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Proposed Rule on Changes to the Public Housing Assessment System

On August 21, 2008, the Department issued a proposed rule, 73 FR 5094-P01, Public Housing Evaluation and Oversight: Changes to the Public Housing Assessment System (PHAS) and Determining and Remediating Substantial Default. The proposed PHAS Rule makes two major changes aimed at improving evaluation and oversight of Public Housing Agencies (PHAs). The proposed rule will:

- ❖ Revise and update certain PHAS regulations and procedures, including the PHAS scoring notices, to reflect changes as a result of conversion to asset management.
- ❖ Specify how a PHA would be determined to be in substantial default, procedures on how a PHA may respond to such a determination, and sanctions available to HUD to address and remedy substantial default by a PHA.

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The comment period for the new rule ends on October 20, 2008. The proposed PHAS Rule can be viewed [here](#). The Department prepared a PowerPoint presentation overview of the proposed PHAS that can be viewed [here](#). ♦

HUD Releases Information on Transition Year Scoring and Submission Requirements

On August 21, 2008, the Department issued Federal Register Notice 5227-N-01, Public Housing Assessment System (PHAS): Asset Management Transition Year Information and Uniform Financial Reporting Standards (UFRS) Information. The notice provides information related to scoring and submission requirements under the PHAS for public housing agencies (PHAs) with fiscal years ending June 30, 2008, September 30, 2008, December 31, 2008, and March 31, 2009. These fiscal years coincide with the first year of project-based budgeting and accounting under asset management, also known as the "transition year." The following is a special Question & Answer feature on the PHAS during the transition year.

The notice can be found [here](#). ♦

Will PHAs receive new PHAS scores during the transition year?

No. PHAs will not be issued a new PHAS score during the transition year.

Why is HUD not scoring PHAs during the transition year?

There are two main reasons. First, the current PHAS is not a "project-based" monitoring system. It mostly captures only entity-wide information.

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Hence, the PHAS must be modified to match up with the overall conversion to asset management. Second, HUD recognizes that, as PHAs are transitioning to asset management, they are making major changes in both their systems and their organizations. A one-year suspension in overall scoring allows PHAs (and HUD) time to concentrate on developing necessary capacity.

What if a Troubled PHA feels that, had it been re-scored, it would have been removed from troubled status?

A Troubled PHA can petition to remove its troubled designation. HUD will examine those petitions on a case-by-case basis.

When will new scores be issued?

New scores will be issued following completion of rulemaking on the new PHAS, which was posted as a proposed rule on August 21, 2008. The goal is to complete the rulemaking process in time to issue scores for the second year of project-based budgeting/accounting.

Although HUD will not be issue new overall PHAS scores during the transition year, will the Real Estate Assessment Center (REAC) continue with its independent physical inspections?

Yes. For the transition year, REAC will continue to inspect projects in accordance with the same intervals and frequencies as is current practice. For example, if a small PHA was inspected in the year prior to the transition year, it won't be inspected in the transition year. However, if a large PHA had been inspected in the year prior to the transition year, and it scored less than 80, it will be inspected in the transition year.

Will these physical inspections in the transition year be conducted according to "AMPs" (asset management projects) or "developments"?

Beginning with fiscal years ending June 20, 2008, all REAC independent inspections will be conducted based on AMPs (or what is now also simply referred to as "projects").

How will HUD use the physical inspection scores during the transition year?

For PHAs that score a passing grade on the physical inspection, the physical inspection score will be advisory. For PHAs that score less than a passing grade, HUD may take appropriate action. HUD will not, however, use the physical inspection scores during the transition year to recalculate overall PHAS scores.

Will HUD process technical reviews and database adjustments for physical inspections during the transition year?

Yes.

Under the current PHAS, PHAs submit an annual management operations certification. Will PHAs still need to submit this certification during the transition year?

No. PHAs will not submit a management operations certification in the transition year.

On February 8, 2008, the Department published for public comment the proposed form HUD-5834, Management Review for Public Housing Projects. Will the Department conduct any management reviews during the transition year using the proposed form HUD-5834 and, if so, will those reviews be scored?

No. The Department recently extended the comment period on the 5834, to September 30, 2008, so that the public could review the form in the context of the proposed PHAS rule. The first management reviews that will be scored will occur in the year following the transition year, but only after a final PHAS rule has been published.

Under the current PHAS, PHAs are also subject to an annual resident survey, administered by REAC. Will HUD conduct resident surveys during the transition year?

HUD conducted resident surveys for the PHAs with fiscal years ending June 30, 2008;

however, HUD will not conduct resident surveys during the transition year for the remaining set of PHAs, i.e., those with fiscal years ending September 30, 2008, December 31, 2008, and March 31, 2009. For the June 30, 2008 PHAs, survey results will be information purposes only and affected PHAs will not be required to prepare implementation plans.

PHAs are also required under the current PHAS to submit to REAC an annual Financial Data Schedule (FDS). The FDS captures year-end financial activity of the PHA. Are PHAs required to submit an FDS during the transition year?

Yes. The FDS will be required during the transition year. However, no financial scores will be issued.

The Department has been updating the FDS to reflect reporting under an asset management model, including, importantly, project-level reporting. For the transition year, will PHAs report using the "old" or the "new" FDS?

PHAs will use the new FDS to report financial activity during the transition year.

When will the new FDS be available?

The new FDS is scheduled to be included with the September 22, 2008, "system release" of PIC.

How much time will PHAs have to submit the new FDS following its release?

PHAs will have three months from the date of the system release to submit the new FDS. Thus, for a PHA whose fiscal year ends June 30, 2008, the new FDS would be due on December 22, 2008 (three months following the September 22 PIC release date).

Will there be any other changes to the submission dates for the FDS?

During the transition year, all PHAs (not just those with fiscal years ending June 30, 2008) will have an additional month to submit unaudited financial statements. Hence, a PHA with a fiscal

year ending September 30, 2008, will have until December 31, 2008, to submit financial statements. The date for submission of audited statements – nine months after the close of a fiscal year – does not change.

Will HUD provide more training to PHAs on the new FDS?

Yes. The Department offered several rounds of financial reporting training in late 2006 and early 2007. (You can access that training [here](#).) However, the Department also plans to provide "refresher" training on the new FDS through a combination of "webinars" and live training in select locations around the country. More information on this training will be provided in the next issue of the e-newsletter.

For those PHAs who are interested, can HUD issue scores during the transition year based on the proposed rule that will be published?

No. Other than the physical inspection score, HUD will not issue any scores during the transition year. However, HUD expects, once a proposed rule is published, to post to its asset management web-site a scoring tool that PHAs that use to perform self-assessments, if they desire. ♦

Proposed Rule to Streamline Certain Public Housing Programs

On August 5, 2008, HUD published in the Federal Register a proposed rule to streamline certain Public Housing programs. The proposed rule does not impose strict restrictions but rather presents general principles and basic guidelines to allow PHAs to operate projects more efficiently under asset management.

The proposed rule to streamline Public Housing programs would:

- ❖ Eliminate certain procedural requirements associated with the implementation of the deconcentration policy that are not required by statute.
- ❖ Eliminate certain unnecessary reporting requirements currently part of the Annual Plan, such as providing an annual update of the PHA's progress toward meeting goals described in the 5-year plan.
- ❖ Allow PHAs to establish their own grievance procedures

Please click [here](#) for a copy of the proposed rule and a part-by-part discussion of the proposed changes. The comment period for this proposed rule ends on October 6, 2008. ♦

HUD Announces Availability of Year 3 “Stop-Loss” Guidance and Submission Kit

On July 17, 2008, HUD published PIH Notice 2008-31, *Operating Fund Program: Guidance on Demonstration of Successful Conversion to Asset Management to Discontinue the Reduction of Operating Subsidy, Year 3 Applications*. The Notice provides guidance to PHAs that lose funding under the new formula and wish to submit documentation in accordance with Year 3 “Stop-Loss” submission requirements. The Notice can be found [here](#).

HUD has posted the new [Stop-Loss Submission Kit for Year 3](#) on the Stop Loss page of the Asset Management website. ♦

Supplemental Information on CY 2008 Third Quarter Operating Fund Obligation

For the first six months of Calendar Year (CY), the Department obligated operating subsidies to each project based on (1) an estimate of the PHA's CY 2008 eligibility, (2) a proration factor of 84%, and (3) the project's proportionate share of the PHA's total public housing units. For the third funding obligation (through September), the Department adjusted its proration estimate to 82%, which was applied retroactively to the start of the CY.

As a matter of clarification, for the third funding obligation, the Department did not use a PHA's CY 2008 SAGIS submission for determining subsidy eligibility. Those submissions had not yet been reviewed and approved by the Field Offices. Instead, the Department applied the lower proration amount to the original estimate of subsidy eligibility for the PHA. Consequently, actual subsidy eligibility amounts, as well as overall proration levels, may increase or decrease once all submissions have been received, reviewed and finalized.

The Department has posted on its Project-Based Funding webpage the [CY 2008 subsidy eligibility](#) that has now been approved by the Field Office. The Department will update this table when the final eligibility amounts have been approved by Headquarters. ♦

CY 2009 Operating Subsidy Calculations

On August 14, 2008, HUD issued PIH Notice 2008-14, *Public Housing Operating Subsidy Calculations for Calendar Year (CY) 2009*. The

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Notice provides instructions to PHAs on calculating operating subsidy submissions for CY 2009.

Except for PHAs with only one project or PHAs that own and operate fewer than 250 units and treat their entire portfolio as one project, separate operating subsidy calculation forms must be submitted for each project.

The Subsidy and Grants Information System (SAGIS) will not be available for CY 2008 submissions. PHAs are asked to submit HUD-52723 electronically in an Excel Tool for each project to their local HUD field office. The Excel Tool, which replicates SAGIS form HUD-52723, and instructions will be made available to PHAs by October 2008.

The following data will be pulled from the PIH Information Center (PIC) and will pre-populate the Excel Tool for each project, therefore PIC data must be updated no later than August 29, 2008:

- ❖ Name and address of PHA;
- ❖ ACC units on June 30, 2008 (PHA-wide);
- ❖ ACC units on July 1, 2008 (for each project); and
- ❖ Unit status

PHAs should check the Asset Management Project-Based Funding [web page](#) for the following:

- ❖ CY 2009 Operating Subsidy Submission Schedule.

- ❖ Instructions for completing and submitting the Excel Tool and other required forms and supporting documentation.
- ❖ Frozen formula worksheet instructions.
- ❖ Additional instructions on funding for new units (units added after the reporting period).

For additional information and instructions, please see the Notice [here](#). ♦

HUD Offers Project-Level Financial Reporting Training

On Wednesday, August 27, 2008, the Office of Public and Indian Housing Real Estate Assessment Center (PIH REAC) will host Financial Training at local Field Offices with an emphasis on submitting project-level financial information using the FASS On-Line System. This training is an opportunity for PHAs to become more familiar with asset management reporting requirements before the Housing Authority is required to submit.

The training will discuss how asset management will impact the reporting process and will include the following:

- ❖ The Fee-For-Service Approach
- ❖ The Central Office Cost Center
- ❖ The Elimination Column
- ❖ Project Level Reporting Requirements
- ❖ New FDS Line Items, and
- ❖ Navigating the updated FASS-PH System

The Financial training will be divided into two sessions. The first session will cover the concepts

and methodology of Project Level Financial Reporting with emphasis on the modified structure of the Financial Data Schedule (FDS) and new line items.

The second session will employ the concepts learned in the first session through a case study and provide an overview of the navigation of the redesigned FASS Online system.

The training will be taped and archived for future viewing. ♦

Upcoming Dates on the Asset Management Calendar

- ❖ **August 27, 2008** – Webinar Training on FDS Submissions
- ❖ **October 1, 2008** – Required Board approval for all project budgets for October 1 PHAs (Year 2)
- ❖ **October 15, 2008**: Stop Loss Year 3 Submission Deadline

What's New on the Website?

- ❖ [Streamlining Public Housing Programs](#)
- ❖ [Public Housing Evaluation and Oversight: Changes to the Public Housing Assessment System \(PHAS\) and Determining the Remediating Substantial Default](#)
- ❖ [Public Housing Assessment System \(PHAS\): Asset Management Transition Year Information and Uniform Financial Reporting Standards \(UFRS\) Information](#)
- ❖ [FDS Prototype](#)
- ❖ [Year 3 Stop-Loss Submission Kit](#)
- ❖ [2008 Operating Subsidy Preliminary Eligibility](#)
- ❖ [Supplemental Information on CY 2008 Third Quarter Obligation](#)

- ❖ [Supplemental Guidance on Phase-In Management Fees](#)

Resources and Useful Links

For more information, please visit the HUD-PIH Asset Management Website [here](#). Click on the following hyperlinks for detailed information surrounding the key building blocks of asset management:

- ❖ [Project-Based Funding](#)
- ❖ [Project-Based Budgeting](#)
- ❖ [Project-Based Accounting](#)
- ❖ [Project-Based Management](#)
- ❖ [Project-Based Oversight](#)

Within each building block you may find specific topics of interest, including: [AMP Groupings](#), [Stop-Loss](#), [Subsidy and Grants Information System \(SAGIS\)](#), etc. ♦

Contact the Editor

Do you have an article idea, question, or comment for the editor? The Office of Public and Indian Housing (PIH) is the editor of this monthly e-Newsletter. Please send all inquiries by email to AssetManagementNewsletter@hud.gov, with the subject line "Question/Comment for the Editor." ♦

