
CHAPTER 4. Reservation and Obligation of Funds

4-1 OBJECTIVE. The objective of this chapter is to describe the financial procedures to be followed in order to make funds available to the applicants selected for funding through a grant agreement executed by HUD and the applicant.

4-2 HEADQUARTERS FUND ASSIGNMENT. The regional fund assignments of the applications selected for funding and the approved grant amounts are prepared by PIH Budget Division and sent to Headquarters Office of Finance and Accounting (OFA) for validation of fund availability. The Assistant Secretary for PIH then executes form HUD-185 and transmits the HUD-185s to the Regional Offices.

4-3 REGIONAL FUND SUBASSIGNMENT. Once Regional Offices have received the Headquarters fund assignment, they then prepare form HUD-185.1 subassigning grant funds to each local HUD Office in their jurisdiction for the applicants selected for funding. Once the HUD-185.1s have been prepared, they are forwarded to the RAD.

4-4 RAD VERIFIES FUND AVAILABILITY. The RAD validates that sufficient funds are available and then returns the HUD 185.1s to the Regional program office. The Regional Administrator executes the HUD-185.1s. A signed copy of the HUD-185.1s is provided to the RAD.

4-5 RAD COMPLETES FUND RESERVATION. The RAD records the reservation of funds into the Program Accounting System (PAS) based on the signed copy of the award letter.

4-6 PROJECT/GRANT AGREEMENT NUMBERS. The data module automatically generates project numbers for all applications entered into the data module. These project numbers are used to identify the applications selected for funding and the same numbers are later used as the grant agreement number. The project numbers contain 14 characters (e.g., GA06YSP0140193, no hyphens) example:

State/Field Office/Code/HA/Sequence Number/Year
GA 06 *YSP 014 01 93

- * YSP: Youth Sports Program
- DEP: Drug Elimination Program
- RMM: Resident Management Mini Grant
- RMB: Resident Management Basic Grant
- RMA: Resident Management Additional Funding Grant

HM1: HOPE 1 Mini Planning Grant
HP1: HOPE 1 Full Planning Grant
HI1: HOPE 1 Implementation Grant

4-7 GRANT AGREEMENT PREPARATION

- A. The local HUD Offices must maintain a supply of the following forms/documents to be distributed to each grantee as needed (see sample copies in Appendix 2). Local HUD Office Administrative Officers should be made aware of this requirement. They include:
1. LOCCS Voice Response Access Authorization -- form HUD-27054 and instructions (for use by grantees);
 2. Direct Deposit Sign-Up form -- form SF-1199A and instructions;
 3. Payment Voucher -- form HUD-50080-XXX; The HUD-50080 form program suffix codes are:
 - a. YSP: Youth Sports Program;
 - b. DRUG: Drug Elimination Program;
 - c. RMTA: Resident Management Technical Assistance;
 - d. HOP1-a: HOPE 1 Planning Grants; and
 - e. HOP1-b: HOPE 1 Implementation Grants.
 4. Financial Status Report -- form SF-269A and instructions;
 5. LOCCS-VRS Change of Address -- form HUD-27056 and instructions; and
 6. LOCCS User Guide.
- NOTE: The LOCCS User Guide has a Part I for recipients/grantees, which must be separately provided to grantees, and Parts II and III are for HUD staff. Part II is on system operation and Part III is on security procedures and access authorization. Also, the local HUD Offices must advise grantees on the availability of the LOCCS -VRS video tape distributed by Headquarters for loan to grantees.
- B. The local HUD Offices are responsible for preparing and executing grant agreements with the applicants selected for funding. They must impose special conditions on some prospective grantees, where appropriate, through the grant agreement based on the results of the review of the application.

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- C. If applications have had the requested grant amount reduced by HUD during the application review process or contain items that require clarification, e.g., to determine eligibility or reasonableness of costs, the local HUD Offices discusses these items and works with the applicant to define changes needed based on the approved grant amount, clarify any language or resolve any issues prior to HUD execution of the grant agreement. The local HUD Office specifies what the applicant must do, e.g., submit a revised plan, budget, and/or schedule or provide clarification to resolve eligibility or reasonableness of costs.
- D. In the event that discussions between the applicant and the local HUD Office identify any changes needed as a result of clarifications on eligibility or reasonableness of costs, an adjustment to the work plan/budget that reallocates the questioned expenditures to other activities that are eligible and reasonable is permissible (with no change to the grant award amount). With local HUD Office approval of any changes or clarifications by the grantee, a grant agreement shall then be executed on that basis.
- E. The local HUD Offices shall prepare a grant agreement package for each grantee. A grant agreement package consists of three complete copies of a completed HUD-1044 and the program grant agreement (as provided by Headquarters with any certifications, assurances, and subgrant agreements with co-applicants as applicable). The local HUD Offices shall complete (but not sign) a HUD-1044 cover sheet for each grant agreement following the HUD-1044 instructions. Attach the HUD-1044 cover sheet to the program grant. The two documents together constitute a complete grant agreement.
- F. The local HUD Offices shall include a LOCCS-VRS Security Authorization Form, HUD-27054 and instructions and a Direct Deposit Sign-Up Standard Form 1199A and instructions with the package.
- G. Local HUD Offices shall transmit to each grantee the grant agreement package with a cover letter. The cover letter should request that the prospective grantee complete blocks 10 and 19 of form HUD-1044 if this information is not clear from the application or in post-award discussions. For grantees not currently a LOCCS-VRS user, require the grantee to furnish a copy of the source document/form from the Internal Revenue Service (IRS) establishing their Taxpayer Identification Number (TIN). In addition, the letter should state that the grantee should sign all
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three copies and that the grantee should return all materials to the local HUD Office from which the material was sent within two weeks of the date of the HUD transmittal letter except for one copy (not the original) of HUD-27054 which is to be retained by the grantee.

- H. Grantees receive grant agreement packages and review and complete documents. They then sign grant agreements in triplicate signifying acceptance of terms and return the documents to the local HUD Office along with the following forms and documentation as required:
1. A Direct Deposit Sign-Up form SF-1199A and canceled check;
 2. A revised program plan or other materials as required by any special conditions of the grant award;
 3. A completed LOCCS Voice Response Access Authorization form HUD-27054 (one copy of which is to be retained by the grantee) with the original and one signed/notarized copy returned to the local HUD Office;
 4. The IRS document/form with the TIN for new grantees; and
 5. Any certifications and assurances and subgrant agreements with co-applicants as applicable.

4-8 GRANT AGREEMENT EXECUTION

- A. The local HUD Office receives and reviews the signed grant agreement copies and forms returned by the grantee and checks for the following:
1. Ensure the tax identification number (TIN) is included on the HUD-1044, that it matches the TIN on form HUD-27054, and for existing grantees that the TIN agrees with LOCCS query screen Q05 data. Any discrepancy must be resolved.
 2. Check that authorized user and the approving official on the LOCCS-VRS Access Authorization form HUD-27054 are different, and that the form is complete and notarized;
 3. Check that any other forms are properly completed as a part of the grant agreement; and

4. Check that the SF-1199A was completed and that the grantee information is correct in accordance with the LOCCS User Guide instructions (not the instructions on the reverse of the printed SF-1199A form), that a canceled check has been provided, and that the TIN agrees with the TIN on form HUD-1044.
5. Local HUD Offices shall retain a copy of the completed form HUD-27054 and shall send the original to HUD Headquarters at the following address:

Dept. of Housing & Urban Development
Office of Information Policies and Systems
AISAO
451 Seventh Street, S.W.
Washington, D.C. 20410-3600

NOTE: If prompt and reliable delivery is desired, it is suggested that overnight mail and return receipt requested be used.

6. The SF-1199A and canceled check is to be forwarded, noting on the face of the envelope, "SF-1199A", to the following address:

Dept. of Housing & Urban Development
Office of Finance and Accounting
Cash & Credit Management; ATTN: ACH
P. O. Box 44816
Washington, D.C. 20026-4816

- B. Once the review is complete and the grant agreement is determined to be acceptable, the Field Office Manager, or Director, Office of Indian Programs or Regional Public Housing Director for collocated Regional/Field Offices, as appropriate, shall sign each HUD-1044, and enter the date in block 5. Once the local HUD Office has executed the grant agreement, the following actions shall be taken:

1. Transmit one fully executed copy of the grant agreement and a copy of the IRS document/form with the TIN for new grantees to the Regional Accounting Division (RAD) and retain one copy in the grant file. These actions should be completed within one week after receipt of acceptable materials from the grantee.
2. The local HUD Offices shall also send one copy to the grantee, with copies of form HUD-50080-XXX Payment Voucher for the

particular program, when the grant payment system is operational as determined by completion on the following:

- a. Recording of the obligation of funds by RAD;
- b. Verifying that the grant budget line item entries in LOCCS are correct (see Chapter 5);
- c. Verifying that the correct banking information has been entered into LOCCS using query screen Q05 and that the TIN agrees with the grant agreement form HUD-1044; and
- d. Assuring that the grantee has been provided a "VRS" ten-digit Project Number using LOCCS Screen Q05 (LOCCS generates this Project Number only after the budget line item entries are made).

NOTE : The capability to also confirm a grantee has been given user authorization using a LOCCS query screen is expected to be available subsequent to the time that this Handbook is issued.

- e. The purpose of the verification procedures above is to preclude a grantee from receiving grant documentation that provides authorization to proceed without the ability of the grantee to obtain prompt payment as needed. With the assurances made prior to transmitting the executed grant agreement to the grantee, there should be no delay for the grantee to receive proper payment from HUD for expenses incurred after the effective date of the grant agreement or certain pre-authorized expenses, as may be applicable.