

**HCVP BROADCAST – CASH MANAGEMENT AND NRA REVIEW  
DECEMBER 2011  
QUESTIONS AND ANSWERS**

1. Q: Why is HUD instituting the cash management procedures?

A: HUD is instituting these procedures in order to align its operations with the Treasury mandate that recipients of federal funds receive advances equal to their needs and as close as administratively feasible to the date they will be expended.

2. Q: How will cash management procedures affect my HCVP funding allocation for CY 2012:

A: Cash management will not change the funding eligibility or allocation for any PHA for CY 2012. The only change will be that disbursements will be limited to the amounts actually required by each PHA to meet their monthly Housing Assistance Payments (HAP) obligations, and other eligible obligations of MTW agencies. Excess HAP funds will be held in the Treasury on behalf of each PHA until they are needed to support payments, rather than being held by the PHAs in the Net Restricted Asset accounts.

3. Q: What if the HAP disbursement I receive from HUD for a month is not sufficient to cover my HAP needs for that month?

A: If a PHA will have HAP needs in excess of funds to be disbursed or available in the PHA's NRA, the PHA may contact its assigned Financial Analyst at the Financial Management Center and request that the additional amount needed be disbursed for the month as a frontload. PHAs will be advised of their scheduled monthly disbursements well in advance of the first month of the quarter, to enable them to request any increase in time to not experience a shortfall. Disbursements, including front-loading in this manner, may not exceed the PHA's pro-rated eligibility for the calendar year.

4. Q: Once cash management processes begin, HUD will begin holding my PHA's HAP reserves. What will I report in VMS for the Net Restricted Assets (NRA) Balance field?

A: PHAs will continue to report in VMS only the NRA amount that the PHA has on its records as of the report month. The PHA will not report program reserves.

5. Q: Is my PHA permitted to use the HAP NRA funds for HAP expenses?

A: Yes – the PHA may use the HAP NRA funds for eligible HAP expenses for baseline uses; the PHA may not use the NRA funds for any other purpose. There will be an offset of NRA funds in CY 2012. Therefore, PHAs should not increase leasing based on the total NRA balance. HUD anticipates that the offset will leave each PHA with an NRA balance equivalent to 8.5% of the PHA's CY 2012 renewal funding eligibility. Therefore, the PHA may reasonably use a portion of that balance to achieve its planned leasing.

6. Q: What should I do if I do not agree with the September 30, 2011, NRA balance reported to me by HUD in a recent letter?

A: The PHA should immediately contact their assigned FA at the FMC in this situation. In order to ensure the proper processing of offsets for 2012, this contact must occur in time to allow a review of any different facts that would cause HUD to revise the balance. The NRA balance provided to each PHA is based on the December 31, 2009 concurred balance, or a later FASS balance that incorporates the concurred balance, updated to September 30, 2011, via HUDCAPS funding and PHA-reported expenses from VMS. The actual NRA balance to be used in the calculation of CY 2012 offsets will be as of December 31, 2011. This balance will be provided for PHA review as soon as the needed data is available from VMS, but PHAs should not wait for the 12/31/2011 balance before contacting HUD about any concerns.

7. Q: Will HUD allow for any exceptions to the NRA offsets required by Congress in 2012?

A: HUD does not have the authority to revise the NRA offset requirements of the Appropriations Act.

8. Q: Is NRA generated from VASH funding subject to offset in the same manner as non-VASH NRA?

A: Yes. HUD's calculations combine all NRA, whether generated by regular vouchers or any sub-programs, including VASH. All NRA is subject to offset. The calculations will make provision to protect from offset those NRA funds that were provided for incremental vouchers for one or more months during 2012.

9. Q: How do the cash management procedures affect my PHA's administrative fees?

A: The cash management procedures described in Notice PIH 2011-57 do not apply to administrative fees. HUD already has in place certain controls over the disbursement of administrative fees, in that fees advanced are based on prior eligibility. Administrative fees are reconciled monthly to ensure PHAs are no over- or under-paid across the year. These procedures are not being revised.

10. Q: Will the cash management procedures require a year-end reconciliation process to ensure my PHA receives all funds due?

A: Yes. The details of the year-end reconciliation will be provided at a later date. The reconciliation will be performed at the end of each calendar year.

11. Q: What will happen to the NRA funds my PHA is holding once HUD begins retaining excess HAP in a program reserve for my PHA?

A: Existing NRA sums that are not offset per the 2012 Appropriations Act will be transferred by HUD to the Treasury-held program reserves. This transfer will be accomplished by a reduction in disbursements. For example, if a PHA has \$10,000 in NRA that is not offset, HUD will reduce disbursements by a total of \$10,000. The PHA will use the \$10,000 it is holding in lieu of receiving it in a disbursement, and HUD will

deposit the \$10,000 to the PHA's program reserves. HUD will inform PHAs when this action will occur.

12. Q: Does the September 30, 2011 NRA balance provided in the recent letter from HUD include VASH NRA?

A: Yes. All VASH revenue and reported expenses are included in the roll-forward NRA balance reported to PHAs. HUD previously published guidance for all PHAs concerning the procedure for combining VASH NRA funds with all other NRA funds.

13. Q: Will cash management procedures be applicable to MTW PHAs?

A: Yes. Upon receipt of the notification of the disbursement level for January through March, based on VMS data, each MTW agency which will have other expenses to cover from HAP during those months that cannot be covered from the disbursement or excess funds the PHA is holding should respond to their assigned FA at the FMC and provide the amount needed, the dates and purposes, to ensure funds are disbursed in the amounts and at the times needed, but not before.

14. Q: Why are disbursements to be based on the prior validated quarter rather than on the most recent validated month of HAP expenses?

A: Disbursements are based on a quarter's data rather than a month's data in order to mitigate the effect of unusual variances that may occur in a single given month.

15. Q: Why is a margin being added to the disbursements?

A: HUD recognizes that a PHA's HAP costs may increase across the year due to inflation or additional leasing. The margin is provided to account for limited increases. PHAs may still request an additional amount if needed, within their allocation, but provision of the margins should reduce the need for such requests.

16. Q: How will PHA administrative fees be calculated in CY 2012?

A: Based on the 2012 Appropriations and anticipated fee eligibility, HUD anticipates that administrative fees paid in CY 2012 will be approximately 75 percent of eligibility.

17. Q: If my PHA requests a frontload of additional funds, how soon will we receive the funds?

A: Typically, three business nights elapse from the time HUD approves an additional disbursement until the funds reach the PHA's bank. The funds will not be scheduled to arrive prior to the first of the month for which they are needed.