U.S. Department of Housing and Urban Development, Washington, DC

Multiple Subsidies in Public Housing Assistance Programs

This report was revised on March 30, 2017 to change the cost type for recommendation 1A on pages 8 and 13 from unreasonable or unnecessary to funds to be put to better use. This change is needed to align the report language with the terminology used by HUD's audit tracking system.

Office of Audit, Region 7
Kansas City, KS

Audit Report Number: 2017-KC-0002
January 20, 2017

To: Milan Ozdinec, Deputy Assistant Secretary, Office of Public Housing and Voucher Programs, PE

//**signed**//

From: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

Subject: The U.S. Department of Housing and Urban Development Did Not Always Prevent Program Participants From Receiving Multiple Subsidies

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of multiple subsidies in public housing assistance programs.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://www.hudoig.gov.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.

Audit Report Number: 2017-KC-0002
Date: January 20, 2017

The U.S. Department of Housing and Urban Development Did Not Always Prevent Program Participants From Receiving Multiple Subsidies

Highlights

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) public housing assistance programs. We initiated the audit based on a data match between the Public and Indian Housing Information Center and Multifamily Tenant Rental Assistance Certification System, which identified program participants who had potentially received multiple subsidies. Our objective was to determine whether HUD prevented program participants from concurrently receiving subsidies from both public housing and multifamily subsidy programs.

What We Found

HUD did not prevent program participants from receiving multiple subsidies in 38 of the 80 files reviewed. This deficiency existed because HUD did not require public housing agencies to run Enterprise Income Verification system existing tenant reports at admission to identify whether the applicant was currently receiving HUD housing subsidies. HUD also did not require its Office of Public and Indian Housing staff to review Enterprise Income Verification existing tenant search reports as part of onsite housing agency reviews to ensure that problems identified from the reports were resolved. In 27 of 38 instances of multiple subsidies, the housing agency did not run an existing tenant report before admission to its program. In the remaining 11 instances, the housing agencies ran the existing tenant search but did not always contact the multifamily property listed on the existing tenant report before activating program participants in a housing assistance program to ensure that no overlap of assistance occurred. As a result, HUD did not have $2.24 million available to assist other eligible participants.

What We Recommend

We recommend that the Deputy Assistant Secretary for Public Housing and Voucher Programs require housing agencies to run the Enterprise Income Verification existing tenant search during the admission process and retain the results in the tenant file to ensure that $2.24 million in housing assistance funds will be put to better use. We also recommend that housing agencies be required to report the program admission date to any multifamily property listed on the existing tenant search during the admission process. Lastly, we recommend that HUD staff be required to review Enterprise Income Verification reports from the last 12-month period during onsite housing agency reviews to ensure that any multiple subsidies have been resolved.

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Background and Objective

The U.S. Department of Housing and Urban Development's (HUD) mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD is working to meet the need for quality, affordable rental homes and to use housing as a platform for improving quality of life.

The Office of Housing provides vital public services through its nationally administered programs. The Office of Housing oversees the Office of Multifamily Housing Programs, which administers the Section 8 program that Congress authorized in 1974. HUD developed the program to provide rental subsidies for eligible tenant families (including single persons) residing in newly constructed, rehabilitated, and existing rental and cooperative apartment projects.

Multifamily Housing provides Section 8 rental subsidies to the owners of certain mortgaged properties under a housing assistance payments contract. Under the housing assistance payments contract, HUD provides Section 8 rental subsidies to the project owners in an amount equal to the difference between the HUD-approved rent for a particular assisted unit and the HUD-required rental contribution from eligible tenant families.

The Office of Multifamily Asset Management is responsible for project monitoring to identify deficiencies to eliminate fraud, waste, and mismanagement. The management review is one of the integral mechanisms of project monitoring used to ensure that owners and agents comply with requirements under the housing assistance payments contract.

The Office of Public and Indian Housing ensures safe, decent, and affordable housing; creates opportunities for residents' self-sufficiency and economic independence; and assures fiscal integrity by all program participants. Public and Indian Housing administers many housing subsidy programs, including tenant- and project-based vouchers, moderate rehabilitation, and Moving to Work.

Tenant-based vouchers increase affordable housing choices for very low-income families. Families with a tenant-based voucher choose and lease safe, decent, and affordable privately owned rental housing. Project-based vouchers are a component of a public housing agency's Housing Choice Voucher program. The Housing Choice Voucher program is the Federal Government's major program for assisting very low-income families (including single persons), the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. A housing agency can attach up to 20 percent of its voucher assistance to specific housing units if the owner agrees to either rehabilitate or construct the units or the owner agrees to set aside a portion of the units in an existing development. The Section 8 Moderate Rehabilitation Program provides project-based rental assistance for low-income families. Assistance is limited to properties previously rehabilitated under a housing assistance payments contract between an owner and a housing agency.

Moving to Work is a demonstration program for housing agencies that provides them the opportunity to design and test innovative, locally designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families.

HUD uses two different systems to track Multifamily Housing and Public and Indian Housing housing assistance program participation. Multifamily Housing uses the Tenant Rental Assistance Certification System. This system is a HUD computer system developed to help improve financial controls over assisted housing programs by automating manual procedures and incorporating automated controls. The Tenant Rental Assistance Certification System gives HUD headquarters and field office staff, along with multifamily owners and management agents, the ability to submit a query via the internet. The query can give the users access to various reports to gain information about voucher over and under payment resolution, move-ins and move-outs, and possible multiple occupancies. Public and Indian Housing uses the Public and Indian Housing Information Center. This system maintains and gathers data about all of Public and Indian Housing's inventories of housing agencies, developments, buildings, units, housing agency officials, HUD offices, field staff, and Public and Indian Housing Information Center users. It facilitates more timely and accurate exchanges of data between housing agencies and local HUD offices.

HUD uses the Enterprise Income Verification system to minimize the potential of program errors. The purpose of this system is to ensure that limited Federal resources are available to serve as many eligible families as possible by reducing the high incidence of program errors and to improve the integrity and accuracy of information contained in the Public and Indian Housing Information Center and Enterprise Income Verification system. It is a comprehensive online system for determining and verifying various resident information and income that housing agencies use in determining rental subsidies. Additionally, the system collects supplemental employment and benefit information to assist housing agencies and HUD field offices in identifying and resolving certain regulatory deficiencies and implementing proactive measures to effectively mitigate risk and program waste, fraud, and abuse.

Our audit objective was to determine whether HUD prevented program participants from concurrently receiving subsidies from both public housing and multifamily subsidy programs.

Results of Audit

Finding: HUD Did Not Always Prevent Program Participants From Receiving Multiple Subsidies

HUD did not always prevent program participants from receiving multiple subsidies. This deficiency existed because HUD did not require public housing agencies to run existing tenant reports at admission and did not require HUD staff to review Enterprise Income Verification reports as part of onsite housing agency reviews. As a result, HUD did not have $2.24 million available to assist other eligible participants.

HUD Did Not Always Prevent Multiple Subsidies

HUD did not prevent program participants from receiving multiple subsidies in 38 of the 80 files reviewed. A multiple subsidy exists when a program participant receives housing assistance from more than one HUD source at the same time. We matched head of household Social Security numbers in the Public and Indian Housing Information Center and Tenant Rental Assistance Certification System and identified a universe of 4,180 program participants who had potentially received a multiple subsidy. The systems' data were current as of March 1 and February 20, 2016, respectively. We reviewed the tenant files from the housing agencies and multifamily properties for 80 statistically selected sample items to determine whether a program participant was activated in one subsidy program before leaving another subsidy program during the time frame of November 1, 2015, through March 31, 2016. The statistical sample of 80 included 64 program participants who moved from a multifamily property to a public housing subsidy program and 5 program participants who moved from a public housing subsidy program to a multifamily property[1]. In 38 of the 80 sample items, we found that the program participant was activated in a housing agency subsidy program before being removed from a multifamily subsidy program.

As an example, one of the program participants in our sample received a multiple subsidy from November 1, 2015, through January 7, 2016. The program participant was living at a multifamily property when the tenant was activated in a Public and Indian Housing Section 8 program on November 1, 2015. The program participant paid their portion of the rent at the multifamily property for the months of November and December 2015, even though they were receiving an additional subsidy from the housing agency. The multifamily property terminated the program participant's subsidy on January 7, 2016 after the individual had received $913 in multiple subsidy from the Public and Indian Housing subsidy program. The housing agency stated that it did not run the Enterprise Income Verification existing tenant search prior to activating the program participant in its subsidy program. Had the housing agency run the

[1] See the Scope and Methodology section for the full description of the statistical sample.

existing tenant search and communicated with the multifamily property about the participant's pending enrollment in the Public and Indian Housing subsidy program, the overlapping of assistance could have been avoided.

Of the 38 instances of multiple subsidy we identified during our review, 23 were 30 days or less. As an example of one of the shorter instances of multiple subsidy, one of the program participants in our sample received multiple subsidies from January 1 through January 7, 2016. The program participant began receiving assistance from a multifamily property on August 14, 2013. On December 5, 2015, the program participant delivered a 30-day intent to vacate notice to the multifamily property. On January 1, 2016, a housing agency activated the program participant in its Housing Choice Voucher program. On January 5, 2016, the multifamily property officials visited the subsidized unit and found that it was still occupied. On January 7, 2016, the program participant called the multifamily property officials and notified them that she had emptied the unit and would be returning the keys to the unit that same day. The multifamily property officials processed the move-out on January 7, 2016, and ended the receipt of subsidy on the program participant's behalf. Therefore, the housing agency paid a multiple subsidy between January 1, 2016, when it activated the program participant in its Housing Choice Voucher program, and January 7, 2016, when the multifamily property terminated the program participant's subsidy from the multifamily program.

HUD Did Not Have Controls in Place

HUD did not have controls in place to prevent these conditions from occuring.

HUD Did Not Require Public Housing Agencies To Run or Follow Up on Existing Tenant Reports at Admission

The impact of this deficiency could have been lessened if HUD had required the housing agencies to run the Enterprise Income Verification existing tenant search at admission. Housing agencies did not run the existing tenant search during the application process in 27 of the 38 instances of multiple subsidy identified. In each of the 27 instances of multiple subsidy without an existing tenant search, the head of household moved from a multifamily subsidized unit into a public housing subsidy program.

Further, housing agencies that did run the existing tenant search did not always contact the multifamily property listed on the report before activating the tenant in a housing assistance program to ensure that no overlap of assistance occurred. In 11 of the 38 instances of multiple subsidy identified, the housing agency ran an existing tenant search before admitting the tenant into a subsidy program. In each of those 11 instances, the existing tenant search showed that the tenant was receiving a subsidy at a multifamily property. However, the housing agencies did not coordinate with the multifamily properties to determine a date on which assistance would stop at the multifamily property and begin in the public housing program.

According to 24 CFR (Code of Federal Regulations) 5.233, housing agencies must use HUD's Enterprise Income Verification system in its entirety. The system reduces administrative and subsidy payment errors. However, while HUD Notice 2010-19

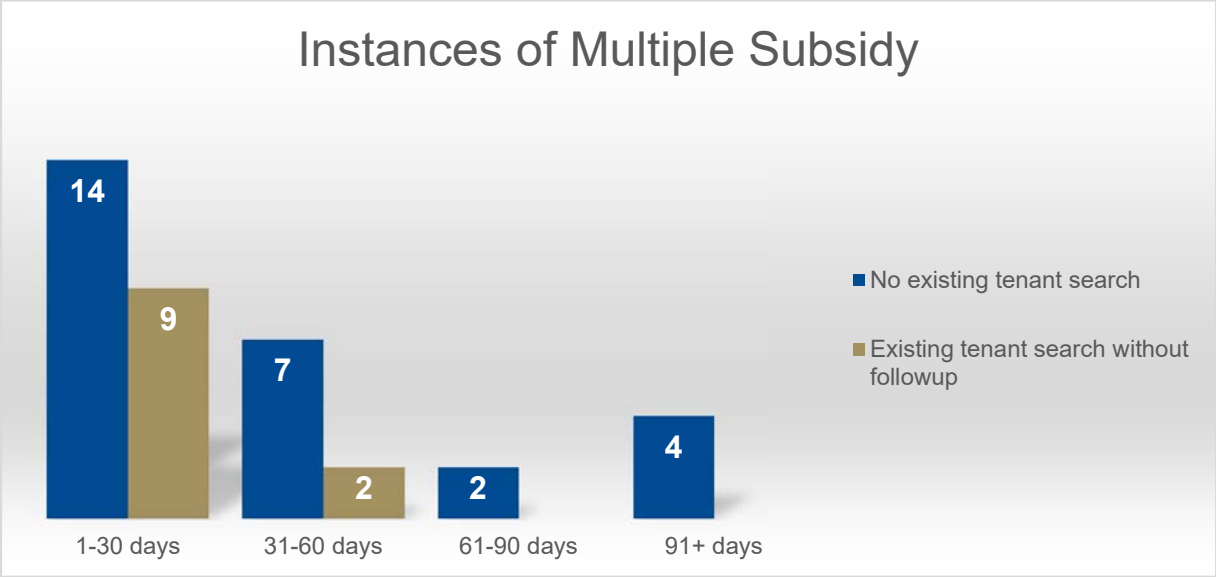
provides guidance for effective and mandated use of the system and lists reports that housing agencies should use to reduce administrative and subsidy payment errors, the existing tenant search is not included in that list.

The existing tenant search report shows whether a person may potentially be receiving housing subsidies in both public housing and multifamily programs. Requiring new providers to specifically use this report to identify tenants who are receiving housing assistance from another source and to contact that other source for follow-up would help prevent overlapping of assistance.

HUD Did Not Require Staff To Review Enterprise Income Verification Reports During Onsite Housing Agency Reviews

HUD staff did not review Enterprise Income Verification reports as part of onsite housing agency reviews. HUD Handbook 7460.7 details the requirements of housing agency field office reviews, but it does not contain requirements to review the housing agency's Enterprise Income Verification reports to ensure that specific reports are run or that discrepancies in the reports are resolved. By checking for the Enterprise Income Verification reports, HUD not only verifies that the specific report was run, but that the housing agencies are also complying with the requirements to fully use EIV, thereby increasing the integrity and efficiency of the data in the Public and Indian Housing Information Center.

The table below details the length of time the multiple subsidies occurred, broken down between no existing tenant search versus existing tenant search performed without follow up, for the 38 instances of multiple subsidies identified during our review. The length of multiple subsidies ranged from 3 to 420 days, with the average being 47 days.



Funds Were Not Available for Program Participants

We estimated that during the previous year, $2.24 million in HUD's housing assistance funds was used to pay multiple subsidies to program participants and, therefore, was not available for use by other qualified program participants. We estimated this amount by extrapolating the 38 instances of multiple subsidies to our universe of 4,180 households that potentially received multiple subsidies, resulting in an estimate that housing agencies paid $935,283 in unnecessary multiple subidies for at least 1,589 program participants during our 5-month sampling period. The 5-month total of $935,283 equates to $2.24 million in annual multiple subsidies.

Since there had been no program changes since our review, we believe the amount of multiple subsidies will remain consistent if HUD does not improve its controls. Therefore, we used this annualized amount to estimate the amount of funds that will be put to better use over the next year if HUD implements our recommendations.

Conclusion

HUD's Office of Public and Indian Housing received $17.85 billion to fund its housing voucher programs during fiscal year 2016. While the $2.24 million in annual multiple subsidies is relatively small in comparison to the total amount of subsidy the Office of Public and Indian Housing administers, our recommendations provide an opportunity to prevent overlapping of assistance from occurring in the future.

Recommendations

We recommend that the Deputy Assistant Secretary for Public Housing and Voucher Programs

1A. Require public housing agencies to run the Enterprise Income Verification existing tenant search during the admission process and retain the results in the tenant file, which would avoid unnecessary costs to HUD's subsidy programs, allowing an estimated $935,283 to be put to better use.

1B. Require public housing agencies to report the program admission date to any multifamily property listed on the Enterprise Income Verification existing tenant search during the admission process.

1C. Require public housing agencies to maintain support for any communication with a multifamily property listed on the Enterprise Income Verification existing tenant search.

1D. Require HUD staff to review Enterprise Income Verification reports from the last 12-month period during onsite housing agency reviews to ensure that any multiple subsidies have been resolved.

1E. Implement recommendations 1A through 1D to ensure that $2.24 million in housing assistance funds will be put to better use.

Scope and Methodology

We performed our audit work from April through October 2016 at our office in Kansas City, KS. The audit period was November 1, 2015, through March 31, 2016. However, we asked for the housing agencies and multifamily properties in our statistical sample to submit documents from January 1, 2013 to April 30, 2016 to determine when a multiple subsidy started and ended.

To accomplish our objective, we

- Reviewed Federal regulations and HUD requirements;
- Interviewed HUD staff;
- Analyzed data from HUD's Public and Indian Housing Information Center and Tenant Rental Assistance Certification System;
- Selected and reviewed tenant files for a statistical sample of 80 tenants from housing agencies and multifamily properties.

We statistically selected a stratified random sample of 80 heads of households from a universe of 4,180 households that potentially received housing assistance from a multifamily property and housing agency at the same time. We chose a statistical sample so we could draw conclusions about the universe without performing 100 percent testing. Using data from HUD's Public and Indian Housing Information Center and Tenant Rental Assistance Certification System, we matched the head of household Social Security numbers in the two systems to identify a universe of 4,180 households that potentially received multiple subsidies. The systems' data were current as of March 1 and February 20, 2016, respectively. We verified the reliability of the data by matching attributes of the data with information on the hardcopy documents we received from the multifamily properties and housing agencies. The data were reliable.

In compiling this universe, we included heads of households that participated in public housing tenant- and project-based vouchers, certificates, moderate rehabilitation, and Moving to Work programs and a multifamily program. We excluded Section 236 multifamily project-based tenants because the tenants do not receive a housing subsidy. In addition, we excluded multifamily projects without an active housing assistance payments contract.

Our sampling unit was a potential multiple subsidy in the Public and Indian Housing Information Center and Tenant Rental Assistance Certification System during the 5-month timeframe from November 2015 to March 2016. A multiple subsidy existed if a program participant received housing assistance payments from more than one source at the same time. The sampling unit value is the amount of the multiple subsidy from that time, from the source that created the multiple subsidy. In the case of our results, all multiple subsidies were from the Office of Public and Indian Housing. The universe was divided into seven strata, and a proportional number of samples were randomly selected from each stratum as noted in the sample stratification table below.

Strata	Total subsidy amount	Universe count	Sample count	Probability of selection	Sampling weight
0-10 percent	>$0	418	8	.0191	52.25
10-30 percent	≥$668	835	16	.0192	52.19
30-50 percent	≥$1,024	838	16	.0191	52.38
50-70 percent	≥$1,308	833	16	.0192	52.06
70-90 percent	≥$1610	838	16	.0191	52.38
90-98 percent	≥$2,300	334	6	.0180	55.67
98-100 percent	≥$2,960	84	2	.00238	42.00
Totals		**4,180**	**80**		

Sample designs were tested using both traditional sample design formulas and computer simulations to verify that the samples would perform as expected. Sample designs were tested under a wide range of possible error rates to ensure that they would yield measurable results and conform to the stated confidence error. Samples were randomly selected in accordance with the 80-count sample design, using the survey select procedure in SAS, a computer program commonly used for statistical computations.

From the 4,180 head of household matches, we selected a statistical sample of 80 to represent our universe. Those 80 program participants were administered by 73 housing agencies and 77 multifamily properties. Also, we selected 14 additional head of household matches to review in case any of the housing agencies or multifamily properties were unresponsive. We reviewed two of the additional statistical sample items.

The statistical sample of 80 included 64 program participants who moved from a multifamily property to a public housing subsidy program, 5 program participants who moved from a public housing subsidy program to a multifamily property, and 11 instances that were special circumstances. Of the 11 special circumstances, (1) 8 were "opt outs" in which the program participant did not move but the property let its multifamily housing assistance payments contract expire and the owner moved the property into a public housing subsidy program with no overlap of subsidy, (2) 2 had an incorrect Social Security number recorded in HUD's system so a multiple subsidy did not occur, and (3) 1 program participant was in a public housing program but did not receive a subsidy.

For each of the head of household to head of household matches reviewed, we sent a letter to the applicable housing agency and multifamily property. The letter requested that each of the housing agencies and multifamily properties provide us a copy of the applicable forms HUD-50058 and -50059, initial application, date of admission, move-out inspection report, Enterprise

Income Verification multiple subsidy reports, and any follow up with HUD concerning a possible multiple subsidy.

After we reviewed the samples, we computed the percentages and numbers of multiple subsidy payments. Computer programs written in SAS performed statistical calculations. We found 38 instances in which a multiple subsidy was paid by public housing programs. Therefore, we found that a weighted average of $376 per tenant in public housing subsidy programs was paid for duplicate subsidies from November 2015, through March 2016. Deducting for a statistical margin of error, we can say with a one-sided confidence interval of 95 percent that the duplicate subsidies amount to $224 per tenant. Extrapolating this amount to the total audit universe of 4,180 tenants, this is equivalent to at least $935,000 in duplicate subsidies that public housing subsidy programs paid. Annually, we estimate that this is equivalent to at least $2.24 million.

When expressed as a percentage, the 38 instances of multiple subsidies is equivalent to a weighted average occurrence of 47.49 percent of the time. Deducting for a statistical margin of error, we can say with a one-sided confidence interval of 95 percent that a multiple subsidy existed in at least 38.02 percent of all tenant records. Extrapolating this amount to the total audit universe of 4,180 tenants and less the margin of error, a multiple subsidy was paid for at least 1,589 tenants.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Controls to ensure that housing agencies prevent program participants from receiving subsidies from two subsidy programs at the same time.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of Public and Indian Housing's internal control.

Appendixes

Appendix A

Schedule of Funds To Be Put to Better Use

Recommendation number	Funds to be put to better use 1/
1A	$935,283
1E	$2,244,680
Totals	**$3,179,963**

1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this case, if HUD requires housing agencies to run the Enterprise Income Verification existing tenant search during the admission process and resolve any discrepancies in the report, it will ensure that more than $2.24 million will not be spent on multiple subsidy payments in the future.

Appendix B

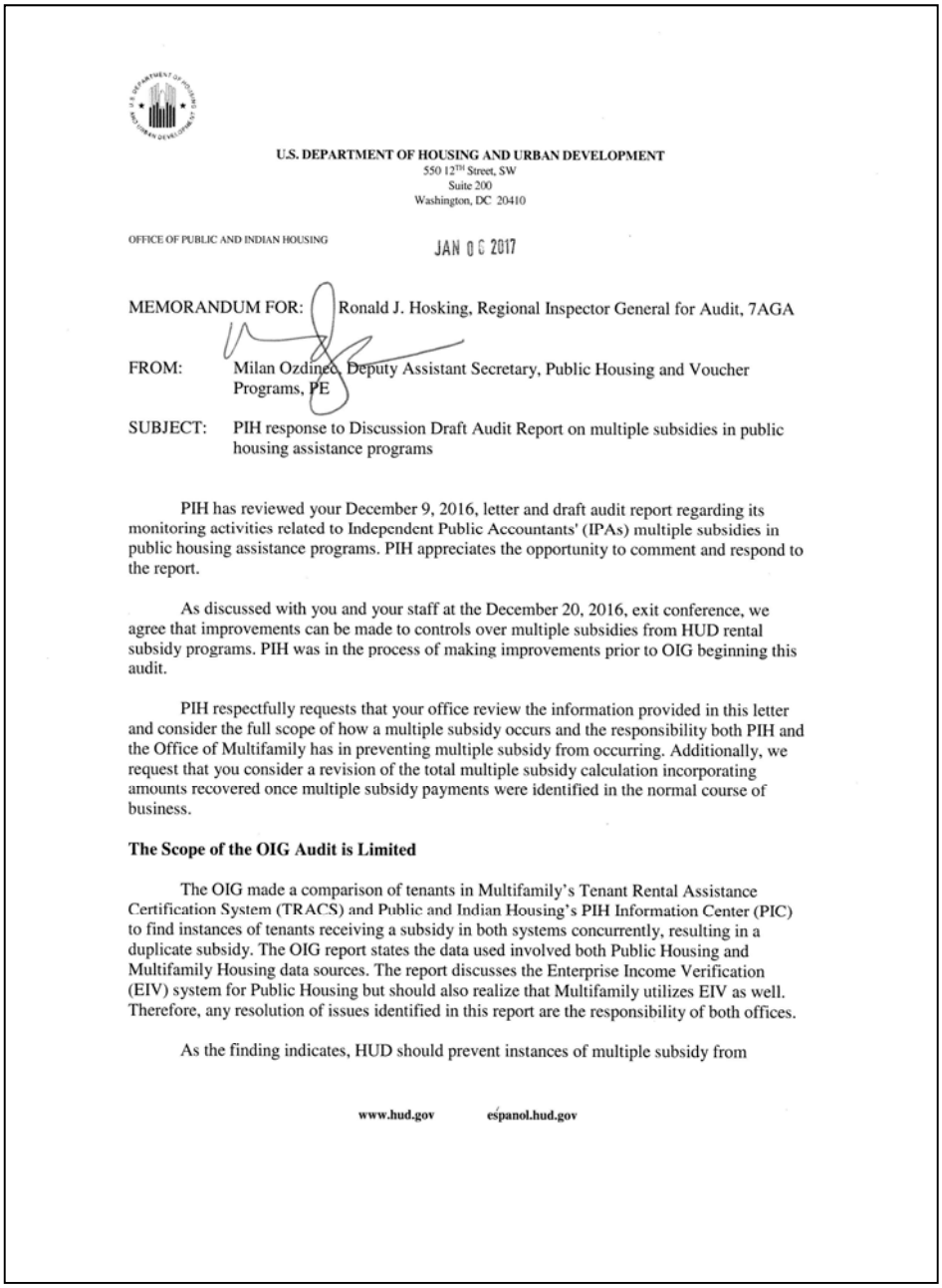
Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

Comment 2



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
550 12TH Street, SW
Suite 200
Washington, DC 20410

OFFICE OF PUBLIC AND INDIAN HOUSING

JAN 0 6 2017

MEMORANDUM FOR: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

FROM: Milan Ozdinec, Deputy Assistant Secretary, Public Housing and Voucher Programs, PE

SUBJECT: PIH response to Discussion Draft Audit Report on multiple subsidies in public housing assistance programs

PIH has reviewed your December 9, 2016, letter and draft audit report regarding its monitoring activities related to Independent Public Accountants' (IPAs) multiple subsidies in public housing assistance programs. PIH appreciates the opportunity to comment and respond to the report.

As discussed with you and your staff at the December 20, 2016, exit conference, we agree that improvements can be made to controls over multiple subsidies from HUD rental subsidy programs. PIH was in the process of making improvements prior to OIG beginning this audit.

PIH respectfully requests that your office review the information provided in this letter and consider the full scope of how a multiple subsidy occurs and the responsibility both PIH and the Office of Multifamily has in preventing multiple subsidy from occurring. Additionally, we request that you consider a revision of the total multiple subsidy calculation incorporating amounts recovered once multiple subsidy payments were identified in the normal course of business.

The Scope of the OIG Audit is Limited

The OIG made a comparison of tenants in Multifamily's Tenant Rental Assistance Certification System (TRACS) and Public and Indian Housing's PIH Information Center (PIC) to find instances of tenants receiving a subsidy in both systems concurrently, resulting in a duplicate subsidy. The OIG report states the data used involved both Public Housing and Multifamily Housing data sources. The report discusses the Enterprise Income Verification (EIV) system for Public Housing but should also realize that Multifamily utilizes EIV as well. Therefore, any resolution of issues identified in this report are the responsibility of both offices.

As the finding indicates, HUD should prevent instances of multiple subsidy from

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Auditee Comments

Ref to OIG Evaluation

Comment 3

Comment 4

Comment 5

Comment 6

Comment 7

occurring. Thus, the scope should encompass testing and preventative measures from all possibilities of multiple subsidy occurring between Multifamily Housing and Public Housing including whether controls in place are functioning as intended.

OIG's Calculations of $935,283 and Related $2.24 million Omits Common Adjustments

The OIG projected total annual multiple subsidy of $2.24 million. However, the OIG's computation of multiple subsidy did not adjust for partial month increments, and did not factor in amounts recovered when existing controls identified the improper payments and subsequently recovered the funds.

The majority (23 of 38) of tenants OIG concludes received multiple subsidy have an apparent overlap in subsidy less than 30 days. It appears OIG includes a full month of subsidy in its identified dollar error regardless of the number of days' overlap. Furthermore, the report does not identify any audit procedures to determine whether payments were actually made by both program offices. The scope & methodology section only identifies discussions with HUD staff and review of files. Rent is typically paid once a month. Therefore, there is a potential that some of the 23 cases received subsidy from only one source because the issue was resolved prior to rent/subsidy being paid.

Additionally, there is no evidence the OIG evaluated contractual obligations to determine whether rent payments for partial months was required. If that is the case, payments for rent on issues that were less than 30 days were not improper payments, but were payments required to meet contractual obligations.

The OIG conclusions and calculations also do not fully incorporate the result of existing controls in place. Both Multifamily Housing and Public Housing EIV guidance require quarterly use of the multiple subsidy reports. This existing control commonly identifies and corrects multiple subsidy cases, including recovery of funds improperly expended. As noted above, we acknowledge controls can be improved, however, the results of the audit as presented hold Multifamily Housing and Public Housing to a standard not currently required. To test whether or not existing controls were working as intended, PIH recommended that the OIG determine when the next quarterly report is run and whether the deficiency was identified, corrected, and funds recovered. If these actions were taken, then no deficiency should be reported.

We appreciate the recommendation provided by the OIG and look forward to reaching management decisions. If you have any questions, please do not hesitate to contact [redacted], PIH Audit Liaison Officer at [redacted].

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OIG Evaluation of Auditee Comments

Comment 1 We agree that it is the responsibility of both Public and Indian Housing and Multifamily Housing to prevent multiple subsidies from occurring. Recommendation 1B requests that public housing agencies contact any multifamily property listed on the existing tenant search report so that the housing agency and multifamily property can work together to prevent an overlap of subsidy.

Furthermore, we found only two instances when a public housing agency said they placed the participant on a repayment plan.

Comment 2 We reviewed Multifamily Housing's required use of the Enterprise Income Verification system during our audit. We discussed the Public and Indian Housing Enterprise Income Verification requirements in the report because they do not require public housing agencies to run the existing tenant search at admission and to follow up with any multifamily properties listed on the report.

Comment 3 We looked for multiple subsidies among tenants that moved from Multifamily Housing to Public and Indian Housing and from Public and Indian Housing to Multifamily Housing. However, the tenant in each of the 38 instances of multiple subsidy we discovered moved from a Multifamily Housing subsidy program to a Public and Indian Housing subsidy program. We did not find any instances of multiple subsidy when the tenant moved from a Public and Indian Housing subsidy program to a Multifamily Housing subsidy program.

Comment 4 Our calculation of multiple subsidy amounts used the number of days that the multiple subsidy occurred. We did not use a whole month if the multiple subsidy occurred for only a portion of the month. We used the last approved housing assistance payment amount and calculated a daily rate to arrive at the total amount received for a partial month.

The objective of our review was to determine whether HUD prevented program participants from concurrently receiving subsidies from both public housing and multifamily subsidy programs. Therefore, we reviewed only those controls that Public and Indian Housing and Multifamily Housing had in place to prevent multiple subsidy from starting. We did not review controls that were in place to correct instances of multiple subsidy. That being said, we found only two instances when a public housing agency said they placed the participant on a repayment plan.

Comment 5 We used only the actual number of days that a multiple subsidy existed when calculating the projected results. Additionally, we requested a subsidy payment history from both Public and Indian Housing and Multifamily Housing as part of the

tenant file to make the determination that a subsidy payment had actually been made.

Comment 6 For the Public and Indian Housing subsidy, we started counting the multiple subsidy the day the housing assistance started. We stopped counting the multiple subsidy the day the multifamily property terminated assistance. The multifamily property is only entitled to a housing assistance payment for a unit until the day they find the unit has been abandoned or until it is vacated.

Comment 7 As stated above, the objective of our review was to determine whether HUD prevented program participants from concurrently receiving subsidies from both public housing and multifamily subsidy programs. The recommendations in this report provide an opportunity for HUD to improve its controls through minor changes to prevent multiple subsidy from ever starting.

Appendix C

Criteria

24 CFR 5.233

(2) Processing entities must use HUD's EIV [Enterprise Income Verification] system in its entirety:

> (i) As a third party source to verify tenant employment and income information during mandatory reexaminations or recertifications of family composition and income, in accordance with 24 CFR 5.236, and administrative guidance issued by HUD; and
>
> (ii) To reduce administrative and subsidy payment errors in accordance with HUD administrative guidance.

HUD Notice 2010-19

14. EIV has the ability to identify other potential issues which may impact a family's level of assistance. EIV contains stand-alone reports, which a PHA [public housing agency] may generate at any time (i.e. Deceased Tenants Report, New Hires Report, Multiple Subsidy Report, Identity Verification Report, Income Discrepancy Report, Debts Owed to PHAs and Termination Report, and Immigration Report). However, it should be noted that the information from these stand-alone reports are contained in the Income Report for each household. PHAs are required to address any and all potential issues at the time of the annual or interim reexam, as conveyed in the Income Report.

PHAs may use the stand-alone reports to monitor staff's progress in reducing the following administrative and subsidy payment errors by using the listed reports:

a. Incorrect/invalid SSNs [Social Security numbers]/name/date of birth – Identity Verification Report
b. Follow-up with families who need to disclose a SSN – Immigration Report
c. Duplicate rental assistance – Multiple Subsidy Report
d. Unreported increase in income – Income discrepancy Report
e. Improper payments on behalf of a deceased tenants – Deceased Tenants Report
f. Unreported new employment (PHAs with interim increase policy) – New Hires Report
g. Adverse Termination/Outstanding Debt to PHA – Debts Owed to PHAs and Termination Search.