use of the federal grant?
- Is the cost reasonable such that the cost does not exceed that which would be incurred by a prudent person?
 - What if purchase was published in the local newspaper?
 - Would you buy the same desk with your own money?
 - Are you purchasing the same quality of desk for all levels of staff?



2 CFR 200 – Specific Ineligible Costs

- **Automobiles**
 - That portion of automobile costs furnished by the PHA that relates to personal use by employees (including transportation to and from work) is unallowable
- **Alcoholic Beverages**
 - Costs of alcoholic beverages are unallowable
- **Entertainment Costs**
 - Costs of entertainment, including amusement, diversion, social activities, and any associated costs are unallowable
- **Fines, penalties, damages and other settlements**
 - Costs resulting from PHA violations of, alleged violations of, or failure to comply with, Federal, state, local laws and regulations are unallowable
- **Goods or services for personal use**
 - Costs of goods or services for personal use of the PHA's employees are unallowable
- **Interest**
 - Interest costs for interest on borrowed capital is unallowable
 - Interest costs for the acquisition or replacement of capital assets is allowable

Note: Ineligible costs cannot be funded with federal funds or program income, including operating and administrative reserves





2 CFR 200 – Specific Ineligible Costs – Clarifications

- Interest and Penalties
 - Most common are late fees
- Fines
 - Most common are traffic violations and parking tickets
- Entertainment Costs
 - Costs of entertainment, including amusement, diversion, social activities, and any associated costs are unallowable

Note: Ineligible costs cannot be funded with federal funds or program income, including operating and administrative reserves





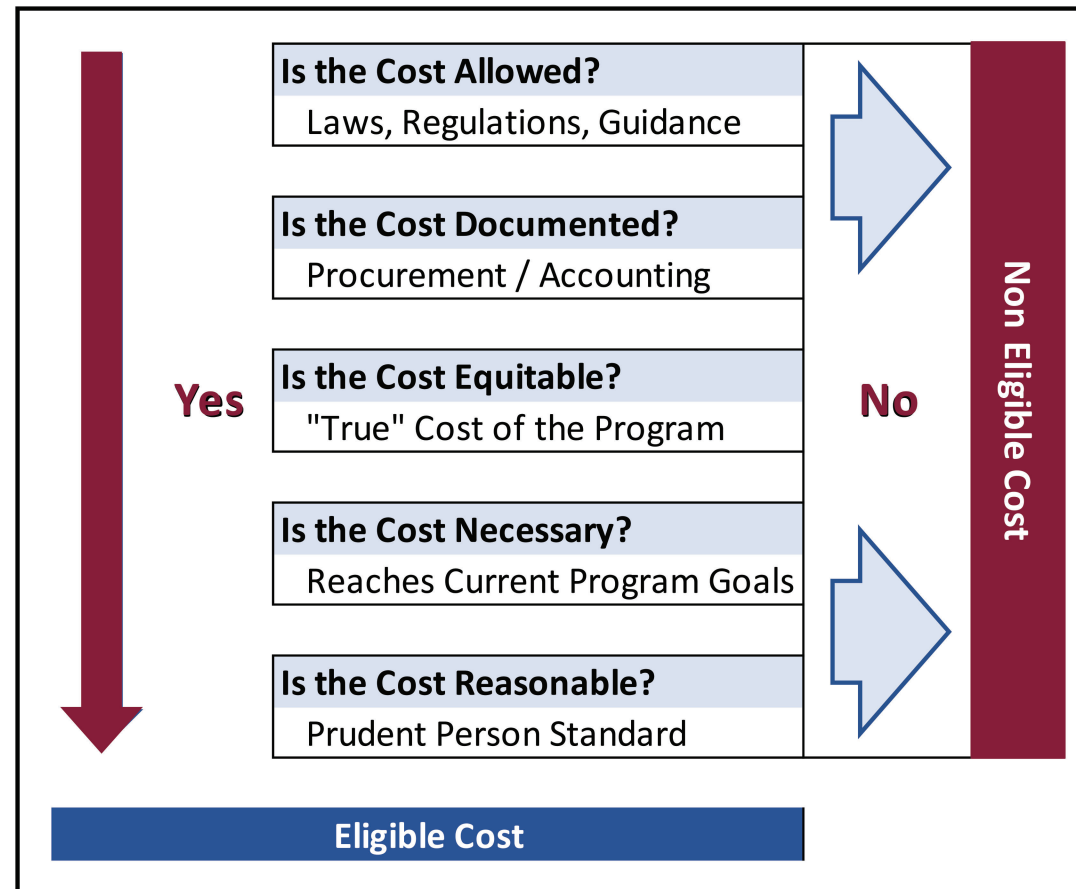
Other Requirements of Cost Eligibility

- 2 CFR 200 is not the sole authority regarding cost eligibility. Other authority includes:
 - Federal Regulation
 - ACC Contract
 - State and Local Law
 - PIH Notices
 - Operating Budget
 - PHA Policy
- The most strict policy in the above listed documents will be used to determine eligibility





Eligible Cost Summary



Module 3

ELIGIBLE COSTS – COST ALLOCATION





2 CFR 200 – Eligible Cost Guidelines

- Must be necessary and reasonable for efficient administration of Federal awards
- Must be allocable to Federal awards (i.e., an eligible use of the federal grant)
- Must be adequately documented
- Must be authorized or not prohibited under State or local laws
- Must be consistent with other activities of the governing unit
- Must conform to limitations set forth under other governing regulations
- Must be charged consistently between programs for similar expenditures
- Cost must be reasonable such that the cost does not exceed that which would be incurred by a prudent person
 - Consideration will be given to the following factors:
 - Cost is ordinary and necessary;
 - Sound business practices, arms length transaction; and
 - Whether the individuals involved acted with prudence in their responsibility to the governmental unit





Definition of Cost Allocation

- Shared Cost – Some PHA staff or items purchased provided service (benefit) multiple programs, such as an Executive Director that manages both the PH and HCV programs
- Cost Allocation:
 - Determines how much of a shared cost should be charged to each program that benefits from the shared staff person or purchased item
 - The process by which costs that are shared between programs are equitably charged to each program in a reasonable manner. For example:
 - Salary and benefits of an Executive Director that manages both the PH and HCV programs
 - Salary and benefits of a recertification clerk that works case files for both the PH and HCV programs
 - Fee accountant costs and audit costs for a PHA with multiple programs



Cost Allocation - Associated Terms

- **Cost Drivers:** Method used to determine a fair basis for allocating costs between the projects (e.g., payroll cost, number of units, workload, etc.)
- **Direct Costs:** Costs that are easily identified and associated with one program. For example:
 - Salary and benefits of an Executive Director whose PHA administers only the HCV program
 - Salary and benefits of a maintenance technician that works only on public housing
 - Associated maintenance materials
 - Utility costs
- **Indirect Costs:** Costs that are not readily identified with a specific program or function but are incurred for the benefit of multiple programs. For example:
 - Accounting/Finance
 - Information Technology
 - Telephone/Office supplies





Cost Allocation - Associated Terms (continued)

- **Front-line Costs:** Costs that directly support the program's objectives. For example:
 - Maintenance of public housing units
 - Waitlist, leasing, and recertification activities
 - Unit inspection
 - Associated supplies, materials, insurance
- **Fee Costs / Overhead / COCC Expense:** Costs that are ancillary to the program or supports the program objectives. For example:
 - Accounting and finance
 - General planning (i.e., Executive Director)
 - Personnel and Human Resources
- Under HUD's asset management model, HUD has prescribed the classification of most activities as either front-line or overhead (see table 7.1 and 7.2 , Supplement to HUD Handbook 7475.1 REV CHG-1, Financial Management Handbook issued in 2007)





Common Cost Allocation Problems

- Cost allocation plans without adequate supporting documentation
- Costs are not allocated as described in the allocation plan
- Cost drivers used do not allocate costs fairly and equitably between the programs
 - New allocation methodology used to help ensure program expenses can be covered by program revenue (cost shifting) but allocation method is not reasonable
- Indirect costs (overhead) charged to a grant or program are above the allowed amount
 - Some grants do not allow any indirect cost to be charge to the grant (e.g., HUD's Family Self-Sufficiency Coordinator grant)





Cost Driver

Example of Cost Allocation

Indirect Cost and Overhead Cost

Example Cost Allocation of Executive Director Salary

Description	Number of Units	% of Units	Monthly Charge to Program
Monthly Salary			\$6,000
Programs			\$6,000
Public Housing	100	50%	\$3,000
Rural Housing	60	30%	\$1,800
Other Housing	40	20%	\$1,200
Total	200	100%	\$6,000

Allocated Costs





Cost Allocation Plan

- A documented plan to allocate indirect costs and sometimes front-line costs to various programs
- A cost allocation plan must be mathematically supported using cost drivers to determine the rate
 - The allocation plan cannot be estimated
- Typical cost drivers used include:
 - Direct payroll cost
 - Number of units
 - Tenant case load
 - Office space





1. Reasonable Cost Allocation?

Facts

- A small PHA administers two programs - 60 Low Rent units and 40 Rural Development units
- Both programs units are located in a 2-story walk-up apartment complex with similar amenities
- The PH cost of the Executive Director is allocated at a rate of 60% (60/100 units)
- **Question - Does this cost allocation appear to be adequate?**





2. Reasonable Cost Allocation?

Facts

- A small PHA administers two programs - 60 Low Rent units and 40 HCV vouchers
- The PH cost of the Executive Director is allocated at a rate of 60% (60/100 units)
- **Question - Does this cost allocation appear to be adequate?**





3. Reasonable Cost Allocation?

Facts

- A small PHA has 60 Low Rent units and 40 HCV vouchers
- The cost of the Executive Director is allocated at a rate of 90% to the Low Rent Program
- Upon inquiry about the calculation, the Executive Director responds that this is always how I charged my time to the Low Rent Program
- **Question - Does this cost allocation appear to be adequate?**





Small PHAs / Time Study

- Cost allocation of a small PHA with one employee
 - Time study
 - A time study will usually last a month in which an employee's time will be divided as follows:
 - Time directly related to work on program A
 - Time directly related to work on program B, etc.
 - Time not associated with either program (board meetings, preparing checks, general oversight, etc.)
 - The time study is conducted each year to arrive at a percentage of time related to programs 1 and 2
 - The indirect time is allocated using the percentage of time calculated for the programs



Module 4

ELIGIBLE ACTIVITIES OF THE OPERATING FUND





Eligible Use of Operating Subsidy

- The eligible use authority for operating subsidy extends to operating reserve balances accumulated through the operation of public housing (general fund) and program income
 - **Program income** includes dwelling rent, non-dwelling rent, and other income
- Operating subsidy can be used to cover costs associated with the operations of the Public Housing ACC projects
 - **Operations** is defined as any or all undertakings appropriate for the management, operation, services, maintenance, security (including the cost of security personnel), or financing in connection with a low-income housing project
- Operating subsidy is often mis-used to pay other programs' bills (due to/due from accounts) and may result in ineligible costs charged to Operating funds
 - Most common: Operating funds are used to support HCV operations

Typical Operating Budget Expense Line Description
Administrative Expenses:
Administrative Salaries
Auditing Fees
Management Fee
Bookkeeping Fee
Asset Management Fee
Employee Benefits-Admin
Office Expense
Legal Expense
Staff Training
Travel
Other Sundry
Utilities:
Water & Sewer
Electricity
Gas
Ordinary Maintenance and Operation
Labor
Materials
Contract Costs
Employee Benefits-Maintenance
Protective Services:
Contract Costs
General Expenses:
Property Insurance
Liability Insurance
Workers' Comp Insurance
Payment in Lieu of Taxes





Eligible Use of Operating Subsidy “The Fine Print”

- The term operations also means the financing of tenant programs and services for families residing in low-income housing projects, particularly where there is maximum feasible participation of the tenants in the development and operation of such tenant program and services
- The eligible use authority for operating subsidy is governed by
 - Section 9(e) of the United States Housing Act of 1937 (the 1937 Act),
 - Section 3(c) of the 1937 Act as amended by the Quality Housing and Work Responsibility Act (QWHRA) of 1998, and
 - Operating receipts as defined in section 2 of the Annual Contributions Contract (7/95) (ACC)





Capital Items

- A PHA should use Operating funds for non-expendable capital expenditures to support operations of the program. For example, a PHA may use Operating funds to purchase a:
 - Snow blower
 - Maintenance truck
 - Computers
 - Office furniture



Funding Maintenance Activities

Eligible Operating Fund Activity

- Routine Maintenance
- Preventive Maintenance
- Routine Vacant Unit Turnaround
- Non-routine Maintenance (with limitation)
- Extraordinary Maintenance (with limitation)

Eligible CFP Activity

- Non-routine Maintenance, includes deferred maintenance
- Extraordinary Maintenance (with limitation)
- Vacancy Reduction (Plan)



Clarification on Non-Routine Maintenance

- Non-Routine Maintenance is a Capital Fund eligible activity and is specifically defined in the Capital Fund rule at 24 CFR 968.105, as:
 - “Work items that,
 - ordinarily would be performed on a regular basis in the normal course of upkeep of the property,
 - **but have become substantial in scope because they have been put off**, and
 - involve expenditures that would otherwise materially distort the level trend of maintenance expenses”
 - Examples – Replacement of obsolete utility systems and dwelling equipment
- **Limitations on Non-Routine Maintenance:**
 - Non-routine maintenance is an allowable use of operating funds as long as the work does not to go beyond simple repair, upgrade and / or replacement of equipment. The work item is essentially maintenance of an unusual nature





Clarification on Extraordinary Maintenance

- Extraordinary Maintenance are expenses that are typically associated with events that are of:
 - An unforeseen nature
 - Circumstance beyond the control of the PHA
 - An immediate need to protect property and life so that the units remain habitable and residents are not permanently or long-term displaced
 - For example: Water main break
- Limitations on Extraordinary Maintenance Expense:
 - Extraordinary maintenance is an allowable use of Operating funds as long as the PHA decides not to go beyond simple repair and replacement of equipment
 - If the works entails structural improvements or equipment upgrades, the work can no longer be considered as extraordinary maintenance and instead must be treated as a capital activity funded by the Capital Fund





Emergencies and Insurance Proceeds

- Operating funds may be used for unforeseeable and non-preventable emergencies that include damage to the physical structure of a PHA's housing stock (i.e., natural disaster, fire, etc.)
 - The Operating Fund must be reimbursed for any expenses that were initially covered with Operating Fund resources up to the amount received for any associated warranty, insurance, or disaster proceed
- Unless there is written HUD approval to the contrary, to the extent that insurance proceeds permit, the PHA must promptly restore, reconstruct and /or repair any damaged or destroyed property
- PHAs need to keep a separate accounting in order to show costs of repair, funds used for the repairs, the use of insurance proceeds, etc.





Resident (Tenant) Participation Funding

- Funding for Resident Participation Activities
 - Operating Fund Calculation of Operating Subsidy - Funding for Resident Participation Activities (HUD Form 52723: Part A – Line 11)
 - \$25 per leased unit (subject to proration)
 - \$15 to Resident Council
 - \$10 to PHA
 - If there is no resident council, PHA will determine how the funds will be used for resident activities
 - Funds should be supported by budget and policies and procedures

Other Sources of Information:

Guidance on the Use of Tenant Participation Funds (PIH Notice 2013-21 (HA))
Tenant Participation and Tenant Opportunities in Public Housing (24 CFR Part 964)





Resident (Tenant) Participation Funding (continued)

- **Eligible Activities**

- Outreach Efforts that Support Active Interaction between PHA and Residents
- Resident Surveys
- Resident Commissioner Training
- Resident Council Elections and Organizing Activities
- Wide-range of Self-sufficiency and Capacity Building Activities
 - Training programs on health, parentings skills, child care, before and after school programs, financial literacy and credit counseling, tutorial services
- Reasonable refreshment and light snacks directly related to resident meeting

- **Ineligible Activities**

- Purchase of alcohol
- Entertainment, such as trips to theme parks, movies, county fairs, sports events, including all related costs (tickets, meals, transportation, etc.)
- Social activities (parties, bowling nights, etc.), including all related costs





Operating Funds for Capital Activity Funds Small PHAs

- **Operating Funds for Capital Expenses** – PHAs with less than 250 public housing units (small PHAs) that are not troubled can use their operating funds for capital activity
 - Capital items to be paid for through operating funds must be included in an approved CFP 5-Year Action Plan and budget submitted to HUD
 - Operating Funds include operating subsidy, tenant rents and all other PH program income (i.e., operating reserves)

Source: PIH Notice 2016-18 (HA)



Module 3

ELIGIBLE ACTIVITIES OF THE CAPITAL FUND





Capital Fund Final Rule and Guidebook

- Public Housing Capital Fund Program Final Rule became effective November 2013
- The Capital Fund Guidebook details the requirements contained under the Public Housing Capital Fund Program Final Rule and was issued in April of 2016 (available on HUD's website)
- The CFP Guidebook covers numerous topics, such as:
 - Eligible Activities and Cost Limits
 - Annual and 5-Year Action Plan Submission
 - Capital Fund Formula
 - General Program Requirements
 - Obligations, Expenditures, Budget Revisions
 - Rental Assistance Demonstration Program
 - Capital Fund Finance Program
 - Authoritative unless superseded





CFP Eligibility Citations and References

Capital Fund Program Reference Table		
Eligible CFP Activity	Capital Fund Regulatory Citation	CFP Guidebook Section Reference
Modernization	24 CFR 905.200 (b) (1)	2.4
Development	24 CFR 905.200 (b) (2)	2.2
Financing	24 CFR 905.200 (b) (3)	2.3
Vacancy Reduction	24 CFR 905.200 (b) (4)	2.4.16
Nonroutine Maintenance	24 CFR 905.200 (b) (5)	2.4.14
Planned Code Compliance	24 CFR 905.200 (b) (6)	2.4.15
Management Improvements	24 CFR 905.200 (b) (7)	2.5.2
Economic Self-Sufficiency	24 CFR 905.200 (b) (8)	2.5.1
Demolition and Reconfiguration	24 CFR 905.200 (b) (9)	2.4.10
Resident Relocation and Mobility Counseling	24 CFR 905.200 (b) (10)	2.5.3
Security and Safety	24 CFR 905.200 (b) (11)	2.6
Homeownership	24 CFR 905.200 (b) (12)	2.7
Capital Fund Related Legal Costs	24 CFR 905.200 (b) (13)	2.7
Energy Efficiency	24 CFR 905.200 (b) (14)	2.4.13
Administrative Costs	24 CFR 905.200 (b) (15)	2.7
Audit	24 CFR 905.200 (b) (16)	2.7
Capital Fund Management Fee	24 CFR 905.200 (b) (17)	2.7
Emergency Activities	24 CFR 905.200 (b) (18)	2.4.12
Purchasing or Leasing of Vehicles	N/A	2.4.11





General Ineligible Activities

- Ineligible activities include:
 - Any cost not related to public housing
 - Any costs not in the 5-Year Action Plan (with exception of an emergency or disaster)
 - Not modest design
 - Not eligible based on OMB regulation
 - Public housing operations except through BLI 1406 (transfer to operation)
 - Any costs that benefits other programs, such as the HCV program
 - Supportive services
 - Duplicate funding (i.e., a cost that was funded by another source)
 - As determined by HUD
- HUD approval of CFP plans, the spreading of budget in eLOCCS, and the disbursement of CFP funds to the PHA does not authorize / allow for the use of such funds on ineligible activity
- Depending on what transactions have occurred, PHAs may need to:
 - Repay the funds back to HUD from an appropriate source
 - De-obligate CFP funds
 - Request a Budget revision





Specific Eligible Cost Items

- Vacancy Reduction are physical improvements to reduce the number of vacant public housing units
 - Excludes costs for routine vacant units turnaround
 - Must remedy a defined vacancy problem as detailed in a vacancy reduction program plan in the PHA's 5-Year Action Plan
- Emergencies – Capital Fund related activities identified as emergency work are:
 - Work items that do not need to be in the PHAs' 5-Year Action Plan
 - PHA should perform the work and amend the Annual Statement by making a note that the work constitutes emergency work for which no HUD pre-approval is required





CFP Change - Purchase / Lease of Vehicles

- Eligible costs if the vehicle is needed on a full-time basis to administer / implement the physical and management improvements set forth in the CFP budget
 - Most maintenance costs are considered operating costs
- If the vehicle is needed on less than a full-time basis to carry out the Capital Fund Program, the full cost of the vehicle is an ineligible cost of the Capital Fund Program
 - If the vehicle will be used to support operations, such as a maintenance truck, the cost would be an eligible costs of the Operating Fund program to the extent that the vehicle is used on a full-time basis for the operation and management of the Public Housing program
 - The funds from two or more programs could be used to purchase and maintain a single vehicle with each program contributing its fair share





CFP Change - Safety and Security

- Capital Funds may not be used to fund the on-going salaries and benefits of security personnel (i.e., security guards, police patrols, etc.). These expense should be paid from operations
- Cost of security items (including installation) have always been a capital fund eligible activity (either simply through BLI non-dwelling equipment or possibly as a management improvement). Includes items such as:
 - Security cameras, security lights, and surveillance equipment
 - Redesign of entrance, common areas for defensible space
 - Fencing and other perimeter security
 - Conversion of dwelling space for use by project security
 - Stabilization of buildings through consolidation of occupied units and securing vacant units/floors





CFP Change - Management Improvements

- Management Improvements – noncapital activities that are Project specific or PH-wide improvement that are needed to:
 - Upgrade or improve the operation or management of the program
 - Promote energy conservation
 - Sustain physical improvements
 - Correct management deficiencies identified by audit, HUD or the PHA
 - PHA must be able to demonstrate, upon request by HUD, the linkage between the management improvement and the correction of an identified management deficiency





CFP Change - Management Improvements (continued)

- Eligible Activity, include items such as:
 - Staff Training in operations and procedures, including waitlist management, leasing, etc.
 - Improvement to the PHA's management, financial and accounting control systems
 - Technical assistance to a resident management corporation (RMC)
 - Costs associated with the formation of a RMC
 - Development and implementation of improved applicant screening

- Limitation on Use:

Grant Year	Maximum Allowed
2014	18% of Grant
2015	16% of Grant
2016	14% of Grant
2017	12% of Grant
2018	10% of Grant





CFP Change -Transfer of Capital Funds to Operations: Small PHAs

- Capital Funds to Operations – PHAs with less than 250 public housing units that are not troubled can transfer up to 100% of their CFP to operations (full flexibility) if the PHA does not have debt service payments, significant capital needs or emergency needs
 - PHA must have written determinations and provide records upon request that there are no debt service payments, significant capital needs, or emergency needs that must be met
 - Determination of significant capital needs:
 - Field Office Review
 - Physical Assessment Sub-system Score
 - PHA assessment of capital needs (i.e., capital needs assessment report)
 - Small PHAs ineligible to exercise full flexibility are subject to a 20% limitation on transfers of Capital Funds to operations



Transfer of Capital Funds to Operations Large PHAs

- **Capital Funds to Operations** – PHAs with 250 or more public housing units are allowed to transfer up to 20% of their CFP to operations
- **All PHAs:** Once CFP amounts are transferred to “operations”, these funds lose their distinction as CFP funds and may be used for any eligible “Operating Fund” activity of the project



Module 4

ELIGIBLE ACTIVITIES OF THE HCV PROGRAM





Eligible Use of Administrative Fees

- Administrative fees may only be used to cover costs incurred to perform a PHA's HCV administrative responsibilities in accordance with HUD regulations and guidance (24 CFR 982.152)

During Fiscal Year

Any administrative fees received in the PHA's fiscal year may only be used for the administrative purposes of the HCV program.

End of Fiscal Year

If a surplus of administrative fee remains at the end of the PHA's fiscal year, the amount is added to the PHA's administrative fee reserve.

Administrative Fee Reserves¹

Post 2003 Administrative Fee Reserves

- May only be used for activities related to the HCV program, including related development activities.

Pre 2004 Administrative Fee Reserves

- May be used for other housing purposes permitted by State and local law.
- HUD may prohibit use of the funds for certain purposes.

¹ Administrative Fee Reserves Notes:

- PHAs must maintain a single administrative fee reserve account (24 CFR 982.155).
- Pre-2004 Administrative fee should not increase.
- All current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves.

11170-003	Administrative Fee Equity – Ending Balance	\$3,177,850
*11170-005	Pre-2004 Administrative Fee Reserves	\$886,018
*11170-006	Post-2003 Administrative Fee Reserves	\$2,291,832





Accounting Irregularities (continued)

- Post-2003 Administrative fees may not be loaned to another program in order to cover that program's expenses, regardless of whether the PHA intends to reimburse the HCV program at a later date
- Non-federal, non-restricted funds may be loaned to the HCV program to cover shortfalls in the administrative fee account. Subsequent administrative fees may be used to reimburse the funding source



Eligible Use of HAP Funds

- Use of HAP funds, including restricted net position (also called PHA-held HAP funds) and HUD-held HAP funds are limited to:
 - Housing Assistance Payments (HAP)
 - Family Self-sufficiency (FSS) Escrow Payments
 - Utility Reimbursements
 - Restricted net position (RNP) are HAP funds disbursed by HUD to the PHA but not yet spent by the PHA. RNP funds are held by the PHA
 - HUD held-HAP funds are HAP funding obligated to the PHA and held by HUD (i.e., not yet disbursed to the PHA)
- HAP funds cannot be used for any other purpose such as:
 - Covering administrative costs
 - Loaned or advanced to any other program/activity





Prohibition on Augmentation of HAP Funds

- No other funds besides annual budget authority, program reserves, restricted net position and a prior fiscal year unrestricted net assets can be used to make housing assistance payments (HAP)
- Examples of prohibited funds include:
 - HOME funds, proceeds from PH disposition, COCC funds, state funds, and donations
- Exception – With HUD approval, PHAs may use prohibited funds to prevent termination of assistance to current program participants, if:
 - The PHA has taken reasonable cost-saving measures;
 - Is in a HUD-confirmed shortfall position; and
 - Needs additional funds to prevent the termination of current participants
- HUD’s HOME Investment Partnerships funds may never be used to fund the HCV program
- Shortfall funds may not be used to increase leasing



End of Module

**This Ends the Training Module on
Eligible Uses of Funding**

