



# Capital Fund Odds and Ends

- CFP Closeout
- Common Issues

September 2024

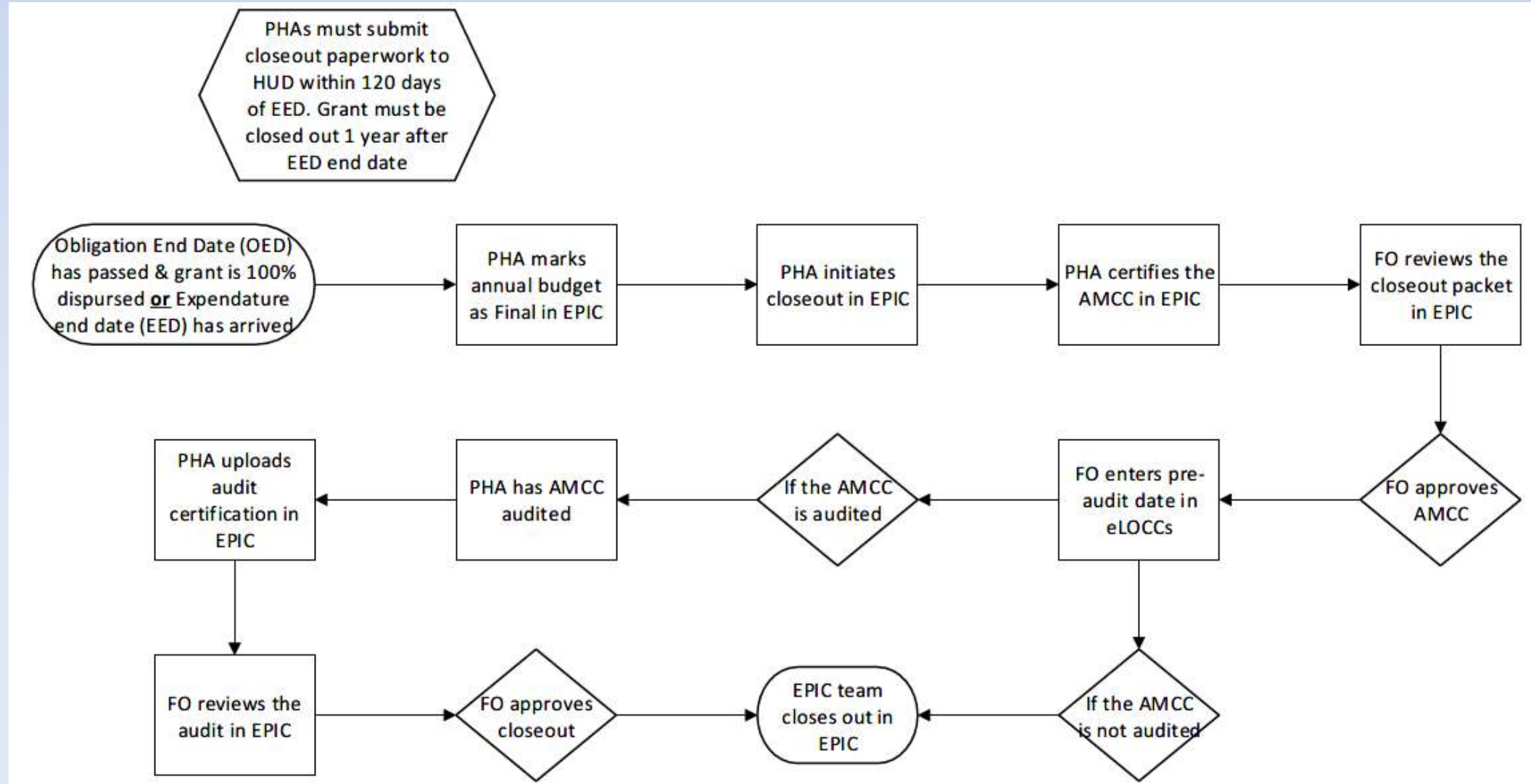


# Capital Grant Closeout in EPIC/LOCCs

September 2024



# CFP Grant Closeout Flowchart





# CFP Grant Closeout Process

## Closeout Submissions

PHA submits to Field Office



PHA marks Annual Statement/Budget "Final" in EPIC



If the Field Office or HQ requests, do a Performance & Evaluation Report (P&E Report).



Actual Development Cost Certificate (ADCC) (HUD Form HUD-52427) – for development projects



Actual Modernization Cost Certificate (AMCC) (HUD Form 53001) – for modernization projects



All Close-Out related forms may be submitted to the Field Office in EPIC by uploading them to the Document Management Center.



# Performance and Evaluation Report (P&E)

PHAs that have an approved 5-Year Action Plan and submitted Budget can create a P&E in EPIC.

If PHAs have made any significant changes that would affect the most recent Budget, they must submit a Budget Revision first before creating a new P&E report.

You cannot create a Budget Revision if there is a Draft P&E as it will block creating a new Budget while it is still in Draft form.

Annual Statements/Budget

Show  entries Search:

Statement	Plan Name	Created Date	Submit Date	Report Year	Status	Actions	Reports
<a href="#">Annual Statement/Budget Original</a> 	5 Year Action Plan for the 2017 - 2021	01/27/2020	01/27/2020	2019	Submitted		





# Review & Approval of Cost Certificate & Audit

## PHAs not subject to annual audit

- HUD will review and approve the Cost Certificate

## PHAs subject to audit

- HUD will review audit to verify costs agree with Cost Certificate
  - If audited Cost Certificate shows excess funds, PHA will remit excess funds
  - If the audited Cost Certificate shows unauthorized expenditures, PHA will take actions per Field Office
  - Once audited costs are reconciled by FO, grant is approved for closeout and PHA is sent a closeout letter

Ft. Worth CFO enters post-audit end date in LOCCS – grant closed



# Actual Modernization Cost Certificate (AMCC)

## Audit (Trick) Question

The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved		\$	
B. Funds Disbursed		\$	
C. Funds Expended (Actual Modernization Cost)		\$	
D. Amount to be Recaptured (A-C)		\$	
E. Excess of Funds Disbursed (B-C)		\$	

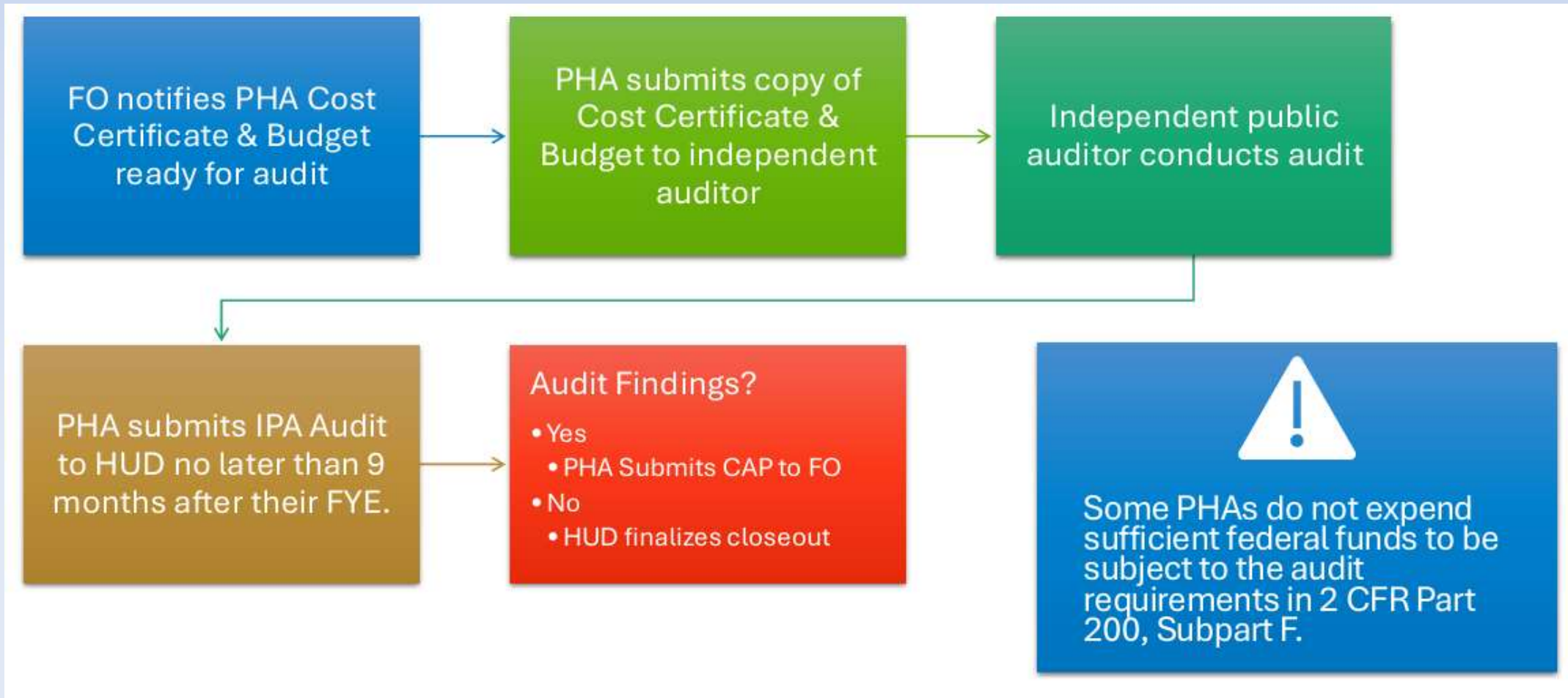
- 2. That all modernization work in connection with the Modernization Grant has been completed;
- 3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
- 4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;
- 5. That the time in which such liens could be filed has expired; and
- 6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.
- 7. Please mark one:

- A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.
- B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.



# CFP Audit Process







# Some Notes on the CFP Closeout in EPIC

- This is a brand-new process that is still being adjusted
- Office of Capital Improvements is still making changes to the closeout process in both EPIC and LOCCS
- The Milwaukee Field Office does not yet have a process to review and approve closeouts in EPIC – we are actively working on it, hopefully in about a month
- So..... Be patient, do not expect immediate approval of closeouts submitted in EPIC right now – this will improve
- The EPIC process is MUCH better than the previous manual process, so we highly encourage PHAs to submit in EPIC



# Capital Fund Common Issues

**(i.e. stuff we commonly find PHAs  
doing incorrectly)**

September 2024



# Capital Process - ough

Capital Planning and process can be very complicated due to the interconnected Federal Regulations and Requirements.

Capital Process Interacts with the Following:

1. Capital Fund Regulations 24 CFR §905
2. Environmental Regulations 24 CFR §50 or 24 CFR §58
3. Procurement Regulations 2 CFR §200
4. Federal Labor Standards – Davis Bacon &/or Prevailing Wage
5. Energy Efficiency / Renewable Energy Standards
6. And probably a bunch of others I am forgetting



# Hearing Requirements for Capital Budget

- 905.300 ALL PHAs (Qualified and Non-Qualified) must ANNUALLY conduct both:
  - Public Hearing
  - Consult with Resident Advisory Board
- Most provide 45 Day Notice of hearing
- Both hearings may be held in conjunction with the PHA plan hearings





# Capital Fund Significant Amendment

- 24 CFR 905.300(b)(1)(iii) basic criteria for determining if a change to the 5-Year or Annual Plan is Significant
- Why is this important? A Significant Amendment triggers 45-day Public and RAB input, new board approval and probably HUD approval
- Significant Amendment is a Policy of the PHA and should be approved through a Board Resolution



# Capital Fund Significant Amendment

- Most Significant Amendments are too general and non-specific
- Poorly worded Significant Amendments either trigger the SA process for every change or even worse major changes do not trigger a Significant Amendment at all
- A Significant Amendment is protection for the PHA
  - Ensures statutorily and regulatorily required public/participant input
  - Ensures Board review and approval
  - Ensures Environmental Review process for changes



# Significant Amendment Tips

- There should be a clear trigger for what constitutes the SA
  - Dollar amount of change
  - Percent of Capital Budget
  - proposed demolition, disposition, homeownership, Capital Fund financing, development, or mixed-finance
- Clearly define what does NOT trigger the SA
  - Emergency Work and Repairs
- Explain the process when the SA is triggered



# Good Significant Amendment

Housing Authority defines a significant amendment or modification to the 5- Year Action Plan as a variation of more than 50% from the originally stated 5-Year Action Plan or Annual Budget requiring a Statement of Significant Amendment or Modernization. In addition, any proposed demolition, disposition, homeownership, CFFP proposal, development, RAD conversion, change inconsistent with the locally approved consolidated plan, or mixed-finance proposal is considered a Significant Amendment to the 5-Year Action Plan. Also included are any additions of non-emergency work items (items not included in the current Annual Statement or 5-Year Action Plan) more than \$10,000 or change in the use of the replacement reserve funds under the Capital Fund.

If the amendment or modification is a Significant Amendment or Modification, the Housing Authority:

- May not adopt the amendment or modification until it is approved by the Board of Commissioners in a meeting that is open to the public after a 45-day public notice; and
- May not implement the amendment or modification until notification of the amendment or modification is provided to HUD and the amendment or modification is approved by HUD in accordance with HUD's plan review procedures.

If the change is not a Significant Amendment or modification, no HUD approval or public notice is needed.





# Poorly Worded Significant Amendment

A change that materially revises the agency's mission, goals, or objectives. Additions of Capital Fund activities that are not in the current Annual Statement or 5-Year Action Plan, excluding projects arising out of federally declared major disasters or other unforeseen significant event. Material changes in regard to demolition, disposition, conversion activities or mixed-finance activities.

Any other event or activity that the Authority's Board of Commissioners determines to be a significant amendment to the approved 5-Year Plan



# Capital Fund Expenditure Rules

- PHAs should only draw Capital Funds from LOCCs when work is due and payable
- Once funds are drawn from LOCCs the PHA must pay the applicable bill within 3 Days
- PHAs cannot use other funds (operating, reserves) to pay bills and then use Capital Funds to reimburse those accounts
- PHAs cannot draw Capital Funds into their own account to use at a latter date



# What is an Obligation?

- Rule – PHAs must obligate 90% of Capital Funds within 24 months of award and fully expend within 48 months of award (yes, I know the CARES Act extended these dates. But only for a few grant years)
- An Obligation IS a binding agreement for work or purchase that will result in an outlay of capital funds
- An Obligation IS NOT a plan or estimate for work
- Funds allocated to BLI 1406 Operations are not considered obligated until they are drawn
- The Capital Fund Guidebook has details of what constitutes obligation for various types of capital activities



# CFP Records Management

- 905.310(b) PHA must maintain detailed disbursement records to document eligible expenditures
- Documents should support that draws from LOCCs occurred when invoices were due and payable and that invoices were paid within 3 days of drawing funds
- Maintain records of all estimates and bids – not just the selected option





# Procurement Policy

- Procurement Policy should be based on 2 CFR 200, not 24 CFR 85 which has been rescinded
- Policy should define each level of procurement and establish dollar thresholds for each level of procurement (micro, small, sealed bids, competitive and non-competitive)
- Establish the time period to retain procurement records, usually minimum of 5 years



# Annual Statement/Budget Revisions

- PHAs are required to revise estimated funding amounts in the annual budget to reflect the actual cost of the work activity
- The final annual statement amounts recorded for each work activity in EPIC should reflect **the actual amount that was expended** for each work activity.
- Budget revisions should be made in EPIC – Not in LOCCs. Changes made in EPIC will be reflected in LOCCs within 2-3 business days
- Annual Statement/Budget are not a One and Done.



## PIH 2016-18 Small PHA Full Flexibility i.e. Putting Capital Grant in BLI 1406

- 24CFR 905.314(1)(2) allows eligible small PHAs (250 or less units) to use up to 100% of a CFP grant for Op Fund Activities (BLI 1406) **if** the PHA does NOT have debt service, significant capital needs or emergency needs.
- HUD may determine significant capital needs by review of CFP 5-Year Action Plan, Physical Needs Assessment, past CFP grant history, REAC Inspections or other indicators.
- Funds in BLI 1406 are considered Operating Funds and must be used for eligible expenditures under 24 CFR §990



# Fixed or Rolling Action Plan

- Fixed plan is for a set 5-year period
- Rolling Plan submits a NEW 5 year Plan every year – the starting year “rolls”
- Most PHAS will do fixed plans – especially smaller PHAs
- Rolling Plan is best when known changes will be occurring
  - New Development
  - Additional Future Funding
  - RAD



# Force Account Labor

- Labor Employed directly by PHA, either permanent employees or temp basis
- Perform Physical Work funded by Capital Funds
- PHA shall conduct a cost benefit analysis to determine cost effectiveness
- Prevailing Wage rates apply to Force Labor work
- Goods and services must be procured in accordance with 2 CFR 200
- Must be identified in the 5 Year Action Plan and Annual Statement



# Determining Capital Item or Maintenance

- Helpfully HUD / PIH does not specifically outline maintenance activities other than regular upkeep and preservation of facilities
- However, CPD Notice 2016-02 does
  - Be advised that CPD 2016-02 only applies to categorizing activities for Environmental Review
  - But – it can be used as a guide to determine capital or maintenance





# CPD 2016-02

## EXAMPLES OF MAINTENANCE ACTIVITIES vs. REHABILITATION ACTIVITIES FOR ENVIRONMENTAL REVIEW PURPOSES

Feature or System	Maintenance Activities <sup>4</sup>	Rehabilitation Activities <sup>5</sup>
<b>Site</b>	<ul style="list-style-type: none"><li>• lawn care (litter pickup, mowing, raking), trimming trees and shrubs</li><li>• snow/ice removal</li><li>• neighborhood cleanup</li><li>• application of pavement sealants, parking lot restriping, directional signage or marking for handicapped accessibility</li><li>• repair of cracked or broken sidewalks</li></ul>	<ul style="list-style-type: none"><li>• new landscaping throughout an area</li><li>• construction of new walkways, driveways or parking areas, or replacement thereof</li></ul>
<b>Building Exterior</b>	<ul style="list-style-type: none"><li>• cleaning and fixing gutters and downspouts</li><li>• repainting previously painted surfaces (including limited wet scraping and low-pressure washing)</li></ul>	<ul style="list-style-type: none"><li>• cleaning masonry or stripping painted surfaces by sandblasting, acid wash, or high pressure washing</li><li>• applying new exterior siding</li></ul>





# Handbooks, Guidebooks, Websites

- **Capital Fund Guidebook**  
<https://www.hud.gov/sites/documents/CAPITALFUNDGUIDEBOOKFINAL.PDF>
- 24 CFR Part 905-Use of Public Housing Capital Funds for Financing Activities: Final Rule
- Guidebook 7510.1G-Finance Accounts Guidebook
- HUD Handbook 7460.8, REV 2, dated 2/2007-Procurement
- 2 CFR §200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- PIH Notice 2016-21-EPIC User Manual-Energy Efficiency Measures (EEM) and Activity Planning Module



# Handbooks, Guidebooks, Websites, continued

- HUD Exchange for environmental reviews is:
  - <https://www.hudexchange.info/programs/environmental-review/>
  - 24 CFR § 58
- HUD Exchange for environmental training is:
  - <https://www.hudexchange.info/trainings/wiser/>
- Notice CPD 16-02: Guidance for Categorizing an Activity as Maintenance for Compliance with HUD Environmental Regulations, 24 CFR Parts 50 and 58
- Notice PIH 2016-22: Environmental Review Requirements for Public Housing Agencies



# Handbooks, Guidebooks, Websites, continued

- PIH Notice 2010-41: Using Energy Star to Promote Energy Efficiency in Public Housing
- PIH Notice 2016-18: Guidance on Full Flexibility for Small PHAs
- PIH Notice 2022-03 Guidance on Unit Designations & Accessible Designation Categories
- PIH Notice 2024-03 Guidance on IMS-PIC (Unit Status Categories)



# Capital Fund Guidebook

- **Capital Fund Guidebook**

<https://www.hud.gov/sites/documents/CAPITALFUNDGUIDEBOOKFINAL.PDF>

- Best PIH guidebook by far.
- Great resource for questions on:
  - Capital Fund use – can I do that???
  - Capital Planning
  - Public Housing Development

**If you have a Capital Fund Question the answer is probably in the guidebook**





# Office of Capital Improvements

- [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph/capfund](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/capfund)
- One of the best PIH websites – lots of information and links
- Lots of guidance on Capital Funds use and Capital Activities
- Links to
  - EPIC Page
  - Capital Fund Guidebook
  - Capital Fund Processing Information



# EPIC → LOCCS Funding Process

