

SUB-INDICATOR #2: CAPITAL FUND

I. Definition:

This sub-indicator assesses performance under the PHAs Capital Fund/modernization and/or grant programs.

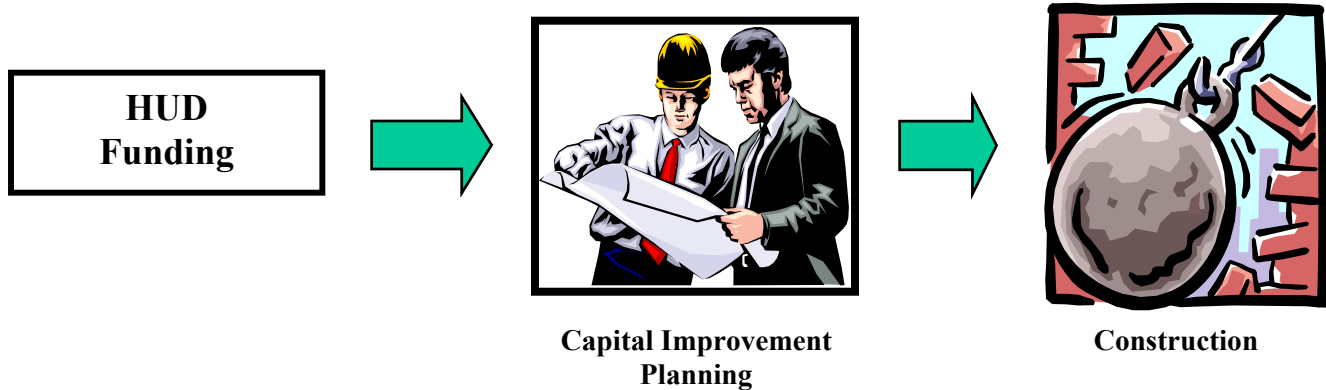
**Maximum
Point(s):**
7

II. Statute and Regulations:

- Section 519 of the Quality Housing and Work Responsibility Act of 1998
- 24 CFR § 902, Subpart D
- 24 CFR § 905
- 24 CFR § 968, Subpart C

III. Process Workflow:

Measures performance under a PHA's Capital Fund/modernization programs under five components.



IV. Components:

- Component #1: Unexpended Funds Over Three Federal Fiscal (FFYs) old (1 point)
- Component #2: Timeliness of Funds Obligated (2 points)
- Component #3: Adequacy of Contract Administration (1 point)
- Component #4: Quality of the Physical Work (2 points)
- Component #5: Adequacy of Budget Controls (1point)

Components #1, #2, #3, #4 and #5 apply to:

- Capital Fund Program (CFP) funding, including Replacement Housing Factor (RHF) funds; and
- Comprehensive Grant Program (CGP).

Components #3, #4 and #5 also apply to the HOPE VI Program.

V. Suggested Data Sources:

- PHAs must maintain accurate information on what Capital Fund Programs and/or grants the PHA has in open status (open = any program that does not have a pre-audit end date or that received a pre-audit end date during the fiscal year being assessed) during the review period. Before completing this sub-indicator, the PHA should first determine all of the capital improvement programs that apply to the PHA. In the case where a PHA has multiple programs, each program should be listed separately and identified by program number. In addition, take the following steps:
- Confirm every non-completed Capital Fund Program and/or grant by reviewing all of the Modernization Cost Certificates (form HUD-52839, CGP) and any other supporting documentation that was sent to the local HUD office. Determine whether the local HUD office has entered the required documentation into LOCCS to close the program. To verify if a Capital Fund Program and/or grant has been closed out, the PHA must ensure that the local HUD office has entered the post audit end date into LOCCS.
- For Components #1 and #2, the suggested data sources of information include:
 1. Form HUD-53001, CGP Actual Modernization Cost Certificate (AMCC).
 2. Letters to HUD requesting obligation or expenditure extensions.
 3. Letters to HUD supporting claims outside PHA's control.
 4. Correspondence from HUD on the subjects of obligation and expenditure, and HUD approval for time extensions.
 5. Files and logs on all open Capital Fund/modernization programs.
 6. LOCCS vouchers.
 7. PHA Annual and 5-Year Plans and records of public hearings.
 8. PHA obligation and expenditure reports.
 9. Other PHA documentation.
- For Components #3 and #4 the suggested data sources of information include:
 1. On-site inspection report(s) for the PHAs fiscal year in review or the latest on-site inspection report available. If there are findings, review findings and determine if corrections were made or are in the process of being completed.
 2. Other sources are the Inspector General report or the independent audit report.
 3. Violations of HOPE VI programs documented by HUD.
 4. Other PHA documentation.
- For Component #5 the suggested data sources of information include:
 1. Schedule/report(s) of modernization expenditures or CGP performance evaluation reports, program budgets (annual statement), any HUD approved budget revisions that exceed the threshold amount and the Annual and 5-Year Plans for budget work items.
 2. Other PHA documentation.

VI. Elements:

Element Number	Element Description	Instructions for Completing Element Submission
CF10000	Do you have any open Capital Fund programs (i.e., CGP, HOPE VI,) (Y/N)? Open = any program that does not have a pre-audit end date or that received a pre-audit end date during the fiscal year being assessed.	<p>Do you have any open Capital Fund (CFP, CGP, RHF for components #1, #2, #3, #4 and #5; HOPE VI for components #3, #4 and #5) programs? Open = Any program that does not have a pre-audit end date or that received a pre-audit end date during the fiscal year being assessed. ANSWER YES OR NO.</p> <p>If your answer is NO, continue to sub-indicator #3, work orders. There is no need to respond to the remainder of the Capital Fund elements since the PHA does not have any open Capital Fund Programs (MASS will block out any attempts to enter information if the answer NO is selected and saved).</p>

VII. Things to Remember:

- ✓ The Capital Fund Program also includes Replacement Housing Factor funds, as well as Capital Fund Program funding and CGP funding.
- ✓ The information requirements for this sub-indicator are subject to an independent audit.
- ✓ If a PHA with fewer than 250 units has obtained HUD approval and transfers its Capital Fund/modernization funds to its 1406 operating account, that PHA does not have an open Capital Fund/modernization and/or grant program and should answer **NO** to Element CF10000.
 - If your answer is NO, continue to sub-indicator #3, work orders. There is no need to respond to the remainder of the Capital Fund elements since the PHA does not have any open Capital Fund/moderation and/or grant programs (MASS will block out any attempts to enter information if the answer NO is selected and saved).
- ✓ Replacement housing factor funds shall be assessed beginning with the date that funds became available to the PHA, or with specific HUD approval that includes the date that the PHA accumulates adequate funds to undertake replacement housing. The assessment of replacement housing factor funds is the same as the assessment for the Capital Fund Program.
- ✓ The PHA is required to collect and maintain documentation essential for the measurement and the submission of the data for this sub-indicator for a period of three years for on-site review verification.

Component #1: Unexpended Funds Over Three Federal Fiscal Year (FFYs) Old

I. Definition:

This component measures unexpended funds over three FFYs old, and not the PHA's fiscal years (FYs). The FFY runs from October 1 to September 30. This applies to Capital Fund/modernization and/or grant programs awarded to the PHA that are more than three FFYs old and the funding that has not been expended.

Maximum Point(s):

1

This component applies to the following programs:

➤ **CFP** ➤ **CGP** ➤ **RHF**

II. Suggested Data Sources:

1. PHA Annual and 5-Year Plans and records of public hearings.
2. Form HUD-53001, CGP Actual Modernization Cost Certificate (AMCC).
3. Letters to HUD requesting expenditure extensions.
4. Letters to HUD supporting claims outside PHA's control.
5. Correspondence from HUD regarding expenditures and HUD approval for time extensions.
6. PHA expenditure reports.
7. Final Lead-Based Paint Risk Assessment schedule and plan, if applicable.
8. Other PHA documentation.

III. Elements:

Element Number	Element Description	Instructions for Completing Element Submission
CF10050	Total funds authorized over 3 FFYs old.	This applies to all Capital Fund/modernization and/or grant programs awarded to the PHA that are more than three FFYs old and do not have a pre-audit end date or received a pre-audit end date during the year being assessed. Please refer to the PHA Annual and 5-Year Plans, and other suggested data sources for this element. (For calculating this component, DO NOT include funds awarded in the fiscal year being assessed.)
CF10100	Total funds expended over 3 FFYs old.	This applies to all funds expended from grants and/or programs that are over three FFYs old and do not have a pre-audit end date or received a pre-audit end date during the year being assessed. Please refer to PHA Expenditure Report and other suggested data sources for information for this element. (For calculating this component, DO NOT include funds awarded during the fiscal year being assessed.)

III. Elements Continued:

Element Number	Element Description	Instructions for Completing Element Submission
CF10200	Unexpended funds to be recaptured.	Unexpended funds will be recaptured after the audit. Please refer to form HUD-53001, Actual Modernization Cost Certificate, line 1(d), Amount to be Recaptured. In addition, please refer to PHA Expenditure Report and other suggested data sources for this element.
CF10300	Unexpended funds approved by HUD over 3 FFYs old.	Please refer to the HUD-approved original implementation schedule that allows for periods of time longer than three FFYs to expend all funds, the PHA Annual and 5-Year Plans, and other suggested data sources for this element.
CF10400	Unexpended funds with time extensions due to reasons outside of PHA's control.	Please refer to the HUD-approved original implementation schedule that allows for periods of time longer than three FFYs to expend all funds, the PHA Annual and 5-Year Plans, documentation demonstrating reasons outside the PHA's control, and other suggested data sources for this element.
CF10500	Adjusted total unexpended funds.	Read only. System generated.

IV. Things to Remember:

- ✓ Where a PHA administers multiple Capital Fund/modernization and/or grant programs, each program shall be evaluated under this component. The PHA will enter into this component the cumulative amount of authorized funding from each program. A point equivalent of a Grade of "F" for any one program will result in a Grade of "F" for the component.

V. Best Practices:

- ✓ Maintain separate fund accounts.
- ✓ Reconcile the monthly statements.
- ✓ PHAs should have a system that tracks activity under this component.

VI. Criteria for Scoring:

Grade	Unexpended Funds Over Three FFYs Old
A	The PHA has no unexpended funds over three FFYs old or is able to demonstrate one of the following: <ul style="list-style-type: none">• The unexpended funds are leftover funds and will be recaptured after audit;• There are no unexpended funds pass the original HUD-approved implementation schedule deadline that allowed longer than three FFYs; or• The PHA extended the time within 30 calendar days after the expenditure deadline and the time extension is based on reasons outside of the PHA's control, such as need to use leftover funds, unforeseen delays in contracting or contract administration, litigation, material shortages, or other non-PHA institutional delay.
F	The PHA has unexpended funds over three FFYs old and is unable to demonstrate any of the above three conditions; or the PHA requests HUD approval of a time extension based on reasons within the PHA's control.

VII. Calculation by System:

[CF10500] Adjusted total unexpended funds = [CF10050] Total funds authorized over 3 FFYs old – ([CF10100] Total funds expended over 3 FFYs old + [CF10200] Unexpended funds to be recaptured + [CF10300] Unexpended funds approved by HUD over 3 FFYs old + [CF10400] Unexpended funds with time extension due to reasons outside of PHA's control).

Component #2: Timeliness of Fund Obligation

I. Definition:

This component is similar to component #1 in that fund obligation is measured by FFYs and not by the PHA's FYs.

This component applies to the following programs:

➤ **CFP** ➤ **CGP** ➤ **RHF**

Maximum Point(s):

2

II. Suggested Data Sources:

1. PHA Annual and 5-Year Plans and records of public hearings.
2. Form HUD-53001, CGP Actual Modernization Cost Certificate (AMCC).
3. Letters to HUD requesting obligation extensions.
4. Letters to HUD supporting claims outside PHA's control.
5. Correspondence from HUD regarding obligation and HUD approval for time extensions.
6. PHA obligation reports.
7. Other PHA documentation.

III. Elements:

Element Number	Element Description	Instructions for Completing Element Submission
CF11100	Total funds authorized for grants over 2 FFYs old.	This applies to all Capital Fund/modernization and/or grant program funds awarded to the PHA that are more than two FFYs old. Please refer to the PHA Annual and 5-Year Plans, and other suggested data sources for this element.
CF11200	Total funds obligated over 2 FFYs old.	This applies to all Capital Fund/modernization and/or grant program funds obligated by the PHA that are more than two FFYs old. Please refer to PHA Obligation Reports and other suggested data sources for the requirements for this element. (For calculating this component, DO NOT include funds awarded the fiscal year being assessed.)
CF11300	Unobligated funds approved by HUD over 2 FFYs old.	This applies to all Capital Fund/modernization and/or grant program funds unobligated by the PHA that are more than two FFYs old. Please refer to the HUD-approved original implementation schedule that allows for periods of time longer than two FFYs old to expend all funds, the PHA Annual and 5-Year Plans, and other suggested data sources for this element.

III. Element Continued:

Element Number	Element Description	Instructions for Completing Element Submission
CF11400	Unobligated funds with time extensions due to reasons outside of PHA's control.	This applies to all Capital Fund/modernization and/or grant program funds unobligated by the PHA that are more than two FFYs old. Please refer to the HUD-approved original implementation schedule, the PHA Annual and 5-Year Plans, documentation demonstrating reasons outside the PHA's control, and other suggested data sources for this element.
CF11500	Adjusted total unobligated funds.	Read only. System generated.

IV. Things to Remember:

- ✓ Where a PHA administers multiple Capital Fund/modernization and/or grant programs, each program shall be evaluated under this component. The PHA will enter into this component the cumulative amount of authorized funding from each program. A point equivalent of a Grade of "F" for any one program will result in a Grade of "F" for the component.

V. Best Practices:

- ✓ Maintain separate fund accounts.
- ✓ Reconcile the monthly statements.

VI. Criteria for Scoring:

Grade	Timeliness of Fund Obligation
A	<p>The PHA has no unobligated funds over two FFYs old, or is able to demonstrate one of the following:</p> <ul style="list-style-type: none"> • There are no unobligated funds past the original HUD-approved implementation schedule deadline that allowed longer than two FFYs; or • The PHA has extended the time within 30 calendar days after the obligation deadline and the time extension is based on reasons outside of the PHA's control, such as need to use leftover funds, unforeseen delays in contracting or contract administration, litigation, material shortages, or other non-PHA institutional delays.
F	<p>The PHA has unobligated funds over two FFYs old and is unable to demonstrate either of the above two conditions; or the PHA requests HUD approval of a time extension based on reasons within the PHA's control.</p>

VII. Calculation by System:

[CF11500] Adjusted total unobligated funds = [CF11100] Total funds authorized for grants over 2 FFYs old – ([CF11200] Total funds obligated over 2 FFYs old + [CF11300] Unobligated funds approved by HUD over 2 FFYs old + [CF11400] Unobligated funds with time extensions due to reasons outside of PHA's control).

Component #3: Adequacy of Contract Administration

I. Definition:

This component measures the PHA’s ability to adequately manage contract administration for funded program(s). It also measures progress in correcting findings in contract administration, based on findings from the latest on-site review and/or audit, where a written report was provided to the PHA at least 75 days prior to the PHA’s fiscal year end. “Finding” means a violation of the statute, regulation, ACC, or other HUD requirements in the areas of contract administration. Contract administration refers to all aspects of Capital Fund/modernization and/or grant programs that have specific program requirements and has construction contracting.

Maximum Point(s):

1

This component applies to the following programs:

- **CFP** ➤ **CGP** ➤ **RHF** ➤ **HOPE VI**

This component measures performance based on the PHA’s FYE, rather than on the FFY that was used for components #1 and #2.

III. Suggested Data Sources:

1. On-site inspection report(s) for the PHA’s fiscal year in review or the latest on-site inspection report available. If there are findings, review findings and determine if corrections were made or are in the process of being completed.
2. Other sources are the Inspector General report or the independent audit report.
3. Violations of HOPE VI programs documented by HUD.
4. Other PHA documentation.

III. Elements:

Element Number	Element Description	Instructions for Completing Element Submission
CF11700	The date of the last HUD/Army Corps of Engineers on-site inspection and/or audit related to contract administration (include A-133 Audit).	Enter the date of the last HUD/Army Corps of Engineers on-site inspection and/or audit related to contract administration (include A-133 Audit).

III. Elements Continued:

Element Number	Element Description	Instructions for Completing Element Submission
CF11800	The number of findings related to contract administration.	Enter the number of findings documented by the HUD/Army Corps of Engineers at the VERY LAST on-site inspection and/or audit related to contract administration that was provided to the PHA by HUD 75 days prior to the PHA's fiscal year end. Please refer to suggested data sources for information requirements for this element.
CF11900	The number of findings related to contract administration that have been corrected by the PHA.	Enter the number of findings corrected that relate to Element CF11800. Please refer to suggested data sources for information requirements for this element.
CF12000	The number of findings related to contract administration that the PHA is in the process of correcting.	Enter the number of findings the PHA is in the process of correcting where the correction relates to Element CF11800. Please refer to suggested data sources for information requirements for this element.

IV. Things to Remember:

- ✓ The following is a chart of the 75 days before the fiscal year ending dates:

PHA's FISCAL YEAR END (FYE)	75 DAYS PRIOR TO FYE
09/30	07/15
12/31	10/16
03/31	01/16
06/30	04/15

- ✓ A finding, for the purpose of this component, refers to a violation of a statute, regulation, ACC, corrective action order or other HUD requirements relating to the adequacy of contract administration. This does not include observations, recommendations or suggestions for improvement that are contained in a written report.

V. Best Practices:

- ✓ Maintain separate fund accounts.
- ✓ Reconcile the monthly statements.

VI. Criteria for Scoring:

Grade	Adequacy of Contract Administration
A	Based on HUD's latest on-site inspection and/or audit, where a written report was provided to the PHA at least 75 days before the end of the PHA's fiscal year, there were no findings related to contract administration or the PHA has corrected all such findings.
C	Based on HUD's latest on-site inspection and/or audit, where a written report was provided to the PHA at least 75 days before the end of the PHA's fiscal year, there were findings related to contract administration and the PHA is in the process of correcting all such findings.
F	Based on HUD's latest on-site inspection and/or audit, where a written report was provided to the PHA at least 75 days before the end of the PHA's fiscal year, there were findings related to contract administration and the PHA has failed to initiate corrective action or those actions which have been initiated have not resulted in progress toward remedying all of the findings.

VII. Calculation by System:

Note: There is no system calculation for this component. The score is based on information provided by a PHA in its certification, and the grade is based on the Criteria for Scoring.

Component #4: Quality of the Physical Work

I. Definition:

This component evaluates the quality of physical work for funded program(s).

This component applies to the following programs:

➤ **CFP** ➤ **CGP** ➤ **RHF** ➤ **HOPE VI**

This component measures performance based on the PHA's FYE, rather than on the FFY that was used for components #1 and #2.

**Maximum
Point(s):**

2

II. Suggested Data Sources:

1. On-site inspection report(s) for the PHA's fiscal year in review or the latest on-site inspection report available. If there are findings, review findings and determine if corrections were made or in the process of being completed.
2. Another source is the Inspector General report.
3. Violations of HOPE VI programs documented by HUD.
4. Other PHA documentation.

III. Elements:

Element Number	Element Description	Instructions for Completing Element Submission
CF12200	The date of the last HUD/Army Corps of Engineers on-site inspection related to the quality of physical work.	Enter the date of the last HUD/Army Corps of Engineers on-site inspection related to the quality of physical work. Please refer to on-site inspection reports, audit reports and other suggested data sources for information requirements for this element.
CF12300	The number of findings related to the quality of physical work.	Enter the number of findings documented by the HUD/Army Corps of Engineers at the VERY LAST on-site inspection related to quality of physical work that was provided to the PHA by HUD 75 days prior to the PHA's fiscal year end. Please refer to on-site inspection reports, audit reports and other suggested data sources for information requirements for this element.

III. Elements Continued:

Element Number	Element Description	Instructions for Completing Element Submission
CF12400	The number of findings related to the quality of physical work that have been corrected by the PHA.	The number of findings corrected that relate to Element CF12300. Please refer to PHA documentation and other suggested data sources for information requirements for this element.
CF12500	The number of finding related to the quality of physical work that the PHA is in the process of correcting.	Enter the number of findings the PHA is in the process of correcting that relate to Element CF12300. Please refer to PHA documentation and other suggested data sources for information requirements for this element.

V. Things to Remember:

- ✓ The following is a chart of the 75 days before the fiscal year ending dates:

PHA's FISCAL YEAR END (FYE)	75 DAYS PRIOR TO FYE
09/30	07/15
12/31	10/16
03/31	01/16
06/30	04/15

- ✓ A finding, for the purpose of this component, refers to a violation of a statute, regulation, ACC, corrective action order or other HUD requirements relating to the quality of the physical work. This does not include observations, recommendations or suggestion for improvement that are contained in a written report.

VI. Best Practices:

- ✓ Maintain separate fund accounts.
- ✓ Reconcile the monthly statements.

VII. Criteria for Scoring:

Grade	Quality of the Physical Work
A	Based on HUD's latest on-site inspection, where a written report was provided to the PHA at least 75 calendar days before the end of the PHA's fiscal year, there were no findings related to the quality of the physical work or the PHA has corrected all such findings.

VII. Criteria for Scoring Continued:

Grade	Quality of the Physical Work
C	Based on HUD's latest on-site inspection, where a written report was provided to the PHA at least 75 calendar days before the end of the PHA's fiscal year, there were findings related to the quality of the physical work and the PHA is in the process of correcting all such findings.
F	Based on HUD's latest on-site inspection, where a written report was provided to the PHA at least 75 calendar days before the end of the PHA's fiscal year, there were no findings related to the quality of the physical work and the PHA has failed to initiate corrective actions for all such findings or those actions which have been initiated have not resulted in progress toward remedying all of the findings.

VIII. Calculation by System:

Note: There is no system calculation for this component. The score is based on information provided by a PHA in its certification, and the grade is based on the Criteria for Scoring.

Component #5: Adequacy of Budget Controls

I. Definition:

This component evaluates the adequacy of a PHA's budget controls and expenditures for funded programs for the fiscal year being assessed.

This component applies to the following programs:

➤ **CFP** ➤ **CGP** ➤ **RHF** ➤ **HOPE VI**

This component measures performance based on the PHA's FYE, rather than on the FFY that was used for components #1 and #2.

**Maximum
Point(s):**

1

II. Suggested Data Sources:

1. Schedule/report(s) of modernization expenditures, annual statement, any HUD approved budget revisions that exceed the threshold amount.
2. PHA Annual and 5-Year Plans.
3. Other PHA documentation.
4. LOCCS Expenditure Report.

III. Elements:

Element Number	Element Description	Instructions for Completing Element Submission
CF12700	Total amount of Capital Funds expended during the PHA fiscal year being assessed.	PHAs must provide a cumulative amount of all Capital Fund/modernization and/or grants expended during the fiscal year being assessed. Please refer to PHA expenditure report and other suggested data sources for information for this element.
CF12800	Amount of Capital Funds expended on approved work items not subject to budget revisions during the PHA fiscal year being assessed.	This applies to all Capital Fund/modernization and/or grants programs that have expended funds for the fiscal year being assessed, only on work items in a HUD-approved Capital Fund/modernization annual statement, and the program required five year plan (excluding emergencies). Please refer to the HUD- approved budget, the PHA Annual and 5-Year Plans, and other suggested data sources for other information for this element.
CF12900	Amount of Capital Funds expended under budget revisions with prior HUD approval during the PHA fiscal year being assessed.	This applies to all Capital Fund/modernization and/or grant programs that have expended funds for the fiscal year being assessed only on work items with prior HUD approval on budget revisions. Please refer to the HUD-approved budget, the PHA Annual and 5-Year Plans, and other suggested data sources for other information for this element.

III. Elements Continued:

Element Number	Element Description	Instructions for Completing Element Submission
CF13000	Amount of Capital Funds expended under budget revisions not requiring prior HUD approval during the PHA fiscal year being assessed.	This applies to all Capital Fund/modernization and/or grant programs that have expended funds for the fiscal year being assessed, only on work items not requiring prior HUD approval on budget revisions. Please refer to the HUD-approved budget, the PHA Annual and 5-Year Plans, and other suggested data sources for other information for this element.

IV. Things to Remember:

- ✓ The sum total of Elements CF12800, CF12900 and CF13000 should be equal to Element CF12700.

V. Best Practices:

- ✓ Maintain separate fund accounts.
- ✓ Reconcile the monthly statements.

VI. Criteria for Scoring:

Grade	Adequacy of Budget Controls
A	The PHA has expended Capital Funds only on work in a HUD-approved budget or PHA Annual and 5-Year Plans, excluding emergencies, or has obtained prior HUD approval for required budget revisions.
F	The PHA has expended Capital Funds on work that was not in a HUD-approved budget or PHA Annual and 5-Year Plans, excluding emergencies, and did not obtain prior HUD approval for required budget revisions.

VII. Calculation by System:

Note: There is no system calculation for this component. The score is based on information provided by a PHA in its certification, and the grade is based on the Criteria for Scoring.