
AUDIT REPORT



PORTABILITY FEATURES OF THE SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

OFFICE OF PUBLIC AND INDIAN HOUSING

2004-BO-0006

January 15, 2004

OFFICE OF AUDIT, NEW ENGLAND
BOSTON, MASSACHUSETTS



Issue Date	January 15, 2004
Audit Case Number	2004-BO-0006

TO: William O. Russell, III, Deputy Assistant Secretary for Public Housing and Voucher Programs, PE

FROM: Barry L. Savill, Regional Inspector General for Audit, 1AGA

SUBJECT: Review of the Administration of the Portability Features of the Section 8 Housing Choice Voucher Program

We completed an audit of the portability features of the Section 8 Housing Choice Voucher Program. Our overall objective was to determine whether housing authorities within the six New England states were administering the portability features of Section 8 Housing Choice Voucher Program effectively and efficiently. An additional objective was to identify data problems within the Multifamily Tenant Characteristic System module of the PIH Information Center (PIC) System.

Our report contains two findings with recommendations requiring action by your office. The two findings address:

1. Ineffective Administration of the Section 8 Housing Choice Voucher Program.
2. Inaccurate or Incomplete Data in the PIH Information Center System.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without management decisions, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact me at (617) 994-8380.



Executive Summary

We completed an audit of the portability features of the Housing Choice Voucher Program (HCVP). Our primary objective was to determine whether housing authorities were administering the portability features of Section 8 Housing Choice Vouchers (HCV) effectively and efficiently. Specifically, we wanted to ensure that families terminated from the receiving housing authority's Section 8 program were removed from the reimbursement rolls of the initial housing authority. An additional objective was to identify data problems within the Multifamily Tenant Characteristics (MTCS) module of the PIH Information Center (PIC) System.

Audit Results

We determined that:

- HUD policies and procedures should require sufficient interaction between initial and receiving housing authorities to help ensure the effective and efficient administration of the portability features of HCVP.
- The controls over and review of data within the MTCS module of PIC need to be improved to help ensure current, accurate, and complete data.

Recommendations

We recommend that HUD:

- Require housing authorities to communicate sufficiently with each other to ensure the timely termination of payments from the initial to the receiving housing authority when a program participant terminates.
- Require receiving housing authorities to refund the outstanding overpayments to initial housing authorities.
- Compel housing authorities to follow the HUD requirement to use HUD Forms 52665 *Family Portability Information* and 50058 *Family Report*.
- Provide guidance to housing authorities on how the refunded amounts should be recorded on the financial statements by both the initial housing authority and receiving housing authority.
- Impose administrative sanctions against housing authorities that do not comply with HUD regulations related to the portability features of the HCVP.

Information Systems
Audit Division
System-Wide Review

Currently, the Information Systems Audit Division (ISAD) of the Office of Inspector General is conducting a system-wide review of PIC. The issues dealing with the Multifamily Tenant Characteristics System (MTCS) module within PIC raised in this report (Finding 2) have been forwarded to ISAD for inclusion in their review. Upon the completion of the PIC system-wide review by ISAD, recommendations to address the need to improve data integrity in the MTCS modules will be made by ISAD.

The findings were discussed with HUD Headquarters' PIH staff, New England PIH staff, New England PIC staff, and HUD Headquarters' PIC staff during the course of the audit. We held an exit conference on October 29, 2003 with representatives from HUD Headquarters Public and Indian Housing staff. In addition, on September 29, 2003, we briefed New England PIH staff. We received a response on November 26, 2003, and included pertinent comments from the response in the Findings section of the report. We included the full response as Appendix D.

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Acronyms

ACC	Annual Contributions Contract
CFR	Code of Federal Regulations
HA	Housing Authority
HAP	Housing Assistance Payment
HCV	Housing Choice Voucher
HCVP	Housing Choice Voucher Program
HUD	Department of Housing and Urban Development
ISAD	Information System Audit Division
MTCS	Multifamily Tenant Characteristics System
PIH	Public and Indian Housing
PIC	PIH Information Center System
SSN	Social Security number
SSNs	Social Security numbers

Introduction

The Housing Choice Voucher Program (HCVP) is the Federal government's major housing program intended to assist very low-income families, the elderly, and the disabled in affording decent, safe, and sanitary housing in the private real estate market. Since HUD provides housing assistance on behalf of the family or individual, program participants can find their own housing, which can be a single-family home, townhouse, or apartment. An eligible family, that has been issued a Housing Choice Voucher (HCV), may use that voucher to lease a unit anywhere in the United States where a housing agency operates a HCVP. HUD calls this feature of the program “portability”. The housing authority issuing the voucher and funding the voucher is the initial housing authority while the housing authority administering the voucher is the receiving housing authority.

Section 8 Housing Choice Voucher Program (HCVP)

HUD provides HCVs and the related funding to housing agencies across the country based on Annual Contributions Contracts between HUD and the housing agency. HUD pays housing agencies an on-going administrative fee to administer HCVs. As part of its administrative responsibilities, housing agencies:

- Accept applications from prospective program participants.
- Maintain waiting lists.
- Screen tenants for eligibility.
- Issue vouchers and assist eligible tenants in locating affordable housing.
- Inspect housing units for compliance with HUD’s Housing Quality Standards.
- Determine the tenant’s and HUD’s share of the monthly rent.
- Grant tenancy.
- Sign a Housing Assistance Payment (HAP) contract with the landlord and make monthly HAP payments to the landlords.

Portability Procedures

When a program participant utilizes the HCV portability features, the initial housing authority is required to forward a completed Part I of HUD Form 52665 *Family Portability Information* to the receiving housing authority. The form provides information on the portable family, and the initial housing authority certifies that the information is accurate. In addition, the initial housing authority forwards a copy of the current HUD Form 50058 *Family Report* and the HCV issued by them. The receiving housing authority must complete Part II of HUD Form 52665 and submit the form to the initial housing authority within ten days of the execution of a HAP or expiration of the voucher prior to a request for tenancy. If a HAP contract is executed, the receiving housing authority specifies, on HUD Form 52665, whether the program participant was absorbed into the receiving housing authority's program or the receiving housing authority will administer the voucher for the initial housing authority.

Except in Massachusetts, receiving housing authorities can unilaterally decide to absorb or not absorb a program participant that moves into its jurisdiction using portability. The U.S. Federal District Court ruled, in Williams, et al v. Hanover Housing Authority, et al, that each housing authority in Massachusetts has jurisdiction over the entire state. Accordingly, Massachusetts housing authorities have the option of administering vouchers anywhere in the state. However, no initial housing authority in any state can compel the receiving housing authority to absorb a tenant that uses the portability features of the HCVP.

PIH Information Center System

Housing authorities are responsible for entering tenant data from HUD Form 50058 *Family Report* into the Multifamily Tenant Characteristics (MTCS) module of the PIH Information Center (PIC) system. PIC is the repository for HCV tenant data, and housing authorities only have visibility into the data that they enter into PIC. When program participants relocate using portability procedures, the receiving housing authority becomes responsible for entering the data in PIC, whether or not the tenant is absorbed.

Billing Procedures and Terminations

If the portability tenant is not absorbed, the receiving housing authority must provide the initial housing authority with the HAP amount and the administrative fee on HUD Form 52665. The total of the HAP and administrative fee represents the monthly payment from the initial housing authority to the receiving housing authority for administering the HCV. HUD regulations require that the receiving housing authority complete HUD Form 52665 and submit it to the initial housing authority within ten days of any change in the monthly payment amount.

Program participants may terminate from the HCVP voluntarily or involuntarily. An involuntary termination can be caused by loss of eligibility or the program participant's failure to comply with HUD regulations. When a program participant is terminated, the receiving housing authority stops the HAP to the landlord and must provide the initial housing authority with the completed HUD Form 52665 *Family Portability Information* within ten days of the effective date of the termination. In addition, the receiving housing authority enters the termination data into PIC. Upon notification of the termination, the initial housing authority ceases the HAP and administrative fee payments to the receiving housing authority. The two housing authorities should eliminate any over or under payments quickly.

Background

On September 30, 2002, we issued Audit Report Number 2002-BO-1005 Chelsea Housing Authority, Chelsea, Massachusetts, which reported ineffective administration of HCVs at the housing authority. Specifically, the audit disclosed instances in which the receiving housing authority terminated program participants, but continued to collect payments from the initial housing authority. In addition, the receiving housing authority improperly absorbed some program participants without notifying the initial housing authority. The receiving housing authority continued to receive payments from the initial housing authority and included the same program participants in its year-end settlement with HUD.

In response to these audit results, we began the audit of the Portability Features of the HCVP. The objective of the survey portion of the portability audit was to determine if the HUD-OIG should perform a comprehensive audit of the New England Public and Indian Housing HCVP. The comprehensive audit would determine whether initial and receiving housing authorities (HAs) were administering the portability features of HCVs effectively and efficiently. Specifically, we wanted to ensure that:

- a. HUD is not reimbursing both the initial and receiving HAs for the cost of the same family.
- b. The initial and receiving HA are not using separate HCVs for the same family, thereby unnecessarily reducing the number of vouchers available to other needy families.
- c. Families terminated from the receiving HA's HCVP are removed from the reimbursement roles of the initial HA.

During the survey phase of the audit, we selected and performed reviews at three Massachusetts housing authorities with significant portability activity: Boston Housing Authority, Brockton Housing Authority, and Revere Housing Authority. Our survey disclosed that the Brockton Housing Authority did not always notify the initial housing authority when a program participant moved using portability procedures, was not absorbed, and was subsequently terminated by the the Brockton Housing Authority. As a result, fewer vouchers and less funding were available to service other needy families. On July 17, 2003, we issued Audit Report Number 2003 BO 1004, which detailed the audit results at the Brockton Housing Authority.

In addition, during the survey phase, we determined that the portability features of the HCVP were administered effectively and efficiently at the Revere Housing Authority. On May 2, 2003, we issued Audit Memorandum Number 2003-BO-1801, which detailed the audit results at the Revere Housing Authority.

We did not issue a separate audit report on the Boston Housing Authority. Rather, the results from our review of

the Boston Housing Authority have been merged with the results from other housing authorities reviewed during the comprehensive audit and included in this report.

Finally, we identified problems with PIC at each of the housing authorities visited. Based on the results of our survey phase, we determined that the audit of the portability features of the HCVP should continue.

Audit Objectives

The revised objective of the portability audit was to determine whether initial and receiving HAs were administering the mobility/portability features of HCVs effectively and efficiently to ensure that families terminated from the receiving HA's HCVP are removed from the reimbursement roles of the initial HA. Furthermore, we continued to identify and report on PIC data deficiencies.

Audit Scope and Methodology

To accomplish the audit objectives, we:

- Reviewed applicable laws, regulations, guidance, policies, and procedures.
- Interviewed New England and HUD Headquarters' Office of Public Housing personnel, housing authority personnel, and HUD Headquarters' PIC System personnel.
- Reviewed the record field layout, identified the data fields required, and obtained the current databases from the MTCS module of PIC.
- Identified the New England program participants who had moved using portability procedures, were not absorbed, and were subsequently terminated.
- Selected the nine housing authorities (HA) with the largest number of terminated program participants.

Brunswick (ME) HA	Boston (MA) HA
Biddeford (ME) HA	Framingham (MA) HA
Maine State (HA)	New Haven (CT) HA
Somerville (MA) HA	Providence (RI) HA
New Hampshire Housing Finance Agency	

- Reviewed 100 percent of the terminated program participants at these nine locations.

- Selected an additional location, Milford (MA) HA based on an audit lead at one of the other nine locations, and reviewed 100% of the terminated program participants at the Milford HA.
- Determined if the payments from the initial housing authority to the receiving housing authority were stopped timely when the program participant terminated.
- Documented any PIC data or other deficiencies at each location, and tested the PIC databases for the six New England states to determine if the data was accurate and complete.

We performed audit work from October 2002 through June 2003. The audit covered the period June 1, 2001 through December 31, 2002. We extended the review, where appropriate, to include other periods. We conducted the audit in accordance with generally accepted government auditing standards.

Information Systems
Audit Division
System-Wide Review

Currently, the Information Systems Audit Division (ISAD) of the Office of Inspector General is conducting a system-wide review of PIC. The issues dealing with the Multifamily Tenant Characteristics System (MTCS) module within PIC raised in this report (Finding 2) have been forwarded to ISAD for inclusion in their review. Upon the completion of the PIC system-wide review by ISAD, recommendations to address the need to improve data integrity in the MTCS modules will be made by ISAD.

Ineffective Administration of the Section 8 Housing Choice Voucher Program

Housing authority administration of the portability features of the Housing Choice Voucher Program (HCVP) was not always effective and efficient when the receiving housing authority terminated program participants. In 33 percent of the 335 terminations reviewed, the payments from the initial housing authority to the receiving housing authority continued after the program participant terminated. Overpayment periods ranged from one month to twenty-two months. These overpayments occurred because of poor communication between housing authorities. In addition, initial housing authorities have limited access to data for program participants terminated by the receiving housing authority. Consequently, Housing Choice Vouchers (HCVs) were not available to serve other needy clients. Finally, both the initial housing authority and receiving housing authority were unnecessarily expending resources to correct the over or under payments for the terminated program participants.

Failure to Use the Appropriate HUD Forms

Our review disclosed that six of the ten housing authorities reviewed did not consistently use the required HUD Form 52665 *Family Portability Information* or HUD Form 50058 *Family Report*. Some housing authorities made payment changes based on internally developed forms, telephone conversations, or general correspondence from other housing authorities. In addition to violating HUD regulations, the failure to use the required HUD Forms increases the risk of payment error and incorrect data transmissions.

Payment Errors

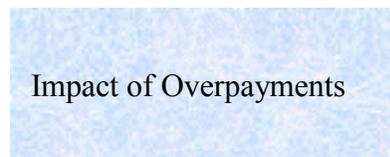
Of the 335 termination transactions reviewed, the payments for 111 terminated program participants (33 percent) continued past the effective date of the termination. The overpayments ranged from one month to twenty-two months and totalled \$158,448. As of July 28, 2003, initial housing authorities collected \$149,451 of the overpayments related to 98 of these transactions; however, housing authorities have yet to collect \$8,997 in overpayments related to the remaining thirteen terminations. The applicable housing authorities are in the process of collecting the outstanding overpayments.

Reasons for Payment Errors

HUD regulations do not require any communication between the initial housing authority and receiving housing authority, except when there is a change in Housing Assistance Payment (HAP) or administrative fee. Accordingly, HUD's risk of overpayment increases because of the poor communication between housing authorities. The initial housing authority is required to continue paying the receiving

housing authority until notified otherwise. No incentive exists for the receiving housing authority to identify these overpayments because the funding belongs to another housing authority.

The initial housing authority has very limited access into PIC data for the receiving housing authority. With limited visibility into PIC for other housing authorities, the initial housing authority cannot research the tenant activity for a portability-out to another housing authority. Therefore, the initial housing authority is dependent on the receiving housing authority for information on portability-out tenants, even though the initial housing authority is funding the voucher. In addition, initial housing authorities are reluctant to expend resources on researching portability-outs because the initial housing authority pays the receiving housing authority a high percentage of the ongoing administrative fee to administer the HCV. Finally, without sufficient visibility into PIC, initial housing authorities are unable to determine the status of its portability-out program participants.



We identified a total of \$575,188 of overpayments that could have been used to support other needy families in a more timely manner. In addition, both the initial and receiving housing authorities are expending resources unnecessarily in attempt to correct over or under payments.

Housing Authority Overpayments			
Housing Authority	Total Overpayment	Amount Refunded	Uncollected Amount
Biddeford	\$ 1,462	\$ 1,462	\$ 0
Boston	79,729	76,335	3,394
Brunswick	3,762	3,762	0
Framingham	33,423	33,423	0
Maine	23,000	21,725	1,275
Milford	11,883	10,847	1,036
New Hampshire	1,897	1,897	0
New Haven	0	0	0
Providence	0	0	0
Somerville	3,292	0	3,292
Brockton ¹	416,740	0	416,740
Revere ²	0	0	0
Total	\$ 575,188	\$ 149,451	\$ 425,737

¹ See Audit Report No. 2003-BO-1004 for the details of our audit of the Brockton Housing Authority.

² See Audit Memorandum No. 2003-BO-1801 for the details of our audit of the Revere Housing Authority.



Auditee Comments

HUD agrees that failure of the housing authorities to use HUD-required forms and the lack of communication are the prime causes of the billing errors and overpayments discovered by this audit. HUD plans to issue a new notice on portability to:

- Reinforce that housing authorities must use HUD forms and may not accept other methods for billing.
- Tighten existing billing deadlines and requirements.
- Require the receiving housing authority to provide annual re-certification notification to the initial housing authority (even in cases where there is no change in the billing amount) and ensure billing information remains up-to-date.
- Establish new requirements to address late billing payments by initial housing authorities, including an explicit deadline by which on-going monthly billing amounts must be received by the receiving housing authority.
- Clarify Public and Indian Housing Information Center (PIC) data entry requirements related to portability.

HUD does not agree that the initial housing authority's limited access to PIC reporting data for the receiving housing authority is a root cause of the problem. As the PIC system has significant problems with inaccurate or incomplete data, HUD does not believe that expanding housing authority viewing capabilities will adequately address billing errors and overpayments. Instead, HUD believes that increasing the requirements for regular communication between housing authorities and imposing significant penalties for failure is more effective

OIG Evaluation of
Auditee Comments

HUD's planned notice to all housing authorities will address our recommendations by:

1. Reinforcing existing requirements.
2. Formalizing communication between the initial and receiving housing authorities.
3. Establishing new requirements to address late billing payments and set deadlines for on-going monthly billing.

When HUD addresses the inaccurate and incomplete data in PIC, HUD will have the opportunity to use PIC as a management tool to track portability between housing authorities. As HUD assists over three million families through the Section 8 program and HUD obtains several hundred fields of data for each family, obtaining and maintaining data quality in the PIC system will be a continuing effort.

Our draft report contained a recommendation to provide initial housing authorities with increased visibility into PIC for their portability-out tenants. The purpose of the recommendation was to reduce HUD's overpayment risk by providing initial housing authorities with the ability to view real-time data for the portability-out tenants prior to making payment. HUD plans to issue a PIH Notice that will require stronger communication between housing authorities; provide for meaningful sanctions; and allow units to be transferred more easily between housing authorities. In our opinion, HUD's planned notice should reduce HUD's payment risk by requiring housing authorities to improve the administration of the portability features of the program or risk losing administrative fees and unit months. Accordingly, we have eliminated our recommendation to provide increased visibility into PIC.


Recommendations

We recommend that HUD:

- 1A. Require housing authorities to communicate with each other to ensure the timely termination of payments from the initial to the receiving housing authority when a program participant is terminated.
- 1B. Require receiving housing authorities to refund the outstanding overpayments to initial housing authorities.
- 1C. Compel housing authorities to follow the HUD requirement to use HUD Forms 52665 *Family Portability Information* and 50058 *Family Report*.
- 1D. Provide guidance to housing authorities on how the refunded amounts should be recorded on the financial statements by both the initial housing authority and receiving housing authority.
- 1E. Impose administrative sanctions against housing authorities that do not comply with HUD regulations related to the portability features of the HCVP.



Inaccurate or Incomplete Data in PIC

The PIH Information Center (PIC) System staff provided us with the current databases for the six New England states from the Multifamily Tenant Characteristics System (MTCS) module of PIC. We analyzed these six databases, and our review disclosed that seven percent of the data fields reviewed contained fatal errors that circumvented system edit checks. Either the system edit checks were ineffective or the fatal errors involved legacy data that was not subject to the current PIC edit checks. PIC's failure to reject records with fatal errors results in inaccurate or incomplete data in PIC. HUD's risk of program fraud increases and the reliability of PIC information decreases because of these PIC deficiencies.

PIH Information System Center System

HUD announced the creation of PIC in the April 29, 2002 Federal Register (Volume 67, Number 82). PIC's primary purpose is to allow housing authorities to submit PIH program information electronically. In addition, HUD planned to interface PIC with state wage collection agencies, one or more private vendors, and the Social Security Administration so that housing authorities could verify applicant and tenant income. Finally, a PIC strategic objective was to assist HUD in preventing fraud and abuse.

PIC combined the existing Integrated Business System, MTCS, and the Capital Fund Verification System. In addition, PIC incorporated some new functionality such as the Building and Unit Inventory and Section 8 Management Assessment Program. The system contains housing authority (HA) program information, financial and budgetary data, and family records with demographic, rent, and income details.

PIC System Edit Checks

The Federal Register announcement stated that HUD designed the PIC security module to identify and eliminate inaccurate and incomplete data by using extensive system edit checks. For example, the SSN edit check will reject a new tenant record if the head-of-household SSN is already included as the head-of-household SSN on an active record. The error report will identify the housing authority currently responsible for the program participant's housing, and the housing authority should investigate and resolve any conflicts. The PIC Technical Reference Guide identifies fatal errors by data field.

PIC and Section 8
Housing Choice Vouchers

The MTCS module of PIC is the repository for the Section 8 Housing Choice Voucher Program information. Housing authorities are responsible for entering tenant information from the HUD Form 50058 *Family Report* into PIC via housing authority owned software or HUD's Family Reporting Software. Family Reporting Software is available to housing authorities at no cost. The MTCS module is comprised of two separate databases (current database and historical database), which have hundreds of fields. The current database includes the last tenant transaction, and the historical database includes prior or outdated tenant transactions.

Fatal Error Analysis

On November 6, 2002, we provided the HUD PIH Office of Administration and Information Technology Services – CFO with a list of data fields that we required from the current MTCS module databases for the six New England states. On January 13, 2003, the responsible HUD staff provided six databases, which represented the six states and 206,592 families. We used the July 12, 2002 *Form HUD 50058 Family Report MTCS Technical Reference Guide* from the PIH Office of Information Technology to identify the fatal errors for selected fields. For example, a blank or empty field is a fatal error for the member last name field. PIC should reject any record with fatal errors.

Using analytical software, we were able to test 38 data fields for the existence of 53 different types of fatal errors. Ten fields did not contain any fatal errors. Twenty-eight fields contained 34 different types of fatal errors. Our analysis revealed 567,282 fatal errors distributed over these 28 fields and 206,592 records. The existence of fatal errors per field ranged from less than one percent of the records to over 39 percent of the records. On average, seven percent of the data fields contained fatal errors. Some of the more numerous fatal errors were blank Section 8 addresses, missing portability indicators, missing owner names, missing owner SSN, payment standards outside the range, and rent-to-owner amounts outside the range.

PIC's Failure to Reject
Records with Fatal Errors

The current PIC database contains some legacy data. HUD migrated legacy data into PIC from the old MTCS system. Legacy data was not subject to the current PIC edit checks. Accordingly, PIC did not reject the legacy transactions with fatal errors. In addition, as records are updated, the edit checks are only run on the fields that are updated. If a field

containing fatal errors is not updated, PIC will not reject the record. We were unable to determine if all of our exceptions were related solely to legacy data. On June 9, 2003, we met with HUD Headquarters PIC staff and provided them with the complete list of fatal errors (See Appendix C).

PIC's failure to reject records with fatal errors results in incomplete or inaccurate data. The existence of incomplete or inaccurate PIC data increases HUD's risk of fraud, waste, and abuse.

Post Office Boxes in the Section 8 Address Field

A visual inspection of the records disclosed that some of the records contained Post Office Box numbers in the Section 8 Address field. The Section 8 Address represents the location where the voucher holder is housed. According to HUD regulations, the Section 8 Address should never be a Post Office Box. We tested the six databases and identified 1,512 records in which the Section 8 Address was a Post Office Box. In addition to testing for the existence of Post Office Boxes in the Section 8 Address, we tested the records to determine if the same Post Office Box number existed on more than one record. Our analysis resulted in 22 instances in which the same Post Office Box number existed in the Section 8 Address field on more than one record.

Use of Post Office Boxes in the Section 8 Address Field

The PIC Technical Reference Guide does not classify Post Office Box numbers in the Section 8 Address field as a fatal error. Accordingly, PIC will not reject these records. PIC's failure to screen out Post Office Boxes from the Section 8 Address field increases HUD's risk of fraud, waste, and abuse because housing authorities can enter inaccurate and inappropriate data. If the Section 8 Address is a Post Office Box, the PIC system does not provide information on where these program participants are being housed.

Social Security Matches

As noted previously, one of the PIC edit checks ensures that the head-of-household SSN cannot be on more than one active record at the same time. However, PIC does not compare the following data fields:

- Head-of-household SSN with family member SSN.
- Head-of household SSN with owner SSN.
- Family member SSN with owner SSN.

We used analytical software to compare SSNs located on different data fields within the databases for the six New England states. Our analysis disclosed 347 instances in which the SSN was the same on one record as the head-of-household and another record as a family member. We statistically sampled the 347 matches to determine if the individuals involved were active on two separate records, at the same time, but in different capacities.

Our sampling plan defined a sampling unit as records with matching social security numbers, and multiple matches on the same social security number were counted as one sampling unit. We excluded records with obvious social security number errors or matches in which the housing authority was the same. After determining the confidence level and precision, we used commercial software to identify the appropriate sample size and to randomly select our sample. Exceptions or errors occurred when a head-of-household SSN on an active record matched a member SSN on another active record. None of our sample items was active on two separate records at the same time.

We compared the family member SSN on one record with the owner SSN on another record and identified 4,183 matches. The majority of the matchers (4,172) were invalid because the SSN were incorrect (i.e. 999999999). We reviewed 11 matches and identified four instances in which a family member SSN on one record matched an owner SSN on another record.

In addition, we compared the head-of-household SSN on one record with the owner SSN another record. We identified 147 matches; however, we eliminated 125 matches because the SSN was incorrect (e.g. 0). Of the 22 remaining matches, we determined that 14 matches indicated that the individual involved became a landlord after terminating from the Section 8 HCVP; but we identified eight individuals who were program participants at the same time that they were landlords under the Section 8 program.

Impact of One Individual
on Two Active Vouchers

PIC does not compare head-of-household SSN with family member SSN, head-of household SSN with the owner SSN; or family member SSN with owner SSN. PIC's failure to match SSNs across different fields increases HUD's risk of fraud, waste, and abuse. Program participants should not be active in more than one capacity or receiving benefits at more than one housing authority at the same time. Furthermore,

HUD could incur expenses for ineligible program participants, and therefore assist fewer needy families.

Invalid Social Security Numbers on Records

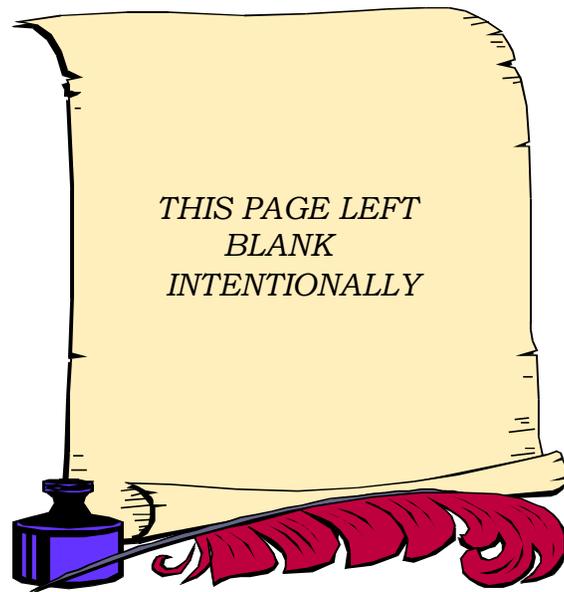
Using analytical software, we searched the SSNs for the head-of-household and family members for invalid SSNs. Our review disclosed 359 invalid SSNs. The majority of the invalid numbers contained letters or were 999999999. In addition, we identified sixteen instances where the SSNs began with 000. The Social Security Administration does not issue SSNs beginning with 000.

Use of Invalid Social Security Numbers on Records

PIC did not run the fatal error check (i.e. legacy data), the fatal error check was ineffective, or the system did not check for the error (i.e. SSNs starting with 000). PIC's failure to reject records with invalid SSNs increases HUD's risk of fraud, waste, and abuse. If the system does not require valid SSNs, ineligible program participants may be receiving benefits, and needy families may not be receiving assistance.

Recommendations

Currently, the Information Systems Audit Division (ISAD) of the Office of Inspector General is conducting a system-wide review of PIC. The issues dealing with the Multifamily Tenant Characteristics System (MTCS) module within PIC raised in this report (Finding 2) have been forwarded to ISAD for inclusion in their review. Upon the completion of the PIC system-wide review by ISAD, recommendations to address the need to improve data integrity in the MTCS modules will be made by ISAD.



Management Controls

Management controls include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. In planning and performing our audit, we obtained an understanding of the management controls used by housing authorities that were relevant to our audit objectives. We reviewed the management control systems to determine our auditing procedures and not to provide assurance on management controls.

Relevant Management Controls

We determined the following management controls were relevant to our audit objectives:

- Data quality controls.
- Accounts payable controls.
- Annual re-certification controls

A significant weakness occurs when management controls do not provide reasonable assurance that an organization's objectives will be met.

Assessment Results

In our opinion, management controls over data quality met HUD guidelines at the twelve housing authorities reviewed. Each housing authority performed quality control reviews of the tenant data entered into PIC. However, these quality control reviews on current transactions will not improve the accuracy of legacy data.

The accounts payable management controls met HUD guidelines. The extent and effectiveness of controls over portability-out payments varied by location for each of the housing authorities visited.

The initial housing authorities with long-term overpayment problems lacked adequate re-certification controls. These housing authorities relied on receiving housing authorities to perform the annual re-certification and forward the results to the initial housing authority on the required forms. Some initial housing authorities did not follow-up on overdue re-certifications, and this resulted in long-term overpayments for terminated program participants. The initial housing authorities involved have instituted corrective action plans that should address these management control deficiencies. HUD's risk of long-term overpayments at these locations should be reduced.


Auditee Comments

Under current requirements, the receiving housing authority is solely responsible for performing the annual re-certification. Furthermore, the receiving housing authority is only required to send a copy of the form for the annual re-certification to the initial housing authority, if there is a corresponding change in the billing amount.


OIG Evaluation of
Auditee Comments

HUD correctly identifies that current requirements place responsibility for re-certification solely on the receiving housing authority. HUD Guidebook 7420.10G *Housing Choice Voucher Guidebook* requires housing authorities to ensure that all program funds be expended only for allowable program costs. Therefore, the initial housing authority must depend on the re-certifications conducted by the receiving housing authority. To ensure the expense is an allowable program cost, the initial housing does not perform the re-certification, but must ensure that the re-certification is performed.

Schedule of Questioned Costs

Recommendation Number	Ineligible 1/
1B.Overpayments required to be refunded.	\$8,997

1/ Ineligible costs are those costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law, contract or Federal, State or local policies or regulations.



HUD Form 52665

Family Portability Information Section 8 Tenant-Based Assistance Rental Certificate/Rental Voucher Program

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169
(exp. 03/31/2004)

Public reporting burden for this collection of information is estimated to average .50 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

This collection of information is authorized under Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f). The information is used to standardize the information submitted to the receiving Housing Authority (HA) by the initial HA. In addition, the information is used for monthly billing by the receiving HA.

Sensitive Information. The information collected on this form is considered sensitive and is protected by the Privacy Act. The Privacy Act requires that these records be maintained with appropriate administrative, technical, and physical safeguards to ensure their security and confidentiality. In addition, these records should be protected against any anticipated threats or hazards to their security or integrity which could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual on whom the information is maintained.

Part I Initial HA Information and Certification

Instructions: This portion of the form is to be completed by the initial HA for a family that is moving out of the initial HA's jurisdiction under the portability procedures.

1. Head of Household Name				2. Head of Household Social Security Number			
3. Form of Assistance <input type="checkbox"/> Certificate <input type="checkbox"/> Voucher		4. Certificate/Voucher Number	5. Bedroom Size	6. Issuance Date (mm/dd/yyyy)	7. Expiration Date (mm/dd/yyyy)	8. Date of Last Income Examination (mm/dd/yyyy)	
9. Annual income if new admission (not currently a Section 8 certificate or voucher participant)				\$ _____			
10. Date by which initial billing must be received (six months from date initial HA issued certificate/voucher)(mm/dd/yyyy)				_____			
11. 80% of initial HA ongoing administrative fee				\$ _____			

Attachments:

- A copy of the certificate/voucher issued by the initial HA.
- A copy of the current form HUD-50058 and copies of the income verification for the current form HUD-50058. (Note: This is the latest form HUD-50058 completed for either an admission, an annual reexamination, or an interim redetermination. It is not the form HUD-50058 that the initial HA completes to report the portability move-out.)

Certification Statement:

The family is a current program participant or is not a current program participant but is income-eligible in the receiving HA's jurisdiction (see line 9 above), and the certificate or voucher was issued in accordance with the program regulations. Please issue the family a receiving HA voucher or certificate that does not expire before the expiration date indicated in Item 7 (the expiration date on the initial HA's certificate/voucher) for the appropriate bedroom size (based on the receiving HA's policies). I certify that the information contained on Part I of this form and the attached documents provided by my agency is true and correct. My agency will promptly reimburse amounts paid on behalf of the above family in accordance with program rules and regulations.

Name of Certifying HA Official _____ Type full Name and Address of Initial HA below

Signature _____

Initial HA Contact Name _____

Phone Number _____

Form Submission Date (mm/dd/yyyy) _____

This form may be reproduced on local office copiers

1 of 3

form HUD-52665 (03/2003)
ref. Handbook 7420.8

5. The HAP payments: (Check one)
_____ have been temporarily abated effective _____ (mm/dd/yyyy).
Please suspend the HAP to owner portion from your payment effective _____ (mm/dd/yyyy) until further notice.

_____ that were abated beginning _____ (mm/dd/yyyy) have been resumed
effective _____ (mm/dd/yyyy).
6. We are terminating the family from the program and will no longer be billing your agency.
Effective date of termination: _____ (mm/dd/yyyy)
Reason for termination:(specify)
7. The HAP contract has been terminated effective _____ (mm/dd/yyyy) and no new HAP contract has yet been
executed on behalf of the family.
The family:
_____ will not be remaining in our jurisdiction and has been referred to your agency.
_____ intends to remain in our jurisdiction. The family's voucher/certificate expires _____ (mm/dd/yyyy).
8. We have paid a damage/vacancy loss claim for the family.
9. Billing Information
- Regular Monthly Billing Amount**
- a. Monthly HAP to owner _____
(line 21g or line 22n of form HUD-50058)
- b. 80% of initial HA ongoing admin fee _____
(line 11 of Part I of this form)
- c. Monthly utility reimbursement amount _____
(line 21f, if checked, or line 22p of form HUD-50058)
- d. Total regular monthly billing amount (sum of lines a, b, and c) _____
- Additional Amount Due, If Applicable**
- e. Prorated HAP to owner from _____ to _____ _____
- f. Hard-to-house fee _____
- g. Damage/vacancy loss claim paid _____
- h. Other (explain) _____
- i. Total additional amount (sum of lines e, f, g and h) _____
- Billing Amount**
- j. Payment Due This Billing Submission (sum of lines d and i.) _____
(After this submission, billing amount is amount recorded on line d, unless otherwise notified by the receiving HA.)

Part II-A Receiving HA Information and Certification**Instructions:** The receiving HA must always complete Part II-A.

1. Head of Household Name _____		2. Head of Household Social Security Number _____
3. Certificate/Voucher Bedroom Size (per receiving HA's policies) _____	4. HAP Contract Number (if applicable) _____	

Certification Statement:

I certify that the information contained on Part II of this form and, if applicable, the attached form HUD-50058 is true and correct and that my agency will promptly remit any overpayment to your agency.

Name of Certifying HA Official _____ Type full Name and Address of Receiving HA below

Signature _____

Receiving HA Contact Name _____

Phone Number _____

Form Submission Date (mm/dd/yyyy) _____

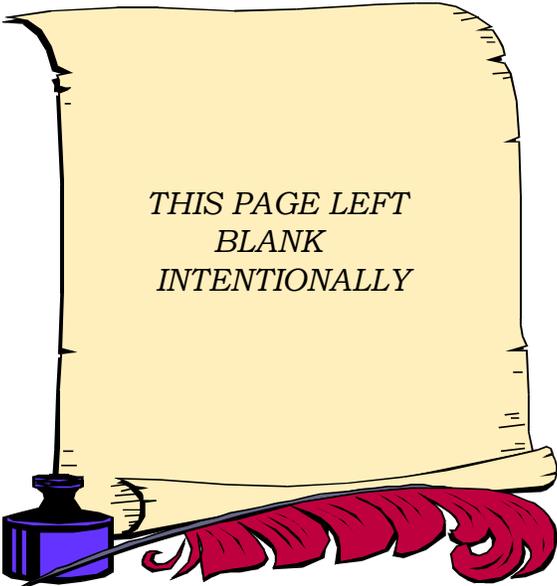
Part II-B Family Status, Initial HAP Contract Execution and Billing Changes After HAP Contract Execution

Instructions: Part II-B must be completed and mailed by the receiving HA within 10 working days from the date a HAP contract is executed on behalf of the family, or from the effective date of the change in the family status or billing amount. **The receiving HA does not submit the billing form each month unless the monthly amount due changes or both HAs agree to a different billing schedule that requires a more frequent billing submittal.**

Check each statement below that applies:

1. The above family has failed to submit a request for lease approval for an eligible unit within the allotted time period. You may therefore reissue your voucher or certificate to another family and, if applicable, modify any records concerning local preference usage. Do not complete remainder of form.
2. We have executed a HAP contract on behalf of the family and are absorbing the family into our own program effective _____ (mm/dd/yyyy). You may reissue your certificate or voucher to another family. Do not complete remainder of form.
3. We executed a HAP contract effective _____ (mm/dd/yyyy) on behalf of the family and are billing your agency. **A copy of the new form HUD-50058 is attached to this form. No other documentation is required. (Receiving HAs are required to complete and submit a form HUD-50058 for families moving into their jurisdiction under portability. The receiving HA may elect to conduct a special recertification of the family to conform the dates of the unit inspection and recertification, but is not required to do so by HUD in order to complete the form HUD-50058 for a portability move-in.)** Go to line 9 below.
4. The HAP amount has changed effective _____ (mm/dd/yyyy) for the family because of: (Check all applicable items. **A current copy of the form HUD-50058 must be attached to this form. No other documentation is required.**) Go to line 9 below.
- ___ annual recertification
- ___ interim/special recertification
- ___ rent increase to owner (certificate program only)
- ___ change in payment standard (voucher program only)
- ___ the family moved to another unit in the receiving HA jurisdiction.
- ___ other:(specify)

Comments continued on separate page Yes No



Fatal Errors by PIC Data Field

PIC Field Name	Requirements	Number of Errors
type_of_action	Between 1 and 15, except 12 for voucher	73
admission_date	Completed if 1, 2, 3, 4, 7, or 14	30,536
	If new admission 1, must equal effective date	3,026
ssn_head	9 digits or valid alternate issued by HUD	251
ssn_prev_head	Cannot be same as current HOH	117
S8_unit_address	If 1, 2, 3, 4, 7, 12, 13, or 14 must be valued	45,347
S8_unit_city	If 1, 2, 3, 4, 7, 12, 13, or 14 must be valued	45,339
S8_unit_state	If 1, 2, 3, 4, 7, 12, 13, or 14 must be a valid state code	45,338
S8_unit_zip_code	If 1, 2, 3, 4, 7, 12, 13, or 14 must be valued	45,340
mailing_address_same_ind	If 1, 2, 3, 4, 7, 12, 13, or 14 must be Y or N	190
family_mailing_address	If mailing address same is N, must be valued	1,321
family_mailing_city	If mailing address same is N, must be valued	1,321
family_mailing_state	If mailing address same is N, must be a valid state code	1,321
family_mailing_zip_code	If same mailing address is N, must be 5-digit numeric.	1,321
mbr_last_name	Must be valued	71
mbr_first_name	Must be valued	71
mbr_dob	Must be valued	90
citizen_code	Must be valued	289
	EC, EN, IN, PV	999
ssn_mbr	Cannot be 999999999	108
voucher_portability_ind	Must be Y or N	79,898
	If 4, must be Y	28
voucher_cost_billed_per_month	Must be ≥ 0 and ≤ 3000	3
	If Port Indicator = N, must equal 0	7

Appendix C

PIC Data Field	Requirement	Number of Errors
voucher_participant_billed	If billed > 0 must be valued	1,319
	If valued must be valid HA code	5,430
	If valued cannot be current HA code	145
owner_name	Must be valued if 1, 2, 3, 4, 7	45,427
owner_tin	Must be valued with 9 digit if 1, 2, 3, 4, 7	45,815
voucher_payment_standard	≥50 and ≤ 3000	80,675
rent_to_owner	≥ 5 and ≤ 3000	79,906
hap_to_owner	Must be lower of Rent to Owner or Total HAP	6,166
voucher_total_no_eligible	Must be total count	197
voucher_total_no_in_family	Must be total count	197
Total Errors		567,682

Auditee Comments



ASSISTANT SECRETARY FOR
PUBLIC AND INDIAN HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

NOV 21 2003

MEMORANDUM FOR: Frederic Jaakkola, Director, Audits, Evaluations and
Risk Management Division, PCE

FROM: *for Deborah Hernandez*
William O. Russell, III, Deputy Assistant Secretary for
Public Housing and Voucher Programs, PE

SUBJECT: Office of Inspector General (OIG) Audit – Portability Features of
the Section 8 Housing Choice Voucher Program

Attached are the Office of Public Housing and Voucher Programs comments on the OIG draft audit on the portability features of the Housing Choice Voucher program.

Should you have any questions, please contact Gerald Benoit, Director, Housing Voucher Management and Operations Division, at 708-0477, ext. 4069.

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espanol.hud.gov

**OIG Audit Report – Portability Features of the
Section 8 Housing Choice Voucher Program
Housing Voucher Management and Operations Division Comments**

Finding 1. Ineffective Administration of the Section 8 Housing Choice Voucher Program.

HUD comments. PIH agrees with OIG that failure of the PHAs to use HUD-required forms and the lack of communication are the prime causes of the billing errors and overpayments discovered by this audit.

PIH will issue a new notice on portability reinforcing that PHAs must use HUD forms and may not use or accept other methods to make changes to or terminate billing arrangements. In addition, the notice will tighten existing billing deadlines and requirements. The notice also will require the receiving PHA to now provide annual re-certification notification to the initial PHA (even in cases where there is no change in the billing amount) to ensure billing information remains current and up-to-date.

In addition, the notice will establish new requirements to address late billing payments by initial PHAs, including an explicit deadline by which on-going monthly billing amounts must be received by the receiving PHA. It will outline the procedures that will be used to impose administrative fee sanctions and to ultimately transfer units between PHAs in cases where billing deadlines are not met or billing arrangements are not terminated in a timely manner. Finally, it will clarify Public and Indian Housing Information Center (PIC) data entry requirements related to portability.

PIH does not agree that the initial PHA's limited access to PIC reporting data for the receiving PHA is a root cause of the problem. As discussed in Finding 2 of the audit, the PIC system itself has significant problems with inaccurate or incomplete data, so it is questionable as to whether expanding PHA viewing capabilities should be the main focus of addressing billing errors and overpayments. HUD believes a more effective approach is to increase the requirements for regular communication between PHAs and to impose significant sanctions and penalties for PHAs that fail to fulfill their administrative responsibilities.

OIG Recommendations

Recommendation 1A. Require housing authorities to communicate with each other to ensure the timely termination of payments from the initial to the receiving housing authority when a program participant is terminated.

HUD Response. PIH notes that this is already a requirement. Program regulations at 24 CFR 982.355(e)(5) provides that in the administration of portability, the initial PHA and the receiving PHA must comply with financial procedures required by HUD, including the use of HUD-

required billing forms, and that the initial and receiving PHA must comply with billing and payment deadlines under the financial procedures. Form HUD 52665 requires that the receiving PHA must notify by the initial PHA of the termination of a billing arrangement by completing and mailing the form no later than 10 working days from the effective date of the termination.

Recommendation 1B. Require receiving housing authorities to refund the outstanding overpayments to initial housing authorities.

HUD Response. HUD agrees with this recommendation and will require the receiving PHA to reimburse the initial PHA for the overpayment.

Recommendation 1C. Compel housing authorities to follow the HUD requirement to use HUD Forms 52665 *Family Portability Information* and 50058 *Family Report*.

HUD Response. HUD will issue a new notice on portability reminding PHAs that they must use the mandatory HUD forms. The new notice will also tighten up the deadlines by which initial billing information must be submitted by the receiving PHA. It will require the receiving PHA to now provide annual re-certification notification to the initial PHA (even in cases where there is no change in the billing amount) to ensure billing information is up-to-date.

The notice will outline the procedures that will be used to impose administrative fee sanctions and to ultimately transfer units between PHAs in cases where billing and communication deadlines are not met. Finally, it clarifies Public and Indian Housing Information Center (PIC) data entry requirements related to portability.

Recommendation 1D. Provide guidance to housing authorities on how the refunded amounts should be recorded on the financial statements by both the initial housing authority and receiving housing authority.

HUD Response. PIH will provide such guidance to the PHAs covered by the audit.

Recommendation 1E. Provide the initial housing authority with increased visibility into PIC transactions related to the initial housing authority's portability-out program participants.

HUD Response. PIH is not convinced this recommendation is the most effective course of action at this time and believes that stronger PHA communication requirements, coupled with meaningful administrative sanctions and the transfer of units in cases where PHAs fail to meet those requirements, would better resolve the billing problems identified in the audit.

Recommendation 1F. Impose administrative sanctions against housing authorities that do not comply with HUD regulations related to the portability features of the HCVP.

HUD response. PIH agrees with this recommendation and will issue a notice notifying PHAs of administrative sanctions that will be imposed (as well as in extreme cases reducing the PHA program by transferring units from the PHA ACC) if the PHA fails to comply with billing requirements.

Management Controls. OIG notes that:

“...some housing authorities relied solely on receiving housing authorities to perform the annual re-certification and forward the results to the initial housing authority on the required forms. Some initial PHAs did not follow-up on overdue re-certifications, and this resulted in long-term overpayments for terminated program participants.” (p.17)

HUD response. It is important to note that under current requirements, the receiving PHA is in fact solely responsible for performing the annual re-certification. Furthermore, the receiving PHA is only required to send a copy of the Form HUD 50058 for the annual re-certification to the initial PHA if there is a corresponding change in the billing amount. The new notice will require the receiving PHA to always send a copy of the annual re-certification to initial PHA, regardless of whether there is no change in the billing amount. The purpose of this notification is to serve as an annual “reconciliation” check to assist both PHAs in fulfilling their accounting and record-keeping responsibilities. However, the responsibility for actually performing the annual re-certification continues to rest solely with the receiving PHA.

Internal HUD Distribution:						
Identification Lines:						
Correspondence Code	Originator PHR	Concurrence	Concurrence	Concurrence	Concurrence	Concurrence
Name	Dennis	Green	Russell			
Date	Benoit	Hernandez				

Official Record Copy

U.S. Department of Housing and Urban Development
Previous edition is obsolete.

form HUD-713.1 (02/03)