
CHAPTER 5. Grant Payment Procedures

5-1 OBJECTIVE. The objective of this chapter is to describe the grant payment procedures for local HUD Offices to use in administering executed grant agreements associated with the Line of Credit Control System - Voice Response System (LOCCS-VRS).

5-2 GENERAL INFORMATION.

- A. LOCCS-VRS is a quick response payment process to meet the need by the grantee to make a disbursement of funds for eligible expenses. It electronically transfers funds from the established Federal Reserve account to the grantee depository. Once the money has been transferred (generally within two working days) funds are available for the grantee to write checks on their depository account. Detailed instructions are outlined in the LOCCS-VRS User Guide for use of this system.
- B. LOCCS-VRS controls user access by program area. For grantees, an authorized user identification number is provided based on the grantee's Tax Identification Number (TIN). The grantee must request/obtain user authorization for each program area needed using LOCCS Access Authorization Security Form, HUD-27054, but the user identification will be the same for each TIN. Similarly, for HUD staff, a user authorization identification number remains the same when requesting/obtaining user authorization for new or additional program areas. The four program areas covered by this Handbook are defined in block 2 of the payment voucher form series (HUD-50080-XXX, appended). Where a grantee is a LOCCS-VRS user for a given program one year and receives another grant in a subsequent year for the same program area, the user authorization is valid for the subsequent year grant and a new user authorization is not needed. Similarly, HUD staff with user authorization in a program area have access for all years of grants for that program area. For both grantees and HUD staff, the user authorization identification number remains valid provided the user accesses LOCCS at least every six months.

5-3 LOCCS-VRS INITIALIZATION.

- A. Local HUD Offices must both assign staff and complete required forms to prepare for administration of awarded grants utilizing the LOCCS-VRS system. Appropriate staff must be assigned to access LOCCS-VRS for Field Office Administration (Transaction

Processing Authority) of the grants by the Director, Public Housing Division or Director, Office of Indian Programs. The Access Authorization Security Form, HUD-27054-A, must be completed for the specific staff assigned these responsibilities. As new programs are implemented/new staff assigned, the access authorization should be initiated as early as possible. 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-VRS 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 Regional Accounting Division (RAD) has received a copy of the executed grant agreement, it shall use the executed grant agreement as the basis for recording the obligation and contracting of funds. The effective date of the obligation shall be the date the grant agreement is executed (signed) by HUD. RAD must enter data from the executed grant agreements into the Program Accounting System and link projects to the grantee's tax identification number in the Line of Credit Control System (LOCCS). LOCCS will generate a letter to the grantee advising of their Voice Response System (VRS) ten-digit Project Number once the local HUD Office has entered the Budget Line Items amounts.
- C. Assigned staff should query LOCCS-VRS daily but no less frequently than twice weekly, depending on activity level, for any workload (LOCCS Screen Q40) for any grant agreements requiring budget line item data entry or revision (LOCCS Screen F01). This is essential in order to have LOCCS-VRS data current and permit grantees to make drawdowns shortly after a grant agreement or amendment is executed. The budget line item amounts recorded in LOCCS may only be revised based on an executed grant agreement amendment. Care should be taken when entering budget line item amounts to ensure amounts are entered on the correct line items. Data entry is based on the executed grant agreement (or amendment) once RAD has entered the new or amended grant agreement data into PAS. Budget

line item data entry is required to permit grantee drawdowns. Please refer to the LOCCS User Guide for detailed instructions.

NOTE: Grant agreement amendments that only change the budget line item amounts and not the total authorized amount will not show as a workload item on LOCCS screen Q40. In this case, budget line item changes may be updated (LOCCS Screen F01) upon grant agreement amendment execution.

- D. Regional Office program staff should be assigned to have LOCCS-VRS query responsibility for each program area as deemed appropriate by the Regional Public Housing Director. The SF-85P, Background Investigation, form is not required for query authority. Regional Office staff should query the system periodically to assure that local HUD Offices are performing required tasks as evidenced, in particular, by prompt action on workload items on screen Q40.

5-4 LOCCS-VRS EDITS. LOCCS-VRS will automatically perform a series of review edits (both generic and program specific) of each payment request. Failure of one of the generic edits, such as an incorrect budget line item number, will prevent the request from being accepted by LOCCS. Failure of one of the program edits causes the payment request to be referred to the local HUD Office for review. There is no default pay under this system once an edit threshold has been exceeded. Therefore, HUD must complete the review or the request remains on hold in the system. The grantee should immediately contact its local HUD Office when the computer activated voice states that there is a question regarding the request and that the request has been referred to the local HUD Office for review.

- A. The program specific edits consist of:

1. Request for over 10% of grant funds per calendar month; and
2. Total drawdowns exceed 110% of any budget category/line item.

- B. The LOCCS-VRS also has controls available to the local HUD Office that consist of:

1. The ability to stop payments to a specific grantee at any time such action is justified;
2. The ability to require review of every request for payment for a particular grantee; and

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

5-5 HUD REVIEW AND ACTIONS. Local HUD Offices have responsibility for review of program edits under LOCCS. Assigned staff should query LOCCS daily but no less frequent than twice weekly (usually at the same time as the query for workload) to determine if there are any VRS Vouchers Out for Review (LOCCS Screen Q10).

A. The following actions shall be taken when a grantee's request for funds requires review as shown in LOCCS:

1. REQUEST FOR OVER 10% OF GRANT FUNDS PER CALENDAR MONTH. This edit is activated when a requested drawdown exceeds 10% of the total grant during a calendar month period. No further drawdown will be allowed until that review is complete and the drawdown approved or rejected.
 - a. The grantee shall be contacted to discuss the request, obtain an explanation of the need, and consider the information for consistency with the approved program plan, budget, budget narrative and activity timetable.
 - b. Identify the specific amounts and to whom funds are to be disbursed by the grantee. Also, confirm that the grantee has a completed and authorized payment voucher for the request. This information may be obtained by phone, in which case a written note to the file should be made.
 - c. Upon review completion, use LOCCS Screen V32, Review VRS Voucher Request, to approve or reject the request for funds. The review should be completed within 48 hours and the grantee notified by phone of action taken.
2. REQUESTED DRAWDOWN EXCEEDS 110% OF ANY BUDGET CATEGORY/LINE ITEM. This control is to provide assurance the grantee is not making substantial change in the approved program or is not exceeding a specific dollar limit for a particular activity imposed by HUD.
 - a. If this threshold is exceeded, the grantee is to be directed to submit a written request to revise the approved program and/or budget and that no further draw on the exceeded budget line item will be approved until the budget revision is

approved (this is controlled by rejecting any subsequent draw on the line item exceeded until it is revised).

- b. Once the requested change(s) is approved by HUD, a grant agreement amendment is executed reflecting the approved changes (see Chapter 7). If the total authorized amount of the grant is not changed, the revised budget line item amounts are entered using LOCCS Screen F01. A change to the grant authorized amount would first need to be entered into PAS by RAD.
- B. LOCCS-VRS may be used to suspend payments to a specific grantee using LOCCS Screen M01 at any time such action is justified, consistent with any requirements contained in the grant agreement, program guidelines, or regulations.
- 1. Reasons for immediate action to suspend payments are clear evidence of fraud, abuse or mismanagement of funds by the grantee, as well as, persistently holding a substantial amount of drawn funds before disbursement for more than seven calendar days after receipt and persistently drawing more funds than needed to make disbursements required. Suspension of payments may also be made for other reasons as may be listed in program regulations or the grant agreement.
 - 2. Payments may be resumed only after appropriate actions have been taken by the grantee to avoid recurrences and proper restitution for any misused funds has been made.
 - 3. A suspension action may also be initiated for chronically late (30 or more days overdue) corrections/revisions to reports that have been reviewed and determined to be unacceptable and that are not resubmitted or corrected as requested by HUD.
 - 4. The basis for suspension of payment actions must be documented and the grantee informed in writing of the reason. For other than immediate suspension actions, the grantee should be given a 2 week advance notice for an opportunity to take action to avoid the suspension. Where program suspension procedures are in effect as contained in the grant agreement or regulations/program guidelines, those procedures govern.
- C. LOCCS-VRS 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 sanction for a period of time imposed by the local HUD Office,

e.g., while new procedures are being developed and implemented by a grantee to resolve deficiencies found during a review or audit. In this way, HUD 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 program activities.

- D. LOCCS-VRS will not accept a request for funds if required semiannual reports from grantees are overdue (or until the local HUD Office 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 Grantee Reporting Requirements).
- E. In the event the grantee reports that a payment request was made based on errors in the budget line item amounts requested, LOCCS screen M03 may be used to correct the disbursement amounts. This may only be done if the net change to the overall grant disbursement amount is zero, and supporting documentation is received from the grantee clearly showing the error made and corrected amounts. Where the grantee draws more funds than needed in error, excess funds must be remitted to HUD as above (also see LOCCS User Guide).
- F. Detailed documentation should be retained in the files to support actions taken and to be available in the event of any review or audit of activities performed.

5-6 MINIMUM/MAXIMUM DRAWDOWN. There is no minimum drawdown requirement. A grantee should draw down that amount of cash necessary to meet its immediate needs -- no more, no less. If more than 10 percent of the grant funds are needed in a one month period, the drawdown can be approved, provided the local HUD Office has received appropriate explanation prior to or immediately following the drawdown request. The amount of drawdown should not be more than needed to meet the immediate disbursement requirements of the grantee as outlined in OMB Circular A-110, Attachment F, for non-profit organizations, or 24 CFR 85.20(b)(7) for public and Indian housing authorities.