

prepared in accordance with GAAP, which is electronically submitted to HUD. All PHAs that meet the federal assistance threshold set forth in the Single Audit Act and the Office of Management and Budget (OMB) Circular A-133 (see 24 CFR 84.26) also submit year-end audited financial information. The audited information is transmitted to HUD electronically after the independent public accountant (IPA) or certified public accountant (CPA) certifies or attests to the accuracy of the financial information.

(3) Management Operations Indicator #3—Weighted 30 percent of the overall PHAS grade. The PHA's grade is based on the management certification that is electronically submitted to HUD. The certification is approved by PHA Board resolution and signed and attested to by the Executive Director. In accordance with § 902.63, appropriate sanctions for false certification shall be imposed, including civil penalties, limited denial of participation, suspension, or debarment of the signatories.

(4) Resident Service and Satisfaction Indicator #4—Weighted 10 percent of the overall PHAS grade. The PHA's grade is based on the responses to the resident survey that is conducted by a third party administrator.

(c) *Grading procedures.* (1) The grades for each PHAS indicator are calculated in accordance with the grading procedures described in the grading notices published separately in the **Federal Register**. The PHAS grading notices, with their respective appendices, are:

(i) Public Housing Assessment System (PHAS); Changes to the PHAS; Introduction to PHAS Grading;

(ii) Physical Condition Grading Process;

(iii) Financial Condition Grading Process;

(iv) Management Operations Grading Process; and

(v) Resident Service and Satisfaction Grading Process.

(2) HUD will publish for comment any significant proposed amendments to the notices. After comments have been considered, HUD will publish a notice adopting a final notice or amendment. The PHAS grading notices currently in effect are posted on the PIH-REAC Internet site at <http://www.hud.gov/reac> or may be obtained from the PIH-REAC Technical Assistance Center at 888-245-4860 (this is a toll-free number).

§ 902.10 PHAS designation.

All PHAs shall receive a designation. The designation is based on the overall PHAS grade and the four indicator grades as set forth below.

(a) *Grade A PHA, Grade B PHA, and Grade C PHA.* A PHA's overall PHAS grade is its designation if none of its indicator grades are less than a grade of C.

(1) Grade A PHAs are eligible for incentives that include relief from reporting and other requirements, as described in §§ 902.13 and 902.71.

(2) Grade B PHAs are eligible for relief as described in § 902.13.

(3) Grade B and C PHAs shall be referred to the Hub Office/Program Center pursuant to § 902.73 and shall correct all deficiencies.

(b) *Grade D PHAs.* A PHA shall be designated a Grade D PHA if at least one of the four indicator grades is a grade of D and none of the indicator grades is a grade of F.

(1) Grade D PHAs shall be referred to the Hub Office/Program Center pursuant to § 902.73 and shall correct all deficiencies.

(2) A PHA that is designated a Grade D PHA is at risk of being designated a Grade F PHA.

(c) *Grade F PHAs.* A PHA shall be designated a Grade F PHA if at least one of the four indicator grades is a grade of F.

(d) *Capital Fund Grade F PHA.* A PHA that receives a grade of F for the Capital Fund sub-indicator under Management Operations Sub-Indicator #2 (see § 902.42) shall be a Capital Fund Grade F PHA. In accordance with section 6(j)(2) of the Act (42 U.S.C. 1437d(j)(2)), a Capital Fund Grade F PHA is subject to the sanctions in section 6(j)(4) of the Act (42 U.S.C. 1437(d)(j)(4)), as appropriate.

(e) *Referral of Grade F PHAs.* A Grade F PHA and Capital Fund Grade F PHAs shall be referred to the appropriate HUD office for remedial action pursuant to § 902.75.

§ 902.13 Frequency of PHAS assessments.

(a) *Frequency.* The PHA's PHAS designation determines the frequency of the PHAS assessments.

(1) When a PHA is designated a Grade A PHA, the PHA's next assessment shall be in three years.

(2) When a PHA is designated a Grade B PHA, the PHA's next assessment shall be in two years.

(3) When a PHA is designated a Grade C, D, or F PHA, the PHA's next assessment shall be the following year.

(b) *Baseline.* In the first calendar year after implementation of this regulation, all PHAs shall be assessed in accordance with the requirements of this part and graded in accordance with the most recent grading notices. For PHA's with fiscal years ending September 30, 2003, December 31, 2003,

March 31, 2004, and June 30, 2004, this PHAS assessment shall be the baseline assessment. The baseline assessment will determine each PHA's next PHAS assessment. Thereafter, the PHA's most recent final overall PHAS grade will determine the intervals between PHAS assessments.

(c) *Financial submissions.*

Notwithstanding the foregoing, a PHA shall electronically submit the unaudited and audited financial information to HUD every year pursuant to subpart C of this part. HUD shall not issue a grade for the unaudited and audited financial information in the years that a PHA is not being assessed under PHAS.

§ 902.15 Posting and publication of PHAS grades and designations.

Each PHA and DF-RMC shall post its overall PHAS grade, each of the four indicator grades and its designation in appropriate conspicuous and accessible locations in its offices within two weeks of receipt of the overall grade. In addition, HUD shall post every PHA's and DF-RMC's overall PHAS grade, indicator grades, and designation on the PIH-REAC Internet site.

Subpart B—PHAS Indicator #1: Physical Condition

§ 902.20 Physical condition assessment.

(a) *Method of assessment, generally.* The physical condition assessment is based on an independent physical inspection of a PHA's properties provided by HUD and conducted using HUD's UPCS inspection protocol. This assessment determines the extent of a PHA's compliance with the DSS/GR standards.

(b) *Method of transmission.* After the inspection is completed, the inspector transmits the results to HUD where the results are verified for accuracy and then graded in accordance with the procedures in this subpart. The PHA's property inspection reports for the assessed fiscal year are used to determine the PHA's physical condition grade under this subpart.

(c) *Frequency of inspections.* HUD will conduct a physical inspection of PHA properties only for the fiscal years for which the PHA is assessed under this part.

(d) *PHA physical inspection requirements.* The HUD-conducted physical inspections required by this part do not relieve the PHA of the responsibility to inspect public housing units as provided in section 6(f)(3) of the Act (42 U.S.C. 1437d(f)(3)) and § 902.44.

(e) *Compliance with State and local codes.* The physical condition standards