
19. Certification for Paperwork Reduction Act Submissions

On behalf of the U.S. Department of Housing and Urban Development, I certify that the collection of information encompassed by this request complies with 5 CFR 1320.9.

Note: The text of 5 CFR 1320.9, and the related provisions of 5 CFR 1320/8(b)(3), appear at the end of the instructions. The certification is to be made with reference to those regulatory provisions as set forth in the instructions.

The following is a summary of the topics, regarding the proposed collections of information, that the certification covers:

- (a) It is necessary for the proper performance of agency functions;
- (b) It avoids unnecessary duplication;
- (c) It reduces burden on small entities;
- (d) It uses plain, coherent, and unambiguous terminology that is understandable to respondents;
- (e) Its implementation will be consistent and compatible with current reporting and recordkeeping practices;
- (f) It indicates the retention periods for recordkeeping requirements;
- (g) It informs respondents of the information called for under 5 CFR 1320.8(b)(3):
 - (i) Why the information is being collected;
 - (ii) Use of the information;
 - (iii) Burden estimate;
 - (iv) Nature of response (voluntary, required for a benefit, or mandatory);
 - (v) Nature and extent of confidentiality; and
 - (vi) Need to display currently valid OMB control number;
- (h) It was developed by an office that has planned and allocated resources for the efficient and effective management and use of the information to collected (see note in item 19 of the instructions);
It uses effective and efficient statistical survey methodology; and
It makes appropriate use of information technology.

If you are unable to certify compliance with any of these provisions, identify the item below and explain the reason in item 18 of the Supporting Statement.

Signature of Program Official:

Date:

X
Michael Winiarski, Director, Organizational Policy, Planning and Analysis Division, HROA

Signature of Senior Officer or Designee:

Date:

X
Lillian Deitzer, Departmental Reports Management Officer

Supporting Statement for Paperwork Reduction Act Submissions

A. Justification

1. Most owners of multifamily housing (MFH) properties are required to submit annual financial statements to HUD. In accordance with the Department's Uniform Financial Reporting Standards (UFRS) regulation, 24 CFR Part 5, owners of certain HUD-insured and HUD-assisted properties are required to submit annual financial statements electronically to HUD via the Internet in the HUD-prescribed format and chart of accounts, and in accordance with the generally accepted accounting principles (GAAP). The Department uses this information to monitor the owner's compliance with regulatory requirements and to assess fiscal performance.

The proposed UFRS notice was published in the *Federal Register* on June 30, 1998. In this notice, HUD invited interested persons to provide comments concerning its information collection requirements. Consequently, HUD provided responses to the comments (received from entities affected by the proposed regulation) in the final regulations. The UFRS final regulation was published in the September 1, 1998, *Federal Register* (see **Exhibit A**) and codified at 24 CFR Part 5, Subpart H.

Several longstanding statutory requirements support HUD's collection of financial data from its program participants. Provisions in 24 CFR Parts 207, 213, 220, 221, 223, 231, 232, 233, 236, 241, 242; Title XI and Section 8 of the National Housing Act of 1937 as amended; and Section 202 of the Housing Act of 1959 enable HUD to:

- Insure mortgages to finance building or rehabilitation on certain properties, such as multifamily rental housing, nursing homes, hospitals, and assisted living centers;
- Provide direct long-term loans or capital grants to eligible non-profit sponsors to finance rental housing for elderly or handicapped persons; and
- Provide rental assistance to low and very low-income families.

Section 814 of the National Housing Act of 1954 (42 U.S.C. 1434) provides that no mortgage covering new or rehabilitated multifamily housing shall be insured unless the mortgagor certifies to keeping financial records and make these records available to HUD and the Controller General of the United States to audit. For non-profit owners, the Single Audit Act of 1984 (31 U.S.C. 7501, et seq.), the Single Audit Act Amendments of 1996, and OMB Circular A-133, require the submission of audited financial statements for those entities receiving more than \$500,000 in Federal financial assistance.

The Multifamily Financial Assessment System has developed nine types of submission templates and owners complete the template that applies to their particular type of project/submission. Each submission template contains basic financial statements (e.g., balance sheet, statement of profit and loss, etc.). The accounts (data elements) within these basic financial statements are the same for all nine submissions templates. The accounts have not substantially changed since the previous approved PRA submission.

2. HUD continues to use the financial information it collects from owners of HUD-assisted housing developments to evaluate the financial condition of multifamily properties receiving Federal financial assistance. The data is collected electronically via internet templates. With the standardization of the data under UFRS, it has been easier for HUD to monitor compliance, and to identify and mitigate risks to the government. Electronic submissions have centralized the collection and the review of the information. The Department's computer system conducts an automated review of the financial statements, assesses non-compliance with HUD regulations, and computes a performance score that measures fiscal performance of each property relative to similar properties in HUD's portfolio within 24 hours of receipt of a submission. After financial statements are assessed electronically, they may be referred to the local HUD Field Offices or

the Departmental Enforcement Center, if necessary. The centralized collection of the data means that all authorized HUD users can view the information online via HUD's intranet. It also means that owners have a centralized place to submit financial information in a standardized submission, and meet compliance requirements.

3. The electronic submission of required financial information has resulted in significant benefits, such as increasing the speed of information preparation and exchange; cost savings from reduced need for storage space; improved product due to reduced errors and omissions; and faster HUD review and analysis.

There are currently nine submission templates used for various submission types. The owner must select the correct template based on the type of property and the ownership structure (e.g., non-profit, profit-motivated, cooperative, etc.). The owner enters the required information into the templates and the system electronically checks for errors and omissions (i.e., system validation). After any errors have been corrected, the owners electronically submit the financial data to HUD. The required attestation is done electronically. HUD review, analysis, and final acceptance also are done electronically. Accordingly, the entire process is electronic.

The templates for the various submission types are described below:

Exhibit A: Audited financial statements for a profit-motivated/limited distribution project (other than a cooperative).

Exhibit B: Audited financial statements for a cooperative (other than a non-profit).

Exhibit C: Owner certified/unaudited financial statements for a non-profit entity with expenditures of Federal awards less than \$500,000 (other than a cooperative).

Exhibit D: Owner certified/unaudited financial statements for a non-profit entity with expenditures of Federal awards equal to or greater than \$500,000 for a cooperative.

Exhibit E: Audited A-133 financial statements for a non-profit project (other than a cooperative).

Exhibit F: Audited A-133 financial statements for a non-profit cooperative.

Exhibit G: Owner Small Project Processing (SPP) Program owner certified/unaudited financial statements.

Exhibit H: Sample of the "Account Details" screen.

The following templates are seen and/or completed by all users:

Exhibit I: Submission Criteria Verification. This is the first screen the user completes after logging into the Financial Assessment Subsystem for multifamily property financial submissions. Based upon the information entered, the system provides the user with the applicable template for the submission type.

Exhibit J: Auditor attestation template for any audited submission. See the description above regarding this new agreed upon procedure.

Exhibit K: OMB Disclosure. The disclosure appears just above the "Continue" button on the screen respondents see when they enter the system to make a submission.

4. The electronic submission requirements resulted in elimination of 11 supplemental data schedules that were obsolete, unnecessary, or contained redundant information. The submission requirements have now been streamlined to contain only data that is essential to monitor MFH regulatory compliance and assess fiscal performance. This is the only data HUD collects to monitor compliance and assess the fiscal performance of its MFH portfolio.
5. The only entities that may be adversely impacted by the costs associated with HUD's electronic submission requirement are owners of small multifamily properties. HUD believes that these costs are minimal since the Department provides MFH owners with submission software, supplemental guidance, handbooks, and user guides that are available on the HUD website, training, and other technical assistance on the submission process. In addition, the UFRS regulation provides that financial information must be submitted electronically to HUD through the Internet, or in another electronic format designated by HUD, or in a non-electronic format as HUD may allow if the burden or cost of electronic reporting is determined by HUD to be excessive.
6. The submission of annual financial information is a longstanding statutory and regulatory requirement of entities doing business with HUD. Without this information, HUD's interest (as well as the interest of taxpayers) will be unprotected. HUD is the world's largest insurer of mortgages. Without financial information, HUD would be unable to adequately identify risks to the FHA mortgage insurance fund, or identify fraud, waste, and abuse.
7. Since the electronic submission process requires respondents to submit confidential financial data, HUD provides each program participant with a unique personal user code. This unique code restricts access to the submission templates and confidential financial information only to those persons to whom the program participant grants access privileges or to HUD employees with approved security access to the system.

The other special circumstances listed as part of the instructions are not applicable to this data collection process.

8. In accordance to 5 CFR 1320.8(d), the agency's notice soliciting comments was published in the *Federal Register* on October 21, 2008 (Volume 73, Number 204, Page 62519) (**Exhibit O**). No comments were received.

In HUD's effort to obtain the views of others outside of the agency, HUD has ongoing meetings with industry representatives. These meetings provide insight as to how this data should be prepared, submitted, and evaluated in order to make the process less burdensome. Issues are discussed, concerns are vetted, and suggestions are presented.

9. There are no gifts or payment to the respondents.
10. All data that can be linked to a particular MFH owner is secured from public access. When an owner submits data electronically to HUD, security constraints prevent users outside of HUD from intercepting this data. The Department's web access security system ensures that all financial data is secure. The authorities or justifications for the security system are: the Information Security HUD Handbook 2400.24, the Computer Security Act of 1987, the Clinger-Cohen Act of 1996, OMB Circular A-130 Part 3, and the Government Information Security Reform Act of 2000 (GISRA). The Department's web access security system allows users to apply online for an ID and password, and to reset a forgotten password. It also controls and limits access to systems by managing the roles and responsibilities for each user of each system.

Financial data submitted by individual property owners is protected under Exemption 4 of the Freedom of Information Act, which is enforced pursuant to HUD regulations. The ability to enter and view property financial information is protected by issuing personal user identification codes and passwords. Once the data

is submitted neither HUD nor the program participants can change the data. There are primary and secondary users. Secondary users are granted read-only access to the system. (This is similar to the access that users submitting information have; however, the user is only able to see his/her submission.) HUD authorized primary users (i.e., selected staff) to have security access to update the information, with strict controls of the tasks that they may perform. All data is secured from public access.

11. There is no sensitive information being requested.
12. The estimated burden hours for the collection of this data is the same as the previous submission. The number of projects in the matrix is based on number of project-owners that are required to submit financial statements to the Department. See table below.

Total Estimated Burden Hours for Respondents

Submission Type	No. Of Projects	Burden Hours per Project	Total Burden Hours
Owner-certified	2,306	1.75	4,036
Audited For-profit	11,312	2.50	28,280
Audited Non-profit	7,156	3.0	21,468
Totals	20,774		53,784

Total Estimated Annual Costs to Respondents

The estimated annual costs to respondents are provided in the table below. The estimated cost for the collection of this data has been amended to reflect inflationary increases in manager salaries. . See table below.

Submission Type	Total Burden Hours	Hourly Rate*	Annualized Cost
Owner Certified	4,036	\$37.22	\$150,220
Audited For-profit	28,280	37.22	\$1,052,582
Audited Non-profit	21,468	37.22	\$799,038
Total Annualized Cost			\$2,001,840

*Hourly cost for response assumes a manager’s annual salary of \$77,670 hourly rate is \$37.22.

13. There are no additional costs to respondents.
14. The estimated annualized costs to the Federal government, based on a GS-13 Step 1 salary rate are also provided in the table below. A GS-13 Step 1 rate is the average salary for HUD analysts and managers. The estimated cost to the Federal government has increased to reflect inflationary increases in federal salaries. See table below.

Total Estimated Annual Costs to the Federal Government

Submission Type	Total Burden Hours*	Hourly Rate**	Annualized Cost
Owner Certified	1,211	\$37.22	\$45,073
Audited For-profit	8,484	37.22	\$315,774
Audited Non-profit	6,440	37.22	\$239,697
Total Annualized Cost			\$600,544

*The total burden hours for the Federal government are less than the total burden hours for Respondents because a Project Manager does not review all submissions. The system electronically checks all submission data, and flags the submissions that contain questionable or inconsistent data. Approximately 70% of the submissions have no flags, and are accepted by the system with no additional review. The remaining submissions are forwarded to a Project Manager for further review.

**Hourly cost for a response assumes a GS 13/1 Project Manger's salary \$77,670; hourly rate is \$37.22.

15. There are no program changes or adjustments reported in items 13 and 14 of the OMB Form 83-i. The decrease in inventory in item 13 of page 1 reflects project-owners that prepaid their mortgage and no longer have a regulatory or Section 8 HAPC requirement to submit financial statements to the Department.
16. The results of the information collection will not be published.
17. HUD is not seeking approval to avoid displaying the expiration date.
18. There are no exceptions to the certification statement identified in item 19 of the OMB 83-i.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information does not employ statistical methods.