

§511.72

project costs for Fiscal Year 1989 benefit low-income families, then 70 percent of the Fiscal Year 1989 grant amounts spent for administrative costs will be deemed to benefit low-income persons.

§511.72 Applicability of uniform Federal administrative requirements.

Grantees, State recipients and their contractors shall comply with the requirements and standards of OMB Circular No. A-87, "Principles for Determining Costs Applicable to Grants and Contracts with State, Local and Federally recognized Indian Tribal Governments,"¹ OMB Circular A-128, "Audits of State and Local Governments" (implemented at 24 CFR part 44), and with 24 CFR part 85, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments," except for: §§85.10, 85.11, 85.25, 85.31, 85.40(b), 85.41, and 85.50. In lieu of §§85.25 and 85.50, HUD has adopted §511.76 and §511.77, respectively, of this part.

§511.73 Grantee records.

(a) *Records to be maintained.* Each grantee shall maintain records as specified by HUD that clearly document its performance under each requirement of this part. States distributing rental rehabilitation grant amounts to State recipients shall also ensure that their recipients maintain such records to document each recipient's performance. The records required by this section shall, at a minimum, include the following:

(1) Records required to comply with §511.75;

(2) Data on the racial, ethnic, gender, and income level characteristics of

(i) Tenants occupying units before rehabilitation;

(ii) Tenants moving from and (initially after rehabilitation) into projects assisted under this part;

(iii) Applicants for tenancy within 90 days following completion of rehabilitation assisted under this part; and

(iv) Owners of the projects rehabilitated; and

¹OMB Circular No. A-87 is available from HUD Field Offices.

24 CFR Ch. V (4-1-10 Edition)

(3) Data indicating the race and ethnicity of households displaced as a result of program activities, and, if available, the address and census tract of the housing units to which each displaced household relocated.

(b) *Retention of records.* Records required to be maintained under paragraph (a) of this section shall be retained for a period of three years from the date of final closeout of the rental rehabilitation grant.

(c) *Public disclosure.* Documents relevant to a grantee's Program Description shall be made available for public review upon request at the grantee's office during normal working hours.

(d) *Federal access to records.* The Secretary, the Inspector General of HUD, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to all books, accounts, reports, files, and other papers or property of grantees, State recipients, and their contractors pertaining to rental rehabilitation grant amounts for the purpose of making surveys, audits, examinations, excerpts, and transcripts. Grantees or, where applicable, State recipients shall ensure that their agreements with owners require the owners to provide similar access to their records pertaining to the use of rental rehabilitation grant amounts.

(Approved by the Office of Management and Budget under control number 2506-0080)

§511.74 Audit.

The financial management systems used by grantees and, where applicable, State recipients shall provide for audits in accordance with 24 CFR part 44.

§511.75 Disbursement of rental rehabilitation grant amounts: Cash and Management Information System.

(a) *General.* Rental Rehabilitation grants are managed through HUD's C/MI System for the Rental Rehabilitation Program. The C/MI System is a computerized system which manages program funds, disburses grant amounts, and collects and reports data on properties and tenants assisted under the Program.

(b) *Project set-up.* (1) After the grantee executes the Grant Agreement, complies with the requirements under part

58 of this title for release of funds, and submits the appropriate security documents, the grantee may identify (set-up) specific local projects in the C/MI System. State recipients are also granted access to the C/MI System for projects upon designation by the State and submission of the appropriate security documents. Within 12 calendar days of project set-up, grantees and State recipients are required to submit a Pre-Rehabilitation Report to HUD for each project set-up in the C/MI System. Until an acceptable Pre-Rehabilitation Report is received and entered in the C/MI System, grant amounts for the project are not considered "committed," as defined in § 511.2, and, therefore, are subject to deobligation to the extent authorized by 24 CFR 511.33(c).

(2) Beginning in Fiscal Year 1991, if Pre-Rehabilitation Reports are not received within 20 days of the project set-up call, the project will be cancelled automatically by the C/MI System. In addition, 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.

(c) *Disbursement of rental rehabilitation grant amounts.* After an acceptable Pre-Rehabilitation Report is entered into the C/MI System, obligated grant amounts may be drawn down for the project by the grantee or State recipient by electronic funds transfer to the designated depository institution of the grantee or State recipient within 48 to 72 hours of the disbursement request. Grant amounts for eligible administrative costs may be similarly drawn down by grantees by electronic funds transfer to their designated depository institutions, but State recipients are not permitted to draw down State grant amounts for administrative expenses. Any drawdown is conditioned upon the submission of satisfactory information by the grantee or State recipient about the project or the administrative expenses and compliance with other procedures specified by HUD in HUD's forms and issuances concerning the Rental Rehabilitation Program Cash and Management Information System. Copies of these forms and issuances may be obtained from HUD

Field Offices. Drawdowns shall be requested by the grantee or State recipient as closely as possible to the time they are needed by a grantee or State recipient and the owner to pay eligible project costs or by a grantee to pay eligible administrative costs. Drawdowns for project costs shall be requested only for work or services that have been satisfactorily performed, or materials that are acceptable. After receipt in the grantee or State recipient's depository account, grant amounts for project costs shall immediately be disbursed by the grantee or State recipient and the owner in payment for eligible project costs and shall not be disbursed at any time, relative to a project's matching funds, in any greater proportion than the proportion of rental rehabilitation grant amounts to matching funds for the project.

(d) *Payment vouchers.* As post-documentation of each drawdown, a grantee or State recipient must submit to HUD a payment voucher, for each drawdown made by HUD, in the form required for the C/MI System. If the drawdown was for eligible project costs and the payment voucher is not received within ten calendar days of the drawdown, the grantee or State recipient will be suspended from setting up new projects until the required payment voucher is received by HUD. If the drawdown was for administrative costs and the payment voucher is not received within ten calendar days of the drawdown, the grantee will not be allowed to make another drawdown for administrative costs until the payment voucher is received.

(e) *Submission of project completion reports.* After the final draw for a project, a Project Completion Report must be submitted to HUD within 90 days of the drawdown request. However, for projects rehabilitated pursuant to § 511.11(c)(2) (publicly owned project at the time of commitment), the Project Completion Report must be submitted within 90 days of the final draw, but not later than 2 years and 90 days after the date of commitment. If a satisfactory Project Completion Report is not submitted by the due date, HUD will suspend further project set-ups for the grantee or State recipient. Project set-

§511.76

ups will remain suspended until a satisfactory Project Completion Report is received and entered into the C/MI System.

(Approved by the Office of Management and Budget under control number 2506-0080)

§511.76 Program income.

(a) *General.* Grantees and State recipients are neither encouraged to earn nor discouraged from earning program income in using rental rehabilitation grant amounts under this part.

(b) *Definition of program income.* *Program income* means gross income received by the grantee or State recipient (or by another party at the direction of the grantee or State recipient) which is directly generated from the use of rental rehabilitation grant amounts. Primarily, it includes but is not limited to, the following:

(1) Repayments of principal (whether in installments or a lump-sum) and any interest or penalty assessment, under the terms of the loan commitment or other project assistance agreement between the owner and the grantee or State recipient, including repayments, pursuant to §511.11(d)(3), of the rental rehabilitation grant assistance by the owner after completion of rehabilitation; and

(2) Interest earned on program income pending its disposition. Grantees or State recipients are not authorized to deduct costs incident to the generation or management of income from gross income for purposes of determining program income. Governmental fees and taxes, including income taxes, property taxes, special assessments, transfer taxes, recording fees and other normal governmental revenues, do not constitute program income if they are imposed by generally applicable law, regulation, or ordinance and are not imposed in consideration of the project's receipt of assistance under this part. Program income also does not include grant amounts required to be returned to HUD as a result of cancellation of a project before completion, or interest on those grant amounts, or any interest earned by the grantee or State recipient or grant funds after drawdown and before disbursement for eligible costs. (For dis-

24 CFR Ch. V (4-1-10 Edition)

position of such interest, see 24 CFR 85.21(i).)

(c) *Eligible uses.* Program income may be used only as prescribed in paragraphs (c)(1) and (c)(2) of this section.

(1) Program income may be used for any activity which is eligible under this part, except that program income may not be used to pay for administrative costs, as described at §511.71. In particular, the total of rental rehabilitation grant amounts and Rental Rehabilitation Program income used for any project (except under §511.76(c)(2)) may not exceed the amount per unit allowed under §511.11(e)(2) or 50 percent of the total eligible project costs (except as noted in §511.11(e)(1)).

(2) Program income may also be used to provide rental assistance to lower income tenants in properties rehabilitated through the RRP. This includes the use of program income to pay for administrative costs associated with the provision of rental assistance but not to exceed the amount allowed for administrative fees in the Housing Voucher Program authorized under section 8(o) of the United States Housing Act of 1937, 42 U.S.C. 1437f. In order to use program income for rental assistance, the grantee or State recipient must—

(i) Use the funds to assist low-income tenants who initially occupy properties rehabilitated with rental rehabilitation grant amounts or rental rehabilitation program income;

(ii) Have a written policy which is available to the public stating that program income will be so used and specifying who is eligible to receive such assistance; and

(iii) Have an agreement with the PHA stating that the PHA will utilize the program income to provide rental assistance in accordance with the written policy.

(d) *Timing the use of program income.* Grantees and State recipients shall not commit available rental rehabilitation grant amounts to specific local projects if sufficient program income is on hand and available to fund the project, or a substantial portion of the project. In order to avoid possible over commitment of funds, grantees and State recipients shall not anticipate the receipt of program income and