



**U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing**

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**Special Attention of**  
Public Housing Agencies with HCV Programs  
Public Housing Hub Office Directors  
Public Housing Program Center Directors  
Regional and Field Office Directors  
Financial Management Center  
State and Area Coordinators

**Notice:** PIH-2011-059  
**Issued:** October 27, 2011  
**Expires:** Effective until revoked,  
superseded, or amended

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**Cross References:**  
PIH Notice 2010-7 (HA)

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**SUBJECT: Reporting of Administrative Fee Reserves**

**1. Purpose:** This Notice reissues, with a few minor additions, PIH Notice 2010-7 (HA), provides specific guidance to Public Housing Agencies (PHAs) on the use of the Administrative Fee Reserves and reiterates guidance on PHA cash management and approved investment instruments. Further, this Notice provides guidance on the reporting of Administrative Fee Reserves and use when faced with insufficient funding. This Notice responds to recommendations by the Office of the Inspector General to implement controls and requires reconciliation of administrative fee reserves.

**2. Background:** Pursuant to 24 CFR 982.155, PHAs maintain a single administrative fee reserve account for the Housing Choice Voucher (HCV) program. PHAs credit to the Administrative Fee Reserve the total of: (1) the amount by which program administrative fees (paid by HUD for a PHA fiscal year) exceed PHA program administrative expenses for the fiscal year; plus (2) interest earned on the administrative fee reserve and fraud recoveries. These reserves are referred to as unrestricted net asset (UNA) accounts.

Beginning with the Federal Fiscal Year (FFY) 2004 Appropriations Act, use of administrative fee reserves is restricted to activities related to the provision of Section 8 tenant based assistance, including related development activities. Accordingly, administrative fee reserves from FFY 2004 and subsequent funding periods (referred to as “post-2003” funds) are restricted to HCV activities even though under GAAP it is an “unrestricted” net asset. Administrative fee reserves remaining from funding periods prior to the FFY 2004 Appropriations Act (referred to as “pre-2004” funds) are restricted in use pursuant to 24 CFR 982.155(b)(1). Provisions for post-2003 and pre-2004 are discussed further in this Notice.

This Notice does not apply to PHA’s approved for fungibility under a Moving to Work (MTW) agreement or under an agreement for Section 901 Disaster Assistance.

**3. Use of Administrative Fees.** The HCV program regulations at 24 CFR 982.152 provide that PHA administrative fees may only be used to cover costs incurred to perform PHA administrative responsibilities for the program in accordance with HUD regulations and requirements. **During the PHA’s current fiscal year, any administrative fees received in that PHA fiscal year may only be used for this purpose.** When the PHA fiscal year ends, the amount by which the program administrative fees paid by HUD for the PHA fiscal year exceed the PHA program administrative expenses for the fiscal year become administrative fee reserves. The eligible uses of the PHA Administrative Fee Reserve are described in sections 4 and 5 below.

Note that if a PHA lacks administrative fee reserves and needs to temporarily supplement the administrative fee provided by HUD with non-Federal, non-restricted funds in order to cover eligible HCV program administrative expenses, the PHA may use subsequent administrative fees to reimburse the source of the non-Federal, non-restricted funding used as the temporary bridge to cover the HCV program administrative expenses. However, HCV administrative fees may never be loaned to another program in order to cover ineligible expenses, regardless of whether the PHA intends to reimburse the HCV program at a later date.

**4. Pre-2004 Administrative Fee Reserves:** Any administrative fees funded prior to the FFY 2004 Appropriations Act remain subject to the regulatory requirements at 24 CFR 982.155(b)(1), which states:

*The PHA must use funds in the administrative fee reserve to pay program administrative expenses in excess of administrative fees paid by HUD for a PHA fiscal year. If funds in the administrative fee reserve are not needed to cover PHA administrative expenses (to the end of the last expiring funding increment under the consolidated ACC), **the PHA may use these funds for other housing purposes permitted by State and local law. However, HUD may prohibit use of the funds for certain purposes.***

Due to the restrictions imposed by the FFY 2004 and subsequent appropriations, the use of administrative fee reserves for “other housing purposes permitted by State and local law” only applies to pre-2004 administrative fee reserves.

**5. Post-2003 Administrative Fee Reserves:** Administrative fees funded from the FFY 2004 Appropriations Acts and subsequent appropriations require that administrative fee reserves provided from these appropriations shall only be used for activities related to the HCV Program, including related development activities. Examples of related development activities could include: unit modifications to HCV units to provide accessibility features or project-based voucher development costs. Any post-2003 administrative fees moved into the administrative fee reserve account at year end may not be used for “other housing purposes permitted by state and local law.”

As provided in 24 CFR 982.155 b(3), if the PHA has not adequately administered HCV requirements, HUD may prohibit use of funds in the administrative fee reserve, and may direct the PHA to use funds in the reserve to improve administration of the HCV program or to reimburse ineligible expenses. Post 2003 administrative fee reserves may not be used for Low Rent Public Housing (PH) development activities or PH maintenance; may not cover PH funding shortfalls nor be loaned to other PHA programs.

**6. General Depository Agreement:** Consistent with the Annual Contributions Contract (ACC) PHAs must deposit all program funds in accordance with the terms of a General Depository Agreement. The General Depository Agreement form HUD 51999 is executed between the PHA and the depository. The PHA may only withdraw deposited program receipts for use in connection with the program in accordance with HUD requirements.

The agreement with the depository institution must provide that if required under a written notice from HUD to the depository: (1) The depository must not permit any withdrawal of deposited funds by the PHA unless withdrawals by the PHA are expressly authorized by written notice from HUD to the depository. (2) The depository must permit withdrawals of deposited funds by HUD. If approved by HUD, the PHA may deposit under the depository agreement monies received or held by the PHA in connection with any contract between the PHA and HUD.

**7. Reporting Requirements:** HUD requires PHAs to report any unused Administrative Fees as Unrestricted Net Assets (equity) in the Financial Assessment Subsystem (FASS) under account 512.1 Unrestricted Net Assets, the associated assets net of related liabilities (111 Cash; 131 Investments) should be reported on the Financial Data Schedule as unrestricted. Previously, there was no requirement for PHAs to segregate unrestricted net assets as pre-2004 and post-2003. As noted earlier, a PHA may use pre-2004 administrative fees *for other housing purposes permitted by State and local law*; while post-2003 fees are limited to HCV- related purposes. As a result, this separation requires reconciliation to ensure the proper accounting and use of administrative fees.

In order to track these reserves annually, beginning with the reporting period ending December 31, 2009, PHAs must report post-2003 administrative fee reserves separately from pre-2004. In a future system release, the FDS will include administrative fee equity account detail line items for post-2003 and pre-2004. This separation will be forthcoming within the Financial Assessment Subsystem.

In the interim, PHAs must describe the reconciliation in the comments link showing balances from 2003 and previous years administrative fee reserves separately from amounts held as 2004 and subsequent years administrative fee reserves. This schedule must tie to the balances reflected in FDS Line 512 Unrestricted Net Assets, for the HCVP. If there are no pre-2004 administrative fee reserves, state such in the comment box.

**Unrestricted Net Assets (UNA)** is being reported in the Vouchers Management System (VMS) in the field called **Unrestricted Net Assets as of the last day of the month**. UNA is the amount reported on the balance sheet at line 1117 – Administrative Fee Equity. The UNA reported in the VMS must be updated through the end of each reporting month for interests and fraud recoveries.

Note that the total AF revenue used to calculate the UNA reported in this field **does not** include AF received during the current PHA FY, because excess AF received does not accumulate to the UNA until the end of the PHA's FY. The excess fees received during the PHA's current FY **will not** be reported in the UNA field until after the PHA's FYE. Monthly, the PHA reports the total of (1) the most recent PHA FYE UNA balance **plus** (2) any interest earned and fraud recovery allocated to the UNA through the end of the reporting period, **minus** (3) any funds expended from the UNA through the end of the reporting period. This includes all funds held in the Administrative Fee Reserve prior to the establishment of the UNA.

It will be extremely important that PHAs reconcile these accounts with their internal records. HUD will be using this information in assessing the use of the administrative fee reserves in order to ensure that PHAs are complying with the statutory and regulatory requirements concerning the use of administrative fee reserves.

**8. Use of HAP funds:** HAP funding, which includes net restricted assets (NRA), may only be used for eligible HAP needs of rent, family self-sufficient escrow payments or utility reimbursements. **HAP shall not under any circumstances be used for any other purpose, such as to cover administrative expenses or be loaned, advanced or transferred (referred to as operating transfers due to/due from) to other component units or other programs such as Low Rent Public Housing.** Use of HAP for any purpose other than eligible HAP needs is violation of law, and such illegal uses or transfers will result in sanctions and possible breach of the ACC.

In instances where a PHA is found to have misappropriated HAP funds by using the funds for any purpose other than valid HAP expenses for units up to the baseline, HUD will require the immediate return of the funds of the HAP. HUD may take action against a PHA or any party that has used HAP funds for non-HAP purposes.

Requirements for accounting controls and cash management dictate separate accounting of HCV from public housing funds to avoid co-mingling or improper use of program funds.

NRA is reported in the Voucher Management System (VMS) in the field called **Housing Assistance Payment Equity as of the last day of the month**. NRA is the amount reported on the income statement at line 1118 – Housing Assistance Payment Equity. The NRA reported in the VMS must be updated through the end of each reporting month.

**9. Sanctions:** Improper use of HAP, NRA funds, administrative fees or administrative fee reserves is a non-compliance action that may be subject to administrative sanctions, possible breach of the ACC or other authorized corrective action.

