

**§ 902.26**

**24 CFR Ch. IX (4-1-03 Edition)**

issuance of the physical condition score. Based on the recommendation of the applicable HUD HUB/Program Center, HUD may determine that a reinspection and/or re-scoring of the PHA's property is necessary.

(d) *Overall PHA Physical Condition Indicator score.* The overall Physical Condition Indicator score for a PHA is the weighted average of the PHA's individual property physical inspection scores, where the weights are the number of units in each property divided by the total number of units in all properties of the PHA.

(e) *Thresholds.* (1) The physical condition score is reduced to a 30 point basis for the PHAS Physical Condition Indicator.

(2) In order to receive a passing score under the Physical Condition Indicator, the PHA must achieve a score of at least 18 points, or 60 percent of the available points under this indicator. If the PHA fails to receive a passing score on the Physical Condition Indicator, the PHA shall be categorized as a substandard physical agency.

[65 FR 1738, Jan. 11, 2000, as amended at 65 FR 36044, June 6, 2000]

**§ 902.26 Physical Inspection Report.**

(a) Following the physical inspection and computation of the score under this subpart, each PHA receives a Physical Inspection Report. The Physical Inspection Report allows the PHA to see the magnitude of the points lost by inspectable area, and the impact on the score of the health and safety (H&S) deficiencies.

(1) If exigent health and safety items are identified in the report, the PHA will have the opportunity to correct all exigent health and safety deficiencies noted on the report and request a reinspection.

(2) The correction of exigent health and safety deficiencies and the request for reinspection must be made within 15 days of the PHA's receipt of the Physical Inspection Report. The request for reinspection must be accompanied by the PHA's identification of the exigent health and safety deficiencies that have been corrected, and the PHA's certification that all such deficiencies identified in the report have been corrected.

(3) If HUD determines that a reinspection is appropriate, REAC will arrange for a complete reinspection of the development(s) in question, not just the deficiencies previously identified. The reinspection will constitute the final physical inspection for the development, and REAC will issue a new inspection report (the final inspection report).

(4) If any of the previously identified exigent health and safety deficiencies that the PHA certified were corrected are found during the reinspection to be not corrected, the score in the final inspection report will reflect a point deduction of triple the value of the original deduction, up to the maximum possible points for the unit or area, and the PHA must reimburse HUD for the cost of the reinspection.

(5) If a request for reinspection is not made within 15 days, the physical inspection report issued to the PHA will be the final physical inspection report.

(b) The Physical Inspection Report includes the following items:

(1) Normalized weights as the "possible points" by area;

(2) The area scores, taking into account the points deducted for observed deficiencies;

(3) The H&S deductions for each of the five inspectable areas; a listing of all observed smoke detector deficiencies; and a projection of the total number of H&S problems that the inspector potentially would see in an inspection of all buildings and all units; and

(4) The overall property score.

**§ 902.27 Physical condition portion of total PHAS points.**

Of the total 100 points available for a PHAS score, a PHA may receive up to 30 points based on the Physical Condition Indicator.

**Subpart C—PHAS Indicator #2:  
Financial Condition**

**§ 902.30 Financial condition assessment.**

(a) *Objective.* The objective of the Financial Condition Indicator is to measure the financial condition of a PHA for the purpose of evaluating whether it has sufficient financial resources and

is capable of managing those financial resources effectively to support the provision of housing that is decent, safe, sanitary and in good repair.

(b) *Financial reporting standards.* A PHA's financial condition will be assessed under this indicator by measuring the PHA's entity-wide performance in each of the components listed in § 902.35, on the basis of the annual financial report provided in accordance with § 902.33.

**§ 902.33 Financial reporting requirements.**

(a) *Annual financial reports.* PHAs must submit their unaudited and audited financial data to HUD on an annual basis. The financial information must be:

(1) Prepared in accordance with Generally Accepted Accounting Principles (GAAP) as further defined by HUD in supplementary guidance; and

(2) Submitted electronically in the format prescribed by HUD using the Financial Data Schedule (FDS).

(b) *Annual financial report filing dates.* The unaudited financial information to be submitted to HUD in accordance with paragraph (a) of this section, must be submitted to HUD annually, no later than two months after the end of the PHA's fiscal year end, with no penalty applying until the 16th day of the third month after the PHA's fiscal year end in accordance with Uniform Financial Reporting Standards (see 24 CFR part 5, subpart H). An automatic one month extension will be granted for PHAs with fiscal years ending September 30, 1999 through June 30, 2000.

(c) *Reporting compliance dates.* The requirement for compliance with the financial reporting requirements of this section begins with PHAs with fiscal years ending on and after September 30, 1999. Unaudited financial statements will be required two months after the PHA's fiscal year end, and audited financial statements will be required no later than 9 months after the PHA's fiscal year end, in accordance with the Single Audit Act and OMB Circular A-133 (see 24 CFR 84.26).

**§ 902.35 Financial condition scoring and thresholds.**

(a) *Scoring.* Under PHAS Indicator #2, REAC will calculate a score based on the values of financial condition components, as well as audit and internal control flags. Each financial condition component has several levels of performance, with different point values for each level. A PHA's score for a financial condition component depends upon both the level of the PHA's performance under a component, and the PHA's size, based on the number of public housing and section 8 units and other units the PHA operates.

(1) Under PHAS Indicator #2, REAC will calculate a score following the procedures described in the PHAS Notice on the Financial Condition Scoring Process (PHAS FASS Notice 3), which will be published in the FEDERAL REGISTER. HUD may revise this notice in the future, but HUD will publish for comment any significant proposed amendments to this notice. After comments have been considered, HUD will publish a notice adopting a final notice or amendment. The PHAS Notice on the Financial Condition Scoring Process that is currently in effect can be found at the REAC Internet site at <http://www.hud.gov/reac> or obtained from REAC's Technical Assistance Center at 888-245-4860 (this is a toll free number).

(2) PHAs with fiscal years ending on or before June 30, 2000, will receive an advisory score based on the PHA's entity-wide operations. PHAs with fiscal years ending March 31, 2000, and June 30, 2000, will also receive a score under this subpart C. These PHAs will receive a PHAS financial condition score on the basis of their public housing operating subsidies program. PHAs with fiscal years ending after June 30, 2000, will receive PHAS financial condition scores on the basis of their entity-wide operations.

(3) *High liquidity or reserves.* (i) Under the scoring process for the Financial Condition Indicator, no points will be deducted under the Current Ratio or Monthly Expenditure Fund Balance components for a PHA that has too high liquidity or reserves if the PHA has achieved at least 90 percent of the