SKILLS: BUDGETS

LEAD THE WAY
QUICK REFERENCE

As a commissioner, you provide oversight and guidance to your PHA. To ensure the financial viability of your PHA, your oversight responsibilities include:

- Monitoring your agency's budgets, contracts, and other financial obligations
- Overseeing the annual audit process
- Monitoring the agency's compliance with laws, regulations, and other requirements
- Ensuring that the PHA has a system of internal controls to safeguard the agency's assets
- Reviewing and approving budgets

Internal Controls

Ensure that your management team has established an adequate system of internal controls to include segregation of duties and checks and balances in the following areas:

Check Signature Authority
Establish a control over the obligation and drawdown of funds - typically the executive director or chief financial officer has this authority.

LOCCS Security (Authorizing official)
Someone on the PHA's staff will have the authority to access the Line Of Credit Control System (LOCCS), a system that HUD uses for obligating and approving funds.

Designated Contracting Officer
Assure the management team has established a designated contracting officer delegated by the authority over contracts.

Cash Accounts and Credit Card Usage
Credit card internal controls are important for preventing the improper use of your PHA's funds.

Use of Restricted Funds:
Assure controls over the transferring of funds between accounts or programs when funds have restricted uses.

Separation of Financial Responsibilities
Segregation of duties is a key financial control.

Proper Cost Allocations
Establish controls to monitor and approve cost allocations charged to federal awards programs.

Budgets

The budget is a tool to quantify goals and measure success. All PHAs must develop and maintain a system of budgeting and accounting for each project that allows for analysis of the actual revenues and expenses associated with each property. This will facilitate effective decision-making and cost controls at the project level to keep the projects and PHA fiscally solvent overall.

There are four pieces of information you should understand to help you review your PHA's budgets.

Income

The annual budget should be constructed so that expenses do not exceed revenues. Information needed for budgeting income includes:

- Data on occupancy of units
- Amount of operating subsidy and dwelling income projected
- Other income, including fees and damages projected

ABOUT BUDGETS

- Budgets should be completed at the project level.
- The board must approve project-based budgets.
- HUD does not prescribe a specific budget format.
- Revenue and expense reports should be reviewed each month.

Expenses

Expenses that a PHA commonly incurs includes administrative and maintenance salaries, utilities, supplies, contracts, and resident and other programs. Information needed for budgeting expenses includes:

- Physical analysis of the property (i.e., physical inspection)
- Fiscal analysis of the property, including past and present data, previous year's budget, and actual income and expenses
- Comparison of the actual income and expenses from two to three previous years to identify trends

Strategies to Increase Revenue and Decrease Spending

- Lease and rent collection enforcement
- Raise minimum rents (HUD approval required)
- Sell non-performing public housing (HUD approval required)
- Obtain supplemental funding
- Reduce the scope of non-federal programs to operate within their financial means
- Fully collect portability revenue from the issuing PHAs
- Evaluate utility consumption and energy policies.
- Evaluate all existing contracts for cost and necessity
- Re-price insurance costs
- Evaluate the need and usage of fleet vehicles
- Contract property management or maintenance to another entity or PHA
- Reduce management and line staffing levels or salaries

Operating Subsidy

The Operating Subsidy is the primary source of operating revenue for most PHAs. It is provided to housing authorities by HUD for operating and maintenance expenses.

Per Unit Per Month (PUM)

The Per Unit Per Month (PUM) is an analysis of a property's income and expenses as an average for each unit for one month. It is a budgeting tool for property management that:

- Compares across units to determine cost reduction potential
- Allows, through trending, to better plan for seasonal spikes in expenses or major payment due dates (e.g., property insurance)
- Lets a property manager compare utility expenses for different units to determine how costs can be reduced