# Chapter 1: Introduction

## *Overview*

The U.S. Department of Housing and Urban Development (HUD) is developing the Financial Assessment Subsystem – Multifamily Housing (FASSMF) to improve the availability of annual financial data on housing projects funded throughout the agency. HUD requires this data to:

- Determine the financial health of properties in their various portfolios.
- Protect the Department from financial loss.
- Ensure proper use of revenues and federal subsidies.
- Assess owner compliance with Business Agreements (e.g., Charters, Use Agreements, Regulatory Agreements, Housing Assistance Payment Contracts, etc.).

FASSMF is an automated system that supports the collection, validation, and assessment of financial data for multifamily housing properties insured and/or subsidized by HUD. This financial data is used by Office of Public and Indian Housing, Real Estate Assessment Center (PIH-REAC) and other HUD program offices, including the Office of Housing, and the Enforcement Center (EC), to assess multifamily properties for non-compliance and poor performance. The system described in this document, the Financial Assessment Subsystem - Multifamily Housing (FASSMF), supports this goal by automating the submission of annual financial data for properties with HUD subsidies, grants, and/or FHA-insured mortgages. It also facilitates management and prioritization of the multifamily housing portfolio by performing automated assessments of the financial data, highlighting projects for which compliance deficiencies are identified.

## *Purpose*

The purpose of this document is to provide guidance to industry users on accessing and using the Financial Assessment Subsystem — Multifamily Housing, referred to throughout this document as FASSUB. FASSUB is the Internet component of the Financial Assessment Subsystem — Multifamily Housing (FASSMF). It is a secure, web-based system that allows industry users to access and submit annual financial statement (AFS) data via the Internet. Since the requirements for the system are complex, the full functionality of the system is being implemented in phases. This document is being updated to reflect changes implemented with the January 9, 2017 release of FASSUB.

## *Background*

The Uniform Financial Reporting Standards (UFRS) Rule, published in the Federal Register on 1 September 1998, requires electronic submission of annual financial statement (AFS) data to HUD, beginning with fiscal years ending on 31 December 1998. FASSUB supports the goal of providing HUD with consistent, timely, and appropriate financial data by:

- Automating the submission of annual financial data for properties with HUD-insured mortgages and/or HUD subsidies
- Protecting financial data in a secure system that can only be accessed by authorized industry and HUD users
- Standardizing financial data by implementing a standard chart of accounts
- Improving data quality by validating entered AFS data against business rules before HUD accepts the submission
- Allowing automated assessment of AFS data for issues related to non-compliance and poor performance
- Allowing on-line review of annual financial statement (AFS) data
- Providing automatic version control (always the latest software)

The first release of FASSUB was implemented on December 31, 1998. This release allowed HUD to accept electronic submissions of annual financial statement data for profit-motivated, limited distribution, and non-profit owners. FASSUB also accepts combined AFS data submissions for entities that own more than one property (i.e., cooperative corporations with more than one HUD-insured mortgage). In addition, FASSUB also accepts consolidated AFS data submissions for entities that own more than one property that are not cooperatives.

Subsequent releases of FASSUB have been implemented to improve system performance, implement additional accounts and business rules, and allow submission and processing of administrative requests associated with the AFS data submission process (extensions, waivers, resubmissions).

FASSUB serves to standardize the AFS data received by HUD. Utilizing information on the owning entity's mortgagor type (e.g., profit-motivated, limited distribution, non-profit, etc.) and legal structure (e.g., sole proprietorship, corporation, Cooperative Corporation, etc.), FASSUB determines a submission type for the AFS data submission. Types of annual financial statement submissions are further distinguished based on federal award thresholds.

Each submission type has constituent data elements or accounts that must be completed and validated prior to acceptance of the AFS data submission for the project. Currently, FASSUB supports the following types of AFS data submissions:

1. Audited AFS in accordance with Handbook IG 2000.04 for profit-motivated/limited distribution entity.

2. Owner-Certified AFS in accordance with HUD Notice 98-25 (and its successors) for a non-profit entity that is other than a cooperative corporation with expenditures of federal awards less than $300K annually for FYE 12/31/2003 or prior, or less than $500K annually for FYE 01/01/2004 or later.
3. Owner-Certified AFS in accordance with HUD Notice 98-25 (and its successors) for a non-profit entity that is a cooperative corporation with expenditures of federal awards less than $300K annually for FYE 12/31/2003 or prior, or less than $500K annually for FYE 01/01/2004 or later
4. Owner-Certified AFS in accordance with HUD Notice 98-25 (and its successors) for a non-profit entity that is other than a cooperative corporation with expenditures of federal awards greater than or equal to $300K annually. [For submissions entered for Fiscal Year End (FYE) of 12/31/2003 or earlier.]
5. Owner-Certified AFS in accordance with HUD Notice 98-25 (and its successors) for a non-profit entity that is a cooperative corporation with expenditures of federal awards greater than or equal to $300K annually. [For submissions entered for Fiscal Year End (FYE) of 12/31/2003 or earlier.]
6. Audited AFS in accordance with OMB Uniform Administrative Requirements for a non-profit entity that is other than a cooperative corporation.
7. Audited AFS in accordance with OMB Uniform Administrative Requirements for a non-profit entity that is a cooperative corporation
8. Owner-certified AFS in accordance with HUD Notices 97-04, 98-13, and 99-09 for a profit motivated/limited distribution entity with a property financed under the Small Project Processing Initiative.
9. Owner-Certified AFS in accordance with HUD Notice 98-25 (and its successors) for a non-profit entity that is a cooperative corporation with expenditures of federal awards greater than or equal to $500K annually. [For submissions entered for Fiscal Year End (FYE) of 01/01/2004 or later.]
10. Owner-Certified AFS in accordance with HUD Notice 98-25 (and its successors) for a non-profit entity that is other than a cooperative corporation with expenditures of federal awards greater than or equal to $500K annually. [For submissions entered for Fiscal Year End (FYE) of 01/01/2004 or later.]

## *New Business Functions Supported by this Implementation*

The January 9, 2017 release expands the capabilities of FASSUB. The following identifies the functionality implemented as part of this release:

1. Modify resubmission process so that when resubmission is approved, submitter sees all the accounts and data pre-populated from the first submission in FASSUB
2. Add a detail to Account S1200-255, Net Deposits to Other Reserves.
3. Add a detail to Account 1330, Other Reserves.
4. The following verbiage should be added to the final page displayed (after the phrase ‘has been submitted!’) once an owner/coordinator has successfully submitted an administrative request (i.e. waiver, resubmission or extension) -

A REAC analyst will review this request and either approve it or deny it and you will be able to see the results of the REAC review by checking the Administrative Request Status Box from the main FASSUB menu.

## *User Guide*

This guide provides instructions for accessing and using the Financial Assessment Subsystem - Multifamily Housing (FASSUB). The following chapters contain information regarding basic desktop requirements to use the system; accessing the system; and executing the various functions the system supports.

- **Introduction** includes the purpose, system background, and important business changes associated with the latest implementation of FASSUB.
- **Accessing FASSUB** provides step-by-step instructions on how to access the system and Technical Assistance Center (TAC) information.
- **Security** directs the user to the Secure Connection and Secure Systems User's Manual found on the REAC website.
- **Create New AFS Data Submission** identifies annual financial statement submission criteria.

### *Consolidated Submissions*

There are several instances in HUD's portfolio of multifamily projects where multiple projects were developed under a single owning entity (e.g., two or more projects sharing the same tax identification number). FASSUB enables electronic submission of consolidated statements for both profit motivated and non-profit entities that are not cooperative corporations. The consolidated submission consists of basic financial statements (balance sheet, statement of cash flows, etc.) covering the combined operations for all of the projects being submitted. The submissions also require individual basic financial statements for each project that is submitted. There is also a requirement to submit separate supporting data schedules (computation of surplus cash, schedule of reserve for replacements, etc.) for each individual project. The projects covered in the submission will share certain schedules and reports (e.g., notes to financial statements, auditor's opinion, reports on compliance, etc.). Owners with multiple projects that were developed under a single owning entity will have the choice of whether they want to do separate submissions for each project or a consolidated submission covering all their projects.

Non-profit owners still have the ability to submit unaudited financial data within 90 days after the end of the fiscal year and audited financial statement data within 9 months after the end of the fiscal year. The consolidated portion of the submission for non-profits can include operating information for non-HUD businesses that the entity may engage in. For example, if a non-profit entity owns a thrift store, or a rehabilitation center, or other business, and also owns a HUD project under the same tax identification numbers (TIN) as the parent corporation, then they can submit a consolidated audit that covers both HUD and

non-HUD operations. The non-HUD operations are included in the consolidated financial statements, and the HUD operations are reported separately in the supporting data schedules.

NOTE: The rules are slightly different in instances where a Public Housing Authority (PHA) is the owner of multifamily project(s). PHAs are required to submit consolidated financial statements to PIH-REAC via FASS-PHA. However, the PHAs must submit separate unaudited information for each multifamily project via FASSUB. This only applies in instances where the PHA owns multifamily project(s) and the multifamily project(s) have the same tax identification number as the PHA. The PHA ownership can then electronically request a waiver of the electronic audit requirement, which would normally be required within nine months.

***Combined Submissions***

FASSUB currently supports electronic submission of AFS data for cooperative corporations. FASSUB automatically associates all HUD-interest properties owned by the cooperative corporation during the reporting period with a submission record.

**IMPORTANT NOTE: This feature does not replace the requirement of the owner to ensure that the entity and property profile information associated with the FASSUB submission record is correct. It is imperative that the submitter verifies that all the properties owned by the Cooperative Corporation entity during the reporting period appear on the Verify AFS Submission Criteria screen. Failure to do this may result in an owner being mistakenly identified as overdue in satisfying the electronic submission requirement, because one or more properties have inaccurate information associated with them. This information is maintained in HUD databases by Office of Housing project managers. If information is incorrect or missing, the responsibility lies with the owner to get it corrected PRIOR to submitting AFS data via FASSUB.**

<u>All cooperative submissions with fiscal years ending 12/31/09 and thereafter must be submitted as nonprofits</u>

***Owner Certified Submissions***

FASSUB currently supports electronic submission of:
1) owner certified AFS data for non-profit entities within 90 days after the end of the fiscal year and 2) owner certified AFS data for properties that are identified as being financed under Small Project Processing. There is a population of properties in the MFH portfolio that have been financed under an initiative called Small Project Processing, originally introduced under HUD Notice 97-4. A feature of this program is the relaxation of the regulatory requirement to submit audited annual financial data.

- **Submission Status Box** expedites access to existing submission records and provides information regarding status of pending submission records.
- **Statement Selection Screen** provides a view of all statements associated with the

created submission. This screen is the navigation point for executing CPA certification, and submission functions within FASS.

- **Data Entry and Validation** provides step-by-step instructions and guidelines to using the AFS data entry pages and validation process.
- **CPA Certification – Audited Only** describes the function of the CPA Certifier, and provides step-by-step instructions on the electronic certification process for audited financial statement data.

### *CPA Certification of Audited AFS Data Submissions*

Currently, FASSUB addresses the requirement for auditor review after the AFS data has been successfully validated. Auditors report on discrepancies between the hard copy audit report and the data to be submitted electronically. FASSUB requires an electronic certification of the accuracy of the electronically prepared data for audited AFS prior to the submission. This certification or attestation must be executed by a certified public accountant (CPA) that has been retained to perform an agreed-upon procedures engagement under AICPA Statement on Standards for Attestation Engagements (SSAE) No. 4, *Agreed-Upon procedures Engagements*.

This functionality requires the addition of a security role for FASSUB, CPA Certifier. Currently, there are two roles associated with FASSUB:

1) The AFS Submitter role provides the user with a wide range of functions within FASSUB, including:

    - Preparation and submission of AFS data
    - Submission of administrative requests (extensions, waivers, resubmissions)
    - Viewing of prior year electronically submitted AFS data for the entity/property

2) The CPA Certifier role separates the electronic data preparation and submission procedures from the independent certification of the data. These electronic certification procedures will need to be executed by an auditor that has a valid system user ID with the appropriate role (CPA Certifier) and property assignments for that role. Previous property assignments for users with an “AFS Submitter” role will not satisfy the security criteria for the process. The *Security* chapter of this document includes additional information on registering for system user IDs and assigning roles and properties.

    The CPA Certification function also requires that the user performing the electronic attestation know the Unique IPA Identifier (UII, see next section) of their audit firm. A valid UII is required to successfully complete this process.

    See CPA Certification – Audited Only chapter of this document.

***Identification of Audit Firms***

Firms performing audits of properties in which HUD has an interest are now required to register with HUD. PIH-REAC implemented the Quality Assurance Subsystem (QASS) as a means of developing a reliable listing of firms performing audits for HUD assets. QASS enables audit firms to register with HUD and receive an identifying number (referred to as a Unique IPA Identifier or UII).

FASSUB requires the UII to identify the audit firm that performed the audit and the UII of the firm performing the attestation/certification function. A FASSUB submitter attempting to submit audited AFS data will have to know the UII of the CPA firm that performed their audit in order to successfully validate and submit the data. The submitter will enter the UII for their audit firm. This entry will be validated against the data in QASS and, if valid, return the identifying information for the audit firm.

The user performing the CPA certification/attestation functions will need to know the valid UII for their audit firm in order to complete the process. It must be emphasized again: A*n owner will NOT be able to successfully submit audited AFS data to HUD without the valid UII information for both the data entry and CPA certification processes.*

- **Administrative Requests** discusses the system procedures for submitting administrative requests.
- **Administrative Request Status Box** provides instructions on how to access status information and details regarding approval/disapproval of administrative requests.
- **View Prior Year** provides access to previous year's submission based on the fiscal year end date for owning entity.
- **Browser Basics** provides software and hardware requirements for using FASSUB and basics on using the Internet.
- **Account Number Locator** is a list of all accounts, in account number sequence, and identifies which screen(s) the account number is located in.
- **Appendices A through G - Account Data Definitions** define each data entry field by account number, description, level of detail, and HUD business rules, as well as system checks on the account values.

## *Acronym List*

Below is a list of acronyms that are used in the FASSUB User Guide.

| Acronym | Definition |
|---|---|
| AFS | Annual Financial Statement |
| AICPA | American Institute of Certified Public Accountants |
| CEO | Chief Executive Officer |
| CPA | Certified Public Accountant |
| CPC | CPA Certified (Role) |
| EC | Enforcement Center |
| FASSMF | Financial Assessment Subsystem – Multifamily Housing |
| FASS-PHA | Financial Assessment Subsystem – Public Housing Administration |
| FASSUB | Financial Assessment Subsystem – Submission |
| FHA | Federal Housing Administration |
| FHA/MF | Federal Housing Administration/Multifamily |
| FYE | Fiscal Year End |
| HEREMS | Housing Enterprise Real Estate Management System |
| HUD | U.S. Department of Housing and Urban Development |
| IG | Inspector General |
| IPA | Independent Public Accountant |
| MASS | Management Assessment Subsystem |
| MFH | Multifamily Housing |
| M2M | Mark to Marker (OHMAR Restructured Loans) |
| NH | Nursing Home |
| OC | Owner Certified |
| OMB | Office of Management and Budget |
| OHMAR | Office of Multifamily Housing Assistance |
| PASS | Physical Assessment Subsystem |
| PHA | Public Housing Administration |
| PIH-REAC | Office of Public and Indian Housing, Real Estate Assessment Center |
| QASS | Quality Assessment Subsystem |
| RASS | Residential Assessment Subsystem |
| REAC | Real Estate Assessment Center |
| REMS | Real Estate Management System |
| SSAE | Statements on Standards for Attestation Engagements |

| Acronym | Definition |
|---|---|
| SSN | Social Security Number |
| SUB | FASSUB AFS Submitter (Role) |
| TAC | Technical Assistance Center |
| TIN | Tax Identification Number |
| TPA | Transfer of Physical Assets |
| UFRS | Uniform Financial Reporting Standards |
| UII | Unique IPA Identifier |
| URL | Uniform Resource Locator |

## *Stay Informed*

To stay abreast of the latest developments pertaining to the Annual Financial Statement requirements, all users should periodically visit the Main Webpage on the REAC Website (http://www.hud.gov/offices/reac/). This is where important changes, notices, and other specific data requirements and instructions are posted. Pay particular attention to items in the *Hot Links* section.