

PHAS assessment schedule, a Grade A PHA is required to submit annual unaudited and audited financial information. However, 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.

(2) Public recognition. Grade A PHAs will receive a Certificate of Commendation from HUD. These PHAs also will receive special public recognition from the Hub Office/Program Centers.

(3) Bonus points in funding competitions. A Grade A PHA shall be eligible for bonus points in HUD's funding competitions, and formula-based programs when bonus points are not restricted by statute or regulation governing the funding program. Eligibility for Grade A PHAs to receive these bonus points will be stated in HUD's notices of funding availability or other funding documents.

(b) *Compliance with applicable Federal laws and regulations.* Relief from any standard procedural requirement provided under this section does not relieve a PHA from the requirements of the provisions of other federal and state laws and regulations or other HUD handbook requirements. For example, although a Grade A PHA or a Grade B, C or D PHA may be relieved of requirements for prior HUD approval for certain types of contracts for services, the PHA must still comply with all other Federal and State requirements that remain in effect, such as those for competitive bidding or competitive negotiation (see 24 CFR 85.36).

(c) *Audits and reviews not relieved by designation.* A Grade A PHA or a Grade B, C or D PHA remains subject to:

(1) Regular IPA or CPA audits.

(2) OIG audits or investigations, which shall continue to be conducted as circumstances may warrant.

§ 902.73 Referral of Grade B, C, and D PHAs.

(a) *General.* (1) Referral. Grade B, C, and D PHAs shall be referred to the Hub Office/Program Center for appropriate action.

(2) Improvement Plan. (i) A PHA that is designated a Grade D PHA shall be required to submit an Improvement Plan to address deficiencies in the PHA's performance.

(ii) A PHA that is designated a Grade B or C PHA may be required, at the discretion of the appropriate area Hub Office/Program Center, to submit an Improvement Plan to address specific deficiencies.

(b) *Submission of an Improvement Plan.* A PHA is required to submit its Improvement Plan to the Hub Office/Program Center for approval within 30 days after the PHA's final overall PHAS grade is issued. All Improvement Plans must meet the requirements of paragraphs (d), (e) and (f) of this section.

(c) *Correction of deficiencies.* (1) Time period for correction. After a PHA receives its overall PHAS grade and designation of Grade B, C, or D PHA, the PHA must correct any deficiency indicated in the assessment within 90 days, or, if an Improvement Plan is required, within such period as provided in the Improvement Plan.

(2) Notification and report to Hub Office/Program Center. A PHA shall notify the Hub Office/Program Center of its action to correct each deficiency.

(d) *Improvement Plan.* An Improvement Plan shall:

(1) List each PHAS indicator, sub-indicator and/or component, together with the grade, that was identified as a deficiency and identify other baseline data, including all relevant raw data;

(2) Describe any other problems with performance and/or compliance that were identified during an on-site review of the PHA's operations;

(3) Describe the procedures that shall be followed to correct each deficiency;

(4) Provide a timetable for the correction of each deficiency; and

(5) Provide for or facilitate technical assistance to the PHA.

(e) *Determination of acceptability of Improvement Plan* (1) The Hub Office/Program Center shall approve or deny an Improvement Plan and notify the PHA of its decision.

(2) An Improvement Plan that is not approved shall be returned to the PHA with recommendations from the Hub Office/Program Center for revising the Improvement Plan to obtain approval.

(f) *Submission of revised Improvement Plan.* The PHA shall submit a revised Improvement Plan within 30 days of its receipt of the Hub Office/Program Center recommendations.

(g) *Failure to submit acceptable Improvement Plan or correct deficiencies.* (1) The Hub Office/Program Center shall notify a PHA if a PHA fails to submit an acceptable Improvement Plan or fails to correct deficiencies within the time specified in an Improvement Plan or such extensions that may be granted by HUD.

(2) The PHA shall respond to the Hub Office/Program Center's notification within 30 days and provide the Hub Office/Program Center with the reasons for its lack of progress in submitting or carrying out the Improvement Plan.

(3) The Hub Office/Program Center shall advise the PHA whether its reasons for lack of progress are acceptable. If the Hub Office/Program Center determines that the PHA's reasons for lack of progress are unacceptable, HUD shall notify the PHA that it shall be referred to the HUD office with jurisdiction over Grade B, C, or D PHAs for remedial actions, or such actions as that office may determine appropriate in accordance with the provisions of the ACC, this part and other HUD regulations, including the remedies available for substantial default.

(4) If the HUD office with jurisdiction over Grade B, C, or D PHAs determines that a PHA failed to correct deficiencies within the time specified in an Improvement Plan or such extensions as may be granted by HUD, HUD may take further action to sanction the PHA, but only after the PHA has had one year since the PHA was notified it was a Grade B, C, or D PHA to correct its deficiencies.

§ 902.75 Referral of Grade F PHAs.

(a) *General.* After a PHA has received notification it is a Grade F PHA (*i.e.*, Grade F PHA or Capital Fund Grade F PHA), in accordance with the requirements of section 6(j)(2)(B) of the Act (42 U.S.C. 1437d(j)(2)(B)) and in accordance with this part, HUD shall refer the PHA to the appropriate HUD office for remedial action. The remedial actions taken by HUD and the PHA will include actions statutorily required, and such other actions that HUD determines to be appropriate.

(b) *Memorandum of Agreement (MOA).* HUD shall initiate the development of an MOA, within 30 days of notifying a PHA that it is a Grade F PHA. The PHA must execute the MOA as drafted by HUD within 10 days after issuance. The final MOA is a binding contractual agreement between HUD and a PHA.

(c) *Scope of the MOA.* The scope of the MOA may vary depending upon the extent of the deficiencies identified in the PHAS assessment. All MOAs will include:

(1) Each PHAS indicator, sub-indicator or component, together with the grade, that was identified as a deficiency and other baseline data, including all relevant raw data;

(2) Performance targets for the periods specified by HUD;

(3) Strategies for the PHA to use to achieve the performance targets within the time period of the MOA;

(4) Technical assistance that will be provided to the PHA or facilitated by HUD;