



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

MAR 19 2014

Dear Executive Director:

Subject: Interest Earned on NRA and excess HAP funds

Effective January 1, 2012, HUD implemented new cash management procedures required to follow Treasury's rules on cash advances for the HCV program. In accordance with this requirement, interest earned on excess HAP funds and NRA balances will not be considered revenue that can be used by the PHA and must be returned to the U.S. Treasury.

Excess HAP funds held by a PHA, as well as any existing NRA balances, are required to be deposited in an interest-bearing account at the available rate. Interest earned on funds on deposit must be returned to the Treasury in accordance with § 24 CFR 85.21(i) which states, "...grantees and sub-grantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or sub-grantee may keep interest amounts up to \$100 per year for administrative expense." Interest amounts being remitted by the PHA should be remitted via check or EFT.

PHAs must continue reporting earned interest in VMS and FASS according to established requirements. Reporting and remittance of interest earned will be monitored and included within the scope of the Quality Assurance Division financial reviews.

Information related to proper journal entries account for earned interest can be found in the PIH-REAC Accounting Brief # 19 - *PHA-Finance Accounting Brief: Revenue Recognition for HAP and AF for the HCV Program* issued June, 2013.

Additional Information related the requirement to return accumulated interest earned may be found in the following resources:

- PIH-REAC Accounting Brief #19: PHA-Finance Accounting Brief: Revenue Recognition for HAP and AF for the HCV Program
- PIH Notice 2011-67
- Department of Treasury's rules on cash management as provided in the Treasury Financial Manual, Vol. 1, Part 6 Section 2025

If you have any questions concerning this guidance, please contact your financial analyst at the Financial Management Center. Thank you for your cooperation to assure accurate and complete VMS reporting.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Fontanez', written over a vertical line.

Miguel A. Fontanez
Director
Financial Management Division
Office of Housing Voucher Programs