Exhibit 9-7: How EIV Calculates Income Discrepancies

The Income Discrepancy Report compares the tenant's projected **next year's** income as reported in TRACS to the actual income data compiled by EIV. **The O/A is not expected to reconcile dollar amounts to the penny when resolving discrepancies.**

1. Identifying the Period of Income (POI) for Discrepancy Analysis

The period of income provides the timeline reference governing the collection of the data used to determine whether or not a discrepancy exists between projected household income (as reported in TRACS) and actual income (EIV income data that was available at the time the projection was made). This period of income is determined in order to gather the actual income data needed to make a comparison to the projected income and determine whether a discrepancy exists.

The period of income uses the following timeline of events to assist in determining the specific time span that is taken into consideration when collecting and calculating income data.

- **Effective Date of Action** – This value represents the effective date appearing on the form HUD-50059 reported in TRACS for the identified tenant. It is used to calculate the Period of Income Start and End Date values selected for the Period of Income for Discrepancy Analysis.
- **Period of Income Start Date** – This date represents the starting point for the income period. It is calculated by EIV based on the effective date associated with the form HUD-50059 reported in TRACS for the tenant. It is assumed that the Period of Income Start date is 15 months prior to the effective date on the form HUD-50059 reported in TRACS.
- **Period of Income End Date** – This date represents the end of the period of income and is assumed to be 3 months prior to the effective date on the form HUD-50059 reported in TRACS. (This is the approximate time frame for the tenant interview.) The Period of Income End Date is 12 months from the Period of Income Start Date.

2. Identifying Projected Income

Projected income information is used as the baseline for discrepancy calculations. It is derived from the form HUD-50059 records stored in the TRACS database. The income projected information is used to determine whether or not a given household should have an Income Discrepancy Report. The determination is made using the following evaluation criteria.

- Selected form HUD-50059 records will come directly from the current TRACS database. There is no need to access the TRACS database to obtain projected household income information.
- EIV will review the current TRACS database to locate the most current form HUD-50059 record for a household that falls in the timeline of 3 to 15 months.
- Prior to the Effective Date of Action. The most recent record falling within that timeline is used as the source for projected income information.
- Form HUD-50059 records in TRACS with an effective date that falls within the specified 3 to 15 months timeline, and includes an action type of MI, AR, IR or IC, is included in the Income Discrepancy Report calculations.

Action Types – Included in the Income Discrepancy Report Calculations	**Definition**
MI	Move In
AR	Annual Recertification
IR	Interim Recertification
IC	Initial Certification

- Data from households that lack SSA verification or that fails the SSA verification will not be included in the calculations.
- If a form HUD-50059 record in TRACS does not meet the qualification criteria, the household is excluded from the Income Discrepancy Report.

3. Identifying the Actual Income Reported during the Period of Income

Actual income information is used to evaluate the accuracy of an income projection. It is compared to the projected income value stored on the form HUD-50059 in TRACS associated with the household. These values are:

Income Code	**Type of Income**
B	Business
F	Federal Wage
M	Military Pay
W	Nonfederal Wage
U	Unemployment
SS	Social Security
SI	Supplemental Security Income

Note: Other income the household receives, e.g., welfare benefits, most pensions, child support, etc., may be reported in annual income in TRACS but it is not used for the discrepancy analysis in EIV.

EIV income information is not considered to be conclusive proof if a tenant challenges that it is not current or complete. One factor is time lag in the collection of SSA and NDNH data. In such cases, the employment information, including the "new hires" information will help the O/A research the tenant's income.

4. Prorating Actual Income

When the period of income includes a Period of Income Start Date that coincides with income reporting quarters, the income is simply added for those quarters. In those cases where an income record overlaps the start or end of the period of consideration, the income is prorated, based on the following calculation.

- First Quarter income = (quarter income value / period of time) x length of time in period. For example, if the income is within the period of consideration for 2 or 3 months, the calculation would be (quarter income value / 3 months) x 2 months.
- Sum the quarter income that occurs within the period of consideration. This should be 3 quarters of data.
- Add the final quarter of income data. Quarter income = (quarter income value / period of time) x (length of time considered).

5. Calculating Income Discrepancies

Once projected and actual income data have been captured, the discrepancy evaluation process begins. EIV conducts two separate evaluations during the Income Discrepancy Report generation process. The outcome determines whether or not the results should be included in the Income Discrepancy Report.

Income discrepancies are calculated in the following manner:

Discrepancy 1 – Entire period of consideration versus income projected is calculated as follows:

(Projected Annual Wages and Benefits from form HUD-50059 data in TRACS) – (Reported Annual Wages and Benefits as derived from EIV data.)

Discrepancy 2 – Last quarter of period of consideration annualized against projection is calculated as follows:

- ❖ Actual EIV Income = final quarter income data (prorated as first and final quarter income in calculating total income for period of income against projection) x 4 quarters.
- ❖ Projected Annual Wages and Benefits from form HUD-50059 data in TRACS – Actual EIV Income

6. Discrepancy Analysis

Once the income discrepancy calculations are completed, EIV analyzes the results to determine whether an Income Discrepancy Report should be generated. The analysis compares the results to a pre-defined EIV system value – Discrepancy Cutoff.

The Discrepancy Cutoff variable establishes the monetary value that the calculated discrepancy must exceed in order for the household to be included on the Income Discrepancy Report. By default, this value is set to $2,400. This means that the discrepancy between the actual annual income value and the projected income must be at least $2,400 or greater in order for a discrepancy report to be generated. (The $2,400 is based on the requirement that tenants must report to the O/A when the family's income cumulatively increases by $200 or more per month – see Paragraph 7-10.A and the HUD Model Leases in Appendix 4 of Handbook 4350.3 REV-1.)

For example, if the projected income for a household was $10,000 but the actual income was $14,000, the difference of $4,000 is greater than the established cutoff value of $2,400, qualifying it to appear on the report. Conversely, if the projected income for a household was $10,000 but the actual income was $12,000, the difference of $2,000 is less than that of the established cutoff value of $2,400, disqualifying it from appearing on the report.

The Discrepancy Analysis section of the Income Discrepancy Report provides results of the income analysis process. It provides actual and annualized last quarter data. There is a column for each type of data – Actual and Annualized Last Quarter Data.

- **Reported Annual Wages and Benefits from EIV Data** – This field identifies the actual income reported to EIV for the designated period of Income for Discrepancy Analysis.
- **Amount of Annual Income Discrepancy** – This field identifies the value of the discrepancy in the annual income that caused the household to be included in the report data. Negative currency values are represented in parentheses. For example, -$800 is represented as ($800). When this value caused the household to be included on the report, it appears in a bold typeface.
- **Amount of Monthly Income Discrepancy** – This field identifies the value of the discrepancy in the monthly income that caused the household to be included in the report data. Negative currency values are represented in parentheses. For example, -$800 is represented as ($800). When this value causes the household to be included on the report, it appears in a bold typeface.
- **Percentage of Income Discrepancy** – This field identifies the percentage by which the threshold cutoff value has been exceeded for this household.

Negative percentage values are represented in parentheses. For example, -75% is represented as (75%).

7. Report Generation

The Income Discrepancy Report data gathering and calculations are computed automatically on a weekly basis. The data is collected, analyzed, and stored in the EIV database according to the previously specified criteria. The obsolete data set is overwritten with the current data. Users relying on data from a particular Income Discrepancy Report are advised to print that report before it is overwritten.