

TRACS INDUSTRY WORKING GROUP MEETING

Integrated Subsidy Error Reduction System (iSERS)

October 25, 2011

1



Improper Payments – MFH Rental Assistance Programs

- ❖ The Improper Payments Information Act of 2002 requires Federal agencies to assess every federal program and dollar for improper payment risk, measure the accuracy of payments annually, and initiate program improvements to ensure payment errors are reduced.
- ❖ November 19, 2009: the President issued an [executive order](#) laying out a strategy to reduce improper payments through boosting transparency, holding agencies accountable, and creating strong incentives for compliance. Specifically, the executive order required the identification of high-priority programs, the selection of accountable officials to coordinate agency program integrity efforts, the development of supplemental measures of payment error for high-priority programs, a public website to track progress in reducing improper payments ([PaymentAccuracy.gov](#)),
- ❖ Of the 78 risk-susceptible programs in 2009, the Office of Management and Budget (OMB) designated 14 programs as High-Error Program – HUD's Rental Housing Assistance Programs include Office of Public Housing & Office of Housing at [PaymentAccuracy.gov](#) were designated high-error based upon improper payment information in HUD's annual performance and financial reports.



Improper Payments – MFH Rental Assistance Programs

MFH Improper Payment Error Rate By Year

2004	2005	2006	2007	2008	2009	2010
6.9%	5.6%	5.4%	5.5%	3.5%	3.5%	3.1%

Error rate of 3.1% represents \$0.9B in Improper Payments
 Goal is to reduce error rate from 3.1% to 3.0% beginning 2011-2013

- ❖ July 22, 2010: President signed The Improper Payment Elimination and Recovery Act and the Administration’s Effort to Cut Wasteful Improper Payments (IPERA).
- ❖ IPERA is an important step toward realizing the President’s new goal of reducing wasteful, improper payments by \$50 billion between now and 2012.



Integrated Subsidy Error Reduction System (I SERS)

❖ The Integrated Subsidy Error Reduction System (iSERS), formally known as the Error Tracking Log will establish whether and to what extent owners are accurately, thoroughly and clearly determining family income and rent in the Multifamily Housing Subsidy programs.

❖ The initiative objectives are:

- ✓ Detect and reduce errors in income and rent calculations at targeted owners
- ✓ Reduce rent underpayments and/or overpayments of residents
- ✓ Maximize HUD's limited housing resources thereby assuring maximum participation in HUD's housing programs by as many low families as feasible.

❖ iSERS seeks to track the specific dollar impact of income and rent discrepancies determined during the Management and Occupancy Review (MOR) (i.e., HUD/Contract Administrator final audit findings) and the corresponding resolution of such errors. Specifically, iSERS seeks to measure the dollar impact of corrections of identified income and rent deficiencies.

❖ Estimated Implementation Reporting Date: March 1, 2013

❖ Software Implementation Will Only Affect PBCAs and HUD Staff



Long-Term Solution

The purpose of the Long-Term Solution to standardizing, and as possible, automating error tracking and reporting activities of the MFH rental assistance programs.

- ❖ Identify and track: errors, duration, frequency, causes, and financial impact of errors, error resolutions, and points of discovery for errors
- ❖ Standardize operational procedures, processes and data relative to error tracking
- ❖ Establish consistency across all contract administrators (CA) and CA service bureaus in the administration and management of contracts
- ❖ Standardize “what” error data is captured and “how” it is captured
- ❖ Standardize categories of errors and determination of errors
- ❖ Implement resolutions to errors (whether it is training, interpretations of regulations, timeliness of tenant cooperation, etc.)
- ❖ Reduce/eliminate errors
- ❖ Recapture significant monies from over- and underpayments



Long-Term Solution

❖ There are three process areas designated as “discovery points” during which errors made by owner/agents (OA) that may cause improper subsidy payment can be identified:

✓ Certification/Voucher Review ¹

✓ Management and Occupancy Review (MOR)

✓ Resident Contact (RC) ²

❖ By identifying and capturing the errors at their source during the above three discovery points, HUD management, CAs, and CA service bureaus can then, through analysis and statistical reporting, determine their causes and aid OAs in reducing errors made. Resolution to errors prior to submitting voucher payment requests will reduce the occurrence of improper subsidy payments.

1. HUD administered assistance contracts do not have access to CA software. For this reason it is not feasible to require manual error reporting from this process.
2. This process involves cases where residents may call their appropriate CA to inform them of concerns that their rent may be incorrect, or that another resident may have misreported information impacting subsidy payment. While it may or may not be a common occurrence, it has been identified as a possible source of discovery



Long-Term Solution

❖ The most common sources of errors identified in PD&R Annual Quality Control Survey and industry partners are:

PD&R QC Study	Number of Errors	Draft Industry Recommendations	Number of Errors
Calculation Errors	1	Eligibility	44
Failure to verify income/expenses	1	Calculation	42
Failure to use EIV tools and techniques	1	Timing	39
Incorrect income and deduction amounts (i.e., earned income, pension income, and medical allowances)	1	Reporting	86



Long-Term Solution

❖ To finalize the long-term solution, HUD must identify what errors are important to the iSERS. This is a task in work (i.e., Working Group), and the above error detail may change as HUD moves forward in determining exactly what errors have the largest impact on incorrect subsidy payments.

❖ A preliminary set of error data elements follows:

- CA/CA Service Bureau Name
- Type (PBCA, TCA, HUD, Service Bureau)
- Property Name
- HAP Contract
- Unit
- Tenant Name (Head of Household)
- Tenant Name (Dependent or Household Member)
- Voucher ID
- Discovery Point (MOR, Voucher Review, Resident Contact)
- Date of Discovery
- Error Number (sequentially assigned per contract)
- Error Category: A. Eligibility; B. Calculation; C. Timing; D. Reporting



Long-Term Solution

- Total Income from Assets
- Calculated Total Income from Assets
- Imputed Income from Assets
- Calculated Imputed Income from Assets
- Total Employment Income
- Calculated Total Employment Income
- Total Pension Income
- Calculated Total Pension Income
- Total Public Assistance
- Calculated Total Public Assistance
- Total Other Income
- Calculated Total Other Income
- Dependent Allowance
- Calculated Dependent Allowance
- Medical Expense
- Calculated Medical Expenses
- Total Tenant Payment
- Calculated Total Tenant Payment
- Tenant Rent
- Calculated Tenant Rent



Long-Term Solution

- Utility Reimbursement
- Calculated Utility Reimbursement
- Component Dollar Amount in Error (dollar amount associated with the calculation component, i.e., “calculated income” that was incorrect, or in error when used in calculating tenant rent)
- Corrected Component Dollar Amount (dollar amount associated with the calculation component, i.e., “calculated income” that is correct, and should have been used in calculating tenant rent)
- Assistance Payment Amount in Error
- Corrected Assistance Payment Amount
- Standard Contributing Factor
- Resident Misreporting
- Resident Oversight
- Handbook Interpretation
- Handbook Error
- OA Misreporting
- OA Oversight



Long-Term Solution

- OA Insufficient Training – Property Management
- OA Insufficient Training – Property Management Software
- OA Property Management Software System Error
- OA Property Management Software Program Error
- OA Property Management Software User Error
- Duration
- Monthly \$ Overpaid by HUD
- Monthly \$ Underpaid by HUD
- Resolution
- No Payment Error (\$0)
- Repayment Made to Tenant
- Payment Recovered in full by HUD (Include \$)
- Repayment Agreement to HUD (Include \$)
- Payment Suspended Temporarily
- Payment Suspended Permanently
- Fraud – Repaid
- Fraud – Repayment Agreement
- Fraud (Fully Document and Refer to HUD OIG)
- Payment Unrecoverable
- Other (as data analysis continues, this “bucket” may indicate the need for another standard Resolution Type to be added)
- Date of Resolution



- ❖ The correction of errors detected during certification/voucher reviews, will not include voucher adjustments. Voucher adjustments are generally corrections that need to be made because owners are required to submit a voucher for payment in advance of the period covered by the voucher.
- ❖ The most common reasons for voucher adjustments include move-ins, move-outs, initial certifications, gross rent changes, unit transfers, and terminations of assistance. Because vouchers are submitted a month in advance, any of the noted common reasons may occur after the voucher has been submitted, and cannot be classified as an error.

Long-Term Solution

A Web-Based iSERS tool MUST be designed for HUD staff monitoring. This internal web-based tool will be similar in nature as the Special Claims function in TRACS that provides the same function as PBCA Special Claims software: providing error data, analysis and trending capabilities, as well as retaining historical data.



Long-term Solution

- ❖ iSERS will provide an error database and Query/Reporting Tool for HUD management with the ability to analyze and report errors, and potential errors, impacting subsidy payments for MFH rental assistance programs. Additionally, it will provide visibility into the value of the contract administrator efforts in resolving errors, and the efforts taken to ensure that their occurrence is reduced, and where possible, eliminated.
- ❖ This solution leverages the CA/HUD data transfer mechanism iMAX utilizing MAT Files.
- ❖ iSERS will be designed in a way to allow flexibility for refinement of the standardized list of errors, contributing factors, and resolutions as well as future enhancements and growth if desired.
- ❖ HUD recommends that this Long-Term Solution be deployed in two phases: first as a pilot, and after a successful trial period and HUD acceptance, the solution should be finalized and made permanent.



Long-Term Solution

NEXT STEPS

