

HOPE VI MAIN STREET GRANTEE FINANCIAL INSTRUCTIONS

Summary of the LOCCS/VRS Payment Process

All HOPE VI Main Street Grantees use eLOCCS or 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. eLOCCS is the Internet used by Grantees to access LOCCS. VRS stands for the Voice Response System. VRS allows Grantees request LOCCS funds via 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 Main Street grants are administered by HUD Headquarters by the Office of Public Housing Investments (OPHI). The OPHI Grant Manager may be located in Washington, DC at HUD Headquarters or may be Outstationed (located) in a HUD Field Office.

Eligible grant activities that may be paid for with HOPE VI Main Street funds are listed in the Notice of Funding Availability (NOFA) that resulted in the HOPE VI Main Street grant and in the Grant Agreement.

Setting up the LOCCS Account

- Obligation of Grant Funds (Form HUD 1044)

OPHI will send an email copy of form HUD-1044, Assistance Award/Amendment to each HOPE VI Main Street Grantee. This is the funds obligation document for the grant.

The Grantee must sign and return three copies of the HUD-1044 to OPHI. The Grantee representative with authority to commit the Grantee financially must sign the form. That person's name is already typed into the form.

The Assistant Secretary for Public and Indian Housing will execute (sign) all of the copies.

Typically, the funds being used for the grant cannot be obligated past the third week in September. Therefore, completion of HUD-1044 execution must take place before that date.

OPHI will return one executed original of the HUD-1044 to the Grantee.

OPHI will send one copy of the executed 1044 to HUD's Administrative Accounting Division for entry into LOCCS.

OPHI initially will place all HOPE VI Main Street grant funds into Budget Line Item 2000 in LOCCS, which is a holding account that the Grantee cannot access. This action generates a VRS Number, which is automatically mailed to the Grantee.

- Public Housing and LOCCS Security

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 and LOCCS Security at HUD Headquarters.

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, HOPE VI Main Street Grantees, which are not on the list of PHAs, must have one or two of their employees serve as their "Independent User" representative(s). These are the Grantee employees that will draw funds from LOCCS. Each Grantee representative must register in WASS to obtain an Independent User ID. The representative's information is input at <http://www.hud.gov/offices/reac/online/reasyst.cfm>.

After the Grantee representative receives the WASS Independent User ID (an alphanumeric ID beginning with the letter "I"), the representative may register for access to LOCCS. There are three submissions necessary to gain authorization to enter LOCCS:

1. Each representative ("Independent User" or "User") must submit a LOCCS/VRS Access Authorization Form (Form HUD-27054). This form can be found on the HOPE VI Main Street website <http://www.hud.gov/mainstreet> under the section title "Financial Instructions." 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: Lawrence Gnessin, (202) 402-2676

Please note that LOCCS Security will only accept the version of Form HUD-27054 dated 6/2003 at the bottom. 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 HOPE VI Main Street funds.

2. Each Independent User must email the assigned WASS ID, the full name of the Independent User, as stated on the HUD-27054, and the Grantee's TIN to

CFOSecurity@hud.gov. The Independent User ID or “T” number, must be kept in confidence. Do not copy anyone on the email and do not advise your HUD Grant Manager of your “T” number.

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

After receipt of both the HUD-27054 and the Independent User’s “T” number, the LOCCS Security Office 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 not received HOPE VI Main Street funds in the past, even if it has received other HUD program funds through LOCCS, Users must be authorized for the HOPE VI Main Street program.

If a User has any problems completing the Security Form, or does not receive a password and User ID in a timely manner, the User should email CFOSecurity@hud.gov or call 202-402-3765. Grant Managers cannot assist Grantees with LOCCS security problems. Only the CFO Security Office should be contacted.

- 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 Main Street 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

- Voice Response Number is eLOCCS Number

After the CFO Accounting Office has registered the Grantee for wire transfers via the SF-1199A and OPHI has HUD’s CFO put the grant funds into LOCCS Budget Line Items, each User will receive a letter containing the computer-generated Voice

Response Number. This is the Grantee's eLOCCS ID. Now that Grantees have Internet access, LOCCS draws via telephone using VRS are rare. Although VRS is much less convenient than eLOCCS, the letters "VRS" are being maintained in HUD forms that are related to eLOCCS and VRS security.

Requesting Payment

- "Using eLOCCS" Guide

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 click on 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 or call 202-402-3765. One of the User's submissions may not have been received.

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 Grant Manager, who has access to LOCCS and can read the VRS Number. If the HUD Grant Manager finds that the VRS Number does not exist, the User should contact the CFO Security Office at CFOSecurity@hud.gov or call 202-402-3765.

A guide to using eLOCCS can be obtained on the HOPE VI Main Street webpage at <http://www.hud.gov/mainstreet/>. Please finish reading these instructions before starting to read the eLOCCS Guide. This document presents the basic rules for drawing funds from LOCCS and circumstances that may delay draws. eLOCCS is the Internet program that the User employs to put information into LOCCS. The eLOCCS Guide is part of a document that also covers VRS and entities that receive HUD grants each year based on a formula (PHAs). For simplicity's sake, the VRS section and the section that explains how a PHA "Coordinator" assigns Users has been deleted,. For Independent Users, the CFO Security Office serves as the Coordinator and assigns User rights.

- Preparing the HOPE VI Main Street Voucher

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.

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 Grant Manager. The User should also have a calculator. Ongoing totals for obligated and expended (drawn down) funds will have to be entered into eLOCCS.

Drawdown Restrictions

- Grantee may not make more than one payment request per day per grant.
- 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.

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 Main Street 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 should contact its HUD Field Office, the proper person to contact is the HUD Grant Manager, whether he or she is located in HUD Headquarters or Outstationed. HUD does NOT automatically monitor vouchers that are out for review.

HOPE VI Main Street grants are relatively small for construction grants. For this reason, many vouchers will trigger an edit that requires HUD Grant Manager review because the amount being requested is a large percentage of the grant amount. The

Grantee should contact the HUD Grant Manager to ensure that the HUD Grant Manager is aware of the review requirement. For this edit, the Grantee does not have to submit invoices and receipts to the HUD Grant Manager unless specifically instructed to do so.

For other types of edits, 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:

- **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:

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

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.

- **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.

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.

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.

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. Grantees must submit all backup invoices and receipts to the HUD Grant Manager for this type of edit.

- **Suspension of Payment.**

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.

Cumulative Obligation and Expenditure Data

- Nature of Report

In addition to reporting detailed cumulative obligation and expenditure information in the Quarterly Progress Report, 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.

- 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.

- Expenditures

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

- Construction Draws

Grantees may request construction funds only after the Development Proposal has been approved by HUD and only when payment is due. If local code requires inspections, those should also have been completed and local government approval to continue construction has been obtained. Grantees are generally required to minimize the time between the LOCCS draw and distribution of funds to pay invoices.

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 HOPE VI Main Street.

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: Enter the letters "URP"

5b. Program Area Name: Enter HOPE VI Main Street

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.

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

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 HOPE VI Main Street 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 HOPE VI Main Street funds will be directly deposited. Choose either checking or savings.

Block E Print or type the number of the account into which HOPE VI Main Street 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 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.