

U.S. Department of Housing and Urban Development
Washington, D.C. 20410-0100



REAL ESTATE ASSESSMENT CENTER

January 4, 1999

Dear Public Housing Agency Director:

Subject: The Uniform Financial Reporting Standards and the Public Housing Assessment System Final Rules

The subject rules, published in the Federal Register on September 1, 1998, are effective for all public housing agencies (PHAs) having fiscal years ending on or after, September 30, 1999 (i.e., fiscal years beginning October 1, 1998). These rules were implemented as part of HUD's 2020 Management Reform Plan to improve the quality of affordable housing.

The Public Housing Assessment System (PHAS) will objectively measure a PHA's overall performance and determine whether a PHA is doing an outstanding, acceptable, or unacceptable job in providing decent, safe, and sanitary housing to its residents. To determine a PHA's composite score, HUD's Real Estate Assessment Center (REAC) will examine four key areas of public housing operations. These four areas are: (1) the physical condition of a PHA's public housing portfolio; (2) the financial condition of a PHA; (3) the management operations of a PHA and; (4) residents' satisfaction with services rendered by a PHA. In order to develop a composite score for each PHA, the Financial Indicator score will be combined with the individual scores of the three other indicators referenced above. The overall composite score will have a total of no more than 100 points.

HUD designed the Financial Assessment Subsystem (FASS) to assess an entity's financial performance and condition. The FASS will analyze data from a PHA's financial statement and use predetermined weights and factors to compute a score for a PHA's financial condition.

Please be advised that the FASS will be operational on October 1, 1999, for use by PHAs. All PHAs will then be required to electronically submit their unaudited and audited financial statement information in HUD's prescribed format, using generally accepted accounting principles (GAAP). Therefore, in addition to the electronic submission of the Statement of Operating Receipts and Expenditures, Form HUD-52599, PHAs will be required to electronically submit **unaudited** financial statement information to REAC within 60 days of their fiscal year end date. **Audited** financial statement information must be submitted electronically within 9 months of PHA's fiscal year end date in accordance with OMB Circular A-133, as revised on June 24, 1997, and the Single Audit Act Amendments of 1996.

As a result of comments HUD received regarding the burden and cost of the electronic submission process, HUD decided to provide submission software that can be accessed via the Internet. This software will be made available at no cost to HUD program participants and, more importantly, will consist of user-friendly data entry templates. All PHAs with fiscal years ending on or after September 30, 1999, will be required to use this software for their electronic annual financial statement submissions. Since FASS will receive and store certain confidential financial data, HUD will protect the proprietary nature of this data by assigning system IDs and passwords to authorized business users (i.e., HUD program participants). Only these users will be allowed to electronically submit financial statements and check the status of their submissions.

To assure a smooth transition from HUD's basis of accounting to GAAP, HUD developed two guides to assist PHAs. These guides are the HUD PHA GAAP Conversion Guide and the Financial Data Schedule Line Definitions and Crosswalk Guide. The aforementioned documents, along with the Financial Indicators Methodology & Analysis, and the FASS functional requirements document are available through the REAC web site:

<http://www.hud.gov/reac>

Please be sure to add this address as a bookmark to your web browser. The REAC will continue using this web site to publish information about updated versions of the documents indicated above and new documents relating to financial reporting requirements. To further assist with the GAAP conversion process and the requirements discussed in the PHAS and UFRS Rules, the REAC has also established a Customer Service Center (CSC) for all HUD program participants. The toll free number for REAC's CSC is **1- (888) 245-4860**.

We hope you find this information helpful. As you know, HUD's reorganization is designed to enhance our business processes so that we can better serve all of our customers. Therefore, your continued support and active involvement with us to improve our programs and our housing portfolio is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald J. LaVoy". The signature is fluid and cursive, with a large initial "D" and "L".

Donald J. LaVoy
Acting Director,
Real Estate Assessment Center