

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROJECT-BASED RENTAL ASSISTANCE

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
<b>Strategic Goal EM: Embrace high standards of ethics, management, and accountability.</b>			
Discretionary BA (Dollars in Thousands)	\$636,258	\$906,669	\$606,048
FTE			
Headquarters	9	20	14
Field	35	55	55
Subtotal	44	75	69
S&E Cost (Dollars in Thousands)			
Personal Services	\$3,680	\$6,481	\$6,042
Travel	36	55	60
Printing	3	12	12
Other Services	179	42	45
Supplies	1	4	4
Subtotal	3,899	6,594	6,163
<b>Strategic Objective EM.4: Ensure program compliance.</b>			
Indicator: The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.	Over 60% of rent calculations contain errors.	Over 51% of rents calculations contain errors	42%
Indicator: The national average PIH Information Center (PIC) reporting rates for public housing and Housing Assistance for Needy Families households will be 85 percent or better.	Policy temporarily suspended <sup>a/</sup>	Baseline established.	Initiative transferred to HANF

a/ Due to major upgrade of the PIC-50058, sanctions and forbearance policy relating to reporting rates was suspended.

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

For the Project-Based Rental Assistance program, the Department requests approximately \$606 million in program funding and \$6.2 million in Salaries and Expenses for a total of \$612.2 million in 2004 to support Strategic Goal EM: Embrace high standards of ethics, management, and accountability.

HUD is committed to continually improving performance, and produces these improvements in a manner that reflects the highest standards of ethics, management excellence and accountability expected by the Department, Congress and taxpayers. Ensuring the integrity of HUD programs involves all of HUD's employees (including Inspector General staff), as well as mortgage lenders, appraisers, contractors, property owners, public housing agencies and communities who participate in and/or administer segments of HUD's programs.

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The Department has been intensively improving its management and operations. The General Accounting Office's January 2001 report, "Major Management Challenges and Program Risks: Department of Housing and Urban Development," recognized HUD's progress to date. The report indicated that the main area of focus for continued progress were the single family mortgage insurance and rental housing assistance programs, and the key challenges for management were in the areas of information systems, financial management systems and human capital.

The Department is fully focused on these areas and has instituted policies and plans to address remaining issues in these areas. The Secretary has defined improvements in ethics and accountability of both HUD's staff and HUD's partners as "perhaps the most important [priority]." The Department will work with our internal resources, our partners and our clients to provide excellent service and results that speak to the highest standards of ethics and accountability.

Housing in conjunction with REAC and the Enforcement Center works with Performance Based Contract Administrators to assure adherence to the highest quality of service to both tenants and project owners associated with the Section 8 project-based program.

HUD partners are critical to the Department's overall performance. These partners, which include government, non-profit and for profit entities, provide service delivery for a majority of HUD programs. Increasing their satisfaction with HUD makes them more willing to support HUD and achieve common objectives. During fiscal year 2001, partner groups were surveyed to assess partner satisfaction with the Department as a whole, and perceptions of the recent management changes at HUD. The partner groups surveyed included: community development directors, public housing agency directors, Fair Housing Assistance Program (FHAP) directors, mayors, multifamily owners, and non-profit providers. Overall satisfaction by partners varied greatly. The Department's goal is to see an increase in partner groups' satisfaction when the study is replicated in 2003.

HUD intends to ensure fairness to all rent-subsidized households by reducing overpaid rent subsidy annually. Regulatory changes and new administrative controls will correct long-standing problems, including errors in calculating rents and inaccurate reporting of income. Based on computer matching with 1998 Federal income tax data, HUD estimates that tenants who under-reported their income received \$978 million in unwarranted rent subsidies. In addition, over 60 percent of subsidized rent calculations contain some type of error. HUD's prior corrective action focus has been on developing and implementing a large-scale computer-matching program with IRS and SSA databases to better address the unreported tenant income issue. While this and other improvement initiatives are ongoing, the Department is implementing the Rental Housing Integrity Improvement Program (RHIIIP) a comprehensive initiative for addressing rental subsidy errors. Core components of this multi-faceted strategy include: more aggressive monitoring and quality control; education, guidance, and training for HUD field staff and POAs (Public Housing Agencies, Owners, and Agents); facilitating state wage matches and other up-front verification initiatives to obtain accurate independent verification of all tenant income; and simplifying program requirements, where feasible. HUD will cut the processing error rate by at least half, from 60 percent in fiscal year 2002, to 30 percent by 2005. HUD has set interim error reduction goals of 15 percent for fiscal year 2003 and 30 percent for fiscal year 2004.

HUD will continue to implement its RHIIIP strategy in 2003 and 2004 to meet performance targets. This will include the completion of actions to:

- Provide a rent calculation software tool to better support program administrator processing of rent and subsidy determinations;
- Revise the front-end of HUD's two tenant data systems (PIC-50058) to better standardize and automate the collection and validation of tenant information used in rent and subsidy determinations;
- Provide automated program administrator access to additional sources of Federal, State, and private income data to which HUD is authorized for upfront use in correctly calculating rents and subsidies to reduce improper payments;
- Improve HUD's systemic ability to identify problem performers for risk-based targeting of monitoring and enforcement efforts;
- Implement statutory and/or regulatory program simplification proposals;
- Provide increased program training and technical assistance to HUD field staff program administrators;
- Strengthen and enforce program incentives and sanctions to instill integrity and accountability; and

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- Continue to strengthen HUD's capacity for proper oversight of the rental housing assistance programs.

However, reduction of errors and improper payments is not expected to have a significant impact on budget outlays. HUD's experience has been that its efforts will cause many higher income tenants and tenants who have been underreporting their incomes to leave subsidized housing and be replaced with lower income tenants requiring increased rental subsidies.

### Resource Management Information

There is a decrease in the fiscal year 2004 resources from fiscal year 2003 level. The major factor is the Department's request of tenant-based rental assistance program under a new account, Housing Assistance for Needy Families. The total FTE request for the Project-Based Rental Assistance program in fiscal year 2004 is at the same level as the fiscal year 2003 request. The distribution of the total FTEs has been altered to reflect the alignment of the Annual Performance Plan goals for Multifamily Housing under the new Strategic Objectives.