

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4509-N-15]

### Public Housing Assessment System Management Operations Scoring Process for PHAs With Fiscal Years Ending On or After March 31, 2000

**AGENCY:** Office of the Director, Real Estate Assessment Center, HUD.

**ACTION:** Notice.

**SUMMARY:** This notice provides additional information to public housing agencies (PHAs) and members of the public, regarding HUD's process for issuing Management Operations scores to PHAs with fiscal years ending on or after March 31, 2000, under the Public Housing Assessment System (PHAS). This notice is an update of the Management Operations Indicator scoring notice that was published on June 23, 1999, and takes into consideration public comment received on the June 23, 1999, notice. This notice provides the basis for scoring PHAs on their management operations as provided in the PHAS Amendments final rule published on January 11, 2000, with certain corrections published on June 6, 2000. This notice is applicable to PHAs with fiscal years ending on or after March 31, 2000. (The Management Operations Scoring notice applicable to PHAs with fiscal years ending before March 31, 2000, is published elsewhere in this **Federal Register**.) The changes made to the Management Operations Scoring process for PHAs ending on or after March 31, 2000, are discussed in the **SUPPLEMENTARY INFORMATION** section of this notice.

**FOR FURTHER INFORMATION CONTACT:** For further information contact Wanda Funk, Real Estate Assessment Center, Department of Housing and Urban Development, 1280 Maryland Avenue, SW, Suite 800, Washington, DC 20024; telephone Technical Assistance Center at 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, <http://www.hud.gov/reac>.

#### SUPPLEMENTARY INFORMATION:

##### 1. Purpose of This Notice

The purpose of this notice is to provide additional information about the scoring process for PHAS Indicator #3, Management Operations. The purpose of the Management Operations

assessment is to measure certain key management operations and responsibilities of a PHA for the purpose of assessing the PHA's management operations capabilities.

The majority of the information provided in this notice was originally published on May 13, 1999 (64 FR 26232), and republished on June 23, 1999 (64 FR 33708). HUD solicited public comment on both the May 13, 1999, and June 23, 1999, notices. This Management Operations Scoring Process notice, published in this edition of the **Federal Register**, has been revised to reflect the public comments received on the previous notices and to provide the basis for scoring PHAs on their management operations as provided in the PHAS Amendments Final Rule published on January 11, 2000 (65 FR 1712). This Management Operations Scoring notice is applicable only to PHAs with fiscal years ending on or after March 31, 2000. (The Management Operations Scoring notice applicable to PHAs with fiscal years ending September 30, 1999, or December 31, 1999, is published elsewhere in this edition of the **Federal Register**.)

##### 2. Changes From the Public Housing Management Assessment Program (PHMAP) to PHAS

The PHAS assessment of a PHA's management operations utilizes five of the eight PHMAP indicators:

- Vacant unit turnaround time;
- Capital Fund;
- Work orders;
- Annual inspection of units and systems; and
- Security.

Former sub-indicator #6, security and economic self-sufficiency, are now two separate sub-indicators: Sub-indicator #5 is security; and sub-indicator #6 is economic self-sufficiency. This change reflects compliance with and the intent of the Quality Housing and Work Responsibility Act of 1998 (Pub.L. 105-276, approved October 21, 1998 (referred to as the "Public Housing Reform Act")) which added economic self-sufficiency of public housing residents as an additional factor under section 6(j) of the U. S. Housing Act of 1937. The statute recognizes the importance of this area as a separate assessment factor, and the Department has amended the Management Operations Indicator to reflect the statutory guidance.

The adjustment for physical condition and/or neighborhood environment will be made under PHAS Indicator #1, Physical Condition. The same definitions and exemptions that apply to the PHMAP also apply to the PHAS,

except as noted in 24 CFR 902, subpart D. The PHMAP indicator for financial management is assessed under PHAS Indicator #2, Financial Condition; and PHMAP indicator #7 for resident services is assessed under PHAS Indicator #4, Resident Service and Satisfaction.

The vacancy rate component and the rents uncollected sub-indicator are removed from the Management Operations Indicator as a result of the Department's consideration of public comments from the June 22, 1999, PHAS Amendments Proposed Rule (54 FR 33348). These factors are assessed under the Financial Condition Indicator through the "occupancy loss" and "tenant receivable outstanding" components, and the inclusion of these factors under both the Financial Condition Indicator and Management Operations Indicator was duplicative. These changes ensure that the PHAS is an effective and efficient assessment system by eliminating any duplicative efforts of information collection under the PHAS.

There are certain differences between the PHMAP score and the PHAS score calculated for a PHA's management operations. Under the PHAS, PHA requested modifications and exclusions no longer apply. Under the PHAS, a PHA will not be assessed under a sub-indicator and/or component if the PHA does not receive funding for that program, *i.e.*, Capital Fund. PHAs will certify to sub-indicator #2, Capital Fund, and all PHAs will certify to and be scored on sub-indicator #5, security, and sub-indicator #6, economic self-sufficiency, under PHAS Management Operations Indicator #3.

##### 3. Submission of Management Operations Certification

Under the PHAS, a PHA is required to electronically submit certification on its performance under each of the Management Operations sub-indicators. If circumstances preclude a PHA from reporting electronically, HUD will consider granting short-term approval to allow a PHA to submit its Management Operations certification manually. A PHA that seeks approval to submit its certification manually must ensure that the REAC receives a request for manual submission in writing 60 calendar days prior to the submission due date of its Management Operations certification. The written request must include the reasons why the PHA cannot submit its certification electronically. The REAC will respond to such a request and will manually forward its determination in writing to the PHA.

**4. Elements of Scoring**

The Management Operations Indicator score provides an assessment of each PHA's management effectiveness. The computation of the score under this PHAS Indicator utilizes data that was submitted for PHMAP and requires three main calculations, which are:

- Scores are first calculated for all of the components that have been submitted by the PHA;
- Based upon the component scores, a score is then calculated for each sub-indicator; and
- From the six sub-indicator scores, an indicator score is then calculated.

The three calculations are performed on the basis of the following:

- The point values of the six sub-indicators and/or components, which are listed in Table 1; and
- The multiplier value equivalent to the grades assigned under PHMAP listed in Table 2.

TABLE 1.—MANAGEMENT OPERATIONS SUB-INDICATOR AND COMPONENT POINTS

Sub-indicator	Sub-indicator points	Component	Component points
Vacant Unit Turnaround Time .....	4.0		.....
Capital Fund .....	7.0	Unexpended Funds .....	1.0
		Timeliness of Fund Obligation .....	2.0
		Contract Administration .....	2.0
		Quality of Physical Work .....	1.0
		Budget Controls .....	2.0
Work Orders .....	4.0	Emergency Work Orders .....	2.0
		Non-Emergency Work Orders .....	2.0
Inspections of Units and Systems .....	4.0	Inspection of Units .....	2.0
		Inspections of Systems .....	2.0
Security .....	4.0	Tracking/Reporting Crime-Related Problems .....	1.0
		Screening of Applicants .....	1.0
		Lease Enforcement .....	1.0
		Grant Program Goals .....	1.0
Economic Self-Sufficiency .....	7.0		.....

The PHMAP grades for each component are assigned values to indicate the percentage of the component points that will be awarded in the calculations. The assigned values for the PHMAP grades are listed in Table 2. Note that some components are only graded on A, C, and F.

TABLE 2.—POSSIBLE GRADES

Grades	Value
A .....	1.00
B .....	0.85
C .....	0.70
D .....	0.50
E .....	0.30
F .....	0.00

Calculations under the PHAS Management Operations Indicator are performed as follows:

*Component Score.* The component score equals the component's total possible points multiplied by the value of the grade for the PHA. For example, a PHA with an equivalent grade of E for the component, "inspection of units," would receive 30% of the total possible component points of 2, for a score of 0.6 for the component. When non-assessed

components exist, the value of the non-assessed component must be redistributed proportionately across components that have been assessed.

*Sub-indicator Score.* The sub-indicator score is the obtained by adding the redistributed component scores. When non-assessed Sub-indicators exist, the value of the non-assessed sub-indicator must be redistributed proportionately across the sub-indicators that have been assessed. Note that if the value of a sub-indicator is changed because of redistribution of non-assessed points, the values of the components of that sub-indicator must be redistributed again. This component redistribution does not change the value of the sub-indicator, it simply ensures that the sum of the components equals the new sub-indicator value.

*Indicator Score.* The Indicator score is determined by adding the sum of the sub-indicators.

**5. Examples of Score Computations**

*An Example of Computing a Sub-Indicator Score With a Non-Assessed Component.* Table 3 provides an example for the calculation of a Capital Fund sub-indicator score and its

component scores when the Quality of Physical Work component has not been assessed. When non-assessed components exist, the value of the non-assessed component must be redistributed proportionately across components that have been assessed. In our example, the Capital Funds component, Quality of Physical Work, is not assessed. To redistribute the Quality of Physical Work points, each assessed component must be multiplied by the total possible points for the sub-indicator (7), and divided by the total possible points of the assessed components (5). The redistributed value of the total possible points for the Contract Administration component is calculated to be 1.4. In our example, the PHA has received a grade of C for Contract Administration; the PHA then receives only 70% of the redistributed points value for Contract Administration. As shown in Table 3, 70% of 1.4 equals 0.98 points. The Capital Fund sub-indicator score is then computed by summing the redistributed components. In the example from Table 3, the final score for the Capital Fund sub-indicator is 6.2 (6.16 rounded to the nearest tenth).

TABLE 3.—EXAMPLE ASSESSMENT OF THE CAPITAL FUND SUB-INDICATOR

Component	Total possible component points	Assessed component points	Redistribution calculation	Redistributed component points	Grade	Grade value	Score calculation	Comp. score
#1 Unexpended Funds .....	1.0	1.0	(1.0×7.0 )/5.0	1.4	A	1.0	1.4×1.0	1.4
#2 Timeliness of Fund .....	2.0	2.0	(2.0×7.0 )/5.0	2.8	A	1.0	2.8×1.0	2.8
#3 Contract Administration .....	1.0	1.0	(1.0×7.0 )/5.0	1.4	C	0.7	1.4×0.7	0.98
#4 Quality of Physical Work .....	2.0	NA	NA	NA	NA	NA	NA	NA
#5 Budget Controls .....	1.0	1.0	(1.0×7.0 )/5.0	1.4	C	0.7	1.4×0.7	0.98
Total (Sub-indicator Score) .....	7.0	5.0	.....	7.0	.....	.....	.....	6.16

An Example of Computing the Management Operations Indicator Score for a PHA Without an Economic Self-Sufficiency Program. Table 4 provides an example for the calculation of the Management Operations Indicator score when the Economic Self-Sufficiency sub-indicator has not been assessed (the PHA does not have a HUD-funded Economic Self-Sufficiency Program). When a non-assessed sub-indicator

exists, the value of the non-assessed sub-indicator must be redistributed proportionately across the sub-indicators that have been assessed. To redistribute the Economic Self-Sufficiency points, each assessed sub-indicator must be multiplied by the total possible points for the MASS indicator (30), and divided by the total possible points of the assessed sub indicators (23). This calculation and the

redistributed value of the total possible points for each sub-indicator is shown in Table 4. The final Management Operations Indicator score is derived by summing the redistributed sub-indicators.

These scores are included in the PHAS Report. Note that in the PHAS Report, scores are rounded to the nearest tenth.

TABLE 4.—EXAMPLE OF ASSESSMENT OF THE MANAGEMENT OPERATIONS INDICATOR SCORE FOR A PHA WITHOUT AN ECONOMIC SELF-SUFFICIENCY PROGRAM

Sub-indicator	Total possible sub-indicator points	Total possible assessed sub-indicator points	Actual sub-indicator score	Redistribution calculation	Redistributed sub-indicator points
Vacant Unit Turn-Around Time .....	4	4	4	(4 × 30)/(23)	5.2
Capital Fund .....	7	7	6.16	(6.16 × 30)/(23)	8.03
Work Orders .....	4	4	4.0	(4 × 30)/(23)	5.2
Annual Inspection .....	4	4	2.8	(2.8 × 30)/(23)	3.65
Security .....	4	4	4.0	(4 × 30)/(23)	5.2
Economic Self-Sufficiency .....	7	NA	NA	NA	NA
Total Management Operations Indicator Points .....	30	23	NA	NA	27.28

An Example of Rescaling Components So that the Component Sum Equals a Redistributed Sub-indicator. In the previous example, the sub-indicator points were redistributed because the Economic Self-sufficiency sub-indicator was not assessed. After the sub-indicator points were redistributed the components comprising the sub-

indicator no longer added up to the redistributed value of the sub-indicator. A calculation must be performed to rescale the components of a sub-indicator so that those components add up to the redistributed sub-indicator. Table 5 contains an example of rescaling the Capital Fund components so that they add up to the redistributed Capital

Fund sub-indicator. Each component is rescaled by multiplying by a factor of 30 divided by 23. As can be seen from Table 5, the rescaled component values add up to 8.03 which is the redistributed sub-indicator points for Capital Funds as shown above in Table 4.

TABLE 5.—EXAMPLE REDISTRIBUTION OF COMPONENTS WITHIN THE CAPITAL FUND SUB-INDICATOR

Component	Component values after first redistribution in table 3	Component rescaling calculation	Component values after rescaling
#1 Unexpended Funds .....	1.4	1.4 × (30/23)	1.82
#2 Timeliness of Fund Obligation .....	2.8	2.8 × (30/23)	3.65
#3 Contract Administration .....	0.98	0.98 × (30/23)	1.28
#4 Quality of Physical Work .....	NA	NA	NA
#5 Budget Controls .....	0.98	0.98 × (30/23)	1.28
Total Sub-Indicator Score .....	6.16		8.03

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