PHAS Model IV: Financial Assessment Subsystem (FASS)

Transcript

0:00:03.5 Dennis Morgan: Good afternoon, my name is Dennis Morgan and we're here to go over the Real Estate Assessment Center, world of the public housing assessment center, better known as PHAS. We'd like to thank you for joining us. This is actually the fourth module, better known as the financial, the FASS portion of the world of PHAS, that we've already been through the introductory module, we've already been through the physical assessment subsystem, which is the PASS. We've also been through the management assessment subsystem, better known as MASS, and we're now into the world of the financial, better known as the FASS, portion as well, the FASS of PHAS.

0:00:51.5 DM: So we wish to also thank you on behalf of the Department of Housing and Urban Development, and FirstPic was also in the design of this particular module out here as well. My background comes from running housing authorities for the first 30-plus years of my career. So as we're giving you this perspective, it's not just the HUD perspective but it also is gonna be looking at it from the public housing perspective or the PHA's perspective as well. In addition, it's not just going through the PHAS indicators but also looking at ways in which you can then increase the performance of the agency as well. So giving you tips, giving you guidance that also can help you in the performance.

0:01:37.0 DM: As I said, my background comes from running housing authorities in the first 30-plus years. I've been in the business now for 50 years, either running housing authorities or providing technical assistance, but that it's important that we're not just thinking the world of HUD in terms of performance but we're thinking in terms of how I'm actually running this particular piece of property and program on behalf of the federal initiatives as well. And so there are methods that you can be using in order to also increase those PHAS scores. The agencies that we ran in the past, they were all high-performing agencies, and so it doesn't just happen that way. It happens that way because people focus, people are looking at the programs and looking at the funding levels, and seeing how these things not only are operating but how they should be operating in order to get high-performing status as well.

0:02:35.6 DM: But in this particular module, we're gonna focus on the FASS. And we've already done in the introductory, we've already done the PASS, we've already done the MASS, which is independent of this module, and then we're gonna go into the financials. In our last module, we're gonna then cover the cap fund and wrap things up in terms of the final module, but let's get into the world of the financial. And we know that the financial is worth then 25 points in the overall scoring system as well under what's called the Interim Rule. And under this Interim Rule, I have then three indicators in the world of the financial areas.

0:03:20.8 DM: Now, all information is then transmitted to HUD through what's known as your FTS, FTS schedules, and then HUD takes these FTS schedules and then applies in the ratio analysis to determine what my scores are by the AMP because just like in the PASS module and just like in the MASS module, that each AMP will have a score that is then determined into a weighted average to determine the final score for that agency under this particular indicator as well. So both PASS, MASS, and then the FASS also has then the weighted average method of determining then the score for the agency. The three indicators that you're looking at, the first one is called the quick ratio. The quick ratio is measuring the liquidity of then that particular AMP, looking at your current assets versus your current liabilities, and it's a heavy hitter. This module is worth 12 points. It is a heavy hitter and what you're looking for is a ratio of two; I have twice the amount of current assets against the current liabilities. The next ratio that you're looking at is called the months expendable net asset ratio. I like to call it the MENAR. It's the easiest way to remember it, MENAR. And in here, you're measuring reserves, you're measuring the reserves of the AMP, and it's worth 11 points. It is also a heavy hitter.

0:05:18.5 DM: Now, most in these ratios as well... When you look at the accounts that are used, in the quick ratio, many of these same accounts are used in the months expendable net asset ratio. And so if you're doing 1:1:1 ratio, then a lot of times, I'll do well under the other ratio as well. Where the quick ratio is looking for a number of two or higher, the MENAR is looking for a number of four. Think about it as having four months of reserves on that property in order to score well, four or more. You also have what's called then a debt service coverage ratio. This one is worth two points. This one measures your capacity to cover debt. Now, most housing agencies on their properties don't have debt that they're carrying on the property, and so as a result of not carrying debt then on that property, then also I'm gonna generally get those two points. If I am carrying debt, then what you're looking for is a factor of 1.25 in order to cover that debt as well. And so by looking at these then three ratios by the AMP and then taking the weighted average of the ratio by then the AMP, I can come up with the overall score under the PHAS indicator for that housing agency.

0:06:47.7 DM: So previously, under the rules before we now have the interim rule that we're under right now, you would have had the current ratio and the months expendable fund balance and the tenants receivable ratio, an occupancy loss ratio, a net income ratio, and an expense management ratio that there was worth 30 points. That is now gone away. It's now replaced by this interim rule, and the interim rule is now the quick ratio is worth 12, the months expendable worth 11, and the debt service coverage ratio worth two. It also lowered the report, lowered the point status, and they moved these points from the financial to the physical indicators, the PASS system as well.

0:07:38.7 DM: So the quick ratio is looking at your liquidity. It's similar to a current ratio, which is looking at current assets against current liabilities, but it's making sure that I have the necessary positions in order to cover that agency's short-term debts as well. Months expendable is looking at the reserves, and that is also a heavy hitter, that is worth 10, 11 points. Debt service coverage ratio is your capacity to cover debt. This was a new ratio that was added in the interim rule, and it's worth then two points. In terms of the accounts that are used, you don't have a special report that you're sending in. You normally would just send in your reports to HUD, towards at the end of your fiscal period. And these are all part of your audited statements as well, but you wanna be monitoring these because you wanna be managing the agency and seeing how you're doing out here as well, and not just setting them up to the world of HUD and say, "Well, how did we do?" But you should already know that well in advance.

0:08:47.9 DM: Your cash, and that's gonna use your FDS 111. Your cash equivalent, FDS 114, cash security deposits as well. FDS 115, your cash restricted for payment and current liabilities, plus your current receivables, total receivables, net of allowances for doubtful accounts. Investments unrestricted, your FDS 131, FDS 135 investments restricted for payment of a current liability, plus your prepaid expenses and other assets as well, FDS 142, and the FDS 144, which is your inter-program funds too, divided by then your current liabilities, FDS 310, total current liabilities minus then your FDS 343-010, which is that cap fund, cap fund current portion of a long-term debt for capital projects as well.

0:09:48.6 DM: And what you're looking for as a result of that calculation is the number two or higher. Two or higher, I'm gonna get then 12 points. If I'm running between one and 1.999, then I'm gonna then run between 7.2 points to then that 12-point range, that depends on where I'm landing in here. So it's done as, again, a sliding scale then based upon how I'm doing in that performance as well. If I'm running one, it's gonna be then 7.2 points, if I fall below one, you're gonna score zero. You're gonna score zero, which is a heavy hitter because this thing is worth now 12 points as well, potentially 12 points. For the months expendable net asset ratio, and you'll see that we use primarily the same accounts, here I use cash, cash accounts, cash restricted, same FDS 111 plus my FDS 114 like I did before, plus that FDS 115 like I did before, plus my current receivables like I did before, same accounts. But I'm gonna now move the total current liabilities into the numerator, so I'm gonna then subtract then the current liabilities from those accounts, divided by then my total operating expenses plus my extraordinary maintenance, plus my casualty losses plus my growing rent expenses, growing rent expenses as well.

0:11:30.7 DM: So my FDS 96900, FDS 97100, FDS 97200 plus my FDS 97800. And what I'm looking for is on that ratio that I have four or greater. The easiest way to think about it is that what HUD is looking for is you have four months of reserves on that particular property. That is worth 11 points. If I'm running between one and four, based upon where I am in that sliding scale, then I'm gonna get 6.6 to then 11 points. If I'm running right at one, I'm gonna get 6.6 points, and if I'm running less than one, I'm gonna score zero. This again is a heavy hitter, this one is worth then 11 points. And if you also think about my first two ratios, 12 points and 11 points right there is 23 points, then per each AMP. The last variable is my debt service coverage ratio. And in my debt service coverage ratio, I'm looking at then the excess operating over the operating expenses, my FDS 97000 plus then my FDS 96700 interest expense, amortization cost, divided by then the annual debt service, excluding then the capital fund debt as well. So my FDS 96710 plus my FDS 96720, plus my FDS 11020, which is my interest on the mortgage and bonds, interest on notes and payables, and then required annual debt payments as well. In most agencies that numbers are zero. So if I'm not carrying any debt, I'm gonna get my two points.

0:13:29.6 DM: But if I am carrying debt, then I get... I'm gonna be looking at a ratio of 1.25 or higher. If I score between one and 1.25, that's worth one point. And if I score below one, I'm gonna score zero. And this just gives you an example of an agency not carrying any debt and gonna score then the two points. Now, it's important under our financials that our financial submissions were also done timely because I make a submission to the world of REAC first with my unaudited statements. My unaudited statements are due two months after the end of your fiscal year and if you don't get these things in on time, then it can also result in penalty points. Penalty points is where they're gonna take away additional REAC points from your scoring system as well. In addition, I also ultimately send in, via my auditors, an audited financial statement. Your final REAC score is gonna be issued when your audited records go in. That's due nine months after the end of your fiscal year.

0:14:46.2 DM: It's also important that our auditors get their information in on a timely basis because if they don't get that information in on a timely basis, then HUD can also issue then take away from your score, late penalty points or not getting your audits in on time. So that's why you want your auditors in prior to the end of your fiscal year where they can also be doing some testing. They might be not gonna be doing testing on some of my closing of my books but they can do management testing. They can test files, they can test review of files, and other things as well in terms of rent calculations as a part of that goes into part of the audit report in terms of performance of the agency as well. So that's why I want them to get them in early, that's why I wanna make sure that we get all these reports in in a timely fashion because if not, it's gonna result in late penalty points, and actually, they can take it to zero. The world of REAC can take it to zero for non-submission in a timely fashion out here as well, which we can plummet an agency into... Of course, it'll put an agency into substandard FASS but it also can plummet an agency easily into troubled status. Not that, again, I lose my fall of 25, it can plummet me into trouble but I'm getting down there real close because I'm getting close to that 60 threshold as well.

0:16:20.0 DM: Now, in the reports, in the financials, that you're gonna have what's called audit options or audit opinions as well and depending on the opinions or depending on the supplemental information, that it can also have an impact on my score. So reporting internal controls and compliance as well can have an impact on what's called a tier three. Opinions on supplemental information can also cause a tier 1 and a tier 3. Financial audit options can cause a tier 1 or tier 2 as well. Now, what does that mean? It causes a reduction in terms of points. Each tier assesses and point reductions based upon what's called the severity of the finding. Any tier 1 finding, assessing 100% deduction of your financial condition indicator score. Tier 2 findings assess a point deduction then equal to 10% of the unadjusted financial condition indicator score. A tier 3 says I'm gonna lose 0.5 point deduction per occurrence with a maximum of four points on the financial indicator. So the whole thing is worth 25 points.

0:17:36.5 DM: Within that, depending on that auditor's opinions and his management letters, and his management statements, that you can actually have a reduction in points. So you have a pre-audit score and then you have a final audit score. Hopefully, what you're gonna achieve is what's called an unqualified opinion. An unqualified opinion is really saying that everything is accurate, everything is in accordance, and I'm not having to make any significant changes to the piece of information that the PHA is submitting as well, and it's running well. No deduction, no penalties in that case for a non-qualified opinion. So the penalty can also be assessed if there's also significant differences between your unaudited and your audited. In other words, I'm putting money, I have all my ducks in a row, but I've got them also in all the wrong categories as well and he's having to make significant adjustments to your books in order to bring him back to compliance as well. It's called a significant difference and that significant difference then it also can decrease your score because my unaudited statements are not reflecting the same thing as my audited statements as well. Significant change can also result in a tier 2 flag and can result in a 10% reduction as well.

0:19:01.0 DM: So we're now gonna take these scores and the evaluation system and we're gonna now go back to our sample housing authority, like we worked on into the MASS indicator and in the physical indicator, and we're now gonna take it and put it into the applied state as well. So let's now go over to the exercise portion of our materials and we're now gonna put it into the applied format as well. So here we are back with our sample housing authority and we have then three AMPs, we have then Liam Manor, Liam Manor, 155 units; Jacob Gould worth 158 units; Audrey Court, 207 units. All properties are less than 28 years old and not in high-poverty census track as well and we're now looking at then the financial indicators. And so it says, for AMP number one, which is Liam Manor, that they're running a quick ratio of 2.5.

0:20:17.7 DM: And Jacob Gould running a quick ratio of 2.1, Audrey Court running a quick ratio of 2.0. It also indicates that the MENAR for Liam Manor is 4.2, Jacob Gould is 1.0, and Audrey Court is 4.6. Liam Manor does not carry any debt, Jacob Gould carries some debt, 1.2 is its ratio, and then Audrey Court, 2.6. So we're now gonna take these numbers and these ratios that we determined on the property and we're gonna put it now into then the applied state in terms of now taking the weighted average and coming up with the overall score for the PHA. So let's now start with Liam Manor and Liam Manor has a quick ratio of 2.5. Well, I know it is above two and if I'm looking at HUD's scoring system, quick ratio two or above is gonna get me then 12 points. So now I'm gonna record now 12 points for Liam Manor. 12 because it got 2.5. My Jacob Gould scored 2.1. That, again, is above two, so it's gonna score 12 points. Audrey Court. 2.0, sitting right on the bubble but you're on the bubble and that is gonna score 12 points as well. Liam Manor's MENAR, months expendable net asset ratio, is 4.2. You're above then four, 'cause that's the magic number that we're looking for, is gonna score then 11.

0:22:09.2 DM: And Jacob Gould is not scoring as well, and so it now scored 1.0. And in the scoring system, 1.0 is gonna be now worth 6.6 in the point system as well. So if it's a one, gonna score 6.6. So I'm gonna give now 6.6 points now to Jacob Gould under the MENAR. I now look at the Audrey Court. Audrey Court's scoring 4.6, so it's gonna score 11. Liam is now no debt, so I'm gonna get two points there. Jacob Gould scored 1.2, so you're only gonna get one point there. And then Audrey Court, 2.6, so you're above the 1.25, so you're gonna score two points there. Now, let's add them up. Liam Manor scored 12 plus 11 plus two, so its overall score is gonna be 25. The next ratio, 12 plus 6.6 plus 1 gives 19.6. And then for Audrey Court scoring 12 plus 11 plus 2 gives me 25 points there. Good or not so good? That's pretty good. That's pretty good in terms of the overall score. Now, let's take the weighted average because I have the individual scores but it's all determined, the final scores, based upon the weighted average, which is determined by the number of units that's associated with that particular AMP. So in our materials, now we come over to the scoring system and under my financials, AMP number one scored 25.

0:24:43.6 DM: So now I put 25 in my AMP score times in 155, that gives me 3875 as my product. AMP number two scored 19.6. 19.6 times 158 units gives me 3096.8. AMP number three scored 25 times 207, that gives me 5175. Now, add 3875 plus 3096.8 plus 5175. That gives me 12,146.8. I now take 12,146.8. I'm gonna divide that then by the total number of units in my inventory. And so I take 12,146.8 divided by 520, that gives me a PHAS score of 23.36. 23.36, good score or not so good score? That's a pretty good score. Not perfect but it's still a pretty good score, 23.36. So I only left 1.64 points on the table in terms of this PHAS indicator as well. So now I'm coming down and now I'm looking at now my housing authority, and now I record my financials. So now we have the MASS indicator and the MASS indicator indicated that was 12.29. My financial indicator is 23.36. My physical indicator indicated that we were at 34.6. So now, the only other indicator that we don't have, which we'll be doing in the next module, relates to my capital fund indicator as well. So now, I have a pretty clear picture for this housing authority in terms of the performance of the housing authority and in terms of the projection of the housing authority as well.

0:27:05.6 DM: Now, I know in terms of the weighted averages that we also have looked at these weighted averages, then based upon these manual calculations. And we're gonna show you a spreadsheet as well that can help you in terms of putting in your data sets. That will also help you in terms of making that analysis and allowing for what's also known as fungibility. Fungibility is a concept that also says that you can move money from one AMP to another AMP, as long as an AMP that I'm moving the money from has at least one month level of research it is allowable in the world of PHAS. It's allowable in this world of the calculations as well. Now, you wanna do this before the end of your fiscal year. You wanna run your analysis to see if you need to move money from one AMP to the other to potentially help that AMP in terms of either as a quick ratio or in terms of its financial ratios as well, because it can make a difference. In other words, I might have a cash cow and that cash cow has excessive funds that I can then move from one AMP to the other under a concept called fungibility.

0:28:31.7 DM: Moving from one AMP to another, as long as I have at least adequate reserves. Now, when you're also looking at fungibility, I also strongly encourage you that when you're looking at that variable, then think about reserves not as one month, but think about reserves as four months is what you're trying to achieve, because that reserve level is also worth 11 points in order to score well in the world of PHAS. So we're now gonna take you over to the spreadsheet and we're gonna walk you through this spreadsheet that can also be used as far as your management tools to look at your performance and potentially increase your performance in the world of PHAS.

0:29:15.3 DM: So let me get you over now to the tool. Now, this spreadsheet that we're looking at has been then developed inside of the industry by housing authorities as well in terms of looking at the portfolio and looking at how we're performing as well. In this particular ratio analysis that... This one has nine AMPs. So what you would do, and we also have supplied a blank copy of this as well in the materials that you can then download, is you can input in your particular AMPs, it's already has your lien items that you're looking for, bring over on your financials into the worksheet. So where do you see these pink fields that this is the information that also that you would place into this particular module in order for it to do the calculations.

0:30:17.3 DM: And so AMP number one, it's cash position, 80,000, AMP two to 621,000, AMP 44,000, cash security, and then your other accounts associated with that particular AMP as well by the AMP. I strongly encourage you also save the worksheet. Save the original worksheet incase somebody gets in here and types over the calculation fields as well, so always keep your original safeguard it to make sure somebody doesn't then type over your formulas where it can then destroy your worksheet. So here is coming up with your current assets and of course you enter your current liabilities, and here in the bottom of the worksheet is you're gonna see then within each one of your AMPs how you're then performing, and so what you're looking for is a quick ratio under this particular portion of the module, you'll see down here at the bottom, quick ratio, that you're looking at a factor of two or higher, two or higher.

0:31:26.4 DM: And so if I got two or higher, then it's gonna indicate then your PHAS sub-indicator for that particular module. So AMP number one is running pretty good, you're running at four, that's worth 12 points there. AMP number two is running 11.15 it's considered to be a cash cow, it is running 12. AMP number three 1.25. So you're below the threshold, and in that case 9.7 points associated with that, AMP number four, 2.25, so you're above two, that's getting 12. AMP number three, 1.98 so 11.19. AMP number three is 0.68, not running very good. Scoring, again, zero into that criteria, 1.76, I began below the threshold 10.8, and AMP number four or AMP number eight running at 2.7. So gonna get my 12 points there. AMP number nine 1.71, so gonna get 10 points there.

0:32:29.6 DM: So this is telling me at my fingertips which one of my AMPs in a quick ratios is not gonna help me from a performance standpoint, so AMP number three, AMP number five, six, seven, and nine are my AMPs that I'd be looking at a quick ratio and potentially using my cash cow. And my cash cow in this particular situation, is AMP number two, which is running a very strong, very strong quick ratio as well. The next chart is then my MENAR, the months expandable net asset ratio. Now in this, I don't have to re-enter my data because my data is gonna be carried over from the quick ratio worksheet as well, but in AMP number... In the MENAR, I do have to enter the total operating expenses because it was not a line item in the first worksheet as well. This one is also looking at the level of reserves, and I'm looking at a reserve level of... With a ratio of four or higher, so let's take a look and see how we're doing. So AMP number two is running 12.08, it's running in really good shape, because it's well above the four. AMP number one is running 2.46, so even though it was doing okay under the quick ratio that I'm not running my four months, so I could be doing better under that AMP. AMP number three 0.45, AMP number four, 1.85, 1.3, a negative number, 1.63 and 3.18.

0:34:17.7 DM: So here, here I'm losing points, and here, if I'm taking money from one AMP to another, then I can also increase the performance levels for my agency as a whole under the month's expendable net asset ratio, as well. The next ratio in the worksheet is then the debt, this agency is not carrying any debt on any property, so they're gonna score the full two points. Within the scoring system, the next slide then or the next field is then gonna be looking at your scores and summarizing those scores, then within each AMP. So AMP number one, 22.99 out of a potential 25. AMP number two, 25. So it's scoring well. AMP number three, 11.70 needs some help. AMP number four needs a little help, 2184, and so on down the line. So this at your fingertips will then give you that property score. Within the next portion of the worksheet, you enter then the unit months, then unit months then, and then you'll also enter then the number of units, because the whole heart of the scoring system is in looking at the multiplier times a number of units.

0:35:40.2 DM: So overall, within the agency, here's your weighted averages, weighted values, add 'em up, that gives me 26,914, divided by the total number of units 12,078. So I've received a financial score an estimated financial score of 21.06. But let's take a look now at the concept called fungibility and how fungibility can now help you in this scoring system. So let's go back to our first worksheet, which is a quick ratio. And in here, in that quick ratio that I'm sitting on a very healthy cash position $621,000 against a total liability of $59,000, so I'm sitting at a ratio of 11.5. So let's say now I'm now looking at this AMP and I wanna reduce then the cash position on this AMP by $400,000, excuse me, by $200,000. I'll make this then 421,125.

0:37:00.6 DM: I'm now gonna move that money over to my other AMPs that are now somewhat struggling. So now I give them 50,000, let's say, to AMP three. That gives us 94,445, I believe. AMP number... So all of a sudden I brought that up to 12 in the ratio. So now it's 2.2. I've got another AMP in here with a ratio of 11.98, so I'll give them... They probably don't even need 50,000, but I'll go ahead and give them 50,000, that's 123,587. So I still have $100,000 left over. The other struggling AMP that we saw in here is AMP number six, so we'll give them 50,000, that'll give them 65,273. And AMP number eight or AMP number nine. AMP number nine was also struggling, so I'll give them the final 50,000, makes them 560,098. So now in terms of the positions, now across the board, I've got pretty strong now, 12, 12, 12, 12, 12, 10.9, 10.8, 12, and then another 12, as well. And let's see how we did on the month's expendable.

0:38:51.2 DM: So under my month's expendable, I brought up then these ratios as well, this one at least is at nine, so I'm losing some points, but at least I'm in much better shape, I still... This is also indicating that also I have still additional funds that I potentially can pull from AMP number two and redistribute it to the other PHAs, but let's go over and now look at our scoring summary. So here, previously this score was 21.2, and by using a concept called fungibility that I've now raised that score at a 23.05, so I was able to raise my financial scores by two additional points just by using the concepts of fungibility, in addition to that, that I actually can go back and do a re-analysis on now AMP number two and the other AMPs, and potentially by using a concept called fungibility, I might be able to maximize my points under the financial, as well. This spreadsheet not only does the financial, but it also does the MASS indicators, as well.

0:40:13.4 DM: So here, I can type in the information as it relates to my unit months available against my unit months lease. And what you're looking for, is that magic number that we went over in the MASS module of 98% occupancy, and that's where 16 points. So this will then make that calculation in terms of your occupancy levels as well. Here again, this is showing me, that AMP number three, is an under-performer, you're running at 90% occupancy level, so I'm gonna only get a one in that area. AMP four running good. 98.53. AMP number five. Running good, 98.73. 16.16 points, AMP number six, needs a little bit of work, needs a little bit of focus as well, AMP number eight also, and AMP number nine, needs a little bit of focus in terms of my occupancy. By putting in these accounts, 126 against a 7500 counts on the next portion of my spreadsheet, it will then count my... It'll count my by then the accounts receivables and show me, my scores. In this agency it's is also showing that I have got problems in my accounts receivable area, in other words, collections, because I'm looking at a magic number of less than 1.4, or 90, 98.6% collection rates.

0:41:41.5 DM: And so here I'm running 13%, really pretty high, 22% really pretty high. So I need to be focusing on my receivables and seeing what's going on, and seeing why we're having problems collecting receivables as well. I can also put in my accounts payable information that we showed you on the last module as well, into the worksheet, and it's gonna then show my scores in terms of the payables as well, ultimately coming up with your overall score for each one of your AMPs, and, ultimately coming up with a score for the entire piece of the MASS portion for the AMPs as well. In this case, 19.33, what is that telling me? Well, it's telling me that out of that the 25 points that potentially I'm looking at 19.33, and where do I wanna focus? Well, all the focus area in this particular PHA is on those receivables. Occupancy a little bit, but receivables definitely are creating a problem in terms of the overall scoring system as well. So this is a spreadsheet that you can use to record your information, month by month, by month. How long does it take for your accounting department to put this information in and give it to your fingertip... Give it to you and your fingertips as well that you can do the analysis for the PHA? It just takes a few minutes.

0:43:14.3 DM: Probably and probably, a half an hour. They can give me all of this data, which then tells me how I'm then operating in terms of the PHA. So you don't have to be waiting until the end of the fiscal year, but you're proactively... You're proactively doing these measures, you're projecting these numbers. Now, don't forget that when you also are doing these statements and putting in the numbers, that you're on the accrual accounting basis. So don't forget that you also want to have an estimated accrual, in terms of your final analysis, and final numbers. Because when you close your books, it's not based upon your cash position, it's based upon also your accrual positions as well, related to many of these accounts. So this worksheet is designed here to help you, that it's a tool that can help the agency be proactive, in the management of both the financial variables, and the management variables as well, both for FASS fans and for MASS. I'm gonna now take you back to the PowerPoints, so we can now then conclude our session on the financials as well.

0:44:38.8 DM: So how do we improve our financial score? Well, look at fungibility. A fungibility is a program option, if you have multiple AMPs, look at the fungibility on these low-scoring properties. You can move money from one property to the other, and do it before you close your books, do it before you send in your reports, do the analysis. Do I need to do it month to month to month? Not necessarily. Do I need to move money month to month to month? Not necessarily. But it helps in managing that particular piece of the portfolio, monitor your performance monthly. Monitor your budgets. Yes, each one of these AMPs needs a budget and yes, you need to monitor it, just like anybody else in the private sector would monitor your budgets as well, to see how you're performing, what you anticipated your cost and what your actual costs are gonna be. What your revenues are anticipated, and what your revenues are as well. It also then dovetails into the other indicators, which is like your occupancy. Occupancy level's low, revenue levels are gonna be low, subsidy levels potentially are gonna be lower too. So you wanna be managing that portfolio, and stay on top of those kind of things and not wait until the end of your fiscal year.

0:45:55.4 DM: Keep adequate reserves, four months of reserves, but don't keep excessive reserves, use those excessive reserves then, to move that money around to, let's say underperforming or use that money to then go do work items and move that money over to that particular AMP so that you can do work within that particular AMP as well. Monitor your expenses, always be looking for ways that you can do cost cutting measures without impacting your performance as well. Always be in communication between management and finance, and make sure we're agreeing upon the numbers, and make sure we're agreeing upon the variables, and make sure we're applying these particular areas effectively, that's also helping in the performance of the agency as well. We wish you again, thank you for joining us under this module, module number four, which is a financial scoring system as well, that we'll continue to go ahead and use... And we're gonna continue to now go over to module number five, which is a cap fund program, which also includes a scoring system associated with that, and we'll also then go into a post-test to see what we've also learned along the way.

0:47:13.9 DM: Again, we wish to thank you very much, hopefully, it's been helpful. Use these tools. These tools are available to you for that magic word, which is "Free." Use these tools that can help you then manage this world of the housing authorities, and manage the world according to FASS as well. Again, thank you very much. And you guys have a good day.