Financial Assessment
Subsystem Overview
What Can FASS Tell Me About My Properties?

- FASS is based on information that can diagnose a PHAs financial ‘health’

- Areas of improvement that can increase the stability and quality of the services you provide

- Financial health enables you to make better investment and operating decisions and ensures that service will not be unnecessarily disrupted
PHAS Score by Indicator

- Physical Condition: 30 pts.
- Financial Condition: 30 pts.
- Management Operations: 30 pts.
- Resident Satisfaction Survey: 10 pts.

Overall PHAS Score = 100 pts.
# FASS Sub-indicators: 6 Keys To Financial Health

<table>
<thead>
<tr>
<th>SUB-INDICATOR (Points Available)</th>
<th>WHAT IS MEASURED?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio (9.0)</td>
<td>1. How well prepared is your agency for covering its short-term obligations?</td>
</tr>
<tr>
<td>Months Expendable Funds Balance (9.0)</td>
<td>2. Do you have sufficient reserves to cover unexpected expenses?</td>
</tr>
<tr>
<td>Tenant Receivables Outstanding (4.5)</td>
<td>3. How well do you manage rent collections?</td>
</tr>
<tr>
<td>Occupancy Loss (4.5)</td>
<td>4. Are you maximizing your revenue through high occupancy?</td>
</tr>
<tr>
<td>Net Income (1.5)</td>
<td>5. Are you viable in the long-term?</td>
</tr>
<tr>
<td>Expense Management (1.5)</td>
<td>6. Do you have adequate cost controls?</td>
</tr>
</tbody>
</table>
1. How Well Prepared Is Your Agency To Cover Its Short-term Obligations?

**Current Ratio** = \( \frac{(\text{Cash} + \text{Cash Equivalents}) + \text{Current Receivables}}{\text{Current Liabilities}} \)

**Straight Talk:** Can you pay all your short-term bills with the cash in the bank and the cash you expect to be paid by customers?

**Rule of Thumb:** Anything below one indicates risk!

**Solution:** Create Cash Management Programs, Conduct Timely Bank Reconciliation, Enforce Rent Collection Policies
2. Do You Have Sufficient Reserves To Cover Unexpected Expenses?

\[
\text{Months Expendable Fund Balance (MEFB)} = \frac{\text{Expendable fund balance}}{(\text{Total Routine Expenses}/12)}
\]

**Straight Talk:** How much money do you have saved up for unexpected expenses or events compared with what you spend on a monthly basis?

**Rule of Thumb:** At least one month’s EFB should be kept in reserve.

**Solution:** Implement Cost Control Measures, Assign Budget Responsibility/Targets, Maintain Budget & Perform Variance Analysis
3. How Well Do You Manage Rent Collection?

Tenant Receivables = Tenant Account Receivables
Outstanding
(Rental Income + Homebuyer Income)/365

*Straight Talk:* On average how long does it take to receive rent from your tenants? Are there many that are long overdue and may never pay?

*Rule of Thumb:* Lower is better. Scoring indicates performance against peer group.

*Solutions:* Monitor Aging Account Receivables, Enforce Lease Policy & Procedures, Review Write-Off Procedures
4. Are You Maximizing Revenue Through High Occupancy?

**Occupancy Loss** = \( \frac{\text{Actual Days Vacant}}{\text{Total Days Available}} \)

**Straight Talk:** Do you have the opportunity to increase income by focusing on more quickly re-renting units?

**Rule of Thumb:** Lower is better. Scoring indicates performance against peer group.

**Solution:** Marketing & Aggressive Outreach, Examine Occupancy Trends, Examine PASS and RASS Performance

**Data Source:** Financial Data Schedule
5. How Viable Are You In The Long Term?

**Net Income as a Percent of EFB**

\[
\text{Net Income} \quad \frac{\text{Net Income}}{\text{Expendable Fund Balance}}
\]

**Measures:** The impact of the results of operations (Net Income or Loss) on the PHA’s viability

**Straight Talk:** Am I spending more than I make? If so, do I have enough saved to continue to do this?

**Rule of Thumb:** Try to make money or keep operating losses at a minimum.

**Data Source:** Income Statement and Balance Sheet
6. Do You Have Adequate Cost Controls?

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>34 %</td>
</tr>
<tr>
<td>General Expenses</td>
<td>33 %</td>
</tr>
<tr>
<td>Tenant Services</td>
<td>10 %</td>
</tr>
<tr>
<td>Ordinary Maintenance &amp; Operations</td>
<td>10 %</td>
</tr>
<tr>
<td>Protective Services</td>
<td>10 %</td>
</tr>
<tr>
<td>Utilities</td>
<td>3 %</td>
</tr>
<tr>
<td>Total</td>
<td>100 %</td>
</tr>
</tbody>
</table>
Expense Management = Weighted Sum of Expense Categories
Number of Dwelling Units

**Measures:** It measures: (1) PHA’s operating cost per unit in order to control expenses; (2) the PHA’s ability to maintain its expense ratios at a reasonable level relative to that of its peers and (3) not entity-wide Low Rent only.

**Straight Talk:** How do my operating expenses compare with similar agencies (similar in size and in the same geographic region).

**Rule of Thumb:** The lower the expenses, the better!

**Data Sources:** Income Statement.
FASS-PH Scoring Process

- Entity-Wide Assessment

- Peer Groupings
  - Size-Based
  - Region-Based

- Score Adjustments
  - Late Penalties
  - Audit Flags
  - Audit Findings and Penalties
FASS-PH Scoring Process

Peer Groupings

Size-Based Peer Groupings - 6 peer groups

- Very Large = 10,000+ units
- Large = 1,250 - 10,000 units
- High Medium = 500 - 1,249 units
- Low Medium = 250 - 499 units
- Small = 50 - 249 units
- Very Small = 0 - 49 units

Region-Based Peer Groupings - 10 peer groups

- Based on geographic location
- Only applies to Expense Management indicator
FASS-PH Scoring Process

Score Adjustments

Due to:
- Late Penalties
- Audit Adjustments
  - Material differences between Audited vs. Unaudited submission
  - Audit Flags
Late Penalties

Unaudited:
- One point deduction from PHAS score each 15-day period when a submission is past the due date.
- After 90 days beyond the due date, PHA receives a Late Presumptive Failure (LPF) score of zero.

Audited:
- Late submission = 0 Score
# FASS Submission Due Dates

<table>
<thead>
<tr>
<th>Fiscal Year End</th>
<th>9/30/03</th>
<th>12/31/03</th>
<th>3/31/04</th>
<th>6/30/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited Extension Request Deadline</td>
<td>11/15/03</td>
<td>2/14/04</td>
<td>5/16/04</td>
<td>8/16/04</td>
</tr>
<tr>
<td>Unaudited Due Date</td>
<td>11/30/03</td>
<td>2/29/04</td>
<td>5/31/04</td>
<td>8/31/04</td>
</tr>
<tr>
<td>Unaudited Penalties Start, minus 1 point every 15 days for 90 days</td>
<td>12/16/03</td>
<td>3/16/04</td>
<td>6/16/04</td>
<td>9/16/04</td>
</tr>
<tr>
<td>Final or Last Submission of Unaudited Data</td>
<td>2/29/04</td>
<td>5/31/04</td>
<td>8/31/04</td>
<td>11/30/04</td>
</tr>
<tr>
<td>Automatic Processing of Unaudited LPF</td>
<td>3/1/04</td>
<td>6/1/04</td>
<td>9/1/04</td>
<td>12/1/04</td>
</tr>
<tr>
<td>Audited Due Dates</td>
<td>6/30/04</td>
<td>9/30/04</td>
<td>12/31/04</td>
<td>3/31/05</td>
</tr>
<tr>
<td>Automatic Processing of Audited LPF</td>
<td>7/1/04</td>
<td>10/1/04</td>
<td>1/1/05</td>
<td>4/1/05</td>
</tr>
</tbody>
</table>

* The above due dates do not include extensions.
FASS-PH Scoring Process

Audit Flags

- The FASS system uses the information from the Data Collection Form, and where applicable, deducts points according to a pre-established system of Audit Flags and Tier Classifications.

- Analysts will restore flag deductions when the audit flag was due to incorrect reporting by the PHA.
Score Adjustments

- **Auditor’s Opinion**: If the auditor’s opinion is anything other than unqualified, points will be deducted from the PHA’s audited financial score.

- **Failure To Submit**: If either the audited or unaudited financials are not submitted on time, then point deductions will be assessed. This includes the possibility of a late presumptive score of zero for the financial indicator.

Note: Failure to submit unaudited financials within the required timeframe will result in a late presumptive score of zero for both the unaudited and audited financial data submissions - resulting in substandard financial and troubled designation.
Helpful Hints for PHAs

- Review Accounts For Proper Classifications.
- Institute Budgeting Practices: Departmental Responsibility, Variance Analysis, etc.
- Age Receivables
- Enforce Rent Collection Policies
- Address Market Demand Problems Using PASS & RASS Data If Necessary
- Plan Ahead – Ensure That You Have An Accountant and Auditor For Yearend
Dates To Remember

- **FYE + 2 MONTHS = UNAUDITED DUE DATE**
  - Due Date + 1 Day 1 Day Late Letter
  - Due Date + 46 Days 46 Day Late Letter
  - Due Date + 3 Months Late Presumptive Failure
  - FYE + 7 Months 7 Month Audit Letter
  - FYE + 9 Months Late Presumptive Failure (Audited FASS)

**NOTE:** For FASS & MASS the first 15 days after the Due Date there will be “0” Late Points assessed. Starting on the 16th Day and EACH 15 day period thereafter, one (1) Late Point will be assessed up to a maximum of 5 Late Points, per 24 CFR 902.60 (e) (1).
Critical Dates for a 12/31 FYE PHA

- **October 31st**: It is advised that PHAs secure an IPA prior to year end.
- **December 31st**: Close books for the year.
- **February 28th**: Unaudited financials submitted to HUD and to IPA for review.
- **September 30th**: Audited financials submitted to HUD.
Financial Data Submission is the responsibility of the PHA

- PHA enters data in Secure Systems & sends audit package to Independent Public Accountant (IPA)
- IPA reviews, approves, and sends submission back to the PHA
- PHA submits audited financial data submission in Secure Systems by established due dates
It is the responsibility of the PHA to ensure that its information is submitted in a timely and accurate manner regardless to whom it may be delegated.
Summary

- The Financial Assessment provides valuable information about the financial health of your PHA
- Improving your score helps ensure quality service for your customers
FASS Contacts

Technical Assistance Center (TAC)  1 (888) 245-4860
(7:00 am to 8:00 p.m., Eastern Standard Time)

Nick Miele, FASS-PH Program Manager, (202) 475-8788

Steven Bolden, FASS-PH System Operations, (202) 475-8706