


U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CAPITAL FUND GUIDEBOOK TRAINING

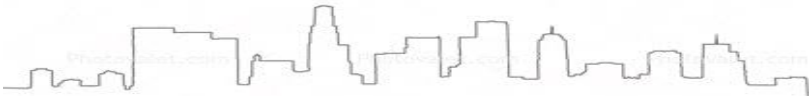
DAY 2 MODULE 1

OBLIGATIONS, BUDGET REVISIONS, EXPENDITURES AND CLOSEOUT (CHAPTER 7)





CHAPTER 7: TOPICS


- Obligations
- Budget Revisions and Amendments
- Expenditures
- Closeout



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OBLIGATIONS

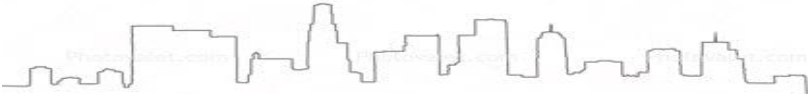


WHAT IS AN OBLIGATION?


- A binding agreement for work or financing that will result in outlays, immediately or in the future.
- Must be incorporated within the CFP 5-Year Action Plan




(Part 905.108, Capital Fund Rule published in Federal Register on October 24, 2013, at Docket No. FR-5236-F-02)



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WHEN DOES OBLIGATION OCCUR FOR...



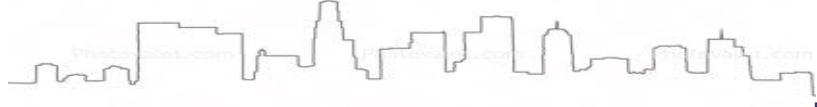
Force Account
For a single work item, obligation occurs when the work is initiated. For a group of sequentially-related work items, obligation occurs when the first work item is initiated.

CFFP
CFP funds used to pay off debt service for CFFP are considered obligated at the release of the formula grant.


Conventional Development
Obligation occurs when the development contract is signed.

Mixed Finance Development
Obligation occurs at financing closing.


Predevelopment
When the PHA enters into a binding contract - such as for architectural and engineering services, demolition and abatement.



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WHEN DOES OBLIGATION OCCUR FOR...




General CFP Work
Obligation occurs when a contract has been executed.

BLI 1406 – Operations
Obligation occurs when the funds are drawn down and vouchered - the date of the voucher submission.


BLI 1408 – Management Improvements
Obligation occurs when the PHA signs a contract (or executes obligating documents) for eligible work items.

BLI 1410 – Administration
Obligation occurs when the PHA budgets the funds in an approved Annual Statement and 5-Year Action Plan.


BLI 1502 – Contingency
These funds are never obliged and must be moved to another BLI to be obligated, disbursed, and expended.



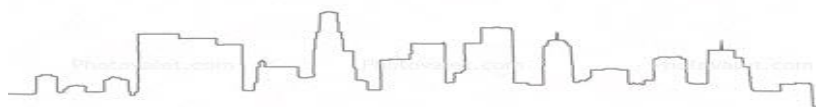
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LETS DISCUSS: WHICH OF THE FOLLOWING ARE OBLIGATIONS?



- A PHA places a purchase order for stoves.
- A developer agreement is signed.
- A PHA budgets funds to BLI 1406 Operations.
- A PHA budgets funds to BLI 1410 Administration.
- A developer contract is signed.

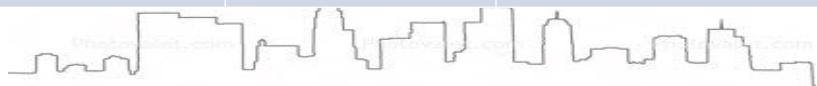


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SUMMARY OF OBLIGATION REQUIREMENTS FOR CAPITAL FUND GRANTS


Program	Obligation Requirements	Obligation Time Frame
Formula Grants	90% or more	24 months
Demolition Disposition Transitional Funding (DDTF)	Same as Formula Grant as it is not a separate grant but part of the CFF.	Same as Formula Grant as it is not a separate grant but part of the CFF.
RHF Grants	90% or more	24 months from accumulation date (up to 5 years of grants)
Disaster Grants	90% or more	24 months
Emergency & Safety Security Grants	90% or more	12 months



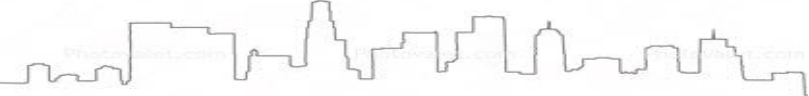
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PHA REQUESTS FOR EXTENSIONS OF THE OBLIGATION END DATE (OED)




- HQ will receive/review these requests and recommend for approval (by Assistant Secretary) or reject.
- Authority to extend OED (**not to exceed 12 months**) is based on the following circumstances:
 - Size of PHA;
 - Complexity of Capital Fund program of the PHA;
 - Limitations on PHA ability to obligate in a timely manner as a result of State or local law; or
 - Any other factors as the Secretary determines to be relevant.



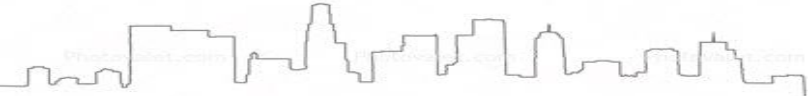
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PHA REQUESTS FOR EXTENSIONS OF THE OED, CONTINUED



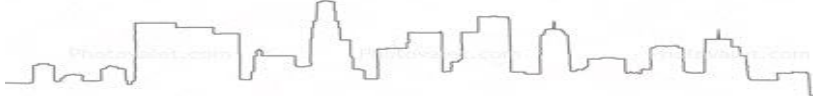

- The Act and the regulation **permit** the Secretary to **grant obligation deadline extensions in excess of 12 months** based on the following criteria:
 - Litigation
 - Obtaining approvals of Federal, State or local government
 - Complying with environmental assessment/abatement requirements
 - Relocating residents
 - An event beyond the control of the PHA; and,
 - Any other reason established by the Secretary through Federal Register Notice.
- All requests for OED extensions are submitted to HQ.
- OCI sends approval/denial letter to PHA and copy to FO.




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 **PHA OBLIGATION REPORTING**

- Report monthly on the obligation and expenditure of each open Capital Fund grant in LOCCS.
- LOCCS will suspend drawdowns for all open Capital Fund grants if reporting does not occur
- PHAs must report on OED, even if at 90% Obligation or more in prior reporting period.
- HUD may request and/or review some or all PHA documentation supporting the obligation.

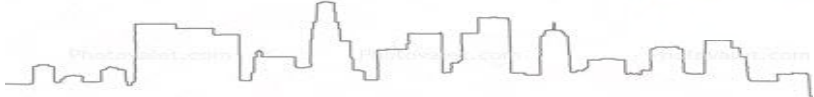



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 **CONSEQUENCES OF NONCOMPLIANCE WITH THE OBLIGATION END DATE – PENALTIES AND SANCTIONS**

- **HUD will withhold a PHA's next Capital Fund grant until the PHA obligates at least 90% of its past due grant.**
 - Reduction of the new CF Grant by 1/12 for every month or portion of the month that the PHA was in non-compliance with the OED requirements of the previous grant.
$$\text{CFF}/12 \times \# \text{ of months of non-compliance} = \text{penalty}$$


Penalty is not imposed on the noncompliant grant; it is applied to the suspended grant.



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EXAMPLE: PENALTY APPLICATION

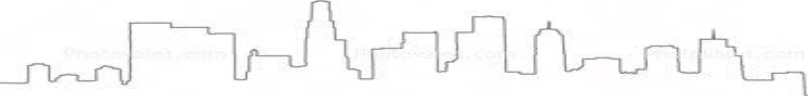


Example #1


The A PHA failed to obligate at least 90% of a FY2010 Capital Fund formula grant by the OED of July 10, 2012

What Happens?


1. Continue to obligate this noncompliant grant until it can demonstrate a 90% obligation.
2. It achieved the 90% obligation on October 12, 2012 - 3 months and 2 days after the OED.
3. HUD penalizes PHA for 4 months worth of grant on next year's (FY2013) Capital Fund formula grant.



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EXAMPLE: PENALTY APPLICATION




Penalty Calculation and Implementation

- FY2013 formula grant is \$140,000.
 $\$140,000 / 12 = \$11,667$
 $\$11,667 \times 4 \text{ months} = \$46,668$
 $\$140,000 - \$46,668 = \mathbf{\$93,332}$ new FY2013 grant amount
- (Authorized Amount of new grant) - [(Authorized Amount of new grant / 12) * (penalty months)] = Reduced Grant amount
- HUD executes new FY 2013 ACC Amendment and recaptures \$46,668 penalty.
- HUD notifies REAC and PHA FY2013 PHAS is reduced

Maximum penalty is 12/12 or 100% of next year's Capital Fund grant.

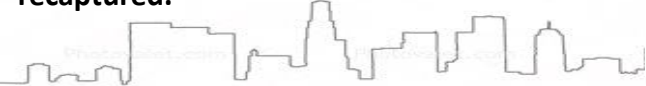

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HUD MONITORING: DEOBLIGATION AND REOBLIGATION

- A PHA may deobligate and then reobligate funds if a legitimate obligation of Capital Funds must be “undone” due to a voided contract.
- **A PHA is not penalized if the OED has passed and it is no longer compliant with the 90% obligation requirement.**
- If the FO accepts, the PHA reports the deobligation and the FO includes a Project Note in LOCCS.

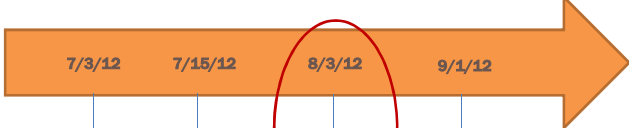
NOTE: If the expenditure end date has passed, the grant cannot be reobligated and funds must be recaptured.

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DEOBLIGATION AND REOBLIGATION EXAMPLE



80% obligated

Sigs contracts with architects and engineers for new units On ID'd site

Contract for 15% of CF funds

95% obligated

Anytown OED

ER Indicates site not approvable for development

Contract not valid PHA must de-obligate funds

80% obligated

PHA in compliance with 9(j)



PHA no longer in compliance

The PHA is not penalized because it was in compliance with the requirements on the OED.

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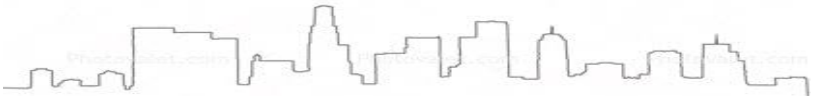


EXPENDITURES




WHAT IS AN EXPENDITURE?

- Relates to the amount of PHA bills due and payable.
- **Disbursement** - The act of distributing Capital Funds from HUD accounting (LOCCS) to the PHA's bank to pay the bills.
- **Expenditure End Date (EED)** - The final date a PHA may expend (pay out) funds drawn from LOCCS for Capital Fund-related expenses. Generally statute requires 100% within 4 years of date that funds are made available, or obligation start date.
- Failure to expend all funds in a Capital Fund grant from LOCCS by the EED will result in recapture of all unexpended funds by HUD.



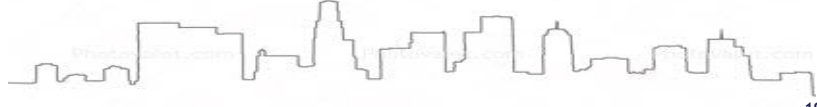
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SUMMARY OF EXPENDITURE REQUIREMENTS FOR CAPITAL FUND GRANTS

Grant	% of Expenditure	# of Months
Formula Grant	100%	48 months from obligation start date in LOCCS
RHF Grant	100%	48 months from time PHA accumulates adequate funding (up to 5 years of grants)
Disaster Grant	100%	48 months from obligation start date in LOCCS
Emergency & Safety Security Grants	100%	24 months from obligation start date in LOCCS

*** RAD**
If HUD has approved a RAD OED extension to 60 months (5 years) after effective date of applicable CF ACC Amendment, EED is extended the same.



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EXPENDITURES/VOUCHER REQUIREMENTS


LOCCS Vouchers

- PHA vouchers are automatically paid unless the FO or HQ establishes a threshold or sets on auto review in LOCCS.


LOCCS Reporting

- PHAs manually report monthly obligations and expenditures of each open Capital Fund grant in LOCCS until grant is in Pre-Audit status.
- If a PHA fails to meet a reporting deadline, HUD will withhold all CFP funding until the PHA reports in LOCCS.

Expenditures exceeding disbursements may be a red flag.




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ARE EXPENDITURES AND DISBURSEMENTS THE SAME THING?

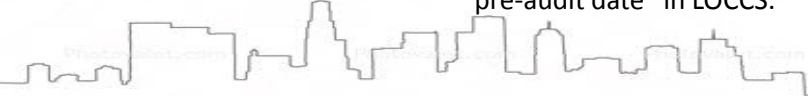
Disbursements

- Disbursements, are automatically determined by LOCCS.
- Used by HUD to track EED compliance.
- When PHAs voucher Capital Funds, these funds are considered disbursed.




Expenditures

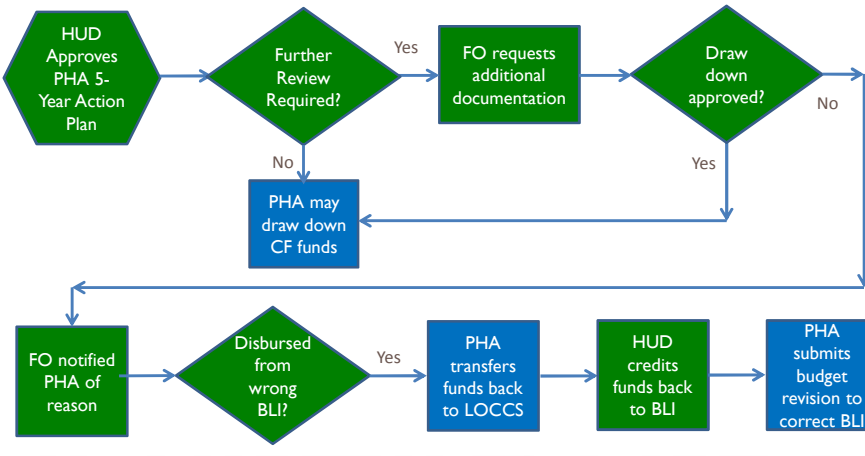
- Expenditures are PHA self-reported.
- When PHA pays a contractor/ vendor bill using funds disbursed from LOCCS.
- PHAs required to report expenditures monthly in LOCCS, for each open Capital Fund grant until FO enters a "pre-audit date" in LOCCS.



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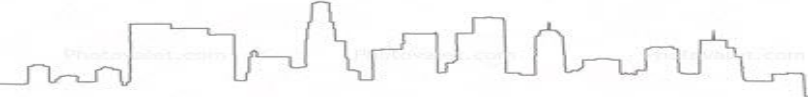


DRAWDOWN PROCESS




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graph TD
    A[HUD Approves PHA 5-Year Action Plan] --> B{Further Review Required?}
    B -- No --> C[PHA may draw down CF funds]
    B -- Yes --> D[FO requests additional documentation]
    D --> E{Draw down approved?}
    E -- No --> C
    E -- Yes --> C
    C --> F[FO notified PHA of reason]
    F --> G{Disbursed from wrong BLI?}
    G -- No --> C
    G -- Yes --> H[PHA transfers funds back to LOCCS]
    H --> I[HUD credits funds back to BLI]
    I --> J[PHA submits budget revision to correct BLI]
    J --> C
    
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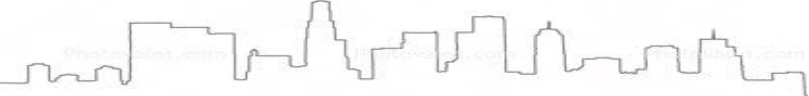
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DRAWDOWN PROCESS




- BLI 1410- Administration:
 - PHAs can disburse funds budgeted for BLI 1410 Administration all at once or on a monthly basis.
- BLI 1406- Operations:
 - For transfers to Operations, the funds must be drawn down by LOCCs vouchers to be considered obligated.
 - Voucher date in LOCCS is the date of obligation and expenditure.
 - Funds budgeted for Operations but never drawn down are neither obligated nor expended.



BUDGET REVISIONS AND AMENDMENTS



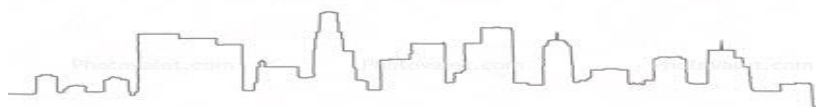


BUDGET REVISION REQUIREMENTS


PHA must revise the budget when the work items change, the amounts in the existing BLIs change, or when the total grant amount changes.

- Must all budget revision be submitted to HUD? **YES.**
 - A copy of an amended 5-Year Action Plan must be submitted before the PHA undertakes any related contract obligations or expenditures
- Must all budget revision be approved by HUD? **NO.**
 - Only significant amendment budget revisions require HUD approval

If a PHA is amending a CFP budget to meet the OED, the PHA must submit this budget revision to the Field Office **No later than 45 days prior to the OED.*



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TYPES OF BUDGET REVISIONS

Budget Revisions Due to Revised ACC Issuance

- The PHA must revise its budget to distribute any increase or decrease or to zero out previously listed work items.
- *Not required when HUD fully recaptures a Capital Fund Grant except as part of the closeout process.*

Obligation, Expenditure, and Closeout

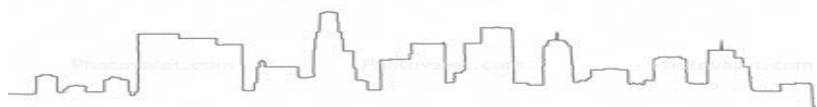
- Once eligible activities are officially contracted, a PHA can report the related obligated funds in LOCCS with disbursements and expenditures reported in LOCCS thereafter.
- PHAs should submit budget revisions no later than 45 days prior to the OED/ EED in order to properly obligate/ expend Capital Funds in a timely manner.
- A PHA may simultaneously submit a budget revision and a final budget for closeout of a Capital Fund grant.

In Connection with P&E Reports


- As the PHA prepares the P&E Report for closeout, it may determine that budget revisions are necessary in order to line up the budgets and expenditures.


Other Budget Revisions

- As a result of a program review or assessment an official audit review by the OIG or other authorized entity, or other administrative reasons.




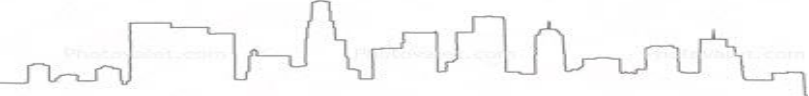
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 **BUDGET REVISION PROCEDURES: SIGNIFICANT AMENDMENT**





- Significant Amendments - submitted as a separate written statement for HUD to review and approve.
- What is Considered a Significant Amendment?
 - Criteria established by the PHA.
 - Demolition/Disposition.
 - Conversion to RAD
 - Homeownership.
 - Capital Fund Financing.
 - Development.
 - Mixed-Finance.






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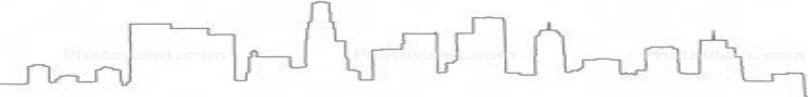
 **BUDGET REVISION PROCEDURES: FUNGIBILITY**





The PHA should submit a revised 5-Year Action Plan to reflect the items moved through fungibility.

- Fungibility - the following items must be satisfied:
 - Included in the environmental review.
 - PHA prepares/submits a budget revision prior to implementation.
 - Work Item must be in a BLI that appears in both years' 5-Year Action Plan budgets.
 - Work Items to be moved OED meets the timeframe of the grant to which they are to be moved.
 - Capital Fund Program grant is open.







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CLOSEOUT



FISCAL CLOSEOUT SUBMISSIONS

PHA submits Cost Certificate to Field Office

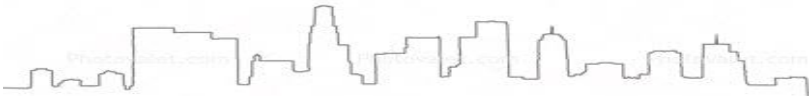
- For modernization projects;
 - Actual Modernization Cost Certificate (AMCC) (Form HUD-53001).
 - Final P & E Report (Form HUD-50075.1).
- For development projects:
 - Actual Development Cost Certificate (ADCC) (Form HUD-52427).
 - Final Development Cost Budget/Cost Statement (Form HUD-52484).
- Cost Certificate, LOCCS, and Final Budget must reconcile.

Field Office approves the Cost Certificate and issues a Pre-Audit Date in LOCCS


- For this grant, the PHA is no longer required to report monthly in LOCCS.

Audit

- PHAs not subject to annual audit: - HUD will review and approve the Cost Certificate.
- PHAs subject to audit: - HUD will review audit to verify costs agree with Cost Certificate.
- Ft. Worth CFO enters post-audit end date in LOCCS – grant closed.



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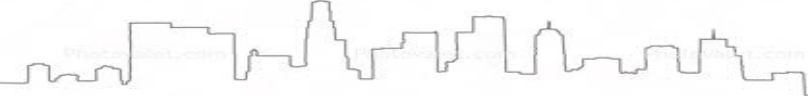

 **PENALTY FOR FAILURE TO SUBMIT COST CERTIFICATE AND P&E REPORT**

➤ If the PHA does not submit Cost Certificate and final P&E Report timely, HUD may impose restrictions on open Capital Fund Grants until submitted such as:

- Establish review thresholds;
- Set grant to “auto-review” (Field Office full review of all voucher requests);
- Suspend grants.

HUD will notify PHA prior to imposing restrictions.

Note: PHAs shall not pay invoices from other sources, and later reimburse that source from the Capital Fund.



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 **WRAP UP AND QUESTIONS**

