

Supporting Statement for Paperwork Reduction Act Submissions

Monthly Accounting Reports OMB Control Number 2502-0108 (Forms HUD-93479, HUD-93480, HUD-93481)

A. Justification

1. Monthly Reports for Establishing Net Income (hereafter) collectively called Monthly Accounting Reports (MAR) provide HUD with financial data necessary to monitor the financial conditions of the project and to review contractual compliance during the selected periods of a project's operation or other information that indicates that the project is experiencing financial or management difficulties. The statutory authority for collection of monthly reports is contained in 24 CFR 200.105, Mortgagor Supervision. The administrative authority for this collection is referenced in HUD Handbook 4370.1, REV-2, Chapter 3-Monthly Accounting Reports. Copies of these authorities are attached along with copies of the HUD forms.
2. HUD Project Managers review the monthly accounting reports to evaluate a project's performance and for monitoring compliance. Similar to the annual review, the monthly review has three purposes:
 - evaluate compliance,
 - identify potential diversions, and,
 - assess project performance.

The review procedures require HUD staff to review individual transactions and to analyze month-to-month trends in cash flow, occupancy, rent collections, and liquidity.

Monthly Accounting Reports are submitted to local HUD offices on the tenth day of each month by owners or management agents of HUD-insured or Secretary-held projects. MARs are required during the following period of a project's operation:

- During the initial rent-up period from the date of initial occupancy through the date of sustaining (95%) occupancy;
- During the term of any project workout, modification agreement of Financial Assistance Contract and;
- Anytime the project is in default under the original terms of the mortgage.

HUD may also require monthly accounting reports if:

- The review of the annual audited financial statement indicates that (1) the project is in poor financial condition; (2) has poor or missing internal controls; or (3) the owner or agent diverted project operating funds; or
- The project develops vacancy problems after initial rent-up or experiences problems in collecting tenant rents. A drop in the percentage of collection indicating management or collection problems that may later be reflected in more serious financial or maintenance problems.

Field Office staff use MARs to assess the need for remedial actions to correct the project deficiencies or head off potential default of the project mortgage. Form HUD-93479 is used to report net income for a specified period, form-93480 reports the owner's schedule of disbursements, and form HUD-93481 reports the owner's schedule of accounts payable. All forms are used to analyze the project's owner's costs and determine financial compliance.

3. Owners and agents may, in some cases, submit paper statements generated by proprietary computer systems in lieu of the monthly accounting report forms. Approximately 50% of owner/managers take this option. Fewer than 25% submit electronic reports readable by HUD systems. Conditions for approving submission of automated reports are included in Handbook HUD 4370.1 REV-2 Reviewing Annual and Monthly Financial Reports. Total automation of this process is not feasible at this time because the respondent may be required to submit supporting information, such as rent rolls or general ledger reports in support of the monthly accounting reports. These potential submissions do not constitute additional burden because they are routinely produced for management purposes. In addition, original signatures are required from respondents to certify that the information submitted is true and accurate. Automation efforts are still underway, but systems are able to accept at least 25% of the necessary reports electronically.
4. This information is not collected and/or available from other sources.
5. The impact on small businesses such as accounting firms and Management Agents is necessary to collect and prepare financial data required for the completion of the MARs. Management Agents are responsible for maintaining books and records for audit purposes. An Independent Public Account (IPA) must review financial statements submitted by owners. The IPA will either express an opinion on the accuracy of the financial statements or issue a disclaimer. The burden could be minimized when the continuous review of monthly and annual reports indicate that the project owner/agent has taken the necessary corrective action(s) and the project is no longer experiencing financial or management difficulties.
6. Less frequent data collection would decrease the Department's ability to monitor debt collection on HUD-held projects and would increase the potential for fraud, diversions, defaults, and assignments.
7. **Explain any special circumstances that would cause an information collection to be conducted in a manner:**
 - **requiring respondents to report information to the agency more than quarterly;**
Financial statements are submitted monthly per standard industry custom.
8. This information collection is conducted in a manner consistent with the guidelines of 5 CFR 1320.8(d). The Notice for this collection was announced in the *Federal Register* on June 2, 2010, Vol. 75, page No. 30846.

In addition, three management representatives of owners were contacted for input when preparing this report:
Analisa Anthony at The John Stewart Company
Rebekah Gerrick at Cascade Management Corp.
Timothy O'Keefe at Multifamily Management of Philadelphia
9. There will be no payments or gifts to respondents.
10. No assurances of confidentiality are provided.
11. There are no questions of a sensitive nature.

12. The following table is the Estimated Number of Respondents, Responses, and Burden Hours Per Annum

Estimates of the Hour burden of the Collection of Information

Information Collection	Number of Respondents *	Frequency of Response	Total Annual Responses	Burden Hours per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-93479	3,423	12	41,076	1.5	61,614	\$ 24.46	\$ 1,507,078
HUD-93480	3,423	12	41,076	1	41,076	\$ 24.46	\$ 1,004,719
HUD-96003	3,423	12	41,076	1	41,076	\$ 24.46	\$ 1,004,719
Total	10,269		123,228		143,766		\$ 3,516,516

* This estimate is based on 20% of HUD's Insured and HUD-Held portfolio.

**Estimated hourly costs are based on respondent's staff hours to gather documents and complete the forms.

13. There are no additional capital/startup costs associated with the collection of information.

14. Estimates of annualized cost to the Federal government

Estimates of Annualized Cost to the Federal Government

Information Collection	Total Annual Responses	Burden Hours per Response	Total Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-93479	41,076	0.25	10,269	\$ 28.88	\$ 296,569
HUD-93480	41,076	0.25	10,269	\$ 28.88	\$ 296,569
HUD-96003	41,076	0.25	10,269	\$ 28.88	\$ 296,569
Total	123,228		30,807		\$ 889,706

*Hourly cost based on a GS-12, Project Manager charged with reviewing the monthly accounting reports.

15. This is an extension of a currently approved collection. An adjustment was made to reflect the current responses based on information available in HUD systems instead of previous estimates. As a result, the number of responses and the annual burden hours have increased.

16. The results of this information will not be published.

17. The expiration date will be displayed on the HUD forms associated with this information collection.

18. There are no exceptions to certification statement in item 19.

B. Collections of Information Employing Statistical Methods

There statistical methods used for collection of this information.