CARES Act Basics for PH Agencies

ANGIE CAMPBELL

- Phone
  - 608.793.3140
- Email
  - acampbell@hawkinsashcpas.com

Disclaimer – These are Hawkins Ash interpretations of the guidance given for the uses of the CARES Act for Public Housing and Voucher programs. Hawkins Ash always encourages agencies to consult with their HUD Rep.
CARES Act Overview

- Background
- General Accounting and Reporting
- General Ledger Accounting
- Eligible Expenses
- Ineligible Expenses
- Voucher
- Miscellaneous
- Resources

CARES Act Background – Public Housing

- PIH Notice 2020-07 provides guidance on allocation and eligible use of CARES Act funding for supplemental operating funds.
- Funds were made available in eLOCCS with a unique grant number (ending in C)
  - Example - USA001-0000120D – Regular Subsidy
  - Example - USA001-0000120DC – CARES Act Subsidy
- HUD is waiving 24 CFR 990.280(b)(5) to permit PHAs to transfer between AMPs without having Excess Cash for the entire amount of the Supplemental Funding.
- There will be a grant for each AMP.
CARES Act Background – Public Housing

- CARES Act provided an additional $685 million to Public Housing Operating Fund for the following:
  - Prevent, prepare for, and respond to coronavirus
  - Maintain normal activities
  - Take other actions as required during the period of impact
- Funding is about 2 months of additional operating subsidy.
- PHAs should draw down as needed, not in a lump sum.
- Funds may not be included in/comingled with the PHA reserves

CARES Act Background - CFP

- HUD lifted all limits on PHA for use of Capital Funds for Operating Purposes and lifted the edit checks in the EPIC system to facilitate this authorization to prevent, prepare and respond to the coronavirus.
- PHA’s over 250 can budget more than the 25% in line 1406.
CARES Act Background - CFP

- Line 1410 increased from 10% to 15%
- The BLI 1406 and 1410 changes expire on December 31, 2020. Then, the previous limits are reinstated.
- Applies to all open CFP grants, not just 2020
- Unexpended Capital Funds budgeted and authorized but not drawn down will be revised back to the typical Capital Fund requirements.

General Accounting and Reporting

Specifics of the reporting to HUD has not yet been issued by HUD – what we do know...

- Quarterly reporting will be required for grants in excess of $150,000 but no specifics yet.
  - Reporting will most likely cover the quarterly amount of CARES Act Disbursed to the HA, along with the Activity in which they were spent.
  - As of July 16, no guidance on how this will look yet.
- CARES Act funding will be reported in the FASS-PH system (on your FDS)
  - Per July 16 FAQ’s, (question EU2) HUD has determined the funding will be part of PH and Voucher column in REAC.
- Funds will be reviewed and audited by HUD, OIG, and your auditors
General Ledger Accounting

- New account codes should be created
- With no specifics on reporting yet, the bare minimum would be as follows:
  - New Revenue account for Operating Subsidy-CARES Act
  - New Expense codes for any eligible activity using the CARES Act Operating Subsidy
    - Depending on reporting could detail even further

What could this look like?

- Any expenses you are going to draw down CARES Act Subsidy for need to be in a separate account that is easily distinguished.
  - For Example - Admin Salaries - if you code is 4110.000, then create a new 4110.900 Admin Salaries-CARES Act.
- At the end of each month, you will need to reconcile these accounts between the expenses and what subsidy was drawn down. This could create an Accounts Receivable if you do not draw until the following month or an Unearned Revenue if you drew down more than what was expensed.
General Ledger Accounting

Example Expenses coded to XXXX.900’s for the month total $10,000. You did a mid-month draw for $3,000. The entries would be as follows:

- End result on the Income Statement is zero – the Revenue and Expenses total the $10,000
- End result on the Balance Sheet is an A/R of $7,000 showing you had more funds you needed to draw down.

Checks written monthly

<table>
<thead>
<tr>
<th>General Ledger Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>$10,000</td>
</tr>
</tbody>
</table>

Show Revenue for Expenses written

<table>
<thead>
<tr>
<th>General Ledger Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/R Cares Act Subsidy</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>Revenue - Cares Act Subsidy</td>
<td>$10,000</td>
<td></td>
</tr>
</tbody>
</table>

Show Cash Received for the month

<table>
<thead>
<tr>
<th>General Ledger Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$3,000</td>
<td></td>
</tr>
<tr>
<td>A/R Cares Act Subsidy</td>
<td></td>
<td>$3,000</td>
</tr>
</tbody>
</table>

Eligible Expenses

- Notice 2020-07 states you can use the CARES Act funding to “prevent, prepare for, and respond to coronavirus, including to provide additional funds for public housing agencies to maintain normal operations and take other necessary actions during the period that the program is impacted by coronavirus”.
- This starts as of March 27, 2020 through December 31, 2020
Eligible Expenses

Preparing
- Create/update outbreak plan
- Purchase PPE for staff
- Coordinate with service providers needed to support residents
- Coordinate with health providers on guidance for staff/residents, travel for testing, or other reasons
- Childcare for residents so they can continue working and staff performing essential functions
- Other reasonable expenses

Preventing
- Costs to maintain social distancing (modifying or limiting shared spaces, increasing hours)
- Costs of delivering supplies to staff/residents
- Travel costs for testing or other preventative/health measures
- Expenses of isolating people suspected of being exposed or high risk
- Costs of protecting high-risk residents from exposure
- Payments of salaried staff unable to work
- Other reasonable expenses

Responding
- Payment for increases in sick leave allowances
- Physical, personnel, or security costs to limit movement
- Costs to transport residents that test positive or need medical attention
- Costs to support residents in quarantine (meals, cleaning supplies)
- Expenses incurred due to restrictions impacting operations
- Costs to coordinate with schools to support students (internet, tablets, computers)
- Other reasonable expenses

Eligible Expenses – related to COCC

- HUD is waiving 24 CFR 990.280(b) so that PHAs complying with Asset Management under 24 CFR 990 Subpart H may transfer funds to the Central Office Cost Center (Cocco) to pay for immediate needs of the COCC that exceed the safe harbors identified in Chapter 7 of the HUD Financial Management Handbook, in order to cover the additional expenses required to prevent, prepare for, and respond to the coronavirus.
  - Funds transferred to the COCC remain CARES Act Operating Fund.
  - The funds must comply with OMB’s cost reasonableness standards.
  - The funds transferred cannot exceed the safe harbor by more than 50%
  - The waiver applies to:
    - Project Management Fee
    - Bookkeeping Fee
    - Asset Management Fee (HUD is waiving 24 CFR 990.280(b) (5) related to the requirement for excess cash to pay the asset management fee.
    - CFP Fee

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Ineligible Expenses

- Funds cannot be used for repayment of debts or amounts owed to HUD or program participants
- Funds provided through the CARES Act for salaries, bonuses, or employee incentives must comply with the executive compensation requirements.

Questions on Eligible vs Ineligible Expenses

- HUD FAQ’s updated periodically
- HUD created two email addresses for PHAs to use if they have questions:
  - PIH-COVID@hud.gov (CARES Act Funding)
  - EPICHelp@hud.gov (EPIC Reporting)
Voucher - CARES Act Background

- PIH Notice 2020-08 provides guidance on allocation and eligible use of CARES Act funding for Voucher Admin fees.
- CARES Act provided an additional $1.25 Billion for the HCV program. Of that, $850 million is for the Administrative portion and $400 million for HAP.
  - Round 1 of the funding was distributed in May 2020 in the amount of $380 million. The additional $470 will have guidance in a separate notice.
  - Separate guidance will be issued on the HAP funds portion as well.

CARES Act Background - Voucher

- The first round was calculated as follows:
  - Equal to 2 months of admin fee eligibility at 100%.
  - An average of 2 months admin fee is based on the CY 2018 and 2019 monthly eligibility multiplied by two.
- Until guidance comes out, we do not know how the $470 million for the additional Admin or the $400 million in HAP will be distributed.
General Accounting and Reporting - Voucher

- Specifics of guidance has not yet been issued by HUD
  - Per PIH Notice 2020-08, "HUD will develop a process by which PHAs will report all expenditures of CARES Act supplemental funds, including the date, amount and use of such funds. Guidance implementing this process is forthcoming.
- Same as the Operating Fund, CARES Act funding will be reported in the FASS-PH system (on your FDS)
  - Per July 16 FAQ's, (question EU2) HUD has determined the funding will be part of PH and Voucher column in REAC.
- Funds will be reviewed and audited by HUD, OIG, and your auditors

General Ledger Accounting - Voucher

- Same as PH Operating Fund –
- New account codes should be created
- With no specifics on reporting yet, the bare minimum would be as follows:
  - New Revenue account for HUD Grant – Admin CARES Act
  - New Expense codes for any eligible activity using the CARES Act Admin Funds
    - Depending on reporting could detail even further
General Ledger Accounting - Voucher

- Example – Expenses coded to XXXX.900’s for the month total $6,000. You received $15,000 in May from HUD. The entries would be as follows:

  - End result on the Income Statement is zero – the Revenue and Expenses total the $6,000
  - End result on the Balance Sheet is Unearned Revenue Liability - CARES Act showing you still have $9,000 to use before 12/31/20.

<table>
<thead>
<tr>
<th>Show Cash Received for the month</th>
<th>General Ledger Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>$ 15,000.00</td>
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<tr>
<td></td>
<td>Unearned Rev - CARES Act</td>
<td></td>
<td>$ 15,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Checks written monthly</th>
<th>General Ledger Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td></td>
<td>$ 6,000.00</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>$ 6,000.00</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Show Revenue for Expenses written</th>
<th>General Ledger Account</th>
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<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unearned Rev - CARES Act</td>
<td></td>
<td>$ 6,000.00</td>
</tr>
<tr>
<td></td>
<td>Revenue - CARES Act</td>
<td>$ 6,000.00</td>
<td></td>
</tr>
</tbody>
</table>

Eligible - Voucher

- Directly from PIH Notice 2020-08
  - Purchase of cleaning supplies or procurement of cleaning services
  - Relocation of families for testing, hospitalization or quarantine, including transportation
  - Costs related to supportive services incurred due to COVID-19
  - Costs to retain or increase owner participation
  - Providing childcare for PHA staff due to school closings
  - Delivery of good to program participants
  - Other costs identified by HUD
Eligible - Voucher

- For items not on the list provided in PIH Notice 2020-08, HUD established an email address to ask for approval.
  - FinancialManagementCenter@hud.gov
  - Subject line should read “PHA# Requesting Eligibility for Coronavirus-Related Administrative Cost”.

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**Miscellaneous**

<table>
<thead>
<tr>
<th>Fiscal Year End</th>
<th>30-Sep</th>
<th>31-Dec</th>
<th>31-Mar</th>
<th>30-Jun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited Due Date</td>
<td>30-Nov 25-Feb 31-May</td>
<td>31-Aug</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unaudited Extension Request Deadline</td>
<td>15-Nov 13-Feb 16-May 16-Aug</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audited Due Date</td>
<td>30-Jun 30-Sep 31-Dec 31-Mar</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**FYE affected by Covid-19: PHA Notice 2020-08**

<table>
<thead>
<tr>
<th>Unaudited Financial Submission</th>
<th>Due Date</th>
<th>Extended Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE 12/31/2019</td>
<td>2/28/2020</td>
<td>8/31/2020</td>
</tr>
<tr>
<td>FYE 8/31/2020</td>
<td>9/30/2020</td>
<td>11/30/2020</td>
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<tr>
<td>Audited Financial Submission</td>
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<td></td>
</tr>
<tr>
<td>FYE 6/30/2019</td>
<td>3/31/2020</td>
<td>9/30/2020</td>
</tr>
<tr>
<td>FYE 9/30/2019</td>
<td>6/30/2020</td>
<td>12/31/2020</td>
</tr>
<tr>
<td>FYE 12/31/2019</td>
<td>9/30/2020</td>
<td>3/31/2021</td>
</tr>
<tr>
<td>FYE 3/31/2020</td>
<td>12/31/2020</td>
<td>6/30/2021</td>
</tr>
</tbody>
</table>
Miscellaneous continued

- No scoring for Public Housing until 3/31/21 unless requested by the Housing Agency.
- Mainstream also received additional funding – see PIH 2020-09.
- VMS reporting has no updated guidance as of now on reporting COVID expenses.

References

- PIH Notice 2020-07
- PIH Notice 2020-08
- PIH Notice 2020-09
- HUD Website – Coronavirus Resources https://www.hud.gov/coronavirus/public_housing_agencies
- HUD Website – HCV Eligible Activities https://www.hud.gov/program_offices/public_indian_housing/programs/hcv
QUESTIONS?