

# Rental Integrity Monitoring (RIM) Training

## ***A Rental Housing Integrity Improvement Program (RHIIP) Initiative***

Office of Public and Indian Housing

June 17, 2002

“Welcome”

**Pat Arnaudo**

*Director, Customer Service and  
Amenities Division*

*Office of Deputy Assistant  
Secretary for Public & Assisted  
Housing Delivery*

# “Opening Remarks”

Paula Blunt

General Deputy Assistant  
Secretary for Public and  
Indian Housing

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**[http://www.hud.gov/webcasts/  
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# ***AGENDA***

- AM: 11:00 – 1:00
  - RHIP Panel Discussion
  - Overview of RIM Materials
  - RIM Monitoring Approaches/Strategies
    - Field Office/Pre-review Guidance

# *Agenda Continued*

- PM 1:30 – 4:30 PM
- RIM Monitoring Approaches/Strategies (continued)
  - Tenant Review File Process
  - Review Strategies
  - Development of Findings
- Questions and Comments
- Closing/Expectations

# **Introduction of RHIIP Panel**

# HUD Overall Support for RHIIP Initiatives

**Cheryl Teninga**

*Deputy Assistant Secretary,  
Office of Deputy Assistant  
Secretary for Public & Assisted  
Housing Delivery*

PD & R Study - “Quality Control for  
Rental Assistance Subsidy  
Determinations”

**Joe Riley, *Director***

*Economic Market Analysis Division, Office  
of Policy Development & Research*

# PD&R's Quality Control Study

- Quality Control Study of CY 2000 program sponsor income and rent determinations
- Methodology was to conduct a comprehensive interview of tenants and all related verifications
- National sample was composed of 2,403 households at 600 projects

# PD&R's QC Study Results

The QC Study concluded:

- 60% of rent calculations contain some type of administrative or component error, with:
- 36% of all households paying at least \$5 per month less than they should (with an average error of \$105 per month), and
- 24% of all households paying at least \$5 per month more than they should (with an average error of \$56 per month)

# Typical Types of Rent Errors

## **Administrative Error:**

- Partial or non-existent certification/recert interviews

Calculation Errors

Failure to verify and make use of verified income and expense information

## **Component Error:**

### *Income*

Earned Income - wages, etc.

Unearned Income - pensions, benefit programs, etc

### *Adjustments to Income*

Exclusions - earned income disallowance, etc.

Deductions - medical expenses, etc.

# Rent Error Rate By Program Type

<b>Program</b>	<b>Rent Underpayment/ Subsidy Overpayment</b>	<b>Rent Overpayment/ Subsidy Underpayment</b>
Public Housing	33%	20%
PHA - Section 8	42%	20%
Owner - Section 8	27%	25%
Total	34%	22%

# Annual Dollar Impacts of Errors

Program sponsor income and rent determination errors result in an estimated:

- \$1.669 billion in annual subsidy overpayments, and
- \$0.634 billion in annual subsidy underpayments

# Estimated Impacts of Underreporting of Income

- Estimate based on IRS/SSA income matching of 2,403 QC sample households *to identify intentionally unreported sources of income*
- Estimated \$848 million in excess subsidy payments *associated with earned income*
- Estimated \$131 million in excess subsidy payments *related to unreported, unearned income*
- Program sponsors *generally lack the data needed to detect this underreporting, unless they have access to State wage matching data*

# HUD QC Study Recommendations

- Provide POAs with the forms, training and other tools needed to determine rent correctly
- Hold POAs accountable for implementing regulations & calculating rent correctly
- Simplify (where possible) Federal regulations and HUD requirements
- Give Federal and local housing staff opportunity to develop the tools and processes needed to reduce rent error

RHIIP-PIH Rental Integrity  
Monitoring Training  
Office of Inspector General  
Financial Audits Division  
Randy McGinnis



# Office of Inspector General's Role

## Agenda

- Financial Statement Auditing
  - Secretary's Assertions
- Internal Controls – Compliance
- Auditors Role - Substantiation

# Office of Inspector General's Role

## Financial Statement Auditing

- CFO ACT
- HUD's Financial Statements
  - Audit Opinion

# Office of Inspector General's Role

## Secretary's Assertions

The Secretary affirms that the internal controls provide reasonable assurance that the following objectives are met:

- (1) Reliability of financial reporting
- (2) Compliance with applicable laws and regulations
- (3) Reliability of performance reporting

# Office of Inspector General's Role

## Internal Controls – Compliance

- HUD has employed three principal control techniques for oversight of recipients (POAs) to ensure that its subsidy funds are expended in accordance with applicable laws and regulations. These included:
  - ✓ PIH reviews of recipients
  - ✓ IPA audits of contractor recipients, and
  - ✓ HUD's subsidy payment review.
- HUD is refocusing its control techniques to include formal Rental Integrity Monitoring

# Office of Inspector General's Role

## Auditors Role – Substantiate

- Audit Planning
- Audit Testing
- Opinion and Reporting

***HUD RHIIP INITIATIVE***  
***Panel Discussion***

QUESTIONS

# Overview of RIM Materials

- General Overview
  - RHIIP Initiatives (Assistant Secretary Liu's Memo)
  - Integrity of Review Process

# RHIIP Monitoring Review Memo

- HUD Initiatives
- FO & PHA Satellite Training Broadcast
  - Followed by technical assistance & follow-up training on how to determine rent and income
  - RIM Guidebook & Tools (Checklists, etc.)
- Additional Monitoring Staff/Review Resources
  - Attachment A - Staffing & Travel Needs

# Introduction of RIM Design Team

- Headquarters
- Field Office Staff

# Overview of RIM Materials

## The RIM Guide

- Part I - III (Background, Purpose & QC Study)
- Part IV: The RIM Review Process
- Part V: Pre-review Guidance
- Part VI: On-site Monitoring Guidance

# Overview of RIM Materials *(continued)*

## The RIM Guide Appendices

- **Appendix A: Tenant File Review Checklist - PH/HCV**
- **Appendix B: Tenant File Review Checklist Instructions**
- **Appendix C: Tenant File Review Worksheets with instructions**
- **Appendix D: Instructions for Tenant File Error Report/Review Summary Report**
  - **Appendix D1 Tenant File Error Report**
  - **Appendix D2 PHA Review Summary Report**

# Field Office Preparation (*Pre-Review Section*)

- PHA Selection Process (Assistant Secretary Liu's Memo)
- Field Office Preparation (Pre-Review Section)
- Accessing/Utilizing PIC 50058
- Questions

# Selection of PHAs

- Purpose
  - Reviews scheduled to begin June 2002
- Section of PHAs
  - PH Directors use existing risk model plus income discrepancy data related to SEMAP Factors # 3 (Determination of adjusted income), #9 (Annual reexaminations) & #10 (Correct tenant rent calculations)
  - PD&R QC Study (to determine “at risk” PHAs)

# Field Office Preparation

## *(RIM Guide Part V)*

- Purpose
  - Gain better understanding of income & rent process at PHA
  - Help focus on-site monitoring
  - Save time
  - Develop & organize resources

## *(RIM Guide Part V)*

- In-office Resources
  - PHA Plan
  - PHA Policies
    - A&O Policies
    - Administrative Plan for HCV
  - Prior reviews & audits
  - General HUD office files, complaints, questions, previous TA, etc.

## *(RIM Guide Part V)*

- PIH Information Center (PIC)  
Information
  - Reporting Rates
  - Canned PIC Reports (PHA-wide information)
- Reference Materials
  - RIM Review Guide - Part VI
  - Current income limit schedules, FMRs, etc.

# Tenant File Sample Review

- Preparation for Tenant File Sample Review
  - Using Ad Hoc module under PIC to pull targeted lists of tenant families
  - HUD 50058 data on targeted tenant families

# Tenant File Sample Review

- Indicators of High Probability of Error
  - Families with multiple sources of Income
  - Elderly/disabled medical deductions
  - Childcare expenses
  - Tenant rent discrepancy rate in PIC
  - Late Reexaminations in PIC

# Questions

Pre-Review Materials

# Break

30 minutes

1:00 - 1:30 P.M. (EST)

# Tenant File Review Process

- RIM Guide, Part VI - A
- The Role of the Tenant File Review
- Key File Review Issues
- File Selection (Pre-review vs. On-site)
- Documenting the *Sample*

# Tenant File Review Process *(continued)*

- The Purpose of a Checklist
- The Tenant File Review Checklist

# Cross-cutting Management Issues

- Clear policies and procedures on verification and documentation
  - effect is accurate rent determination
- Application materials & processes are clear, thorough & effective
  - effect is accurate identification of family information relative to income & rent

# Cross-cutting Management Issues *(continued)*

- Staff is trained in application policies & procedures
  - effect is interview techniques that lead to accurate & comprehensive family income
- Internal Quality Controls
  - effect is check and balances in overall application process

# Cross-cutting Management Issues *(continued)*

- Internal and Technology systems in place to assist PHA in determining annual & adjusted income
  - effect is consistency and accuracy in income & rent determination

# Cross-cutting Management Issues *(continued)*

- Internal Quality Control over income determination process
  - effect is consistency and accuracy in income & rent determination

# Cross-cutting Management Issues *(continued)*

- Clear policies and procedures on reexamination process
  - Effect is actual rent determination
- PHA quality control addresses reexamination process
  - effect is consistency in reexamination process

# On-site Monitoring Review

- RIM Guide Part VI -B ...VI- J
- Organizing PHA Income and Rent Responsibilities
- PHA-wide Monitoring Issues
- Roll-up Tenant File Review Results

# On-site Monitoring Review *(continued)*

## Part VI - B. Admissions and Occupancy Policies Review - *Public Housing Only*

- Current Income and Rent requirements
- Clear policies/procedures on Verification/Documentation
- Policies/procedures support accurate Income and Rent Determinations

# On-site Monitoring Review *(continued)*

## VI-C. Administrative Plan Review *(Section 8 /HCV only)*

- Current Income and Rent requirements
- Clear policies/procedures on Verification/Documentation
- Policies/procedures support accurate Income and Rent Determinations

# On-site Monitoring Review *(continued)*

## VI - D. Payment Standards *(Section 8/HCV only)*

- Current schedule for all unit sizes/types
- Periodic review and update

# On-site Monitoring Review

## *(continued)*

### VI - E. Accepting and Processing Applications

- PH and Section 8/HCV
- Materials, processes, interviews are clear, thorough, & effective
- Staff trained in policies and procedures
- Quality control over application process

# On-site Monitoring Review (*continued*)

## VI - F. Income

- PH and Section 8/HCV
- Systems, worksheets, aids, software, produce accurate results
- Staff trained in income requirements and systems
- Quality control over income determination process

# On-site Monitoring Review *(continued)*

## VI - G. Rent - *Public Housing only*

- Systems, worksheets, aids, software, produce accurate results
- Staff trained in rent requirements & systems
- Quality control over rent calculation process

# On-site Monitoring Review (*continued*)

## VI - H. Rent and HAP (*Section 8/HCV only*)

- Systems, worksheets, aids, software, produce accurate results
- Staff trained in rent requirements & systems
- Quality control over rent and HAP calculation process

# On-site Monitoring Review *(continued)*

## VI - I. Reexaminations

- PH and Section 8/HCV
- Materials, processes, interviews are clear, thorough, effective
- Staff trained in policies and procedures
- Quality control over reexamination process

# On-site Monitoring Review *(continued)*

## VI - J. HUD-50058 and MTCS/PIC

- PH and Section 8/HCV
- Reporting rate at or above minimum targets
- Quality control over data transmission, accuracy, & integrity
- Questions

# Break

10 minutes

# Development of Findings

- PHA RIM Review Summary Report
- Corrective Action Plan
- Types of errors related to discrepancies
  - Component versus Administrative

# Typical Types of Rent Errors

## **Administrative Error:**

- Partial or non-existent certification/recert interviews

Calculation Errors

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## **Component Error:**

### *Income*

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### *Adjustments to Income*

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Deductions - medical expenses, etc.

# PHA RIM Review Summary Report

- Field Office Determination of Risk
- Findings of systemic errors
- Systemic Findings & Recommendations
  - Description of finding
  - Corrective Action Recommended
  - Target date for completion
  - Actual date completed
  - Systemic Recommendation Type & Code

# Next Steps

- Follow-up Reviews
- Quarterly Tracking

# Final Questions and Comments

# Closing and Expectations

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