

# FLASH ALERT

MAY 2020 / [www.bdophinance.com](http://www.bdophinance.com)

## CARES Act - HCV Program Administrative Fees?

[PIH Notice 2020-8](#) implements the funding provisions for the Housing Choice Voucher (HCV) and Mainstream Programs in the CARES Act, enacted on March 27, 2020. The CARES Act provides additional appropriations for housing assistance payments (HAP) and administrative fee funding to prevent, prepare for, and respond to coronavirus. This notice addresses HUD's allocation methodology for the administrative fee portion and establishes new eligible activities to prevent, prepare for, or respond to coronavirus that may be funded with these supplemental administrative fee amounts.

The total appropriation for the HCV program is \$1.25 billion and the amount allocated for administrative fees is \$850 million for the HCV and Mainstream programs. HUD will provide approximately \$380 million (the equivalent of 2-months of

administrative fee eligibility) to all PHAs (Public Housing Agencies), including Moving to Work (MTW) PHAs. This first funding action will be allocated as a single disbursement at the beginning of May 2020. The amount of funding PHAs receive in this disbursement equals the average of the PHA's CY (calendar year) 2018 and CY 2019 monthly administrative fee eligibility (100% proration) multiplied by two.

For example, if the a PHA had \$1,000,000 in administrative fees in CY 2018 and \$1,100,000 in CY 2019 the average would per year would be \$1,050,000. Then, take the \$1,050,000 divide by 12 to get an average monthly administrative fee amount of \$87,500 and multiply by two months for additional supplemental administrative fees of \$175,000.

This administrative fee funding may be used by PHAs for administrative expenses and other expenses related to coronavirus, which are new eligible activities. The supplemental administrative fee funding may be used only for two purposes:

1. any currently eligible HCV (including Mainstream voucher) administrative costs during the period that the program is impacted by coronavirus. This includes necessary upgrades to information technology or computer systems to enhance telework capacities and overtime pay for PHA staff to carry-out HCV Program responsibilities;
2. new coronavirus-related activities, including activities to support or maintain the health and safety of assisted individuals and families, and costs related to the retention and support of participating owners.

The CARES Act further states that administrative fees appropriated under HUD's FY 2020 Appropriations Act for the regular HCV program may also be used for the new coronavirus-related activities. Mainstream program administrative fees appropriated under HUD's FY 2020 Appropriations Act **are not eligible** to be used for these new coronavirus-related activities. However, PHAs may use the supplemental fees to cover any of the new coronavirus-related activities listed below in support of their Mainstream voucher programs. These activities are located in Section 4 of the Notice.

The period of availability for these funds is the duration of calendar year 2020, unless this period is subsequently extended by HUD. Similarly, the fiscal year (FY 2020) HCV administrative fee funds may be used for coronavirus related purposes in addition to the eligible HCV administrative expenses for the duration of CY 2020.

The CARES ACT supplemental administrative fees may only be used for the two purposes described in this notice. Unlike regular administrative fees, these funds may not roll into the unrestricted net position (UNP) and must be tracked and accounted for separately throughout the period of availability. If any of these funds are not expended during the period of availability, the remaining funds must be remitted to HUD. Accounting and remittance guidance will be forthcoming. HUD does encourage that the supplemental administrative fee funds be used first towards eligible expenses for coronavirus-related activities since there are time limits to use these funds.

This Notice also provides guidance on the use of excess administrative fees from prior Disaster HAP (DHAP) programs. Since coronavirus pandemic was declared a national emergency, any excess administrative fees can be used towards coronavirus-related expenses.

HUD will develop a process by which PHAs will report all expenditures of the CARES Act supplemental funds, including the date, amount, and use of such funds. Guidance implementing this process is forthcoming. To ensure PHAs have the ability to report to HUD on these expenses, PHAs must track coronavirus revenue and expenses by creating coronavirus Profit and Loss (P&L) accounts. Guidance for reporting coronavirus financial information to the Financial Assessment Subsystem (FASS) is forthcoming.

Section 15011 of the CARES Act requires that recipients of \$150,000 or more of CARES Act funding must submit (no later than 10 days after the end of each calendar quarter) a report containing:

- ▶ information regarding the amount of funds received;
- ▶ the amount of funds obligated or expended for each project or activity;
- ▶ a detailed list of all such projects or activities, including a description of the project or activity and,
- ▶ detailed information on any subcontracts or subgrants awarded by the recipient.

The content and format for this reporting is still under development and will need to be reviewed against current program practices. HUD will work in coordination with Office of Management & Budget (OMB) to ensure that this requirement can be fulfilled by recipients of CARES Act funding in a manner that utilizes to the greatest extent possible existing reporting streams, providing the necessary transparency and accountability with minimal additional burden. If additional reporting is necessary, further guidance will be released by HUD in the near future.

As discussed, information is still forthcoming. As guidance is released, we will keep you updated with any additional reporting activities.

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