Notice PIH 96-90 (HA)

Secretary's Representatives;   Issued: 12/5/96
Field Office Public Housing   Expires: 12/31/97
Directors; ONAP Administrators;
Public Housing Agencies;
Indian Housing Authorities

Line of Credit Control System/Voice Response System
(LOCCS/VRS) for Modernization Program Areas

Section 1. Introduction

1-1.   Purpose. LOCCS/VRS is the Department's disbursement system for Public Housing
        Agencies and Indian Housing Authorities (herein referred to as HAs) to draw down
        approved Modernization funds and for HUD Field Offices (FOs) to monitor HA
        obligation and expenditure progress against funds disbursed by HUD. This Notice sets
        forth the requirements for the three Modernization program areas in LOCCS/VRS:
        Comprehensive Grant Program (COMP); Comprehensive Improvement Assistance
        Program (CIAP); and Lead-Based Paint Risk Assessment (LBP). These abbreviations
        designate the program areas in LOCCS. This Notice is organized into the following
        Sections:

        Section 1: Introduction.

        Section 2: HA and FO access to LOCCS/VRS.

        Section 3: Budget Line Item (BLI) edits and one-month review edit.

        Section 4: HA entry of obligation/expenditure information, linkage of Modernization
        program areas, FO action, and LOCCS obligation/expenditure report.

        Section 5: HUD entry of Obligation End Date, Pre-Audit End Date and Post-Audit
        End Date for each Modernization program area grant.

Section 6: LOCCS-generated reminder and late letters and correction of drawdowns against the wrong grant or BLI.

Section 7: Suspension and automatic review of payment requests by the FO.

1-2. User Guides. For additional information on LOCCS/VRS, HAs and FOs may obtain free copies of the following documents, as well as this Notice, from the HUD Direct Distribution Center by calling 1-800-767-7468:

A. For HAs, the LOCCS User Guide Part I.

B. For FOs, the LOCCS PIH Program User Guide for HUD Staff.

1-3. Notices Superseded. This Notice supersedes Notice PIH 94-63 (HA), dated 9/14/94, and its extension by Notice PIH 95-61 (HA), dated 9/28/96.

1-4. Technical Assistance. If the HA has any questions pertaining to LOCCS/VRS, the HA should contact the FO for assistance.

Section 2. HA/FO Access

2-1. HA Access. To obtain LOCCS/VRS authorization for any of the Modernization program areas, the HA shall send Form HUD-27054, LOCCS/VRS Access Authorization, for each proposed HA user to the FO for review. Refer to Appendix 1 for a sample Form HUD-27054. After review, the designated FO person shall initial anywhere on the form and then send the form to HUD Headquarters, Attention: LOCCS Security Staff, P.O. Box 23774, Washington, DC 20026-3774. Note: If the HA sends this form directly to HUD Headquarters, processing of the form will be delayed while the LOCCS Security Officer contacts the FO. Note: MROP grants, including those approved as Modernization Projects, are under the Development, not the CIAP, program area. Therefore, to draw down MROP funds in LOCCS/VRS, the HA user must have authorization for the Development program area (PDEV).

A. Multiple Users. If the HA wishes to have more than one user draw down funds, an access authorization form must be completed for each user not currently authorized in LOCCS/VRS. The Department recommends that the HA have at least one back-up user. If the HA user needs access for more than one Modernization program area (i.e., COMP, CIAP and LBP), the user shall request one access authorization for each program area; the request for access to more than one program area may be combined on the same form.

B. Direct Deposit Form. The HA is not required to submit a new SF-1199A, Direct Deposit Sign-Up Form. If the HA wishes to change its bank account, the

HA shall submit a new SF-1199A to the FO. The FO shall review the form to verify the accuracy of the information, including the Tax Identification Number, and then initial and send the form to HUD Headquarters, Attention: ACH Team, P.O. Box 44816, Washington, DC 20026-4816.

C.   No Minimum Drawdown. There is no minimum drawdown requirement. The HA shall draw down that amount of funds necessary to meet its immediate cash needs -- no more, no less.

D.   Requisitioning Cents. To draw down cents, the HA shall enter star (*), the amount with no decimal, and pound (#). For example, to draw down $0.45, the HA enters * 45 #.

2-2.   HA Change of Address.

A.   To report a change of address for the HA, the HA shall send Form HUD-27056, Change of Address Request, to the FO for review. After review, the designated FO person shall initial anywhere on the form and then send the form to HUD Headquarters, ACH Team, P.O. Box 44816, Washington, DC 20026-4816. Refer to Appendix 2 for a sample Form HUD-27056. Note: If the HA sends this form directly to HUD Headquarters, processing of the form will be delayed while Headquarters contacts the FO.

B.   To report a change of address for an individual HA user, the HA shall send Form HUD-27054, LOCCS/VRS Access Authorization, with the corrected address for the HA user, to the FO for review. After review, the designated FO person shall initial anywhere on the form and then send the form to HUD Headquarters, Attention: LOCCS Security Staff, P.O. Box 23774, Washington, DC 20026-3774. Note: If the HA sends this form directly to HUD Headquarters, processing of the form will be delayed while Headquarters contacts the FO.

2-3.   FO Access. Each proposed new FO user shall submit Form HUD-27054-A, Access Authorization Security Form for HUD Staff, to Headquarters, Attention: LOCCS Security Staff, Room 3184, requesting authorization for each listed program area. Refer to Appendix 3 for a sample Form HUD-27054-A. The FO should refer to the LOCCS PIH Program User Guide for HUD Staff for additional instructions. Note: Access to MROP grants, including those approved as Modernization Projects, must be obtained under the Development program area (PDEV).

2-4.   HA Payment Voucher. The HA should refer to the LOCCS User Guide Part I for generic instructions on preparation of payment vouchers. Refer to Appendices 4, 5 and 6, respectively, for the following sample payment voucher forms: Form HUD-50080-

CIAP, Payment Voucher; Form HUD-50080-COMP, Payment Voucher; and Form HUD-50080-LBP, Payment Voucher.

Section 3. LOCCS Edits

3-1. <u>General</u>.

A. <u>As quickly as possible after the funds for a grant</u> have been reserved and obligated (ACC amendment) and entered in the Program Accounting System (PAS) by the Field Accounting Division (FAD) and environmental review requirements have been met, each FO shall access LOCCS and prepare the grant for disbursement by entering the BLIs. Using the F01 screen from the Program Area Menu, the FO shall enter the original BLI amounts, corresponding to the approved amounts in Part I of the COMP Annual Statement or the CIAP Budget (used for both CIAP and LBP), into LOCCS. The sum of the BLIs must equal the total grant amount or LOCCS will prevent the FO user from finalizing the BLI entry.

<u>Note</u>: Environmental review requirements are met when: (1) the FO has approved the HA's Request for Release of Funds where the review was performed by a responsible entity under 24 CFR Part 58; or (2) the FO itself has completed the review under 24 CFR Part 50; or (3) the approved activities are exempt from review requirements under 24 CFR 58.34 or 58.35(b).

B. <u>Although the HA is responsible for accounting for the funds</u> by the development accounts identified in the PIH Low-Rent Technical Accounting Guidebook 7510.1, LOCCS tracks the disbursement of funds only by BLIs, which represent summary development accounts.

C. <u>LOCCS/VRS contains general, soft and hard edits</u> to monitor program requirements and guard against excessive cash drawdowns, as follows:

1. <u>General Edits</u>.

a. The HA is limited to one transaction per day, per grant. LOCCS/VRS will not allow the HA to enter a payment request until all previous payment requests have been processed by LOCCS. Therefore, if the HA has a pending payment which is being reviewed by the FO prior to payment, the HA cannot enter any subsequent payment requests for the same grant until the previous request is either approved or rejected.

b. LOCCS/VRS will not allow the HA to enter a payment request, that when added to previously paid requests, would exceed the total

amount of the grant.

2. <u>Soft Edits</u>. Soft edits are limits placed on certain BLIs that prevent the HA from being paid when certain thresholds are exceeded, but do not prevent the HA from completing its payment request. The request is flagged for FO review before payment. Where this occurs, the HA should contact the FO for further instructions. The HA may be required to submit a budget revision before the payment request can be approved.

3. <u>Hard Edits</u>. Hard edits are limits placed on certain BLIs that will not allow the HA to request more funds than is entered by the FO for those BLIs in LOCCS or than a specific percentage of the grant amount. When a hard edit occurs, the payment request is denied and the HA should contact the FO for further instructions. The HA may be required to submit a budget revision before the payment request can be approved. If the FO wishes to approve the payment request, the FO must first increase the BLI amount which triggered the hard edit (and also reduce another BLI by the same amount) and then direct the HA to make another request in accordance with the revised amounts. The FO should promptly notify the HA by telephone of when the revised BLIs have been entered.

3-2. <u>BLI Edits for COMP</u>. The BLI edits for COMP are as follows:

A. <u>BLI 1406, Operations</u>. There is a hard edit of 10 percent of the grant amount.

B. <u>BLI 1408, Management Improvements</u>. There is a soft edit of 20 percent of the grant amount or the FO-entered BLI amount, whichever is greater. The FO has the authority to approve an amount exceeding 20 percent for this BLI. <u>Note</u>: For Public Housing, PHAs that are high overall performers, as well as high Mod performers, have no programmatic limit on the amount they may draw/expend on BLI 1408. Therefore, if such PHA wishes to increase this BLI above 20 percent after the BLI is initially entered by the FO, the PHA must inform the FO so that the FO may reenter a higher amount for BLI 1408 and a lower amount for another BLI. The PHA may so inform the FO by telephone and the FO shall make the BLI adjustments as quickly as possible.

C. <u>BLI 1410, Administration</u>. There is a soft edit of 10 percent of the grant amount or the FO-entered BLI amount, whichever is greater. The FO has the authority to approve an amount exceeding 10 percent for this BLI.

D. <u>BLI 1411, Audit Costs</u>. There is a soft edit of 110 percent of the FO-entered BLI amount.

E. BLI 1430 through 1495. For BLI 1430, Fees and Costs; BLI 1440, Site Acquisition; BLI 1450, Site Improvement; BLI 1460, Dwelling Structures; BLI 1465, Dwelling Equipment - Non-expendable; BLI 1470, Nondwelling Structures; BLI 1475, Nondwelling Equipment; BLI 1485, Demolition; and 1495, Relocation Costs, there are no edits to allow for the fungibility (interchangeability) of work between the Annual Statement and years two through five of the latest HUD-approved Five-Year Action Plan. The FO is not required to revise these BLIs to reflect HA exercise of fungibility.

F. BLI 1490, Replacement Reserve. There is a hard edit of the FO-entered BLI amount.

G. BLI 1498, Mod Used for Development. There is a hard edit of the FO-entered BLI amount.

H. BLI 1502.

   1. Development account 1502 is provided on the Annual Statement to allow the HA to budget initially up to 8 percent of its annual grant for contingencies. If the HA initially budgets funds for account 1502, the FO will enter the budgeted amount, not to exceed 8 percent, into BLI 1502 when initially spreading the BLIs.

   2. When the HA needs to use the funds in this contingency account for cost overruns or other work within its Five-Year Action Plan, the HA is required to rebudget the funds, within the Annual Statement, from the contingency account 1502 to other eligible development accounts and then draw down the funds from the other BLIs. Since fungibility permits the HA to move funds among development accounts without prior FO approval, there are no edits on BLIs 1430 through 1495 (see subparagraph E). Accordingly, the HA may draw down funds from these BLIs without the FO entering revised BLI amounts into LOCCS/VRS, as long as the total grant amount is not exceeded.

   3. After the HA has rebudgeted the funds, within the Annual Statement, from account 1502 into other eligible development accounts for purposes of obligation and expenditure, the HA may not replenish account 1502. At program completion, the revised budget amount for account 1502 must be zero. Since the HA may not draw down funds against BLI 1502, it is not listed on Form HUD 50080-COMP, Payment Voucher. LOCCS/VRS will always show zero funds disbursed for BLI 1502.

3-3. BLI Edits for CIAP. The BLI edits for CIAP are as follows:

A.   BLI 1406, Operations. There is a hard edit of 10 percent of the grant amount.

B.   BLI 1408, Management Improvements. There is a hard edit of the FO-entered BLI amount. In CIAP, there is no percentage limit on the grant amount that may be approved for management improvements.

C.   BLI 1410, Administration. There is a hard edit of the FO-entered BLI amount. In CIAP, there is no percentage limit on the grant amount that may be approved for administration.

D.   BLI 1411, Audit Costs. This BLI may not be used in CIAP.

E.   BLI 1430 through 1495. For BLI 1430, Fees and Costs; BLI 1440, Site Acquisition; BLI 1450, Site Improvement; BLI 1460, Dwelling Structures; BLI 1465, Dwelling Equipment - Non-expendable; BLI 1470, Nondwelling Structures; BLI 1475, Nondwelling Equipment; BLI 1485, Demolition; and 1495, Relocation Costs, there are soft edits of 110 percent of the FO-entered BLI amount.

F.   BLI 1490, Replacement Reserve. This BLI may not be used in CIAP.

G.   BLI 1498, Mod Funds Used for Development. There is a hard edit of the FO-entered BLI amount.

H.   BLI 1502. This BLI may not be used in CIAP.

I.   BLI 1500. CIAP grants/loans approved in FY 1992 and prior years were entered automatically, during the conversion to LOCCS, on BLI 1500. The FO was not required to spread the loan. The HA requests payment for these CIAP grants/loans against BLI 1500 on Form HUD-50080-CIAP.

3-4.   BLI Edits for LBP. This program areas has only two BLIs -- 1410 and 1430. There is hard edit for each BLI of the FO-entered BLI amount.

3-5.   One-Month Review Edit. For all three Modernization program areas, there is a soft edit, which flags for FO review, HA payment requests which cumulatively exceed a specified percentage of the annual grant amount in a current month. This edit does not mean that the HA cannot draw down more than its percentage limit in a current month; it does mean that the payment request causing the limit to be exceeded is flagged for FO review.

A.   COMP and CIAP Program Areas. The one-month review edit percentages are as follows:

Grant Amount		Percentage
$100,000,000 -	or more	3.0%
$ 10,000,000 -	$ 99,999,999	5.0%
$ 1,000,000 -	$ 9,999,999	12.0%
$ 1 -	$ 999,999	20.0%

B.   <u>LBP Program Area</u>. The one-month review edit is 10 percent of the grant amount.

3-6.   <u>FO Review</u>.

A.   <u>The FO should query LOCCS daily, but no less frequently</u> than twice weekly, depending on the activity level, to determine if there are any Vouchers Out for Review (Q10 screen). The FO should query for any workload (Q40 screen) at the same time to see if any BLI data entry is needed. Where LOCCS shows payment requests flagged for review, the FO is responsible for evaluating whether the request should be released for payment. FO review of and action on any payment request flagged for review should be completed within no more than three working days.

B.   <u>When the one-month review edit flags a payment request for review</u>, the HA shall immediately call the FO to explain the reasons. Based on the HA's telephone explanation, the FO may release the payment without further delay or require that the HA send in additional documentation. For example, where the HA has awarded a large construction contract, and the schedule for periodic payment, when added to other routine payments during a month, will cause the HA to exceed the percentage limit for a number of months, the FO may request that the HA send or fax in the schedule when the one-month review is first triggered. Thereafter, a telephone call from the HA should be sufficient for the FO to release the payment request. Where necessary, the FO may direct the HA to submit back-up documentation in support of the payment request. However, the FO shall make every effort not to request excessive documentation. In all cases, the FO shall enter the reason for its action (release or denial of the request) in the approve/reject reason line of the V32 review voucher screen.

Section 4. Obligation/Expenditure Information

4-1. <u>General</u>. The HA is required to enter cumulative obligation and expenditure data on a quarterly basis when requisitioning modernization funds from any of the three Modernization program areas. Obligation and expenditure data are entered at the grant level.

4-2. <u>Defining Obligations and Expenditures</u>.

A. <u>Obligations</u>. Obligations mean the cumulative amount of modernization commitments entered into by the HA; i.e., contract execution for contract labor, materials or services; start and continuation of physical work by force account labor; and start and continuation of administrative work. Contract execution means execution of the contract by both the HA and the contractor. For force account work, all funds for a group of sequentially-related physical work items are considered obligated when the first work item is started, such as kitchen cabinet replacement followed by kitchen floor replacement, but only where funds continue to be expended at a reasonable rate. Where one force account physical work item is started and is not sequentially related to other physical work items, such as site improvements and kitchen remodeling, then only the funds for the one physical work item started are considered obligated.

B. <u>Expenditures</u>. Where funds have been obligated, the HA is expected to show reasonable progress through increasing fund expenditures each quarter at a rate that would allow completion within the time frame set forth in the implementation schedule. Expenditures mean the cumulative amount of modernization funds distributed by the HA through written checks. The HA shall requisition funds only when payment is due and after inspection and acceptance of the work and shall distribute the funds within three working days of receipt of the funds.

4-3. <u>Time Frame for Entering Cumulative Obligation and Expenditure Data</u>.

A. <u>During the grace month following a quarter end</u> (i.e., January, April, July, or October), LOCCS/VRS gives the HA the option to either enter/update cumulative obligation and expenditure data without drawing down or continue the drawdown without entering the data. The requested data include the total cumulative obligation and expenditure amounts for each grant for which funds are being requisitioned. If no obligation or expenditure activity has occurred since the last quarterly update, the HA must reenter the existing cumulative obligation and expenditure data in order for LOCCS/VRS to acknowledge data entry for the most recent previous quarter. During the grace month, there is no limit on the

number of times that the HA may enter/update obligation/expenditure information.

B. <u>Beginning on the first day of the month following end of the grace month</u> (i.e., February 1, May 1, August 1, or November 1), the HA is not allowed to continue a drawdown until the cumulative obligation and expenditure data for that grant for the previous quarter have been entered. For example, for the quarter ending December 31, the HA is required to enter obligation and expenditure data during the month of January. If the HA has not done so by January 31, and the HA attempts to requisition funds on February 1, LOCCS/VRS will not process the requisition until the required data are entered/updated. Refer to paragraph 4-4 regarding linkage of the three Modernization program areas.

C. <u>Where the HA has not requisitioned funds during a previous quarter or quarters</u>, the HA is not allowed to requisition funds until the cumulative obligation and expenditure data for that grant for the most recent previous quarter have been entered. For example, if the HA has not requisitioned funds during the quarters ending March 31 and June 30, but needs to requisition funds in August, LOCCS/VRS will not process the requisition until the required data for the quarter ending June 30 are entered/updated.

D. <u>For the initial drawdown for a particular grant, the procedure</u> set forth in subparagraph C applies. Where the cumulative obligation and expenditure data for the most recent previous quarter are zero, the HA shall enter zeroes for both amounts. For example, where the ACC was amended in December and the HA is requisitioning funds in February, the HA must enter zeroes for the quarter ending December 31.

4-4. <u>Linkage of Grants Within a Modernization Program Area (Public Housing Only)</u>. This paragraph does not apply to Indian Housing.

A. <u>Definition and Consequences</u>. Effective 4/1/97, to ensure complete entry/update of all modernization obligation and expenditure information by the HA on a quarterly basis, LOCCS will link all grants within a Modernization program area (COMP, CIAP or LBP) that are not fully obligated/expended or that do not have a Pre-Audit End Date (see Section 5). For example, HA failure to update information on a particular COMP grant will, after the grace month, result in the suspension of drawdowns on all other COMP grants.

B. <u>HA Responsibility</u>. Because of the linkage of the grants within a Modernization program area, it is extremely important that the HA continue to update quarterly obligation/expenditure data on each grant until it is 100 percent

obligated/expended or a Pre-Audit End Date is entered into LOCCS.

4-5. Data Entry Edits.

    A. If the entered cumulative obligation or expenditure amount is less than the prior quarter's obligation or expenditure amount, LOCCS/VRS will ask the HA whether the entered amount is correct. If the amount is incorrect, the HA may correct the amount. For example, the obligation amount may decrease due to a contract modification, reducing the fixed price of the contract.

    B. If the entered cumulative obligation amount is greater than the grant amount, LOCCS/VRS will ask the HA to enter a corrected amount. The obligation amount cannot exceed the grant amount.

    C. If the entered cumulative expenditure amount is greater than the obligation amount, LOCCS/VRS will ask the HA to enter a corrected amount. The expenditure amount cannot exceed the obligation amount.

4-6. FO Entry of Obligation/Expenditure Information. The FO may enter or change obligation/expenditure information for the last quarter on behalf of the HA at any time up until entry of the Pre-Audit End Date (see Section 5). FO entry or correction of information may be necessary where the HA determines that it has made a mistake in updating its information and is unable to correct the mistake because the grace month is over.

4-7. FO Action on HA Failure to Enter Information.

    A. Q29A Query. On the 31st day after the quarter end, the FO should use the Q29A function, which is an on-line query, to determine those HAs, by program area, which have not updated obligation/expenditure information. The FO should immediately contact those HAs and request entry/update of obligation/expenditure information no later than the 45th day after the quarter end.

    B. Automatic Review. If the HA persistently fails to enter obligation/expenditure information during the grace month or repeatedly enters incorrect information, the FO should require automatic review of every payment request in the affected program area. Refer to paragraph 7-3 for additional information on automatic review.

4-8. Obligation/Expenditure Report. The LOCCS-generated report A670E1C shows, for each grant, obligation/expenditure information, as well as Obligation End Date and

Pre-Audit End Date, sorted by Modernization program area, FY and HA. All FY 1987 and subsequent year grants with a Post-Audit End Date are rolled into a summary line, "Total FY Closed." All FY 1986 and prior year loans are removed from LOCCS reports after a Post-Audit End Date is entered. For the column entitled "Non-Current Obligation/Expenditure Data," an asterisk means that no data has ever been provided; a date means the last report received; and a blank means that the HA is current in its report.

A.   On the 31st day after the quarter end, a preliminary report is generated. Using a risk management approach, the FO shall review the preliminary report for apparent inaccuracies and request the HA to make corrections, where necessary, between the 31st and 45th day after the quarter end.

B.   On the 46th day after the quarter end, a final report is generated. The FO shall retain all final reports for reference.

4-9.   Availability of LOCCS Reports. Standard LOCCS reports are available for printing for three calendar days upon being displayed on the FO print list. If the FO does not print the report during this period, the FO may recover and print the report using the Q61 screen. The report recovery feature is available for 30 calendar days. To avoid use of the Q61 feature, the FO program staff should review the print list with the FO staff responsible for routinely printing LOCCS reports to identify the reports and their frequency for printing.

Section 5. End Dates

5-1.   General. For each COMP, CIAP, and LBP grant in LOCCS/VRS, the following three end dates shall be entered into LOCCS over the life of the grant.

A.   Obligation End Date is the date by which all funds for a specific grant will be obligated. If the implementation schedule for a grant has multiple obligation deadline dates (e.g., dates for each development and HA-wide management improvement included in the grant), the last obligation deadline date is the Obligation End Date for the entire grant. The Obligation End Date must be a quarter end date; i.e., 12/31, 3/31, 6/30 or 9/30. This date is entered by the FO, as set forth in paragraph 5-2, at the time the BLIs are initially spread.

B.   Pre-Audit End Date is the date on which the FO, after review, receives the HA's final progress report and Form HUD-53001, Actual Modernization Cost Certificate (AMCC). This date is entered by the FO, as set forth in paragraph 5-3.

C.   Post-Audit End Date is the date on which the FO approves the AMCC after audit. The FO forwards the original of the approved AMCC to the FAD and this

date is entered by the FAD into LOCCS. LOCCS will interface with PAS to record program closeout, as set forth in paragraph 5-4. The FO should routinely check LOCCS to ensure that the FAD has entered the Post-Audit End Date.

5-2. <u>Obligation End Date</u>.

A. <u>Initial Entry</u>. The FO is required to use the F01 screen to enter the Obligation End Date at the time it initially spreads the BLIs.

B. <u>Revision of Initial Entry</u>. Using the A01 function, the FO may change the Obligation End Date at any time.

   1. <u>If the FO approves a time extension</u> of an obligation deadline date in the implementation schedule and the extension affects the Obligation End Date of the entire grant, the FO shall change the Obligation End Date in LOCCS.

   2. <u>If the HA self-extends an obligation deadline date</u> in the implementation schedule and the extension affects the Obligation End Date of the entire grant, the HA shall notify, by telephone or in writing, the FO to change the Obligation End Date in LOCCS. <u>Note</u>: The HA, regardless of whether it is a COMP or CIAP agency, may not self-extend any obligation deadline date for an LBP grant.

C. <u>HA Update of Obligated Information</u>. During the grace period immediately following the Obligation End Date, LOCCS/VRS will allow the HA to update obligated information. After the end of the grace period immediately following the Obligation End Date, the HA will be prevented from changing obligated information, but will still be required to update expended information on a quarterly basis.

D. <u>Other Consequences</u>. After the end of the grace period immediately following the Obligation End Date, LOCCS/VRS will:

   1. prevent cumulative disbursements from exceeding cumulative obligations; and

   2. continue reminder letters regarding updates of expended (not obligated) information, which is required quarterly, and progress reporting, which is required annually for COMP and semi-annually for CIAP and LBP.

5-3.   Pre-Audit End Date.

A.   Initial Entry. The FO will enter the Pre-Audit End Date after receipt, review and acceptance of the final progress report and the AMCC. This date cannot be a future date and does not have to be a quarter end date.

B.   Consequences. When the Pre-Audit End Date is entered, LOCCS will:

1.   ensure that the obligated and expended amounts equal the disbursed amount*;

2.   ensure that there are no outstanding receivables associated with the grant/loan*;

3.   ensure that all required progress reports have been recorded as having been received by the FO through the M10 screen*;

4.   not allow any further HA updates of obligated/expended information;

5.   not allow any further FO updates of obligated/expended information;

6.   not allow any further drawdowns by the HA;

7.   automatically adjust obligated, expended and disbursed for any collections posted after the Pre-Audit End Date; and

8.   stop all reminder letters.

*   If this is not the case, LOCCS will display an error message and will not accept entry of the Pre-Audit End Date.

5-4.   Post-Audit End Date. After audit, the FO, in all instances, shall send the original of the audited and approved AMCC to the FAD, even where there is no downward adjustment (recapture). Note: The FO no longer sends the original of the AMCC directly to Headquarters where there is no downward adjustment. In accordance with subparagraphs A, B or C, the FAD will enter the Post-Audit End Date, which is the date on which the FO approved the AMCC after audit.

A.   Where HUD records (LOCCS) and HA records (audit) agree as to funds obligated, expended and disbursed, the FAD shall immediately enter the Post-Audit End Date into LOCCS, which interfaces with PAS to record that the grant has been closed out.

B.   <u>Where the HA owes funds to HUD</u> (i.e., the amount disbursed by LOCCS is greater than the amount obligated and expended by the HA per the audit), the FAD shall establish an accounts receivable in PAS through LOCCS, which will automatically adjust the obligation/expenditure information downward by the amount of the receivable. In addition, the FAD shall establish an accounts receivable in the Departmental Accounts Receivables Tracking System (DARTS). Upon receipt of the remittance, the FAD shall record the remittance so that the amount disbursed by LOCCS/VRS is equal to the amount obligated/expended by the HA per the audit. The FAD then shall enter the Post-Audit End Date. The HA shall remit in accordance with the following:

1.   <u>Where the remittance is $2,000 or less</u>, the HA shall send a check, payable to the Department of HUD, to NationsBank, Excess Financing, P.O. Box 100144, Atlanta, GA 30384. The HA shall notate the Modernization program area (e.g., COMP, CIAP or LBP) and the Modernization Project Number on the check.

2.   <u>Where the remittance is over $2,000</u>, the HA shall request its financial institution to wire the funds to HUD in accordance with instructions set forth in the Financial Management Handbook 7475.1, as revised.

C.   <u>Where HUD owes funds to the HA</u> (i.e., the amount disbursed by LOCCS/VRS is less than the amount obligated and expended by the HA per the audit), the FAD shall enter the Post-Audit End Date and the amount owed by HUD. LOCCS will automatically adjust the obligation/expenditure information upward by the amount which HUD owes and generate a voucher for that amount. However, the voucher will not be paid until the FO indicates approval of the voucher in LOCCS.

D.   <u>After the FAD enters the Post-Audit End Date</u>, all undisbursed balances will be automatically recaptured through LOCCS. <u>Note</u>: The FO no longer prepares a Program Accounting Data (PAD) form to recapture excess authority.

Section 6. Reminder and Late Letters/Drawdowns Against Wrong Grant or BLI

6-1.   <u>Letters</u>. LOCCS generates one reminder and one late letter to the HA for grants within a Modernization program area (COMP, CIAP and LBP), as follows:

A.   <u>Obligation/Expenditure Information</u>. For each Modernization program area, a reminder letter is sent quarterly, on the last day of the quarter end (i.e., 3/31, 6/30, 9/30, and 12/31). If the HA does not update the obligation/expenditure information for any grant during the grace month, a late letter is sent on the last day of the grace month following the quarter end and no further drawdowns will

be allowed until the required information is entered. Refer to paragraph 4-4 regarding linkage of the Modernization program areas.

B. <u>Progress Reports</u>. Using the M10 screen, the FO shall enter receipt of required progress reports into LOCCS. If, after entry of receipt, FO review of the progress report indicates that the report is incomplete so that progress status cannot be determined or indicates unacceptable progress, the FO shall take appropriate action to obtain correction from the HA.

    1. <u>COMP</u>. For COMP, the Performance and Evaluation (P&E) Report on each grant is due annually from the HA on 9/30 for the program year ending 6/30. The reminder letter is sent on 9/1 and the late letter is sent on 10/15, 15 days after the due date. If FO receipt of the P&E Report for a particular COMP grant is not entered into LOCCS by 10/15, all future payments for that grant will be suspended until such time as FO receipt of the P&E report is entered.

    2. <u>CIAP and LBP</u>. For CIAP and LBP, the Progress Report on each grant is due semi-annually from the HA; i.e., on 4/30 for the six-month period ending 3/31; and on 10/30 for the six-month period ending 9/30. The reminder letters are sent on 3/31 and 9/30 and the late letters are sent on 5/15 and 11/15, 15 days after the due dates. If FO receipt of the Progress Report for a particular CIAP or LBP grant is not entered into LOCCS by 5/15 and 11/15, all future payments for that grant will be suspended until such time as FO receipt of the Progress Report is entered.

6-2. <u>Drawdowns Against Wrong Grant</u>. Where the HA mistakenly draws down funds against the wrong grant, the HA shall take one of the following actions:

A. <u>Where the HA immediately realizes its mistake</u>, the HA shall contact the FO and request that the FO cancel the voucher using Option V31. The FO may cancel the voucher only on the same day on which the HA called it in.

B. <u>Where the HA realizes its mistake the following day or later</u>, the HA shall contact the FO and ask for a payment adjustment. The FO shall prepare a memorandum to the FAD requesting an adjustment and identifying the grant and BLI from which the funds were mistakenly drawn and the grant and BLI from which the funds should have been drawn. The FAD will make the adjustment.

6-3. <u>Drawdowns Against the Wrong BLI</u>. Where the HA has drawn down funds against the wrong BLI within the same grant, the HA shall contact the FO and request a disbursement adjustment. The FO shall correct the disbursement using the M03 screen.

Section 7. Suspension and Automatic Review

7-1. <u>General</u>. On a quarterly basis, using a risk management approach, the FO should check that HA expenditures are consistent with drawdowns made. Where drawdowns exceed expenditures and the variance is not explained by the disbursement information being more current than the expenditure information, the FO should:

A. <u>Review the grant activities</u> to determine if the HA is in compliance with all applicable requirements of the Modernization program area;

B. <u>Where appropriate, stop any further drawdowns</u> until the HA is in compliance with applicable requirements;

C. <u>In the event that the HA has a significant cash balance</u> on hand and disbursement is not imminent, the FO shall direct the HA in writing to remit immediately the excess amount. The HA shall remit funds in accordance with the instructions in paragraph 5-4B; and

D. <u>Document all actions taken</u> and the rationale for those actions.

7-2. <u>Suspension of Payments by FO</u>. Using the M01 screen, the FO has the ability to stop payments to a specific HA at any time such action is justified.

A. <u>Reasons for immediate action to suspend payments</u> include, but are not limited to: clear evidence of fraud; abuse or mismanagement of funds previously drawn down; persistent holding of a substantial amount of funds before disbursement for more than three working days after receipt; and chronically late or insufficient progress reports.

B. <u>The FO shall document the basis for</u> the suspension of payments and inform the HA in writing of the reason.

C. <u>Payments may be resumed only after the FO is satisfied</u> that appropriate actions have been taken by the HA to avoid recurrences and restitution for any improper use of funds has been made.

7-3.   <u>Automatic Review of Payments by FO</u>. By using the M09 screen, the FO may place automatic review of every payment request from a particular HA for a specific program area or individual grants within a program area. Reasons for automatic review include, but are not limited to: the PHA is designated as Mod Troubled in accordance with the Public Housing Management Assessment Program (PHMAP); or the HA has consistently shown that it is a proven poor cash manager. If the FO determines that the HA must submit additional documentation prior to payment, the FO shall formally notify that HA in writing. <u>Note</u>: The FO shall provide written notification to the COMP agency through either a Notice of Deficiency or Corrective Action Order. Automatic review should remain in place until the HA has demonstrated that it has taken appropriate corrective action.

[Signed: Kevin E. Marchman]
Acting Assistant Secretary for
Public and Indian Housing