



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

May 11, 2007

Lanier M. Hylton
MEMORANDUM FOR: Multifamily Hub and Program Center Directors
Multifamily Operations Officers
Contract Administration Oversight Monitors
Performance Based Contract Administrators

FROM: Lanier M. Hylton, Director, Office of Housing Assistance Contract Administration Oversight, HTC

SUBJECT: Housing Assistance Payment Under/Over Payment Close Out Procedures and Guidance for Annual Interest Earned Certification

Introduction

In accordance with the Performance Based Annual Contributions Contract (PB-ACC), Incentive Based Performance Standard (IBPS) 12, Performance Based Contract Administrators (PBCA) are required to submit a year-end statement within 45 calendar days after the end of the PBCA's fiscal year. The year-end statement is necessary for reconciliation of PBCA payments to owners with payments made to the PBCA from a Department of Housing and Urban Development (HUD) approved estimate, established via form HUD-52663, Requisition for Partial Payments of Annual Contributions.

The HUD-52663 estimates monthly Housing Assistance Payment (HAP) subsidy payments based on the property's rents and average contributions from households under the specific HAP contract. Under this payment procedure, the PBCA receives monthly requests for HAP payments for each contract from the respective owner. After verifying the accuracy of the owner's request, the PBCA is responsible for payment to the owner from funds disbursed under the annual requisition schedule (HUD-52663). The year-end statement for each contract is required to reflect any differences between amounts paid against the requisition schedule and the actual HAP payments made by the PBCA to the owner. This payment procedure was in effect through March 31, 2001 for PB-ACCs in place as of that date.

Background

In a memorandum dated February 7, 2001, HUD modified the PBCA payment procedures for HAP contracts assigned to PB-ACCs. In accordance with the memorandum, effective April 1, 2001, HUD ceased to automatically release HAP payments based on the estimate provided on Form HUD-52663 and now pays based on the actual voucher amount approved for payment to the owner by the PBCA. This HAP payment modification from

estimated to actual voucher payments has eliminated the need for PBCA fiscal year end reconciliation.

Therefore, for the period beginning April 1, 2001, PBCAs were no longer required to submit year-end statements as set forth in the PB-ACC, IBPS 12. However, PBCAs that received estimated HAP payments prior to April 1, 2001 are required to submit an accounting of all HAP under and over payments for the period beginning with the receipt of the first initial estimated payment through the March 2001 HAP payment. This accounting will encompass the entire period from the receipt of the first initial estimated HAP payment through March 31, 2001 for all HAP contracts regardless of the PBCA's fiscal year end. In addition, all PBCAs (including those with no over or underpayments) will account for and certify to interest earned through December 31, 2006.

HAP Over/Under Payment Close Out and Interest Earned Procedures and Certification

The following documents will be used to implement the procedures described below:

- Over/Under Payment and Interest Earned Worksheet (Microsoft Excel spreadsheet) – Attachment A
- Over/Under Payment and Interest Earned Certification – Attachment B
- Annual Interest Certification – Attachment C
- Wire Transfer Instructions- Attachment D

PBCAs must complete and either e:mail the signed documents in PDF or fax to the Contract Administration Oversight Monitor (CAOM), an accounting of over and underpayments at the HAP contract level (if any) for the period ending March 31, 2001, interest earned on the PBCA's or its subcontractors' HAP bank account(s) through December 31, 2006 and the certification of such documentation, Attachments A and B respectively. The accounting data must be provided in an excel spreadsheet in the format represented in Attachment A. The CAOM will review and approve Attachment A to verify all applicable HAP contracts are listed for the aforementioned accounting period and recordation of any interest earned. The CAOM will fax the approved Attachment A and a copy of Attachment B, to the Office of the Chief Financial Officer (OCFO) for processing, attention Kathy Bullard, Teena Neptune and Peter Engelbert, fax number (817) 978-5748 and to Deborah Lear, fax number (202) 708-1010.

Due to the various HUD offices utilizing this information and the need to transfer data, no substitutions of formats different from Attachment A will be accepted. Attachment A and B should be submitted as soon as possible but no later than May 31, 2007. The gross amount of subsidy overpayments plus interest earned according to the instructions in this memorandum must be remitted to HUD by check or wire transfer as soon as possible but no later than May 31, 2007. Please do not net the over and under payments to determine the amount of the check or the wire transfer. Check submission and wire transfer instructions are provided below.

Subsidy Underpayments

Underpayments consist of the amounts by which actual monthly assistance vouchers from the project owner for periods prior to April 1, 2001, either previously paid to the project owner from PBCA resources or owed to the project owner, exceed the monthly assistance

payments from HUD to the PBCA for the corresponding subsidy periods, which have not been previously paid by HUD to the PBCA as Adjustments or Miscellaneous Accounting entries in subsequent voucher periods.

In the event of underpayment by HUD, funds will be paid to the PBCA from the current balance on the respective HAP contract. Attachment A, provided by the PBCA will be used as the source document for payment. The spreadsheet will be reviewed for reasonableness by the CAOM and forwarded to OCFO for payment accompanied by the PBCA certification, Attachment B. Contract budget authority balances will be reviewed also and increased as necessary to support these payments in addition to subsidy payments for the current HAP period.

Subsidy Overpayments

Overpayments consist of the amounts by which monthly assistance payments from HUD to the PBCA for periods prior to April 2001 exceed actual assistance payments made by the PBCA to the property owner for the corresponding subsidy periods, which have not been previously reimbursed to HUD as offsets to subsequent vouchers via the Miscellaneous Accounting section of the voucher form. PBCAs with at least one contract where an overpayment of subsidy remains must remit the total of overpayments to HUD according to the instructions in this memorandum.

Interest Earned on HAP Funds

All PBCAs are required to report on interest earned on HAP funds accrued as of December 31, 2006, including any interest earned by a subcontractor as a HAP payment intermediary. This information must be included on Attachment A.

Interest amounts up to \$50.00 may be retained by the PBCA for the purpose of maintaining the HAP bank account. Total interest earned as of December 31, 2006 over the \$50.00 allowance must be remitted to HUD in addition to any over payments on HAP by May 31, 2007. However, if the PBCA elects not to retain \$50.00 for the purpose of maintaining the HAP bank account, then the total interest earned as of December 31, 2006 must be included in the remittance to the Department.

PBCAs remitting directly to the Treasury in accordance with the applicable state cash management agreements will need to provide HUD with a record of interest deposits. In order to track amounts collected from HUD programs and remitted directly to the Treasury, in addition to Attachment B, PBCAs will attach a copy of the Cash Management Improvement Act Annual Report, Part B, Form 1 – Non-Trust Program as supporting documentation.

While the reimbursement of overpayments of HAP assistance is a one-time requirement, remittance of interest earned will be required annually and will replace the year-end statement task, IBPS 12, as set forth in the PB-ACC. After this initial interest earned close out period, PBCAs will be required to submit an Annual Interest Earned Certification, Attachment C within 45 days of the end of the PBCA's fiscal year and any required supporting documentation.

Over/Under Payments and Interest Earned Certification

If there are no contracts in the PBCA inventory for which over and or underpayments need be reported, and interest earned on HAP funds through December 31, 2006 is below the \$50.00 threshold and will be retained by the PBCA, then an Attachment A is not required. However, the PBCA must submit the Over/Under Payments and Interest Earned Certification, Attachment B confirming those circumstances.

Annual Interest Earned Certification

For all future annual reporting periods, the PBCA will submit the Annual Interest Earned Certification, Attachment C, certifying to interest earned on HAP funds for the reporting period noted. Submission of the Attachment C will also be required for a “negative report” when the PBCA does not have any interest to remit to the Department.

PBCAs remitting directly to the Treasury in accordance with the applicable state cash management agreements will need to provide HUD with a record of interest deposits. In order to track amounts collected from HUD programs and remitted directly to the Treasury, in addition to Attachment C, PBCAs will attach a copy of the Cash Management Improvement Act Annual Report, Part B, Form 1 – Non-Trust Program as supporting documentation.

PBCAs will either e-mail the applicable forms in PDF or fax to the Contract Administration Oversight Monitor (CAOM), certifying interest earned on the PBCA’s or its subcontractors’ HAP bank account(s). The CAOM will fax a copy of Attachment C and applicable supporting documentation to the Office of the Chief Financial Officer (OCFO), attention Kathy Bullard, Teena Neptune and Peter Engelbert, fax number (817) 978-5748. PBCAs remitting to HUD should follow the procedures provided below.

Procedures for Fund Remittance

By Check

The information on the check should reflect the payee as the Department of Housing and Urban Development. For HAP Over/Under Payment Close Out and Interest Earned through December 31, 2006, the memo section of the check should include all of the following information: (1) the PBCA Contract Number, example, “MD800;” (2) the reason for the check, i.e., “HAP Accounting Close-Out;” and (3) the amount of the payment that is interest and the amount that is an overpayment of HAP. Interest only remittances memo section should include the following information: (1) the PBCA Contract Number, example, “MD800” and (2) the reason for the check, i.e., “Interest accrual through 12/31/2006”.

For all future annual interest earned reporting, the memo section should include (1) the PBCA Contract Number, example, “MD800” and (2) the reason for the check, i.e., “Interest accrual through PBCA fiscal year reporting period”.

All checks should be sent to the following lockbox address:

HUD Miscellaneous Collections

Bank of America
P.O. Box 277303
Atlanta, GA 30384-7303

By Wire Transfer

For payments made via wire transfer, please see attachment D for transfer instructions and include the information as noted and requested. The information in the memorandum field will be the same as by check, described above.

Questions regarding this memorandum may be directed to Deborah Lear, Deputy Director, at (202) 402-2768.

Attachments

Over/Under Payment and Interest Earned Worksheet (excel spreadsheet) – Attachment A
Over/Under Payment and Interest Earned Certification – Attachment B
Annual Interest Earned Certification – Attachment C
Wire Transfer Instructions- Attachment D

Attachment B

OVER/UNDER PAYMENTS AND INTEREST EARNED CERTIFICATION

This is to certify that _____
(Performance Based Contract Administrator)

Attachment A, Over/Under Payments of Housing Assistance Payments and Interest Earned, spreadsheet which accompanies this certification, accurately represents all:

- Underpayments -- Amounts by which actual monthly assistance vouchers from the project owner for periods prior to April 2001, either previously paid to the project owner from PBCA resources or owed to the project owner, exceed the monthly assistance payments from HUD to the PBCA for the corresponding subsidy periods, which have not been previously paid by HUD to the PBCA as Adjustments or Miscellaneous Accounting entries in subsequent voucher periods; and
 - Overpayments -- Amounts by which monthly assistance payments from HUD to the PBCA for periods prior to April 2001 exceed actual assistance payments from the PBCA to the project owner for the corresponding subsidy periods, which have not been previously reimbursed to HUD as offsets to subsequent vouchers via the Miscellaneous Accounting section of the voucher form; and
 - Earned Interest on Housing Assistance Payments through December 31, 2006 in the sum of \$ _____. The PBCA (has retained \$50.00 for the purpose of maintaining the bank account) is remitting \$ _____.
- PBCA has remitted interest to HUD.
- PBCA has remitted interest to the Department of Treasury in accordance with the state's cash management agreement.

I certify that this Certification and the accompanying Excel spreadsheet report have been examined by me and to the best of my knowledge and, to the best of my belief, are true, correct and complete. **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 and Title of Authorized Official of the PBCA) (Date)

Attachment C

ANNUAL INTEREST EARNED CERTIFICATION

This is to certify that _____
(Performance Based Contract Administrator)

earned interest on Housing Assistance Payments during the PBCA fiscal year
ending _____ in the sum of \$ _____. The PBCA

has retained \$50.00 for the purpose of maintaining the bank account

has not retained \$50.00 for the purpose of maintaining the bank account

PBCA is remitting \$ _____.

Please check the appropriate box below.

 PBCA has remitted interest to HUD.

PBCA has remitted interest to the Department of Treasury in accordance with the state's cash management agreement.

I certify that this Interest Certification has been examined by me and to the best of my knowledge and belief is true, correct and complete. 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)

Attachment D

Wire Transfer Instructions

U.S. Department of Housing and Urban Development

Bank Name: U.S. Treasury FRB New York
Bank Address: New York, NY
ABA Routing Number: 021030004
Beneficiary: D
Account Number: 86011101
Account Holder: U.S. Department of HUD (Ft Worth, TX)

Memorandum or Third Party Information

1. PBCA Contract Number, HAP Accounting close-out amount of overpayment of program funds

(Signature and Title of Authorized Official of the PBCA)

(Date)