

CHAPTER 11. CASH AND MANAGEMENT INFORMATION  
(C/MI) SYSTEM

- 11-1 PURPOSE. The purpose of this Chapter is to describe the procedures for the Cash and Management Information (C/MI) System for the Rental Rehabilitation Program. The C/MI System is administered through the Department of Housing and Urban Development's (HUD's) Program Accounting System (PAS) and Letter of Credit Control System (LOCCS). This Chapter explains the process for transferring Rental Rehabilitation Program project and administrative funds from the U.S. Treasury to grantees or State recipients for payment to contractors and other eligible payees. It also describes the role and responsibilities of HUD staff and the tasks to be carried out by grantees or State recipients in order to obtain funds for projects using Rental Rehabilitation grant assistance.
- 11-2 BACKGROUND. Office of Management and Budget (OMB) and Treasury Department policies require all Federal agencies to establish cash management systems that minimize the interest costs to the Federal Government of providing funds to grantees. In addition to minimizing interest costs, the government is also concerned about the costs of managing programs and collecting timely, accurate data needed to evaluate grantee performance. To accommodate OMB/Treasury policies, as well as program management concerns, the Department has developed an automated system to facilitate the electronic transfer of funds by the Treasury Department and to provide management information for the Rental Rehabilitation Program. This system is managed by the Office of Urban Rehabilitation of the Office of Community Planning and Development (CPD) and executed by the Office of Administration. The system is used to:
- A. Manage Program Funds. The C/MI System maintains a running account of funds for each grantee or State recipient (program accounts), including the amount committed to specific projects (project files). Monthly financial reports are generated by the system, thus providing current information about the progress of all grantees and State recipients.
  - B. Disburse Grant Funds. The C/MI System processes disbursement data which is used by the Treasury Department to transfer funds electronically to grantees' or State recipients' designated financial institutions when needed by grantees or State

recipients for immediate payment of eligible project or administrative costs.

C. Collect Project and Tenant Data. The Rental Rehabilitation Program legislation requires HUD to collect and report data relating to properties rehabilitated and tenants assisted under the Program. The C/MI System promotes systematic collection of this information.

11-3 AVAILABILITY OF FUNDS FOR ADMINISTRATIVE COSTS. Staff of the HUD Regional Accounting Division (RAD) will process reservation and obligation of funds in accordance with the procedures in Chapter 10 of this Handbook. The 10 percent set-aside for administrative costs will only be made available from the initial allocation, starting with Fiscal Year 1988 RRP grant funds. Administrative funds will not be made available from reallocated RRP grant funds. When deobligations or grant reductions take place under 24 CFR 511.33(c) or 511.82, the amount of the grant reduction will not automatically be charged 90 percent to project funds and 10 percent to administrative funds. Rather, the deobligation will be charged entirely to project funds, unless the deobligation directive from the deobligating official specifies an amount to be charged to administrative funds. Such deobligated amount of administrative funds shall not exceed the amount of administrative funds that have not been drawn down by the grantee as of the date of the deobligation, with one exception as follows. If some of the administrative funds drawn down have been determined to be ineligible by HUD, the grantee may be requested to reimburse its program administrative account under the C/MI System in the amount of the excess which has been determined to have been disbursed for ineligible activities. Should the grantee fail to reimburse the C/MI System for expenses determined to be ineligible by HUD, HUD will take action in accordance with 24 CFR 511.82.

11-4 MANAGEMENT REPORTS AVAILABLE TO HUD STAFF AND GRANTEES. Each Field and Regional Office receives a copy of the reports which contain information about grantees and State recipients within their jurisdiction. The reports allow staff to monitor the overall performance of grantees and the extent to which grantees are meeting program requirements. Reports are not to be used to second-guess a grantee's or State recipient's individual underwriting decisions or financial decisions, but rather as a tool to monitor productivity, performance, and management efficiency. Each Field Office should make available

Reports include the following:

REPORT	FREQUENCY	ADDRESSEE(S)
Property and Tenant Characteristics	Monthly	Headquarters Field, Region; Provided by Field to grantees and State recipients
Property and Tenant Characteristics Quarterly Report	Quarterly	Headquarters Field, Region; Provided by Field to grantees and State recipients
Status of Project Funds	Daily Monthly	Headquarters Field, Region; Provided by Field to grantees and State recipients
Status of Administrative Funds	Daily Monthly	Headquarters Field, Region; Provided by Field to grantees and State recipients
Status of Projects	Daily Monthly	Headquarters Field, Region; Provided by Field to grantees and State recipients
Production Progress Report	Monthly	Headquarters Field, Region; Provided by Field to grantees and State recipients
Bank Disbursement Report	Monthly	Headquarters Field; Region; Provided by Field to grantees and State recipients

11-5 GRANTEE OR LOCAL RECIPIENT ACCESS TO THE C/MI SYSTEM. Only authorized individuals with appropriate security identification numbers and passwords have access to the C/MI System. Depending upon their security clearance and authorization, authorized individuals will have access only to certain parts of the system. The HUD Office of Information Policies and Systems (IPS) of the Office of Administration will assign all passwords and security IDs for the C/MI System. Beginning in Federal Fiscal Year 1990 and each fiscal year thereafter, all Security

authorizations previously issued for access to project and administrative accounts in the C/MI System must be validated by an authorizing official of the grantee or State recipient or access will be terminated.

Reestablishment of access to the C/MI System due to termination for any reason will require resubmission of the appropriate Security Form form HUD 40018 or form HUD 40018A. Grantees and State recipients authorized to access the C/MI System must follow the procedures described below to obtain Security IDs. All Security Forms requesting project and/or administrative IDs as described below in this paragraph must be signed by an authorized official of the grantee or State recipient, as applicable, and must be notarized prior to submitting the Security Form to HUD. Employees of contract agents may not execute these forms. Also, the official who executes these forms for the grantee or State recipient may not be one of the persons named on the Security Form.

- A. Project Security IDs. Each participating grantee or State recipient authorized by the State to have access to the C/MI System must designate a contact person and one alternate who will be authorized to set up project accounts and one person and alternate authorized to request project drawdown of funds. In order to protect the security of the system, persons authorized to set up project accounts must be different than those authorized to request project drawdowns. The authorized contact persons must be designated on Rental Rehabilitation Program Security Form, form HUD-40018 (Exhibit 10-5A). States operating a decentralized program through State recipients must complete the State Designation of Local Recipients form HUD-40022 (Exhibit 10-5B) prior to State recipients submitting their individual security forms. See Subparagraph H below for more information about State grantee access to the C/MI System.
- B. Administrative Account Security IDs. Each participating grantee, including States administering decentralized programs, must designate a contact person and one alternate who will be authorized to request administrative funds from the grantee's administrative account. Persons authorized to request administrative funds may be the same persons authorized by the grantee to request project set-up and/or drawdowns under the RRP or may be different persons altogether. However, contract agents or their employees (See Paragraph 11-7 below) may not be authorized to request drawdown of administrative

funds. The persons authorized to request administrative funds must be designated on the Rental Rehabilitation Program Administrative Security Form, form HUD-40018A (See Exhibit 11-3 of this Handbook).

- C. HUD Issuance of Security IDs. Security Forms must be returned to HUD at the address indicated on the form; Rental Rehabilitation Program, P.O. Box 23997, L'Enfant Plaza Station, Washington, D.C. 20026. The outside of the envelope should be clearly marked "SECURITY FORM" in the lower left-hand corner. No other information or forms should be included in these envelopes. Upon receipt of the completed Security Form, the C/MI System Security Officer will issue each authorized person a Security ID. The Security ID will be issued by certified mail, return receipt requested usually within 10 days. Each Security ID will be contained in a separate envelope clearly indicating that the contents are "for recipient's eyes only." No other staff, including Headquarters staff, should be notified of these IDs or the user's password and they must be safeguarded at all times.
  
- D. Privacy of IDs and Passwords. It is crucial to the security of the system that each individual with access to the C/MI System safeguard his/her User ID and password. Each grantee or State recipient must ensure that the contact persons and alternates authorized to set up projects and request funds do not share their IDs and passwords with each other or with any other person. A breach in the security system by either HUD, grantee or State recipient staff which results in a loss to the Government will result in immediate expiration of IDs and passwords and, depending on the circumstances, may be treated as an offense under applicable Federal laws which may result in prosecution, fine, or other penalty as appropriate. In addition, HUD may have cause for remedial action against the grantee under 24 CFR 511.82 if the loss is caused by the grantee or State recipient. If the recipient of a User ID notices that his/her ID has been opened prior to receipt, he or she should notify the C/MI System Security Officer at Area Code (202) 708-0764 and request a new ID and password (See Subparagraph E below).
  
- E. Cancelling Old Security IDs and Issuing New IDs. Prior to the annual fiscal year validation of security access to the C/MI System (see Subparagraph G below), it may be necessary to cancel project or

administrative security IDs because of loss, theft or change in personnel. An ID may be immediately cancelled by calling the C/MI System Security Officer at (202) 708-0764. This cancellation must be followed up with documentation in the form of a letter to support the cancellation request. New Security IDs and passwords may be requested by resubmitting form HUD-40018 or form HUD-40018A, as applicable, with the appropriate notarized approval signatures. The new user's name should appear in the same position on the form as the person being replaced. For example, if a new alternate administrative account person is being designated, that name would appear on the portion of the form called "alternate administrative account user's name." Only the name of the new person has to appear on the form.

- F. Establishment and Update of Passwords. An initial password will be established for the User ID by the C/MI System Security Officer at the time the Security Form is processed by HUD. Passwords for the User ID must be established by the user and must be changed within 90 days from the last time a password was established for the User ID. The password change will be entered by the user through the use of the HUD Voice Response System (VRS) (See Paragraph 11-10 below). The C/MI System will require that a password be changed immediately if more than 90 days has passed since it was last established. If a person has not accessed the C/MI System within six (6) months, the User ID will be automatically expired and access to the C/MI System will be automatically terminated. Termination of access due to password expiration, will require resubmission of a Security Form with the appropriate notarized approval signatures.
  
- G. Annual Fiscal Year Validation of Security Access to the C/MI System. At the beginning of each Federal Fiscal Year, an "Access Authorization Report" will be provided to each official authorizing access to the C/MI System. This report must be checked for valid users and valid user access functions, i.e., project set-up, project draw down, administrative account drawdown. Deletion of user(s) will be the only updates allowed on this report. All other updates, such as adding a user or changing a user's access, will require the resubmission of the appropriate Security Form with the appropriate notarized approval signatures. Once validation has been completed, the

confirmation part of the "Access Authorization Report" must be signed and notarized by the authorizing official and returned by the date indicated in the report to the C/MI System Security Officer, Department of Housing and Urban Development, Room 2114, 451 Seventh Street, S.W., Washington, D.C. 20410. If this confirmation is not received by the date indicated in the report, the grantee's or State recipient's access to the C/MI System will be automatically terminated.

- H. Establishment of Rental Rehabilitation "Deposit Account." Grantees and State recipients (if authorized by the State) must designate or establish an account to serve as the rental rehabilitation "deposit account" in a local financial institution for the receipt and deposit of RRP grant funds for projects. Grantees shall use the same account for deposit of RRP administrative funds. States administering decentralized programs must similarly establish a rental rehabilitation "deposit account" for the receipt and payment of administrative funds. The financial institution must be capable of receiving Automated Clearing House "ACH" payments. The Rental Rehabilitation deposit account must allow the grantee (or State recipient) to issue checks to all payees. Checks drawn against this deposit account will allow the grantee or State recipient to maintain a record of each payment.
  
- I. Notification to HUD of Designated Financial Institution. After the grantee or State recipient has secured a financial institution for the Rental Rehabilitation deposit account, an authorized official of the grantee or State recipient, or designated public agency, but not an employee of a contract agent firm (See Paragraph 11-7 below), must complete the Direct Deposit Sign-Up Form, SF 1199A (Exhibit 10-3). Standard Form 1199A replaces the RRP Direct Deposit Authorization Form, form HUD-40020 effective May 1, 1990. Standard Form 1199A identifies the financial institution by name and the American Banking Association (ABA) Transit Routing Number so that the Treasury Department can wire funds as required for rental rehabilitation projects and administrative draws. The Direct Deposit Sign-Up Form also identifies the type of account, i.e., "checking" or "savings" to which the wires will be sent.
  - 1. Unreported Changes May Cause Rejections. Any unreported changes in ABA and/or account numbers

may result in a rejection of the funds by the Treasury Department. When this occurs, grantees and/or State recipients will be contacted to ascertain the new ABA or account number, as appropriate. Any such rejections may, however, take up to 3-4 weeks to process rather than the normal 48-72 hours. To avoid rejections of RRP payments, grantees and State recipients must ensure that any changes in ABA and/or account numbers are immediately reported to HUD. All changes in ABA or account numbers require submission of a new signed and dated Direct Deposit Sign-Up Form.

2. Financial Institution Must Fill Out Form. The grantee's or State recipient's local financial institution is required to complete Section 3 of Standard Form 1199A. Instructions for completing the Direct Deposit Sign-Up Form are included as Exhibit 10-3A to this Handbook.

J. Special C/MI System Instructions for States.

1. Centralized State Program. State grantees may directly administer their Rental Rehabilitation Program and thus retain all authority and access to the C/MI System. These centralized State programs must complete the Security Forms, forms HUD-40018 and 40018A, and the Direct Deposit Sign-Up Form, SF 1199A.
2. Decentralized State Program. Most State grantees, however, enter into agreements with units of general local government (referred to as State recipients under 24 CFR 511.51) to manage and operate Rental Rehabilitation Programs. Those State grantees suballocating funds to State recipients must complete form HUD 40022, State Designation of Local Recipients Form (Exhibit 10-4). When completing this form, the State agency must indicate how much money each State recipient will receive and the functions (set-up, drawdown, or both) which the State recipient will perform in the C/MI System.
  - a. State Recipient Grant Numbers. State recipients keep the same grant number (with the exception of the 2-digit fiscal year designation) from one year to the next. If a State recipient is not funded in a

subsequent fiscal year, its grant number may not be reassigned to another State recipient. Any changes in the level of funding authorized or C/MI functions to be performed by State recipients must be reported to HUD by the State on a revised State Designation of Local Recipients Form.

- b. State Recipient C/MIS Forms. After State recipients have been identified by States, the State recipients must complete the Security Form and the Direct Deposit Sign-Up Form, as appropriate, and these must be submitted to the HUD RRP P. O. Box.
  
- C. State Administrative Accounts. If a State grantee has been administering its Rental Rehabilitation Program through units of general local government and has not established a separate "deposit account" in the C/MI System, the State must establish a "deposit account" (See Subparagraph H above) in the C/MI System for the receipt of RRP administrative funds. While State recipients are provided access to the C/MI System for project set-ups and to request drawdown of project funds, State recipients will not be provided access to the C/MI System for the purpose of requesting disbursements of administrative funds. All drawdowns for administrative purposes must be made by the State grantee, even if the State is running a decentralized program. The State grantee will be responsible for providing administrative funds to State recipients participating in State Rental Rehabilitation Programs, under the State's cost sharing agreement with the State recipient under 24 CFR 511.51 and 511.71. (See Subparagraph 5-6.D for more information on cost-sharing agreements.)

11-6 RECONCILIATION OF GRANTEE OR LOCAL RECIPIENT REHABILITATION DEPOSIT ACCOUNT ACTIVITY AND DISPOSITION OF INTEREST ON ACCOUNT. The grantee or State recipient should receive a monthly statement from its designated financial institution which includes the cancelled checks (project and administrative) written against its bank account during the month. The grantee or State recipient will also receive a monthly Bank Disbursement Report from the HUD Field Office which will list the voucher number(s)

and the corresponding amount that was disbursed by project and any administrative account disbursements which were requested during the month. The grantee or State recipient must account for all checks included in the bank statement and reconcile the statement with the monthly Bank Disbursement Report. Grantees must follow appropriate accounting and financial management procedures as required by 24 CFR 85.20, as applicable to the particular grantee. Grantees using the services of third parties, such as escrow agents, are nevertheless directly responsible for reconciling and verifying the Monthly Bank Disbursement Reports. See Paragraph 11-7 below for additional information concerning third party relationships.

- A. Bank Service Charges. Bank service charges, if any, may be included as part of the eligible administrative cost.
- B. Interest. Except for States who are not accountable for interest earned on advances of Federal grants and may retain such interest, interest earned on deposit accounts should be periodically remitted to the U.S. Treasury as "miscellaneous receipts" by grantees and State recipients.

11-7 CONTRACT AGENT/DESIGNATED PUBLIC AGENCY ACCESS TO THE C/MI SYSTEM. Generally, under the Rental Rehabilitation Program, grantees or State recipients may contract with private parties (referred to herein as "contract agent"), or with another unit of State or local government (referred to herein as "designated public agency;" see 24 CFR 511.70 Paragraph 9-5 of this Handbook) to perform various functions in connection with carrying out the local RRP, to the extent not prohibited by HUD regulations or policy. This paragraph describes what C/MI System functions may be performed by such third parties and the procedures for entering into agreements with them.

- A. Execution of C/MIS Forms. As described elsewhere herein, only officials of a grantee or State recipient may execute the following forms:
  - 1. Project Security Form, form HUD-40018
  - 2. Administrative Security Form, form HUD-40018A
  - 3. Direct Deposit Sign-Up Form, form SF-1199A
  - 4. State Designation of Local Recipients, form HUD-40022

- B. Contract Agent Access. Prior to granting employees of a private contract agent access to project accounts in the C/MI System, the grantee or State recipient shall enter into a contract with the agent in accordance with the procurement and other requirements described in Chapter 9 of this Handbook. The written agreement shall remain in effect during any period the contract agent has control over rental rehabilitation grant amounts, including program income. At a minimum, the contract shall include a description of the work to be performed by the contract agent. The contract shall also specify the records the contract agent must submit to the grantee/State recipient in order to assist the grantee/State recipient in meeting the recordkeeping and reporting requirements described at Chapter 9 of this Handbook. In addition, the contract shall specify the monthly financial reports which must be submitted to the grantee/State recipient to document payments of RRP project and administrative funds through the C/MI System (See Paragraph 11-6 of this Handbook). Finally, the contract must specify that all program funds under the agent's control are held in trust for use exclusively for RRP purposes, and are not available for the agent's own use or for the satisfaction of claims against the agent.
1. Administrative Account Access. Since grantees/State recipients are not allowed to establish multiple "deposit accounts" in the C/MI System and employees of contract agents are not allowed to request drawdowns of administrative funds, it will always be necessary for the grantee or State recipient to designate its own employees on the Administrative Security Form (form HUD-40018A) as persons authorized to request drawdowns of administrative funds. All administrative account payments disbursed to "deposit accounts" managed by contract agents must be accounted for on the monthly financial report discussed above.
- C. Designated Public Agency Access. Prior to granting another unit of State or local government or its employees access to the C/MI System, the grantee or State recipient shall enter into a written agreement with the designated agency (see Paragraph 9-5 of this Handbook) which contains provisions similar to those required by the preceding paragraph for contracts with private agents. However, compliance with 24 CFR

85.36 is not required for such agreements with designated public agencies. Designated public agencies authorized to act on behalf of the grantee in administering the RRP may perform all C/MI System functions on behalf of the grantee described in this Chapter, including disbursing administrative funds. The use of contract agents or designated public agencies to access the C/MI System does not relieve the grantee or State recipient of the responsibility for administering rental rehabilitation grant funds in accordance with the requirements of 24 CFR 511 and other applicable laws and regulations.

#### 11-8 GRANTEE OR STATE RECIPIENT SET-UP OF PROJECTS.

- A. Calling in the Project. Grantees or State recipients must individually identify in the C/MI System each project for which they wish to commit funds. Projects should be set-up in whole dollar amounts, i.e., \$5,000.00 not \$5,000.25. Just prior to committing grant funds to a project (i.e., prior to closing, settling, or signing a formal agreement to make funds available to a property owner for a project), as described in the definition of "commitment of funds" in Paragraph 1.6, Definitions, of this Handbook, the grantee's or State recipient's approved set-up person will telephone the Rental Rehabilitation Program operator to set-up a new project account. The numbers to call are: Grantees in the DC Metropolitan area 708-3673; all other grantees 1-800-233-2388. Projects should not be set-up in the C/MI System until grantees are ready to formally execute the legally binding commitment (project agreement) with the owner of the project. The hours of operation for the C/MI System are 8:00 a.m. to 5:00 p.m. EST.
- B. First-In, First-Out Use of Funds. Funds in the C/MI System are set-up on a first-in, first-out basis. Thus, uncommitted funds from earlier fiscal years in the grantee or State recipient's account are set-up first before funds from later fiscal years. If funds from an earlier fiscal year are not sufficient to fully assist a project, funds from other fiscal years will be used. Such projects are called multiyear funded projects.
- C. Set-up Rejection. The HUD operator may reject set-up of new projects and inform the caller of this for one or more of following reasons:

1. Failure to pass security clearance. Callers will have three (3) opportunities to provide the correct user ID and password before access is denied. Callers with problem passwords or IDs will be advised to call the HUD Security Officer at (202) 708-0764.
2. Insufficient funds in grantee's or State recipient's account. In this instance, the System will advise the caller of the lack of funds.
3. Outstanding vouchers or project completion documents. If the correct password is provided but access is being denied due to outstanding/late program documents, the caller will be provided information concerning the outstanding/late documents. Missing documents must be provided before access to the C/MI System can be reinstated.
4. HUD suspension of project set-up authority for cause pursuant to 24 CFR 511. When the caller is advised of a suspension for cause, it should call its Field Office for information.

D. Set-up Information.

1. All grantees. After passing the appropriate security check, the grantee/State recipient will be asked to provide the following information:
  - a . Grant number
  - b. Address of project
  - C. Rental rehabilitation funds requested for the project
  - d. Estimated total rehabilitation costs
  - e. Estimated number of units
2. States. States administering programs centrally will also be asked to provide the 3-digit county code for the county in which the project is located.
3. Limitations. Projects should be set up in whole dollars (no cents). Only six projects may be set-up by a grantee on any single call. This

limitation is necessary to assure access to all grantees.

- E. Project Numbers. Each project will be assigned a project number by the C/MI System. The operator will determine and inform the caller of whether sufficient funds remain in the grantee's or State recipient's project account and, if so, set aside (but not actually make available) funds for the project. The RRP operator will also advise the caller of the Fiscal Year source(s) of funds used to set-up the project by the C/MI System.

11-9 PREREHABILITATION REPORTS. Once a project is set up and assigned a project number, grantees or State recipients must immediately forward Pre-Rehabilitation Reports, form HUD-40014 (Exhibit 10-6) to the Rental Rehabilitation Program, Post Office Box 23997, L'Enfant Plaza Station, Washington, D.C. 20026. If forms are incomplete or not received within 12 calendar days, grantees or State recipients will be notified. Until forms are received and entered in the C/MI System, funds are not available (committed) to a project. If grantees or State recipients have not been notified by HUD within 17 days of a missing or problem report, they may assume funds are available for the project. Grantees may call the RRP Voice Response System to verify receipt and processing of the Pre-Rehabilitation Report.

- A. If Pre-Rehabilitation Reports are not received by HUD or the information is incomplete or inadequate, the project will remain in a suspended status and no funds for the project will be available to the grantee (or State recipient). Projects in a suspended status are not considered "committed" and, therefore, the funds set aside but not committed are subject to deobligation to the extent authorized by 24 CFR 511.33.

- B. Automatic Cancellation. Beginning in Fiscal Year 1991, if forms are not received within 12 calendar days after the project set-up call, grantees will be notified that unless the Pre-Rehabilitation Report is received within 20 days to commit funds for the project, the project will be cancelled automatically by the C/MI System. Grantees or State recipients will be notified of projects which have been cancelled by the C/MI System.

11-10 REQUESTS FOR PROJECT DRAWDOWN OF FUNDS. Requests for drawdowns must not be made until the funds are actually needed for payment. Thus, a request for funds should

only be made after the work has been inspected and found to be satisfactory. Since funds may not be drawn in advance of need, HUD expects that payments of funds from the deposit account will be made immediately by grantees or State recipients without delay. Funds may be drawn in no greater proportion than the amount of Rental Rehabilitation Program funds in the project. For example, if on a \$10,000 rehabilitation project, \$5,000 of Rental Rehabilitation Program funds were provided and the construction was 50 percent complete, no more than \$2,500 in Rental Rehabilitation Program funds could be drawn down for the project.

- A. Filling Out the Payment Voucher. The grantee, State recipient, or designee first fills out the necessary Payment Voucher, form HUD-40021, (Exhibit 11-1) required to document the telephone request for drawdown and obtains all the necessary internal signatures. The grantee, State recipient, or designee is thus prepared to mail the Payment Voucher immediately after the telephone request is made. To the extent possible, drawdowns should be at least \$100.00 and in whole dollars (no cents).
1. The Voucher Number. Each voucher has a preprinted number. The first two digits have been left blank as they represent the calendar year in which the disbursement request is made. For example, if it is calendar year 1990, the digits to be added would be "90". The grantee must provide the 8-digit voucher number (2-digit calendar year must be filled in by the grantee or State recipient before sending the voucher to HUD).
- B. Contacting Voice Response System. Drawdown requests are made through the RRP Voice Response System (VRS). The VRS enables the contact person to make a drawdown using a touch-tone telephone. The authorized contact person telephones the RRP Voice Response System (VRS) at 1-800-541-7353 (DC Metropolitan Area call 287-0983), and provides his/her personal Security ID. In case of error, he/she will have three (3) opportunities to provide the correct Security ID before access will be denied. Callers with problem IDs should call the RRP Security Officer at (202) 708-0764. Persons having difficulty accessing the VRS should call 1-800-426-3360 (DC Metropolitan Area (202) 708-3676).

- C. Once access has been granted, the VRS will request the following information and enter it into the system;
1. Project number (previously assigned when project set up);
  2. Voucher number (preprinted on voucher form except for calendar year in which the call is made);
  3. Amount of drawdown requested; and
  4. Type of drawdown (progress payment or final).
- D. Verification. After the above information has been entered into the VRS, the VRS will permit the caller to verify the information as recorded by the VRS. If the information is correct, the caller will be asked to confirm the payment request. If the information is incorrect, the caller will be permitted to re-enter the requested information.
- E. Multi-Year Projects. Grantees are reminded that for multiyear funded projects (projects funded with funds from more than one fiscal year) drawdowns are not 'final' until the last draw of RRP funds for the project is made, regardless of the fiscal year. For example, if a project will be funded with \$5,000 of Fiscal Year 1989 funds and \$5,000 of Fiscal Year 1990 funds, all draws against the \$5,000 of the Fiscal Year 1989 funds are "progress payments." Only the last draw from the \$5,000 of Fiscal Year 1990 funds is a "final payment."
- F. Approval/Disapproval. The VRS will advise the caller that the drawdown request has been approved or disapproved. Generally draws less than \$100 will not be processed. If the drawdown request is disapproved, the caller will be referred by the VRS to an RRP operator. Disapproval will occur for the following reasons:
1. The previous voucher for the same project has not been received;
  2. The project account does not exist or the account is closed;
  3. The balance of project funds is insufficient to cover the drawdown request; or

4. Drawdown authority for the project has been suspended or terminated by HUD pursuant to 24 CFR 511.
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- G. Treasury Payment Process. A request for a disbursement will be made by HUD to the U.S. Treasury, which transmit RRP funds via the Automated Clearing House (ACH) network to the grantee's or State recipient's designated financial institution. The funds for a particular project should be in the grantee's or State recipient's account in the designated financial institution and available for disbursement to the payee generally within 48 to 72 hours of the telephone request to HUD.
  - H. Immediate Disbursement. Grantees and State recipients are reminded that in accordance with 24 CFR 511.75, funds deposited in the grantee's or State recipient's account must be immediately disbursed to the payee(s). Grantees or State recipients must immediately issue a check (or checks, if more than one payee) from the rental rehabilitation deposit account. If the account is not obligated within 2 weeks of receipt of a disbursement, the unobligated amount must be returned to the C/MI System. The payee may present the check to the financial institution with the rental rehabilitation deposit account, or deposit it to his/her own account. The record of payment will be the cancelled check returned with the monthly statement.
  - I. Submitting the Payment Voucher. To document an approved drawdown, whether a progress payment or final draw, the grantee or State recipient must submit the original copy (pink copy) of the executed prenumbered Payment Voucher, form HUD-40021, to HUD at the address on the face of the Payment Voucher. The voucher, which documents a request for a drawdown, requires the signature of the grantee, State recipient, or designee. Only original, signed copies of the Payment Voucher will be processed by HUD. Extra copies of the voucher are available for the property owner and the payee. The voucher must be mailed to the HUD RRP P.O. Box the same day that the telephone request is made. However, electronic funds transfer will proceed as a result of the approved telephone request and does not have to wait for receipt of the Payment Voucher. THIS VOUCHER MUST BE RECEIVED

BY HUD BEFORE THE NEXT DISBURSEMENT CAN BE MADE ON THE PROJECT.

- J. Final Draw. If the request is for a final draw, the grantee, State recipient, or designee must indicate this. Any balance available in the project account after the final draw will be automatically credited to the grantee's or State recipient's program account for that fiscal year(s) and will be available for new projects.
- K. Late Vouchers. If the voucher has not been received after 10 days from the date of disbursement, HUD will notify the grantee or State recipient by letter that if the payment voucher has not been received within 5 days from the date of the letter that:
  - 1. Further payments on the project will continue to be suspended until the missing voucher arrives; and
  - 2. No additional project set-ups will be allowed.
- L. Discrepancy. If there are discrepancies between telephonic requests for drawdowns and vouchers submitted, HUD will contact the grantee or State recipient requesting verification or corrected information.

11-11 SUBMISSION OF PROJECT COMPLETION REPORTS.

- A. Due Date for Project Completion Report. After the final draw, a Project Completion Report, form HUD-40014B (Exhibit 10-7), is submitted. The Project Completion Report must be received not later than 90 days after the final draw. For projects which are publicly owned and are committed in the C/MI System on or after December 22, 1989, the Project Completion Report must be received 90 days after the final draw, but not later than 2 years and 90 days after the date the project was committed in the C/MI System. Since the Project Completion Report cannot be entered into the C/MI System before the voucher for the final draw is entered, the form should not be mailed in advance of the final draw or with the final voucher. To do so will cause the Project Completion Report to be rejected and will cause delays in processing. Any forms not received within 75 days of the request for a final draw will result in a reminder letter

informing the grantee or State recipient that the report is outstanding and must be submitted by the due date or further project set-ups will be suspended.

- B. Set-Up Suspension. If Project Completion Reports are not submitted by the due date (90 days), HUD will suspend further project set-ups and notify the grantee or State recipient of this in writing. Project set-ups for the grantee or State recipient will remain suspended until the report is received and entered into the C/MI System.
- C. Amended Reports. If all lease-up has not occurred by the date the report is due, the grantee, State recipient or designee should submit a report with the information that is known. An amended report should then be filed when the remainder of the occupancy data is known. Grantees and State recipients are reminded that vacant units do not count towards the initial lower-income benefit requirements of the program. Grantees failing to amend reports on vacant units may, therefore, find they are falling below this important program requirement.

#### 11-12 CHANGES IN PROJECT FUNDING.

- A. Increase or Decrease in Project Account. To increase or decrease funds available to a particular project, a person authorized to set up projects for the grantee or State recipient must call the RRP at the toll-free number, 1-800-233-2388 (DC Metropolitan area call 708-3673), request a funding amendment for the project account, provide required security information, and provide the project identification number. Increases in a project account can only be made if the request is within the overall obligation available to the grantee or amount designated for the State recipient by the State. Decreases in funds are automatically credited to a grantee's or State recipient's program account.
- B. Cancellation of a Project Account. Projects may be cancelled by calling the RRP Office at 1-800-426-3360 (DC Metropolitan area (202) 708-3676). A written confirmation of the request for cancellation should be sent to Rental Rehabilitation Program, P.O. Box 23997, L'Enfant Plaza Station, Washington, D.C. 20026. Grantees are reminded that construction on committed

projects is expected to begin within 90 days. If, for some reason, this cannot happen, the project should be cancelled and set up again when this time line can be met. NOTE: Beginning in Fiscal Year 1991, projects which have been committed in the C/MI System for 6 months without an initial disbursement of funds will be automatically cancelled by the C/MI System. Grantees and State recipients will be notified of the automatic cancellation of projects by the C/MI System. If the grantee can provide documentation that the project was valid at the time of commitment and remain valid, the project may be reinstated. Grantees will be notified of this change before it goes into effect.

- C. Cancellation of Projects with Disbursements. If funds have been drawn down on a project which is subsequently cancelled before completion, the grantee or State recipient must repay any such funds, including any accrued interest, to the grant account. Such funds are due to HUD within 30 days of the date of the cancellation.

#### 11-13 GRANTEE REQUEST FOR DRAWDOWN OF ADMINISTRATIVE FUNDS.

- A. General Information. Grantee, State recipient, or designee access to the C/MI System is described in Paragraph 11-5 above. A major difference with respect to administrative funds is that only cities, urban counties, consortia and State grantees (but not State recipients in State programs) are allowed to request and receive disbursements of administrative funds. The authorized grantee contact person telephones the RRP Voice Response System (VRS) to initiate the administrative drawdown request. Requests for administrative funds must not be made until actually needed for payment of administrative expenses in accordance with the requirements of 24 CFR 85.20 and 31 CFR 205. Thus, administrative funds should only be requested when actually needed to pay for eligible expenses in conjunction with the administration of the RRP. If administrative funds are available in multiple grant funding years, the available funds in the oldest year will be disbursed first.
- B. Drawdown Procedure. The drawdown procedure is as follows:

The grantee first fills out the necessary Payment Voucher (See Subparagraph 8 below) and obtains all the necessary internal signatures required to document telephone requests for drawdown of funds in the C/MI System for the RRP. NOTE: Block 5 of the RRP Payment Voucher has been modified to include "Administrative Funds" as a type of payment.

2. The authorized administrative contact person telephones the Voice Response System (VRS) at the appropriate number (see below), and provides his/her personal administrative ID. In case of error, he/she will have three (3) opportunities to provide the correct administrative Security ID before access will be denied. Callers with problem IDs will be directed to call the RRP Security Officer at (202) 708-0764.
3. Once access has been granted, the VRS will request the following information and enter it into the system:
  - a. Grantee grant number;
  - b. Voucher number (preprinted on voucher form except for calendar year in which the call is made); and
  - c. Amount of drawdown requested. Generally, draws less than \$100 will not be processed unless the request is the final draw from the administrative account.
4. Approval/Disapproval. The VRS will advise the caller that the administrative drawdown request has been approved or is disapproved. Disapproval will occur for the following reasons:
  - a. The previous voucher for administrative funds has not been received;
  - b. The administrative account is closed; or
  - c. The balance of administrative funds is insufficient to cover the drawdown request.

5. Confirmation. After the above information has

been entered by the caller, the VRS will permit the caller to confirm that the information is correct as recorded by the VRS. If the recorded information is correct, the caller will be asked to confirm the payment request. If the information is incorrect, the VRS will allow the caller to re-enter the payment request.

6. Treasury Disbursement. A request for a Disbursement will be made by HUD to the U.S. Treasury, which will wire the RRP administrative funds to the grantee's deposit account in the designated financial institution. Funds should generally be in the grantee's account in the designated financial institution within 48 to 72 hours of the telephone request to HUD.
7. Immediate Disbursement. In accordance with 24 CFR Part 511, funds deposited in the grantee's account must be immediately disbursed. If checks are not drawn on the account to the appropriate payee(s) within 2 weeks of receipt, they must be returned to the C/MI System.
8. Submitting the Payment Voucher. To document an approved administrative funds drawdown, the grantee must submit the original copy (pink copy) of the executed prenumbered Payment Voucher, form HUD-40021, to HUD at the address on the face of the Payment Voucher. The voucher, which documents a request for a drawdown, requires the signature of the grantee. Only the original, signed copy of the Payment Voucher will be processed by HUD. Each voucher has a preprinted number. The first two digits have been left blank as they represent the calendar year in which the disbursement request is made. NOTE: THE VRS WILL NOT AUTOMATICALLY ASSIGN THE FIRST TWO VOUCHER NUMBERS REPRESENTING THE CALENDAR YEAR IN WHICH THE CALL IS MADE. The grantee must provide the 8-digit voucher number--the calendar year and the 6-digit preprinted number on the Payment Voucher. Grantees must enter the first two voucher numbers (calendar year) on the voucher prior to submitting the voucher to HUD.

9. Mailing the Voucher. The voucher must be

mailed to the HUD RRP P.O. Box the same day that the telephone request is made. However, electronic fund transfer will proceed as a result of the approved telephone request and does not have to wait for receipt of the Payment Voucher. THIS VOUCHER MUST BE RECEIVED BY HUD BEFORE THE NEXT DISBURSEMENT FROM THE ADMINISTRATIVE ACCOUNT CAN BE REQUESTED. If the voucher has not been received after 10 days from the date of disbursement, HUD will notify the grantee by letter that if the Payment Voucher has not been received within 5 days from the date of the letter, further payments from the administrative account will continue to be suspended until the missing voucher arrives. Project accounts will not be suspended due to discrepancies in the grantee's administrative account.

10. Discrepancies. If there are discrepancies between telephone request for drawdowns and vouchers submitted, HUD will contact the grantee requesting verification or correction of the information.

11-14 CANCELLATION OR REDUCTION OF ADMINISTRATIVE ACCOUNT. Grantees have the option to use only a portion or none of the administrative set-aside for administrative expenses. The administrative account can be cancelled on the grantee's request. To cancel or reduce an administrative account, the Chief Executive Official or his/her designee must submit a written request to HUD notifying the Department that the administrative account for a specific grant year is to be cancelled or reduced (specifying the amount of the reduction). Any funds remaining in the administrative account will be transferred to the project account as funds available to set aside when the administrative account is cancelled. The notification should be mailed to the following address: Rental Rehabilitation Program, P.O. Box 23997, L'Enfant Plaza Station, Washington, D.C. 20026.

11-15 ACCOUNTING FOR AND REPORTING PROGRAM INCOME IN THE C/MI SYSTEM. Grantees and State recipients must record the receipt and expenditure of program income in accordance with the standards specified in 24 CFR 511.76. In general, grantees are required to have a financial management system which can control and account for the receipt and expenditure of grant funds. The system

Program funds must also properly control and account for all program income. As part of this system, it should be possible for grantees and HUD to determine how much program income has been received and how it has been used, whether or not all aspects of program income are recorded in the C/MI System. In general, the C/MI System does not record the receipt of program income by grantees and State recipients.

- A. Eligible Uses. The eligible uses of RRP program income are set forth in Chapter 9 of this Handbook.
  - 1. Rental Assistance. When program income is used for rental assistance as described in 24 CFR 511.76(c)(2), there are no consequences for the C/MI System, which generally does not control rental assistance.
  - 2. Projects. When program income is used for eligible RRP projects as described in 24 CFR 511, there can be basically two types of projects--those where program income is the only Rental Rehabilitation Program subsidy involved and those where Rental Rehabilitation Program income is combined with new Rental Rehabilitation Program funds to be drawn from the grantee's (or State recipient's) grant funds.
- B. Reporting. In accordance with 24 CFR 511.76, grantees and State recipients shall report program income in the C/MI System to the extent prescribed by HUD. States have authority to determine whether to allow a program design which may generate program income. They may also determine whether to allow their recipients to retain such income or to return it to the State. For purposes of the C/MI System, the entity that retains program income is responsible for reporting its use in the C/MI System. However, the entity that retains it and uses it (whether or not different), is responsible for properly recording and accounting for the program income in its own financial management systems.
  - 1. Projects Funded Entirely With Program Income. In those cases where sufficient program income is available, an entire project may be subsidized using program income. This project

as stated elsewhere but because program income was the only source of Rental Rehabilitation Program funds, it would not be "set up" in the Cash and Management Information (C/MI) System as described in this Notice. Therefore, projects consisting solely of program income would not be reported in the C/MI System. NOTE: During Fiscal Year 1991, the C/MI System will be modified to require that projects funded totally with RRP program income be "set up" in the C/MI System.

2. Projects Using a Combination of Program Income and Grant Funds. In those cases where program income is combined with new Rental Rehabilitation Program grant funds to subsidize a project, the project would be "set up" in the C/MI System for the amount of new Rental Rehabilitation Program grant funds that would be needed to be drawn from the Treasury. The Rental Rehabilitation Program income would be part of the total rehabilitation financing package for that project, but it would not be drawn down through the C/MI System since it would be in the grantee's account and not in the U.S. Treasury. Where this occurs, the program income would be reported in the Project Completion Report, form HUD-40014, Section B, line 6.A. Program Income. (See Exhibit 10-7.) Until the C/MI System is modified in Fiscal Year 1991, this is the only place in the C/MI System where the use of program income would be reported.

11-16 RETURN OF RRP FUNDS TO HUD. In some cases there is a need to return money to the C/MI System. This would be necessary when funds are drawn down in error and will not be used in the near future or when a project is cancelled prior to completion. When funds are returned to the C/MI System, the check (Grant Number and Project Number should be on the check) should be sent to the following address:

Department of HUD  
Office of Finance and Accounting  
Cash Management Branch  
Cash and Securities Section, Rm. 3112  
451 7th Street, S.W.  
Washington, D.C. 20410

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- A. Cover Letter. The cover letter should state that the funds are being returned to the Rental

Rehabilitation Program and also state the Grant and Project Number. Copies of the letter should be sent to:

Accounts Payable Section  
Department of HUD, Room 3224  
451 7th Street, S.W.  
Washington, D.C. 20410

and

Rental Rehabilitation Program  
Department of HUD, Room 7176  
451 7th Street, S.W.  
Washington, D.C. 20410

- B. Processing in the C/MI. When returned RRP funds, except under 24 CFR 511.82(c)(4) or its successor, are processed in the C/MI System, the committed amount and balance disbursed for the project are reduced by the amount of the payment. The amount available to set-aside for the grantee is increased by the amount of the payment. In the event that additional funds are needed for the project, a funding amendment must be made by calling the RRP Operators at 1-800-233-2388. If the project is to be cancelled, you may request project cancellation in the cover letter or call the Rental Rehabilitation Program Office at 1-800-426-3360.

11-17 REPORTING APPROVAL. The public use reporting requirements included in this Notice have been cleared under OMB Control No. 2506-0080, expires July 31, 1992.