from HUD Financial Management Div.

The Operating Fund program has observed that some PHAs may have mistakenly drawn down CARES Act funding inconsistent with the guidance provided in Notice PIH-2020-7, “Implementation of Supplemental Guidance to the Federal Fiscal Year 2020 Operating Fund Appropriations.” The Notice states that,

“HUD will make the CARES Act Supplemental Operating Fund amounts available to PHAs via a single obligation to a unique grant number, ending with the letter “C.” PHAs will be able to draw down the supplemental amounts as needed, to fund eligible immediate needs.”

Complete Notice PIH-2020-7 available at <https://www.hud.gov/sites/dfiles/PIH/documents/COVID-19-Notice.PIH-2020-07.pdf>

Regular Operating Funds can be drawn down all at once.  This is not true for CARES Act Supplemental Operating Funds.  Unlike regular Operating Funds, CARES Act Supplemental Operating Funds may only be drawn down to pay for immediate needs and cannot be held as reserves.  Essentially, when an expense is due and payable, the PHA may draw down C19 funds.  Once drawn down, those funds must immediately be used to pay the expense.  LOCCS Disbursement reports seem to indicate that some PHAs have drawn down all, or in some cases precisely 50% of their CARES Act Supplemental Operating Funds and may not be in compliance with the ‘immediate needs’ requirement as articulated above.  This does not appear consistent with the immediate needs requirement associated with CARES Act Supplemental Operating Funds.

**Any funds that have been drawn down other than to pay for immediate needs must be returned to HUD.**   Returned funds will be reapplied to the funds available under the Award Number/Project Number. PHAs that have drawn down funds in excess of their immediate needs should contact their FOs for instructions on how to return of those funds to LOCCS.  Such returned funds will be reapplied to the funds available under the Award Number/Project Number. (*you will not lose the funds)*