The Casterline Associates Advisor

Our 20th Year of Serving Housing Agencies!

E-mail / Fax Edition

A publication of:
Casterline Associates PC
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August 19, 2015
Volume 20, No 12

Clarification on Remittance of Interest Earned on HAP Reserves!

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INTEREST EARNED ON HAP RESERVES (AKA NRP)

CLARIFICATION AND LATEST REQUIREMENTS

By: Jason Casterline, CPA

There has been a lot of confusion surrounding the remittance of interest earned on HAP funds. This article is intended to clarify the requirements and to update readers on the latest developments and new requirements coming for October 1, 2015.

First of all, you should be aware that that you are no longer to remit interest earned on HAP Reserves to the Treasury. From this point on, it should be sent to Department of Health and Human Services through the Payment Management System (PMS) as explained below.

Remember that as of January 1, 2014 PHAs are permitted to keep up to up to $500 of interest earned on HAP Reserves for a calendar year and consider that revenue to be Administrative interest. Only interest earned on HAP Reserves in excess of $500 has to be sent to the Department of HHS with an explanation as to what it's for. Below is a schedule of how interest earned on HAP Reserves has changed over the years.

1/1/05 – 12/31/11

All interest earned on HAP Reserves was considered HAP-related Revenue and also became part of the NRP;

AFTER 12/31/11 interest earned on HAP Reserves does NOT get accounted for as HAP Revenue and does NOT become part of the NRP.

1/1/2012 – 12/31/2013

For CY2012 & CY2013, PHA is allowed to keep up to $100 each calendar year (2012 & 2013) of interest earned on HAP Reserves and account for it as Admin Revenue to help with Admin Expenses. Any amounts earned above $100 per CY, is to be accounted for as Accounts Payable to HUD until paid to the Department of HHS as explained later. PHAs must still report the HAP portion of interest earned in VMS even though it is not included in the NRP calculation to provide an audit trail.

1/1/2014 and forward

For CY2014 forward, PHA is allowed to keep up to $500 each Calendar Year of interest earned on HAP Reserves and account for it as Admin Revenue to be used to help with Admin Expenses. Anything above the $500 limit each Calendar Year should be accounted for as Accounts Payable to HUD until paid to the Department of HHS per below instructions. PHAs must still report the HAP portion of interest earned in VMS even though it is not included in the NRP calculation to provide an audit trail.

Here is the information concerning how to remit interest to HUD now and also beginning 10/1/2015, to the Department of HHS (always be sure to include a description of what the money you are sending is for, and your PHA number):

Through 9/30/2015, remit payments for Interest on HAP Reserves to HUD. Also, the instructions directly below continue to apply to any other type of remittance that you may need to make to HUD in the future.

Checks to HUD:

HUD-FAD Collections

P. O. Box 277303

Atlanta, GA 30384-7703

Since the lockbox above has a PO Box, the overnight check delivery address is:

U.S. Dept of HUD / 277303

1075 Loop Road

College Park, GA 30337

Casterline Associates PC

"True Direction in PHA Financial Management"
(800) 337-5088 ~ www.casterline.net
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Casterline Associates PC is a Certified Public Accounting (CPA) and Consulting Firm founded in 1995 that is specialized in providing a variety of services to Housing Agencies. We have assisted over 200 Public Housing Agencies, trained over 12,000 PHA and HUD personnel at our seminars, are a HUD contractor to assist troubled PHAs, and have published numerous articles and guidance to assist PHAs. We have helped PHA clients to increase their operating subsidies by a cumulative amount of more than $70,000,000, since our firm was formed in 1995, thus enabling us to frequently pay for ourselves many times over.

Services we provide:

- Accounting Services, including Monthly, Quarterly or Annual Assistance
- REAC FDS Submission and related Technical Assistance
- Public Housing Assessment System (PHAS) Scoring Enhancement
- Preparation for annual IPA Audit
- Accounting and Financial Consulting
- Interim Finance Director Services
- Budget Development – Public Housing, Voucher, and Other Programs
- Assistance in the area of Site-Based Budgeting, Accounting and Reporting
- Financial Operations Assessments and Workout Plans
- Financial Consulting for RAD Evaluation, Application, and Implementation
- Training Seminars, including In-House Training
- Development of Policies and Procedures
- Operating Subsidy Enhancement Services
- Internal Control Reviews
- Technical Assistance - Energy Performance Contracting

We have hands-on experience assisting Public Housing Agencies and other providers of Affordable Housing in all of the above areas, and would be happy to share more details concerning specific assignments in regard to the above. Our staff includes a team of highly qualified individuals, sharing a common client service philosophy, with a broad range of skills and credentials. This enables us to go beyond helping our clients to meet minimum compliance. In fact, our proactive approach has allowed our clients to maximize opportunities and minimize risks, while implementing the operational effectiveness and efficiencies that are needed to successfully manage the Housing Agency of the 21st Century.

However, on October 1, 2015, all interest will be sent to HHS. The HHS instructions are included below for your future reference:

(i) ACH Returns:

Routing Number: 051036706
Account number: 303000
Bank Name and Location: Credit Gateway – ACH Receiver St. Paul, MN

(ii) Fedwire Returns*:

Routing Number: 021030004
Account number: 75010501
Bank Name and Location: Federal Reserve Bank Treas NYC / Funds Transfer Division New York, NY

As of 10/1/2015, you should remit Interest on HAP Reserves based on the limits described earlier in this article to the Department of HHS.

A couple of other notes:

- If you have remitted Interest on HAP to HHS prior to 10/1/2015, that should not be a problem.
- HUD officials are trying to find out how PHAs can register to receive a Payment Management System Account Number (PMSA) which is needed when remitting the interest to HHS. I'll let you know what I find out.

Editor's note: portions of this article were based upon information provided by HUD FMC Personnel.

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"From: Financial Management Center

Sent: Wednesday, June 10, 2015 12:19 PM

Subject: Revised Guidance: Remittances of Interest Earned on RNP and Excess HAP funds

Dear Executive Director or Program Representative:

"This email provides updated guidance to public housing agencies administering the Housing Choice Voucher programs related to the return of interest earned on excess HAP funds and restricted net position (RNP) balances in accordance with 2 CFR 200.305, which states the following:

" (9) Interest earned amounts up to $500 per year may be retained by the non-Federal entity for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. Remittances must include pertinent information of the payee and nature of payment in the memo area (often referred to as "addenda records" by Financial Institutions) as that will assist in the timely posting of interest earned on federal funds." Pertinent details include the PHA name, number and address.

Attached is a sample PHA certification of interest earned on excess HAP funds and RNP balances for amounts returned by the PHA. This certification is not required to be submitted to HUD or mandatory. The certification is just a form that HUD is recommending the PHAs to keep for internal records that could be made available to auditors and the Quality Assurance Division during financial reviews, or as needed.

HHS guidance related to funds remittances can be found on the HHS Division of Payment Management website at the following link:
http://www.dpm.psc.gov/grant_recipient/funding_requests/returning_interest.aspx

Click on "returning funds" for specific information.

This guidance is effective immediately.

PHAs are reminded of the importance of complete and accurate reporting in the Voucher Management System (VMS). The VMS Guidebook, Appendix A, provides the following guidance related to reporting interest:

TAB 2 – OTHER INCOME AND EXPENSE	
Form 52681-B Field Name	**Definition**
Memorandum Reporting	
Interest or other income earned this month from the investment of HAP funds and Net Restricted Assets	Interest or other income earned this month from the investment of HAP funds and Net Restricted Assets. Note: the amount of interest earned from the UNA account should not be reported in this field.

Thank you for your participation in the Department's programs.

Respectfully,

Miguel A. Fontánez, Director
Financial Management Division"

Housing Choice Voucher Programs
Interest Earned on Excess HAP Funds and RNP Balances
PHA Annual Certification for Internal Records

PHA Name: _____

PHA Number: _____

PHA FYE: _____

This is to certify that the _____ PHA earned interest on invested HAP and Restricted Net Position (RNP) funds (formerly referred to as Net Restricted Assets or NRA) for the PHA fiscal year ending, _____ in the amount of $_____.

The PHA remitted $_____ on (date) to the Department of Health and Human Services (HHS), Payment Management System (PMS).

Certification: I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

_____ _____

Signature of Authorized PHA Official Date

_____

Printed Official's Name and Title

This Certification must be signed by the appropriate PHA official and keep for financial review purposes by the auditor or the Housing Voucher Quality Assurance Division (QAD). Interest must be remitted to the Treasury via the HHS Payment Management System no later than 45 days following the PHA FYE covered by this certification.

HHS guidance related to funds remittances can be found on the HHS Division of Payment Management website at the following link:
http://www.dpm.psc.gov/grant_recipient/funding_requests/returning_interest.aspx
Click on "*returning funds*" for specific information.

PIH NOTICES AND FEDERAL REGISTERS

Editor's note: in order to make this section most beneficial and yet concise for our readers, we will list each notice, but we will provide articles only on those issues that directly impact the financial management of the PHA.

PIH NOTICES

PIH2015-12 Administering the Community and Self Sufficiency Requirement

PIH2015-11 Set Aside Funding for Project Basing HUD VASH Vouchers

PIH2015-10 Project Basing HUD VASH Vouchers

PIH2015-09 Extension PIH 2014-06 regarding TDC for Native American Housing

PIH2015-08 Administrative Requirements for Investing Indian Housing funds

PIH2015-07 Funding for Tenant Protection Vouchers for Low Vacancy Areas

PIH2015-06 Privacy Protection Guidance for Third Parties

PIH2015-05 Project Based Voucher Guidance

PIH2015-04 Expiration of Temporary Compliance Assistance

PIH2015-03 Implementation of HCV 2015 Funding Provisions

PIH2015-02 Extension: admin guidance effective use of EIV

PIH2015-01 Indian Housing Block Grant: guidance/procs - environmental reviews

FEDERAL REGISTERS

07/16/2015	Extension for Comment Period on Proposed Admin Fee Formula
06/26/2015	RAD: Revised Notice
06/26/2015	Proposed HCV Admin Fee Formula
06/22/2015	Regulatory Waiver Requests Granted First Quarter 2015
06/02/2015	Advanced Notice of Proposal Rulemaking Small Area FMRs
04/20/2015	Section 8 Inflation Factors for 2015
02/25/2015	RAD Alternative Requirements and Waivers
02/09/2015	Section 8 Annual Adjustment Factors
01/29/2015	RAD: updated application review CHAP issuance process
01/12/2015	Final Fair Market Rents, HCV and Mod Rehab (revised)
01/06/2015	Streamlining administrative regulations for PH, HCV, and other progs

CASTERLINE ASSOCIATES PC PHA FINANCIAL UPDATE SEMINAR – LATEST DEVELOPMENTS IN PHA ACCOUNTING AND REPORTING!

AGENDA (TO BE FURTHER UPDATED AS APPLICABLE, AS THE YEAR PROGRESSES!):

- 2015 Public Housing and CFP Financial Management Update
- Latest REAC Accounting Briefs, and PIH Financial Mgmt Division (FMD) Guidance / RAD Accounting Tips and Coverage
- The New OMB Omni Circular – goes into effect in 2015, as well as Coverage on the Latest GASB Statements Affecting PHAs, including expanded information on new Pension Accounting rules and Other Items
- RAD Financial Overview, Accounting for RAD, Accounting Setup including Ledgers and Chart of Accts, Conversion Entries, RAD Financial Reporting
- 2015 Housing Choice Voucher Program Financial Management Update and Managing the HCV Program in 2015: funding, utilization, reserves, etc
- New HUD HCV Admin Fee Study – Details, What it Means for PHAs, and HUD Implementation of the New Formula (as available)
- Other Advanced PHA Financial Update topics to be determined…

LOCATIONS (CALL 800-337-5088 FOR A FLYER, PRICING AND/OR MORE DETAILS):

City	Sponsor	Dates	Location	Status
Gulf Shores AL	Housing Finance Professionals of AL	Sep 15-17, 2015	The Beach Club	Open for Registration
Brentwood TN (just 10 miles from Nashville)	Smith Marion & Co	Oct 27-28, 2015	Four Points by Sheraton	Open for Registration
Orlando FL	Casterline Assocs	Dec 8-9, 2015	Disney Coronado Springs Hotel and Convention Ctr	Open for Registration
**Your Town	**Your PHA	**Based upon your preference	**Your choosing	

OTHER NEW 2015 LOCATIONS COMING SOON

**** also available as a 2 day in-house course to be held at *your* PHA – and training fees collected from other PHAs are split 50-50 with your agency – call for details ~**

CASTERLINE ASSOCS NUTS & BOLTS OF PHA BUDGETING & ACCOUNTING WORKSHOP – NEW 2015 LOCATIONS BELOW!

THREE AND A HALF DAY COURSE / FULLY UPDATED FOR ALL RECENT HUD CHANGES!

- The Public Housing Operating Subsidy Calculation – The Operating Fund Formula
- Tips on Maximizing Public Housing Operating Subsidy Funding Under the Formula
- Public Housing & Capital Fund Accounting – Project Based Accounting & Reporting
- Public Housing Year End Closing, REAC Requirements and FDS Submission
- Latest Public Housing Assessment System Financial Scoring Process & Indicators
- Housing Choice Vouchers Program Funding Process – How Funding is Calculated
- How to Manage the Voucher Program Under new HUD Cash Management Procedures
- Voucher Management System (VMS) Reporting and Ongoing Voucher Program Monitoring
- Housing Choice Voucher Program GAAP and HUD Accounting Requirements
- Housing Choice Voucher Program Year End Closing and HUD / REAC Reporting

LOCATIONS (CALL 800-337-5088 FOR A FLYER, PRICING AND MORE DETAILS):

City	Sponsor	Dates	Location	Status
Las Vegas NV (super-cheap location for hotel and airfare!)	Casterline Associates PC	October 20-23, 2015	Golden Nugget $79 per night	Open for Registration
Your Town (in house training / see below)	Your PHA	Based upon your preference	Your choosing, and we will gladly market the course to invite other PHAs in order to reduce your costs!	Call for details or see our website

ADDITIONAL 2015 LOCATIONS COMING SOON!

~ also available as a 3 day in-house course to be held at *your* PHA – invite other PHAs and training fees from other agencies are split 50-50 with your PHA – call for details ~