CHAPTER 5. GRANT PAYMENT PROCEDURES

5-1 OBJECTIVE. The objective of this chapter is to describe the grant payment procedures for FONAPs to use with LOCCS-HOMI in administering executed Indian HOME Program grant agreements.

5-2 GENERAL INFORMATION. LOCCS-VRS is a quick response payment process to meet the need by the grantee to make a draw down of funds for eligible costs. After the draw down request is received by the LOCCS computer, the information is transferred to the Department of the Treasury in Washington, D.C. Treasury then transmits the request by surface carrier to a Federal Reserve Bank in Richmond, VA. The FRB electronically transfers funds from a Federal Reserve account to the grantee depository. Once the transfer takes place, funds are available for the grantee to write checks on their depository account (usually within two working days). Detailed instructions are contained in the LOCCS-VRS User Guide on the use of this system.

5-3 LOCCS-VRS INITIALIZATION.

A.   Local HUD FONAPs must both assign staff and complete required forms to prepare for administration of awarded grants utilizing LOCCS-HOMI. Appropriate staff must be assigned to access LOCCS-HOMI for FONAP monitoring of the grants by the FONAP Office of the Indian HOME Director. The Access Authorization Security Form, HUD-27054-A, must be completed for the specific staff assigned these responsibilities. The assigned staff and the authorizing official must also complete the SF-85P, Background Investigation Form, as prescribed in the HUD-27054-A instructions. Two staff should have the same access to avoid lack of coverage due to leave, travel, etc. Staff having responsibilities for more than one program area should request access authorization for each program area assigned to them at the same time. The forms are to be forwarded in accordance with form instructions.

      NOTE: Assigned staff (and grantees) will have their access authorization expire if access to LOCCS is not made for a period of 6 months. To preclude this, all authorized staff should perform some access/query function periodically as long as they have assigned responsibilities that involve LOCCS access.

B.   Once the RAD has received a copy of the executed grant agreement, it will use the executed grant agreement as the basis for recording the obligation and contracting of funds. The effective date of the obligation will be the date the grant agreement is executed (signed) by the FONAP Administrator (who is the Grant Officer). RAD must enter data from the executed grant agreements into the Project Accounting System (PAS) and link projects to LOCCS.

C.   A LOCCS-HOMI conversion will occur February 2, 1994. LOCCS-HOMI will be converted to a Budget Line Item (BLI) system. The FY 92 grants will all be installed on the BLI system as part of the conversion. Grantees will continue to

make draws using LOCCS-VRS, but should use the new certification voucher Form HUD-50080-HOMI.

D. After the grant agreement information appears in LOCCS, assigned staff will spread the grant funds by budget line item. For the Indian HOME Program, there are only two line items, administrative (which is account no. 1000) and non-administrative (which is account no. 2000). If the grantee has requested a break-out for administrative as a condition in the grant agreement, that amount should be entered as administrative. The balance of the grant should be entered as non-administrative.

E. LOCCS will generate a letter to the grantee advising of their ten digit VRS Project Number once the FONAP enters the budget line items into the system.

F. Assigned staff should query LOCCS as often as necessary to ensure data is correct and permits grantees to make draw downs. For any workload, use LOCCS Screen Q40. For any items requiring budget line item data entry, use LOCCS Screen F01. This is essential in order to have LOCCS-HOMI data current and permit grantees to make draw downs shortly after a grant agreement or amendment is executed. Data entry is based on the executed grant agreement once RAD has entered the new grant agreement data into PAS. Please refer to the LOCCS User Guide for detailed instructions.

5-4 LOCCS-HOMI EDITS. LOCCS-HOMI will automatically perform a series of review edits (both generic and program specific) of each payment request. Failure of one of the generic edits will prevent the request from being accepted by LOCCS. Failure of one of the program edits will cause the payment request to be referred to the local FONAP for review. The grantee should immediately contact its FONAP when the LOCCS-VRS computer activated voice states that there is a question regarding the request and that the request has been referred to the local FONAP for review. Program specific edits may include:

A. The local HUD FONAP is required to review drawdowns in excess of 10% of the total grant amount during a one month period. No further drawdowns will be allowed until the review is complete and the drawdown approved.

B. Edit to disallow drawdowns in excess of 100% of budget categories.

C. LOCCS-VRS will not accept a request for funds if required reports from grantees are overdue (or until the local HUD FONAP confirms the receipt of the reports in LOCCS).

D. The local HUD FONAP may request the HUD FONAP Administrator to stop payments to a specific grantee. A formal suspension can only be issued by the HUD FONAP Administrator (the Grant Officer), in writing, in accordance with Section 5-6B, below.

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E.   The local HUD FONAP has the ability to require review of every
      request for payment for a particular grantee; and

F.   Edit to require FONAP review of every voucher after 90% of
      total grant funds have been drawn.

5-5   REPORTS. LOCCS provides management and assigned staff with bimonthly
reports summarized at Field Office and Headquarters levels showing
cumulative information to date. FONAPs may obtain copies from their
distribution center.

5-6   FONAP REVIEW AND ACTION.

A.   REVIEW. FONAPs have responsibilities to be performed by assigned
      staff for review of program edits under LOCCS-HOMI. Assigned
      staff should query LOCCS as often as necessary to ensure data is
      correct and permits grantees to make drawdowns. Assigned staff
      should query LOCCS-HOMI (usually at the same time as the query
      for workload) to determine if there are any LOCCS Vouchers Out
      for Review, using LOCCS Screen Q10. Review should include an
      examination of the budget, the project development schedule,
      and LOCCS reports. See the "LOCCS PIH Desk Reference Guide"
      for more detail.

B.   ACTION. The following actions are available in LOCCS-HOMI after
      the assigned staff reviews the grantee's request for funds and
      determines there is a problem which needs to be addressed:

      1.   LOCCS may be used to suspend payments to a specific grantee
            using LOCCS Screen M01 in accordance with sec. 92.651.

      2.   Payments may be resumed only after required corrective
            actions have been taken by the grantee.

C.   LOCCS-HOMI has the ability to require review of every request for
      payment for a particular grantee using LOCCS Screen M09. Such
      action would be appropriate when a grantee is on some type of
      probation for a period of time imposed by the FONAP, e.g., while
      new procedures are being developed and implemented by a grantee
      to resolve deficiencies found during an on-site review or audit.
      In this way, the FONAP has the opportunity to obtain verification
      (written or verbal) from the grantee that satisfactory progress
      is being made toward resolving deficiencies, without unduly
      impeding the scheduled project activities.

D.   LOCCS-HOMI has the ability to refuse a request for funds if
      required semiannual reports from grantees are overdue (or until
      the FONAP confirms receipt of the reports in LOCCS). As grantee
      semiannual reports are received, acknowledgement of receipt must
      be made using LOCCS Screen M10 (also see Chapter 6, Grantee
      Reporting Requirements).

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E.   LIMITATIONS. HUD cannot stop payment except in accordance with
     the requirements and procedures in the regulations at
     sec. 92.642, sec. 92.650, and sec. 92.651.

5-7 MINIMUM/MAXIMUM DRAWDOWN. There is no minimum draw down
requirement. A grantee should draw down that amount of cash,
necessary to meet its immediate needs--no more, no less. The amount
of draw down should not be more than needed to meet the immediate
disbursement requirements of the grantee. Indian HOME funds drawn
down from the United States Treasury account must be expended for
eligible costs within 3 days.

5-8 SEGREGATION OF INCOMPATIBLE DUTIES. Steps must be taken by FONAP
management to assure that the person approving the payment/rejection
of a request for funds (generally the person with the most knowledge
about the program and the particular grantee) or the use of more
stringent controls (e.g., automatic review of a particular grant)
is not the same as the person who actually releases the edit or places
the additional restrictions.

5-9 DOCUMENTATION. Documentation must be kept on decisions to approve or
reject payments, including the name of the approving official. Also,
proper documentation must be kept on the steps taken and conclusions
reached after reviewing the grantee's annual reports. The Office of
the Comptroller may perform audits of this documentation.