Issue Date
November 10, 2009
Audit Report Number
2010-FW-0001

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

//signed//
FROM: Gerald R. Kirkland
Regional Inspector General for Audit, Fort Worth Region, 6AGA

SUBJECT: HUD Did Not Maintain Documentation to Determine if Public Housing Agencies Took Corrective Action on its January 7, 2008 Memorandum and Public Housing Agencies Paid an Estimated $7 Million for Deceased Tenants

HIGHLIGHTS

What We Audited and Why

We audited the U. S. Department of Housing and Urban Development's (HUD) controls over Housing Choice Voucher program payments for deceased tenants and invalid Social Security numbers as part of the regional audit plan. In previous audits of public housing agencies (agencies), we identified problems with excess housing assistance payments for deceased tenants. We wanted to determine whether HUD monitored agencies' actions in response to its January 7, 2008, memorandum, informing them that they had paid rental assistance for deceased tenants, and the extent, accuracy, and impact of payments on behalf of deceased tenants. We also wanted to determine whether agencies paid rental assistance for tenants with invalid Social Security numbers.

What We Found

HUD took the positive initiative to identify deceased tenants receiving rental assistance and notified agencies of this through a January 7, 2008 memorandum. HUD implemented the deceased tenants report within the Enterprise Income Verification system (EIV) as a control for agencies to monitor deceased tenants. HUD also checked for invalid Social Security numbers. However, HUD did not

monitor the agencies' actions in response to its memorandum. This would include whether the agencies received reimbursement for ineligible rental assistance payments made for deceased tenants and whether they corrected information submitted to HUD.

HUD did not retain documentation supporting its memorandum and, therefore, could not monitor agencies' responses to the memorandum. Further, because the deceased tenants report did not record the date of death for all deceased tenants, reconciling information and documenting improvement were difficult. Based on analysis of Public and Indian Housing Information Center system (PIC) data and the deceased tenants report, we estimated that agencies paid approximately $7 million in questionable payments on behalf of deceased tenants in single-member households. Also, agencies did not update the family composition on the form HUD-50058, in a timely manner, which resulted in incorrect information maintained in HUD's PIC system. However, agencies did check for invalid Social Security numbers before making housing assistance payments, and we did not find any reportable conditions.

What We Recommend

HUD should improve its monitoring so that it can measure corrections to agency reported data that is maintained in HUD's PIC system and measure agency progress in limiting payments made on behalf of deceased tenants. In addition to providing guidance to agencies, HUD should require them to support or repay its programs for questionable payments made for deceased tenants.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The U. S. Department of Housing and Urban Development's (HUD) Housing Choice Voucher program provides tenant-based rental assistance for low-income participants. Congress has authorized more than $32 billion for tenant-based rental assistance for fiscal years 2007 and 2008. HUD's Office of Public and Indian Housing (PIH) monitors the program.

Initially, HUD created the Enterprise Income Verification system (EIV) to reduce improper payments associated with tenant underreporting of earned income. However, PIH has expanded the EIV system to aid public housing agencies (agency) in monitoring other aspects of their programs. Within EIV, HUD established the deceased tenants and failed verification reports. These reports identify deceased tenants and identify tenants whose personal identifiers, e.g. surname, date of birth, and Social Security Number, as reported by the agency on the form HUD-50058, do not match the Social Security Administration's records, respectively. According to PIH, the deceased tenants report and failed verification report help agencies detect potential changes in family composition and incorrect personal identifiers. HUD urged agencies to follow up with the families to verify the household composition and ensure that reported information and rental assistance was accurate.

The Public and Indian Housing Information Center system (PIC) maintains tenant records for PIH programs. Agencies electronically update PIC with tenant data for the Housing Choice Voucher program (voucher program).[1] Agencies are responsible for accurately completing the Form HUD-50058, Family Report, in a timely manner. The form includes tenant information, including family size and composition, income, voucher size, unit size, and the family's housing assistance payment calculation and rent payment.

On January 7, 2008, HUD issued a memorandum to agencies, notifying them of the EIV deceased tenants report. According to the memorandum, the report showed 12,667 households as having one or more deceased tenants in the public housing and housing choice voucher programs. The memorandum did not break down the 12,667 between the two programs. HUD's PIC reported some of those households as current participants in the programs, nearly 49 percent of which were single-member households. The detail report obtained on February 11, 2009, listed 11,284 deceased tenants in both programs, of which 5,567 were in the voucher program. HUD urged agencies to use the deceased tenants report as third-party verification of deceased tenants and to update the family composition accordingly. This action would help ensure more eligible families benefited from the rental assistance programs and would contribute to HUD's reduction of improper rental assistance payments.

The audit objectives were to determine whether HUD monitored agencies' actions in response to its January 7, 2008 memorandum, and to determine the extent, accuracy, and impact of payments on behalf of deceased tenants. We also wanted to determine whether agencies paid rental assistance for tenants with invalid Social Security numbers.

[1] 24 *Code of Federal Regulations* (CFR) 908.

RESULTS OF AUDIT

Finding 1: HUD Did Not Maintain Documentation to Determine Whether Agencies Took Corrective Action to its January 7, 2008 Memorandum

While HUD should be commended for creating the EIV deceased tenants report, HUD did not monitor agencies' actions in response to its memorandum. The memorandum informed agencies of the EIV deceased tenants report and that they might be paying rental assistance on behalf of deceased tenants. However, HUD did not retain historical deceased tenants reports to establish a baseline to measure agencies' progress in identifying and correcting related payment errors. In addition, the report did not include the date of death for some deceased tenants. This lack of information impaired HUD's ability to monitor the timeliness of agencies' actions to detect and correct data for deceased tenants.

HUD Did Not Establish a Baseline to Monitor Agencies

HUD could have established a baseline to measure agencies' actions and progress in correcting payments and data reported by retaining supporting documentation. HUD's January 7, 2008 memorandum reported 12,667 households with one or more deceased tenants in the public housing program and voucher program. However, it did not maintain documentation that identified the specific agencies and tenants. According to HUD, EIV overwrites the deceased tenants report weekly, and it did not retain backup because of limited storage space. Without this baseline information, HUD could not determine the magnitude of the problem. Also, it could not measure the performance of agencies in correcting the payments and tenant information. Appropriate agency actions should have included

- verifying that the tenant was deceased,
- adjusting the family composition and rental assistance payment as necessary, and
- updating the form HUD-50058 and transmitting the information to PIC.

HUD did not attempt to reconcile actions by agencies in response to its memorandum. HUD should maintain the report details at a minimum of annually to establish a baseline and allow HUD to monitor the adequacy and progress of PHAs' compliance.

Participant Records in EIV Were Incomplete

The deceased tenants report did not always record a date of death or otherwise identify when a participant first appeared on the report. To update the deceased tenants report, HUD sends specific PIC data[2] to the Social Security Administration, which matches the data against its death database. The Social Security Administration returns death records and benefits information that match the specific tenant information provided by HUD. If the Social Security Administration database did not include the date of death for a tenant, the information was not included on the deceased tenants report.

The February 11, 2009, report listed 638 participants with no date of death. Therefore, HUD could not fully determine the magnitude of the problem. HUD verbally agreed to correct this problem by creating a data field to record the date the participant is added to the report. This new data field will aid HUD in monitoring the timeliness of agency actions and supplement HUD's baseline cited above.

In September 2009, HUD took corrective actions by implementing modifications to the EIV system to include a data field to record the date EIV received death information from the Social Security Administration.

Conclusion

HUD had taken measures to assist agencies in reducing potential overpayments for deceased tenants and correcting invalid Social Security numbers. HUD did this in part by creating the deceased tenants and failed verification reports. By implementing the recommendations, HUD can improve its monitoring efforts by establishing baselines to track agency actions to detect and correct the data for deceased tenants. This will also improve data quality related to dates of death.

Recommendations

We recommend that the Deputy Assistant Secretary, Office of Public Housing and Voucher Programs,

1A. Maintain summary and detail information from the deceased tenants report on at least an annual basis.

[2] These data include name, date of birth, and Social Security number.

1B. Implement its plans to create a data field to record the date the participant is added to the deceased tenants report. Based upon HUD's September 2009 EIV modifications, the OIG will close this recommendation concurrent with report issuance.

1C. Add a date for the existing 638 tenant records that did not contain a date of death on the February 11, 2009, deceased tenants report. Based upon HUD's September 2009 EIV modifications, the OIG will close this recommendation concurrent with report issuance.

Finding 2: Agencies Paid an Estimated $7 Million in Rental Assistance for Deceased Tenants in Single-Member Households

After receiving HUD's January 7, 2008 memorandum, agencies continued to pay ineligible and unsupported rental assistance for deceased tenants. Based upon analysis of PIC data[3] and a February 11, 2009 EIV deceased tenants report, agencies made approximately $7 million in questionable payments for deceased tenants in single-member households. This problem occurred because agencies did not follow HUD requirements. HUD should provide additional clarification to the agencies including defining the timeframe for agencies to make corrections after a tenant dies. Also, agencies did not establish and implement controls to ensure that they identified and corrected rental assistance payments in the event of a deceased household member. If HUD implements the recommendations, it will enable agencies to ensure accurate information and payments. Thereby, HUD will put approximately $6.4 million[4] in rental assistance to better use.

Agencies Continued to Pay Rental Assistance for Deceased Tenants

Based on analysis of PIC data and a deceased tenants report,[5] agencies conservatively paid more than $15.2 million for 3,995[6] voucher program households that had at least one deceased family member. This amount included approximately $7 million in overpayments for single-member households and $8.2 million in payments for multiple-member households. Payments for single-member households were clearly questionable. While the payments for multiple-member households would be erroneous, the questionable amount of rental assistance could vary significantly.[7] HUD should require agencies to support or repay their programs the estimated $7 million paid for deceased tenants in single-member households. HUD should also require agencies to follow up and recover/reimburse inaccurate payments on behalf of deceased tenants in multiple-member households.[8] In all instances, HUD should require the agencies to correct the information that they report to HUD.[9]

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3 We did not test the reliability of the data in HUD's PIC and EIV systems.
4 We only included single-member households in the calculation for funds to be put to better use.
5 Dated February 11, 2009.
6 The 3,995 records include tenants with reported deceased dates and either with or without PIC correction.
7 Individual household circumstances such as income, bedroom size, and other factors would determine whether rental assistance payments require revision following the death of a specific family member.
8 We did not include the amount in questioned costs for the reasons explained in the finding.
9 This includes informing HUD of any instances where EIV information is incorrect.

Figure 1: Payments on behalf of deceased tenants

Family composition	Payments in millions
Single-member households	$ 7.0
Multiple-member households	8.2
Total	$15.2

To augment our data analysis, we sampled 20 tenants administered by 19 agencies from the EIV deceased tenants report. In 10 of the 20 samples, agencies incorrectly computed the rental assistance. Eight agencies overpaid rental assistance by $9,243 for nine tenants, and one agency underpaid $297 in rental assistance. All 20 sample items had incorrect data in PIC as of February 11, 2009. For example, an agency learned of a tenant's death when it performed an inspection of the tenant's residence and found another family residing in the unit. Later, the agency used the deceased tenants report to determine the amount that should be recovered. Agencies should review the deceased tenants report monthly to identify deaths, make corrections to the rental assistance, and correct data reported to HUD.

In other examples, agencies supplied information that showed they were unaware that tenants had died. Therefore, they did not accurately update tenant records. Three of the agencies made corrections as a result of their monitoring or after the audit request and recovered $4,756. HUD should require the remaining agencies to repay $4,487 in ineligible payments made on behalf of deceased tenants in the sample.

Agencies Could Put $6.4 Million in Funds to Better Use

Agencies could prevent paying an estimated $6.4 million in erroneous rental assistance on behalf of single-member deceased tenants and an estimated $14 million in total.[10] HUD should require agencies to use the deceased tenants report to correctly pay and report tenant data. Agencies only corrected PIC information for 288 of the 3,995 records during the audit period. As of December 31, 2008, they continued to report in PIC 3,707 deceased tenants listed on the deceased tenants report. Analysis of the PIC and EIV data showed that agencies made an average of 6.19 payments[11] on behalf of the 3,995 tenants after their death. Figure 2 shows the breakdown between single-member and multiple-member households.

[10] We included both single-member and multiple-member households in the calculation because the estimate is of total erroneous payments that will not be made. However, we only included single-member households for funds to be put to better use because the amount for multi-member households varies based on several factors.

[11] We did not include the 638 deceased tenants with no date of death discussed in finding 1.

Figure 2: Potential erroneous payments

	Number of deceased tenants	Average number of payments[12]	Monthly housing assistance payments	Payments in millions
Single household with deceased date & no PIC correction	1,850	6.19	$1,037,432	$6,423,628
Multiple-member household with deceased date & no PIC correction	1,857	6.19	1,231,467	7,625,065
Totals	3,707	6.19	$2,268,899	$14,048,693[13]

Agencies Did Not Comply with Requirements and Guidance for Deceased Tenants

HUD and agencies could improve the identification and correction of inaccurate rental assistance by implementing additional specific guidance and ensuring that agencies submit accurate information. HUD's January 7, 2008 memorandum urged agencies to use the deceased tenants report. However, HUD should require agencies to use the deceased tenants report in EIV[14] and recover improper payments in a timely manner. Other requirements or guidance that HUD could clarify include

- that the death of a family member is a family composition change that must be promptly reported to the agency. This would include providing clarification to agencies to make necessary changes to the rental assistance upon notification,[15]
- the responsibility of the owner to identify when tenants die and the recovery payments, and
- the responsibility of the agencies to follow-up and recover funds as a result of identification of a deceased tenant.

[12] Average number of months rounded to two decimal points. We calculated the amount using the unrounded amount.

[13] Amount reflects the actual computation using non-rounded numbers.

[14] According to the January 27, 2009, *Federal Register*, EIV will be mandatory effective September 30, 2009. In its response to the draft report, HUD stated that EIV will be mandatory on January 31, 2010.

[15] 24 CFR 982.551(h)(2).

Further, agencies must monitor and correct the information they supply through PIC. Of 19 sampled agencies, 14 did not process corrections in PIC either in a timely manner or at all.

Conclusion

Agencies have an opportunity to improve their voucher programs by using EIV to identify inaccurate payments on behalf of deceased tenants. Based upon analysis, agencies made an estimated $15.2 million in payments on behalf of deceased tenants that they should have identified and corrected. HUD should require agencies to use the deceased tenants report to make corrections to their payments and PIC data. By doing this, they could put an estimated $6.4 million in rental assistance to better use. HUD should require agencies to improve their programs by providing specific requirements or guidance regarding payments on behalf of deceased tenants.

Recommendations

We recommend that the Deputy Assistant Secretary, Office of Public Housing and Voucher Programs,

2A. Require five agencies to repay their programs for $4,487 in ineligible payments made to property owners for deceased tenants.

2B. Require agencies to support or repay their programs for the $7,056,917[16] in overpayments paid to property owners for deceased tenants in single-member households.

2C. Require agencies to correct the data including adjusting and recovering payments for the multiple-member households that contain at least one deceased tenant.

2D. Require agencies to monitor EIV's deceased tenants report, identify and correct payments made on behalf of deceased tenants, and make the necessary changes in PIC. These changes could conservatively put an estimated $6,423,628 in Housing Choice Voucher program funds to better use.

2E. HUD should issue a PIH notice to clarify the language in existing regulations to ensure owners and agencies report deceased tenants.

[16] Adjusted to account for ineligible amounts identified in sample testing.

SCOPE AND METHODOLOGY

We conducted our audit work at the Office of Inspector General (OIG) office in Fort Worth, Texas, from January to July 2009. The scope of the audit included the analysis of EIV deceased tenants report and the PIC data for the period January 1, 2007, to December 31, 2008. We expanded the scope through June 2009 when calculating overpayments for specific sample items. To meet the audit objectives, we performed the following:

- Obtained and reviewed program regulations, HUD management plans, related internal memorandums, prior OIG audits and audit resolution activities, public law, Social Security number death registration requirements, and Form HUD-50058 (Family Report) guidelines.
- Analyzed the February 11, 2009 EIV report for the 5,564 deceased tenants from the Housing Choice Voucher program.
- Analyzed nationwide voucher holder data from PIC against EIV to determine the extent and impact of deceased tenants and invalid Social Security numbers. PIC data included 11,076,364 head of household records and a total of 29,059,668 head of household and member records (85 gigabytes of stored PIC data).
- Conducted a data reliability assessment using U.S. Government Accountability Office (GAO) guidelines in the publication GAO-03-273G, Assessing the Reliability of Computer-Processed Data. We determined that the data were sufficiently reliable for meeting the audit objectives.
- Interviewed applicable HUD and agency officials.

We conducted testing and analysis based on the EIV deceased tenants report, dated February 11, 2009, which showed 5,567 deceased voucher program participants. We adjusted the number to 3,995 to account for duplicate records and for other reasons. The sampling universe consisted of 5,564[17] program participants for which the voucher included a deceased tenant. We randomly tested 20 vouchers administered by 19 agencies in an effort to promote efficiency and validate our analysis of the universe. We did not statistically project our sample results. We believe that the tested sample provides a reasonable basis to support our analysis and estimates based on the data reported in the PIC and EIV systems. We contacted agencies administering the 20 vouchers and requested documentation to meet our objectives.

We calculated questioned payments and funds to be put to better use based on the results of the analysis of PIC and EIV data. We conducted analysis for the records in EIV with PIC action and rental assistance information and determined the potential monetary impact by using data analysis software. We then used the results of sample testing to validate the PIC analysis. We conservatively calculated the questioned amounts reported in PIC by reducing the monthly outstanding period by 30 days and only including potential single-member household payments ($7 million). Because of various factors that affect calculations of housing assistance payments for family adjustments, we excluded multiple-member unsupported costs from the schedule of questioned costs.

[17] The February 11, 2009 EIV report listed 5,567 records including 3 duplicates that we removed from the testing universe.

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

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

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

Relevant Internal Controls

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

- Effectiveness and efficiency of program operations - Policies and procedures implemented to provide reasonable assurance that a program meets its objectives while considering cost effectiveness and efficiency.
- Relevance and reliability of information - Policies, procedures, and practices implemented to provide reasonable assurance that operations and financial information used for decision making and reporting are relevant, reliable, and fairly disclosed in reports.
- Compliance with applicable laws, regulations, and provisions of contracts or grant agreements - Policies and procedures implemented to provide reasonable assurance that program implementation is in accordance with applicable laws, regulations, and provisions of contracts or grant agreements.
- Safeguarding of assets - Policies and procedures implemented to reasonably prevent or promptly detect unauthorized acquisition, use, or disposition of assets and resources.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe that the following items are significant weaknesses:

- HUD and the agencies did not have effective and efficient policies related to deceased tenants (findings 1 and 2).
- Agencies did not provide accurate and reliable information to HUD (finding 2).
- HUD and agencies did not safeguard assets to ensure correct rental assistance payments (finding 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
2A	$4,487		
2B		$7,056,917	
2D			$6,423,628

1/ Ineligible costs are 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.

2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, the funds to be put to better use represent the total monthly rental assistance of $1,037,432 for identified single-member deceased tenants incorrectly reported in PIC multiplied by 6.19, which represents the average number of months (rounded to two decimal points) included in PIC after death. As stated in the report, agencies continued to incorrectly report 3,707 deceased tenants in PIC as of February 11, 2009.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation **Auditee Comments**

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

OFFICE OF PUBLIC AND INDIAN HOUSING

October 15, 2009

MEMORANDUM FOR: Gerald R. Kirkland, Regional Inspector General for Audit, 6AGA

FROM: Milan M. Ozdinec, Deputy Assistant Secretary for Office of Public Housing and Voucher Programs, PE

For

SUBJECT: Program Office Comments on the Draft OIG Audit Report Regarding Documentation to Determine if Public Housing Agencies (PHAs) Took Corrective Action in Response to PIH Letter of January 7, 2008, Pertaining to Providing Erroneous Assistance to Deceased Tenants

This office has received and reviewed the Office of Inspector General's (OIG) draft audit report referenced above and issued on September 29, 2009. The OIG audit report indicates that HUD did not maintain documentation to determine if PHAs took corrective action on its January 7, 2008, letter, and PHAs paid an estimated $7 million for deceased tenants within the Housing Choice Voucher (HCV) Program. I have attached my written comments to this draft audit report, and respectfully request OIG incorporate these comments into the final audit report and consider implementation of the recommended changes to the report. The written comments as well as supporting documentation to the proposed revisions to the report are attached.

Thank you for the opportunity to comment on the draft report.

If you have any questions, please feel free to contact me on (202) 708-1380, or Nicole Faison, Program Advisor for the Office of Public Housing and Voucher Programs on (202) 402-4267.

Attachments

www.hud.gov espanol.hud.gov

Office of Public and Indian Housing
Office of Public Housing and Voucher Programs
October 15, 2009

Comments on OIG Draft Report Dated September 29, 2009:
HUD Did Not Maintain Documentation to Determine if PHAs Took Corrective Action on its January 7, 2008, Memorandum and PHAs Paid an Estimated $7 million for Deceased Tenants

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Page 1 and 2 – What We found:

Comment 1

1. Page 1 – Replace the beginning of the second sentence of the first paragraph with: "HUD implemented the Deceased Tenants Report within the Enterprise Income Verification (EIV) system as a control for Public Housing Agencies (PHAs) to monitor deceased tenants.

2. Page 2 –
   a. Replace the beginning of the first sentence of the first paragraph as follows: "HUD did not retain detailed documentation (PHA/tenant specific) supporting its memorandum; therefore could not monitor specific agencies'...")

Comment 2

   b. Delete sentence number two of the first paragraph. While the Deceased Tenants Report may not have contained the date of death for some tenants, this fact does **not** contribute to the unsuccessful reconciliation of information and documentation of improvement made by PHAs. If a tenant is deceased, regardless of the date of the death, if the family appears on the report it is because the PHA has not updated the family composition on the form HUD-50058, as reflected in PIC. Successful reconciliation and documentation of improvements made entails the review of the baseline (past) Deceased Tenants Report and current Deceased Tenants Report to determine if the same family (and deceased household member) appears on the report. If the family (and deceased household member) appears on the past and current report this is a clear indication of one of two scenarios:
      i. The PHA has taken no action to update family composition on the form HUD-50058; or
      ii. The PHA has followed up with the family and the PHA has determined that the individual is still alive (as such the current form HUD-50058 in PIC reflects correct information, as confirmed by the PHA) and no further action can be taken by the PHA.

Comment 1

   c. Modify the fourth sentence of the first paragraph as follows: "Also, agencies did not update the family composition on the form HUD-50058, in a timely manner, which resulted in incorrect information maintained in HUD's PIC system." (Page 2)

Page 2 – What We Recommend:

1. Replace the first sentence of the first paragraph with: "HUD should improve its monitoring so that it can measure corrections made to PHA-reported data which is maintained in HUD's PIC system and measure PHAs' progress in limiting payments made on behalf of deceased single member households."

Page 1

Page 4 – Background and Objectives:

1. Replace the first sentence of the second paragraph with: "Initially, HUD created the Enterprise Income Verification (EIV) system to reduce improper payments associated with tenant underreporting of earned income. However, the Office of Public and Indian Housing (PIH) has expanded the EIV system to aid PHAs in monitoring other aspects of their programs (beyond the scope of tenant underreported income)."

2. Replace the third sentence of the second paragraph with: "These reports indentify deceased tenants and identifies tenants whose personal identifiers (surname, date of birth, and social security number), as reported by the PHA on the form HUD-50058, do not match with the Social Security Administration's records, respectively."

3. Modify the fourth sentence of the second paragraph with: "According to PIH, the Deceased Tenants Report and the Failed Verification Report help PHAs detect potential changes in family composition and incorrect personal identifiers."

4. Delete the fifth sentence of the second paragraph since the purpose of the reports are explained in the previous sentence.

Page 5 - Results of Audit - Finding 1: HUD did not maintain documentation to determine whether agencies took corrective action to its January 7, 2008 memorandum.

PIH Comments:

1. PIH disagrees with the text of this finding, since PIH did maintain documentation to determine whether agencies took corrective action. PIH did **not maintain detailed** documentation at the PHA and tenant levels. PIH monitored the Deceased Tenants report at the regional level on a monthly basis to determine if there was a reduction in the number of deceased tenants. Based on PIH's continued review and assessment of PHAs' progress, PIH sent all Executive Directors a letter on September 18, 2008 (see attachment), again requesting that PHAs use these reports and update the form HUD-50058, accordingly and transmit the updated information to PIC (Page 5). As such, replace the text of the finding and references to this text throughout the body of this section of the report, with: "HUD did not maintain detailed documentation..."

Comment 2

2. The following text should be deleted: "In addition, the report did not include the date of death for some deceased tenants. This lack of information impaired HUD's ability to monitor the timeliness of agencies' actions to detect and correct data for deceased tenants." The lack of a deceased date does not impair neither HUD, nor the PHA's ability to follow up with the family regarding a listed deceased person and correct family composition. If there is **no** record of a deceased tenant and the tenant is deceased – this fact and lack of data would impair HUD and/or the PHA from taking the necessary corrective action. That is the purpose of the Deceased Tenant Report – to provide information that the PHA would not otherwise have, so that they may follow up with the family. Even though there is no listed deceased date, there is an indication that the person is deceased and warrants action by the PHA. (page 5)

Comment 1

3. Revise the third bullet with: "updating information on form HUD-50058 and transmitting to PIC". At a given point in time (at the time of submission of the form HUD-50058 to PIC), the information was accurate. Based on use of EIV reports and following up with the family, the PHA should update the data on the form HUD-50058, to reflect recent confirmed changes to family composition. (Page 5)

Comment 2

4. PIH does not agree with the following statement on page 6; second paragraph: "Therefore, HUD could not fully determine the magnitude of the problem." Despite there being no date of death provided by the Social Security Administration, HUD and the PHA know that there is a problem, which requires attention.

Page 6 - Recommendations for Finding 1

Comment 3

PIH requests that OIG remove recommendations 1B & 1C, as these recommendations have already been implemented as evidenced by the recent screenshot (displayed below) from the EIV system.

In April 2009, PIH developed business requirements to modify the EIV system to include a data field to record the date EIV received death information from the Social Security Administration. This business requirement was successfully implemented on September 14, 2009, with the deployment of EIV System, release 9.0.

HOH SSN:	| HOH Name: HICKMAN MILLS | HOH DOB: 12/14/1943 |			
Member SSN	**Member Name**	**Member DOB**	**Member Deceased Date**	**Date Received by EIV**
	HICKMAN MILLS	12/14/1943	07/31/2009 *	10/10/2009
HOH SSN:	| HOH Name: MARON DUNN | HOH DOB: 08/25/1916 |			
Member SSN	**Member Name**	**Member DOB**	**Member Deceased Date**	**Date Received by EIV**
	MARON DUNN	08/25/1916	N/A *	10/10/2009

Pages 7-10 - Finding 2: Agencies Paid an estimated $7 million in rental assistance for deceased tenant in single-member households

PIH Comments

Comment 1

1. PIH disagrees with the following statement in the third sentence of paragraph one on page 7: "This problem occurred because HUD did not provide clear guidance." PIH has adequate evidence of training materials which provided clear and concise guidance for PHAs to implement to ensure accurate reporting of family composition and minimize improper payments on behalf of deceased tenants. PHAs simply did **not follow the guidance** provided to them by HUD-PIH. As of September 30, 2009, many PHAs have zero deceased tenants reported on the form HUD-50058. .

Page 3

Comment 1

Comment 4

2. Modify the fourth sentence of the first paragraph on page 7 with: "...in the event of a deceased household member."

3. Modify the last sentence of the first paragraph on page 7 with: "...HUD will put approximately $7 million..."

4. It should be noted that for multiple member households that contain a deceased household member, the family is still eligible for a subsidy. In fact, the family may be eligible for a higher subsidy if the deceased household member had income. (When the family's income goes down – their rent contribution decreases and HUD pays more subsidy on behalf of the family.) Accordingly, any reference to overall sums of funds put to better use or payment errors should not be made until OIG performs detailed calculations for each household.
   Absent these calculations OIG should replace the figures $1,231,467 and $$7,625,065, on page 9 with a footnote that says "cannot be determined."

5. Based on comment noted in item 4 above, the second paragraph on page 7 needs to be modified. Payments for single member deceased households are not questionable – they are erroneous, if in fact the sole member of the household is deceased. Payments made on behalf of multiple member households containing a deceased household member is questionable because while the family is eligible for a subsidy payment, the amount of the payment, either higher or lower, or no change at all; is dependent upon the redetermination of household annual income – if in fact the deceased household member (prior to death) was receiving any type of included income (in the income and rent determination process). Note that a subsidy payment would only be lower, if there were interim changes (increase in income) in a living household member's income since the time of the family member's death and if the PHA has an interim reexamination policy, which requires the family to report increases in household income and the PHA adjusts the tenant contribution/HAP, accordingly). In more cases than not, the subsidy payment would either stay the same or increase within a multiple member household containing a deceased household member. As such, it is not likely that there would be a recovery of a subsidy overpayment associated with a multiple member household containing a deceased household member.

6. Subsidy payments on behalf of a multiple member household containing a deceased household member may be erroneous – not "**would**". Replace the word "would" with "may" in the third sentence of paragraph two. (Page 7)

7. The statement made on page 8 (last paragraph) that "Agencies could put $14 million in funds to be put to better use" needs to be revised to refer to only $7 million based on comments noted above in items 4 and 5. The subsidy being paid on behalf of the multiple member households containing a deceased household member is not being paid in error. The family is eligible for assistance! PIH acknowledges that the $7 million paid on behalf of deceased single member households can be made available to other eligible families in need of affordable housing.

8. On page 9, based on above comments, there is no basis for potential savings to agencies associated with multiple member households containing a deceased household member. As such the chart should be modified to delete reference to the multiple member deceased households.

Comment 1

9. The statement on page 9, directly underneath the table, "There were no specific requirements or guidance for deceased tenants" needs to be revised to reflect that "PHAs did not comply with specific requirements or guidance for deceased tenants". As noted in previous comments (above), HUD provided guidance and continues to provide guidance as noted in attached documents.

Comment 2

10. HUD and PHAs do not need to improve the identification of deceased tenants, as such the text "identification and" should be deleted from the first sentence of the first paragraph on page 9. The EIV system's Deceased Tenants Report clearly identifies the households containing deceased household members.

Comment 1

11. PIH recommends the deletion of the following suggested "requirements or guidance that HUD could establish, noted in the bullets on page 9:
    a. 1st bullet should be deleted, as existing regulations at 24 CFR 908.104(c) and 24 CFR 982.516, (see attachment) require PHAs to transmit to HUD, accurate information, related to household composition and requires the PHA to conduct a reexamination of family composition at least annually, respectively. Existing regulations also authorize PHAs to conduct an interim reexamination of family composition at any time. PIH will issue additional guidance to ensure PHAs understand the importance of periodic and timely interim reexamination of family composition, when using the Deceased Tenants Report.
    b. 2nd bullet should be revised to reflect that HUD will provide additional guidance related to existing terms of the HAP contract related to termination of the HAP contract. Section 4 of the contract clearly indicates that the contract terminates when the tenant terminates the lease or no longer resides in the unit (a contract/lease is void when the tenant no longer ceases to exist. The dead cannot carry out the provisions of a lease!)
    c. 3rd bullet should be revised to reflect that PIH should provide additional guidance.

Comment 4

12. The conclusion on page 10 should be modified to reflect that "an estimated $7 million in rental assistance could be put to better use." **Not** $14 million, which included $7 million for the multiple member households containing a deceased household member (as noted in above comments).

Page 10 - Recommendations:

PIH Comments

Comment 5

2A and 2B – PIH agrees and can comply with this recommendation upon receipt from OIG, a list of the agencies that made improper payments.

2C – PIH agrees with this recommendation. No changes required.

Comment 1

2D – Delete this recommendation since use of EIV by PHAs is mandatory effective January 31, 2010. The new regulatory citation is 24 CFR 5.233. (See attachment). Also, note that PHAs are already required to conduct reexamination of family composition and report complete and accurate information into PIC.

Page 5

2E – Revise this recommendation to reflect that PIH will provide additional guidance via a PIH notice related to effective use of the Deceased Tenants Report, timely update and reporting of family composition into PIC, modification of tenant contribution (when necessary), and recovery from landlord of overpaid HAP.

It should be noted that PIH has been proactive in monitoring the Deceased Tenants Reports and providing continued guidance to PHAs on this issue. As of September 30, 2009, there are 3,714 Housing Choice Voucher households with deceased household members, a total of 3,746 deceased individuals and 1,906 of these individuals are a single member households.

OIG Evaluation of Auditee Comments

Comment 1: We modified the report language as appropriate.

Comment 2: We agree if a deceased tenant household appears on the report then the agency did not correctly update the family composition on the form HUD-50058, as reflected in PIC. However, without this information, HUD and the agencies need to retain the reports to support its reconciliation and correction. We commend HUD for implementing recommendations 1B and 1C that address this condition.

Comment 3: We agree with HUD's management decision and corrective action. OIG will close this recommendation concurrent with report issuance.

Comment 4: We agree with HUD that the actual amount of subsidy payment made on behalf of multi-member households could increase, decrease, or stay the same after a family member dies. While it is imperative that agencies correct the inaccurate information for both single and multi-member households,[18] we decided to remove the $7.6 million related to multi-member households from funds to be put to better use because of the uncertainty of the amount.

Comment 5: OIG acknowledges HUD's willingness to take corrective action.

[18] As stated in recommendation 2C, we expect the agencies to correct past payments made on behalf of multi-member households with a deceased tenant.