



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

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MEMORANDUM FOR: All Field Office Community Planning and Development Division
Directors

FROM: Stanley Gimont, Deputy Assistant Secretary
for Grant Programs (Acting), DG

SUBJECT: Methods for Returning Community Development Block
Grant (CDBG) Funds

This document provides basic instructions on returning CDBG funds due to noncompliance with applicable regulations. This document consolidates the instructions for all methods of returning funds, and provides revised instructions to report grant funds that have been returned to a grantee's local account. This document also provides instructions concerning excess program income in the Entitlement CDBG program.

For HUD-directed repayments from a grantee, the HUD Field Office will determine the appropriate repayment method. For grantee-directed repayments resulting from a grantee's monitoring and review of subrecipients or subgrantees, the grantee should consult with the HUD field office regarding the method of repayment.

The applicable scenarios for each repayment method are as follows:

I. Returning funds to the program line of credit (LOC)

Return grant funds to a grant account in the Line of Credit Control System (LOCCS). This is the required repayment method when a reasonable amount of time remains to expend the funds before the account cancellation at the end of the eighth federal fiscal year from the federal fiscal year of the appropriation. See 24 CFR 570.200(k) and 24 CFR 570.480(h).

II. Returning funds to the U.S. Treasury

Scenario 1: Interest is accrued/earned on funds that are not disbursed within established timeframes after a draw. See 24 CFR 570.500(a)(2)(i).

Scenario 2: Interest is earned on the cash balance of Entitlement CDBG revolving loan funds. See 24 CFR 570.500(b).

Scenario 3: Interest is earned by units of general local government on State CDBG grant funds during the time between receipt of funds from the state and disbursement by the unit of general local government. See 24 CFR 570.489(c)(2).

Scenario 4: Interest is earned on loans or other CDBG-assisted activities that are subsequently determined to be ineligible. See 24 CFR 570.500(a)(2)(ii).

III. Returning grant funds to a grantee's local program account

Funds repaid to a grant that is past the eight-year limitation on use of funds. See 24 CFR

570.200(k) and 24 CFR 570.480(h).

IV. Returning program income funds to a grantee's local program account

If an activity funded with program income (PI), revolving funds (RL), or state revolving funds (SF) is determined to be ineligible or disallowed, the repayment for PI, RL, and SF should be deposited in grantee's local program account.

V. Returning excess program income to HUD (Applies to the CDBG Entitlement Communities, Hawaii Counties, and Insular Areas)

At the end of each program year, if a grantee has program income on hand in an amount that is more than one-twelfth of the most recent grant amount, the excess program income shall be remitted to HUD. See 24 CFR 570.504(b)(iii).

For each method described above, detailed guidance is provided below regarding both the financial transactions and IDIS reporting.

Note that this guidance does not apply to reimbursements made under the Section 108 Loan Guarantee Program. Any questions about Section 108 reimbursements should be directed to the Financial Management Division in the Office of Block Grant Assistance, 202-708-1871.

I. Returning Funds to The Program Line of Credit

Return grant funds to a grant account in the Line of Credit Control System (LOCCS). This is the required repayment method when a reasonable amount of time remains to expend the funds before the account cancellation at the end of the eighth federal fiscal year from the federal fiscal year of the appropriation. See 24 CFR 570.200(k) and 24 CFR 570.480(h).

When a grantee returns funds to line of credit, they must be returned to the same origin year grant(s) from which funds were drawn.

Please note: Funds returned to a grant must be drawn before the September 30th of the eighth federal fiscal year from that grant's origin year. Any unexpended funds in the line of credit will be recaptured by U.S. Treasury and lost to the grantee. For example, 2010 origin year grants will expire after September 30, 2017. If a grantee returned grant funds to its 2010 origin year, any unexpended 2010 grant funds in the line of credit will be recaptured by the Treasury and lost to the grantee after September 30, 2017.

A. Financial Transactions When Returning Funds to the Line of Credit

i. Returning Grant Funds to HUD via Check

A remittance to the line of credit of less than \$2000 may be made by sending a check for the amount to HUD's Miscellaneous Lockbox at the following address:

U.S. Department of Housing and Urban Development
Grant No. _____
PO Box 277303
Atlanta, GA 30384-7303

Be sure to identify the Grant Number and Account Number #86011101 in the memo field on the check. Normal time span for processing: 4 – 6 weeks before showing as a negative draw in IDIS.

ii. Returning Grant Funds via Wire Transfer

Any remittance to the line of credit of \$2000 or more must be sent via wire transfer. Wire transfer payments must be sent using the Department of U.S. Treasury's Financial Communications System (TFCS). For funds and deposit messages to be routed correctly and efficiently, all wire transfer messages should conform to the applicable structured format described below. All wire transfers must be returned through the participant's local financial institution. If the local financial institution is not a member of the TFCS, it must have a correspondent bank relationship with a member bank that will actually transfer the funds by wire to the Treasury. Normal time span for processing funds returned to the line of credit: 10 – 15 days before showing as a negative draw in IDIS.

Figure 1: Bank information - Wire transfer funds to LOC

Bank	Federal Reserve Bank of NY
Bank Address	33 Liberty St., New York, NY 10045
ABA Routing Number (Treasury Department Code)	021030004
Account Number (Agency Location Code)	86011101
Account Holder	U.S. Department of HUD (Ft. Worth, TX)
Memorandum/Third Party Information	Grantee Name Grant Number Attn: HUD CPD/ CDBG/IDIS Memo: \$\$\$ (enter dollar amount being wired) and State: Drawn on ineligible activity to line of credit

B. Actions That Must be Taken in IDIS When Funds are Returned to the Line of Credit.

When grant funds returned to the line of credit are processed back into IDIS, IDIS does not automatically attribute returned funds to the activity being repaid. Rather, the amount returned shows as a negative draw under activity #2 for the origin year grant to which the funds were returned.

Use the following steps to revise the negative draw voucher(s) for the program from which the funds were originally drawn so that the returned funds may then be used for other eligible activities:

- 1) Select the *Funding/Drawdown* Tab.
- 2) Click the *Search Voucher* link on the left side under *Drawdown*.
- 3) The *Search Vouchers* page will appear.
- 4) Enter the number 2 in the *IDIS Activity ID* field for the returned funds.
- 5) Click the *Search* button.
- 6) The search results will appear. Find the voucher with the exact repayment as a negative amount.
- 7) Click the *Maintain-Approve* link under the *Action* column.
- 8) The *Maintain and Approve Voucher* page will appear.
- 9) Click the *Revise* link under the *Action* column.
- 10) The *Revise Voucher Line Item* page will appear.

- 11) Under the *Revise Funds to Another Activity* section, enter the *IDIS Activity ID* for the ineligible activity for which the funds were originally drawn and the dollar amount to be associated with the activity, preceded by a negative sign.
- 12) Click the *Save* button.
- 13) *Voucher revised successfully* message will appear.
- 14) Once the Voucher(s) has been revised, it is necessary to revise the funding for the activity from which the funds were returned. The *funded amount* and *drawn amount* must be equal. In the case of full repayment, the *funded amount* and *drawn amount* would both be zero.
- 15) *Cancel the activity* if funds are paid in full.
- 16) Decreasing the funding for the ineligible activity simultaneously increases the *available for funding* amount for the given grant funding source being repaid. Those funds represent the returned funds which must be added to a new (or existing) eligible activity.
- 17) Repeat these steps for each return of funds to ensure the returned funds are available to be used for other eligible activities.

II. Returning Funds to The U.S. Treasury

Scenario 1: Interest is accrued/earned on funds that are not disbursed within established timeframes after a draw. See 24 CFR 570.500(a)(2)(i).

Scenario 2: Interest is earned on the cash balance of Entitlement CDBG revolving loan funds. See 24 CFR 570.500(b).

Scenario 3: Interest is earned by units of general local government on State CDBG grant funds during the time between receipt of funds from the state and disbursement by the unit of general local government. See 24 CFR 570.489(c)(2).

Scenario 4: Interest is earned on loans or other CDBG-assisted activities that are subsequently determined to be ineligible. See 24 CFR 570.500(a)(2)(ii).

Note: Funds returned to the U.S. Treasury are not added to a grant account in LOCCS. The funds are not available for future obligations and expenditures.

Figure 2: Bank Information – Wire Transfer Funds to Treasury

Bank	Federal Reserve Bank of NY
Bank Address	33 Liberty St., New York, NY 10045
ABA Routing Number (Treasury Department Code)	021030004
Account Number (Agency Location Code)	86011101
Account Holder	U.S. Department of HUD (Ft Worth, TX)
Memorandum/Third Party Information	<p>Grantee Name Attn: HUD CPD/CDBG Account: 863200 Memo: \$\$\$ (enter dollar amount being wired) and state which type of interest is being returned:</p> <ol style="list-style-type: none"> 1. Return to Treasury interest earned on funds not used within 15 days of draw; 2. Return to Treasury interest earned on CDBG revolving loan fund; 3. Return to Treasury interest earned by unit of government on funds receipted from state before disbursement; or 4. Return to Treasury interest earned on ineligible activity.

III. Returning Grant Funds to a Grantee's Local Program Account

Funds are to be repaid for an activity drawn from a grant that is past the eight-year limitation on use of funds. See 24 CFR 570.200(k) and 24 CFR 570.480(h).

When reporting the return of grant funds to a grantee's local program account, the processes for reporting in IDIS have recently changed. Grantees shall now use the Local Account (LA) fund in IDIS as described below. The prior method of revising vouchers from the ineligible activity to an eligible activity will no longer be used. Under the new method the vouchers against grant funds for the ineligible activity will not be revised. See below for more details.

While both repaid grant funds and program income funds reside in a grantee's local program account, the IDIS actions for reporting repayments of grant funds and program income differ greatly. See below section IV for more information on reporting repayments of program income in IDIS.

IDIS Actions When Returning Grant Funds to a Grantee's Local Program Account

1) Receipt the Repayment:

The repayment of grant funds to a grantee's local program account is reported in IDIS through the creation of a receipt to the LA fund. To create an LA receipt, the user will fill in the *Add Receipt* screen as shown below. Users will indicate that a repayment has been made to their local account by creating a receipt under the LA fund type. The grantee will associate the repayment with the activity ID and the specific origin year grant being repaid. The grantee will also report on the re-use or expenditure of the funds by origin year grant.

Figure 3: Add Receipt Screen for the LA Fund Type

Recipient	Source Name	Source Type	Grant Year	Fund Type	Drawn Amount	Previous Local Account Repayments	Remaining Balance	Local Account Repayment -	Receipt Amount	Grantee Receipt #
ALABAMA	HUD	DC	2012	EN	\$112,908.08	\$0.00	\$112,908.08		\$ 56454.04	
ALABAMA	HUD	DC	2011	EN	\$115,091.92	\$0.00	\$115,091.92		\$ 57545.96	
Total:									\$114,005.00	

The user enters the required fields, including the ID of the activity being repaid, and clicks the [Show Activity Funds] button. The system displays a table with one row for each *Grant Year* and *Fund Type* from which funds were drawn for the activity.

For each *Grant Year* and *Fund Type*, the table shows the drawn amount, any previous LA repayments, and the remaining balance. The user enters the *Receipt Amount* and, optionally, the *Grantee Receipt #*.

When the receipt is saved, individual receipts, with distinct receipt numbers, are created for each source.

Figure 4: Search Receipts Screen

Program Year of Receipt	Fund Type	Receipt Number	Associated Grant #	IDIS Activity ID	Amount
2015	LA	5154625	8-11-DC-01-0001	5201	\$57,545.96
2015	LA	5154624	8-12-DC-01-0001	5201	\$56,459.04

2) Do NOT revise the vouchers; instead Cancel the Activity with Draws.

When an LA receipt is created to indicate that CDBG funds expended on an activity have been repaid to a local account, the grantee will treat the vouchers for that activity as follows: The grantee will leave vouchers for grant funds (EN, AD, SU, and TA) untouched and *request that the activity to be cancelled with draws after required repayments have been paid in full.* These vouchers cannot be cancelled and the grantee shall NOT revise them.

When requesting the activity to be cancelled with draws, the grantee must provide an explanation for why this activity can legitimately be cancelled with draws. The grantee should list all the LA receipts numbers and amounts for the LA funds that have been returned.

If an activity included both eligible and ineligible costs, and the LA funds only represent the ineligible portion of the costs, the grantee will not cancel the activity with draws. Instead, it should include the LA receipt number and the amount that has been repaid in the activity description field and adjust accomplishments accordingly. Then “Complete” the activity if appropriate. For example, an activity consisted of rehabilitating six single housing units, and two units failed to meet a national objective. Funds are returned to the local program account for the two noncompliant units. When creating a LA receipt for the returned funds, the grantee should enter the addresses of the failed units in the LA receipt note field. The grantee will also adjust the accomplishments to four units to reflect the actual accomplishments. In the activity description field, the grantee should enter the LA receipt number and the amount that has been repaid for the activity. Then Complete the activity. *Remember that only repayments of grant funds utilize the LA receipt. See section IV for repayments of program income funds.*

3) Re-Use the LA Funds.

By funding and drawing LA funds for new or existing activities, grantees will record in IDIS how CDBG grant funds repaid to their local account were expended and the accomplishments that were achieved with them. The LA funds were originally associated with a specific origin year grant. The re-use of those funds will be associated with that same origin year grant.

Note: A grantee must disburse LA funds prior to drawing additional CDBG grant funds to pay for activity-related costs. This may mean that an ongoing activity with a draw request may need to be funded with LA funds in the amount of the necessary draw. As a consequence, that activity’s grant funding may need to be reduced by the amount of LA funding added. If a grantee has both LA funds and program income on hand, use program income before LA funds.

IV. Returning Program Income Funds to a Grantee's Local Program Account

When an activity was funded with program income (PI), revolving funds (RL), or state revolving funds (SF), the repayments of program income, revolving funds, and state revolving funds should be deposited in a grantee's local program account.

IDIS Actions When Returning Program Income Funds to a Grantee's Local Account

Upon confirmation that the grantee has reimbursed its local program account, the grantee may cancel all the original draws/vouchers that were made against PI/RL/SF for the activity and defund the activity for the same amount. Use the following steps to cancel the program income vouchers.

- 1) Select the *Funding/Drawdown* Tab.
- 2) Click the *Search Voucher* link on the left side under Drawdown.
- 3) The *Search Voucher* page will appear.
- 4) Enter the IDIS Activity Number in the *IDIS Activity ID* field for which the funds were originally drawn.
- 5) Click the *Search* button.
- 6) The search results will appear.
- 7) Click the *Maintain-Approve* link under the *Action* column.
- 8) Click the *Cancel* link under the Action column.
- 9) The *Confirm Voucher Line Item Cancellation* page will appear.
- 10) Click the check box "*Also reduce the activity funding by \$xxx and return the fund to Community Development Block Grant Receipt Account.*"
- 11) Click the *Cancel This Line Item*. The *Maintain and Approve Voucher* page will appear.
- 12) *Voucher Cancelled Successfully* message will appear.

V. Returning Excess Program Income to HUD (Applies to the CDBG Entitlement Communities, Hawaii Counties, and Insular Areas)

At the end of each program year, if a grantee has program income on hand in an amount that is more than one-twelfth of its most recent grant amount, the excess program income shall be remitted to HUD.

A. Financial Transactions When Returning Program Income to HUD

1) To return excess program income to HUD in accordance with 24 CFR 570.504(b)(iii), a CDBG grantee must complete a wire transfer request using the following information:

Bank	U.S. Treasury FRB New York
Bank Address	New York, NY
ABA Routing Number (Treasury Dept. Code)	021030004
Agency location code/Account Number	86010300
Account Holder	U.S. Dept. of HUD (Washington, DC)
Memorandum/Third Party Information	Grantee Name Attn: HUD CPD/CDBG Account code: 86X6760 Memo: \$\$\$ (enter dollar amount wired) and state "Returning Excess Program Income"

2) CPD Notification of returned funds: HUD's Office of the Chief Financial Officer - Accounting Monitoring & Analysis Division will receive notification when a CDBG grantee has completed a wire transfer of excess program income to account 86X6760. The designated person handling this account for that Division will notify the Entitlement Communities Division in CPD of the return, identifying the name of the grantee that has returned excess program income, as well as the amount of funds and the date returned. The Entitlement Communities Division will then e-mail this information to the appropriate Field Office CPD Division Director, requesting that the Division Director ensure the grantee has the information below on the steps to follow to request a draw of the excess program income the grantee has returned.

B. Drawing Returned Excess Program Income

1) The grantee official authorized to approve CDBG drawdowns in the Integrated Disbursement and Information System (IDIS) will send an e-mail requesting a drawdown from account 86X6760 to a person designated by the Field Office CPD Division Director. A completed SF-1034, Public Voucher for Purchases and Services Other Than Personal, must be attached to the grantee's e-mail.

2) Upon receipt, the Field Office CPD designee will review the SF 1034 for completeness and send an e-mail to the grantee stating whether the request is approved or not approved. If the request is not approved, the request is to be returned to the grantee, via e-mail, stating why it was not approved. (Generally, a request will only be disapproved if the form is incomplete, the amount requested exceeds the amount available, and/or the form is not signed by a grantee official authorized to approve CDBG drawdowns in IDIS.) Any questions about approval should be directed to the respective field office.

3) The Field Office CPD designee will forward the approved drawdown request by e-mail to the designated person in CFO Accounting (see Note below) for processing. The designated person in the Entitlement Communities Division must be copied on the e-mail.

[Note: As of the date of this memorandum, the persons in HUD Headquarters designated to receive the e-mail (with attachment) requesting payment:

- Send to –Tomas E. Medina, (Tomas.E.Medina@hud.gov) CFO, AMAD, Monitoring and Analysis Branch
- Copy – Puping Huang, (Puping.X.Huang@hud.gov) CPD, Entitlement Communities Division

In the future, you will be notified via e-mail of any change to either of these designees.]

4) The CFO Accounting Monitoring and Analysis Division (AMAD), Program Support Branch, will process the payment via wire transfer.

C. Reporting the Use of Excess Program Income in IDIS

Any excess program income returned in accordance with 24 CFR 570.504(b)(iii) must be used by the grantee prior to making draws from the line of credit. The use of the excess program income is to be reported in IDIS in the same manner as regular program income; the only difference between the two is the location of the accounts in which the money is held.

- a. Excess program income returned in accordance with the process identified above should have been receipted in IDIS at the time it was actually received. No revision should be made to the original receipt in IDIS to reflect the amount returned as excess, nor should the excess program income be receipted a second time. Once a drawdown request for returned excess program income has been submitted to HUD, processed, and the funds received by the grantee, use of the program income is reported in IDIS by simply identifying program income as the source of funds when a draw voucher is created.
- b. If the excess program income was not receipted in IDIS before it was returned to HUD, it should be receipted in IDIS. However, in this situation, the date of receipt in IDIS will not reflect the date the program income was actually received by the grantee; therefore, when the PR26, Financial Summary Report, is done, it will generally be necessary to make adjustments in Part IV, Public Service (PS) cap calculation, and Part V, Planning and Administration (PA) cap calculation. After being receipted in IDIS, the use of program income will be reported when a draw is created in IDIS.

VII. Questions?

Grantees with questions concerning this memorandum should direct their inquiries to their local HUD Field Office Community Planning and Development Division. HUD Field Offices should direct their questions to the following Headquarters staff as applicable:

Puping Huang at 202-708-1577 (Puping.X.Huang@hud.gov) for the Entitlement CDBG program

Robert Peterson at 202-708-1322 (Robert.C.Peterson@hud.gov) for the State, Nonentitlement Hawaii Counties and Insular Areas CDBG programs