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**Thursday,
December 21, 2000**

Part V

Department of Housing and Urban Development

**Public Housing Assessment System;
Financial Condition Scoring Process;
Notice**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4509-N-17]

Public Housing Assessment System; Financial Condition Scoring Process

AGENCY: Office of the Assistant Secretary for Public and Indian Housing, and Office of the Director of the Real Estate Assessment Center, HUD.

ACTION: Notice.

SUMMARY: This notice provides additional information to Public Housing Agencies (PHAs) and members of the public about HUD's process for issuing scores under the Financial Condition Indicator of the Public Housing Assessment System (PHAS). This notice includes generally accepted accounting principles (GAAP)-based threshold values and associated scores for each Financial Condition Indicator component and peer group based on all available data as of October 15, 2000. This notice also provides additional clarification to the two audit flag and tier classification charts.

DATES: December 21, 2000.

FOR FURTHER INFORMATION CONTACT: For further information contact the Real Estate Assessment Center (REAC), Attention: Wanda Funk, U. S. Department of Housing and Urban Development, 1280 Maryland Avenue,

SW, Suite 800, Washington, DC 20024; telephone Technical Assistance Center, 1-888-245-4860 (this is a toll free number). Persons with hearing or speech impairments may access that number via TTY by calling the Federal Information Relay Service at (800) 877-8339. Additional information is available from the REAC Internet Site at <http://www.hud.gov/reac>.

SUPPLEMENTARY INFORMATION:

I. Background

HUD published the first Public Housing Assessment System; Financial Condition Scoring Process Notice in the **Federal Register** (64 FR 26222) on May 13, 1999. On June 23, 1999, HUD republished the notice (64 FR 33700) to coincide with the June 22, 1999, publication of the Public Housing Assessment System proposed rule. Subsequently, HUD further revised the notice (65 FR 40008) to reflect additional changes to the financial scoring process on June 28, 2000. This notice is an update of the Financial Condition Scoring Process notice that was published on June 28, 2000. In the June 28, 2000, notice, HUD stated that any changes to the scoring process and any modifications to the thresholds would be communicated through a subsequent **Federal Register** notice. Accordingly, this notice updates the June 28, 2000, notice, and provides information on the revision made to the

Financial Condition Scoring Process Notice. By this notice, HUD is revising the thresholds based on a full year's worth of unaudited and available audited GAAP data.

This change has been made in accordance with the threshold reevaluation schedule set forth in the June 28, 2000, notice. The original thresholds were based on a sample of PHAs reporting under GAAP prior to September 30, 1999, and were used for all unaudited and audited financial submissions for fiscal year ends through June 30, 2000. As of September 30, 2000, the thresholds were to be reevaluated based on a full year's worth of unaudited and available audited GAAP data. This notice provides the revised thresholds based on data collected as of September 30, 2000, which includes unaudited and audited submissions received during an entire fiscal year. Hereafter, the REAC plans to keep the reevaluated thresholds constant for a three year period, unless there is a need for revision. Please refer to Appendix 2 for the revised thresholds.

II. Financial Condition Indicator

The chart below shows the six components that constitute the Financial Condition Indicator and their assigned points.

FINANCIAL CONDITION INDICATOR

Scoring Components	Measurement	Points
Current Ratio (CR)	Liquidity	9.0
Number of Months Expendable Fund Balance (MEFB)	Adequacy of reserves	9.0
Tenant Receivables Outstanding (TRO)	Ability to collect payments of tenant receivables	4.5
Occupancy Loss (OL)	Ability to lease up units and maximize rental income	4.5
Expense Management/Utility Consumption (EM/UC)	Ability to maintain expense ratios at a reasonable relative level to peers (adjusted for size and region).	1.5
Net Income or Loss as a Percentage of Expendable Fund Balance (NI).	Effect of current year operations on existing reserves	1.5

The values of the six components of the Financial Condition Indicator calculated from the financial data comprise the overall financial assessment of the PHA. The components and their relative importance to the total financial score are the result of studies of PHA financial performance and of industry portfolio management techniques to identify the most appropriate financial measures to gauge a PHA's financial position. These components represent measures that are appropriate benchmarks in any residential real estate environment. The score assigned to each component is based on the distributions of that

component's values and the relative relationship between the components and the PHA's overall financial performance.

Financial Assessment Focus

The PHAS financial assessment is based on the entity-wide operations of a PHA, which includes financial information on Section 8, Community Development Block Grants, and other HUD funding in its calculations, as well as funds from non-HUD sources. GAAP-based scores as of September 30, 2000, are enforceable and will be based on an entity-wide assessment.

Scoring Approach

Under PHAS, the components of the PHAS Financial Condition Indicator were developed to both fairly and accurately assess a PHA's financial performance and financial management. As part of the development, the components were tested to establish the correlation between PHA performance under each component and the fiscal health of a PHA. PHAs were evaluated and assigned scores based on a PHA's performance relative to its peers. In other words, all PHAs as a group determine the mean score and each PHA is then ranked accordingly. This peer assessment approach, which was

formulated following extensive economic and financial analysis, examination of well-accepted business principles, and discussions with PHA industry representatives and PHA staff, provides an equitable means of measuring the financial performance of PHAs.

Comparable Scoring Systems

The peer assessment process is not unique to the REAC. Companies in the mortgage housing and securities industries, and other Federal agencies utilize similar systems in assessing their constituents. Fannie Mae, the mortgage housing industry leader, developed an assessment system with financial indicators similar to those contained in HUD's financial assessment of PHAs. These indicators include vacancy, reserve balances, and net income. Like HUD, Fannie Mae uses these indicators to rank properties and identify those which require further attention. In the securities area, Standard & Poor's conducts peer assessment of a company's operational capabilities and cash flows relative to their peers. Among Federal agencies, the Department of Health and Human Services (HHS) contracts with state and local entities to perform financial audits of nursing homes and hospitals participating in the Federal Medicare program. Based on these financial audits, HHS determines the continued eligibility of these health service providers in the Medicare program.

III. GAAP Scoring Processes

GAAP-based scores are produced using data contained in the Financial Data Schedule (FDS). The GAAP-based financial data is first used to calculate the six financial ratios that measure various aspects of financial health, such as short term liquidity, EM/UC, and collection of tenant receivables. Ratios are then translated into scores based on its component value relative to its peers. Peer groupings are established according to the size of the PHA, based on the total number of units operated by the PHA for all programs and activities. For the expense management component only, low-rent only information plus the geographic location in which it falls is utilized.

The current size peer groupings are as follows:

- Very Small (0-49 units)
- Small (50-249 units)
- Low Medium (250-499 units)
- High Medium (500-1,249 units)
- Large (1,250-9,999 units)
- Extra-Large (10,000+ units)

In order to have a more equitable assessment of a PHA's expenses relative

to its peers, the REAC developed regional peer groupings for the EM/UC component, to supplement the size-based peer groups. Thus, a PHA is scored on EM/UC against a threshold that is calculated from all expense data in that PHA's similar size group and region. The regions are based on the first number of the PHA's zip code, and are divided as follows:

Region	States
0	CT, MA, ME, NH, NJ, RI, VT.
1	DE, NY, PA.
2	DC, MD, NC, SC, VA, WV.
3	AL, FL, GA, MS, TN, RQ, VQ.
4	IN, KY, MI, OH.
5	IA, MN, MT, ND, SD, WI.
6	IL, KS, MO, NE.
7	AR, LA, OK, TX.
8	AZ, CO, ID, NM, NV, UT, WY.
9	AK, CA, HI, OR, WA, GQ.

For the EM/UC component, the size-based peer groups were combined into three groups (small, medium and large) for analysis purposes because there is not sufficient statistical observations to differentiate all six size-based peer groups.

The minimum number of points (zero) and the maximum number of points (thirty) can each be achieved over a range of values. For example, on the Current Ratio, large PHAs receive zero points for a ratio that is less than one, while they receive nine points for a ratio between 1.8 and 3.9. Therefore, PHAs can target one range of values that they want to avoid and target one range that they should strive to achieve. Aside from these ranges, points are assigned to component values along a continuous line. This means that each component value will receive a different number of points.

This system ("continuous scoring") ensures that points are awarded equitably to PHAs along the distribution of component values because, in most cases, small differences in component values result in only small differences in the scores of the individual components. Therefore, two PHAs of a similar size whose values for their financial condition components are in close proximity will receive only slightly different scores to capture their performance relative to each other. For example, a large PHA with a Current Ratio of 1.1 would receive 5.4 points, while a PHA of the same size with a ratio of 1.2 would receive 5.9 points.

The number of points assigned to each component value or range of values is based on where the thresholds

for that component are set. The thresholds separate distinct ranges of scores along the distribution of component values. The thresholds and their associated scores are estimated based on well-accepted business principles and statistical distributions of values within the peer groupings of the PHAs.

Business Principles

Scoring of certain components follow generally recognized business principles. These principles indicate that there are certain absolute thresholds below which component values are clearly financially unacceptable and component values below that point should result in a score of zero. These principles are used in scoring the Current Ratio and Number of Months Expendable Fund Balance components. For both of these components, a value of less than one is financially unacceptable, regardless of PHA size, and therefore merits a score of zero.

Statistical Distributions

The thresholds are estimated by examining the distributions of component values by peer group. For the four most significant components (Current Ratio, Number of Months Expendable Fund Balance, Tenant Receivables Outstanding, and Occupancy Loss), thresholds are set such that approximately 50 percent of the distribution receives the maximum number of points, as long as 50 percent of the distribution have acceptable values for the component. Thus, the highest number of points is awarded to the PHAs whose financial measures are most reasonable both relative to their peers and in an absolute business sense. The specific percentiles that make this 50 percent of PHAs are established by identifying natural break points along the distributions. For example, for the Current Ratio and Number of Months Expendable Fund Balance, these break points fall at approximately the 30th and 80th percentiles. The remaining two components (Expense Management and Net Income as a Percentage of Fund Balance) assign zero points to PHAs that fall only in the extreme outer ranges of the distribution of values, and award 1.5 points to the remaining PHAs. The scoring functions and thresholds derived from these distributions can be found in Appendices 1 and 2.

IV. Audit Adjustments

Pursuant to 902.63(b)(2), the REAC calculates a revised FASS score once audited financial information is received. The revised FASS score,

which is based on the audited information, can either increase or decrease the initial score that was based on the unaudited financial information. There are two types of adjustments to the audited score that relate to financial audit information. The first type deals with the audit flags and reports that result from the audit itself. Reportable conditions and material weaknesses are considered to be audit flags, alerting the REAC to an internal control weakness or an instance of noncompliance with Federal laws and regulations. The second adjustment deals with significant differences between the unaudited and audited financial information reported to HUD pursuant to 902.63(b)(1).

Audit Opinion and Flags

As part of the analysis of the financial health of a PHA including assessment of the potential or actual waste, fraud or abuse at a PHA, HUD will look to the Audit Report to provide an additional

basis for accepting or adjusting financial component scores (See 63 FR 46607, September 1, 1998). The information collected from the annual audit report pertains to the type of audit opinion, details of the audit opinion, and the presence of reportable conditions and material weaknesses.

If the auditor's opinion is anything other than unqualified, points will be deducted from the PHA's audited financial score. The REAC will review audit flags to determine their significance as it directly pertains to the assessment of the PHA's financial condition. If the flag has no effect on the financial components or the overall financial condition of the PHA as it relates to the PHAS assessment, the audited score will not be adjusted. However, if the flags have an impact on the PHAS assessment, the PHA's audited score will be adjusted, in accordance with the seriousness of the reported finding.

These flags are collected by using the OMB A-133 Data Collection Form. The PHA completes this form for both the unaudited and audited submissions. At the time of the unaudited submission the form is used as a self-assessment tool and should reflect the PHA's knowledge of their financial and internal control condition and should acknowledge their understanding of what the auditor will report.

If the OMB A-133 Data Collection Form indicates that the auditor's opinion will be anything other than unqualified, points will be deducted from the PHAS score. The points have been established by the REAC using a three-tier system. The tiers are meant to give consideration to the seriousness of the audit qualification and to limit the deducted points to a reasonable portion of the PHA's total, actual score. The tiers, as established by the REAC, are defined below.

AUDIT FLAG TIERS

Tier	PHAS Points Deducted
Tier 1	100 percent of the PHA's total unadjusted FASS score.
Tier 2	10 percent of the PHA's adjusted FASS score.
Tier 3	Maximum of 5 percent of the PHA's adjusted FASS score. This maximum is cumulative and not to be assessed for each Tier 3 audit or internal control flag.

Each tier is assessed sequentially beginning with Tier 1; subsequent tier deductions are based on the initial score less any preceding tier deductions. Tier 3 audit flags are divided into levels which reflect the seriousness of the audit qualification and result in scoring adjustments based on the following criteria:

Level 1—0.15 points per occurrence not to exceed three occurrences (.45 maximum point deduction).

Level 2—0.15 points per occurrence not to exceed four occurrences (.6 maximum point deduction).

Level 3—0.075 points per occurrence not to exceed six occurrences (.45 maximum point deduction).

Please refer to the table at the end of this section, titled "Audit Flags and Tier Classifications," that lists audit flags and associated tier classifications.

Review of Audited Versus Unaudited Submission

The purpose of a comparison of the ratios and scores resulting from the

current year's unaudited Financial Data Schedule submission to the ratios and scores resulting from the current year's audited submission is to:

1. Identify significant changes in ratio calculation results and/or scores from the unaudited submission to the audited submission;

2. Identify PHAs that consistently provide significantly different data from their unaudited submission to their audited submission;

3. Assess or alleviate penalties associated with the inability to provide reasonably accurate unaudited data within the required time period.

This review process will only be performed for the audited submission.

Materiality and Penalty Assessment

The REAC views the transmission of significantly inaccurate unaudited financial data as a serious condition. Therefore, PHAs are encouraged to assure financial data is as reliable as possible for their unaudited submissions.

A significant change penalty will be assessed for significant differences between the unaudited and audited submissions. A significant difference is considered to be an overall FASS score decrease of three or more points from the unaudited to the audited submission. The PHAS system automatically deducts the significant change penalty from the audited score and this reduction triggers the REAC analyst's review.

The REAC may waive the materiality penalty if the PHA provides reasonable documentation of the material difference in its submission. A materiality penalty is considered a Tier 3, level 2 audit flag, and will result in a reduction of points as associated with all other Tier 3 audit flags.

The table, below, summarizes the audit flags and associated tier classifications.

AUDIT FLAGS AND TIER CLASSIFICATIONS

Audit flag	Tier classification
Unqualified opinion	None
No audit opinion	Tier 1
Adverse opinion	Tier 1
Disclaimer of opinion	Tier 1
Qualified opinion:	
1. GAAP qualifications:	
A. Change in accounting principle	Tier 3, Level 1
B. Change in accounting estimate	Tier 3, Level 1
C. Change in accounting method	Tier 3, Level 1
D. Departure from GAAP	Tier 2
(1) Financial statements using basis other than GAAP	Tier 1
(2) Exclusion of alternate accounting for an account or group of accounts	Tier 2
(3) Inconsistently applied GAAP	Tier 2
(4) Omissions/Inadequate disclosure	Tier 2
2. GASS—Scope limitations	Tier 2
A. Imposed by management	Tier 2
B. Imposed by circumstance	Tier 2
C. Year 2000 (add back)	Tier 3, Level 1
3. Report on major program compliance	Tier 3, Level 1
4. Report on internal control	Tier 3, Level 1
Accounting principles used caused the financial statements to be materially misstated	Tier 2
Inadequate records	Tier 2
Going concern	Tier 1
Material noncompliance disclosed	Tier 2
1. Internal control weakness	Tier 3, Level 2
2. Compliance	Tier 3, Level 2
3. Opinion on supplemental schedules	Tier 3, Level 2
Reportable condition:	
1. Internal control	Tier 3, Level 3
2. Compliance	Tier 3, Level 3
Significant change penalty	Tier 3, Level 2

V. Appendices

The graphs shown in Appendix 1 depict the approximate GAAP-based scoring functions used for each of the six components of the Financial Indicator. Appendix 2 provides revised GAAP-based threshold values and associated scores for each component and peer group, based on the GAAP data

pool as of September 30, 2000. These thresholds, which are based on a full year of unaudited and available audited GAAP data, will remain in effect for all unaudited and audited PHA financial submissions for PHAs with fiscal year ends on or after September 30, 2000, for a three year period, unless the REAC finds a need for revisions. Any revisions

to the thresholds will be communicated through a Notice.

Dated: December 13, 2000.

Harold Lucas,

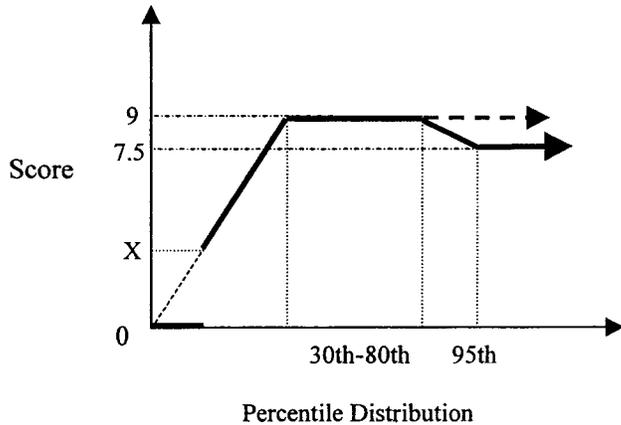
Assistant Secretary for Public and Indian Housing.

Donald J. LaVoy,

Director, Real Estate Assessment Center.

Appendix 1 – Graphs of GAAP-based Financial Indicators

Graph 1: Financial Indicators #1 & #2: Current Ratio & Months Expendable Fund Balance



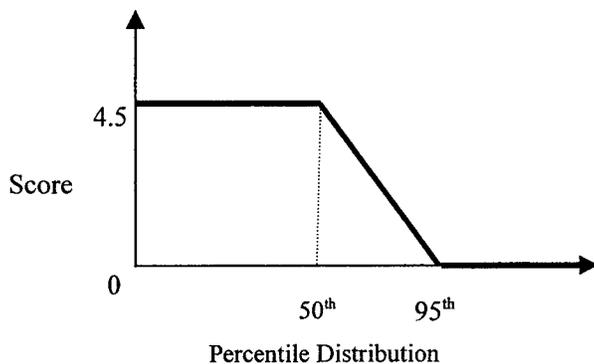
The scoring structure depicted above is established based on the distribution of data for each peer group. For both Current Ratio (CR) and Months Expendable Fund Balance (MEFB), a PHA receives zero points when the calculated ratio is less than one. With a value of one, they receive X points, which is determined by the distribution of the data, and therefore varies by size category. The maximum number of points is received between approximately the 30th and 80th percentiles. PHAs with values falling beyond the upper bound of this range receive incrementally fewer points up to a maximum deduction of 1.5 points. This reduction in points was established because HUD believes that PHAs with too high reserves and liquidity may be better utilizing their resources to improve the quality of housing or services to its residents.

However, in recognition of PHAs who are performing well in their quality of housing and resident services, HUD has modified this scoring methodology. If a PHA:

- has lost points in the Financial Assessment as a result of having too high reserves and/or liquidity (i.e. falling to the right of the 80th percentile), AND
- is a high performer under the Physical Assessment Subsystem, AND
- is not required to submit a follow-up plan under the Resident Satisfaction Assessment Subsystem

then these lost points will be restored (this is depicted in Graph #1 by the dashed arrow).

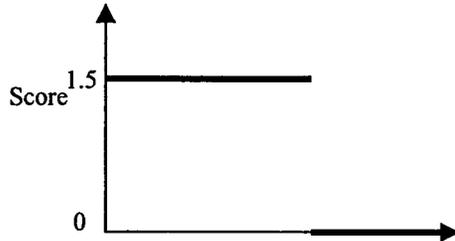
Graph 2: Financial Indicators #3 & #4: Occupancy Loss & Tenant Receivables Outstanding



For Occupancy Loss (OL) and Tenant Receivables Outstanding (TRO), the maximum number of possible points is 4.5, which is received up to approximately the 50th percentile. For values beyond approximately the 95th percentile, the PHA receives zero points.

For the OL calculation, the PHA may exclude the vacant units approved by HUD to be taken off-line for ongoing modernization, conversion, non-dwelling purposes, or demolition.

Graph 3: Financial Indicator #5: Expense Management



For Expense Management (EM), a PHA can receive either 1.5 or zero points.

There are six expense categories that comprise EM. A PHA's per unit, per month expense amount in each category is multiplied by the weights listed below, and summed to produce a weighted average. This summed number is compared to the threshold for that PHA's size and regional peer group. Each cross-section of size and region has one threshold that is set at 1.645 standard deviations (approximately the 95th percentile) from the mean of the distribution in that group. If the PHA's weighted average expense amount falls below the threshold, it receives 1.5 points; above the threshold, it receives zero points. With this weighted average methodology, a PHA may have high expenses in one category, for example, but may still receive 1.5 points if its other expense categories are reasonable relative to its peers. The weights are as follows:

<u>Expenses</u>	<u>Percent Weight</u>
Administrative Expense	34%
General Expense	33%
Tenant Service Expense	10%
Protective Service Expense	10%
Maintenance & Operation Expense	10%
Utilities Expense	3%
<i>Total</i>	100%

For example: The following PHA is in the Extra Large size category, is geographically located in region 0, and has the following expense totals:

<u>Expense</u>	<u>Amount</u>	<u>Weighted Average</u>
Administrative Expense	\$115	.34 * \$115 = \$39.10
General Expense	\$105	.33 * \$105 = \$34.65
Tenant Services	\$15	.10 * \$15 = \$1.50
Protective Service Expense	\$20	.10 * \$20 = \$2.00
Maintenance & Operation Expense	\$45	.10 * \$45 = \$4.50
Utilities Expense	\$150	.03 * \$150 = \$4.50
TOTAL		\$86.25

The threshold for an Extra Large PHA in Region 0 is \$107. Because the PHA has a weighted average expense total that is less than the applicable threshold, the PHA receives the full 1.5 points.

Graph 4: Financial Indicator #6: Net Income

	Negative Reserves	Positive Reserves
Positive Profits	I. Positive Profits and Negative Reserves Score = 1.5	III. Positive Profits and Positive Reserves Score = 1.5
Negative Profits	II. Negative Profits and Negative Reserves Score = 0	IV. Negative Profits and Positive Reserves If there is at least \$5 of Reserves for every \$1 of Loss, score = 1.5. If there is less than \$5 of Reserves for every \$1 of Loss, score = 0.

For Net Income (NI), a PHA can receive either 1.5 or zero points.

All PHAs that have a net income for the year receive the full score. If a PHA reports a net loss for the year, and has a positive expendable funds balance, as long as the loss does not exceed 20% of the EFB, the PHA will also receive the full score. This 20% threshold does not vary by region or size.

Appendix 2 – Threshold Tables for Entity-Wide GAAP Scoring

These tables can be interpreted in the following manner:

- Identify a size category for an indicator;
- The rows under that size category identify ranges of possible values for that indicator; and
- The column to the right labeled “Score” identifies the score or range of scores that is awarded to each range of indicator value for that size category.
- The thresholds presented here have been rounded for presentation purposes, whereas those used to calculate scores at REAC are not rounded.

Current Ratio (CR)							
Very Small	Score	Small	Score	Low Medium	Score	High Medium	Score
CR<1	0	CR<1	0	CR<1	0	CR<1	0
CR=1	1.8	CR=1	3.2	CR=1	3.6	CR=1	4.4
1<CR<4.9	1.8<Score<9	1<CR<2.8	3.2<Score<9	1<CR<2.5	3.6<Score<9	1<CR<2.1	4.4<Score<9
4.9<CR<14.0	9	2.8<CR<8.0	9	2.5<CR<5.9	9	2.1<CR<4.9	9
14.0<CR<24.0	9>Score>7.5	8.0<CR<14.9	9>Score>7.5	5.9<CR<10.3	9>Score>7.5	4.9<CR<7.8	9>Score>7.5
CR≥24.0	7.5	CR≥14.9	7.5	CR≥10.3	7.5	CR≥7.8	7.5

Current Ratio (CR)			
Large	Score	Extra Large	Score
CR<1	0	CR<1	0
CR=1	4.9	CR=1	6.4
1<CR<1.8	4.9<Score<9	1<CR<1.4	6.4<Score<9
1.8<CR<3.9	9	1.4<CR<2.3	9
3.9<CR<6.9	9>Score>7.5	2.3<CR<2.7	9>Score>7.5
CR≥6.9	7.5	CR≥2.7	7.5

Months Expendable Fund Balance (MEFB)							
Very Small	Score	Small	Score	Low Medium	Score	High Medium	Score
MEFB<1	0	MEFB<1	0	MEFB<1	0	MEFB<1	0
MEFB=1	1.5	MEFB=1	1.9	MEFB=1	1.8	MEFB=1	1.9
1<MEFB<6.0	1.5<Score<9	1<MEFB<4.6	1.9<Score<9	1<MEFB<4.9	1.8<Score<9	1<MEFB<4.7	1.9<Score<9
6.0<MEFB<16.3	9	4.6<MEFB<12.0	9	4.9<MEFB<11.5	9	4.7<MEFB<12.6	9
16.3<MEFB<28.8	9>Score>7.5	12.0<MEFB<18.4	9>Score>7.5	11.5<MEFB<21.4	9>Score>7.5	12.6<MEFB<21.2	9>Score>7.5
MEFB≥28.8	7.5	MEFB≥18.4	7.5	MEFB≥21.4	7.5	MEFB≥21.2	7.5

Months Expendable Fund Balance (MEFB)			
Large	Score	Extra Large	Score
MEFB<1	0	MEFB<1	0
MEFB=1	2.2	MEFB=1	4.8
1<MEFB<4.0	2.2<Score<9	1<MEFB<1.9	4.8<Score<9
4.0<MEFB<10.3	9	1.9<MEFB<7.8	9
10.3<MEFB<18.5	9>Score>7.5	7.8<MEFB<9.8	9>Score>7.5
MEFB≥18.5	7.5	MEFB≥9.8	7.5

Tenants Receivable Outstanding (TRO)							
Very Small	Score	Small	Score	Low Medium	Score	High Medium	Score
TRO ≤ 1	4.5	TRO < 2	4.5	TRO < 4	4.5	TRO ≤ 5	4.5
1 < TRO < 37	4.5 > Score > 0	2 < TRO < 26	4.5 > Score > 0	4 < TRO < 31	4.5 > Score > 0	5 < TRO < 29	4.5 > Score > 0
TRO ≥ 37	0	TRO ≥ 26	0	TRO ≥ 31	0	TRO ≥ 29	0

Tenants Receivable Outstanding (TRO)			
Large	Score	Extra Large	Score
TRO ≤ 7	4.5	TRO ≤ 13	4.5
7 < TRO < 33	4.5 > Score > 0	13 < TRO < 81	4.5 > Score > 0
TRO ≥ 33	0	TRO ≥ 81	0

Occupancy Loss (OL)							
Very Small	Score	Small	Score	Low Medium	Score	High Medium	Score
OL ≤ 1%	4.5	OL < 3%	4.5	OL ≤ 5%	4.5	OL < 5%	4.5
1 < OL < 18%	4.5 > Score > 0	3 < OL < 21%	4.5 > Score > 0	5 < OL < 21%	4.5 > Score > 0	5 < OL < 21%	4.5 > Score > 0
OL ≥ 18%	0	OL ≥ 21%	0	OL ≥ 21%	0	OL ≥ 21%	0

Occupancy Loss (OL)			
Large	Score	Extra Large	Score
OL < 6%	4.5	OL < 7%	4.5
6 < OL < 20%	4.5 > Score > 0	7 < OL < 22%	4.5 > Score > 0
OL ≥ 20%	0	OL ≥ 22%	0

Expenses	Percent Weight
Administrative Expense	34%
General Expense	33%
Tenant Service Expense	10%
Protective Service Expense	10%
Maintenance & Operation Expense	10%
Utilities Expense	3%
<i>Total</i>	100%

Each expense management indicator will be weighted according to the table above. Non-tenant related expense categories are assigned higher weight to encourage PHAs to allocate resources to tenant-related expenses.

To calculate a score, the weighted thresholds for all six categories are summed. PHAs that have expenses per unit per month of less than the total threshold will receive 1.5 points. The expense management thresholds are expressed in dollars per unit per month and are organized by regional peer groupings.

Expense Management (EM)							
Region	Very small	Small	Low Medium	High Medium	Large	Extra Large	Score
0	EM<\$103.30	EM<\$103.30	EM<\$77.82	EM<\$77.82	EM<\$107.26	EM<107.26	1.5
0	EM≥\$103.30	EM≥\$103.30	EM≥\$77.82	EM≥\$77.82	EM≥\$107.26	EM≥107.26	0
1	EM<\$83.27	EM<\$83.27	EM<\$85.85	EM<\$85.85	EM<\$83.68	EM<83.68	1.5
1	EM≥\$83.27	EM≥\$83.27	EM≥\$85.85	EM≥\$85.85	EM≥\$83.68	EM≥83.68	0
2	EM<\$68.36	EM<\$68.36	EM<\$65.68	EM<\$65.68	EM<\$71.45	EM<71.45	1.5
2	EM≥\$68.36	EM≥\$68.36	EM≥\$65.68	EM≥\$65.68	EM≥\$71.45	EM≥71.45	0
3	EM<\$57.94	EM<\$57.94	EM<\$53.79	EM<\$53.79	EM<\$67.57	EM<67.57	1.5
3	EM≥\$57.94	EM≥\$57.94	EM≥\$53.79	EM≥\$53.79	EM≥\$67.57	EM≥67.57	0
4	EM<\$60.29	EM<\$60.29	EM<\$72.93	EM<\$72.93	EM<\$95.24	EM<95.24	1.5
4	EM≥\$60.29	EM≥\$60.29	EM≥\$72.93	EM≥\$72.93	EM≥\$95.24	EM≥95.24	0
5	EM<\$55.13	EM<\$55.13	EM<\$64.00	EM<\$64.00	EM<\$86.65	EM<86.65	1.5
5	EM≥\$55.13	EM≥\$55.13	EM≥\$64.00	EM≥\$64.00	EM≥\$86.65	EM≥86.65	0
6	EM<\$53.65	EM<\$53.65	EM<\$63.60	EM<\$63.60	EM<\$82.95	EM<82.95	1.5
6	EM≥\$53.65	EM≥\$53.65	EM≥\$63.60	EM≥\$63.60	EM≥\$82.95	EM≥82.95	0
7	EM<\$51.91	EM<\$51.91	EM<\$52.51	EM<\$52.51	EM<\$62.65	EM<62.65	1.5
7	EM≥\$51.91	EM≥\$51.91	EM≥\$52.51	EM≥\$52.51	EM≥\$62.65	EM≥62.65	0
8	EM<\$59.00	EM<\$59.00	EM<\$72.74	EM<\$72.74	EM<\$78.67	EM<78.67	1.5
8	EM≥\$59.00	EM≥\$59.00	EM≥\$72.74	EM≥\$72.74	EM≥\$78.67	EM≥78.67	0
9	EM<\$77.48	EM<\$77.48	EM<\$89.04	EM<\$89.04	EM<\$99.45	EM<99.45	1.5
9	EM≥\$77.48	EM≥\$77.48	EM≥\$89.04	EM≥\$89.04	EM≥\$99.45	EM≥99.45	0

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