

**U. S. DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT**

**CAPITAL FUND GUIDEBOOK TRAINING**

**OBLIGATIONS, EXPENDITURES AND CLOSEOUT  
(CHAPTER 7)**

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**PRESENTERS**

- Leandria Campbell, Housing Capital Improvement Specialist, Office of Capital Improvements 
- Tom Shelton, Housing Capital Improvement Specialist, Office of Capital Improvements 
- Donica Davis, Housing Capital Improvement Specialist, Office of Capital Improvements 



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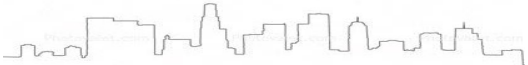
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**CHAPTER 7: TOPICS**

- **Obligations**
  - Overview
  - Types of Obligations
  - Extensions/Deadlines
  - Monitoring and Penalties
  - Deobligation and Reobligation
- **Expenditures**
  - Overview and Requirements
  - Expenditures vs. Disbursements
  - Drawdown Process
  - Reporting and Penalties
- **Closeout**
  - Submissions and Documentation



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OBLIGATIONS

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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



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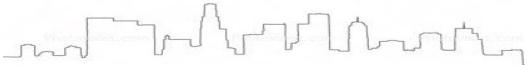
WHEN DOES OBLIGATION OCCUR?



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



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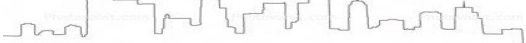
### WHEN DOES OBLIGATION OCCUR FOR BLI 1406 OPERATIONS?



**Obligation occurs when the funds are drawn down and vouchered**

*Funds budgeted in BLI 1406 and never drawn down are not obligated for Capital Fund purposes.*

*The Date of the Voucher submission is the date of obligation.*



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### WHEN DOES OBLIGATION OCCUR FOR MANAGEMENT IMPROVEMENTS (BLI 1408)

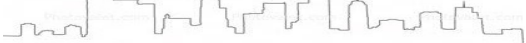


**Management Improvements (BLI 1408)**

When the PHA has obligating documents, such as an executed contract, for the applicable work items

**Example 1** For training for PHA personnel in accounting systems, an acceptable obligating document would be the contract for a third party to conduct the training.

**Example 2** For an activity conducted by PHA staff intended to foster equal opportunity, the acceptable obligating document would be the PHA's plan for the activity that identifies the tasks to be performed, the PHA personnel performing the tasks, the amount of time for each staff member and a budget accounting for the costs (personnel and materials). In this instance, the obligation occurs **on the date the PHA personnel initiates the first task associated with the work item.**



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### WHEN DOES OBLIGATION OCCUR FOR ADMIN?

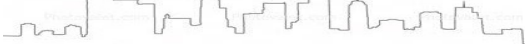


**Administrative Costs (BLI 1410)**

**&**

**Capital Fund Program Fee**  
(admin cost for Asset Management PHAs)

When HUD approves the PHA's 5-Year Action Plan that includes admin or CFP Fee in the budget.



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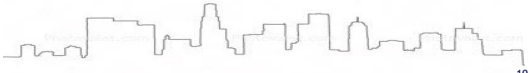
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### LETS DISCUSS: WHICH OF THE FOLLOWING ARE OBLIGATIONS?

- > A PHA places a purchase order for stoves.
- > A development agreement is signed.
- > A PHA budgets funds to BLI 1406 Operations.
- > A PHA budgets funds to BLI 1410 Administration.
- > A development contract is signed.



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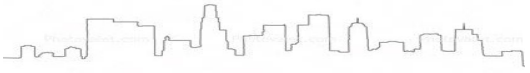

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### QUESTIONS



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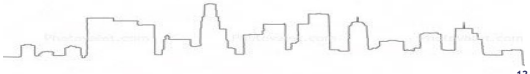

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### WHEN DOES OBLIGATION OCCUR UNDER THE CFFP?

- > When the PHA borrows the proceeds and executes the loan or bond documents that obligate the PHA to repay these proceeds.
  - PHA should report the amount in each Capital Fund grant that is targeted for debt service as obligated in LOCCS.



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## FORCE ACCOUNT LABOR




Labor employed directly by PHA (permanent or temporary) to do capital improvements on a PHA property funded by the CF.

PHA uses employees, pursuant to its personnel policy, versus a contractor

PHA may use force account labor -- **IF** included in the approved PHA 5-Year Action Plan in EPIC



Must be cost effective and suitable for the PHA.



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## WHEN DOES OBLIGATION OCCUR FOR FORCE ACCOUNT LABOR?



**Force Account Labor Single task:**

When the specific task is started and includes materials and equipment included with that task if purchased at the same time

**Force Account Labor Multiple, but related tasks:**

When the first task is started, but only where funds continue to be expended at a reasonable rate

There must be a nexus between the activities such that the completion of one leads to the beginning of the next

**Force Account Labor Multiple, but unrelated tasks:**

When each separate task is started and materials; equipment must follow the same process

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## WHEN DOES OBLIGATION OCCUR FOR PRE-DEVELOPMENT COSTS?



- When the PHA enters into a binding contract - such as for architectural and engineering services and , demolition, abatement.
- For conventional development - up to 5 percent of Capital Funds TDC (total development cost) can be obligated for pre-development costs without HUD approval.
- For mixed finance development - Capital Funds may not be obligated for pre-development costs without HUD approval.

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### SUMMARY OF OBLIGATION REQUIREMENTS

**90% of the grant within 2 years of the obligation start date**

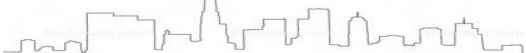
- Formula Grants
- Disaster Grants
- Lead Based Paint Grants
- Housing-Related Hazards Grants

**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



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### EXTENSIONS OF THE OBLIGATION END DATE (OED)

**PHAs can only request an extension to the OED if they meet one of the criteria specified in the statute and regulations**

Accepted requests are generally those that are beyond the control of the PHA such as natural disasters, etc.

**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.



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### EXTENSION REQUEST SCENARIOS

**Q:** The Comptroller at our PHA was the only person with LOCCS access. She left a month ago and we haven't been able to secure LOCCS access for someone else on staff. Can we have more time to obligate our Capital Funds?

**Q:** Our Executive Director (ED) left 6 months ago and we have been operating without an ED and it has set all of our operations back several months because we just don't have the staff to do it all. Can we have more time to obligate our Capital Funds?



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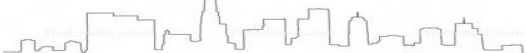
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### OED EXTENSION UP TO 12 MONTHS

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



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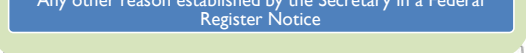
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### OED EXTENSION MORE THAN 12 MONTHS

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



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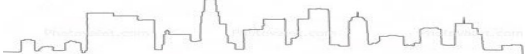
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### REQUEST FOR EXTENSION TO OED

Submit A letter to the Director of OCI that includes:

- PHA Name
- PHA Code
- Grant #
- Grant Amount
- Current % Obligated
- Current OED
- Requested OED
- Statutory Justification



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### PHA OBLIGATION REPORTING

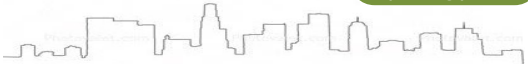


Report monthly on the obligation and expenditure of each open Capital Fund grant in LOCCS



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



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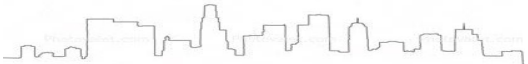


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### QUESTIONS



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### HUD MONITORING



HQ Role	FO Role
<ul style="list-style-type: none"><li>• Make reports available to FO at intervals of 90, 60 and 30 days prior to the OED.</li><li>• Includes grants:<ul style="list-style-type: none"><li>• Under the 90% obligation;</li><li>• Failed to report obligations in LOCCS;</li><li>• Undisbursed funds in BLI 1406.</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Monitoring obligation of grant funds against LOCCS deadlines.</li><li>• Communicate with PHAs to confirm data is correct, to predict likelihood of meeting 90% obligation by the OED.</li><li>• Work with PHAs to meet OED.</li></ul>



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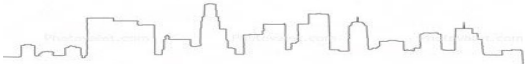
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## HUD MONITORING – OED COMPLIANCE

- HUD may request and/or review some or all PHA documentation supporting the obligation.
- The 1937 Act requires that all subsequent Capital Fund grants be withheld from a PHA if the OED is not met.
  - 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 (1/12 for every month PHA was non-compliant.)



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## EXAMPLE: PENALTY APPLICATION

### Example #1

The A PHA failed to obligate at least 90% of a FY2018 Capital Fund formula grant by the OED of June 30, 2020

### What Happens?

1. Continue to obligate this noncompliant grant until it can demonstrate a 90% obligation.
2. It achieved the 90% obligation on October 30, 2020 - 3 months and 2 days after the OED.
3. HUD penalizes PHA for 4 months worth of grant on next year's (FY2021) Capital Fund formula grant.



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## EXAMPLE: PENALTY APPLICATION

### Penalty Calculation and Implementation

- FY2021 formula grant is \$140,000.  
 $\$140,000/12 = \$11,667$   
 $\$11,667 \times 4 \text{ months} = \$46,668$   
 $\$140,000 - \$46,668 = \$93,332$  new FY2021 grant amount
- (Authorized Amount of new grant)-[(Authorized Amount of new grant/12)\*(penalty months)]=Reduced Grant amount
- HUD executes new FY 2021 ACC Amendment and recaptures \$46,668 penalty.
- HUD notifies REAC and PHA FY2021 PHAS is reduced  
**Maximum penalty is 12/12 or 100% of next year's Capital Fund grant.**



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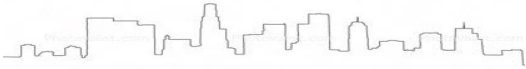
### HUD MONITORING: DEOBLIGATION AND REOBLIGATION

PHA may deobligate and then reobligate funds without penalty if a legitimate obligation of Capital Funds must subsequently be "undone" due to a voided contract.

PHA should contact FO to explain

If FO accepts, PHA reports the deobligation and FO includes a Project Note in LOCCS.

**NOTE:** If the expenditure end date has passed, grant cannot be reobligated and funds must be recaptured.



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### DEOBLIGATION AND REOBLIGATION EXAMPLE

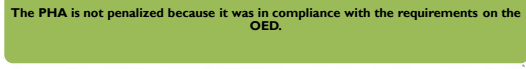
Anytown PHA has an obligation end date of 8/3/2012. It has obligated 80% of its grant already and signs contracts with architects and engineers to develop new units at an identified site. On 7/15/2012, this contract accounts for 15% of the Capital Fund grant. As of 7/15/2012, the PHA is 95% obligated and in compliance with 9(j) requirements.

↓

On 9/1/2012, an environmental review indicates that the site cannot be approved for development. The contract is no longer valid, and the PHA must deobligate 15% of its grant. Although the PHA was 95% obligated on the obligation end date, as of 9/1/2012, the PHA's grant is only 80% obligated.

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The PHA is not penalized because it was in compliance with the requirements on the OED.



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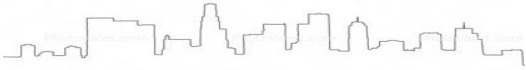
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### KNOWLEDGE CHECK: QUESTION #1

If two parties sign a contract for an obligation at separate times, the obligation occurs at the first signature?

True or False?



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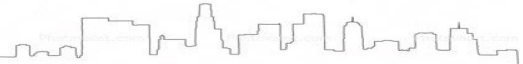


KNOWLEDGE CHECK: QUESTION #2



For Force Account work, 100% obligation occurs when the work begins.

True and False?



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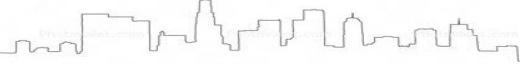


KNOWLEDGE CHECK: QUESTION #3



Does the PHA need to report on the OED if it reports that it has obligated 100% of the grant 4 months prior to the OED?

True or False?



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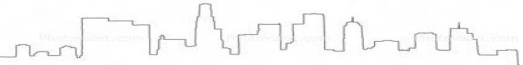
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QUESTIONS







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EXPENDITURES

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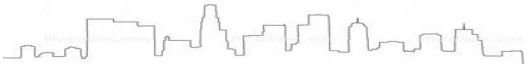
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WHAT IS AN EXPENDITURE?

- 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.



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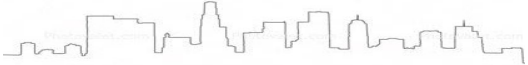


DISBURSEMENT EXAMPLE

Per U.S. Department of Treasury rules no federal funds – such as Capital Funds – may be disbursed from LOCCS more than 3 business days prior to the bill being due and payable.

**Example:** PHA receives a bill from XYZ Contracting. Draw the CF down from LOCCS on Day 1, the CFs reach the PHA bank account on Day 3, then PHA may write check to XYZ Contracting.

**Reimbursement is never permitted.** Therefore, the PHA cannot write a check to XYZ Contracting on Day 1 and then draw down CF from LOCCs and receive the funds in PHA bank account on Day 3, because this is reimbursement.



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### SUMMARY OF EXPENDITURE REQUIREMENTS

100% of the grant within **4 years** of the obligation start date

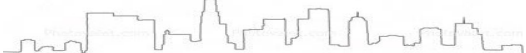
- Formula Grants
- Disaster Grants
- Lead Based Paint Grants
- Housing-Related Hazards Grants

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



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### EXPENDITURE REQUIREMENTS FOR RAD CONVERSION

- An approved CHAP does not constitute an obligation.
- An approved CHAP makes a PHA eligible for an OED extension of up to 5 years.
- If a PHA receives an OED extension, the disbursement end date is two years after the new obligation end date.
- Funds not expended by the EED date will be recaptured.



Public Housing Authority  
RAD  
PRA  
PDV



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### CONSEQUENCES OF NONCOMPLIANCE WITH EED – PENALTIES

- Failure to expend all funds in a Capital Fund grant from LOCCS by the EED will result in recapture of all unexpended funds by HUD.

**Note: Obligation of those funds is not sufficient to meet this expenditure requirement.**



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### ARE EXPENDITURES AND DISBURSEMENTS THE SAME THING?

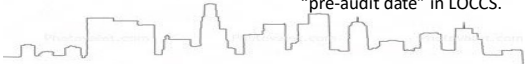
#### Disbursements

- 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.
- When PHA pays a contractor/ vendor bill using funds 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.



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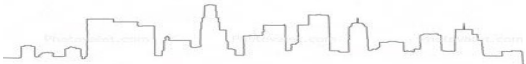
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### QUESTIONS





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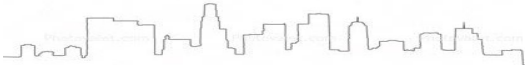


### EXPENDITURES/VOUCHER REQUIREMENTS

- PHA vouchers are automatically paid unless the FO or HQ establishes a threshold or sets on auto review in LOCCS.
- Expenditures reported should not exceed LOCCS disbursements.



Expenditures exceeding disbursements may be a red flag.



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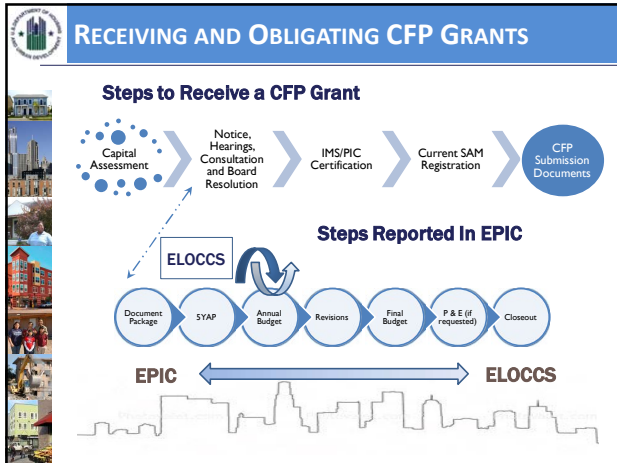
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**DISBURSEMENT PROCESS - ADMINISTRATION**

- BLI 1410 is Administration and is limited to no more than 10% of the grant.
- Disbursement can be done all at once, but if so it must be expended within 3 days and must be for immediate costs such as salary or already expended costs or the CFP Fee (for Asset Management PHAs).

OR

- Disbursement can be done on a monthly basis, likewise it must be expended within 3 days, and for salary or already expended costs or the CFP Fee.

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**DISBURSEMENT PROCESS - OPERATIONS**

- BLI 1406 is Operations and is limited to 20% for PHAs with more than 250 units and up to 100% for those of 250 or less
- For transfers to Operations, the funds must be drawn down by LOCCS **vouchers to be considered obligated.**
- Voucher date in LOCCS is the date of obligation and expenditure.
- Funds budgeted for Operations but never drawn down are not obligated or expended.

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**NOTE:** Video and slides may differ slightly ,however the HUD guidance is consistent and these are the most current version of the slides.



### PHA EXPENDITURE REPORTING

- Report monthly obligations and expenditures of each open Capital Fund grant in LOCCS
  - Draw-downs are automatically suspended if PHA does not report.
- Monthly obligation/expenditure reporting required until grant is in "Pre-Audit" status in LOCCS.
  - Occurs after PHA is beyond obligation end date and submits closeout documents.
- Ensure Capital Fund expenditures do not exceed LOCCS disbursements.
  - Imbalance may be indication PHA has paid Capital Fund expenses from another restricted PHA account, which is prohibited.**



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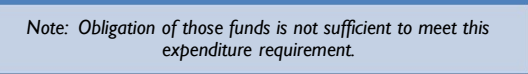
### CONSEQUENCES OF NONCOMPLIANCE WITH EED – PENALTIES

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.*



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### KNOWLEDGE CHECK: QUESTION #4

**A grant Obligation End Date (OED)/Disbursement End Date (DED) can be extended after the obligation end date for the grant is reached?**

**True or False?**



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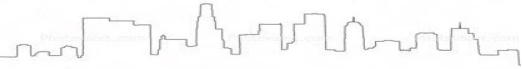


KNOWLEDGE CHECK: QUESTION #5



Will HUD recapture funds if a PHA does not expend 100% of its grant by the Expenditure End Date?

True or False?



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CLOSEOUT

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CLOSE-OUT REGULATIONS



➤ **OMB Regulation - 2 CFR 200.344**

- Requires grantees to submit closeout paperwork to HUD within 120 days.
- Require grant closeout 1 year after POP end date.
- HUD must report non-complaint grantees to FAPIIS.

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**NOTE:** Video and slides may differ slightly ,however the HUD guidance is consistent and these are the most current version of the slides.

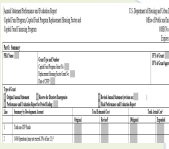



## INITIAL CLOSEOUT SUBMISSIONS



PHA submits to Field Office

- Final Budget in EPIC
- Performance & Evaluation Report (P&E Report if requested)
- Actual Development Cost Certificate (ADCC) (HUD Form HUD-52427) – for development projects
- Actual Modernization Cost Certificate (AMCC) (HUD Form 53001) – for modernization projects

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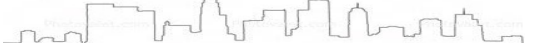


## FIELD OFFICE REVIEW OF COST CERTIFICATE



- Are the new or existing deficiency items resolved?
- Amounts on final Budget and/or P&E Report and Cost Certificate agree?
- Cost Certificate and LOCCS agree?
  - If Yes – FO enters pre-audit date in LOCCS (cannot precede OED).
  - Grant considered closed and monthly reports no longer required.

**Note: PHAs shall not pay invoices from other sources, and later reimburse that source from the Capital Fund.**



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## PENALTY FOR FAILURE TO SUBMIT COST CERTIFICATE AND FINAL BUDGET



If the PHA does not submit Cost Certificate and final Budget and/or P&E Report timely, HUD may impose restrictions on open Capital Fund Grants until submitted such as:

- Establish review thresholds,
- Set grant to “auto-review” (Field Office full review of all voucher requests),
- Suspend grants

HUD will notify PHA prior to imposing restrictions



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### REVIEW & APPROVAL OF COST CERTIFICATE AND AUDIT

PHAs not subject to annual audit

- HUD will review and approve the Cost Certificate

PHAs subject to audit

- HUD will review audit to verify costs agree with Cost Certificate
- If audited Cost Certificate shows excess funds, PHA will remit excess funds
- If the audited Cost Certificate shows unauthorized expenditures, PHA will take actions per Field Office
- Once audited costs are reconciled by FO, grant is approved for closeout and PHA is sent a closeout letter

Ft. Worth CFO enters post-audit end date in LOCCS – grant closed

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### AUDIT PROCEDURES

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graph LR
    A[FO notifies PHA CC& Budget ready for audit] --> B[PHA submits copy of CC& Budget to independent auditor]
    B --> C[Independent public auditor conducts audit]
    C --> D[PHA submits annual audit to HUD 9 mos. from start of next FY]
    D --> E{Audit Findings?}
    E -- Yes --> F[PHA submits CAP to FO]
    E -- No --> G[HUD finalizes close-out]
    
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*Some PHAs do not expend sufficient federal funds to be subject to the audit requirements in 2 CFR Part 200, Subpart F.*

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### FIELD OFFICE DOCUMENT RETENTION

Close-out Documents are retained per:

- 2 CFR Part 200 (see e.g., 200.333 - .337)
- Field Office's record management plan
- HUD Handbook 2225.6
- Records Disposition Schedules
- HUD Handbook 2228.2, General Records Schedules

LOCCS forms and banking forms are secured and kept according to 2 CFR Part 200.

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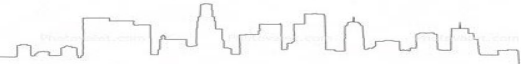
**NOTE:** Video and slides may differ slightly ,however the HUD guidance is consistent and these are the most current version of the slides.

**KNOWLEDGE CHECK: QUESTION #6**



**When a PHA expends 100% of a Capital Fund grant, it has no other submission requirements.**

**True or False?**



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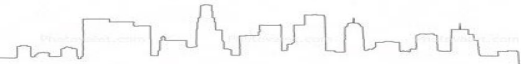
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**KNOWLEDGE CHECK: QUESTION #7**



**PHAs must submit close-out documents within 120 days following the EED and complete grant close-out within a year of EED.**

**True or False?**



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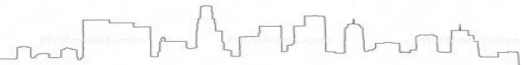
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**KNOWLEDGE CHECK: QUESTION #8**



**PHAs cannot pay bills from the Operating Fund or other sources and reimburse itself later from the Capital Fund.**

**True or False?**



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QUESTIONS

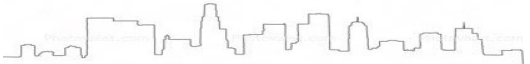


For questions send an email to

[PIHOCI@hud.gov](mailto:PIHOCI@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/CAPITALFUNDGUIDEB  
OOKFINAL.PDF](https://www.hud.gov/sites/documents/CAPITALFUNDGUIDEBOOKFINAL.PDF)



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