



U.S. Department of Housing and Urban Development
Public and Indian Housing

Special Attention of:

ONAP Administrators; Facilities Planning
& Development Directors; Finance &
Budget Directors; and
Indian Housing Authorities (IHAs)

Notice: PIH 96-91 (IHA)
Issued: December 10, 1996
Expires: December 31, 1997

Cross Reference: 24 CFR Part 950

Subject: Closeout of Indian Housing Development Projects

1. **Purpose:** This Notice provides policies and procedures on the closeout of Indian Housing Development projects. These policies and procedures address reopened projects, reformulation, and overdue Actual Development Cost Certificates (ADCCs).
2. **Background:** In anticipation of the programmatic changes which will occur with the implementation of the Native American Housing Assistance and Self-Determination Act of 1996, it is important that the project accounting records for Indian Housing Development projects be as complete as possible. To that end this Notice stresses the importance of closing out projects and issuing Actual Development Cost Certificates.

In past years, Congress appropriated funds to amend the Annual Contributions Contract (ACC) of individual Indian Housing development projects. In the process of expending these funds, projects with previously approved ADCCs were reopened so that design deficiencies could be addressed. In some cases, projects with ADCCs issued prior to October 1, 1988, were reopened to expend funds presumed to be remaining under the ACC. Now, with the elimination of new appropriations for amendment funds and the recapture of funds reserved for a project which exceed the ADCC amount, there is no reason to reopen projects with approved ADCCs.

Guidance is also being provided for the reformulation of projects previously included in the Indian Housing Development Handbook, 7450.1 REV-1, CHG-1, which was cancelled on January 23, 1995.

The area Offices of Native American Programs (ONAPs) have a backlog of projects with overdue ADCCs. Guidance is being provided on the timely closeout of these projects. The provisions for noncompliance with ADCC procedures as specified at 24 CFR 950.285 are reiterated to highlight the options available to the area ONAPs to force the closeout of overdue projects. Housing authorities with overdue ADCCs will have a six month window of opportunity so that funds remaining in the projects may be expended. Six months after issuance of this Notice any project with an overdue ADCC will not be eligible to expend any remaining funds and area ONAP offices will not have the authority to approve transfers of funds or reformulations.

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3. Applicability: All active Indian Housing projects shall be covered by the provisions of this Notice.

4. Reopening Projects: Projects with approved ADCCs may no longer be reopened.
 - a. Amendment Funds - Any project which needs rehabilitation or correction of design deficiencies must use the Comprehensive Improvement Assistance or Comprehensive Grant programs since amendment funds are no longer available.
 - b. Projects with ADCCs approved on or before September 30, 1988 - Based on the provisions of debt forgiveness which became effective October 1, 1986, execution of an ADCC also revised the ACC causing recapture of any remaining funds. Through an agreement reached with the Office of Finance and Accounting, exceptions to this ruling were approved through September 30, 1988. These actions allowed projects with ADCCs approved on or before September 30, 1988, to be reopened to expend funds up to the previous amount approved under the ACC. As of the date of this Notice, projects with ADCCs approved on or before September 30, 1988, may no longer be reopened. Any funds originally reserved for these projects have been recaptured.
 - c. Corrections - The only circumstance where an original ADCC should be revised is to correct an error in the calculation of the ADCC. Approval from Headquarters must be obtained prior to correcting an ADCC to ensure that any additional funds needed will be available.

5. Reformulation:
 - a. Reformulation is defined as dividing a project into two or more projects or combining two or more projects into one project, or transferring funds from project to another.
 - b. Reformulation is intended to provide housing authorities with the flexibility to adapt to site availability and/or other problems, simplify the housing authority's accounting of development funds, and to utilize housing funds to the maximum extent feasible.
 - c. Policies and procedures for requesting and processing reformulations.
 1. Reformulated projects use the reservation date of the original project. If projects with different reservation dates are combined, the oldest reservation date should be used.
 2. Development costs incurred at the time of reformulation should be charged to the project associated with the costs. Development costs which are not clearly identifiable with one project (e.g., non-technical salaries) should be allocated as fairly as possible (e.g., per unit basis).
 3. Reformulation requests must be submitted to the area ONAP not later than 12 months after the Date of Full Availability (DOFA) (defined at 24 CFR 950.270(c)(1)) or within 6 months of the date of this Notice, whichever is later.

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4. An originating project must have a minimum of \$25,000 available for reformation.
 5. Funds for reformulation may not include amounts which must be set aside to cover DOFA interest expense.
 6. Reformulation requests must include the following documentation:
 - a) A description of and the reason(s) for the proposed reformulation.
 - b) Revised Development Cost Budgets, form HUD-53045-A, or HUD-52484, for the projects to be reformulated.
 - c) A certification that the Board of Commissioners has approved the reformulation request.
 7. The area ONAP will review the request, and if all required documentation is submitted and the request meets the requirements of this Notice, the request will be approved by the area ONAP, Director of Facilities, Planning, and Development.
 8. The area ONAP will forward to the housing authority any necessary amendments to ACCs for execution by the Board of Commissioners.
 9. The area ONAP will execute the appropriate Project Accounting Data, forms HUD-52540, and ACCs and forward these documents to the Field Accounting Division for processing.
6. Overdue ADCCs: In order to alleviate the backlog of projects with overdue ADCCs, the following guidelines and procedures have been established.
- a. Housing authorities that have not submitted to the area ONAP an Actual Development Cost Certificate, form HUD-52427, within 24 months of DOFA should take the following actions:
 1. Immediately expend remaining funds on allowable expenses of the development project and submit the Actual Development Cost Certificate, form HUD-52427, and final Statement of Actual Development Cost, form HUD-53045-A, or HUD-52484, to the area ONAP.
 2. Use the provisions of Notice 96-56 to expend funds in excess of \$5,000 for modernization or operations. The funds should be obligated and drawn down and the Actual Development Cost Certificate, form HUD-52427, and final Statement of Actual Development Cost, form HUD-53045-A, or HUD-52484, submitted to the area ONAP within 6 months from the date of issuance of this Notice.
 3. Use the provisions of this Notice to reformulate funds in excess of \$25,000. The reformulation process must be complete and the Actual Development Cost Certificate, form HUD-52427, and final Statement of Actual Development Cost, form HUD-53045-A, or HUD-52484, submitted to the area ONAP within 6 months from the date of issuance of this Notice.

- b. The area ONAP will execute an Actual Development Cost Certificate, form HUD-52427, in accordance with 24 CFR 950.285:
 - 1. This will occur when the housing authority has not submitted to the area ONAP an Actual Development Cost Certificate, form HUD-52427, within 24 months of DOFA and, according to the latest Semi-annual Development Cost Statement, form HUD-43045-A, or HUD-52484, has expended funds to within \$4,999 of the amount(s) reserved. Housing authorities will be notified by the area ONAP that all development activities have been completed and that no additional costs may be incurred for the project. The area ONAP will then proceed with fiscal close-out of the project.
 - 2. Immediately following the six month window of opportunity allowed by this Notice, housing authorities with overdue Actual Development Cost Certificates, form HUD-52427, will be notified by the area ONAP that all development activities have been completed and that no additional costs may be incurred for the project. The area ONAP will then proceed with fiscal close-out of the project.
- c. Each area ONAP will provide a listing of projects with overdue ADCCs to Headquarters, along with a schedule for eliminating the backlog by September 30, 1997. The listing should also include projects which have been reopened and must be closed again. A reporting format will be provided under separate cover.

7. Routine Processing of ADCCs:

- a. Projects which reach DOFA after the issuance of this Notice must comply with the following schedule:
 - 1. Reformulation requests must be submitted by to the area ONAP not later than 12 months after DOFA.
 - 2. The housing authority must submit to the area ONAP a Certificate of Actual Development Cost, form HUD-52427, within 24 months of DOFA.
 - 3. Audit verification of the actual development cost must be submitted to the area ONAP within 36 months of DOFA.
- b. If the housing authority fails to submit a Certificate of Actual Development Cost, form HUD-52427, or audit within the timeframes prescribed in item 7a above:
 - 1. The area ONAP will make a determination that all development activities have been completed and inform the housing authority that such action has been taken and that no additional costs may be incurred for the development.
 - 2. The area ONAP will then proceed with the fiscal close-out of the development.

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