

REAL ESTATE ASSESSMENT CENTER (REAC) AND THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS)

Module IV: Financial Assessment Subsystem (FASS)

MODULES

- Module I: Introduction, Scoring, Planning, and Tracking
- Module II: Physical Assessment Subsystem (PASS)
- Module III: Management Assessment Subsystem (MASS)
- **Module IV: Financial Assessment Subsystem (FASS)**
- Module V: Capital Fund Program (CFP) Assessment, Appeals, Waivers

**FINANCIAL
ASSESSMENT
SUB-SYSTEM
(FASS) UPDATES**

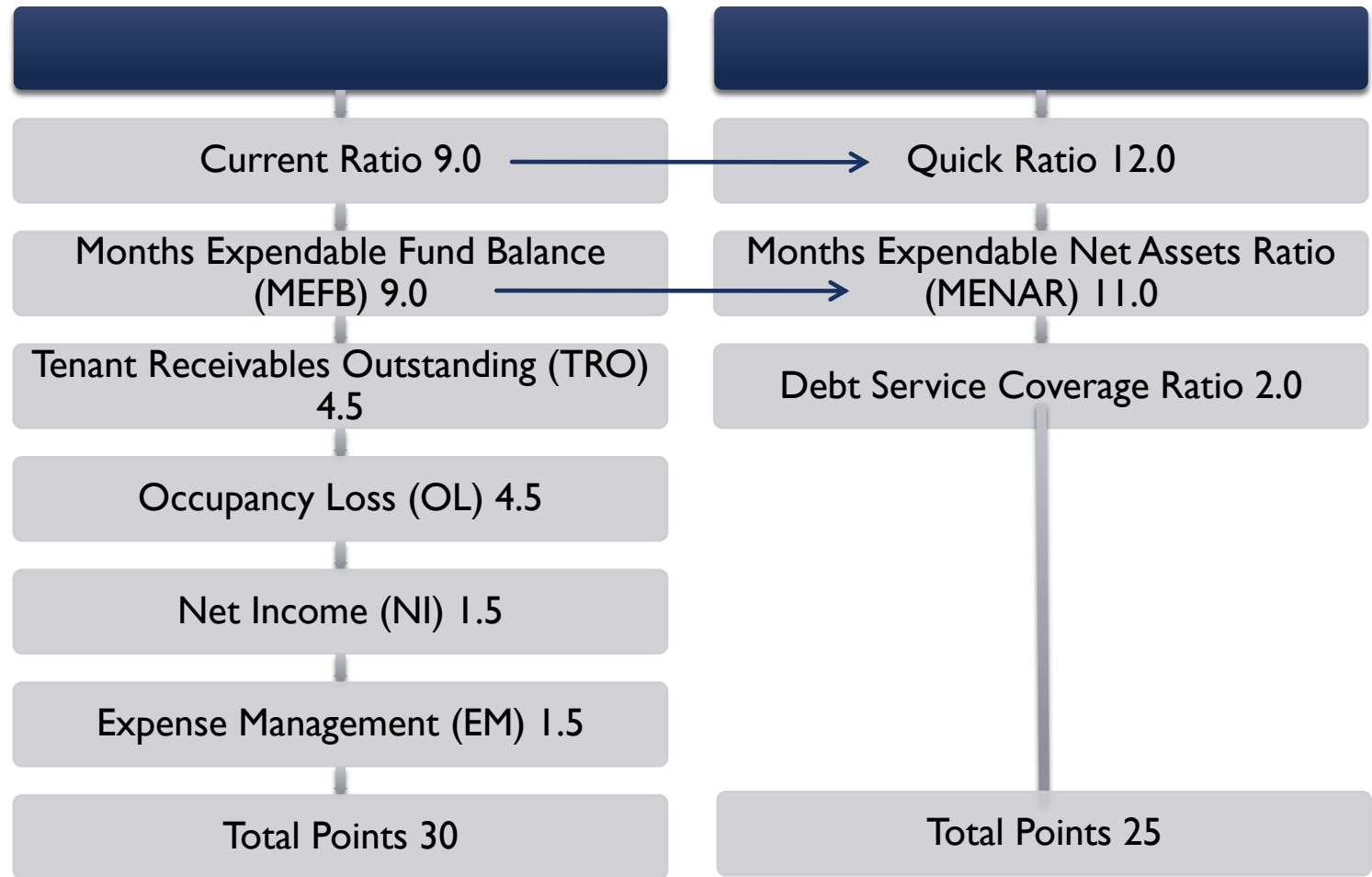
FINANCIAL INDICATOR CHANGES

Points decreased from 30 to 25

Three sub-indicators

	Months	
Quick Ratio (QR)	Expendable Net Asset Ratio (MENAR)	Debt Service Coverage Ratio (DSCR)
Measures liquidity	Measures adequacy of reserves	Measures capacity to cover debt
12 points	11 points	2 points

PRIOR VS. NEW SUB-INDICATOR RATIOS



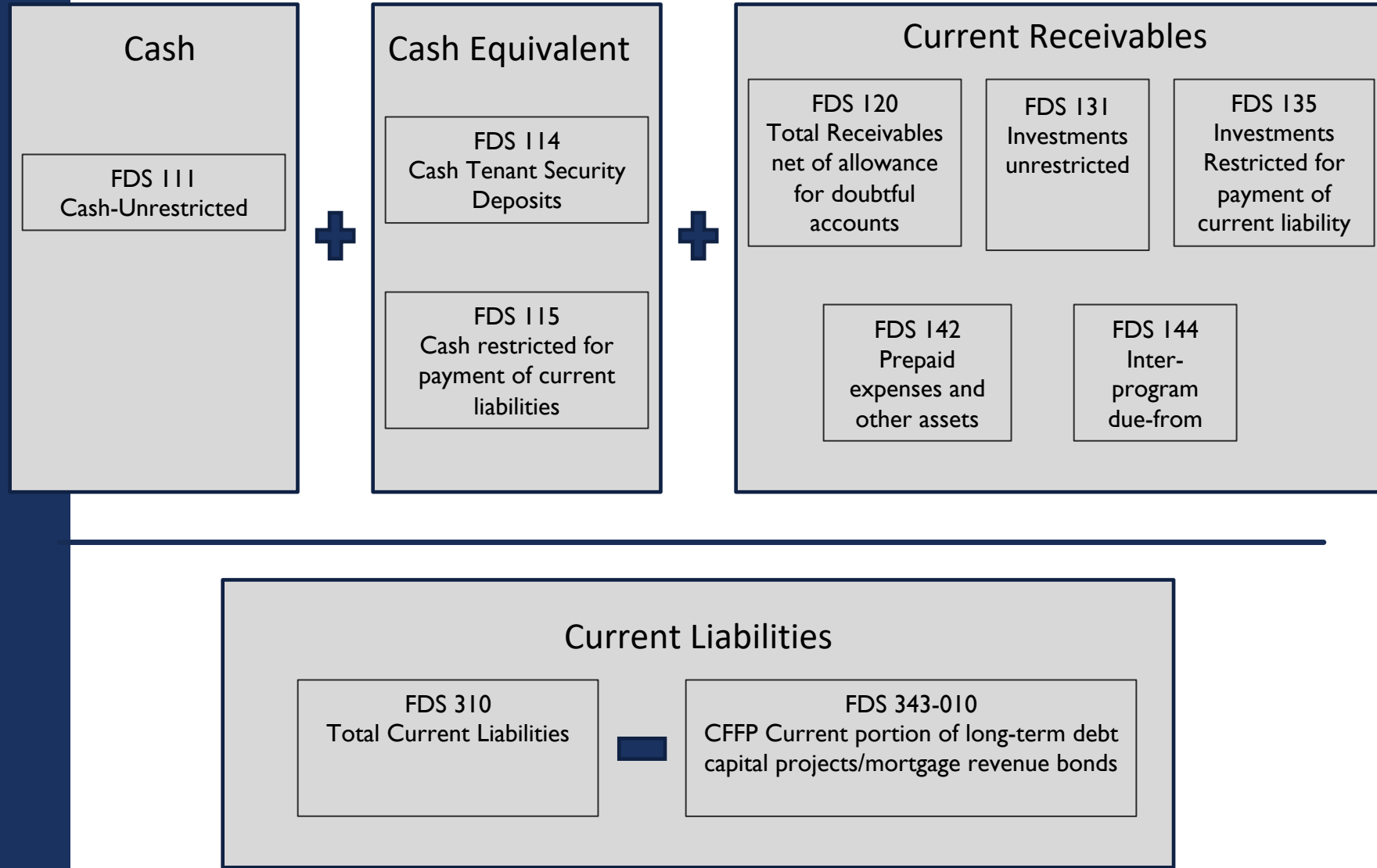
RATIOS FOR THE AMP

- **Quick Ratio (QR)**
 - Measures liquidity
 - Similar to current ratio
 - Maximum 12 points
- **Months Expendable Net Assets Ratio (MENAR)**
 - Measures adequacy of reserves
 - Similar to Months Expendable Fund Balance (MEFB) Ratio
 - Maximum 11 points

RATIOS FOR THE AMP *(CONTINUED)*

- **Debt Service Coverage Ratio (DSGR)**
 - Measures capacity to cover debt
 - New ratio under the interim rule
 - Maximum 2 points

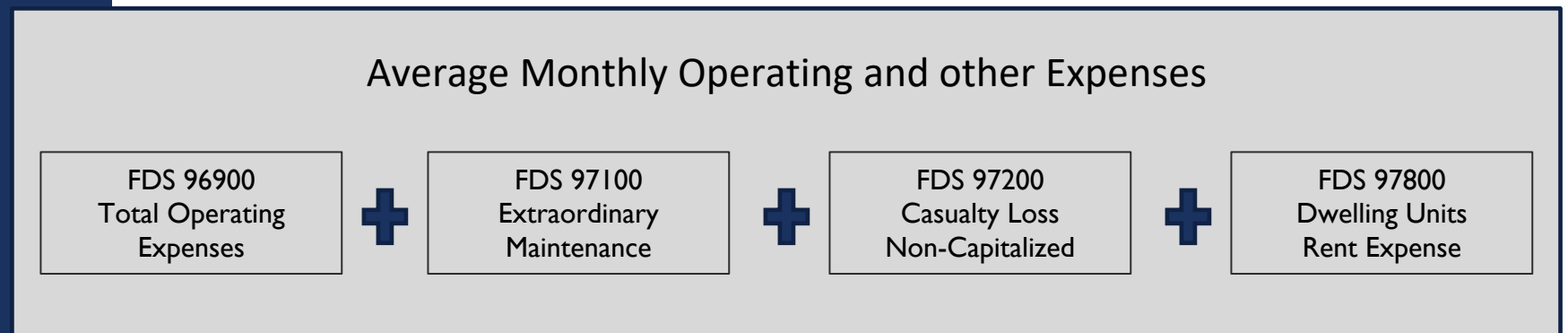
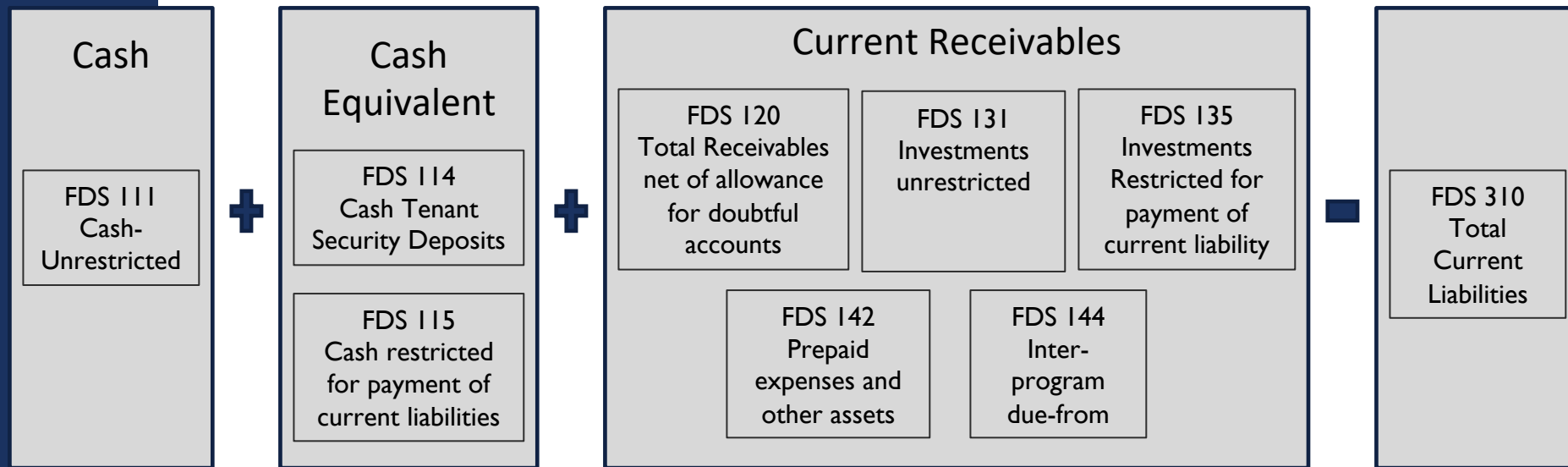
QUICK RATIO FOR THE AMP



HOW QUICK RATIO IS SCORED FOR THE AMP

- < 1.0 0 points
- $= 1.0$ 7.2 points
- ≥ 1.0 to ≤ 2.0 ≥ 7.2 to ≤ 12 points
- **≥ 2.0 12 points**

MONTHS EXPENDABLE NET ASSET RATIO FOR THE AMP



HOW MENAR IS SCORED FOR THE AMP

- < 1.0 0 points
- $= 1.0$ 6.6 points
- ≥ 1.0 to ≤ 4.0 ≥ 6.6 to ≤ 11 points
- **≥ 4.0 11 points**

DEBT SERVICE COVERAGE RATIO FOR THE AMP

Adjusted Operating Income

FDS 97000
Excess Operating over
Operating Expenses



FDS 96700
Interest Expense and
Amortization Costs

Annual Debt Service Excluding CFFP Debt

FDS 96710
Interest on Mortgage
or Bonds Payable



FDS 96720
Interest on Notes
Payable (Short- and
Long-Term)

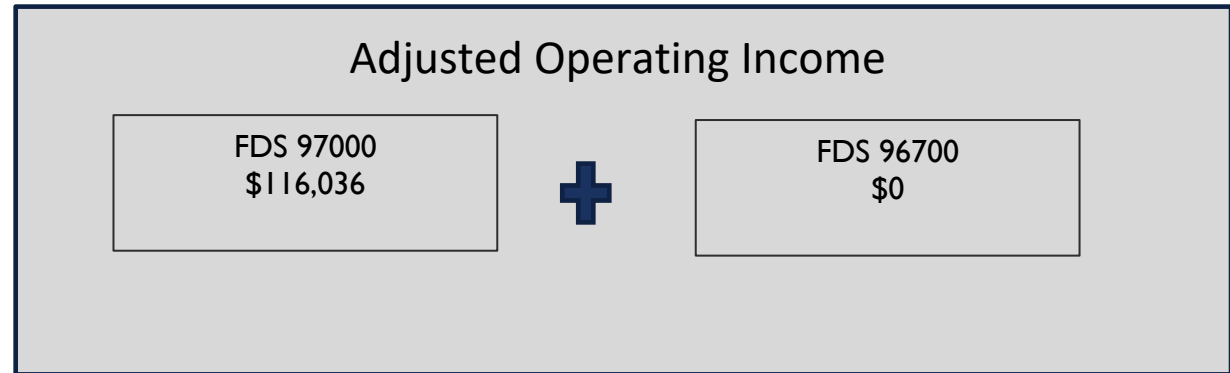


FDS 11020
Required Annual
Debt Payments

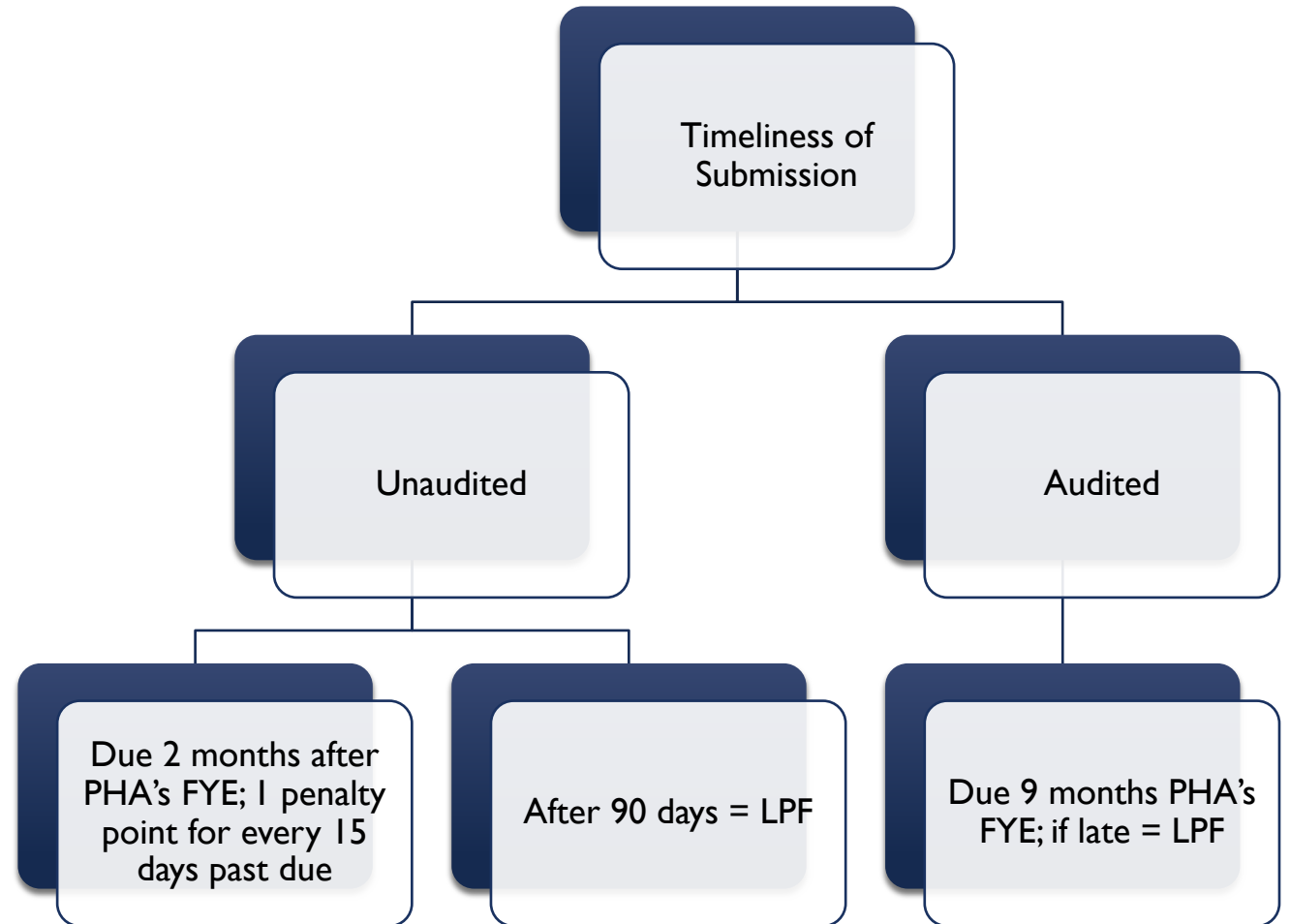
HOW DEBT SERVICE COVERAGE RATIO (DSCR) IS SCORED FOR THE AMP

- < 1.0 0 points
- ≥ 1.0 to ≤ 1.25 1 point
- ≥ 1.25 **2 points**
- **No Debt at All** **2 points**

DEBT SERVICE COVERAGE RATIO EXAMPLE



TIMELINESS OF SUBMISSION



TYPES OF AUDIT FLAGS AND SCORE IMPACT

- Financial Statement Audit Options
 - None, Tier 1 and 2
- **Opinions on Supplemental Information**
 - **New Flag!**
 - **None, Tier 1 and 3**
- Report on Internal Control and Compliance (Yellow Book)
 - Tier 3
- Report on Compliance with Requirements Applicable to Major Federal Programs (OMB Circular A-133)
 - None, Tier 1, 2 and 3
- Other Considerations
 - Tier 1 and 2

TIER CLASSIFICATIONS

- Each Tier assesses point deductions of varying severity.
- Tier 1
 - Any tier 1 finding assesses a 100 percent deduction of the PHA's financial condition indicator score.
- Tier 2
 - Any tier 2 findings assesses a point deduction equal to 10 percent of the unadjusted financial condition indicator score.
- Tier 3
 - Each tier 3 finding assesses a 0.5 point deduction per occurrence, to a maximum of 4 points of the financial indicator score.
- **Unqualified Opinion**
 - **No deduction - no penalty**

SIGNIFICANT CHANGE PENALTY

- A penalty will be assessed for significant differences between the unaudited and audited submissions.
- A significant difference is considered to be an overall score decrease of 3+ points from unaudited to audited.
- A significant change penalty is considered a Tier 2 flag; therefore, it will result in a 10% audited score reduction.

EXERCISE ON FASS

- Let's do an exercise on FASS for a PHA with multiple AMPs.
- Exercise 2 page 2-7

IMPROVING FASS SCORE

- Use fungibility on lower scoring properties
- Monitor the performance monthly
- Be attentive to budgets and monitor monthly
- Keep adequate reserves (4 months) - but not excessive reserves
- Monitor expenses and always be looking for cost-cutting measures without impacting performance
- Make sure management and finance agree on the AMPs financial performance

