

GRANTEE FINANCIAL INSTRUCTIONS

I. Summary of the LOCCS/VRS Payment Process

All HOPE VI Grantees use LOCCS/VRS to request program funds. LOCCS stands for the Line of Credit Control System, and is the system HUD uses to disburse grant funds. VRS stands for the Voice Response System, and is the automated system used by Grantees to request funds that are recorded in LOCCS. Grantees use VRS to request funds via a touchtone telephone.

LOCCS/VRS requires the User to enter a User ID and Password to ensure that the User has authority to request grant funds. The requested payment amount is checked against the grant's available balance in LOCCS to ensure that the request is consistent with the grant's authorized funding limits.

Once the request is approved, funds are wired from the U.S. Treasury directly into the Grantee's bank account, usually within 48 hours from the day the request is made.

HOPE VI Revitalization grants are administered at HUD Headquarters by the Office of Public Housing Investments (OPHI). *HOPE VI Demolition grants are set up in LOCCS by OPHI and thereafter administered by HUD Field Offices.*

Please see "HOPE VI Budget Guidance" for information about eligible activities and appropriate Budget Line Items.

II. Setting up the LOCCS Account

A. Obligation of Grant Funds (Form HUD 1044)

1. OPHI will send each Grantee a copy of the HOPE VI Grant Agreement and four copies of Form 1044, which is the obligating document.
2. The Grantee's Executive Director must sign and return all four copies of the 1044 to OPHI.
3. The Assistant Secretary for Public and Indian Housing will execute (sign) all of the copies. The effective date of the grant is the date the 1044 was executed by HUD.
4. OPHI will return one executed copy of Revitalization 1044s to the Grantee.
5. *OPHI will send two executed copies of Demolition 1044s to Field Offices: one for Field Office files, and one to send to the Grantee.*
6. OPHI will send one copy of the executed 1044 to HUD's Administrative Accounting Division for entry into LOCCS.

7. OPHI initially will spread all Revitalization grant funds into Budget Line Item 2000, which is a holding account that the Grantee cannot access. This action generates a VRS Number, which is automatically mailed to the Grantee.
8. *OPHI will spread Demolition grant funds into the Budget Line Items approved in the application budget. If the budget was approved in an amount less than the amount requested, OPHI will enter all funds into BLI 2000, which the Grantee cannot access. The Grantee must submit a revised budget to its Field Office for review. Upon approval, the Field Office will enter the revised budget into LOCCS, making funds available for drawdown.*

B. User ID and Password (Form HUD 27054)

Only Users with valid User IDs and Passwords may access LOCCS. Users are allowed access to only those programs, projects, and functions that have been requested by the User and approved by LOCCS Security at HUD Headquarters.

To gain authorization to LOCCS, each staff person of the PHA who will perform "drawdown" functions must submit a LOCCS/VRS Access Authorization Form (Form HUD-27054). This form can be found on the HOPE VI website www.hud.gov/hopevi under HOPE VI Grant Administration, Grantee Financial Instructions. Please note that LOCCS Security will only accept the version of Form 27054 dated 2/2000 at the bottom. Instructions for the completion of this form are included as Attachment 1 of this document. At least two persons from the PHA should be authorized to draw down HOPE VI funds via VRS. If a User has LOCCS authority for another HUD program, the completed form may be faxed to LOCCS Security at 202-708-4350. A new User must have the form notarized and mail it to the address listed on the form.

LOCCS Security will enter the information from the Form HUD-27054 into LOCCS, and inform each User of the new User ID or program authority via a User ID Authorization Letter to be opened by the addressee only. The letter will state that the User must access LOCCS by a certain date. If the system is not accessed by that time, the authorization will be canceled. The User will not have to request a drawdown in order to access the system. The User will, however, need to create a password.

If a Grantee has received other HOPE VI grant funds, Users may already be authorized. In that instance, a current User may not need to submit a new authorization form. However, if a Grantee has not received HOPE VI funds in the past, even if it has received other HUD program funds through LOCCS, Users must be authorized for HOPE VI.

If a User has any problems completing the Security Form, or does not receive a password and User ID in a timely manner, please contact HUD Security at 202-708-0764. Grant Managers cannot assist Grantees with LOCCS security problems.

C. Voice Response Number

Once the Budget Line Items are spread into LOCCS (or placed in BLI 2000), each Grantee will receive a letter containing its computer-generated Voice Response Number. Since the HOPE VI grant number is alpha numeric, making it difficult to specify over a touchtone phone, LOCCS automatically assigns a unique all-numeric, 10-digit number to each grant.

D. Direct Deposit Form

Each Grantee must complete and submit a Direct Deposit Sign-Up Form (SF-1199A). This form identifies the bank account into which grant funds will be deposited. All funds will be wire transferred from the U.S. Treasury directly into the Grantee's bank account. The form is available from the HOPE VI website, and instructions for its completion are included as Attachment 2. After the Grantee has completed Section 1 and the Grantee's financial institution has completed Section 3, submit the form to your local HUD Field Office for processing.

Current HOPE VI Grantees generally do not need to submit new banking information. However, if the Grantee wishes to deposit the funds for the new grant into a separate bank account, it must submit a new Direct Deposit Form.

III. Requesting Payment

A. Preparing the HOPE VI Voucher

The LOCCS/VRS HOPE VI Voucher for Grant Payment (HUD-50080-URP) is used for all HOPE VI payments. The voucher can be downloaded from the HOPE VI website. General Instructions for the completion of the voucher are included with the voucher. Specific instructions are included as Attachment 3 of this document.

The User must have a properly completed voucher in hand as a reference when making the call.

Following each disbursement request, the Grantee must keep the original voucher, with copies of invoices, receipts, and other relevant documentation of costs, on file. Vouchers are NOT to be sent to HUD.

B. Calling LOCCS

The LOCCS/VRS phone number is (703) 391-1440. Hours of operation for LOCCS VRS are 8:00 a.m. to 6:00 p.m. Eastern Time, Monday through Friday. After the initial greeting, a menu selection is given. LOCCS is selection number 2.

LOCCS will first ask for the User ID and password to verify that the User is authorized to draw down HOPE VI funds. Once LOCCS validates the User ID and password, the system will ask the User for the program area for which the current request is being made; select URP.

C. Entering the Voucher Number

LOCCS/VRS will ask the User for the three-digit program number; the User enters 058. LOCCS/VRS will give the User the remaining 6 digits of the voucher number. **The User must write the entire voucher number in Block 1 of the voucher form and then enter the entire 9-digit voucher number before the call is terminated for verification.** This procedure also ensures that each voucher number is unique.

D. Entering the VRS Number

LOCCS/VRS will ask the User to enter the 10-digit VRS number that was received by mail. LOCCS/VRS will give the User the Grantee's HOPE VI grant number as verification.

E. Entering Budget Line Items

LOCCS/VRS will then prompt the User to enter the first 4-digit line item number. LOCCS/VRS verifies that it is a valid number for the grant type and for the program area. The line item's name is spoken back to the User.

For example, if the line item "1410" is entered, LOCCS/VRS will speak, "Enter the amount of Administration followed by a pound sign."

The User will then enter the amount of funds to be drawn against the Line Item, followed by a pound (#) sign. Since LOCCS/VRS does not know in advance the number of digits being entered, the User must enter a pound sign as the last input to indicate they have completed entering digits.

For example, to request \$28,569, the User would enter: 2 8 5 6 9 #

This process is repeated until the User indicates that there are no more line items for the given voucher by entering "9999." LOCCS/VRS then summarizes the line item entries and their related dollar amounts and provides the User with a voucher total amount for confirmation. The User then has a final option to process or cancel the request.

F. Canceling a Voucher

If the User has made a drawdown request in error and wishes to cancel the request after the call has been made, he or she must notify their Grant Manager immediately. The request can be canceled if done before 6:00 p.m., Eastern time, on the day that the request was made.

IV. Drawdown Restrictions

- A. A Grantee may not make more than one payment request per day per grant.
- B. Regulations at 24 CFR Part 85.20(b)(7) state that drawdowns should not exceed the amount needed to meet the immediate disbursement requirements of the Grantee. LOCCS is designed so that Grantees can draw down funds when needed. Funds drawn down should be disbursed in payment of program costs within three days of receipt of funds. That is, Grantees should not draw down funds unless they expect to pay out those funds within three days. Practically, however, Grantees should draw down funds no more than once or twice per month.

V. Program Edits

If a request is consistent with all program requirements, the payment is automatically **paid**. The requested funds are wired to the Grantee's bank account, in most cases within 48 hours of the request.

In order to ensure that payments are appropriate and consistent with HOPE VI program guidelines, LOCCS uses payment controls called **edits**. If a payment request hits an edit, the request must be approved by HUD before it can be paid. When the Grantee gets a message from LOCCS that says that the request for funds has been put **out for review**, it means that the request has triggered an edit that the HUD Grant Manager must override before payment can be made. When a voucher goes out for review, it is the responsibility of the **Grantee** to contact its HUD Grant Manager. Although the message may indicate that the Grantee contact its HUD Field Office, the proper person to contact is the HUD Grant Manager, whether he or she be in the Field Office or in HUD Headquarters. HUD does NOT automatically monitor vouchers that are out for review. The Grantee must explain the situation and provide any documentation requested by the HUD Grant Manager in order for the draw to be approved for payment.

Specific program edits are as follows:

A. Hard Edits

Hard edits are those that prevent the payment requested from being processed. They can not be overridden by the Grant Manager. Hard edits include:

1. **Total Amount Requested.** LOCCS will automatically reject any payment request that exceeds the total amount authorized for the entire grant.
2. **BLI Limits.** LOCCS will automatically reject payment requests for BLIs 1408 (Management Improvement) and 1410 (Administration) which exceed the amounts approved for those BLIs. Whereas Grantees may draw down up to 110 percent of other BLIs, 1408 and 1410 are restricted to 100 percent of their approved amounts.

B. Soft Edits

Soft edits are those that send payments "out for review" for the reasons listed below. The Grant Manager must review the request, and may either recommend that the edit be overridden, cancel the request, or request further information before overriding the edit and recommending payment.

1. **Total BLI Amount Requested.** A request will go out for review if it exceeds 110 percent of the amount approved, or 100 percent for BLIs 1408 and 1410.
2. **Percentage Limit.** A request will go out for review if more than 5 percent of the total grant budget is drawn in any one month.
3. **Automatic Review.** HUD Grant Managers may determine that they must review every request for payment for a specific Grantee before it can be paid. Grantees are notified in writing if they are placed on Automatic Review.

C. Suspension of Payment.

1. **Reports.** If a Grantee fails to submit a required Quarterly Report, all subsequent requests for payment will be prohibited until the missing report is submitted and approved. In such case, the Grantee will be unable to enter a voucher into LOCCS.
2. **Manual Hold.** In cases of default or other serious problem, HUD will place the grant on hold so that requests for payment cannot be made.

VII. Queries

LOCCS allows Grantees to access information through "queries." The available query functions are as follows:

A. Grant Query

LOCCS/VRS will give current authorized, disbursed, and available balance totals for the selected grant, along with general grant status. A detailed breakdown by line item is available if the User wishes.

B. Voucher Query

By entering a voucher number, the status of the voucher is given. This includes when the voucher was called in, by whom, and if the voucher has been paid, canceled, or is out for review. A detailed breakdown by line item is available if the User wishes.

C. Last assigned VRS Grant Number

By specifying a Tax ID number, the last assigned VRS number for the selected program area is given by electronic voice. This is useful if the User has not received the LOCCS/VRS-generated letter with the assigned VRS number, but wishes to draw down funds.

VIII. Returning Funds

In rare instances, Grantees must return program funds back to HUD. This can happen if a Grantee has drawn down funds in error, or have proceeds or other funds that need to be returned to their HOPE VI grant account.

- A. If the amount is less than \$2,000, a check must be sent to the following address:

Bank of America
PO Box 277303
Atlanta, GA 30384

The check must be accompanied by a letter that gives the HOPE VI Grant number, Grantee Tax ID number, and the specific BLI(s) into which the returned funds are to be deposited.

- B. If the amount to be returned is \$2,000 or more, it must be wire-transferred back to the Treasury. The following is a step-by-step explanation of the actual wire transfer deposit transaction:
1. The Grantee directs its bank to wire funds from its account to the Department of Treasury, supplying the bank with the wire transfer information included in Attachment 4. If the bank is an on-line member of the Federal Reserve System, it will prepare the standard fund transfer wire message and send this message to the Treasury. If the bank is not an on-line member, the funds would have to be sent through a correspondent bank that is an on-line member. The Grantee's bank will provide forms, formats, or individual bank requirements for preparing requests to wire funds.
 2. When the Treasury receives the wire transfer, the funds are deposited directly to the proper HUD. HUD is immediately notified of the receipt of the funds. The Grantee's bank will provide a written confirmation to the Grantee that indicates the debiting of the Grantee's bank account.
 3. The Grantee must forward the bank's confirmation of the wire transfer and accompanying documents to its Grant Manager within two working days of the date of the wire transfer.

IX. Cumulative Obligation and Expenditure Data

1. Nature of Report

In addition to reporting detailed cumulative obligation and expenditure information in the Quarterly Progress Report, Grantees must also enter cumulative totals directly into LOCCS each quarter. LOCCS gives Grantees the option to enter or change previously entered cumulative obligation and expenditure data without drawing down, or to continue the drawdown without entering the data. Grantees must report the total cumulative

obligation and expenditure amounts for each grant for which funds are being requested. If no obligation or expenditure activity has occurred since the last quarterly update, the Grantee must reenter the existing cumulative obligation and expenditure data in order for LOCCS to acknowledge data entry for the most recent previous quarter.

a. Obligations

Obligations refers to the cumulative amount of commitments a Grantee has entered into, 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 expenses. Contract execution means execution of the contract by both the Grantee 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. Expenditures

When funds have been obligated, Grantees are expected to show reasonable progress as evidenced by increasing fund expenditures each quarter at a rate which would allow completion within the time frame set forth in the approved Program Schedule. Grantees may request construction funds only when payment is due and after inspection and acceptance of the work. Grantees are generally required to distribute funds within three working days of receipt of the funds from HUD.

2. LOCCS Report Reminders

LOCCS will send Grantees a letter to remind them that they must enter obligation and expenditure information into LOCCS. LOCCS will send a second letter 30 days after the due date if a Grantee has not entered obligation/expenditure information. The letter will inform the Grantee that it will not be able to draw down funds until the information is entered.

3. Data Entry Deadlines and LOCCS Oversight

The Grantee must enter Cumulative Obligation and Expenditure Data during, but no later than the end of the month following the end of each quarter (i.e., January, April, July, and October). After the month following the end of a quarter, the Grantee will not be allowed to continue the drawdown unless it has entered the cumulative obligation and expenditure data for the previous quarter. For example, for the quarter ending December

31, the Grantee must enter the required data during the month of January. If it has not done so by January 31 and the Grantee attempts to requisition funds on February 1, LOCCS will not process the requisition until the required data is entered.

If the Grantee has not requested funds during a previous quarter or quarters, it will not be allowed to request funds until the cumulative obligation have been entered and expenditure data for the most recent previous quarter. For example, if the Grantee has not requested funds during the quarter ending June 30, but it needs to request funds in July, LOCCS will not process the request until the required data for the quarter ending June 30 has been entered. If there has been no change in the obligated and expended amounts, the Grantee must reenter the existing cumulative obligation and expenditure data in order for LOCCS to acknowledge data entry for the most recent previous quarter.

4. Initial Data Entry

For the initial drawdown for a particular grant, the procedure set forth in paragraph 3 applies. If the cumulative obligation and expenditure data for the most recent previous quarter are zero, enter zeroes for both amounts. For example, if the Grant Agreement was executed in January and the Grantee is requesting its first funds under the grant in March, it must enter zeroes for the quarter ending December 31, even though the Grant Agreement was not executed as of that date.

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 will ask the Grantee whether the entered amount is correct. If the amount is incorrect, it 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 will ask the Grantee 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 will ask the Grantee to enter a corrected amount. The expenditure amount cannot exceed the obligation amount.
- d. During the month following the end of a quarter, there is no limit on the number of times that the Grantee may enter or update obligation or expenditure information.

Attachment 1

How to Complete the HUD-27054
LOCCS Voice Response Access Authorization
(For Completion by Grantee)

1. Type of Function

Check **New User** if the User does not already have a User ID for another HUD program that distributes funds through LOCCS. Check **Add new Program Area** if the User has a User ID for another HUD Program but not for HOPE VI. (Those who already have LOCCS authority for HOPE VI do not need to submit this form.)

2a. User ID

If a new User, leave this block blank. A Users with a HUD User IDs enters it here.

2b. Social Security Number: Enter the Social Security Number of the User, not the PHA.

3. User information

4. Recipient Organization for which Authority is being requested

This information will identify the Housing Authority the User will be representing. Enter the PHA's Tax Identification Number and name.

5a. LOCCS Program Area: Enter URP

5b. Program Area Name: Enter HOPE VI

5c. Enter "Q" for Query only access or "D" for Drawdown access. If you request Drawdown access, you will automatically receive Query as well.

6. Authorized User's Signature and Date: The signature of the User requesting access.

7. Approval

This block is for the approving official from the PHA. The approving official must be a supervisor or other superior of the User. Users may not approve themselves for access to the system.

8. Notary: Forms submitted by new Users only must be notarized.

Attachment 2How to Complete the SF-1199A
Direct Deposit Sign-up Form

Section 1 - to be completed by the Grantee

Block A Print or type the name and address of the Housing Authority and the telephone number of the person completing the form.

Block B Leave Blank.

Block C Print or type the HOPE VI grant number, which is on the award notification letter. Print or type the Employer Identification Number of the PHA below the project number.

Block D Mark with an "X" the type of account into which HOPE VI funds will be directly deposited. Choose either checking or savings.

Block E Print or type the number of the account into which HOPE VI funds will be deposited. If the financial institution does not use account numbers, up to 17 characters of the depositor's name or other identification may be entered. Dashes are acceptable as part of the number, but spaces are not acceptable. The depositor's account number must be formatted exactly as it appears in the financial institution's records.

Block F Check other and enter URP.

Block G Leave Blank.

Payee/Joint Payee Certification

The Certification should be signed by the Chief Executive Officer or Designated Representative of the PHA. If additional signature lines are required, use a plain sheet of paper and attach it to the form. Be sure to place the PHA name and grant number on the sheet so that, if it becomes separated, HUD will know for which grant it is. All signatures must be original. Forms containing duplicated copies of signatures will not be processed and will result in delays.

Section 2 HUD, Texas State Office
Administrative Accounting Division
PO Box 2905
Fort Worth, TX 76113-2905

Section 3 - to be completed by the financial institution

Print or type the name and address of the PHA's financial institution, the Routing Number and Check Digit.

Enter the name of the entity to receive the funds in the "Depositor Account Title" block.

The financial institution's representative signs and dates the form. The telephone number, including the area code, must also be provided so that HUD can verify information.

This completed form, AND A BLANK CHECK marked CANCELED or VOID, must be returned to the address shown in Section 2. Failure to include the canceled check will delay receipt of funds.

Attachment 3**How to Complete the LOCCS/VRS HOPE VI
Voucher for Grant Payment
(HUD-50080-URP)**

Block 1 Voucher Number: The HOPE VI prefix, 058, is preprinted on the voucher. The remaining six digits will be automatically determined by LOCCS and given to the User during the drawdown session.

Block 2 LOCCS Program Area: URP is preprinted on the form.

Block 3 Period Covered by this Request: Enter the time period in mmddyy format (e.g., From 050100 To 053100) that funds were/will be expended.

Block 4 Type of Disbursement: Indicate partial until the final payment of the entire grant is requested.

Block 5 Voice Response No.: Enter the 10-digit VRS number, which was received by mail.

Block 6 Enter the name of the Housing Authority requesting funds. The name must be identical to the one that appears on the Grant Agreement.

Block 6a Enter the Housing Authority's Identification Number (also called Employer Identification Number).

Block 7 Payee Organization's Name, Organization's Name: leave blank.

Block 8 Enter the HOPE VI Grant Number.

Block 9 Enter the amount requested for each BLI.

BLIs are as follows:

| | |
|------|-------------------------|
| 1408 | Management Improvements |
| 1410 | Administration |
| 1430 | Fees & Costs |
| 1440 | Site Acquisition |
| 1450 | Site Improvement |
| 1460 | Dwelling Structures |
| 1470 | Non-Dwelling Structures |
| 1475 | Non-Dwelling Equipment |
| 1485 | Demolition |
| 1495 | Relocation Costs |

Block 10 Enter the total amount requested.

Block 11 Enter the name and telephone number of the person who completed the voucher.

Block 12 Enter the name and title of the person authorized to request the funds.

Block 13 The person identified in Block 12 must sign and date.

Block 14

Attachment 4

Abbreviated Wire-Transfer Instructions

Bank Name: U.S. Treasury FRB New York

Bank Address: New York, NY

ABA Routing
Number: 021030004

Account Number: 86011101

Account Holder: U.S. Department of HUD (Ft Worth, TX)

Memorandum or Third Party Information:

Please indicate the grant number that the funds should be applied to, including the applicable Budget Line Item(s). Also, if the funds are to be returned to the U.S. as interest, please annotate as such.