# Policy and Procedures for Housing Assistance Payment (HAP) Processing

## BACKGROUND INFORMATION

For PHAs that administer the Housing Choice Voucher (HCV) program, housing assistance payments (HAP) are often the PHA’s largest type of expenditure. HAP funding is provided by HUD and HAP funds can only be used to make landlord payments, family self-sufficiency escrow payments, and utility reimbursements. The number of and amount of HAP payments made each month are typically significant and therefore it is important that the PHA understands and implements controls and procedures to ensure accurate and timely payments and to prevent fraudulent payments.

This document provides a sample of a PHA HAP processing policy and procedures.

* **All PHAs**. This sample provides an example HAP processing policy and procedures for all PHAs, regardless of size or complexity.

PHAs can simply cut and paste the sample into their policy and procedures document and modify as needed.

## OTHER ITEMS FOR CONSIDERATION

The following provides items that the PHA needs to consider when developing the policy and procedures for HAP processing and the major assumptions that were used to develop the sample policy and procedures.

1. Assumption – If the PHA has a general ledger interface with the HAP process, there will be no journal entry for HAP payments.
2. Assumption – The PHA has enough staff for proper segregation of duties.
3. Reminder – The HAP processing policy should be used in conjunction with other disbursement requirements noted in the PHA’s policies and procedures, most notably the PHA’s general disbursement policy and procedures.

SAMPLE 1 – ALL PHAs

## HAP PROCESSING POLICY

It is the policy of the PHA to ensure HAP payments are accurate, timely, and are eligible to support program participants. The PHA’s internal control policies covers both payments to landlords and the correct calculation of tenant rent to arrive at the landlord HAP amount.

HAP payments to landlords involve several processes that must be followed in order to ensure correct and timely payments. The method of HAP disbursements used by the PHA includes payment by check and automated clearing house transactions (ACH). To ensure effective controls for the disbursement of PHA funds, proper documentation should be obtained prior to the payment and processing of HAP payments.

Staff who are assigned the responsibility of maintaining tenant files should be properly trained to calculate tenant rent and HAP amounts. Once trained, staff should be kept informed on updates to regulations that affect the procedures for tenant rent and HAP calculations. Note: Refer to PHA’s Tenant Rent Calculation policy and procedures, if necessary.

## HAP PROCESSING PROCEDURES

When processing HAP payments, the following procedures will be followed: 1) accuracy of HAP amount; 2) general HAP processing controls; 3) HAP payment schedule; 4) HAP payment processing; 5) HAP monitoring; and 6) HAP processing for special voucher types and port-in activity.

### Accuracy of HAP Amount

The HCV program manager is responsible for the accuracy of the payments. To supplement the process, the HCV program manager is required to maintain a quality control system to verify the accuracy of the HAP calculation in the tenant files.

It is the HCV program manager’s responsibility to ensure that staff who are responsible for calculating HAP amounts, are properly trained. Note: Quarterly review of tenant files and HAP rent calculations should be conducted to ensure amounts are calculated properly and documentation is retained in tenant files.

### General HAP Processing Controls

Proper segregation of duties must be followed to mitigate the threat of fraud or theft. There should be specific individuals authorized to enter landlord data into the software system. These individuals should not have the authority to create the ACH or approve the pre-payment report.

For ACH transactions, the submitter may not be the same person as the person approving the ACH. An ACH report should be approved and signed by the HCV program manager. Note – Normally the ACH report only provides high level bank report information (i.e., grand totals) and is used to verify the check total later in the process.

For control purposes, the PHA should set a limit for a single check or payment amount to a landlord. This limit will be conveyed to the bank so that the bank will not process the amount without authorization from the HCV program manager.

Blank HAP checks will be stored in a secured area.

### HAP Payment Schedule

The PHA will employ the following HAP payment schedule.

* HAP payments will be generated twice during the month, normally on the 1st and the 15th.
* To account for payment processing time, the actual payment (i.e., check run) may occur earlier (i.e., the 30th or 31st of the previous month) but the date of the check/deposit (if ACH) will be on or after the 1st/15th subject to weekends and holidays.)
* 1st of the month HAP payments will be distributed/deposited no later than the 5th of each month.
* 15th of the month HAP payments will be distributed/deposited no later than the 20th of each month.
* HAP checks are not to be given to a landlord earlier than the date shown on the check.

### HAP Payment Processing

The processing of HAP begins with the HCV program’s management. A pre-payment processing report (sometimes referred to as a HAP register) will be generated and reviewed by the HCV program manager.

The approved pre-payment processing report will be provided to the Finance department. The report will include the total amount of HAP payments to be processed in the payment cycle.

The HAP payment amount and the pre-payment processing report will be reviewed and approved by the Finance Director. As part of the review, the Finance Director will compare the current HAP payment run to the previous month’s HAP payment report. If there are discrepancies and/or anomalies based on a review of the current month’s pre-payment processing report or when compared to the prior month’s pre-processing report, the Finance Director will bring these to the attention of the HCV program manager. The HCV manager will in turn research and correct or explain. If corrections are needed, the HCV program manager will provide a new pre-payment processing report.

The Finance Director or Executive Director’s approval must be obtained prior to the actual processing of HAP payments.

The Finance department will then generate the checks and / or upload the ACH file to the bank.

Once HAP payments are processed, the HCV program manager will reconcile the actual payments back to the pre-payment processing report and ACH report to verify that the Finance department or Fee Accountant made no alterations after the final HCV approval of payments.

A HAP processing monitoring report should be used to document the actual approval of the payments through the full process. The HAP processing monitoring report is a list of each of the key steps in the process with check totals. As each person completes their step in the process, that person will initial by the completed step indicating that the step was completed, approved, and that they agree with the applicable check totals.

HAP payments should be generated from the PHA’s accounting software system. The total HAP payment amount will be recorded in the general ledger system using a general journal entry.

IRS information for the 1099 forms will be maintained in the software system for landlords.

### HAP Monitoring

The Executive Director will perform analytical reviews of the HAP payments for inconsistencies. Current month expenditures will be compared to previous month’s expenditures to determine if there are any significant variances. Reviews of the HAP registers will also be performed to determine if there are any checks printed to unfamiliar landlords or any single large amounts which may appear irregular.

This review will be completed near the middle or end of the month when the previous month’s submission of VMS data is submitted (e.g., the review/comparison of April HAP payments will be compared to March payments in the middle / end of May).

The Executive Director will meet with the HCV program manager and Finance Director or Fee Accountant to discuss the results of the review. At this meeting, an updated HCV 2-year forecasting tool will be also reviewed.

### HAP Processing for Special Voucher Types and Port-In Activity

For VMS purposes, the special voucher types should have separate general ledger accounts for tracking of HAP costs. The PHA will also track payments for the previous months to ensure accurate reporting of VMS data.

The PHA will track accounts receivable from port-in activity in the general ledger system or separately on a spreadsheet. The reporting should include HAP and administrative fee charges to the initial PHA as a revenue to be offset against a receivable balance. When the initial PHA reimburses the PHA, the cash received should be credited against the receivable balance.