



By Michael Chaney

Q: *Does the lack of SHIP funding during the past two years affect the amount of program income I can spend on administration?*

A: For many jurisdictions, it does. Each jurisdiction is allowed to use a portion of the program income it collects during each fiscal year to pay for administrative expenses, above and beyond the 10% of a jurisdiction's distribution that is often devoted to an administrative budget. The SHIP statute addresses the amount of SHIP funds that may be devoted to administrative expenses:

"The cost of administering the program may not exceed 10 percent of the local housing distribution plus 5 percent of program income deposited into the trust fund, except that small counties, as defined in s. 120.52(19), and eligible municipalities receiving a local housing distribution of up to \$350,000 may use up to 10 percent of program income for administrative costs." Section 420.9075 (7)

During the 10/11 State Fiscal Year, every SHIP jurisdiction will receive less than \$350,000 in SHIP funding. Therefore, every jurisdiction may use 10% of the program income collected in 10/11 for administrative expenses.

In addition, during the 09/10 State Fiscal Year, all but 13 of the SHIP jurisdictions received less than \$350,000 in FHOP funding. Therefore, the lower funded jurisdictions may use 10% of the program income collected in 09/10 for administrative expenses.

Administrative costs are the same expenses that may be paid for with the 10 percent administrative budget: salary, travel, advertising, and much more. The remainder of your program income must

be dedicated to paying for SHIP assistance to applicants, using the strategies in your Local Housing Assistance Plan (LHAP). Before spending 09/10 and 10/11 program income, confirm that your jurisdiction has an approved LHAP that governs funding for those state fiscal years.

SHIP Clip: 2010 Focus on Annual Reports

The rest of this edition of SHIP Clips is dedicated to annual reporting. By September 15, 2010, each SHIP jurisdiction must provide Florida Housing with a close out annual report for 07/08 funds, as well as interim reports on the 08/09 and 09/10 distributions. The 09/10 annual report will outline FHOP expenditures, as well as any encumbrances or expenditures for SHIP strategies that were committed after the end of the FHOP program in April 2010.

Meeting the Set-Asides

Q: *What happens if you create your 07/08 close out annual report, only to notice for the first time that you are out of compliance with one or more of the set-asides? What if, for example, a jurisdiction has fully expended these funds but has only dedicated 70 percent—rather than the minimum 75 percent required—to the construction/rehab set-aside?*

A: The most straight forward solution is often to re-assign assistance expenses between SHIP distributions.

In the case stated above, all 07/08 funds have been expended. It is very likely that a significant amount of the jurisdiction's 08/09 distribution may also be expended. Identify one or two households assisted with 08/09 funds that comply with the construction/rehab set-aside. Re-assign these expenses to the spreadsheet tracking 07/08 funds. Similarly, re-assign one or two 07/08 cases of set-aside non-compliant assistance to the 08/09

spreadsheet. Determine if this exchange has resulted in enough 07/08 expenses that comply with the set-aside, and re-assign additional 08/09 expenses as needed to achieve set-aside compliance.

The exercise of re-assigning expenses from one SHIP distribution to another is not uncommon. It may also be used to achieve compliance with an expenditure or encumbrance deadline. Whenever an expense is re-assigned to a different distribution, care should be taken to clearly indicate 'from where' and 'to where' an expense is being re-assigned. In this way, one may still fully reconcile SHIP tracking spreadsheets with the jurisdiction's general ledger. The example above is a small and simple case of re-assigning funds. If your case is more complicated, call the Florida Housing Coalition for additional guidance as you work to re-assign funds and cure set-aside noncompliance.

Deadline Extensions

Q: *I have just updated my SHIP tracking spreadsheets and discovered that my jurisdiction has not yet expended all the funds in the 07/08 close out distribution. Since SHIP funds must be expended within three years after they are received, how should I proceed?*

A: First, recognize that it is common to have a small amount of unspent SHIP funds from a close out distribution; this is not a violation of the three year expenditure deadline. Whether the amount is \$300 or \$3000, this small unencumbered amount is insufficient to fully assist the next recipient for any of your strategies. In such a case, you may simply "carry forward" these remaining dollars. The web annual reporting system will identify these unencumbered funds as the carry forward amount and will automatically add this amount as the carry forward revenue on the 08/09 annual report.

Have you got a question about the SHIP program? Free telephone technical assistance is available to help you successfully implement your SHIP funded work. Call the Florida Housing Coalition's SHIP telephone hotline at (800) 677-4548.

However, consider the case of a jurisdiction that has tens or hundreds of thousands of 07/08 SHIP dollars left to expend. Perhaps the remaining funds are encumbered for projects that are not yet completed and occupied by eligible households. As soon as you discover that you have missed the expenditure deadline, you should request in writing an expenditure deadline extension from Florida Housing staff.

Your request should include:

- The exact amount of funds still encumbered and/or unencumbered, and the number of months for which an extension is requested.
- A brief explanation of why these funds have not been expended within the three year deadline. Was there, for example, a lack of contractors or materials, or is the jurisdiction still working to achieve some set-aside compliance?
- Outline your plan to expend funds quickly, along with a timeline and estimate of when the funds will be fully expended. Indicate if changes have been made to SHIP strategies to address the delays. If a strategy has not been working, have you redesigned it, replaced it, or reallocated funds to a strategy known to be successful?

You should notify Florida Housing of your situation even if you anticipate that remaining 07/08 encumbered funds will be expended soon and before September 15. The fact remains that funds were not expended by the June 30 deadline, so Florida Housing should be notified.

Properly Tracking SHIP Funds

Q: *Last September, I had my first experience creating the SHIP annual reports for our county. It took a lot longer than I thought it would to compile the data. What can I do now to prepare for the next reports due next September?*

A: The key to creating timely and accurate annual reports is

maintaining an accurate SHIP tracking system. The SHIP administrator in each jurisdiction is required by the SHIP Rule to maintain a tracking system (Rule 67-37.019, FAC). You cannot simply rely on data provided by your finance department. Although they maintain detailed records of SHIP expenditures, finance department staff may not track SHIP encumbrances—and they almost certainly do not track demographic data or compliance with SHIP set-asides. It is essential for you to track this information, and you must do so on a very regular basis.

Entering updated data into the tracking system is at least a two-step process. After determining an applicant's eligibility, you provide an award letter that commits SHIP funds specifically to this applicant. This is when you should first enter information about the applicant into your tracking system, along with the amount of the SHIP commitment. It is only later, however, that you start expending these SHIP funds. At this time, you should update your tracking system since the funds that had been committed for the applicant are now officially expended.

Each SHIP jurisdiction should document that the annual report it generates reconciles with the general ledger maintained by the jurisdiction's finance department. This shows compliance with the Florida Single Audit Act (FSAA), which directs auditors to "determine whether required reports include all activity in the reporting period". The State Projects Compliance Supplement outlines several suggested audit procedures that an auditor can use to determine whether or not the SHIP reports contain all required activity (and reconcile to the general ledger), including the following: "Select a sample of reports and test specified line items for accuracy and completeness." (from State Projects Compliance Supplement Part 3, Section H. "Reporting").

Work with your finance department to ensure your compliance with the FSAA. Set up

a way to periodically meet with finance staff to reconcile the general ledger with your SHIP tracking system. Consider suggesting a system to communicate to the finance department whether an expense should be charged to the 08/09 SHIP distribution, for example, or to the 09/10 distribution.

There are many ways that the Coalition can help you reach the goal of creating complete and accurate SHIP annual reports. First, the Coalition has designed an Excel-based SHIP tracking system. It has been used by many SHIP jurisdictions for years, and is available to you at no charge. Call the Coalition for technical assistance on properly setting up a tracking system, accurately updating information, or using the tracking system to create the annual reports that you will submit to Florida Housing. Some questions require more assistance than others. After all, some SHIP administrators have inherited a faulty, unorganized or inaccurate SHIP tracking system. The Coalition can assist you with getting your tracking system back on track by helping you work with your finance department to reconcile your system with the general ledger.

Start Your Reports Now

All reports must be submitted by September 15, so start now to ensure their timely completion. A handful of communities may receive extensions for expending their 07/08 funds, but they will still be required to submit a set of annual reports on September 15 and there is no extension for submitting them after this date.

Each year when the September 15 SHIP Annual Report deadline approaches, the Coalition fields questions on a myriad of report-related topics. This year, the Coalition is available on Tuesdays and Thursdays to provide this assistance through its technical assistance line: 800-677-4548. In addition, a full and updated collection of frequently asked questions about annual reports (and many other topics) is available at www.shipfaq.blogspot.com.