

7460.7 REV-2

Area Office Monitoring of Public Housing Agencies (PHAs) Guidebook:
Finance and Budget - Operating Subsidy Program

APPENDIX 2

FINANCE AND BUDGET:

ON-SITE MONITORING WORKSHEETS

Area Office Monitoring of Public Housing Agencies (PHAs) Guidebook:
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SUB-FUNCTION 1: Establishing policies, procedures and/or systems

COMPONENT 1: Budget and Financial Controls
References: ACC, Section 201, Financial Management Guidebook, 7475.1 REV, Low Rent Accounting Guidebook, 7510.1 REV

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INFORMATION SOURCES REVIEW ACTIONS REVIEW QUESTIONS NOTES POSSIBLE PROBLEMS
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Table with 5 columns: INFORMATION SOURCES, REVIEW ACTIONS, REVIEW QUESTIONS, NOTES, POSSIBLE PROBLEMS. It contains 4 rows of data detailing budget and financial controls monitoring actions and questions.

DARTS
PHA files,
audit
reports

Departmental
Accounts
Receivable
Tracking System
(DARTS), audit
reports and PHA
records.

- a. Are they recorded and controlled?
- b. Is there an approved

insured
amount.

repayment
plan?

- c. Is the repayment agreement being followed?

- d. Has Field Office approved retention of residual receipts? If so, is PHA utilizing funds for approved work items?

9) Operating budgets, financial statements, PHA records

9) Review PHA's six-month or annual financial statements or an updated report of expenditures against most recently approved operating budget/budget revision

9) Has the PHA overrun any of the controlled accounts approved in the operating budget? Are procedures in place to avoid overruns?

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SUB-FUNCTION 1: Establishing policies, procedures and/or systems

COMPONENT 1: Budget and Financial Controls

References: ACC, Section 201, Financial Management Guidebook, 7475.1 REV,

INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
10) Staff Interviews What procedures are utilized to ensure	10) Interview PHA staff on participation in budget process. all needs	10) Does the PHA staff participate in the budget preparation process?		Unrealistic budget estimates Budget will that staff and residents are involved in the budget formulation process.
11) PHA Files Board Resolutions	11) Secure a copy of an updated investment policy.	11) Does the PHA have a written investment policy?		Investments may not be consistent with HUD policies
12) PHA Files Financial Management Guidebook	12) Review investment register * Small PHAs (250 unit and under) are not required to maintain formal investment register.	12) Are investments in accordance with HUD-approved securities?		Investments may not be in line with Board of Commissioners' policies Excess cash may not be invested

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INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
SUB-FUNCTION 1: Establishing policies, procedures and/or systems				
COMPONENT 1: Budget and Financial Controls			References: ACC, Section 201, Financial Management Guidebook, 7475.1 REV, Low Rent Accounting Guidebook, 7510.1 REV	

13) Observation Staff Interviews	13) Interview PHA staff. Determine if Guidebooks/ Handbooks are accessible and/or utilized.	13) Are copies of the most recent HUD Guidebooks or Handbooks readily accessible (7475.1 REV, 7475.13 REV, 7510.1)?	Procedures misinterpreted PHA policies and procedures not consistent with HUD statutes, regulations, handbook requirements and/or policies.
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SUB-FUNCTION 2: Implementing Internal Controls

COMPONENT 2: Internal Controls	References: 24 CFR 85.20, OMB Circular A-123, PHA Administrative Practices Guidebook, 7420.7, Financial Management Guidebook, 7475.1 REV, Low-Rent Accounting Guidebook, 7510.1, Internal Controls Desk Reference Guide
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INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
1) Written Internal Operating Procedures	1) Obtain copies of internal audits and/or reviews. Interview PHA staff.	1) Are internal audits and control reviews conducted by the PHA? a. Who conducts the reviews? b. How frequently are the reviews conducted?		Errors and omissions in accounting records may go undetected Assets may be lost, stolen or misused Employees not held accountable

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|--|---|---|
| 2) PHA records
Written
Procedures | 2) In order to determine if PHA has

adequate internal controls a review of PHA policies, procedures, plans and methods must be undertaken.

PHA should have written policies and systems to prevent fraud, waste, and mismanagement. | 2) Are internal controls adequate? |
| 3) Staff Interviews
Written
Procedures | 3) Interview staff, secure copies of written job responsibilities. No employee should be responsible for performing a complete sequence of tasks related to a transaction (i.e., approve payment voucher, prepare the check, sign the check). | 3) Does the PHA have separation of duties (size of PHA should be considered)? |

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SUB-FUNCTION 2: Implementing Internal Controls

COMPONENT 2: Internal Controls

References: 24 CFR 85.20,
OMB Circular A-123, PHA
Administrative Practices
Guidebook, 7420.7,

Financial Management
 Guidebook, 7475.1 REV,
 Low-Rent Accounting
 Guidebook, 7510.1,
 Internal Controls Desk
 Reference Guide

INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
4) Staff Interviews PHA Files	4) Secure listing of bonded employees.	4) Are employees who handle receipts properly bonded?		Assets not properly protected in the event that they are lost, destroyed, diverted, misused or stolen.
5) Staff Interviews PHA Files	5) Review PHA bank statements, records. Interview staff assigned to complete this process.	5) Are bank reconciliations done promptly? Are discrepancies properly documented and resolved?		Substitutions of checks, falsifying the cash account, or falsifying bank reconciliations.
6) Staff Interviews PHA Files	6) Review PHA cash receipts, files. The review may include a cash reconciliation.	6) Are receipts issued for all collections? a. Are receipts prenumbered? b. If voided, placed on file? c. Signed by person receiving cash? d. If unused, adequately safeguarded? e. Totaled daily?		Cash may be lost, misused or stolen. Cash shortages may go undetected. Receipts for cash are not accounted for and may be stolen or forged.

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SUB-FUNCTION 2: Implementing Internal Controls

COMPONENT 2: Internal Controls

References: 24 CFR 85.20, OMB Circular A-123, PHA Administrative Practices Guidebook, 7420.7, Financial Management Guidebook, 7475.1 REV, Low-Rent Accounting Guidebook, 7510.1, Internal Controls Desk Reference Guide

INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
7) Staff Interviews Written Procedures Paid voucher files Contract Register	7) Secure copies of Board approved written policies and procedures. Review sample copies of paid invoices. Purchase orders and receiving reports should be attached to all invoices marked paid. Review payment checks and bills.	7) Do established written procedures require matching of invoices with purchase orders, receiving reports and cancellation of invoices paid? Is there more than one check or bill related to the same contract? Are there multiple contracts for similar services?		Duplicate payments may be made Vouchers may not be approved for payment Contracts set up in pieces to avoid bid process

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SUB-FUNCTION 2: Implementing Internal Controls

COMPONENT 5: MOA/IP Progress

References: 24 CFR 85.20, OMB Circular A-123, PHA Administrative Practices

Guidebook, 7420.7,
 Financial Management
 Guidebook, 7475.1 REV,
 Low-Rent Accounting
 Guidebook, 7510.1,
 Internal Controls Desk
 Reference Guide

INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
8) MOA or IP Written Procedures Quarterly Progress Reports Internal PHA reports Staff Interviews	8) Review Memorandum of Agreement (MOA) or Improvement Plan (IP) monitoring procedures, if applicable.	8) Is PHA operating under an approved MOA or IP? If so: a) Has PHA established a system to monitor goals which relate to financial managements? b) Does Board and Executive Director receive periodic status reports? c) Are procedure in place to correct or address potential slippage/failure?		

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SUB-FUNCTION 3: Maintaining accounting books and records in accordance with HUD requirements/policies

COMPONENT 3: Accounting Books and Records
 References: ACC, Section 201, Financial Management Guidebook, 7475.1 REV, Low Rent Accounting Guidebook, 7510.1 REV

INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
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<p>1) PHA books of account Audit Reports, bank statements</p>	<p>1) Review books of account and related records. Refer to Guidebook 7510.1, Chapter 4 for a listing of books of account and related records.</p>	<p>1) Are accounting records up to date? Are accounting records systematically filed and preserved? Are supporting records and documentation complete and adequate?</p>	<p>Persistent, unexplained delays may be indication of fraud Cash may not be accounted for and can be stolen Receipts can be forged Cash shortages may go undetected</p>
<p>2) PHA Files -Cash receipts register -Bank statements -Daily statement of operations Staff interviews</p>	<p>2) Request to review the PHA's cash receipts register, bank statements and a daily statement of operations or similar summary showing tenant collections. Cash receipts (other than tenant collections) should be recorded in the register upon receipt and the source of the cash should be identified. Collections from tenants may be maintained on a daily statement of operations and recorded in the cash receipts register. All cash</p>	<p>2) Are cash receipts properly handled? a. Are receipts deposited daily? b. Posted as received? c. Under control of cashier until prepared for deposit? d. Once prepared for deposit removed from cashiers custody? e. Are duplicate deposit slips validated and forwarded by the bank directly to PHA control office? f. Recorded or compared with cash register entries?</p>	

should be:

- Supported by

invoices and other documents (e.g., purchase orders).

- Reviewed by

check signer, along with supporting documentation prior to

approval for payment.

8) HUD Field Office PHA staff

8) Check Field Office receipt dates. If PHA has a history of late reporting interview Executive Director and/or person responsible for preparation to determine what the causes of late submissions are.

8) Does PHA submit financial statements to HUD in a timely manner?

What are the primary causes of late submissions?

What procedures are planned or in place to ensure timely submissions.

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SUB-FUNCTION 5: Financial Reporting

COMPONENT 4: Operating Subsidy Calculations

References: 24 CFR 990, Performance Funding System Handbook, 7475.13 REV, ACC, Section 201, Financial Management Guidebook, 7475.1

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INFORMATION SOURCES

REVIEW ACTIONS

REVIEW QUESTIONS

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Copy of Rent Roll	1) Obtain copy of PHA rent roll. Check date of operating budget submission. PHA must use dwelling rental income reflected on rent roll of month immediately preceding submission of operating budget. Compare dwelling rental income reported in PFS calculation against the monthly dwelling rental income shown on rent roll. The credit balance of current dwelling rent on the rent roll as of the end of the month must be equal to rental income recorded for the month in	1) Did the PHA use the correct rent roll for projecting the dwelling rental income used in the PFS calculation?	Discrepancies in PFS components Use of incorrect rent roll results in inaccurate operating subsidy eligibility
Operating Budget PFS General Ledger Form HUD-51234 Form HUD-52728-A			

Account 3110,
Dwelling
Rental Income.

COMPONENT 4: Operating Subsidy Calculations

References: 24 CFR 990,
Performance Funding
System Handbook, 7475.13
REV, ACC, Section 201,
Financial Management
Guidebook, 7475.1

INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
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<p>2) TAR Report-52295 Form HUD 51234 Rent Roll, Form HUD 52728 Operating Budget & PFS</p>	<p>2) Review rent roll and Form HUD-51234 to determine the number of units available for occupancy and number of units occupied. PHA must use data from six months before start of budget year to determine occupancy % used in PFS calculation.</p>	<p>2) Did the PHA use the correct occupancy percentage and correct number of unit months available?</p>	<p>Use of larger number of occupied units decreases per unit month average monthly rental charges and increases operating subsidy</p>	<p>Use of incorrect data</p> <p>Investment income not tracked properly in PHA accounts</p>
<p>3) Cash Flow Statement Investment Schedule Operating Budget & PFS</p>	<p>3) Review PHA Investment Income Schedules (EII/TII and end of the month cash balances for applicable accounts.</p> <p>Examine applicable accounts to be sure investment earnings are properly accounted for.</p>	<p>3) Are the end of the month actual cash balances for the following accounts being used to determine average monthly cash balance?</p>	<p>PHA financial records poorly maintained.</p> <p>Investment income not recorded</p>	<p>1111.1- General Fund</p> <p>1111.2- General Fund (unapplied debt service)</p> <p>1111.3- General Fund (mod)</p> <p>1117 - Petty Cash Fund</p> <p>1118 - Change Fund</p> <p>1162 - General Fund and Security Deposit Fund (investments)</p>

Fund

- 1155 - Advances
 - Limited Rev.Fund
- 1156 - Advances
 - Unlimited Revolving
- 1157 - Advances
 - Other

Does PHA maintain excess cash in interest bearing accounts? Have an investment policy?

Investment register?

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SUB-FUNCTION 5: Financial Reporting

COMPONENT 4: Operating Subsidy Calculations	References: 24 CFR 990, Performance Funding System Handbook, 7475.13 REV, ACC, Section 201, Financial Management Guidebook, 7475.1
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INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
4) HUD Form 52599 PHA Files	4) Review financial statements. Discuss significant differences with Executive Director and/or responsible staff.	4) If there are significant differences between the estimated and actual other income for the past three years does the PHA have adequate documentation?		Underestimating income Use of incorrect data Receipt of ineligible PFS operating subsidy
5) PHA Files Written Procedures Utility	5) Review PHA Consumption Data Records, Forms HUD-51466A,	5) Are the records of utility consumption maintained by project?		Overstating of rates resulting in an increase in operating subsidy eligibility

bills
Form HUD
52722A,
52722B

B.C.
(optional
forms) or
similar
records of
consumption,
utility
company
billings,
written
procedures.

Review Forms
HUD-52722A
and 52722B.
Compare rates
used on forms
against rates
on utility
bills.

- a. Are records in agreement with actual billings from supplier?
- b. Are the rates used in calculating the AUDEL based on the rates from the utility supplier?

Distortion in HUD's subsidy estimation process

6) Field
Office
records
PHA Files

6) Review ROBOTS
Adjustment
Exception
Report and
Adjustment
Balance
Report.
Discuss
outstanding
adjustments
and amounts
due with the
Executive
Director and
responsible
staff.

6) Have all mandatory
adjustments been
submitted and
amounts due to
HUD paid?

Does PHA have
an up-to-date
repayment
agreement, if
applicable?

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SUB-FUNCTION 1: Establishing policies, procedures and/or systems

COMPONENT 6: Rent Collection Practices

References: 24 CFR 960,
Subpart B, Financial
Management Guidebook,
7475.1 REV

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INFORMATION
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REVIEW ACTIONS

REVIEW QUESTIONS

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POSSIBLE
PROBLEMS

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Register	policy.	Section 305 of the ACC?	Difficulty in verifying coverage
2) PHA Files Staff Interviews	2) *Request to see register. *Small PHAs are not required to maintain a formal insurance register.	2) Does the PHA maintain a formal insurance register?	Inadequate limit or coverage Insurance may not be awarded properly
3) Insurance Register Insurance Policies	3) Review insurance certificates and policies.	3) Are all required policies currently in effect?	
4) Insurance Policies	4) Compare requirements with current coverage.	4) Does the PHA carry adequate insurance coverage for: a. Property Insurance? Replacement Cost Coverage Blanket Coverage Agreed Value Clause Vacancy Clause Removed b. Commercial General Liability? c. Fidelity Bonding? d. Auto Insurance? e. Workers Compensation? f. Boiler?	
5) PHA Files Staff Interviews	5) Review bid specifications and proposals received by PHA.	5) Was insurance obtained through competitive bidding if not purchased from a PHA-owned insurance entity?	

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SUB-FUNCTION 4: Maintaining budget and financial controls

COMPONENT 8: Staffing and Salaries

References: Low Rent Housing Administration of Program, 7401.1, Financial Management Guidebook, 7475.1

INFORMATION SOURCES	REVIEW ACTIONS	REVIEW QUESTIONS	NOTES	POSSIBLE PROBLEMS
1) Form HUD-52566 PHA Payroll Records	1) Review Form HUD-52566. Check salaries against the PHA payroll cost distribution records and payrolls.	1) Do salaries recorded in payroll ledger match annual salaries listed on most recently approved form HUD 52566? Obtain supporting documentation for salary increases which do not match the latest approved salaries.	Paychecks may be disbursed for incorrect amounts Salary and wage rates not formally approved by Board of Commissioners and/or not approved in an operating budget	
2) PHA Files Form HUD-52566 Employee Position Descriptions PHA Cost Allocation Plan	2) Review Form HUD-52566. Check salaries against the PHA payroll cost distribution records. Interview staff to determine job responsibilities.	2) If the PHA administers other programs (Other HUD, Federal, state, local or privately funded) do salaries appear to be properly prorated?	Payroll calculations not verified before payroll is disbursed Payroll costs not allocated to correct program Allocation of costs not verified against actual job responsibilities	
3) PHA Payroll Records Staff Interviews Personnel records	3) Review payroll register and personnel records which contain employee signatures. Review payroll bank accounts by comparing	3) Does PHA require monthly reconciliations of payroll bank accounts by employees whose duties are unrelated to payroll preparation? Do payroll	Names of nonexistent employees appear on payroll resulting in checks fraudulently issued	

payroll
records to
check
endorsements.

records match
personnel
records?

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