



# UNDERSTANDING PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS)



**LEAD THE WAY**

PHA GOVERNANCE AND  
FINANCIAL MANAGEMENT  
A Training for Board Members and Staff



## About PHAS

The Public Housing Assessment System, or PHAS, is the system that HUD uses to assess a PHA's performance in managing its low-rent public housing programs. HUD uses a centralized system to collect individual subsystem scores using various sub indicators and produces a composite PHAS score representing PHA's performance management. PHAS uses a 100-point scoring system based on four categories of indicators:

- PASS (Physical Assessment Subsystem) – 40 points
- FASS (Financial Assessment Subsystem) – 25 points
- MASS (Management Assessment Subsystem) – 25 points
- CFP (Capital Fund Program) – 10 points

Scores are generated for each development, or Asset Management Project (AMP). AMP scores are weighted by how many units are in the AMP and then combined into the agency-wide score. The total score is used to determine the PHA's designation under PHAS. Scores below 60 result in a troubled designation. Scores of 90 points or above result in a high performer designation. Scores below 90 but above 60 are designated as a standard performer. If your PHA scores below 60 in any one indicator, you will be designated as a substandard performer.

HUD/REAC (Real Estate Assessment Center) publishes the PHAS scores after any appeals by the PHA are addressed. A letter is sent to the PHA with the score for the Fiscal Year evaluated.

### Deregulation for Small Public Housing Agencies (*fewer than 250 units*)

- High performers receive PHAS assessments every three years
- Standard and substandard performers receive PHAS assessments every other year
- Troubled and Capital Fund-troubled PHAs will receive PHAS assessments every year
- All small PHAs must submit financial information (Financial Data Schedule, FDS) every year

## PASS (Physical Assessment Subsystem) – 40 points

### What is its Purpose?

The purpose of the PASS is to determine whether public housing units are decent, safe, sanitary and in good repair, and to determine the level to which the PHA is maintaining its public housing in accordance with housing condition standards.

### How is it Scored?

The PASS score is determined by an inspection conducted in accordance with HUD's Uniform

Physical Condition Standards (UPCS). An independent physical inspection performed and scored for each project/AMP. A statistically valid sample of the units within the AMP is selected, and project scores roll up to a composite PHA score.

### What is a Technical Review (TR)?

A technical review may be requested if, during the physical inspection, an objectively verifiable and material error occurred that, if corrected, would result in an improvement in the property's overall score. The three types of material errors are:

- **Building Data Errors** - The inspection includes the wrong building or a building that is not owned by the property.
- **Unit Count Errors** - The total number of units considered in scoring is incorrect as reported at the time of the inspection.
- **Non-Existent Deficiency Errors** - The inspection cites a deficiency that did not exist at the time of the inspection.

### WHAT IS UPCS?

HUD's Uniform Physical Condition Standards (UPCS) is the inspection protocol intended to assure there is uniformity and objectivity in the evaluation of the physical condition of HUD properties. Major inspection areas under UPCS are:

- Site
- Building Exterior
- Building Systems
- Common Areas
- Unit

UPCS Inspections take place every three years for AMPs with high a high performer status, every two years for AMPs with a score above 80 but less than 90, and annually for troubled performers.

Technical review requests must be received at REAC within 30 days from the physical inspection report release date.

### What is a Database Adjustment (DBA)?

A request for database adjustment initiates a review of the results of a physical inspection. A database adjustment may be requested for circumstances affecting the inspected property that are out of the ordinary, reflect an inconsistency with ownership, or are allowed by city/county/state codes. Circumstances that may be addressed by a database adjustment include:

- Local conditions and exceptions
- Ownership issues
- Adverse conditions beyond the owner's control
- Modernization work in progress

The PHA will have 45 days to submit from the physical inspection report release date.

### How can a PHA improve PASS?

#### Focus on the basics

- Understand and comply with Uniform Physical Condition Standards (UPCS)
- Inspect 100% of units annually using UPCS protocols
- Examine Capital Fund use and prioritization
- Compare maintenance to new development resources. Is maintenance underfunded?

- Maintain accurate building and unit inventory
- Perform routine maintenance on all properties, units, and systems throughout the year
- Repair health and safety deficiencies immediately

## MASS (Management Assessment Subsystem) – 25 points

### What is its Purpose?

The purpose of the management operations indicator is to assess the AMP's and PHA's management operations capabilities.

### How is it Scored?

MASS is determined by data reported to HUD by the PHA in the Financial Data Schedule (FDS). A score is calculated for each AMP. Scores roll up to a composite PHA score. The FDS is a required report that is sent by the PHA to HUD/REAC both 60 days after the end of the fiscal year for un-audited financial data and nine months after the end of the fiscal year with the audited data. The MASS scores can be generated from either submission, but if there is a discrepancy in data, the Audited submission data will be used. Scores are assigned by the following sub-indicators:

- **Occupancy:** Emphasizes and measures the AMP's performance in keeping available units occupied. The higher the occupancy rate, the higher the score. The maximum points assigned for this sub-indicator is 16 points.
- **Resident Accounts Receivable:** Measures the amount of resident accounts receivable against resident revenue (i.e. rent paid). The maximum points assigned for this sub-indicator is 5 points.
- **Accounts Payable:** Measures total vendor accounts payable, both current and past due against total monthly operating expenses. The lower the ratio, the higher the score. The maximum points assigned for this sub-indicator is 4 points.

AMPs may be eligible for a Physical Condition & Neighborhood Environment (PCNE) score adjustment. AMPs at least 28 years old are eligible for a 1-point adjustment. Additionally, AMPs located in neighborhoods with 40% or more families living below the poverty line are eligible for a 1-point adjustment.

### How can a PHA Improve MASS?

#### Focus on the Basics

- Increase number of occupied units/reduce vacancies
  - Maintain an updated waiting list
  - Turn vacant units around quickly
- Collect the rents on time
  - Enforce rent collection policies as much as possible
  - Increase revenue and lower Tenant Accounts Receivable (TAR) ratio
- Reduce accounts payable by paying bills on time

- Be knowledgeable about your physical conditions
- Review and understand your maintenance reports
- Know the amounts and status of your Capital Fund Program (CFP) grants
- Thoughtfully approve construction contracts

### Monitor Vacant Unit Turnaround

- Monitor resident move-out/turn-over rate, which indicates resident satisfaction, vacancy loss issues, waiting list sufficiency, marketing and outreach, and changes in local market.
- Monitor property turn-over/turn around time, which indicates the time it takes to reoccupy vacant units
- Track move-out date to re-occupancy date, which of three periods:
  - **Down time:** Down time starts on the move out date.
  - **Make ready time:** Make ready time starts when the housing manager tells the maintenance supervisor the tenant is gone and it's time to prepare the unit. Date is sometimes documented as the date on a move-out inspection form. The form the housing manager uses for security deposit purposes
  - **Lease-up time:** Lease-up time starts when the maintenance man tells the housing manager the unit is done, the paint is dry, and it's okay to move somebody in. Date is sometimes documented on a work order form or log.

## FASS (Financial Assessment Subsystem) – 25 points

### What is its Purpose?

The purpose of the financial condition indicator is to measure the financial condition of each public housing project.

### How is it Scored?

FASS is determined by data reported to HUD by the PHA in the Financial Data Schedule (FDS). Project financial performance will be scored for each project (AMP). The AMP scores will be averaged across the PHA, weighted according to unit count, and rolled up to a composite PHA score. The FDS is a required reporting that is sent by the PHA to HUD/REAC 60 days after the end of the Fiscal Year for the Unaudited Financial Data and 9 months after the end of the Fiscal Year with the Audited data. The FASS scores can be generated from either submission, but if there is a discrepancy in data the Audited submission data will be used. Late Penalty points and Late Pre-sumptive Failure (LPF) for these submissions do apply to FASS Indicator score.

## Late Penalty Points and Late Presumptive Failure (LPF)

Late penalty points are counted against the overall PHAS score if a PHA is late submitting their data in the Financial Data System (FDS). Each data set has a separate due date. To learn more about these schedules and penalties, visit the [HUD/REAC site](#).

A Late Presumptive Failure (LPF) occurs when a PHA does not submit the required financial information and/or management certifications by the established regulatory submission deadlines. An automatic score of zero is assigned to the PHA for that indicator.

Late Penalty Points and Late Presumptive Failure can only be applied to the FASS indicator.

Scores are assigned by the following sub-indicators:

- **Quick Ratio (QR)** – Measures liquidity and current assets. The maximum points assigned for this sub-indicator is 12 points.
- **Months Expendable Net Ratio (MENAR)** – Measures the adequacy of the financial reserves by determine the number of months of operation using the net available resources. The maximum points assigned for this sub-indicator is 11 points.
- **Debt Service Coverage Ratio (DSCR)** – Measures capacity to cover debt obligations through the ability to meet regular debt obligations. The maximum points assigned for this sub-indicator is 2 points.

### How can a PHA Improve MASS?

#### Focus on the Basics

- Maintain accurate financial records
- Submit financial reports to HUD on time
- Increase Quick Ratio by increasing cash available and reducing accounts payable
- Increase Months Expendable Net Assets ratio by increasing savings in the bank and reducing operating costs

## CFP (Capital Fund Program) – 10 points

### What is its Purpose?

The purpose of the Capital Fund program assessment is to examine the period of time it takes a PHA to obligate the funds provided to it from the Capital Fund program. Ultimately, the purpose is for PHAs to obligate 90% or more of these funds as quickly as possible, and no later than 2 years after funds become available. It is also to modernize and develop units and improve overall occupancy and to meet HUD's Strategic Plan goal to "Meet the Need for Quality Affordable Rental Homes."

## How is it Scored?

Uses information reported in eLOCCS for scoring.

Scores are assigned by the following sub-indicators:

- **Fund Obligation** – 5 points are assigned if the PHA obligated 90% or more of the CFP by the obligation end date with no sanctions.
- **Occupancy Rate** – Measures occupancy rate at fiscal year end after adjusting for HUD approved vacancies. A total of 5 points are assigned for a rate of 96% or greater. A total of 2 points are assigned for a rate of 93% but less than 96%. Zero points are assigned if the rate is less than 93%. If the PHA scored less than 5 points for Timeliness of Fund Obligation, the Occupancy Rate score is automatically zero.

The other PHAS indicators require 60% or above to pass. The Capital fund indicator pass rate is 50% or at least 5 points.

## How can a PHA Improve CFP?

### Focus on the Basics

- Timely obligation of Capital Program Funds
  - Plan for the PHA's use of Capital funds
  - Track obligations made and obligation end dates
  - Request monthly board reports
  - Evaluate PHA procurement/contracting timeliness and effectiveness
- Increase number of occupied units
- Have a well-planned program for vacancy reduction that matches available funding resources
- Reduce turnover vacancy time
- Have tenants ready to move in to units when the units are ready.

### Grant Management

- Observe and achieve obligation and expenditure deadlines
  - Sooner is better for your PHA
- Compare projected vs. actual budgets
- Issue several contracts per grant
- File grant close-out documents
- Be aware of the penalties for failure to meet deadlines, which include:
  - Fund recapture
  - Lower PHAS score, which could lead to substandard or troubled designation
- Adhere to the PHA procurement policy