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**Housing Choice  
Voucher Program**

Voucher Management System  
Financial Management Issues  
October 7, 2008

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Voucher Management System

Is this how you feel when you think about VMS?...

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**Voucher Management System**

Purpose of Broadcast

- VMS Uses
- VMS Changes
- Recurring Questions

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**Voucher Management System**

History and Purpose of VMS

- Initiated 8/1/2002
- To gather current data on HCVP utilization and costs for reporting, funding and utilization analysis
- Before VMS, data was available from year-end settlements only – dated and based on staggered time periods (HA FYs)

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## Voucher Management System - Uses

- Basis for re-benchmarking funding allocations 2005, 2007, and 2008
- Anticipate use for any future re-benchmarking
- Determine NRA balances for funding and budget purposes

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## Voucher Management System - Uses

- Quarterly and ad hoc reports to Congress / appropriators – used for Budget decisions (amount, offsets)
- Utilization analysis to identify potential or actual problems of over- or under-utilization
- Coordination with data from other systems (PIC, FASS, HUDCAPS)

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## Voucher Management System

- Has expanded and retracted over time as data needs have changed
- HUD will issue a release in late October to revise reporting cycles and validation process
- No data element changes in this release

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## Voucher Management System – Accrual Reporting Requirements

- Accrual basis accounting = measuring revenue as earned and expenses as incurred
- PHAs are required to report on an accrual basis to VMS and FASS
- Assigns revenues and expenses to the correct reporting period, as opposed to when the revenue is received or the expenses paid

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## Voucher Management System – Reporting Requirements

- Expenses are recorded to the period to which they apply, regardless of when they are paid – example:
  - HAP for August that is paid in October is recorded as an August expense
- Cash basis reporting (FASS and VMS) is not acceptable – example:
  - HAP for August that is paid in October is recorded as an October expense

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## Voucher Management System – Reporting Requirements

- Revenue not reported in VMS, but applied by HUD for NRA and analysis; reported in FASS
  - VMS collects leasing and cost data only
- HAP: Revenue from HUD (BA) is recognized for the period to which it applies, regardless of when it is received
  - based on annual funding letter and new awards
- Fees: Revenue is recognized when it is earned
  - based on quarterly reconciliation
  - deferred revenue account = revenue received before it is earned

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## Voucher Management System – Data Elements

### Unit Months Leased – General Rules:

- Report as of the 1st day of each month for all vouchers under HAP contract on that day, including \$0 HAP
- Report in whole, positive numbers only; if nothing to report, leave blank
- If you report Unit Months Leased for a category, you must report HAP Expenses for that category

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## Voucher Management System – Data Elements

### Unit Months Leased – General Rules:

- If you report HAP expenses for a category, you must report Unit Months Leased
- Report a voucher in only one category – make a logical decision if more than one category could apply (example: TP ported)

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## Voucher Management System – Reporting Categories - UMLs

- Litigation – HUD funded units to resolve litigation or satisfy court action or agreement
- One year Mainstream – vouchers awarded in this category stay in this category even when combined with other vouchers in renewal increments
- Homeownership – vouchers used for HO rather than rental purposes; no special allocation of vouchers

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## Voucher Management System – Reporting Categories - UMLs

- MTW – MTW agencies only - use of MTW vouchers for rental purposes
- FUP – vouchers awarded and used in this category stay in this category even when combined with other vouchers in renewal increments – required by appropriations to continue to be used for this purpose to extent feasible

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## Voucher Management System – Reporting Categories - UMLs

- Port Vouchers Paid – vouchers which the HA is paying another HA to administer for one of first HA's participants
  - Does not include port-ins that you are billing another agency for – only vouchers for which you pay from your HA funds;
  - Reported Port Vouchers expenses to include only HAP expenses, not admin fees
  - Do not include DVP or DHAP ports

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## Voucher Management System – Reporting Categories - UMLs

- HOPE VI – vouchers awarded in this category stay in this category even when combined with other vouchers in renewal increments
- Tenant Protection – includes vouchers awarded for participants affected by a public housing or multifamily housing conversion action or a Mod Rehab expiration; vouchers awarded in this category stay in this category even when combined with other vouchers in renewal increments
- VASH – 2008 and later awards only

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## Voucher Management System – Reporting Categories - UMLs

- All Other Vouchers – all vouchers that do not fit in any of the other categories
- Any voucher in use is to be reported in one and only one category each month
- 2 sub-categories: Enhanced Vouchers and New Homeowners This Month – these are within the totals for Tenant Protection and Homeownership

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## Voucher Management System – Reporting Categories – UMLs

- Number of Units under lease last day of the month – total for the final day, not adjusted for ins and outs, etc.
  - Used to compare to PIC reports to determine PIC reporting rate
  - Not used to determine eligibility for fees for mid-month new contracts
  - Mandatory reporting field
  - Includes all regular HCVP categories, but not Mainstream 5 or any disaster category

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## Voucher Management System – Reporting Categories - HAP

- Same categories as for UMLs
- Report first of month HAP costs for the vouchers in those categories
- No separate HAP reporting for new Homeowners and Enhanced Vouchers – included in HO and TP amounts
- Deposits to participants' FSS escrow accounts are HAP expenses
- Utility reimbursements are HAP expenses

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## Voucher Management System – Reporting Categories - HAP

- HAP expense after first of the month – HAP expenses for all new contracts effective after the first of the month, for that month
  - Contract effective July 10 gets reported in this category for July
  - Contract executed this month but retroactive to the prior month after the first is reported in this category for the prior month

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## Voucher Management System – Reporting Categories - HAP

- HAP expenses after first of the month –
  - Does not include checks cut or issued after the first for contracts in place on the first
  - Does not include manual payments unless they are for contracts after the first of the month
  - The method and timing of the payment is not the determinant; it is the period it covers
- Goal: To capture all HAP expenses for the first of the month and the balance of the month

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## Voucher Management System – Reporting Categories - HAP

- HAP expenses after first of the month
  - Mandatory reporting field
  - Field includes expenses for all regular HCVP categories, but does not include Mainstream 5 or any disaster category expenses
  - When HUD re-benchmarks expenses, will add this field to the first of month fields

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## Voucher Management System – Reporting Categories – 5 Year Mainstream

- Separate category for UMLs and HAP because this program is not part of the HCVP (separate appropriation)
- Is not included in HCVP leasing and expense total and is not part of HCVP budget, funding allocations or utilization assessments
- Funds may not be co-mingled with HCVP funds

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## Voucher Management System – Reporting Categories

- Memo reporting – reported HAP expenses are not adjusted for these items:
  - Fraud Recovery
  - FSS Forfeitures
  - Portable HAPS Billed and Unpaid for 90+ Days

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## Voucher Management System – Reporting Categories

- Regular Portables Administered
  - “Port-ins”
  - Your PHA does not pay the HAP, but bills the initial PHA
- Disaster Relief – Non-KDHAP
- These categories do not affect funding

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## Voucher Management System – Disaster Voucher Program

- Reporting is critical because each PHA's DVP settlement will be based on the lesser of costs per VMS or DIS

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## Voucher Management System – Disaster Housing Assistance Program

- Report Total DHAP Families assisted for the month
- Report new DHAP families (also included above)
- DHAP HAP should be TOTAL for the month – not just 1<sup>st</sup> of month
- Reporting is critical because at the conclusion of the program, HUD will reconcile reported costs and leasing from the VMS and DHAP databases. Actual rent subsidy payments will be settled through VMS reporting.

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## Voucher Management System – Reporting Categories

- Other Expenses
  - Prescribed use for MTW agencies to report non-voucher uses of funds
  - Administrative expenses should not be included here, because they will not be included in any reporting HUD does
- Comments
  - Prescribed use for PHAs to report number of PHA-owned units leased in the HCVP
  - Do not use this field for official notifications to HUD

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## Voucher Management System - Changes:

Monthly reporting and on-line validation

- Monthly Reporting
- On-line Validation
- Purpose: To provide more timely cost and utilization data and streamline and improve the validation process

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## Voucher Management System - Changes:

Current Process:

- PHAs submit data for each month, but submit it at the end of each quarter.
- Most data validation occurs off-line.
- FMC extracts data from VMS, runs the edit/validation checks and sends the PHAs a workbook identifying potential discrepancies for their review and correction as needed.
- PHAs are to respond to and return the workbook and enter the corrections to VMS, with no further validation or follow-up.

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## Voucher Management System - Changes:

Revised Process:

- PHAs will submit data for each month, but will submit it after the end of each month.
- Validation will occur on-line, as the PHA prepares their submission.
- Items that fail specified edit checks will be immediately identified and the PHA will review and either correct or confirm the data and select or enter a comment.
- FMC analysts will review data that fails edits but is HA-confirmed.
- Once all edit checks have been satisfied, the data will be accepted.

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## Voucher Management System - Changes:

### ■ Benefits of the Revisions:

- HUD will have a significantly more up-to-date database for use in reporting and budgeting
- Utilization analyses of PHAs will be based on more current data, allowing earlier identification of potential or actual problems

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## Voucher Management System - Changes:

### ■ Benefits of the Revisions:

- A current database can be extracted from VMS at any time, because only validated data will have been accepted
- HUD will be able to reconcile administrative fees more rapidly

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## Voucher Management System – Edit Checks / Validations

- If vouchers leased are reported for a category, HAP expenses must also be reported
- if HAP expenses are reported for a category, vouchers leased must also be reported
- PHAs may only report vouchers leased or HAP expenses for the following categories if the PHA has received an award in that category: Tenant Protection, HOPE VI, Moving to Work, Family Unification, 1 Year Mainstream, 5 Year Mainstream, Litigation

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## Voucher Management System – Edit Checks / Validations

- Vouchers leased and HAP expenses must be within a percentage range of vouchers available and Budget Authority provided; the ranges are stratified by program size.
- Data that fails this edit is not deemed incorrect; it is merely identified for review because it falls outside normal ranges – to reduce false fails and identify potential problems

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## Voucher Management System – Edit Checks / Validations

- Vouchers leased and HAP expenses must be within a percentage variance of the leasing and expenses of the prior 12 months; the variances are stratified by program size.
- Data that fails this edit is not deemed incorrect; it is merely identified for review because it falls outside normal ranges – to reduce false fails and identify potential problems

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## Voucher Management System

- Reporting on the monthly format will begin for the July to September quarter, but will not be done until after the October 25 release – system locked for data entry for those months until the release
- The release will be accompanied by revised user instructions – posted on VMS site; instructions for data entry will also be e-mailed to all PHAs
- Release also includes new report available to PHAs: LUE

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## Leasing & Unit Expense Report

Month/ Year	Monthly UMA	Monthly UML	Lease Rate	Total HAP	HAP PUC
7/1/2006	20,550	18,134	88.24%	\$12,255,699	\$675.84
8/1/2006	20,550	17,984	87.51%	\$12,130,511	\$674.52
9/1/2006	20,550	17,795	86.59%	\$12,243,597	\$688.04
10/1/2006	20,550	17,751	86.38%	\$12,230,167	\$688.98
11/1/2006	20,550	17,666	85.97%	\$12,497,096	\$707.41
12/1/2006	20,550	17,681	86.04%	\$12,447,857	\$704.02
1/1/2007	20,570	17,621	85.66%	\$12,140,894	\$689.00
2/1/2007	20,574	17,524	85.18%	\$12,986,705	\$741.08
3/1/2007	20,575	17,547	85.28%	\$13,524,147	\$770.74

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## Leasing & Unit Expense Report

### HA FY to Date

		HAP Total	\$154,962,178
UML Total	213,114	Utilization Percentage	86.31%
UMA Total	246,917		
Difference between UMA and UML	33,803	Average PUC	\$727.13

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## Uses of VMS Data - NRA

- NRA values are calculated quarterly
- Calculations used to:
  - Determine nationwide excess funds for reporting
  - Identify funds to support tenant protection actions
  - Identify amounts available for offset from renewal eligibility as mandated by Congress

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## Uses of VMS Data - NRA

- NRA (net restricted assets) is defined as the net difference between BA provided for HAP expenses and the HAP expenses incurred
- HUD totals the BA available for a period and subtracts HAP expenses per VMS and PIC
  - Positive balance is the NRA
  - Negative balance is raised to zero

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## Uses of VMS Data - NRA

- HUD classifies NRA as either “usable” or “unusable”
- Usable NRA is that portion of the total that would be used if the PHA achieved utilization of 100% of baseline vouchers
- Unusable NRA is that portion of the total that would not be required even if the PHA utilized 100% of baseline vouchers

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## Uses of VMS Data - NRA

- For CY 2008, Congress mandated that HUD utilize a portion of each PHA's unusable NRA in lieu of providing new BA for renewals
- This process replaced the former procedure of recapturing excess reserves
- Process reduced appropriation requirements by utilizing existing funds which had no other eligible use

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## Uses of NRA

- All NRA held by a PHA may be used for eligible HAP costs for baseline units – whether termed usable or unusable
- Advance HUD approval is not required for a PHA to utilize NRA for eligible costs
- NRA may not be used for any other purpose

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## NRA Adjustments

- 12/31/07 NRA balances recently adjusted for 1100 PHAs
- Reflects addition of FUP, Ports Paid and Mid-Month Move Costs for Oct to Dec 2007
- For most PHAs, NRA balance decreased
- 2008 Offsets were re-calculated based on new NRA balances
- Funding eligibility was NOT affected
- Revised offset changed portion of 2008 eligibility to be funded

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## NRA Adjustments - Example

	<i>ORIGINAL</i>	<i>REVISED</i>
NRA Balance 12/31/2006	\$9,042,728	\$9,042,728
HAP BA CY 2007	\$123,697,094	\$123,697,094
HAP Expenses CY 2007	\$112,838,921	
Adjustment for FUP Vouchers Leased and Portables Paid		\$183,711
Adjustment for Mid-Month Moves PIC		\$547,178
Adjustment for Mid-Month Moves VMS		\$0
Revised HAP Expenses CY 2007		\$113,569,810
Cumulative Difference	\$19,900,901	\$19,170,012
NRA Balance 12/31/2007	\$19,900,901	\$19,170,012
NRA Applied to Tenant Protection Costs	\$3,481,865	\$3,481,865
Remaining NRA 12/31/2007	\$16,419,036	\$15,688,147

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## NRA Adjustments - Example

	<i>ORIGINAL</i>	<i>REVISED</i>
CY 2007 UMAs	151,485	151,485
CY 2007 UMLs	146,358	146,599
Unleased Unit Months	5,127	4,886
Average PUC	\$770.98	\$774.70
Unleased Expenses	\$3,952,814	\$3,785,184
NRA Usable	\$3,952,814	\$3,785,184
NRA Unusable	\$12,466,222	\$11,902,963

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## NRA Adjustments - Example

	<i>ORIGINAL</i>	<i>REVISED</i>
CY 2007 Renewal Funding	\$122,703,172	\$122,703,172
7% of CY 2007 Renewal Funding	\$8,589,222	\$8,589,222
Unusable NRA in Excess of 7% Funding	\$3,877,000	\$3,313,741
Offset (96.307 % of Line 26)	\$3,733,822	\$3,191,365

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## NRA Adjustments

- Offset may have increased, if additional costs and leasing significantly reduced unleased unit months
- Change in offset amount only changes the portion of 2008 eligibility to be funded from NRA versus funded from new BA
- In the example, the \$500,000+ reduction in offset means PHA will receive an additional \$500,000+ in new funding for the same eligibility

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## Financial Management Issues

- CY 2008 Administrative Fees (on-going and mid-month)
- CY 2009 Renewal Funding

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## CY 2008 Administrative Fees

- Fee eligibility and earnings for 1<sup>st</sup> & 2<sup>nd</sup> quarters determined and communicated, based on actual leasing for the 1<sup>st</sup> of each month
- Earnings were 90.876% and 90.304% of eligibility; similar rates expected for balance of 2008
- Current fee disbursements based on 2<sup>nd</sup> quarter earnings
- Anticipate reduced advance disbursement for December, to allow for final reconciliation

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## CY 2008 Administrative Fees - Example

1 - Total Unit Months Leased - 2nd Qtr	3,000	
2 - Total Unit Months Leased - PHA-Owned Units	50	
3 - Total Unit Months Paid at Column A Rate 1st Qtr	1,800	
4 - Unit Months Eligible for Column A Rate - 2nd Qtr	1,800	
5 - Column A Rate	\$50.00	
6 - Eligibility - Column A Unit Months (Line 4 X Line 5)		\$90,000
7 - Unit Months Eligible for Column B Rate - 2nd Qtr	1,150	
8 - Column B Rate	\$40.00	
9 - Eligibility - Column B Unit Months (Line 7 X Line 8)		\$46,000

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## CY 2008 Administrative Fees - Example

10 - Unit Months Eligible for Column C Rate - 2nd Qtr	50	
11 - Column C Rate	\$20.00	
12 - Eligibility - Column C Unit Months (Line 10 X Line 11)		\$1,000
13 - Total Eligibility (Line 6 + Line 9 + Line 12)		\$137,000
14 - Deduction for Tenant Protection Fees Paid	-\$500	
15 - Deduction for Administrative Fee Sanctions	\$0	
16 - Net Eligibility (Line 13 + Line 14 + Line 15)		\$136,500

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## CY 2008 Administrative Fees - Example

17 - Pro-Ration Factor	0.90304
18 - Fees Earned (Line 16 x Line 17)	\$123,265
19 - Pro-Rated Adjustment for 1st Qtr Fee Eligibility	\$2,400
20 - Total 2nd Qtr Earnings Plus 1st Qtr Adjustment	\$125,665
21 - Fees Obligated 2nd Quarter 2008	\$120,000
22 - Excess Fees Obligated (Line 21 - Line 20, if Line 21 is greater; otherwise 0)	0
23 - Shortfall in Fees Obligated (Line 20 - Line 21, if Line 20 is greater; otherwise 0)	\$5,665

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## CY 2008 Administrative Fees

- HUD has committed to pay partial fees for new contracts after the first of each month
- These fees are NOT part of on-going fee calculations received or paid
- To be paid from remaining set-aside, after January 1
- PHAs must anticipate a significant pro-ration, due to limited funds available

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## CY 2009 Renewal Funding

- A 2009 Appropriations Act is anticipated after the new Congress convenes next year
- Continuing Resolution has been enacted to allow continued operations at FY 2008 funding levels and authorizations
- Resolution runs until the earlier of enactment of appropriations or March 6, 2009

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## CY 2009 Renewal Funding

- HUD will disburse renewal funds at 2008 funding levels until appropriation is enacted to determine actual 2009 eligibility
  - Do not assume the disbursements will be the ultimate amount to which the PHA is entitled
- HUD will frontload disbursements if needed and requested, to support actual HAP costs
- For 2009, re-benchmarking is **ANTICIPATED** (not known!) – therefore, leasing will matter

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## CY 2009 Renewal Funding

- For 2009, NRA offsets are **ANTICIPATED** (not known!) – therefore, accurate VMS reporting will matter
- It is recommended that PHAs NOT curtail current leasing levels at this time, unless overleased or all funds have been exhausted

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## CY 2009 Renewal Funding – HA Concerns

- Use of NRA for additional leasing and impact on 2009 funding allocation
  - How much to use? Will it be replaced?
- Impact of re-benchmarking on funding: includes only unit months leased in new base period
- Impact of re-benchmarking on baseline: unchanged
- Selection of new baseline period – mandated by Congress

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## Voucher Management System & Financial Management Issues

Questions? – Please send an e-mail to:

**PIHFinancialManagementDivision@hud.gov**

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