

**PHAS Module I: Introduction, Scoring, Planning and
Tracking
Transcript**

0:00:01.7 Dennis Morgan: Good morning, everyone. We'd like to welcome you to the Real Estate Assessment Center training on the Public Housing Assessment System, better known as PHAS. My name is Dennis Morgan and I'm with D L Morgan and Associates. And we're doing this work via FirstPic and the Department of Housing and Urban Development on the training on the PHAS as well. This training is designed to be a proactive training. In other words, it's not just going over the elements of PHAS, but it's also introducing the systems in how to improve the performance of the housing agency as well under the four performance indicators, which would be the PASS, the physical; the MASS, the management; the capital fund; and then the financials as well, the F-A-S-S portion. And we're gonna go through each one of these as five independent modules. We're gonna start with the overview, we're gonna start with the introduction, and then we'll move into the other areas as well, PASS and the MASS, then the FASS and then the cap funds as well. In addition to that, we're also gonna introduce some materials that potentially, you haven't seen before. We're gonna show you some spreadsheets, we're gonna show you some other things, and the design elements to help you along the way.

0:01:28.0 DM: My background actually comes from housing authorities and running housing authorities for the first 30 plus years of my career. I've been in the business now for 50 years, either running housing authorities or providing technical assistance. And the housing authorities that are administered when I was running housing authorities were then going all the way from small to the very large housing authorities, as well. All high-performing housing authorities, and I can tell you that in order to achieve that in the world of PHAS, it does require a lot of work. It requires focus and it requires dedication, not only of the agency, but of the staff, and coordination with all your partners as well. But let's go ahead and move on into the world of PHAS, as sponsored by the Department of Housing and Urban Development.

0:02:20.3 DM: In this first module, it's gonna be an introductory module. And we'll introduce some of the overall larger scoring techniques, and then the planning, and then the tracking systems, as well. We also have a pre-test that is part of the functions, and hopefully, you've had an opportunity to do the pre-test. We'll also cover that pre-test in module number five, which is gonna be in a post-test as well, to provide you the opportunity of also re-reviewing your answers and of course, going over the correct answer in terms of the systems, as well. But now, let's go into the first module, which is an introductory module, the scoring and the planning and the tracking systems under the world of PHAS.

0:03:11.6 DM: And so the purpose of the pre-test is to see what you know and see what you don't know. It's the self-evaluation tool, as well, that for the period of self-evaluation in terms of how much you know in terms of the world of PHAS. The purpose of PHAS is to improve the delivery of the services in terms of the public housing programs. And the HUD, when they implemented this, was to provide then a tool to effectively and fairly measure the performance of the essential operations. It doesn't measure everything. It doesn't measure your compliance with the world of fair housing. It doesn't measure your compliance with your ACC or better known as your Annual Contributions Contract. It doesn't measure whether you have, potentially, any other findings or audit findings out here as well. But it does measure what's called your essential operations. So it looks at your management. It looks at your physical plants. It looks at the financial positioning of the agency, as well, and it looks at the management of the capital funds.

0:04:24.3 DM: And this PHAS system is also evolved. It evolved from the world of PHMAP.

PHMAP was a public housing management assessment system that HUD used to use as a measure on the performance of public housing. But under PHMAP, it had a lot of pieces that were self-evaluation. In other words, you send in the information to HUD, in terms of how you're doing from a performance standpoint. And HUD basically accepted, for the most part, that information. They could come out and review. They could come out and audit. But the fact is is that maybe you were and maybe you were not. And so they removed much of the self-evaluation pieces in the world now of PHAS, and PHAS has then looked at, then, from these independent sources, looking at, again, the essential operations, as well.

0:05:17.6 DM: So in the world of PHAS, it was instituted to increase accountability. Because under the self-evaluation system, it would be very similar that let's say you hadn't gone in and done an inspection on a unit in over 10 or 15 years on your tenant, but you just sent them over a survey, and you said, "Now, inspect your own unit and tell me if there's anything wrong." And you would get these surveys back, of course, from the residents saying, "Everything is probably okay." And you hadn't gone in to that unit for 10 or 15 years. So you can imagine what the conditions were as we were doing the self-evaluations, and the inconsistency in that self-evaluations as well.

0:06:00.3 DM: And so it was to provide this evaluation tool so that we could then uniformly and consistently evaluate PHAs across the country as well. And like anything else, in changing from one system to the other, there were a few hiccups along the way, but basically now, this system has been in place for a number of years, and it is our grade card. It is a grade card that we use for the public housing system, and it's a grade card that we also use for our other systems out here as well, for on the physical side. So it was designed to increase the accountability. It was designed to give HUD a better tool to monitor and evaluate the management and operations, and have a system in place so they can evaluate PHAs consistently across the country, as well. So I can be up here in New York, or I could be over in Florida, I could be over in California; the same scenarios, the same evaluation tools, the same kind of information is available as well.

0:07:06.6 DM: And the baseline is it ensures that we're keeping these units decent, safe, it's sanitary, in good repair. And sometimes, you see that word, DSS/GR, D-S-S-G-R; decent, safe, and sanitary, in good repair. That's a foundation for the protocols, as well, under the physical condition, under the PASS. With the foundation, it's also using UPCS as that foundation as well. Now, in your near future, that is also gonna be changing as well, in all probability, to a program called NSPIRE. But right now, we're under the UPCS protocol before that transition goes to the next level, which is gonna be an NSPIRE level as well. And we're gonna be training on the UPCS today because that's the foundation program that you're under right now.

0:07:57.0 DM: So it took these other indicators that were under the world of PHMAP, which was a Public Housing Management Assessment Program, and it moved these through two iterations. One was the initial iteration, and then we've gone through what's called an interim iteration that we're under right now, and taking these indicators and now moving them over to the platform called PASS, which stands for the physical, the Physical Assessment Sub-System. It also looks at your financials, better known as FASS, F-A-S-S; looks at your management operations, MASS, M-A-S-S; and then looks at your cap fund program as well. Within each one of these variables, then we have sub-variables.

0:08:45.9 DM: So for example, in the financial, there are three additional ratios that are looked at. One is a quick ratio, another is the Months Expendable Net Asset Ratio, better known as MENAR;

and then I have my debt service coverage ratio. Each one of those ratios also has an independent set of points tied to it. So for example, the quick ratio would have 11 points tied to it. The MENAR would... Excuse me, the quick ratio has 12 points tied to it, the MENAR has 11 points tied to it. And then I have then the debt ratio, which have two points tied to it.

0:09:23.1 DM: In the management operations, that we have three indicators in that area as well. I have the occupancy indicator, which is the heaviest of all the hitters in terms of the point system because that one is also worth then 16 points, with a 98% occupancy as well. So it is a heavy-hitter. Within management, I also have my tenant's accounts receivable worth five points, and then I have my accounts payable that is worth then four points.

0:09:53.3 DM: In the cap fund program, then you have two sub-indicators in that area. One is gonna be the obligation of the funds within a two-year period of time and those sanctions, and that has five points tied to it. And within then the cap fund, we also have an additional occupancy indicator, but it is a different occupancy indicator. It's a snapshot in the world of time that we do at the end of the fiscal year, looking at a 96% occupancy rate with a different method in terms of how I'm counting units out here as well.

0:10:31.0 DM: Within the Public Housing Assessment System, known as PHAS, we will deal with two primary areas within the Department of Housing and Urban Development. The first is what's called the Real Estate Assessment Center, better known as REAC. In REAC, REAC is the entity or the side of HUD that's also responsible for getting the information, tabulating the scores, providing the information back to the PHA, and giving you the designation as either being a high performer, a standard performer, a substandard performer, or a troubled housing agency as well. In that overall assessment that comes through the world of REAC, that also is where, if you're gonna make an appeal, the appeal process would also go through the world of REAC. Any waivers would also go through the world of REAC because that is what their charge orders is. One of their charge orders is, is to make sure that they're looking at the evaluation system and addressing any issues in the evaluation system that maybe is not working 100% correctly as well.

0:11:41.0 DM: The next office that we will deal with, which is your primary office that PHAs then deal with, a public housing agency deal with, which is your HUD field office. Your field office will also then have that score and be able to provide the additional technical assistance to housing agencies as well. So REAC, the REAC center then is responsible for the assessment, the monitor, the scoring, publishing that score, providing you the information, coming through their notices as well. So it's a world of REAC. And much of the information that we receive or that we're even gonna potentially show today, such as a compilation bulletins or such as the other notices, they're also available on the REAC site. Some of the information that we're gonna show is not on the REAC site, and is then available through this training as well, in the material section.

0:12:43.2 DM: REAC assesses the scores. REAC is then gonna then give you the score of each one of the four sub-indicators as well. REAC advises then the PHAs, and then identify these low-scoring PHAs that also would need then technical assistance, and thus referred then over to the field office. So if you get labeled "trouble", or if you get labeled "substandard", then you're gonna be referred to the field office for additional technical assistance as well. And if you're a substandard agency, what that means is that you will score greater than 60 in terms of your overall score, but you have a sub-indicator that falls below 60% of the points available for that particular sub-indicator as well.

0:13:32.2 DM: So for example, that in the physical inspection, it is worth 40 points in the system. So if I score less than 24 points in the overall weighted averages of my housing agency, then I would be classified as a substandard physical, substandard physical. And in that substandard physical, then you would have a workout plan just on the physical because you're doing okay on the management, you're doing okay on the financial. But on that one sub-indicator, then I would have a workout plan or a corrective action plan in terms of how I'm gonna then move that portion of my operations back into a better performance level as well.

0:14:18.0 DM: Troubled agencies are then where your overall point systems in terms of your PHAS score falls below 60, falls below 60. And if I get labeled "trouble" as well, then it's not a matter of a single sub-indicator; it's a matter that the agency is classified as "trouble", and they will then look at all the areas of the agency in terms of the performance levels as well. Troubled agencies, through that field office as well, then are looking to improve that operation. So you must achieve at least a 50% recovery by the next PHAS assessment that occurs 12 months after the original REAC notification as well.

0:14:57.2 DM: So you're looking to then to move that agency forward over that next 24 months to get that agency back on track, to get that agency out of trouble status. And sometimes, it takes longer than two years in order to move an agency forward. I know, and I've been in the business now for 50 years, so I know that sometimes, that in moving an agency, a troubled agency forward, that it's not just two years; it's three years, four years, five years. I've seen them out there 10 years or longer in terms of moving a troubled agency forward because you have a lot of parts, potentially, or systems that have now gotten broken along the way, and it's a matter of repairing those systems and get them back in place for that PHA from an operational standpoint.

0:15:48.0 DM: So troubled or substandard are the ones that the field offices will also focus on in terms of additional technical assistance. Field offices are also available even for standard or high performers as well. So if I need additional information, or maybe I need to then coordinate on certain activities such as modernization, or looking at my MASS indicators and other things as well, that's what your field office is there to do to support you in that endeavor as well. Within 30 days of notification, then that field office is gonna be then working towards what's called a recovery agreement or an action plan with the housing agency as well. That action plan will then have deadlines. So those action plans will gonna have dates as well. So it is gonna have dates of achievement.

0:16:38.4 DM: A housing agency that also has been designated "trouble" or "substandard" needs to be very attentive to that, those recovery agreements and the dates and times, and the due dates and times as well. They're gonna have quarterly incremental periods in which to report, and then they're gonna have some annual target dates as well. It requires a Housing Authority to also get focused because you have a lot of things going on, but in the reality is, is that you gotta get focused on these scoring. It's almost like we... It is your grade card. It is your grade card, and what your grade card is saying is that you're getting then Fs or you're getting Ds, and you're not operating the way that you should be operating as well. And it's saying, "Get those grades up. Get those grades up to As and Bs. And get those, and focus on these kind of pieces as well." That's what that recovery agreement and action plan is saying to focus on these particular items, and move the agency forward on these particular items as well. If an agency obtains required improvement, then HUD can also add additional time to the recovery agreements as well.

0:17:52.5 DM: In terms of that recovery process, that if you get labeled "trouble", and if the agency is unfocused and does not then recover, HUD has additional remedies as well. Now, these are not their first line that they normally would take, but what you're saying is that you're in substantial default. You're in substantial default of not only your PHAS score, but you're in substantial default of your ACC or your Annual Contributions Contract. And as a part of that, then they can also solicit proposals for someone else to manage all or part of the PHA. It could be that it may be another PHA might be coming in. It could be it might be an independent source. It might be even a private contractor as well.

0:18:37.1 DM: They can also petition to appoint a receiver. Receiver then would be acting on behalf of the PHA, and they might even then even remove the board. And the receiver then possibly just answers to the court of law, or the receiver might be answering directly to the world of HUD without having to go through a localized board as well. They might then solicit proposals. If I'm a cap-troubled agency, then solicit proposals to manage then the cap fund, or take possession of the PHA, all or part of the PHA.

0:19:12.7 DM: Now, those aren't the first lines, but I have seen it happen as well, where HUD can come in and take over that interim housing piece and that housing operation as well. Or they can make additional arrangements, and it's also acceptable by the secretary. So this gives them wide latitude in the recovery process in case this troubled agency is not getting refocused, this trouble agency is not moving forward, this troubled agency is not responsive, and then using the funds and the methods that should be using those funds in as well. Not a first line, but in terms of the last lines and where they can draw the lines, they can do these actions as well.

0:19:57.6 DM: So FASS. FASS is looking at then your essential operations. And it doesn't evaluate everything, but it does look at your management, it does look at your capital, it does look at your physical plants, and it does look at the financial as well, where under which known as the interim rule. And in the interim rule that came about in 2011, 2012 when it went into effect, that it changed. It changed how the scoring system was set up, and it changed how you also frame up from a management standpoint as well because it brought in the world of asset management. It brought in that focus in terms of not just looking at the overall operations of the housing authority, but looking at the operations now of each AMP, Asset Management Project; looking at each development, seeing how you're managing each development, looking at the financial aspects of the development 'cause the focus is not on the central office. The focus is on the development. And so these interim rules, interim FASS rules directly also impact the operation.

0:21:21.2 DM: It made major changes in terms of the FASS indicators as well. It moved the scoring system around. It removed what was called the RASS. So RASS was a Resident Assessment Subsystem that was worth 10 points in the original systems as well. So it moved RASS, removed RASS, and it replaced it with the CFP, the Cap Fund Program. And it moved the Cap Fund Program out of the MASS indicator and gave it a separate piece on the scoring system as well. It brought in that occupancy indicator and strengthened the occupancy indicator. It gave more points to the physical plan as well because the physical, previously, it was worth 30 points. It then made it 40 points. So it had changes.

0:22:10.0 DM: We're also gonna provide you tips to improve your performance, how to plan, how to then track. Don't wait for the end of your fiscal year before you know how you're doing, but you

wanna monitor. You wanna monitor your performance every single month so you can then focus on these scores and focus on the systems as well, and manage these systems internal to the PHA, and not just wait for HUD to issue my score.

0:22:37.8 DM: And so under the interim rule, it provided greater oversight over the public housing program within each AMP. It realigned. It realigned the scoring system with the asset management. And in the asset management, the focus is on the property. The focus is on how you perform those services at the property. "What is in the best interest of the property?" is the way that the world of asset management. Also thinking about aligning my systems so that I'm providing for the best services to the properties as well. Trying to move those staff out of centrals and get them into the management of the properties as well. Try to move my main staff in from a central into a decentralized concepts as well in the world of asset management.

0:23:33.2 DM: So HUD also said, "When we're doing this as well, that we don't need an additional report. We're gonna use your existing framework of your existing reports in order to monitor the agency as well." So for example, "We will use then your eLOCCS systems," which is that capital funding system in terms of how I'm doing in terms of the appropriations of the funds. "We're gonna be using your PIC system, your data system. We're gonna be then looking through your 5058s and the overall performance of the agency in terms of the 5058 submissions, which tells us whether a unit is occupied or whether a unit is vacant. We're gonna be using your general accounting systems as well that you report your financials to HUD's every year, and we're gonna be using those systems that we have in place in order to measure the performance of the housing authority." Knowing that, then a PHA also needs to understand that, "I gotta keep up with these. I gotta keep up with that information. I wanna make sure that I'm putting this information into the world of HUD accurately and timely as well because if I'm not, it's gonna impact my performance for the agency as well."

0:24:51.9 DM: So the realignment under the world of PHAS brought in that asset management concepts, brought in the performance of the agency, this foundation upon you're accurately reporting the information as well. And I wanna make sure that we are doing that and linking in with the world of HUD in my normal reporting systems as well.

0:25:17.8 DM: And so self-certifications and self-evaluations was all eliminated under the interim rule. It brought in these variables, the financials, the physical, which is foundation upon UPCS, the Uniform Physical Condition Standards. Now, why is that so important? Because it goes to the heart of your scoring system as well. And everybody in the agency would also need to understand, or at least that maintenance side, the management side and your inspection side needs to understand UPCS because it goes to the heart of the scoring system. And we're gonna take you deep into that world on... Deep when we go into the world of PASS as well.

0:26:01.4 DM: It realigns or lines you with eLOCCS. It lines you with the PIC system. It lines you with your inventory management system. That is your system in which you tell what is happening on that public housing unit. In other words, if I pull it offline for fire, do I have some extended damage in there? Is it gonna be offline for a period of time? Related to capital funds? So you realign it with what you have in the IMS system as well, and you gotta keep up with that system.

0:26:37.0 DM: We're also gonna take you into a PIH notice of 2011-07, which is a reporting requirement under the PICS in the IMS system and the occupancy. I know that notice is an older notice, but it's still a foundation notice that HUD uses for then determining the subsidy levels, and

also a notice that also, if I'm now taking a unit and doing something else with that unit, then I also want a letter from HUD to also confirm what I'm doing out here so that we're in-sync, we're in coordination. So what's happening to that? It's no longer being used as a dwelling unit, but it might be now used as community space, or it might be used as a police substation. So I'm aligning my processes with the world of HUD so they can realign their subsidies and what the status on that unit is as well for inspection purposes.

0:27:30.0 DM: Everybody received a baseline inspection. And your baseline inspection then determine then the frequency of additional inspections if you were then a large PHA or you had more than 250 units as well, and based upon those AMPs. It now placed the Cap Fund Program into this process as well.

0:27:52.9 DM: So we've now have what's called a three-two-one-year physical inspection incentives. So as a result of the physical inspection, if I'm a large PHA, then, and I have more than 250 units, then that particular AMP and the scoring of the AMP will make a determination as to the frequency of the inspection, or my overall grade card will make a determination, has a frequency of the inspection. In other words, on that property, if I score 90 or higher, then that unit or that property will be re-inspected then every three years. If I score between 89 and 80, then it's then subject to inspection every two years. If I score 79 or below, then it's gonna be then subject to inspection on an annualized basis. If I get labeled "cap-troubled" or I get labeled "troubled", no matter what the score was on that particular AMP, then I'm gonna be inspected on that property every year. This is your three-two-one-year physical inspection incentives. So hopefully that the agency is scoring 90, and hopefully that they're seeing that REAC inspector that's coming out then every three years.

0:29:09.0 DM: And I know that now, we're into the corona and also, I know the coronavirus and other conditions as well where those inspections have at least been called off for a period of time. But HUD is now reopening that particular avenue and restarting those inspection processes as well, based upon then their rotation and rotation criteria, and additional information that's coming in from the PHA.

0:29:38.0 DM: We also had what was called high-liquidity adjustments for financials; that then now does not apply. However, that we do have some adjusting variables for the MASS indicator based upon then the DOFA date and based upon whether they're in a high-poverty census track as well.

0:30:00.0 DM: So management scores are also based upon the components of what's called your Financial Data Schedule, better known as FDS. And it's important that your accounting department is keeping up with this, and your accounting department is also reporting timely and reporting accurately as well in terms of this information. It's also important that we have coordination between our financial department and our management department as well. In other words, financial departments can make a determination as to how they're accounting vacancies based upon the first day of the month or the last day of the month. They can choose that. They can choose that 'cause that's a program option. But once they choose that, then they wanna be consistent in how they're reporting it. If management is thinking otherwise, then accounting is reporting one way, management is now thinking another way, and they're not using the same triggering date as to determination as to whether a unit is occupied or vacant as well. So you always wanna be then synced with your finance department in terms of how they're reporting and what they're reporting,

and the date that they are also choosing to make those... To make the calculations on as well.

0:31:14.0 DM: Mixed finance properties that you have that are made up of both public housing and alternative housing funding sources as well do not receive a PHAS score, do not receive a MASS score. However, the fact that I have one public housing unit on that property, it's also subject to a physical inspection. And not only are they looking at that unit, the public housing units, but they'll also look at your common areas and your common space. They're gonna be looking at your building systems. They're gonna be looking at your buildings and building exteriors, so that property is subject, too. That property is subject to then a physical inspection as well in all those five component areas for the physical inspection. So they're not just looking at the dwelling units, but they're looking at other things on that site as well.

0:32:13.0 DM: Interim PHAS score, public housing programs, and then the FSS, which is a financial, is no longer entity-wide, but it's also based upon a weighted average of the AMPs. And we're gonna go through the weighted averages as well. The weighted average is determined based upon the number of units in that AMP. The larger the AMP, the larger the number of units, the more impact that it will have on your score. Not only is the financials then based upon weighted average, but your management, your MASS indicator also based upon weighted averages, and your physical also based upon the weighted average. So the more units to the property, the more impact that it will have on your final FASS score 'cause it's taking the weighted average of the development, adding them up, dividing them by the total number of units that you have then in that section of the portfolio to come up with the overall score for that particular agency as well. And we're gonna be walking through those weighted averages.

0:33:26.3 DM: The physical currently worth 40 points, the financial worth 25, management worth 25, and cap fund worth 10. Within these scoring systems, then we have sub-systems. So financial has three additional indicators that we talked about, the quick ratio or 12, the MENAR with 11, and the debt worth two. And then it's based on the weighted average of each one of those AMPs that are then being tallied in total to determine the overall financial score for the housing agency as well.

0:34:05.8 DM: Management is then based upon occupancy, management also based upon the tenant's accounts receivable, and management also based upon the accounts payable, based upon then the AMP, and then the weighted average of each AMP to determine then the final score with a total of 25 points for the management operations as well.

0:34:31.0 DM: Cap fund, two sub-indicators: The obligation of the funds within a two-year period of time with no sanctions as well. And the second is an occupancy variable that is a snapshot. So obligation of funds worth five points. The occupancy worth five points as well. But it is a different occupancy than what I have under my management operations. Under management operations, it's a running total, it's accumulative over the years time. Cap fund is a snapshot in time as of the last day of your fiscal year.

0:35:09.1 DM: And you can see 40, 25, 25, 100, excuse me, a 10 gives me a total of 100 points in the system. And within that, if I score 90 or higher with no sub-indicator falling below 60% of the variables, then it says, "I'm gonna be a high performer." If I score between 60, above 60, and 90 with no sub-indicator falling below 60% of the points available, "I'm gonna be a standard housing agency." If I then fall, I score above 60, but I have a sub-indicator falling below 60% of the points available, or the cap fund is scoring zero, then it says, "I'm gonna be then a substandard agency."

And if I then fall below 60 in my overall score, then I'm gonna be labeled "troubled."

0:36:05.5 DM: So everything is done electronically. Everything goes into this system in the world of HUD, through what's called the iNtegrated Assessment Subsystem, better known as NASS. I don't have an additional report. I'm sending in my regular reporting mechanisms through my PIC system, through my FDS scheduling system, through the PHA, that ultimately then is gonna then amount to the score. And then it's gonna designate the performance as well. If I'm asking for an appeal, I'm asking for a waiver, I'm asking for then a petition on a certain element as well, everything is done electronically, everything goes into the world of REAC. And then I'm gonna then make that request by the PHA with my supporting documents of why I'm also asking for certain conditions out here as well.

0:37:00.0 DM: For example, let's say that I'm... I'm in, here in Florida, and I have a hurricane that comes through. Well, I might be asking for a temporary waiver in terms of the physical plant while I get my units back into condition as well, that would then pass then the world of PHAS because it's gonna take me a while, I've gotta have roofs, I gotta have this, I gotta have that, I've got now some mold that's gonna be coming into my units as a result of all that, all that penetrating water that's coming in. That's where I'm asking for a waiver, that's why I'm asking for an extension for those periods of time, and you do that through the world of REAC. So within my PHAS before the interim rule, the physical was worth 30, it's now worth 40. It's foundation upon UPCS. The financial used to have six sub-indicators, it now has three indicators, the quick ratio, the Months Expendable Ratio, and the debt service coverage ratio. The management, which used to have six indicators, it now has three indicators, the occupancy rate, the tenant's accounts receivable and the accounts payable. And then I see where I have some adjusting variables, the one variable is based on the DOFA date, the Date of Full Availability, which is when you first receive 95% occupancy on that development years and years ago, potentially.

0:38:32.3 DM: And the next is if it's in a high poverty census track, these are additional points. Resident satisfaction survey totally went away, and was replaced with the capital fund, which is worth 10 points. High performer, overall score of 90 or higher, and I do not have then a sub-indicator under the physical, the management or the financials is falling below 60% of the points available. So I'm getting at least 24 under my physical, I'm getting at least 15 under my management, I'm getting at least 15 under my financial, and I'm also getting at least five points under my cap fund. How do I get that? Obligate your funds in a timely fashion within that two-year period of time, 90% obligation within a two-year period of time as well, is what you're looking for in order to get those five points. Because if I don't obligate within that two-year period of time, or I have a sanction out there, then I'll score zero and they don't even look at occupancy on that as well. So, when we're walking through that system, you'll see that I have to first score the first five in order for them to evaluate the performance as it relates to the occupancy levels as well. A standard performer says, "I have an overall score of 60, and not less than 60% under, again, physical, the management and the financials, and then I'm also getting at least 50% of the total points and under the cap fund," so the same form of standard as well.

0:40:05.6 DM: A sub-standard says, "I've got an overall score though of a 60, but I've got a sub-indicator, the physical, the financial or the management is falling below 60% of the potential points available." And what you'll see in those areas, well, I'll see then a workout plan, I'm then gonna see where am I running in terms of the performance level that is not then satisfactory in terms of then working with my field office to get that piece of the operations and correct it as well? Troubled, less

than 60 overall score, and troubled, high level, very intensive technical assistance to move that agency forward, to get that agency from troubled status back to at least standard performer as well. Sometimes that takes time, sometimes that takes a lot of other forms of changes as well. These agencies, what I found in running housing authorities is they're easy to break. They're easy to break, but they take a while to fix. You can break an agency easily in six months or a year's time, and it'll take you three to five years in order to get it back on track or straighten it back out as well. So it takes a real focused effort to get an agency move back forward, 'cause it's not just looking at your PHAS score but it's looking at your systems, it's seeing where your systems are also broken, how you can get your systems back in place so you have better control and better quality assurance, better quality control on the agency as well?

0:41:37.0 DM: Cap fund program, troubled, less than 50% of the cap fund indicator. And generally, when I see a cap troubled agency out here as well, then it's just a matter of focusing on that cap, it's just a matter of getting those funds obligated, it's just a matter of making sure that the bids are properly awarded or whatever might be that maybe got that agency then towards troubled status in terms of the cap fund program as well. In terms of your designation, your designation, if you're a small PHA and you get designated then a high performer, meaning I have less than 250 units, then you're gonna receive a PHAS assessment every three years. If I'm a standard performer or a sub-standard performer, every two years, if I get labeled "troubled," I'm gonna be then looked at my PHAS score every year, if I get cap-troubled every year. If you're a large PHA more than 250 units, then it says that you're gonna then have a PHAS assessment every year, but depending on how I'm scoring then under my physical inspections on the amps, that if I score 90 or higher, then it says that I'm gonna then be looking at that property every three years for the physical, so I'm still evaluated every year under my PHAS score, but I'll carry that property then for the next three years with that 90 score under the physical component.

0:43:14.5 DM: Next is, if I score between 80 and 89, I'm a large PHA, then you're looking at that property every two years. And if I score then less than 79, looking at that property every year. If I get labeled "troubled," gonna be looking at that property every year, no matter how I scored on the property; and if I get labeled "cap-troubled," gonna be looking at that property every year, no matter how I scored on that property as well. Now, even though HUD is not then looking at the property every three years, you as a housing agency or you as property management, need to be looking at that property every single year, so you're still required to go in and do your own inspections every year on the property, regardless of whether HUD is looking at the property or not. Why? Because I wanna make sure, I'm expecting these units, I wanna make sure that I'm repairing these items that need to get repaired, and I'm not waiting for HUD, or the independent inspectors that are gonna be sent by HUD to come out and tell me what I've got going on. Just like when you're managing any other property, that you're still gonna be going through that property as a minimum, then once every three years. So your scores are then gonna then make a determination of the 3-2-1 rule. The 3-2-1 rule.

0:44:36.0 DM: So hopefully, that your PHA is sharing in the 90s on your physical properties, because then I'm looking at my inspectors then every three years as well. How do you make... How do you improve your scores? Well, the first thing is, is make sure that you've got good controls in terms of your reporting mechanism, that you're monitoring your eLOCCS, you're monitoring your PIC systems, you're monitoring your other secure systems as well, because if you're inaccurately reporting information, that is not grounds for an appeal. That is not grounds for an appeal, that HUD is gonna say, "Well, no, that's your information, you need to make sure that you're reporting

accurately in terms of this information, and you need to report timely in terms of that information." In other words, the PIC system, you wanna be reporting at least at a 95% rate. You might have some fatal errors that have come along from time to time, but you wanna make sure that you're reporting at least with a 95% acceptance rate as well. Look at last year's scores, look at last year's systems, and look at these results, and then use these results to set then additional goal sets to have improvements for the agency as well. In other words, not keep repeating the same mistakes over and over and over again, "But what am I doing to take corrective action so that they're not continuing to re-occur on the property as well?"

0:46:06.7 DM: Programming those funds coming from capital funds, programming those funds coming from [0:46:10.9] ____ subsidy, or programming those work items that's now have some health and safety issues or high ticket items that's causing your scores to be decreased as well. So focusing, again, on these issues in terms of addressing them and taking corrective action as well. You cannot get a property ready in three days, or five days or 12 days or whatever, the notices are then that HUD is using in order to notify you in terms of that they're coming out now for the inspection as well. You always wanna make sure that you're ready, but you wanna be then looking at your systems, and then thinking, "Six months, I'm anticipating that the inspections are gonna take place around my fiscal year," they're generally within 60 days of the end of your fiscal year. And so I know that. Well, I know that from sidewalk repairs that maybe I need to start that process six months in advance because I've gotta get this, I gotta get contractors, I gotta get other individuals that's gonna be taking care of those particular activities, because I got three-quarter in differential and a trip hazard out there. So using that, use the grade cards, use evaluations month by month by month, use last year's report, use what's known as a "prevalence report."

0:47:32.5 DM: The prevalence report is a report that HUD also issues in terms of how you're doing on your physical plants as an overall for the agency as well. Look to see where you're losing these reports, look to see whether these are health and safeties, look to see whether they are LTs, better known as life-threatening, or NLTs, better known as non-life-threatening; and set your systems in place so that you're not keep repeating these over and over and over again. In this prevalence report that's available, and if you haven't seen it, then you can also get it from your field office, but it's also available through the housing agency, through the world of REAC in terms of your systems as well, that you can see how your PHA is doing then on the inspection protocol, but then also whether you have then systematic or systemic deficiencies and keep repeating themselves over and over and over again. Then let's just take a look. And this is a copy of a prevalence report, but let's take a look, and do a little analysis on this prevalence report as well. So, here it gives you the area of the deficiencies, and these are what's called "systematic" or "systemic deficiencies" for this particular housing agency, that not only occurring on one site, but are occurring on then multiple sites based upon then the inspection protocol as well. So it's then showing issues that maybe the agency is either missing or not addressing as well.

0:49:19.9 DM: So here you see, within their dwelling units, that I have a relatively high level in terms of lavatory sinks, damaged, missing, or having issues. And in here it says, "I went from 137 previously to 242." So you have a systemic issue. In other words, 5.9% of the total defects that are coming from these areas alone. In my kitchen I have a systemic issue with refrigerators, and it could be that I have a field problem on the units that I'm buying out here as well, that we're not addressing it. Went from 176 to 332. In other words, I'm trending in the wrong direction. Here you see that I have a health and safety issue on infestation, insects, roaches, and I went from... I'm going for 148 to 145, but it's still 3.5% of my inspection protocol is showing that I have then a high level of

infestation or a high level of insects as well. And so I might be looking at, "Maybe I'm using the wrong chemical, maybe I need to then be converting over to a [0:50:37.7] ____ pottery system, maybe I need to be looking at maybe even changing vendors or contractors because it doesn't seem to be an effective program. Maybe I need to do a further piece with resident enforcement, if they're having poor housekeeping, or they're feeding the bugs as well.

0:50:54.9 DM: So, what am I doing to address that? Because in this case, this is an NLT, it's an infestation and it's gonna take away massive points in terms of my REAC and my REAC protocol. Windows missing, deteriorated caulk. Again, relatively high for the PHA as well. Mold and air quality, this again is NLT, and it could be that I've got mildew issues, it could be the fact that maybe even resident education needs to take place in terms of their unplugging those vent fans, or they're not letting those places air out, or maybe I'm just in a moldy area because I went from 57 to 122, I'm trending the wrong way. These health and safeties, and this is a big ticket item here when you see outlets. Outlets is an LT, which means it's a life-threatening scenario, and I went from 57 to 103. What does that probably mean? Well, my overall REAC scores are probably going the wrong way, they're going downward, because this is a LT, this is a life-threatening scenario that seemed to be consistent through the agency. So, am I doing things such as going through my units on a periodic basis to make sure my tenants are not pulling down these covers, or damaging these covers as well? And if so, then am I making the repairs and getting these... Getting a proper cover in there? Or am I just using a cheap plastic cover that maybe I can use a fiberglass type of cover that is gonna take a little bit more damage as well?

0:52:30.5 DM: And so it takes a little slightly more abuse, because I'm trending the wrong way. My electrical systems, that GFIs. Again, relatively running 108 to 101, so it's relatively high, it's an NLT. So do I need to try to change... Change out the types of GFIs that maybe I'm using in there as well, to maybe go to a better standard? My health and safety, here's an LT, emergency, blocked egress. Now, this could be the fact that my residents are also putting their headboards in front of windows as well, that is an LT, that is a life-threatening, in case of those emergencies as well. Units, they have no smoke detectors. Now, this one's not gonna count points against you, however, it is still an LT, it still needs to be addressed in 24 hours as well. And I was trending from 85 to 92, which I'm trending in the wrong way. So I probably need to have a little resident education as well, "Don't take these down, don't remove these batteries." Maybe even come up with a system in terms of a finning system, in case they continue to remove that because they're affecting not only potentially their health in case of fire, but maybe my other tenants that also live in that same building as well in case of fire, because that smoke detector will not go off if it isn't operable.

0:54:03.1 DM: So this report, this prevalence report, is available to you and is so that you can then look at this and program and design and plan. Plan for the future, see what is systematic, see these continued errors that happen to be occurring as well throughout that particular agency or throughout the protocol as well. I'm gonna take you back now to our PowerPoint. And so, in that prevalence report, you saw where it provided that additional information in terms of the area, in terms of whether it was a health and safety, in terms of the defects, and also my trending from last year or last times inspected to the current level of inspection as well. PIC is a part of the world of REAC, and we wanna make sure that we're also submitting this information timely, 'cause failure to submit information timely can result in also sub-standard rating or troubled status as well. If you're not accurate, if you're not timely, then your score is what it is, and you can also receive zero scores in, let's say, the financials as well. So it's important that we're getting this information into the world of REAC in a timely fashion and an accurate, accurate piece of information as well.

0:55:30.9 DM: So, it is a responsibility of the housing authority to provide this information, and update the information on a regular basis. Submission is late, or inaccurate due to incorrect information, then it's not necessarily grounds for an appeal to your score, that your score is what your score is and you'll have the opportunity in the next round of evaluations of getting that information correct to the world of HUD, but you might be then classified as being then labeled as "troubled" or labeled as "sub-standard" just because your IT is not getting the information up to the world of HUD in a timely basis. Make sure you're reporting those 50058s accurately and timely, and you want at least a 95% reporting rate in order for the housing agency to be scored as well.

0:56:26.3 DM: We wish to thank you very much, this will be the end of module number one, which is the introductions as well. Thank you for joining us on this particular module. Each module will be an independent module in the presentation as well. We'll continue with the other modules, the next module that we'll be going into is the PASS, which stands for the Physical Assessment Subsystem, which is gonna be worth 40 points, so we'll take you into the detail under the PASS program in our next. Again, we wish to thank you very much for joining us under this, under the PHAS program as well, and we'll see you in module number two, which is gonna be the physical. Thank you very much.