



Newsletter

U.S. Department of Housing and Urban Development

Office of Multifamily Housing Programs

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A Message from Commissioner Brian Montgomery

Assistant Secretary for Housing-Federal Housing Commissioner

I am proud to say that the Department of Housing and Urban Development is the first agency to achieve a green score on the multi-agency initiative on eliminating improper payments under the President's Management Agenda. The goals set by the Department under the President's Management Agenda include the following: strengthening internal controls to eliminate the material weaknesses, getting off the GAO's high-risk list and reducing estimated improper payment levels, 50% by the end of 2005. Additionally, HUD's Rental Housing Integrity Improvement Project was established as a secretarial initiative to: assess the underlying causes of improper payments; plan and coordinate the corrective actions to address those causes; and measure and report on HUD's progress and results. As a result of corrective actions taken to date, HUD has exceeded all interim goals to reduce improper payments.

A major key in reducing errors in income and rent errors within HUD's rental assistance programs is the ability to use up front income verification. HUD received statutory authority from Congress in January 2004, to work with the Department of Health and Human Services (HHS) on enhanced computer-matching capability for up front verification of tenant income using the National Directory of New Hires database (NDNH).

This HHS database is a central source of all quarterly state wage and unemployment compensation benefit information, as well as monthly employer information on new hires. HUD developed an Enterprise Income Verification System (EIV) system that provides public housing agencies (PHAs) with access to the NDNH data. In addition, the functionality of the Tenant Assessment Subsystem (TASS), which provides PHAs and owners/management agents with access to social security (SS) and supplemental security income (SSI) benefit information will be incorporated into the EIV system in March 2006 and will run concurrently with EIV until the end of September 2006, when TASS is scheduled to be eliminated. By that time, it is also hoped that HHS will have granted approval for owners/management agents to have access to the NDNH data. It is my belief that this increased computer-matching capability has the potential to eliminate the majority of the remaining estimated improper rental housing assistance payments.





Locking Out Tenant Fraud and Errors In Multifamily Housing Programs

The Department's programs for providing rent subsidies operate on the basis of voluntary disclosure of information by the applicant or tenant. With increasing pressures on families to obtain or keep subsidies, more and more of them are tempted to withhold information or to avoid telling the truth. All of this means rental assistance programs are vulnerable to abuse.

HUD conservatively estimates that hundreds of millions of dollars are paid each year on behalf of tenants who falsify their eligibility in order to gain a larger assistance payment. HUD-assisted households are either totally ineligible, or are receiving more benefits than are allowed by law by under-reporting their income, or are otherwise falsifying their eligibility.

Things, Owners/Management Agents Can Do To Prevent Errors and Fraud

Adequate Authority

The first step is to have written tenant selection procedures that make it clear that the owner/management agent have the authority to restrict entry or terminate assistance to abusers when fraud, as legally defined, is documented. A lease addendum should be used to incorporate items not currently in the model lease. These include:

Admission Restrictions – Screen applicants for previous improper behavior such as:

- Failing to repay debts for rent, damages, or overpaid subsidies;
- Vacating an assisted unit in violation of the lease;
- Committing fraud, as legally defined, in connection with any HUD rental assistance program; and
- Being suspended, debarred, or otherwise ineligible to participate in applicable HUD programs.

Lease Policies – Develop housing assistance policies for subsidized tenants. Some examples are:

- Rules and responsibilities for receiving subsidies;
- A policy regarding guests, particularly for extended periods;
- A policy regarding abandonment of the unit (consult State law on this);
- A policy to take any necessary steps to recover an overpayment whenever a family receives greater benefits for which it is not entitled.

Applicant/Tenant Cooperation Clause – This should state:

- Applicants/tenants are responsible for supplying complete, accurate, and honest information and must complete all required forms and supply requested information; and
- Applicants/tenants must complete all required forms and supply requested information timely.

Repayment Policies – Include repayment policies on debts owed as a result of both unintentional and intentional misrepresentations.

Quality Interview

Intake staff need to understand they shouldn't accept just any answer. It's part of the job to get to the truth when discrepancies arise. Interviewing skills to be able to do this are so important that, if possible, interview training should be provided to all recertification processors. Some effective interviewing techniques are:

–Put the applicant/tenant at ease and ask questions in a friendly manner. The object is to reduce misunderstanding as much as possible and to create a climate of easy communication.

–Don't permit tenants to see prior recertification forms.

–Don't ask questions that give tenants the answer. For example, at recertification time, don't ask, "Do your children Randy, Sam, and Betty still live with you?" Instead, ask, "Do you have any children? What are their names and when were they born?"

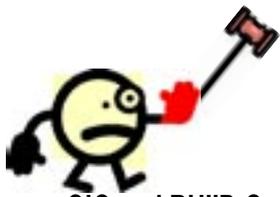
–Ask questions that make the applicant/tenant respond. Don't ask, "Are you working now?" but rather, "Where do you work?" "If you aren't working now, where have you applied for work?"

–Use simple, descriptive language. Don't ask, "Does your family have any assets?" but rather, "What savings do you have?" or "What kind of property do you own?"

–Use common sense to follow up answers that conflict with other information you are told.

–Be an educator during the interview. Make it a part of the interview routine to elaborate on anything that appears to confuse the applicant/tenant. Ask often, "Do you understand?" or "Is that clear?"

–Avoid a "we/they" mentality-relatively few tenants are crooks. Don't let a difficult or hostile interview affect the next one.



OIG and RHIP-Getting the Subsidy Cheats Out of HUD Assisted Housing

The Office of Inspector General (OIG) is helping to support the Department's Rental Housing Integrity Improvement Project or RHIP initiative. The OIG is working closely with the Department's Office of Public and Indian Housing (PIH), and by using information provided by that office's computer matching program, recently cleaned subsidy cheaters out of six public housing assisted projects. With the help of Federal, state, and local law enforcement agencies, we made 131 arrests. OIG wants to provide the same assistance to the Office of Multifamily Housing and its management agents in their efforts to manage the more than 31,000 properties that receive HUD subsidies.

The Office of Management and Budget has estimated HUD's rental housing subsidy assistance programs include \$2 billion in overpayments annually. HUD and the Office of Multifamily Housing are working to reduce the overpayments by 50 percent this year. OIG has also made reducing rental housing subsidy assistance overpayments a priority. We know that the government is losing this money and it's our job to help stop this. But we also know there's a human cost involved. We know that unlike other benefit programs, owners and agents in HUD-assisted housing are limited by the number of families who can be served. When a subsidized apartment complex reaches full occupancy there is literally "no room at the inn" and needy families must be turned away. These families have to reside on waiting lists instead of in decent housing. Some wait for a year. Some wait for many years. Many wait in overcrowded, unsafe, and unsanitary dwellings. Some have no home. Many are productive citizens who simply cannot keep pace with increased housing costs and still make ends meet. While they wait, many of the desperately needed units are occupied by families who have the income and resources to be self-sufficient yet choose to maintain their housing eligibility or benefit level through criminal deceit or cheating.

OIG is doing its part with computer matching information. We have been and are using data generated by PIH's RHIP initiative to target specific housing authorities that have significant housing assistance abuse problems. We have also entered into proactive computer matching agreements with other Federal agencies to generate proactive investigations of subsidy cheats and criminals residing in HUD-assisted housing. New matching agreements with the Office of Personnel Management and U.S. Postal Service will identify rental assistance fraud by Federal and Postal Service employees.

A new data comparison agreement with the National Center for Missing and Exploited Children will locate missing children residing in HUD-funded housing. Another data comparison agreement with the Department of Homeland Security will identify and locate subsidized housing residents who fail to depart the country as ordered. OIG also has an ongoing data comparison with the Department of Justice and the U.S. Marshal's Service to identify and arrest fugitive felons receiving HUD-assisted housing.

Over the last year the OIG has helped Multifamily Housing get the subsidy cheats out of their properties. OIG has opened 182 investigations of subsidy recipients, property owners, management agents, and insurers and closed 179 cases. OIG obtained 137 indictments, 86 convictions, 182 administrative actions, 8 personnel actions, and 392 arrests from Multifamily Housing investigations. OIG's investigations of Multifamily Housing tenant fraud had results such as:

 In Chicago, Illinois a grand jury indicted on multiple forgery counts eight individuals who were Section 8 tenants at 810 W. Grace, a 100-percent HUD-subsidized building located in Chicago. These charges are the culmination of a five-year investigation, which focused on the building. Among those schemes alleged in the indictment were the failure to report W-2 income, self-reported income, savings, checking and investment bank accounts, rental income from properties that the tenants owned, Supplemental Security Income payments, and taxicab medallions. In addition to the false statements to HUD, these individuals purportedly made multiple false statements to the Social Security Administration, the U.S. Bankruptcy Court, and various local banks and lenders. In total, the above-mentioned individuals are alleged to have caused in excess of \$270,000 in overpayment of HUD Section 8 funds.

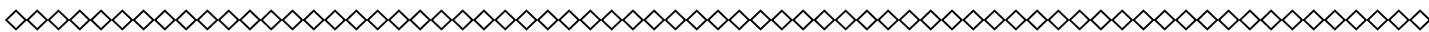
 In New York, New York a former Multifamily Housing tenant was sentenced to 2 months incarceration, 4 months of home detention, and 36 months of supervised release. The former tenant was found guilty for theft of government funds and ordered to pay restitution of \$25,127.

 In Dallas, Texas a former Multifamily Housing tenant pled guilty for violations of fraud and misuse of identity documents, conspiracy, and misuse of a Social Security number (SSN). The tenant was part of a false document manufacturing operation that produced numerous forms of identification for illegal aliens. These false documents included resident alien cards, Social Security cards, Texas driver's licenses, insurance cards, vehicle inspection stickers, etc. These documents were used to obtain employment, purchase homes that received FHA insurance, and other fraudulent activities. The false document mill was located in a HUD-insured apartment complex. So far, three of the five individuals involved in the operation have pled guilty.

 In Fort Lauderdale, Florida two former Multifamily Housing tenants pled guilty to felony charges that they conspired to defraud HUD under the Section 8 Rental Assistance Voucher Program. One former tenant was sentenced to 14 months incarceration, to be followed by 36 months of supervised release. The other former tenant was sentenced to 12 months incarceration, to be followed by 36 months supervised release. The former tenants were also ordered to make restitution to HUD in the amount of \$41,383 and each was ordered to pay a special assessment fee of \$100. This investigation found that since 1997 the former tenants have falsified employment and income.

Multifamily Housing officials and management are familiar with Housing Handbook 4350.3 Rev-1, Occupancy Requirements of Subsidized Multifamily Housing Programs, and are aware that they have a wide variety of enforcement options at their disposal. Tenants can be evicted for violating lease terms, which would include low dollar HUD subsidy fraud violations such as under reporting income, falsifying family composition, and misusing utility allowances. Tenants may also be required to enter repayment agreements to reimburse HUD for any low dollar subsidy fraud that has been committed.

OIG understands that Multifamily Housing is seeking the resources it needs to make RHIIP-based computer matching available to owners and agents for use in verifying income against the Department of Health and Human Services and the Social Security Administration databases. OIG is anxious to see the results of this computer matching initiative since we believe it can be beneficial to our investigative efforts. We appreciate and applaud the strides Multifamily Housing staff has made to make the RHIIP initiative work. As Multifamily Housing moves forward with RHIIP, its staff and its management agents can expect to receive OIG's full support and assistance to help clean the subsidy cheats out of HUD-assisted housing. When you find a subsidy cheat, just give us a call at **1-800-347-3735**. We'll do our best to help you.



The Spotlight Is On..

Nicole "Nicky" Salazar

is the RHIIP Help Desk Representative in the Des Moines, Iowa Multifamily Program Center. Nicky began her career with HUD in 1991.

Nicky has held several positions since she started her HUD career. In the mid-1990s, she held the position of Occupancy Specialist and while she has changed jobs within the Multifamily division since that time, she has continued to keep current with occupancy related changes and policies.



Nicky is the person in the Des Moines office that everybody (contract administrators, HUD staff, owners, management agents, on-site staff and tenants) goes to for answers to occupancy related questions and for assistance in resolving occupancy problems. This past Spring, she addressed owners, management agents and on-site project staff who are members of the Assisted Housing Management Association (AHMA) Nebraska-Iowa on RHIIP. She brought to their attention the main causes of errors in rent determinations and subsidy billings found during the Department's Quality Control, Income Match and Billing studies, as well as during management reviews and voucher reviews conducted by HUD staff and contract administrators. She discussed correcting errors detected during reviews and the need to have policies and procedures in place to prevent errors from occurring.

RHIIP Contractor on Board

The Department of Housing and Urban Development awarded the contract for the Rental Housing Integrity Improvement Project (RHIIP) to Drayton, Drayton, & Lamar (DDL), on September 30, 2005. The contractor will provide technical support for RHIIP activities and products, and will work with HUD staff in developing informational materials covering a variety of issues. Included among them are:

determination and verification of the accuracy of income, rent and subsidy calculations, and processes and products that include proposals for simplifying calculations of income and rent, automated payment validation, incentives and sanctions. DDL will design, plan and deploy an appropriate business structure

and set of processes to incorporate the Office of Housing's rental assistance programs into the Enterprise Income Verification (EIV) system for verifying a tenant's income. This task will include the development of a strategy for communicating the new system with HUD's industry partners, and is essential to the removal of HUD from GAO's High Risk List.



Charleston Field Office cont...

In June 2005, the Charleston PC hosted the five traditional contract administrators for West Virginia subsidized properties for a daylong training session in which their RHIIP responsibilities were clearly explained. Another training involving RHIIP was held on August 2 and 3, 2005 at the Mid Atlantic Affordable Housing Management Association (MA-AHMA) First Annual Multifamily Rental Housing Conference held at the Charleston Civic Center. Beyond informing the site managers and management agents in attendance the importance of the RHIIP initiative, the Charleston PC staff led a game called the RHIIP Off, which tested participant's occupancy knowledge.

Staff at the Charleston PC fully embrace the RHIIP concept, and are busy planning future training events to ensure that the "right benefits go to the right persons."

Charleston Field Office *RHIIPING IT* Up

The 2001 Quality Control for Rental Assistance Subsidies Determination Study revealed that approximately 60% of all tenant files contained a subsidy calculation error. In response to this fact, along with the Rental Housing Integrity Improvement Project (RHIIP), staff at the Charleston West Virginia Project Multifamily Program Center has been busily promoting RHIIP to its clients. From May 2005 through March 2006 the Charleston PC sent weekly emails through the West Virginia RHIIP Tip Email List, which contained over 100 site managers, management agents, contract administrators and HUD staff. These weekly emails contained one occupancy related tip to assist in reducing errors in subsidy calculation. Tips ranged from medical deductions and income determination to occupancy related announcements, such as the release of the fair market rents. Feedback about this service was very positive and led to the creation of the National RHIIP Listserv.



HUD Multifamily RHIIP Listserv Up and Running Since February 6, 2006

Contents:

- Occupancy Tips,
- RHIIP news relating to recent RHIIP developments,
- A brief bio of a RHIIP professional,
- Breaking news from HUD relating to Multifamily Housing.

To Subscribe to the RHIIP Listserv:

1. Visit www.hud.gov,
2. Click on the "Mailing List" link on the bottom left of the page,
3. Click on the "Multifamily Housing RHIIP Tips" link,
4. Enter your email address.

After entering your email address at this page, a verification email will be sent to your account. You must confirm your subscription in order for your registration to be complete.

GAO-05-224 Audit in Brief HUD Rental Assistance Progress and Challenges in Measuring and Reducing Improper Rent Subsidies

In early 2001, the Government Accountability Office (GAO) designated the Department of Housing and Urban Development's (HUD) rental assistance programs as high risk. In response to the GAO, the Department established the Rental Housing Integrity Improvement Project (RHIIIP) to increase accountability and reduce improper subsidy payments. In addition, the President's Management Agenda for fiscal year 2002 also identified HUD's rental assistance programs as a program area with severe management challenges that required immediate reform.

In reviewing to reduce improper rental assistance payments, the Chairman of the House Subcommittee on Housing and Community Opportunity, Committee on Financial Services, requested the General Accountability Office (GAO) to examine HUD's rental assistance programs. GAO conducted a study of the Housing Choice Voucher, public housing and project-based Section 8 programs. These programs account for 75% of the Department's total expenditures. In fiscal year 2003, the Department paid approximately \$28 billion in rent subsidies, providing rental assistance to an estimated 5 million low-income tenants. Each year the Department makes improper payments under these programs and cannot ensure that the tenants' rental payments and subsidies are calculated correctly.

The GAO obtained and analyzed data on improper payments that HUD collected for fiscal years 2000 and 2003. They also interviewed officials from HUD's headquarters and field offices, Public Housing Authorities (PHAs), and contract administrators; examined laws, regulations, policies and guidance related to subsidy determinations; and reviewed relevant HUD reports and studies. The GAO determined that the Department has identified the three sources of errors that contribute to improper rent subsidy payments: (1) incorrect subsidy determinations made by program administrators (program administrator errors), (2) unreported tenant income, and (3) incorrect billing or distribution of subsidy payments (billing errors). While HUD has conducted separate studies to identify the amount of improper rent subsidies attributable to each source of error, GAO concluded the only reliable estimate for the three sources is for program administrator errors.

GAO also noted that while HUD has implemented efforts under RHIIIP to address all three sources of errors in its project-based Section 8 programs, the Department faces several challenges in carrying out these initiatives. First, while HUD has improved its policies and guidance for its project-based Section 8 programs, it is not collecting information on improper rent subsidies at each property. Second, HUD plans to use the same web-based enterprise income verification (EIV) system that it implemented for its voucher and public housing programs for the project-based Section 8 programs. Before HUD can provide information from the EIV system to private property owners, they must resolve security concerns related to disclosure of tenant income information to them. The EIV system will not be available for the project-based Section 8 programs until the latter part of fiscal year 2006. Third, HUD plans to rely on performance-based contract administrators (PBCA) to monitor owners' compliance with departmental policies for calculating subsidies. While HUD requires PBCAs to extensively monitor the subsidy determination process, it may face challenges ensuring that PBCAs follow these requirements.

GAO recommended that HUD's Secretary make regular monitoring for compliance with HUD's policies for determining rent subsidies a permanent part of HUD's oversight activities. They also recommended that the Secretary study the potential impact on tenant rental payments and program costs of alternative strategies for simplifying program policies.

New Compliance Percentage Level



Posted February 14, 2006

TRACS Compliance Percentage Increase is Forthcoming.

The TRACS Tenant Compliance Percentage Standard, currently at 85%, will be raised to 90%, effective April 1, 2006. The new increase will affect any voucher submitted on or after April 1, 2006. Any questions regarding the new 90% Standard should be directed to the Multifamily Help Desk.



HUD Recent Notices & Guidance

Disaster Recovery Guidance Reissued

A “re-issuance” of the September 9, 2005, guidance by Multifamily Housing in regard to a declared disaster was signed by the Deputy Assistant Secretary of Multifamily Housing Programs on October 28, 2005. This memorandum provides additional clarification to Notice H 04-22, “Disaster Recovery Guidance by Multifamily Housing after a Presidentially-Declared Disaster”.

RHIIP Training Materials Are Now Available

A Rental Housing Integrity Improvement Project (RHIIP) training program was posted on the HUD Web. The materials can be located at: http://www.hud.gov/offices/hsg/mfh/rhiip/casestudy/mfh_casestudies.cfm. This training material is a technical assistance tool developed in support of RHIIP. It was presented to Multifamily’s RHIIP Help Desk Representatives in a series of conference calls from November 3, 2004, to March 16, 2005.

FHA Commissioner Reminds Owners Of Occupancy Preferences

In a letter dated October 20, 2005, the FHA Commissioner reminded owners and management agents of HUD-assisted multifamily housing projects that they were permitted to establish owner-adopted preferences, as set forth in the Handbook 4350.3 REV-1 CHG 1, Occupancy Requirements of Subsidized Multifamily Housing Programs. This policy procedure may be necessary to assure that the housing needs of low-income families are met.

Owner’s Certification Of Compliance Revised

Form HUD-50059 Owner’s Certification of Compliance with HUD’s Tenant Eligibility and Rent Procedures has been revised. The new expiration date is December 31, 2007. A copy of Form HUD-50059 can be obtained through www.HUDCLIPS.org

Multifamily Housing Announces A New Informational Tool

Special Note: Multifamily Housing announces a new information tool-the Rental Housing Integrity Improvement Project (RHIIP) LISTSERV. This email based tool is designed to provide the latest RHIIP related information, current RHIIP related publications, news, information and occupancy tips, as well as other items of interest, in an effort to help reduce errors in rent determinations and subsidy calculations. For more information on the LISTSERV, please visit <http://www.hud.gov/subscribe/maillinglist.cfm> to obtain more information.

Joint Notice Between Housing And Public And Indian Housing Posted On HUDCLIPS

The Notice: H-2005-21 Income Calculation and Verification Guidance Regarding the Medicare Prescription Drug Plan - Part D Program, issued December 9, 2005, and expiring on December 31, 2006, is now posted on the HUD web site. A copy of this notice can be obtained at: <http://www.hudclips.org/cgi/index.cgi>

Final Rule For Eligibility Of Students For Assisted Housing Published

A Final Rule regarding Eligibility of Students for Assisted Housing under Section 8 of the U.S. Housing Act of 1937 has been published in the Federal Register dated December 20, 2005. A copy of this notice can be obtained at: <http://www.hudclips.org/cgi/index.cgi>

OMB Approved Form HUD-9834 Posted On HUDCLIPS

The new OMB approved Form HUD-9834, Management Review for Multifamily Housing Projects is now posted on **HUDCLIPS** at: <http://www.hudclips.org/cgi/index.cgi>

U.S. Department of Housing and Urban Development

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Locking Out Tenant ... *continued from page 2*

–Ask questions that make the applicant/tenant respond. Don't ask, "Are you working now?" but rather, "Where do you work?" "If you aren't working now, where have you applied for work?"

–Use simple, descriptive language. Don't ask, "Does your family have any assets?" but rather,

"What savings do you have?" or "What kind of property do you own?"

–Use common sense to follow up answers that conflict with other information you are told.

–Be an educator during the interview. Make it a part of the interview routine to elaborate on anything that appears to confuse the applicant/tenant. Ask often, "Do you understand?" or "Is that clear?"

–Avoid a "we/they" mentality – relatively few tenants are crooks. Don't let a difficult or hostile interview affect the next one.

Effective Forms

Use forms that are aimed at helping applicants/tenants present their information. Some suggestions include:

- Authorization for Release of Information, Form HUD 9887 and HUD-9887-A.
- Personal Declaration Form.
- Application Form.

Applicant/Tenant Education

It is important not to lose sight of the Office of Housing's responsibilities under the Section 8 programs: (1) to assist income eligible tenants to the extent permissible under law and (2) to ensure that tenants are paying the required contribution toward contract rents.

Applicants and tenants must be instructed as to their responsibilities:

- Orientation Sessions.
- Handout Materials.
- Signs and Posters.