



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

Special Attention of:

ONAP Administrators;
Tribes; and Tribally
Designated Housing Entities

Notice PIH 2007- 32 (ONAP)

Issued: November 13, 2007

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Cross Reference(s):
24 CFR PART 1000
PIH Notice 2006-40
PIH Notice 2003-13
PIH Notice 2001-39
PIH Notice 2000-44

Subject: Line of Credit Control System/Voice Response System (LOCCS/VRS) for the Indian Housing Block Grant Program

- 1. Purpose.** This Notice reissues, with a few additions and updates, PIH Notice 2006-40 and provides specific guidance on the use of the Line of Credit Control System (LOCCS) and the Voice Response System (VRS) for the Indian Housing Block Grant (IHBG) program. This Notice includes guidance for both the grant recipient and the Office of Native American Programs (ONAP) staff. This Notice includes changes to the previous Notice to bring the information current.
- 2. Background.** The IHBG program is authorized by the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), as amended, and the regulations governing the program are found at 24 CFR Part 1000. This Notice provides program-specific guidance for the IHBG program area created in LOCCS. General guidance for recipients is provided in the LOCCS/VRS Instruction for Grantees dated March 30, 2005 (Attachment I).
- 3. Overview.** LOCCS is an automated payment system used by HUD to provide grant recipients with a convenient system for requesting funds. The system allows for timely disbursements and accountability of funds. LOCCS provides ONAP with a method of establishing payment thresholds and reviewing the history of payments to grant recipients. The grant recipient uses the LOCCS/VRS to requisition grant funds, as needed, with a touch-tone telephone.
- 4. LOCCS Guidance.**

 - a. Establishing a Grant in LOCCS: To establish a grant in LOCCS, the Area ONAP must submit the Funding Approval/Agreement, form HUD-52734-B, (Attachment II) to the Chief Financial Office Accounting Center (CFOAC) at the following address:

U.S. Department of Housing and Urban Development
Office of the Chief Financial Officer
CFO National Accounting Center
P.O. Box 901013
Fort Worth, TX 76101

The CFOAC will enter the fund obligation amount from the HUD-52734-B into the Program Accounting System (PAS). LOCCS will automatically retrieve this information from PAS. For detailed information on the various actions that must take place before a grant is established in LOCCS, Area ONAPs can refer to the LOCCS Program Area Business Rules/Functions document found on the CFO website. NAHASDA Guidances 98-7 (Tribe/TDHE) and 98-03A (ONAP) also provide additional details on the various forms required for an IHBG project.

If the grant recipient is a TDHE and the TDHE submits an Indian Housing Plan (IHP) for each tribe it serves, a HUD-52734-B should be executed for each tribe. If the TDHE submits one IHP for all the tribes it serves, a single HUD-52734-B should be executed, with an addendum identifying the tribes and amounts included in the HUD-52734-B. In this case, ONAP will use the representative tribe (in agreement with the representative tribe for the IHP in the Lotus Notes system) to determine the grant number for block 5 of the HUD-52734-B. If the TDHE submits one IHP, but provides separate tables within the IHP for each tribe it serves, the Area ONAP should contact the TDHE to verify whether a single or multiple HUD-52734-Bs should be executed.

- b. LOCCS Security: To gain access to the IHBG program area in LOCCS, all users of either LOCCS or LOCCS/VRS must be authorized for that program area. To obtain authorization, the grant recipient staff person must submit a LOCCS Voice Response System Access Authorization, form HUD-27054, (Attachment III), with the IHBG program code in block 5a and Indian Housing Block Grant in block 5b. The form must specify what type of access is being requested in block 5c (Query Only or Project Drawdown), based on the activities that the staff person will perform in LOCCS/VRS. If the staff person is requesting access as a new user in LOCCS or is reinstating its LOCCS access, the form must be notarized. For additional information, see pages 4 and 5 of the LOCCS/VRS Instruction for Grantees. The form should then be sent to the Area ONAP for review. The Area ONAP will retain a copy and forward the original HUD-27054 to the following address:

U.S. Department of Housing and Urban Development
Office of the Chief Financial Officer, FYM
Attention: LOCCS Security Team
P.O. Box 23774
Washington, DC 20026-3774

ONAP staff must also request authorization for access to the IHBG program area in LOCCS. To do so, ONAP staff must complete the LOCCS Access Authorization

Security Form for HUD Staff, form HUD-27054-A (Attachment IV). This form is available to ONAP staff from HUDCLIPS. Block 12 of the form will include the IHBG program area code, along with the type of access requested (see the form instructions for additional information on the types of access available). For LOCCS access beyond “Query,” there are additional forms that must be completed (for a list of the forms, ONAP staff can refer to the LOCCS Access for HUD Staff instructions located in the CFO website). The completed form(s) are also sent to the above address.

LOCCS will automatically generate a notification letter when the request for access has been processed. For additional information see the LOCCS/VRS Instructions for Grantees.

- c. Banking Information: If a grant recipient has not previously used LOCCS, they must submit to the Area ONAP a Direct Deposit Sign-Up, form SF-1199A (Attachment V) and a cancelled check or copy of a cancelled check from the bank account where the funds are going to be deposited. The Area ONAP will review the form, retain a copy, and then forward the original SF-1199A and cancelled check to:

U.S. Department of Housing and Urban Development
 CFO National Accounting Center
 P.O. Box 901013
 Fort Worth, TX 76101

The information contained on the form allows for the automatic deposit of funds requested from LOCCS/VRS. The form identifies the grant recipient’s Tax Identification Number (TIN), bank name, account number, and the type of account.

Since banking information can be maintained in LOCCS at three different levels (i.e., TIN, Program Area, or Grant), if a grant recipient has previously used LOCCS for other programs, an SF-1199A must be used to establish different banking information specific to either the IHBG program area or to the grant itself. To establish banking information specific to the IHBG program area, specify IHBG in Section 1, block G of the SF-1199A. If a grant recipient wishes to have banking information specific to a project or projects, the project number(s) must be listed in Section 1, block G or on an attachment to the SF-1199A. See pages 5 and 6 of the LOCCS/VRS Instruction for Grantees for further information

- d. Drawing down funds from LOCCS: The grant recipient must prepare a voucher for every payment request made using LOCCS/VRS. The grant recipient should complete items 3-14 of LOCCS/VRS Indian Housing Block Grant Payment Voucher, form HUD-50080-IHBG (Attachment VI), before placing the call to LOCCS/VRS. During the call, LOCCS/VRS will generate the voucher number to be inserted in item 1. All voucher numbers for the IHBG program area begin with the number **079** that has been pre-printed on the form HUD-50080-IHBG. For detailed steps and information on the LOCCS/VRS call-in process, see pages 7 through 9 of the LOCCS/VRS Instruction for Grantees. The

grant recipient must keep the original voucher and backup documentation on file to support the drawdown request. Copies of the voucher are not to be sent to HUD unless specifically requested by the Area ONAP.

5. Components of LOCCS.

- a. Program Area Identifier Code: Each program within LOCCS has a three or four character program area identifier code. The LOCCS program area code for the Indian Housing Block Grant Program is **IHBG**. Grant recipients will note this code is preprinted in block 2 of the LOCCS/VRS Indian Housing Block Grant Payment Voucher, form HUD-50080-IHBG (Attachment II). ONAP staff will use this code at the initial sign-on screen in LOCCS for access to the IHBG program area.
- b. VRS Number: Each grant established in LOCCS is automatically assigned a unique 10-digit number. This number is used by the grant recipient in the LOCCS/VRS to specify which grant is being accessed. The LOCCS/VRS number format is #####-**@@@, where:

Represents a base number assigned by LOCCS to the recipient

** Represents a numeric code assigned by LOCCS to the program area. The numeric code of the IHBG program area is **79**.

@@@ Represents a sequential number beginning with 001 representing the number of grants assigned to the recipient within the program area.

The VRS number is generated by LOCCS after the Area ONAP staff divides the grant funds to one or more specific funding activities. LOCCS automatically generates a letter to the grant recipients notifying them of the assigned VRS number.

- c. Budget Line Items. Disbursements from IHBG will be directed against specific funding activities called Budget Line Items (BLI). The BLIs for IHBG are specific to this program and have unique four-digit numbers associated with each BLI, as follows:

<u>Line Item #</u>	<u>Line Item Activity</u>
1600	Current Assisted Stock (CAS) Operating Subsidy - This BLI identifies the amount of operating subsidy from the Formula Current Assisted Stock for each grant recipient, as identified in the formula listing; however, disbursements from this BLI may be used by the grant recipient for operating subsidy purposes or for any other eligible affordable housing activity.

Line Item #	Line Item Activity
1601	<p>Investments - This BLI is used to record the maximum amount of funds from the grant that may be invested. Disbursements from this BLI may be used by the grant recipient for investment purposes or for any eligible affordable housing activity. According to 24 CFR §§1000.58(b) and 1000.58(f), a grant recipient that demonstrates to HUD the capacity to invest IHBG funds may invest a portion of its IHBG annual grant. PIH Notice 2007-24, which reissued Notice 99-4, provides the basis for determining if a tribe or TDHE has the administrative capacity to invest IHBG funds. Because the regulations established a 2-year limitation on the term of the investments, this BLI will be used by ONAP to monitor the timing of investment activity, as discussed in item f., below.</p>
1602	<p>IHBG Balance - This BLI will reflect the balance of the grant funds (annual grant amount minus FCAS Operating Subsidy and Investments). Funds disbursed from this BLI may be used for any eligible affordable housing activity.</p>
9900	<p>Post Audit Adjustment - This is a “Protected,” “Undisbursable” BLI used to record any funds that may be recaptured when the grant is “closed out” in LOCCS. For additional information on “Protected,” “Undisbursable” BLIs, ONAP staff can refer to the LOCCS Program Area Business Rules/Function Document located at the CFO website. The “close out” of IHBG in LOCCS is discussed in item e., below.</p>

While environmental review requirements apply to most IHBG activities, due to the nature of the IHBG program and the range of activities that may be performed under the IHBG, ONAP will not control the release of funds in LOCCS. **It is the grant recipient’s responsibility to ensure that prior to obligating or expending funds, all environmental review requirements have been met according to 24 CFR Parts 50 or 58. It is to be noted that a drawdown request through LOCCS is not the Request for Release of Funds (RROF) that is required under Section 105(b) of NAHASDA. If HUD has knowledge that the RROF has not been submitted or approved on a project or activity, HUD may refuse a drawdown request.**

d. Grant Thresholds and Edits.

- i) BLI Edits: The three BLIs specific to the IHBG program (1600, 1601, and 1602) have been established with a “hard” edit that prevents a grant recipient from exceeding the BLI. The LOCCS/VRS will not accept voucher requests that exceed the BLI limits. Because of the nature of the IHBG program and its BLIs, once the budgeted amount is reached for either BLI 1600 (CAS Operating Subsidy) or BLI 1602 (IHBG Balance), the grant recipient may draw down funds from the other BLI until both BLI 1600 and 1602 are fully disbursed. However, if the budgeted amount is reached on BLI 1601 (Investments), the grant recipient may not draw funds from either of the two other BLIs for investment purposes.

Area ONAP staff are responsible for dividing the IHBG funds between the three BLIs according to 24 CFR § 1000.58(f) and formula amounts using the “F01” screen in LOCCS, using the HUD Mainframe, or “Budget Update” screen in the LOCCS web-based system. If the grant recipient has not requested or been approved to invest funds, then **no funds** should be put into BLI 1601. Instead all funds would be divided according to the preceding instructions for BLIs 1600 and 1602.

- ii) Monthly Thresholds: The IHBG program in LOCCS has a monthly threshold of 10 percent. If a grant recipient’s voucher request in LOCCS/VRS would cause the sum of draw downs for that month to exceed 10 percent of the full grant amount, the voucher request will be sent to the Area ONAP for review and approval. LOCCS/VRS will notify the caller if an Area ONAP review is required before a payment can be disbursed. The grant recipient should notify the Area ONAP after the voucher has been entered into LOCCS/VRS so that the approval may be expedited. In some cases, the Area ONAP may request supporting documentation in order to approve the request. If the voucher request is for BLI 1601 (Investments), the Area ONAP will approve such vouchers without requesting supporting documentation after verifying that the grant recipient has been approved to invest IHBG funds. Because of the anticipated size of draw downs, any voucher that follows an investment disbursement will most likely exceed the 10 percent threshold; therefore, it is suggested that investment draw downs be requested from VRS toward the end of a month.

While the Area ONAP has the ability in LOCCS to establish a lower, project-specific, monthly threshold, this action should not be taken. Rather, the Area ONAP should be placing a general edit on grants under the conditions identified under General Edits, below.

- iii) General Edits: The normal system set-up establishes edits only for the total BLI and for monthly drawdown as discussed in sections i) and ii), above. Under certain circumstances, principally for failure to comply with environmental review requirements, for failure to submit an acceptable APR, for failure to submit an audit compliant with the Single Audit Act and Office of Management and Budget Circular

A-133, or for documented concerns on the part of ONAP regarding the use of grant funds, edits may be placed in LOCCS which require a recipient to provide supporting documentation to ONAP before funds are released to the recipient. Before imposing such edits, ONAP will inform the recipient of the reasons for the edits and the documentation required to support future drawdown requests.

To place an edit on a recipient's grants due to "documented concerns on the part of ONAP regarding the use of grant funds," the Area ONAP must have issued a document, whether it be a monitoring report, management decision letter for an audit report, or other document to the recipient that clearly conveys HUD's concern about the expenditure of IHBG funds. If the document identifies questioned costs expended, this would satisfy the condition.

Placing edits on grants for these reasons should not be confused with making a determination that a recipient is "high risk" under 24 CFR § 85.12, (for governmental entities) or 24 CFR § 84.14 (for non-profit organizations). To make a recipient "high risk," the Area ONAP would make such a determination based on the conditions listed under § 85.12(a) (or §84.14) and would place the appropriate special condition(s) or restriction(s) on the recipient's grant, which are listed under § 85.12(b) (or § 84.14(e)), as long as the special conditions or restrictions did not conflict with 24 CFR Part 1000, Subpart F. **Of special note, general edits discussed in this PIH Letter would be placed on "current" or "open" grants. Special conditions or restrictions due to a "high risk" determination are only placed on a grant that is to be awarded.**

- e. Close-Out Date: The IHBG program area in LOCCS has only one control date that is maintained by the Area ONAP, the close-out date. The Area ONAP will use the A01 screen in LOCCS, using the HUD Mainframe, or "Contract Dates" screen in the LOCCS web-based system to record the close-out date when it has received an APR that the recipient has designated as the final report and all funds have been expended. The close-out date is the date of the Area ONAP's letter notifying the recipient the final APR is complete. Entry of the close-out date will automatically stop any further disbursements and all LOCCS reporting requirements. Any funds remaining in the grant will be recaptured by HUD. (It is not anticipated that a project will be closed before all funds are disbursed; however, exceptions may occur that will require the recapture of funds. This will probably occur when pennies remain in a grant but must be accounted for to comply with HUD accounting procedures.) Recaptured funds will be reflected on BLI 9900 (Post Audit Adjustment).
- f. Investments: According to 24 CFR § 1000.58(g), investment of IHBG funds may be for a period no longer than 2 years. Therefore, it is the responsibility of the Area ONAP to monitor disbursements from BLI 1601 (Investments) and verify that within 2 years of disbursement, the funds have been expended for affordable housing activities under section 202 of NAHASDA.

6. Reporting Requirements.

- a. Federal Cash Transaction Report, HUD-272-I: According to 24 CFR § 85.41, the HUD-272-I (Attachment 7) must be submitted to the Area ONAP within 15 working days of the end of each quarter (i.e., April 21st, July 21st, October 20th, and January 22nd). (For more information on this requirement see Program Guidance 2004-09 [Recipient], dated July 15, 2004). LOCCS will automatically generate a letter for each grant without a close-out date 15 days before the end of each quarter, to remind the grant recipient to submit the HUD-272-I (Attachment VII). The Area ONAP would instruct LOCCS (through the “A18” screen in LOCCS, using the HUD Mainframe, or the “Discontinue Letters” screen in the LOCCS web-based system) to discontinue sending reminder and delinquent letters when a HUD-272-I is received that shows all IHBG funds have been drawn down from the line of credit and expended. The Area ONAP is responsible for entering into LOCCS the receipt date of the form using the “M10” screen using the HUD Mainframe or the “Receipt of Outstanding Document” screen in the web-based system. If the Area ONAP does not acknowledge receipt of the HUD-272-I in LOCCS within 30 calendar days after the end of the quarter, LOCCS will automatically notify the grant recipient that the report is overdue. ONAP should issue a Letter of Warning, in accordance with 24 CFR § 1000.530(a)(1), to address this deficiency.
 - b. Annual Performance Report: According to 24 CFR § 1000.514, as amended on August 26, 2007, APRs must be submitted to the Area ONAP within 90 calendar days of the end of the grant recipient’s program year. Because LOCCS cannot perform the following functions automatically, the Area ONAP is responsible for notifying the grant recipient before the end of the grant recipient’s program year to submit the APR covering each grant without a close-out date. If the APR is not received by the Area ONAP within 90 calendar days of the end of the grant recipient’s program year, the Area ONAP will notify the grant recipient that the report is overdue by issuing a Letter of Warning, in accordance with 24 CFR § 1000.530(a)(1). The Letter of Warning should inform the recipient that ONAP is imposing general edits on its grants, which require supporting documentation be submitted to ensure that planned expenditures comply with NAHASDA statutory and regulatory requirements.
7. **Additional Guidance.** For program-specific guidance, grant recipients should contact their Area ONAP. For detailed, non-program specific LOCCS/VRS guidance, please refer to the LOCCS/VRS Instructions for Grantees web site at <http://hudatwork.hud.gov/po/f/systems/locvrs.cfm>.

/s/

Orlando J. Cabrera, Assistant Secretary for
Public and Indian Housing