CHOICE NEIGHBORHOODS GRANTEE FINANCIAL INSTRUCTIONS

I.   Summary of the LOCCS/VRS Payment Process

All Choice Neighborhoods Grantees (i.e., Lead Grantee) use eLOCCS or LOCCS VRS to request program funds. LOCCS stands for the Line of Credit Control System, and is the system HUD uses to track and disburse grant funds. e*LOCCS* is the Internet version of LOCCS VRS, providing drawdown and more query and reporting capability to Grantees. VRS stands for the Voice Response System. VRS allows Grantees to request LOCCS funds via touchtone telephone.

The LOCCS VRS and *e*LOCCS system 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 3 business days from the day the request is made. In some cases, the Office of Public Housing Investments is required to approve the request before it is processed for payment.

Choice Neighborhoods grants are jointly administered in HUD Headquarters by the Office of Public and Indian Housing (the Office of Public Housing Investments (OPHI)) and the Office of Multifamily Housing. The Team Coordinator may be located in Washington, DC at HUD Headquarters or may be in a HUD Field Office.

Eligible grant activities that may be paid for with Choice Neighborhoods funds are listed in the Notice of Funding Availability (NOFA) and Grant Agreement that govern the Choice Neighborhoods grant.

II.   Account Set-Up and Access

A. Obligation of Grant Funds (Form HUD 1044) and Grant Agreement
1. A first step in setting-up accounts and getting access to the grant funds is that HUD must obligate the funds to the Grantee and execute a Grant Agreement with the Grantee.
2. HUD is now following a single point of obligation process. This means that the Assistant Secretary for Public and Indian Housing (or designee) signs three originals of the form HUD-1044, Assistance Award/Amendment, for each Choice Neighborhoods Grant, which constitutes the Point of Obligation for the grant.
3. Following that, OPHI sends to the Grantee the three original 1044 forms, the Grant Agreement, and accompanying instructions. The Grantee must follow the instructions provided about signing the 1044s and Grant Agreement, as well as

necessary supporting documentation, and provide the requested information back to HUD.

4. The Assistant Secretary for Public and Indian Housing will execute (sign) the Grant Agreement. OPHI will return one executed original of the HUD-1044 and Grant Agreement to the Grantee. OPHI will send or email one copy of the executed 1044/Grant Agreement to HUD's OCFO Accounting Center for entry into LOCCS.

B. Establishing a Grant Account

1. The Grantee must submit a Standard Form SF-1199A, Direct Deposit Sign-Up Form, as described below.

2. 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 Choice Neighborhoods 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, overnight mail the form, with a check marked "VOID" or a deposit slip from the account, to:

> U.S. Department of Housing and Urban Development
> CFO Accounting Center
> 801 Cherry St, Unit #45, Suite 2500
> Fort Worth, TX 76102
> Attn: Teena J. Neptune, (817) 978-5632

C. Getting Access to LOCCS and Web Access Secure Systems (WASS)

1. Only Grantee representatives 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 the Office of Public and Indian Housing (or a specific program area) and OCFO Security at HUD Headquarters.

2. Currently, only Public Housing Authorities (PHAs) are pre-approved by the Office of Public and Indian Housing's Web Access Secure Systems (WASS). Because of this, Choice Neighborhoods Grantees that are not PHAs should select two of their employees to serve as their "Independent User" representative(s). These are the Grantee's employees who will draw funds from LOCCS.

   a. Access to LOCCS

   i. Each representative ("Independent User" or "User") must submit a LOCCS/VRS Access Authorization Form (Form HUD-27054). This form can be found on HUD's website at http://www.hud.gov under the forms section. Each User must have the form notarized and sent via overnight mail to OPHI at this address, regardless of the address listed on the form:

   > U.S. Department of HUD
   > Office of Public Housing Investments
   > 451 7th Street S.W., Room 4130
   > Washington, DC 20410
   > Attn: Leigh van Rij, (202) 402-5788

ii. Please note that OCFO Security will only accept the version of Form HUD-27054 dated 08/2011 at the bottom right corner. Instructions for the completion of this form are included as Attachment 1 of this document. At least two Grantee representatives should be authorized to draw down Choice Neighborhoods funds as Independent Users.

iii. OCFO Security will process the request based on the correct information on HUD form 27054. The User ID will be mailed to the name in block 3 of HUD form 27054. There is a specific time limit for accessing the system and creating a password that must be observed. Failures to meet that deadline will necessitate reapplication.

iv. Users are required to change their passwords in the LOCCS system every 60 days. If they exceed that timeframe, the user will need to complete HUD form 27054, check "reset password" in block 1 and complete the remainder of the form as directed, however, the form does not need to be notarized. Once OCFO Security has processed the LOCCS form, the system will generate a password reset letter, which will be forwarded to the user via regular mail.

v. Access will permanently terminate after 180 days (6 months) of non-use and re-application is required.

vi. It also must be noted and stressed that the User ID is assigned to one individual – they are not to be shared with ANYONE. If it is discovered that they are shared, all access will be removed and will not be reinstated.

vii. After receipt of both the HUD-27054 the OCFO Office will enter the information from the Form HUD-27054 into LOCCS system, and inform each User of the new User ID and 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.

viii. **If a Grantee has not received Choice Neighborhoods funds in the past, even if it has received other HUD program funds through LOCCS, Users must be authorized for the "URP" LOCCS Program Area in order to have access to the Choice Neighborhoods grant funds.**

ix. If a User has any problems completing the LOCCS Form, please contact OPHI for direction.

b. **Access to WASS**

i. Once the LOCCS form (Form HUD-27054) has been completed and mailed to OPHI for processing, **each Independent User must then register in WASS to obtain an Independent User ID**, which is an alphanumeric ID beginning with the letter "I." The selected Independent User should register at the following address: http://www.hud.gov/offices/reac/online/reasyst.cfm.

ii. Upon receipt of the assigned WASS ID, each Independent User must email CFOSecurity@hud.gov the assigned WASS ID, the full name of the Independent User, as stated on the HUD-27054, and indicate the request that OCFO assign their LOCCS roles in Secure Systems. The Independent User ID or "I" number, must be kept in confidence. **Do not copy anyone on the email and do not advise your HUD Team Coordinator of your "I" number.**

iii. WASS requires the "I" ID and a password that is totally different from the LOCCS User ID. It is important to note, if there is a problem with the WASS ID, the User must contact REAC/Secure Systems at 1-888-254-4860 and *specifically* request assistance with *only* the WASS ID. It is not a LOCCS ID and as such OCFO Security cannot resolve issues with that ID after assigning the roles.

III. Requesting Payment

A. **There are two ways to request payment:** VRS or eLOCCS (as described below).

B. **Voice Response Number**
   1. Initially OPHI will place all Choice Neighborhoods grant funds into Budget Line Item 2000 in LOCCS, which is a holding account that the Grantee cannot access. This action generates a letter containing the computer-generated Voice Response Number which is automatically sent to grantees via U.S. mail.
   2. Grant numbers are alphanumeric, making it difficult to specify them over a touch-tone phone. To simplify the process, LOCCS automatically assigns a unique all-numeric, 10-digit number to each grant. Since Grantees have Internet access, LOCCS draws via telephone using VRS should be rare.

C. **VRS**
   1. The LOCCS/VRS phone number is TOLL FREE 1-877-705-7505. Hours of operations are Monday through Friday from 8:00a.m to 7:00p.m Eastern Time. After the initial greeting, grantees are prompted to enter their 6-digit User ID.
   2. LOCCS will first ask for the caller's User ID and Password to verify that the caller is authorized to draw down funds. Once LOCCS validates the User ID and Password, it will inform the caller that they are an authorized user. Then, they will be asked to press 1 for Voucher Entry or press 2 for Query Selection.
   3. Following that, at some point the caller will enter the three-digit Program Area Number 058 and will be given a six-digit system-generated voucher number suffix, together making up the voucher number. LOCCS/VRS will ask the caller to enter the 10-digit VRS number for which funds are being requested. When the VRS number is keyed in, the VRS synthesized voice will speak the HUD grant number for the caller to ensure the correct VRS number was keyed.
   4. Please note that an authorized user cannot update the obligations/expenditures using VRS; obligations/expenditures can only be done through eLOCCS.

D. eLOCCS

1. To enter eLOCCS, a User must first enter WASS at http://www.hud.gov/offices/reac/online/reasyst.cfm. After entering WASS, the User should select Line of Credit Control System. If LOCCS is not listed as one of the systems that the Grantee has access to, the User should contact the CFO Security Office at CFOSecurity@hud.gov. Please verify that the necessary e-mail has been sent to assign the roles for the use of eLOCCS.

2. If a reasonable amount of time has passed since the HUD-27054 was submitted, the email was sent to CFO Security, and the SF-1199A and a check were submitted to CFO Accounting Center and the letter that includes the VRS number for the grant has not been received, the User may contact the HUD Team Coordinator, who has access to LOCCS and can read the VRS Number. If, the HUD Team Coordinator finds that the VRS Number does not exist, they will verify that the budget has been applied and will check with HUD's Fort Worth Accounting Office.

E. Preparing the Choice Neighborhoods Voucher

1. If the Grantee is using eLOCCS, it is unnecessary to fill out various VRS voucher forms, e.g., the form HUD-27053, LOCCS VRS Request Voucher for Grant Payment. Using eLOCCS your use of form HUD-50080-URP, LOCCS/VRS HOPE VI Voucher for Grant Payment, is voluntary. If filled out before hand, you will have Budget Line Item information at your disposal when you are using eLOCCS to draw funds. This form may also be used as a cover sheet for the invoices and receipts that back up the current draw, and that you must retain in your files.

2. When preparing to enter WASS and eLOCCS to draw funds, the User should have at hand the total amount of the draw that is going to be entered into eLOCCS along with backup invoices that must be kept on file for post-closing audit and possible HUD inspection. Invoices and receipts should not be sent to HUD, unless specifically required by the HUD Team Coordinator. Ongoing totals for obligated and expended (drawn down) funds will have to be entered into eLOCCS.

F. Drawdown Restrictions

1. Grantee may not request more than one payment request per day per grant.
2. 24 CFR Part 85.20(b)(7). Regulations at 24 CFR Part 85.20(b)(7) state that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Practically, Grantees should draw down funds no more than once or twice per month.

G. Program Edits

1. 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 3 business days of the request.
2. In order to ensure that payments are appropriate and consistent with Choice Neighborhoods 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 Team Coordinator must override before payment can be made.

    a. When a voucher goes out for review, it is the responsibility of the Grantee to contact its HUD Team Coordinator. Although the message may indicate that the Grantee should contact its HUD Field Office, the proper person to contact is the HUD Team Coordinator, whether he or she is located in HUD Headquarters or a Field Office

    b. 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 Team Coordinator in order for the draw to be approved for payment.

3. Specific program edits are as follows:

    a. Hard Edits

        i. Hard edits are those that prevent the payment requested from being processed. They cannot be overridden by the Team Coordinator. Hard edits include:

          a. **Total Amount Requested**. LOCCS will automatically reject any payment request that exceeds the total amount authorized for the entire grant.

          b. **BLI Limits – Choice Neighborhoods Planning Grants**. LOCCS will automatically reject payment requests for any BLIs other than BLI 1408 Management Improvements (Capacity Building), 1410 Administration, and 1430 Fees and Costs. LOCCS will automatically reject payment requests that exceed the amount approved for each BLI.

          c. **BLI Limits – Choice Neighborhoods Implementation Grants**. LOCCS will automatically reject payment requests for any BLIs other than the BLIs listed in the table below, which are for Choice Neighborhoods Implementation Grants. LOCCS will automatically reject payment requests that exceed the amount approved for each BLI.

Summary by Budget Line Item	Budget Line Item
Supportive Services	1405
Management Improvements	1408
Evaluation	1409
Administration	1410
Fees and Costs	1430
Site Acquisition	1440
Site Improvement	1450
Dwelling Structures	1460
Dwelling Equipment-Nonexpendable	1465
Nondwelling Structures	1470
Nondwelling Equipment	1475
Critical Community Improvements	1480

Demolition	1485
Relocation Costs – Residents	1495
Relocation Costs – Non-Residents	1496

Note: There is also BLI U2000, which is for "Funds held in Reserve."

 b.**Soft Edits**
  i. Soft edits are those that send payments "out for review" for the reasons listed below. The Team Coordinator 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.
   a. **Percentage Limit**. A request will go out for review if more than 10 percent of the total grant budget is drawn in any one month.
   b. **Automatic Review**. HUD Team Coordinators may determine that they must review every request for payment for a specific Grantee before it can be paid. Grantees will be notified in writing if they are placed on Automatic Review. Grantees must submit all backup invoices and receipts to the HUD Team Coordinator for this type of edit.
 c.**Suspension of Payment**
  i. 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.

IV. Cumulative Obligation and Expenditure Data

A. Nature of Report
 1. Grantees must enter cumulative totals directly into LOCCS with each draw request. 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 through the last month, the Grantee must enter information that indicates there were zero obligations and zero draws for each month preceding the current month.
 2. Please note that an authorized user cannot update the obligations/expenditures using VRS; obligations/expenditures can only be done through eLOCCS.

B. Obligations
 1. Choice Neighborhoods Planning Grants – Obligations refers to the cumulative amount of commitments a Grantee has entered into, i.e., contract execution for planning activities, start and continuation of administrative expenses. Contract execution means execution of the contract by both the Grantee and the contractor.
 2. Choice Neighborhoods Implementation Grants – Obligations refers to the cumulative amount of commitments a Grantee has entered into, i.e., contract execution for demolition activities, contract execution for construction activities, start and

continuation of administrative expenses. Contract execution means execution of the contract by both the Grantee and the contractor.

C. Expenditures
1. When funds have been obligated, Grantees are expected to show reasonable progress toward completion of the grant activities and submissions to HUD.

Attachment 1
How to Complete the HUD-27054
LOCCS Voice Response Access Authorization
(For Completion by Grantee)

Information by form Block number:

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 Choice Neighborhoods.

2a. User ID: Leave Blank

2b. Social Security Number: Enter the Social Security Number of the Independent User that will draw funds from LOCCS.

3. User information: Enter as explained on the form.

4. Recipient Organization for which Authority is being requested. This information will identify the Grantee. Enter the Grantee's Tax Identification Number (TIN) and its name as printed on the form HUD-1044.

5a. LOCCS Program Area: For the Choice Neighborhoods Planning Grants and the Choice Neighborhoods Implementation Grants: Enter the letters "URP"

5b. Program Area Name: Enter Choice Neighborhoods

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

6. Authorized User's Signature and Date: The signature of the Independent User representative that is requesting access, and the date signed.

7. Approved by: This block is for the Grantee's approving official. The approving official must be a Grantee employee or elected official that has the authority to commit the Grantee to expenditure of funds and execution of contracts. Preferably, the Approving Official should be the signatory on the HUD-1044. Users may not approve themselves for access to the system and the approving official must be a superior to the user..

8. Notary: Forms must be notarized for Users that do not already have access to LOCCS for another HUD program.

9. When the form is mailed to OPHI, it will be reviewed by OPHI and if completed properly, we will sign in block 9 and forward form HUD 27054 to OCFO Security for processing. If the User ID has not been received via regular postal mail with 14 calendar days, please contact your program representative for inquiry. They will then contact OCFO Security for disposition.

Attachment 2
How 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 Grantee and the telephone number of the person completing the form.

Block B Leave Blank.

Block C Print or type the Choice Neighborhoods grant number, which is on the award notification letter. Print or type the Grantee's TIN below the project number.

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

Block E Print or type the number of the account into which Choice Neighborhoods 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 <u>not</u> acceptable. The depositor's account number must be formatted <u>exactly</u> as it appears in the financial institution's records.

Block F Check other and enter "URP" (Note: the program codes for Choice Neighborhoods Planning Grants are "CNB" or "CNP" and the program code for Choice Neighborhoods Implementation Grants are "CNI" or "CNG")

Block G Leave Blank.

Payee/Joint Payee Certification

The Certification should be signed by the Grantee's chief elected official or other Grantee employee that has the authority to expend Grantee funds and enter into contracts for the Grantee. If additional signature lines are required, use a plain sheet of paper and attach it to the form. All signatures must be original. Forms containing duplicated copies of signatures will not be processed and will result in delays.

Section 2
U.S. Department of Housing and Urban Development
CFO Accounting Center
801 Cherry St, Unit #45, Suite 2500
Fort Worth, TX 76102
Attn: Teena J. Neptune, (817) 978-5632

Section 3 - to be completed by the financial institution

Print or type the name and address of the Grantee'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.