U. S. Department of Housing and Urban Development

Capital Fund Guidebook Training

Obligations, Expenditures, and Closeout
**Presenters**

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AGENDA

- Obligations
- Expenditures
- Closeout
WHAT IS AN OBLIGATION?

A binding agreement for work or financing that will result in outlays, immediately or in the future.

All anticipated obligations must be approved in the 5-Year Action Plan.
When does Obligation Occur?

Generally obligation occurs when a contract has been signed and dated by both parties.

For Large item Procurement obligation occurs on the date of the purchase order.
WHEN DOES OBLIGATION OCCUR FOR...

General CFP Work
Obligation occurs when a contract has been executed.

BLI 1406 – Operations
Obligation occurs when the funds are drawn down and vouchered - the date of the voucher submission.

BLI 1408 – Management Improvements
Obligation occurs when the PHA signs a contract (or executes obligating documents) for eligible work items.

BLI 1410 – Administration
Obligation occurs when the PHA budgets the funds in an approved Annual Statement and 5-Year Action Plan.

BLI 1503, 1504, 1505 - RAD
CFP funds are obligated at CHAP closing.
When does Obligation Occur For...

**Force Account**
For a single work item, obligation occurs when the work is initiated. For a group of sequentially-related work items, obligation occurs when the first work item is initiated.

**CFFP**
CFP funds used to pay off debt service for CFFP are considered obligated at the release of the formula grant.

**Conventional Development**
Obligation occurs when the development contract is signed.

**Mixed Finance Development**
Obligation occurs at financing closing.

**Predevelopment**
When the PHA enters into a binding contract - such as for architectural and engineering services, demolition and abatement.
SUMMARY OF OBLIGATION REQUIREMENTS

- **90% of the grant within 2 years of the obligation start date**
  - Formula Grants
  - Disaster Grants
  - Lead Based Paint Grants
  - Housing-Related Hazards Grants

- **90% of the grant within 1 year of the obligation start date**
  - Emergency Grants
  - Safety and Security Grants

- **90% of the grant within 2 years of the date the PHA accumulates adequate funding (up to 5 years of grants)**
  - Replacement Housing Factor Grants
PHAs can only request an extension to the OED if they meet one of the criteria specified in the statute and regulations.

Requests should be submitted to the Director of OCI.

All requests must be received before the current OED.

There is no statutory authority to approve OED requests after the OED has passed, or expenditure end date extensions.
PHAs may request an extension to the OED of **up to 12 months** due to delays caused by:

- The Size of PHA
- The Complexity of capital program of the PHA
- Limitations on PHA ability to obligate in a timely manner as a result of State or local law
- Such other factors as the Secretary determines to be relevant
PHAs may request an extension to the OED of more than 12 months due to:

- Delays caused by litigation
- Delays that are a result of obtaining approvals of the Federal, State, or local government
- Compliance with environmental assessment or abatement requirements
- Relocating Residents
- An event beyond the control of the housing authority
- Any other reason established by the Secretary in a Federal Register Notice
What is an Expenditure?

- **PHA bills** that are due and payable

- **Disbursement** - the act of distributing Capital Funds from HUD accounting (LOCCS) to the PHA’s bank to pay the bills that are due.

- **Expenditure End Date (EED)** - the final date a PHA may expend (pay out) funds drawn from LOCCS for Capital Fund-related expenses.

*Generally statute requires 100% within four years of date that funds are made available, or obligation start date.*
**SUMMARY OF EXPENDITURE REQUIREMENTS**

100% of the grant within **4 years** of the obligation start date
- Formula Grants
- Disaster Grants
- Lead Based Paint Grants
- Housing-Related Hazards Grants

100% of the grant within **2 years** of the obligation start date
- Emergency Grants
- Safety and Security Grants

90% of the grant within **4 years** of the date the PHA accumulates adequate funding (up to 5 years of grants)
- Replacement Housing Factor Grants
EXPENDITURE REQUIREMENTS FOR RAD CONVERSION

If HUD has approved extension of OED to 60 months (5 years) after effective date of applicable CF ACC Amendment, EED is extended the same.

PHAs cannot request an extension to the expenditure end date after the OED has passed.

The EED is always 2 years after the OED (except for Emergency grants).
ARE EXPENDITURES AND DISBURSEMENTS THE SAME THING?

- **Disbursements**
  - Disbursements, are automatically determined by LOCCS.
  - Used by HUD to track EED compliance.
  - When PHAs voucher Capital Funds, these funds are considered disbursed.

- **Expenditures**
  - Expenditures are PHA self-reported.
  - Not used to track EED compliance.
  - When a PHAs pays a contractor or vendor bill using funds withdrawn (e.g., disbursed) from LOCCS.
  - PHAs required to report expenditures monthly in LOCCS, for each open Capital Fund grant until FO enters a “pre-audit date” in LOCCS.
PHA REPORTING

Report monthly on the obligation and expenditure of each Capital Fund grant until in Pre-Audit Status in LOCCS.

LOCCS will suspend drawdowns for all open Capital Fund grants if reporting does not occur.

PHAs must report on OED, even if at 90% Obligation or more in prior reporting period.
FISCAL CLOSEOUT SUBMISSIONS

PHA submits to HUD

- P&E Report (if applicable)
- Cost Certificates
  - Actual Development Cost Certificate (ADCC) (HUD Form HUD-52427) – for development projects
  - Actual Modernization Cost Certificate (AMCC) (HUD Form 53001) – for modernization projects
- Audit (if applicable)
HUD will withhold PHA's next Capital Fund grant until the PHA obligates at least 90% of its past due grant.

When the PHA cures the non-compliance, HUD (HQ OCI) will release the Capital Fund Grant that has been withheld, less any penalty.

- Reduction of the new Capital Fund Grant by 1/12 for every month or portion of the month that the PHA was in non-compliance with the OED requirements of the previous grant.

  \[ \text{CFF/12} \times \text{# of months of non-compliance} = \text{penalty} \]

- Penalty is not imposed on the noncompliant grant; it is applied to the suspended grant.
Funds that are not expended by the expenditure end date (24 months after the OED) will be **recaptured**.

The CFP grant is reduced to the amount that was expended on the EED.

Note: **Obligation of those funds is not sufficient to meet this expenditure requirement.**
For questions or concerns send an email to

PIHOCl@hud.gov

For more information on the Obligations, Expenditures and Closeout see Chapter 7 of the Capital Fund Guidebook:

https://www.hud.gov/sites/documents/CAPITALFUNDGUIDEBOOKFINAL.PDF