

## CHAPTER 1 – INTRODUCTION

- 1-1. **BACKGROUND.** The Secretary has vested overall responsibility for establishing an effective administrative control of funds process with the Chief Financial Officer (CFO). It is the CFO's responsibility to: develop and maintain integrated accounting and financial management systems in support of the funds control process that substantially comply with federal financial management systems requirements. This manual prescribes the HUD financial management systems designed for: (1) funds management to ensure that obligations do not exceed those appropriated and/or authorized; and (2) payments management to provide appropriate control over all payments.
- 1-2. **PURPOSE.** This document identifies the Department's financial management systems that support the funds control process (Budget Execution); and defines the standards and procedures required to record, distribute and track the Department's use of budgetary resources through the entire budgetary process. This includes "the apportionment of funds," commitment and "...the obligation of those funds over the course of the fiscal year, and the actual outlay (disbursement) of funds" in accordance with the provisions of OMB Circular A-11, "Preparation, Submission, and Execution of the Budget."
- 1-3. **SCOPE.** With the exception of program accounts not currently controlled in HUDCAPS e.g. GNMA, FHA and other non FHA credit reforms accounts, all of the Department's budgetary resources must be promptly recorded in the Execution Subsystems and are subject to the standards and procedures as prescribed by this manual and the requirements of the Administrative Control of Funds (ACF): Policies and Procedures Handbook and Appendices.
- 1-4. **AUTHORITY.** Power granting authorizations are cited in the Administrative Control of Funds: Policies and Procedures Handbook, and Appendix 2 - Summary Listing of Authorities Applicable to HUD Fund Control Directives;
- 1-5. **RESPONSIBILITIES.**
  - A. **The Chief Financial Officer** has overall responsibility to establish an effective administrative control of funds process; provide training and guidance on policies and procedures for the administrative control of funds; require and approve up-to-date funds control plans; monitor the overall budget execution process; provide financial management systems in support of the budget execution (funds control) process; designate certifying officers for oversight of payment controls and certification of payment documents.
    - **The Assistant CFO for Budget** processes apportionment request and the advice of allotments to allotment holders; timely and accurately records approved allotments in the budget execution subsystem; and maintains an up-to-date inventory of apportionments, allotments and allotment holders.

- **The Assistant CFO for Financial Management** reviews and approves funds control plans; investigates and reports on potential Antideficiency Act violations, as well as violations of other administrative subdivision of funds that are not violations of the Antideficiency Act.
  - **The Assistant CFO for Systems** develops and maintains financial management systems that support funds control; provides training to systems users; and develops system manuals and user guides.
  - **The Assistant CFO for Accounting** timely and accurately records OMB approved apportionments in the funds control subsystems; verifies the availability of funds, reviews commitments, obligation and expenditure documents for compliance with ACF Handbook requirements, timely records commitments, obligations and expenditure documents in the funds control subsystems; reviews, examines and verifies the appropriateness of payment request, designates certifying officers; certifies payments; and provides financial reports on the status of funds for management information and decision making.
- B. The Allotment Holder** bears overall responsibility for funds allotted to them; implements funds controls plans in compliance with the requirements of the ACF Handbook; designates Funds Control Officer; plans and structures new programs or activities to provided for administrative control of funds; develops and implements procedures to be followed by Headquarters and Field personnel in support of funds control; and provides OCFO with a current lists of persons authorize to approve and sign commitments, obligations and payment requests.
- C. The Funds Control Officer** supports the allotment holder and the CFO in the development, maintenance, implementation and enforcement of funds controls plans and underlying systems and processes; maintains complete, accurate and current records of request processed for commitments, obligations and expenditure of funds; serves as or designates a Funds Verification Officer to accurately certify the availability of funds in accordance with the ACF Handbook; records fund assignments/sub-assignments in the budget execution subsystem; manages and controls spending in accordance with the administrative operating budget plan. Require timely submission of commitment, obligation and payment documents to the CFO Accounting Center for processing in the funds control subsystems.
- D. The Chief Procurement Officer** verifies the availability of funds prior to entering into obligations; and records obligations by either transmitting obligation information through the HPS and SPS interface with the HUDCAPS Budget Execution Subsystem or by transmitting hard copy obligation documents to the OCFO for recording in the appropriate subsidiary financial control system.

1-6. **BUDGET EXECUTION SYSTEMS OVERVIEW.** The Housing and Urban Development's Central Accounting and Program System (HUDCAPS) is the Department's integrated financial management system. HUDCAPS system

architecture consists of several financial systems components that are integrated online or by financial system interfaces and interfaces with HUD's program/mixed financial systems. HUDCAPS provides the capability of capturing, recording, controlling, and summarizing the Department's accounting functions. The subsystems include: general ledger, budget execution, funds control, and payments management. It maintains interfaces with other accounting subsidiary ledgers and program/mixed systems to receive financial transactions for posting to the Budget Execution Subsystem and the General Ledger. These functions are performed in accordance with the requirements of the Office of Management and Budget (OMB), The General Accounting Office (GAO), Joint Financial Management Improvement Program (JFMIP) and Department of Treasury. HUDCAPS is the central component of the Department's administrative control of funds process.

#### **A. HUD'S Core Financial Budget Execution Subsystems:**

- 1. HUDCAPS General Ledger Subsystem (GL).** The GL posts and maintains account balances for all financial transactions recorded in the subsidiary systems in compliance with the U. S. Standard General Ledger (SGL). Transactions are sent to the GL through interfaces with the financial subsystems and mixed program and business activity systems. The GL provides the basis for the Department's Annual Financial Statements and the FACTS II Budgetary Reports.
- 2. HUDCAPS Budget Execution Subsystem.** The HUDCAPS Budget Execution Subsystem is the financial management system component that supports the budget execution process. It records and tracks on-line the establishment, and distribution of HUD's budget authority by appropriations, apportionments, allotments, assignments/sub-assignments. It interfaces with other accounting subsidiary systems and program/mixed systems to record commitments, obligations and disbursements. The systems can be accessed to monitor and track the status and use of budgetary resources at each spending level.
- 3. Program Accounting System (PAS) Subsystem.** PAS is an integrated subsidiary ledger for the Department's grant, subsidy, and loan programs. PAS stores fund assignment, commitment, obligation, contracts, and disbursement information. PAS maintains direct interfaces with HUDCAPS for nightly budget execution subsystem and GL transaction processing; and with LOCCS for nightly disbursement action updates. PAS sends disbursement limit, payment authorization, and project data to LOCCS for each project/grant according to contract information stored in PAS. PAS receives nightly updates on disbursement activity from LOCCS. PAS sends budget execution subsystem and GL transactions to HUDCAPS to update budget table and the consolidated GL. (See 1.6.C. for system interface details)
- 4. Line of Credit Control System (LOCCS) Subsystem.** LOCCS is the Department's primary system for processing and making grant, loan, and

subsidy disbursements. LOCCS contains specific payment and budget information to ensure total disbursements do not exceed total budget authority for each program, as defined in PAS. LOCCS makes direct payments to recipients in response to system-generated voucher requests, annual payment schedules, VRS requests, or Internet-based eLOCCS requests.

5. **HUDCAPS Purchasing/Accounts Payable/Disbursement Subsystems.**  
The Purchasing subsystem combined with the Accounts Payable and Automated Disbursements Subsystems records, monitors, and controls all activities in the purchasing process. Accounts Payable authorizes and records payments for goods and services and provides for disbursement of funds. The disbursement subsystem generates payment transactions authorized by the Purchasing and Accounts Payable Subsystems.
6. **HUD Travel Management System (HTMS).** HTMS provides automated entry and routing of travel authorization requests and voucher payments. Travel requests are automatically routed through appropriate chains of supervisory and budget approval. The budget approval function maintains a direct interface with HUDCAPS to create commitments and obligations. Travel vouchers are entered in the system and automatically routed through appropriate approval chains. When they are approved in HTMS, the transactions are entered in HUDCAPS through the online interface and scheduled for payment.
7. **Electronic Certification System (ECS).** ECS is an automated system for preparing, certifying, and verifying voucher payments. The Department uses ECS to certify LOCCS and HUDCAPS payment schedules sent to Treasury. The Department also uses ECS to make manual payments that are not processed in HUDCAPS or LOCCS. When a manual ECS payment is made, the transaction is recorded manually in the HUDCAPS or LOCCS, as appropriate. No automated interface exists between ECS and departmental disbursement or accounting systems.
8. **Personal Services Cost Report/National Finance Center.** The National Finance Center, a bureau of the Department of Agriculture, serves as the primary payroll processing facility for most Federal agencies. NFC processes payroll transactions for the Department and transmits those data to HUDCAPS through the Personal Services Cost System (PSCS). PSCS transforms NFC payroll data into HUDCAPS format for posting to the Department's budget execution subsystem and GL every other week.
9. **HUD Financial Data Mart (A75R).** Financial Datamart is a financial reporting tool that is a SQL Server database comprised of HUDCAPS tables to allow HUD users to view financial data in desired report format. These tables are updated nightly to reflect daily activities.
10. **HUD Consolidated Financial Statement System (A39), Hyperion.**  
Hyperion Enterprise reporting software is used to prepare the Departments

consolidated financial statements and Hyperion's HypFacts application software to prepare and transmit the Federal Agencies' Centralized Trial Balance Systems (FACTS II) budgetary reports. Data from the HUDCAPS general ledger (GL) is translated and imported into the Hyperion Enterprise software every month through a manually initiated data transfer. Data can be entered into Hyperion manually using journal vouchers.

11. **Scheduled Airline Trafficking Office (SATO)** SATO is HUD's travel purchasing agent. Travel reservations made through SATO are charged to HUD's Bank One corporate account and billed to the Department monthly. SATO sends a transaction file and summary reconciliation report to OCFO. The reconciliation report compares the travel transactions to the Bank One invoice prior to sending the SATO transaction file, reconciliation report, and the Bank One invoices to OCFO Systems for uploading into HUDCAPS. After all transaction data have been reconciled and validated, a HUDCAPS payment is made to Bank One.
12. **Bank One Card Program (Purchase Card).** The Purchase card payment process involves credit card transactions being transmitted through the HUDCAPS Bank One Card interface. The interface records expenditures in HUDCAPS and generates the automated payments for each monthly bill. Expenditure documents are generated and processed for each approved transactions. The interface provides an on-line table for supplying required accounting elements for each transaction
13. **FMS Regional Finance Center. The Financial Management Service (FMS),** a bureau of the Treasury Department, has Regional Finance Centers (RFCs) across the country to receive and disbursement requests and process EFT, paper check payments and FEDWIRE on behalf of Federal agencies. Each night, the Philadelphia RFC receives disbursement authorizations from LOCCS and HUDCAPS through a direct electronic interface. Treasury sends LOCCS and HUDCAPS' payments subsystem disbursement confirmation data upon manual request on bi-weekly basis.

## **B. Budget Execution Mixed Program/Business Activity Systems**

1. **Integrated Disbursement and Information System (IDIS).** IDIS supports the Office of Community Planning and Development's consolidated planning, disbursement, and reporting activities for the HOME, CDBG, ESG, and HOPWA entitlement grants. Funds for these programs are disbursed through LOCCS. Payment authorization data are passed between IDIS and LOCCS nightly through a direct electronic interface.
2. **HUD Procurement System, (HPS) and Small Purchase System (SPS).** HPS and SPS automate the Office of Procurement and Contract's contract procurement and acquisition process by recording, monitoring and reporting the status of all actions throughout the procurement lifecycle. Formal contracts over \$100,000 are tracked and recorded in HPS. Contracts less than

\$100,000 are tracked and recorded in SPS. These systems perform a real time interface with the HUDCAPS Budget Execution Subsystem to ensure availability of funds and to record commitments and obligations.

3. **Tenant Rental Assistance Certification System (TRACS).** TRACS creates contracts and maintains voucher request information for Project-based Section 8, Section 202, Section 811, Rent Supplemental, and Section 236 Rental Assistance programs. TRACS collects tenant data to verify eligibility for assistance and the accuracy of subsidy payments. TRACS sends voucher requests to LOCCS nightly through the TRACS-LOCCS feeder interface. LOCCS verifies funds availability with PAS before processing the disbursement and sends voucher receipt confirmations to TRACS.
4. **HUDCAPS Section 8 Subsystem (PIH Section 8).** The PIH Tenant-Based Section 8 subsystem is a program management information system that captures program and financial data related to the Housing Choice Voucher Program and the Moderate Rehabilitation Program. It captures financial information related to PHA budget estimates and year-end settlement statements. The Financial Management Center (FMC) uses the system to: record commitments and obligations; record approved budgets; establish payments schedules; and establish accounts receivable and accounts payable.

### C. HUDCAPS System Interfaces

1. **HUDCAPS to PAS.** The HUDCAPS to PAS Interface sends the HUD Sub-assignment level budgetary transactions to PAS for processing on a nightly basis. This includes the HUDCAPS Suballotment (SA) documents for programs still operating in PAS. In order to accommodate this processing model for HUDCAPS to PAS, one sort procedure, one filter program and one interface program is required.

The HUDCAPS to PAS Interface selects, on a daily basis, records from the HUDCAPS General Journal (GENJ) based on criteria defined in the interface design. This includes the SA documents for programs operating in PAS (i.e., non Section 8 and Administrative Funds). A sort procedure and filter program is used to further select data from the daily GENJ.

The interface generates the lowest level of the PAS budget (i.e. PAS TAC 082), which is the Sub-assignment record in PAS. One PAS TAC 082 record is generated for each HUDCAPS SA document present in the GENJ. Based on the Sub-assignment record sent from HUDCAPS, PAS builds the corresponding upper level transactions required for processing in PAS.

The HUDCAPS to PAS Interface Filter Table (HPFT) defines exclusion criteria required to determine which SA documents are to be selected from the GENJ. The Filter Table defines which SA document are not included in the Interface Input File.

In order to correctly map certain data elements from HUDCAPS SA documents to the PAS file of TAC 082 records, the HUDCAPS to PAS Interface must crosswalk, or map certain values. To accomplish the mapping of the accounting elements, the HUDCAPS to PAS interface employs the Accounting Distribution Crosswalk Table (ACXT). To map the PAS Region Office/Area Office codes from the HUDCAPS Organization and Program Code, a PAS Organization Table (PORX) is used.

2. **PAS to HUDCAPS.** The Program Accounting System (PAS) is used to perform spending transactions that are interfaced to the HUD's Central Accounting and Program System (HUDCAPS). After passing PAS system edits, these transactions are transmitted in the form of a PAS Input File to HUDCAPS.

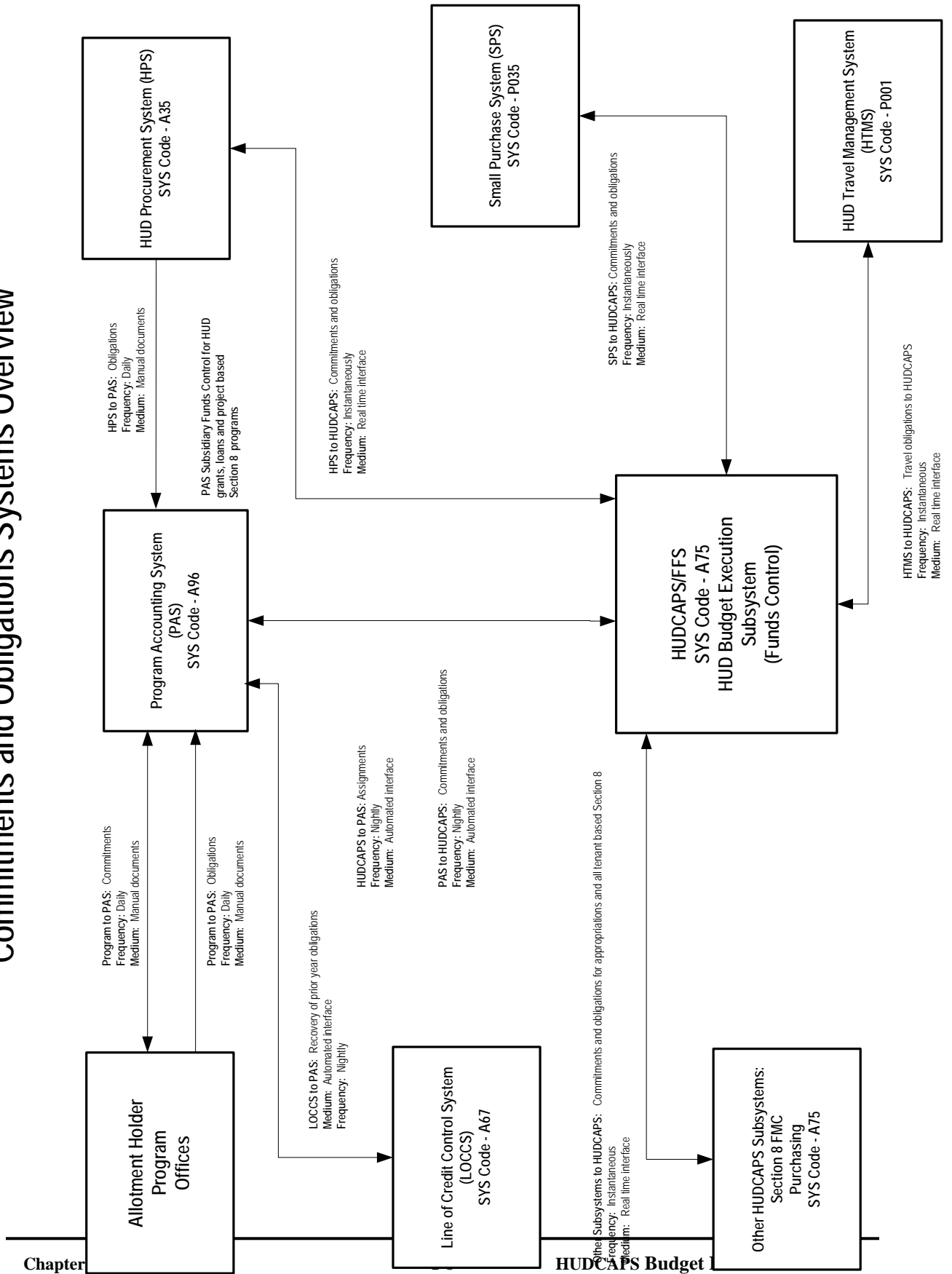
PAS sends a complete data extract file of daily PAS transactions in the PAS Input File. The PAS to HUDCAPS Interface runs on a daily basis, during the nightly cycle. The interface program determines what records from the data extract file is selected and processed in HUDCAPS. The PAS to HUDCAPS Interface reads the PAS Input File generated by PAS and creates HUDCAPS Standard Voucher (IP), (UD) and (IR) documents, Suballotment Documents (SA), and Budget Execution (B6, B5, and B4) documents. The documents generated by the PAS to HUDCAPS Interface are subsequently uploaded to HUDCAPS and included in the nightly cycle for processing. These interface-generated documents have unique transaction codes in order to be easily identified on the Suspense File (SUSF) and on inquiry tables in HUDCAPS. The HUDCAPS document Transaction Code and Transaction Type designates the posting model and accounting event. The documents are used to record PAS accounting activity including items such as spending, collections, revenue, recaptures and budgetary effects while post entries to the General Ledger in HUDCAPS.

The PAS to HUDCAPS Interface performs the Interface Process edits to verify that the PAS Input File contains all of the fields required for the interface to generate the HUDCAPS document and to ensure that the document is successfully loaded to the HUDCAPS Suspense File (SUSF) by the DOCLOAD program.

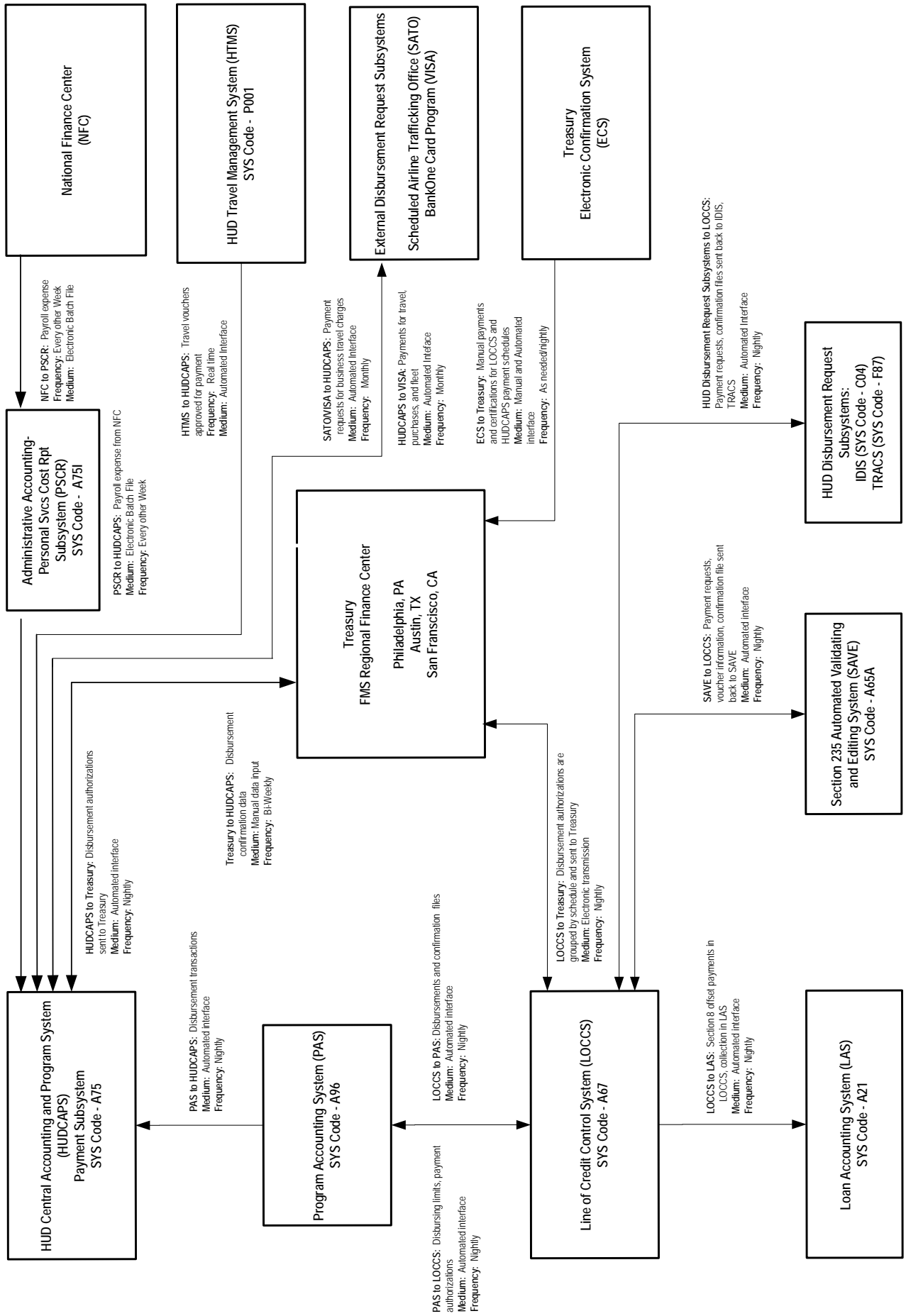
Once on the Suspense File (SUSF), the documents are included in HUDCAPS OFFCTL program for processing; the document processors then subject the documents to a final round of edits (*i.e.*, funds availability, accounting event consistency, accounting element validation, etc.). If the document fails any of the edits, the document does not update the HUDCAPS application tables or the HUDCAPS General Journal (GENJ). The document remains on SUSF until a HUD user corrects the error(s).

The diagrams on the following pages depict the systems overview of the Department's budget execution, commitment, obligation and disbursement processes.

# Commitments and Obligations Systems Overview



# Disbursement Systems Overview



1-7. **HANDBOOKS, MANUALS AND GUIDES** - In addition to the standards and procedures in this manual, the following reference documents support the HUDCAPS budget execution process.

- Administrative Control of Funds (ACF): Policies and Procedures Handbook and Appendices
- HUDCAPS Budget Execution Data Entry Guide
- Program Accounting System (PAS) Handbook, 1970.33-REV-2,
- Line of Credit Control System (LOCCS) User Guide
- Line of Credit Control System (LOCCS); Program Area Business Rule/Functions Document
- Treasury Financial Manual
- HUDCAPS Policy for Reconciling and Resolving PAS to HUDCAPS Transactions
- HUD Procurement System (HPS) and Small Purchases System (SPS), Office of the Chief Procurement Officer
- HUD Travel Management System Guide