

CHAPTER 1 RIM Reviews

Section 1 Overview

WHAT IS A RIM REVIEW?

- RIM is an acronym for Rental Integrity Monitoring.
- RIM is one strategy in a larger, HUD-wide effort, known as the Rental Housing Integrity Improvement Project (RHIP), to reduce income and rent errors and improper payments in the administration of the public housing and Housing Choice Voucher (HCV) programs.
- RIM reviews were designed to help HUD:
 - Identify the root causes of error and improper payments
 - Meet its goal under the president's management agenda to reduce errors and subsidy overpayments by 50 percent by fiscal year 2005
- RIM review activities may include:
 - Reviewing sample tenant files
 - Identifying and recording income and rent errors, both systemic and isolated
 - Assessing PHA policies, procedures, and forms for systemic weaknesses
 - Interviewing PHA staff regarding income and rent policies, procedures, and practices
 - Analyzing review results to establish root causes of systemic weaknesses and errors
 - Providing technical assistance to PHAs
 - Identifying findings and concerns/observations
 - Requiring corrective actions as appropriate
 - Following up to ensure that corrective actions have been implemented within a reasonable period of time (6 months)

RESULTS OF INITIAL RIM REVIEWS

- Between June 2002 and September 2003, 722 PHAs were selected for initial RIM reviews.
 - Selection was based primarily on level of financial exposure and field office risk assessment.
 - For PHAs that received initial reviews, follow-up reviews will be conducted throughout fiscal year (FY) 2004. Some were also conducted in late 2003.
- The results of the initial RIM reviews show that the most common errors on the income and expense components of rent determination involve:
 - Utility allowances
 - Pensions, public assistance, and other income
 - Earned income
 - Deductions
- The initial reviews further show that the most common causes of errors are:
 - Lack of appropriate third-party verification of income and deductions
 - Lack of PHA quality control, which is reflected in:
 - Consistency errors
 - Calculation errors
 - Transcription errors
 - Improper transfer of data from applicant and participant files to the PIC system

Section 1: Overview

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- In addition, the initial reviews suggest that the following factors contribute to errors:
 - Outdated and inaccurate policies
 - Insufficient or incomplete policies and procedures
 - Inconsistencies between or among policies, procedures, and practices
 - The use of incomplete or inadequate forms and other tools to manage the income and rent determination process

Section 1: Overview

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Section 2 The RIM Review Process

- There are two phases in the RIM review process:
 - Initial reviews, which involve three steps:
 - Pre-review preparation, which is covered in Part V of HUD's *RIM Guide*
 - You can download the *Rim Guide* from HUD's website. See Appendix A of this book, page A-1, for the address.
 - On-site review activities, which are covered in Part VI of the *RIM Guide*
 - For the portions of Part VI that apply to the HCV program, see Appendix C of this book.
 - Post-review activities
 - Follow-up reviews, or re-reviews
- For the role that independent auditors will play in the RIM review process, see Assistant Secretary for Public and Indian Housing Michael Liu's letter on page 1-35.

INITIAL REVIEWS

Pre-Review Preparation

- One of the main activities in pre-review preparation is the selection of a sample of tenant files.
 - Depending on a PHA's reporting rate with the Public and Indian Housing Information Center (PIC), the sample will be selected from PIC records, PHA records, or both.
 - HUD's initial guidance called for a targeted sample of files to be selected; its current guidance requires a random sample.
 - In preparing for a RIM review, a HUD field office may choose to pull a larger number of files than required to allow for both a random and a targeted sample.

Section 2: The RIM Review Process

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- Another important activity in pre-review preparation is the examination of “in-office resources”:
 - PHA annual plan
 - Administrative plan (if available)
 - Prior reviews and audits

On-Site Review Activities

- The second step of an initial RIM review consists of the following activities:
 - Conducting entrance and exit meetings with appropriate PHA staff
 - Reviewing the sample of tenant files
 - Reviewing the PHA’s occupancy function or process as it relates to income and rent determinations
 - Providing technical assistance to the PHA
- RIM reviewers focus on both the “big picture” and the “little picture” at a PHA during this step.
 - The sample of tenant files lets reviewers see the “little picture.”
 - Files contain the critical pieces of source documentation for income and rent determinations.
 - Files represent the results of the PHA’s income and rent determination process.
 - Reviewers see the “big picture” when they review the PHA’s occupancy function.
 - A PHA’s occupancy function is reflected in its policies, procedures, and systems.
 - This function is the **process** that leads to the results that are found in the tenant files.

Tenant File Sample Review

- In examining tenant files, reviewers will be looking for the answers to these questions:
 - Do the files contain all of the necessary documentation, data, forms, etc.?
 - Do they provide a complete picture of income and rent determination?
 - Is the information contained in the files supported by third-party verifications?
 - Is there consistency within and between files?
 - Did the PHA draw correct conclusions from the data?
 - Are the calculations accurate?
 - Is the interpretation of information clear?
 - Is the interpretation of information consistent with the regulations and with PHA policy?
- As they go through tenant files, reviewers will fill out a tenant file review checklist, which is located in Appendix A of HUD's *RIM Guide*. The following parts of the checklist apply to the HCV program:
 - A. Family composition
 - B. Annual income and assets
 - C. Dwelling unit/utility allowance
 - D. Adjusted income
 - F. Family rent and housing assistance payment (HAP)
- Reviewers will also fill out tenant file review checklist worksheets, which are located in Appendix C of HUD's *RIM Guide*.
 - For your convenience, the parts of *RIM Guide* Appendices A and C that apply only to the HCV program have been combined into a single document that begins on page C-37 in Appendix C of this book.

Section 2: The RIM Review Process

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- Under family composition, a RIM reviewer will look at basic family information (cross-referenced to HUD-50058 Section 3):
 - The status of the head of household (e.g., elderly, disabled)
 - The age and status of other family members (e.g., dependent, full-time student, disabled)
 - The disclosure of Social Security numbers
 - Evidence of citizenship or eligible immigration status
- Under annual income and assets, the reviewer will look at basic income information (cross-referenced to HUD-50058 Sections 6 and 7):
 - Anticipated or imputed income from assets
 - Other income in four broad categories:
 - Wages and earned income (including the earned income disallowance)
 - Public assistance
 - Social security (SS), supplemental security income (SSI), and pensions
 - Other income
 - Income exclusions
- Under dwelling unit/utility allowance, the reviewer will look at basic unit information (cross-referenced to HUD-50058 Sections 1, 4, and 12):
 - Utility allowance schedule
 - Unit size
 - Unit type (apartment, row house, single-family detached, etc.)
 - Utility category (heating, cooking, water heating, water, sewer, etc.)
 - Utility type (gas, electric, oil, etc.)

Section 2: The RIM Review Process

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- Under adjusted income, the reviewer will look at allowable deductions from annual income (cross-referenced to HUD-50058 Section 8):
 - Dependent deduction
 - Elderly/disabled family deduction
 - Medical expenses deduction
 - Disability assistance expenses deduction
 - Child care expenses deduction
- Under family rent and HAP, the reviewer will look at the calculation of rent (cross-referenced to HUD-50058 Sections 9 and 12):
 - Total tenant payment (TTP)
 - Payment standard
 - Gross rent
 - Total HAP
 - Family share
 - HAP to owner
 - Rent to owner
 - Utility reimbursement
 - Prorated rent and HAP for “mixed” families

Policies and Processes

- On-site RIM review activities that focus on PHA policies and processes are covered in Part VI of HUD's *RIM Guide*. (For the sections that apply to the HCV program, see Appendix C.)
- Based on the number, types, and patterns of errors discovered during the tenant file review, field office staff will determine which areas of PHA policy and process need further evaluation.
 - The purpose of further evaluation is to identify the root causes of errors.
 - Field office staff may also routinely examine PHA policies and process as part of a RIM review.
- Potential areas for further evaluation include the PHA's:
 - Administrative plan
 - Application and reexamination process and materials
 - Process for determining and calculating income and rent
 - Verification procedures
 - Schedules (payment standards, utility allowances)
 - PIC and HUD-50058 reporting and data integrity

Section 2: The RIM Review Process

LEARNING ACTIVITY 1-1 ANALYSIS OF INFORMATION ON FORMS

- Files should be able to stand on their own, with the documents in the files leaving a clear audit trail. The auditor should not have to rely on asking staff what they meant or what other information they used to make their decisions.
- On the following pages you will find documents from a sample tenant file. Assume that you are reviewing the documents to verify the utility allowance. Gather the information you need to complete the chart below. Then analyze the chart to determine what problems, if any, the file documents pose for a reviewer. Note the results of your analysis in the space provided on the next page.

	RFTA	Inspection Form	50058	Lease	HAP Contract
Voucher BR Size					
Unit BR Size					
Structure Type					
Tenant-Paid Utilities					
Utility Allowance Amount					

**Request for Tenancy Approval
Housing Choice Voucher Program**

**U.S. Department of Housing
and Urban Development**
Office of Public and Indian Housing

OMB Approval No. 2577-0169
(exp. 03/31/2004)

Public reporting burden for this collection of information is estimated to average .08 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Eligible families submit this information to the Public Housing Authority (PHA) when applying for housing assistance under Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f). The PHA uses the information to determine if the family is eligible, if the unit is eligible, and if the lease complies with program and statutory requirements. Responses are required to obtain a benefit from the Federal Government. The information requested does not lend itself to confidentiality.

1. Name of Public Housing Agency (PHA) SEAPORT CITY HA		2. Address of Unit (street address, apartment number, city, State & zip code) 2228 WESTVIEW AVE. #6 SEAPORT CITY					
3. Requested Beginning Date of Lease 8/15/03	4. Number of Bedrooms 2	5. Year Constructed 1985	6. Proposed Rent 800	7. Security Deposit Amt. 350	8. Date Unit Available for Inspection 8/2/03		

9. Type of House/Apartment
 Single Family Detached
 Semi-Detached / Row House
 Manufactured Home
 Garden / Walkup
 Elevator / High-Rise

10. If this unit is subsidized, indicate type of subsidy:
 Section 202
 Section 221(d)(3)(BMIR)
 Section 236 (Insured or noninsured)
 Section 515 Rural Development
 Home
 Tax Credit
 Other (Describe Other Subsidy, Including Any State or Local Subsidy) _____

11. Utilities and Appliances
The owner shall provide or pay for the utilities and appliances indicated below by an "O". The tenant shall provide or pay for the utilities and appliances indicated below by a "T". Unless otherwise specified below, the owner shall pay for all utilities and appliances provided by the owner.

Item	Specify fuel type	Provided by	Paid by		
Heating	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle gas <input type="checkbox"/> Oil	<input type="checkbox"/> Electric	<input type="checkbox"/> Coal or Other	O	O
Cooking	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle gas <input type="checkbox"/> Oil	<input type="checkbox"/> Electric	<input type="checkbox"/> Coal or Other	O	O
Water Heating	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle gas <input type="checkbox"/> Oil	<input type="checkbox"/> Electric	<input type="checkbox"/> Coal or Other	O	O
Other Electric				T	T
Water				O	O
Sewer				O	O
Trash Collection				O	O
Air Conditioning				-	-
Refrigerator				O	O
Range/Microwave				O	O
Other (specify)					

Inspection Checklist
Housing Choice Voucher Program

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169
(Exp. 9/30/2002)

Public reporting burden for this collection of information is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number. This collection of information is authorized under Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f). The information is used to determine if a unit meets the housing quality standards of the section 8 rental assistance program.

Name of Family Vernice Henderson	Tenant ID Number 123-45-6789	Date of Request (mm/dd/yyyy) 7/25/03
Inspector Bill Gadget	Neighborhood/Census Tract 126	Date of Inspection (mm/dd/yyyy) 8/4/03
Type of Inspection <input checked="" type="checkbox"/> Initial <input type="checkbox"/> Special <input type="checkbox"/> Reinspection	Date of Last Inspection (mm/dd/yyyy)	PHA Seaport City HA

A. General Information

Inspected Unit Full Address (including Street, City, County, State, Zip) 2228 Westview Avenue #6 Seaport City, ST	Year Constructed (yyyy)	Housing Type (check as appropriate) <input type="checkbox"/> Single Family Detached <input type="checkbox"/> Duplex or Two Family <input type="checkbox"/> Row House or Town House <input checked="" type="checkbox"/> Low Rise: 3, 4 Stories, Including Garden Apartment <input type="checkbox"/> High Rise; 5 or More Stories <input type="checkbox"/> Manufactured Home <input type="checkbox"/> Congregate <input type="checkbox"/> Cooperative <input type="checkbox"/> Independent Group Residence <input type="checkbox"/> Single Room Occupancy <input type="checkbox"/> Shared Housing <input type="checkbox"/> Other
Number of Children in Family Under 6 0		
Owner Name of Owner or Agent Authorized to Lease Unit Inspected Paul Johnson	Phone Number 425-6789	
Address of Owner or Agent 6767 Wares Road Seaport City, ST		

B. Summary Decision On Unit (To be completed after form has been filled out)

<input checked="" type="checkbox"/> Pass <input type="checkbox"/> Fail <input type="checkbox"/> Inconclusive	Number of Bedrooms for Purposes of the FMR or Payment Standard 2	Number of Sleeping Rooms 3
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Inspection Checklist

Item No.	1. Living Room	Yes Pass	No Fail	In-Conc	Comment	Final Approval Date (mm/dd/yyyy)
1.1	Living Room Present	✓				
1.2	Electricity	✓				
1.3	Electrical Hazards	✓				
1.4	Security	✓				
1.5	Window Condition	✓				
1.6	Ceiling Condition	✓				
1.7	Wall Condition	✓				
1.8	Floor Condition	✓				

* Room Codes: 1 = Bedroom or Any Other Room Used for Sleeping (regardless of type of room); 2 = Dining Room or Dining Area; 3 = Second Living Room, Family Room, Den, Playroom, TV Room; 4 = Entrance Halls, Corridors, Halls, Staircases; 5 = Additional Bathroom; 6 = Other

Head of household name	Social Security Number	Date modified (mm/dd/yyyy)
3t. Total number in household		2 3t.
3u. Family subsidy status under Noncitizens Rule: C = Qualified for continuation of full assistance E = Eligible for full assistance F = Eligible for full assistance pending verification of status P = Prorated assistance		E 3u.
3v. Eligibility effective date (mm/dd/yyyy) if qualified for continuation of full assistance (3u=C)		3v.
3w. If new head of household, former head of household's SSN		3w.

4. Background at Admission

4a. Date (mm/dd/yyyy) entered waiting list	11/7/02 4a.
4b. ZIP code before admission	12347 4b.
4c. Homeless at admission? (Y or N)	N 4c.
4d. Does family qualify for admission over the very low-income limit? (Section 8 only) (Y or N)	N 4d.
4e. Continuously assisted under the 1937 Housing Act? (Y or N)	N 4e.
4f. Is there a HUD approved income targeting disregard? (Y or N)	N 4f.

5. Unit to be Occupied on Effective Date of Action

5a. Unit address		
Number and street	2228 WESTVIEW AVENUE	Apt. 6
City	SEAPORT CITY	State ST Zip code (+4) 12345
5b. Is mailing address same as unit address? (Y or N) (if yes, skip to 5d)		Y 5b.
5c. Family's mailing address		
Number and street		Apt.
City	State	Zip code (+4)
5d. Number of bedrooms in unit		2 5d.
5e. Has the PHA identified this unit as an accessible unit? (Public/Indian Housing only) (Y or N)		5e.
5f. Has the family requested accessibility features? (Public/Indian Housing only) (Y or N) (if no, skip to next section)		5f.
5g. Has the family received requested accessibility features? (Public/Indian Housing only) <input type="checkbox"/> a. Yes, fully <input type="checkbox"/> b. Yes, partially <input type="checkbox"/> c. No, not at all <input type="checkbox"/> d. Action pending (can be checked in combination with b. or c.)		5g.
5h. Date (mm/dd/yyyy) unit last passed HQS inspection (Section 8 only, except Homeownership)		8/4/03 5h.
5i. Date (mm/dd/yyyy) of last annual HQS inspection (Section 8 only, except Homeownership)		5i.
5j. Year (yyyy) unit was built (Section 8 only)		1985 5j.
5k. Structure type (check only one) (Section 8 only) <input type="checkbox"/> Single family detached <input type="checkbox"/> Semi-detached <input checked="" type="checkbox"/> Rowhouse/townhouse <input type="checkbox"/> Low-rise <input type="checkbox"/> High rise with elevator <input type="checkbox"/> Manufactured home		5k.

Head of household name	Social Security Number	Date modified (mm/dd/yyyy)
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6. Assets

6a. Family member name	No.	6b. Type of asset	6c. Calculation (PHA use)	6d. Cash value of asset	6e. Anticipated Income
VERNICE	1	SAVING		\$ 1515	\$ 0
VERNICE	1	CHECKING		\$ 724	\$ 0
				\$	\$
				\$	\$
				\$	\$
				\$	\$
				\$	\$
				\$	\$
6f, 6g. Column totals				\$ 2239 6f.	\$ 0 6g.
6h. Passbook rate (written as decimal)					0.015 6h.
6i. Imputed asset income: 6f X 6h (if 6f is \$5,000 or less, put 0)					\$ 0 6i.
6j. Final asset income: larger of 6g or 6i					\$ 0 6j.

7. Income

7a. Family member name	No.	7b. Income Code	7c. Calculation (PHA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions (7d minus 7e)
VERNICE	1	W	8.25x30x52	\$ 12,870	\$	\$ 12,870
VERNICE	1	C	200x12	\$ 2,400	\$	\$ 2,400
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
7g. Column total						\$ 15,270 7g.
7h. Reserved						
7i. Total annual income: 6j + 7g						\$ 15,270 7i.

7b: Income Codes

Wages: B = own business F = federal wage HA = PHA wage M = military pay W = other wage	Welfare: G = general assistance IW = annual imputed welfare income T = TANF assistance	SS/SSI/Pensions: P = pension S = SSI SS = Social Security	Other Income Sources: C = child support E = medical reimbursement I = Indian trust/per capita N = other nonwage sources U = unemployment benefits
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Head of household name	Social Security Number	Date modified (mm/dd/yyyy)
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8. Expected Income Per Year

8a. Total annual income: copy from 7i	\$15,270 8a.
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Permissible Deductions (Public Housing Only. If Section 8, Skip to 8f or 8q)

8b. Family member name	No.	8c. Type of permissible deduction	8d. Amount
			\$
			\$
			\$
8e. Total permissible deductions			\$ 8e.

If head/spouse/co-head is under 62 and no family member disabled, skip to 8q

8f. Medical/disability threshold: 8a X 0.03	\$	8f.
8g. Total annual unreimbursed disability assistance expense (if no disability expenses, skip to 8k)	\$	8g.
8h. Maximum disability allowance: If 8g minus 8f is positive or zero, put amount	\$	8h.
If negative and head/spouse/co-head is under 62 and not disabled, put 0	\$	8h.
If negative and head/spouse/co-head is elderly or disabled, copy from 8g	\$	8h.
8i. Earnings in 7d made possible by disability assistance expense	\$	8i.
8j. Allowable disability assistance expense: lower of 8h or 8i (if 8g is less than 8f and head/spouse/co-head elderly or disabled, copy from 8h)	\$	8j.
8k. Total annual unreimbursed medical expenses (if head/spouse/co-head under 62 and not disabled, put 0)	\$	8k.
8m. Total annual disability assistance and medical expense: 8j + 8k (if no disability expenses, copy from 8k)	\$	8m.
8n. Medical/disability assistance allowance:		
If no disability assistance expenses or if 8g is less than 8f, put 8m minus 8f (if 8m minus 8f is negative, put zero)	\$	8n.
If disability assistance expenses and 8g is greater than or equal to 8f, copy from 8m	\$	8n.
8p. Elderly/disability allowance (default = \$400)	\$	8p.
8q. Number of dependents (people under 18, or with disability, or full-time student. Do not count head of household, spouse, co-head, foster child/adult, or live-in aide).	1	8q.
8r. Allowance per dependent (default = \$480)	\$ 480	8r.
8s. Dependent allowance: 8q X 8r	\$ 480	8s.
8t. Total annual unreimbursed childcare costs	\$	8t.
8u. Total annual travel cost to work/school (Indian Housing only)	\$	8u.
8v. Reserved		
8w. Reserved		
8x. Total allowances: 8e + 8n + 8p + 8s + 8t + 8u	\$ 480	8x.
8y. Adjusted annual income: 8a minus 8x (if 8x is larger, put 0)	\$14,790	8y.

Head of household name	Social Security Number	Date modified (mm/dd/yyyy)
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9. Total Tenant Payment (TTP)

9a. Total monthly income: 8a + 12	\$ 1273	9a.
9b. Reserved		
9c. TTP if based on annual income: 9a X 0.10	\$ 127	9c.
9d. Adjusted monthly income: 8y + 12	\$ 1233	9d.
9e. Percentage of adjusted monthly income: use 30% for Section 8	30	9e.
9f. TTP if based on adjusted annual income: (9d X 9e) + 100	\$ 370	9f.
9g. Welfare rent per month (if none, put 0)	\$ 0	9g.
9h. Minimum rent (if waived, put 0)	\$ 50	9h.
9i. Enhanced Voucher minimum rent	\$ 0	9i.
9j. TTP, highest of lines 9c, 9f, 9g, 9h, or 9i	\$ 370	9j.
9k. Most recent TTP	\$	9k.
9m. Qualify for minimum rent hardship exemption? (Y or N)		9m.

Head of household name	Social Security Number	Date modified (mm/dd/yyyy)
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12. Section 8 Vouchers

12a. Number of bedrooms on Voucher		2	12a.
12b. Is family now moving to this unit? (Y or N)			12b.
12c. Does the family qualify as a Hard to House family? (Y or N)			12c.
12d. Did family move into your PHA jurisdiction under portability? (Y or N) (if no, skip to 12g)			12d.
12e. Cost billed per month (put 0 if absorbed)		\$	12e.
12f. PHA code billed			12f.
12g. Housing type:	<input type="checkbox"/> Group home (prorate gross rent)		
<input type="checkbox"/> Own manufactured home, lease space	<input type="checkbox"/> SRO: 1 room occupied by 1 person		
12h. Owner name			12h.
12i. Owner TIN/SSN			12i.
12j. Payment standard for the family	\$	844	12j.
12k. Rent to owner	\$	800	12k.
12m. Utility allowance, if any	\$	29	12m.
12n. Reserved			
12p. Gross rent of unit: 12k + 12m (or Space Rent)	\$	829	12p.
12q. Lower of 12j or 12p (if Premerger Voucher contract, see Instruction Booklet)	\$	829	12q.
12r. TTP: copy from 9j	\$	370	12r.
12s. Total HAP: 12q minus 12r	\$	459	12s.
Rent Calculation (if prorated rent, skip to 12ab)			
12t. Total family share: 12p minus 12s	\$	370	12t.
12u. HAP to owner: lower of 12k or 12s	\$	459	12u.
12v. Tenant rent to owner: 12k minus 12u	\$	341	12v.
12w. Utility reimbursement to family: 12s minus 12u, but do not exceed 12m	\$		12w.
Prorated Rent Calculation			
12aa. Reserved			
12ab. Normal total HAP: copy from 12s, but do not exceed 12p	\$		12ab.
12ac. Total number eligible			12ac.
12ad. Total number in family			12ad.
12ae. Proration percentage: 12ac ÷ 12ad			12ae.
12af. Prorated total HAP: 12ab X 12ae			12af.
12ag. Mixed family total family contribution: 12p minus 12af	\$		12ag.
12ah. Utility allowance: copy from 12m	\$		12ah.
12ai. Mixed family tenant rent to owner: 12ag minus 12ah	If positive or 0, put tenant rent		\$ 12ai.
	If negative, credit tenant	or CR	\$ 12ai.
12aj. Prorated HAP to owner: 12k minus 12ai. If 12ai is negative, put 12k	\$		12aj.
12ak. Reserved			

ABC Gardens Lease Agreement

Section 8 Tenant-Based Assistance Housing Choice Voucher Program

This lease is in three parts: **Part A** contains required lease information. **Part B** consists of the HUD 52641-A Tenancy Addendum, and **Part C** contains additional lease provisions.

Part A: Lease Information

1. **Contract Unit:** (enter address of unit, including apartment number, if any)

2228 Westview Avenue; Apt. 6
Seaport City, ST 12345

2. **Tenant:** (Enter full name of tenant)

Vernice Henderson

3. **Owner:** (Enter name and address of owner)

Paul Johnson
6767 Wares Road; Seaport City, ST 12456

4. **Initial Term:** The initial term of lease must be at least one year unless a shorter term is approved by the PHA.

The initial term begins on 8/16/2003

The initial term ends on 8/31/2004

Following the initial term of the lease, the lease will be renewed automatically on a

month-to-month **indefinite** duration basis until:

- a. termination of the lease by the owner in accordance with this lease;
- b. termination of the lease by the tenant in accordance with this lease;
- c. mutual agreement between the owner and tenant to terminate the lease during the term of the lease;
- d. termination of the Housing Assistance Payments Contract by the PHA;
- e. termination of the tenant family's assistance by the PHA.

5. **Household Members:** (Enter the full names of all family members.)

Vernice Henderson	
Mary White (daughter)	

The family must promptly inform the PHA of the birth, adoption, or court-awarded custody of a child. No other person may reside in the unit without prior written approval by the Owner and the PHA.

6. **Rent to Owner** (total monthly rent):

\$ 800

- a. **Tenant Rent to Owner:**

\$ 341

- b. **Housing Assistance Payment to Owner:**

\$ 459

The total rent to owner is the initial rent for this unit. The housing assistance payment to owner shall be payable by the Public Housing Agency (PHA) as housing assistance payments on behalf of the tenant. The tenant rent to owner shall be payable by the tenant directly to the Owner. Rent is due and payable on the first day of the month beginning on 9/1/2003.

The amount of the rent to owner is subject to change after the initial term of the lease upon agreement by the owner and tenant. The owner must give the PHA 60 calendar days written notice before commencement of any change in rent. The notice shall state the new rental amount and the date the new rental amount will be effective. Changes in rent shall be subject to the PHA's rent reasonableness requirements.

The amount of tenant rent is subject to change during the term of the lease. Any changes in the amount of the tenant rent will be effective on the date stated in a notice by the PHA to the family and owner.

- c. **Penalties for Late Payment of Tenant Rent:** The tenant shall be charged a late charge for all rent not paid in accordance with the terms and conditions of this lease. Such late charge shall be in addition to the usual monthly rent and will apply if tenant rent is unpaid on the 10th day of the month.

ABC Gardens Lease Agreement

Section 8 Tenant-Based Assistance Housing Choice Voucher Program

7. **Security Deposit:** The tenant has deposited \$350 with the owner as a security deposit. The amount of the security deposit does not exceed the amount of security deposits charged by the owner to unassisted tenants or the private market practice for the area where the unit is located.
8. **Pets:** The tenant may may not keep pets.
9. **Utilities and Appliances:** The owner shall provide for or pay for the utilities and appliances as indicated below by an "O" without any additional charge to the tenant. The tenant shall provide or pay for the utilities and appliances as indicated below by a "T".

Item		Provided by	Paid by
Heating	Natural gas		O
	Bottle gas		
	Oil/Electric		
	Coal/Other		
Cooking	Natural gas		
	Bottle gas		
	Oil/Electric		T
	Coal/Other		
Other Electric			T
Air Conditioning			-

Item		Provided by	Paid by
Water heating	Natural gas		O
	Bottle gas		
	Oil/Electric		
	Coal/Other		
Water			O
Sewer			O
Trash Collection			O
Range/Microwave			O
Refrigerator			O
Other (specify)			

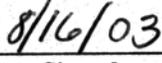
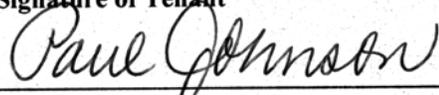
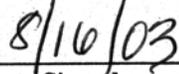
The owner shall provide the following additional appliances for the dwelling unit. (If none specified, no additional appliances are provided.)

10. **Maintenance and Services:**
Security equipment and services to be provided by the owner. (If none are specified, it is assumed there are none.)
-

The owner shall provide Extermination service as conditions may require. If such service is to be provided on a scheduled basis, the schedule is as follows: (if none specified, it is assumed that none are provided.)

11. **Lease termination or move out by family:** The tenant may terminate the lease without cause at any time after the initial term of the lease by giving a 30 calendar day 60 calendar day written notice to the owner. The tenant must notify the PHA and the owner before the family moves out of the unit.

SIGNATURES:

TENANT			
	Signature of Tenant	Date Signed	
OWNER			
	Signature of Owner	Date Signed	

**Housing Assistance Payments Contract
(HAP Contract)
Section 8 Tenant-Based Assistance
Housing Choice Voucher Program**

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

Part A of the HAP Contract: Contract Information

(To prepare the contract, fill out all contract information in Part A.)

1. Contents of Contract

This HAP contract has three parts:

- Part A: Contract Information
- Part B: Body of Contract
- Part C: Tenancy Addendum

2. Tenant

Vernice Henderson

3. Contract Unit

2228 Westview Avenue
Apt. 6
Seaport City, ST 12345

4. Household

The following persons may reside in the unit. Other persons may not be added to the household without prior written approval of the owner and the PHA.

Vernice Henderson
Mary White (daughter)

5. Initial Lease Term

The initial lease term begins on (mm/dd/yyyy): 8/16/03
The initial lease term ends on (mm/dd/yyyy): 8/31/04

6. Initial Rent to Owner

The initial rent to owner is: \$ 800
During the initial lease term, the owner may not raise the rent to owner.

7. Initial Housing Assistance Payment

The HAP contract term commences on the first day of the initial lease term. At the beginning of the HAP contract term, the amount of the housing assistance payment by the PHA to the owner is \$ 459 per month.

The amount of the monthly housing assistance payment by the PHA to the owner is subject to change during the HAP contract term in accordance with HUD requirements.

8. Utilities and Appliances

The owner shall provide or pay for the utilities and appliances indicated below by an "O". The tenant shall provide or pay for the utilities and appliances indicated below by a "T". Unless otherwise specified below, the owner shall pay for all utilities and appliances provided by the owner.

Item	Specify fuel type	Provided by	Paid by
Heating	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle gas <input type="checkbox"/> Oil or Electric <input type="checkbox"/> Coal or Other		O
Cooking	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle gas <input type="checkbox"/> Oil or Electric <input type="checkbox"/> Coal or Other		O
Water Heating	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle gas <input type="checkbox"/> Oil or Electric <input type="checkbox"/> Coal or Other		O
Other Electric			T
Water			O
Sewer			O
Trash Collection			O
Air Conditioning			-
Refrigerator			O
Range/Microwave			O
Other (specify)			

Signatures:

Public Housing Agency

SEAPORT CITY HA

Print or Type Name of PHA

Sue Brady

Signature

SUE BRADY, OCC SPECIALIST

Print or Type Name and Title of Signatory

8/16/03

Date (mm/dd/yyyy)

Owner

PAUL JOHNSON

Print or Type Name of Owner

Paul Johnson

Signature

Print or Type Name and Title of Signatory

8/16/03

Date (mm/dd/yyyy)

Mail Payments to:

Name

Address (street, city, State, Zip)

Seaport City Housing Authority

FMR/PAYMENT STANDARDS					
	0 BR	1 BR	2 BR	3 BR	4 BR
FMR	555	622	768	938	1,014
Payment Standard	610	684	844	1,031	1,115

UTILITY ALLOWANCES: SEMI-DETACHED/ROW HOUSE					
BEDROOM SIZE	0 BR	1 BR	2 BR	3 BR	4BR
HEATING					
Gas	36	48	64	79	95
Electric	38	51	70	86	105
COOKING					
Gas	4	6	7	9	11
Electric	3	4	5	6	7
OTHER ELECTRIC					
	18	23	29	34	39
WATER HEATING					
Gas	10	15	19	23	29
Electric	15	20	26	32	37
WATER					
	5	5	10	15	21
SEWER					
	5	5	9	13	17
RANGE					
	8	8	8	8	8
REFRIGERATOR					
	10	10	10	10	10

Seaport City Housing Authority

UTILITY ALLOWANCES: GARDEN/WALKUP					
BEDROOM SIZE	0 BR	1 BR	2 BR	3 BR	4BR
HEATING					
Gas	31	41	55	67	82
Electric	32	43	60	73	89
COOKING					
Gas	4	6	7	9	11
Electric	3	4	5	6	7
OTHER ELECTRIC					
	18	23	33	34	39
WATER HEATING					
Gas	10	15	19	23	29
Electric	15	20	26	32	37
WATER					
	5	5	10	15	21
SEWER					
	5	5	9	13	17
RANGE					
	8	8	8	8	8
REFRIGERATOR					
	10	10	10	10	10

Section 2: The RIM Review Process

Notes

Section 2: The RIM Review Process

LEARNING ACTIVITY 1-2 ANALYSIS OF ASSET AND ASSET INCOME INFORMATION

- When an auditor is looking at a family’s file, it is important to see that all the information and calculations for that particular family are correct. However, it is also important to identify systemic problems that could affect all files because a rule was incorrectly applied or there is a misconception of how something should be calculated.
- Review the HUD-50058 excerpt and verification forms on the following pages with these assumptions about PHA policy:
 - Use the current balance to determine the cash value of savings accounts.
 - Use the average balance for the last six months to determine the cash value of checking accounts.
 - Use the current interest rate to anticipate income on savings and checking accounts.
- Then answer the following questions:
 1. Are the assets and asset incomes correctly calculated?

2. If not, what “rule” do you think the staff person is applying?

3. Could this be a systemic problem that would affect more than one file?

Head of household name	Social Security Number	Date modified (mm/dd/yyyy)
------------------------	------------------------	----------------------------

6. Assets

6a. Family member name	No.	6b. Type of asset	6c. Calculation (PHA use)	6d. Cash value of asset	6e. Anticipated Income
VERNICE	1	SAVING		\$ 1515	\$ 0
VERNICE	1	CHECKING		\$ 724	\$ 0
				\$	\$
				\$	\$
				\$	\$
				\$	\$
				\$	\$
				\$	\$
6f. 6g. Column totals				\$ 2,239 6f.	\$ 0 6g.
6h. Passbook rate (written as decimal)					0.015 6h.
6i. Imputed asset income: 6f X 6h (if 6f is \$5,000 or less, put 0)					\$ 0 6i.
6j. Final asset income: larger of 6g or 6i					\$ 0 6j.

7. Income

7a. Family member name	No.	7b. Income Code	7c. Calculation (PHA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions (7d minus 7e)
VERNICE	1	W	8.25x30x52	\$ 12,870	\$	\$ 12,870
VERNICE	1	C	200x12	\$ 2,400	\$	\$ 2,400
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
7g. Column total						\$ 15,270 7g.
7h. Reserved						
7i. Total annual income: 6j + 7g						\$ 15,270 7i.

7b: Income Codes

Wages: B = own business F = federal wage HA = PHA wage M = military pay W = other wage	Welfare: G = general assistance IW = annual imputed welfare income T = TANF assistance	SS/SSI/Pensions: P = pension S = SSI SS = Social Security	Other Income Sources: C = child support E = medical reimbursement I = Indian trust/per capita N = other nonwage sources U = unemployment benefits
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Bank U. S.

51 3RD ST
SEAPORT CITY, ST 55555

"We treat your money as though it were our own!"

STATEMENT OF ACCOUNT

**VERNICE HENDERSON
184 SEAVIEW AVENUE
SEAPORT CITY, ST 55555**

STATEMENT PERIOD: FROM 01-05-03 THRU 07-04-03

SAVINGS BANK OF US, ST FDIC INSURED

VERNICE HENDERSON

ACCOUNT NUMBER: AB98769

INTEREST RATE: 2.25%

FROM	THRU	BEGINNING BALANCE	TOTAL WITHDRAWALS	TOTAL DEPOSITS	TOTAL INTEREST	ENDING BALANCE
06-05-03	0704-03	\$1,401.85	\$200.00	\$310.00	\$2.83	\$1,514.68
05-05-03	06-04-03	\$1,199.23		\$200.00	\$2.62	\$1,401.85
04-05-03	05-04-03	\$1,071.99		\$125.00	\$2.24	\$1,199.23
03-05-03	04-04-03	\$919.98	\$150.00	\$300.00	\$2.01	\$1,071.99
02-05-03	03-04-03	\$918.26			\$1.72	\$919.98
01-05-03	02-04-03	\$591.55		\$325.00	\$1.71	\$918.26

YTD INTEREST PAID: \$13.13

DATE	WITHDRAWALS	DEPOSITS
07/01		\$310.00
06/15	200.00	
05/28		\$200.00
04/25		\$125.00

ADDITIONAL TRANSACTION DETAILS AVAILABLE ONLINE AT WWW.USBANKOFSEAPORT.COM

PAGE 01 OF 01



Bank U. S.

51 3RD ST
SEAPORT CITY, ST 55555

"We treat your money as though it were our own!"

STATEMENT OF ACCOUNT

VERNICE HENDERSON
184 SEAVIEW AVENUE
SEAPORT CITY, ST 55555

STATEMENT PERIOD: FROM 01-05-03 THRU 07-04-03

CHECKING BANK OF US, ST FDIC INSURED

VERNICE HENDERSON

ACCOUNT NUMBER: AB98765

INTEREST RATE: 1.75%

FROM	THRU	BEGINNING BALANCE	TOTAL WITHDRAWALS	TOTAL DEPOSITS	TOTAL INTEREST	ENDING BALANCE
06-05-03	07-04-03	\$712.79	\$125.00	\$310.00	\$1.31	\$899.10
05-05-03	06-04-03	\$658.75	\$350.04	\$403.04	\$1.04	\$712.79
04-05-03	05-04-03	\$722.79	\$175.24	\$110.24	\$0.96	\$658.75
03-05-03	04-04-03	\$638.74	\$188.22	\$271.22	\$1.05	\$722.79
02-05-03	03-04-03	\$711.14	\$293.33	\$220.00	\$0.93	\$638.74
01-05-03	02-04-03	\$591.10	\$229.00	\$348.00	\$1.04	\$711.14

YTD INTEREST PAID: \$6.33

DATE	WITHDRAWALS	DEPOSITS	TRANSACTIONS
07/01	125.00		CHECK # 1016
06/23		\$310.00	
06/01	125.00		CHECK # 1015
05/28	225.04		CHECK # 1013
05/27		\$403.04	
05/01	30.24		CHECK # 1014
04/29	125.00		CHECK # 1012
04/28	20.00		ATM
04/25		\$110.24	

ADDITIONAL TRANSACTION DETAILS AVAILABLE ONLINE AT WWW.USBANKOFSEAPORT.COM

PAGE 01 OF 01

Post-Review Activities

- During the post-review step of a PHA's initial RIM review, HUD field offices will:
 - Issue a report to the PHA
 - Monitor the PHA's progress in correcting findings and errors
 - Provide ongoing technical assistance to the PHA
 - Close PHA "findings" when required actions have been completed
 - Submit error reports to HUD headquarters

Report to PHA

- The report to the PHA will:
 - Identify individual tenant file errors to be corrected
 - Identify systemic "findings" and the actions required to correct them
 - Identify "concerns and observations" and the actions recommended to address them
 - Require a response within 45 days
- A RIM "finding" is a condition that is not in compliance with statutory, regulatory, or handbook requirements.
 - In addition to naming the condition, each finding must state the criteria on which the finding is based as well as the cause of the condition, its consequences (effects), and the corrective action required to remove it.
- A RIM "concern or observation" is a deficiency in performance that needs to be brought to the attention of the PHA but that is not based on a regulatory or statutory requirement.
 - Each concern or observation should include the condition, identify its cause and effect, and recommend a corrective action.

Corrective Action Plan

- If a PHA has not resolved all findings before it responds to its RIM review report (within 45 days after the report is issued), the PHA must develop a corrective action plan for all unresolved findings.
- HUD field offices cannot approve corrective action plans longer than six months in duration without the approval of HUD headquarters.
- A PHA's field office will monitor post-review progress and provide ongoing technical assistance to ensure that the PHA:
 - Responds to its RIM review report within 45 days
 - Corrects individual tenant file errors
 - Implements corrective actions to resolve systemic findings and prevent future errors

FOLLOW-UP REVIEWS

- PHAs that receive an initial RIM review will receive a follow-up review, or re-review.
- The purpose of follow-up reviews is to:
 - Monitor progress
 - Ensure that corrective actions:
 - Have been implemented
 - Have resulted in error reduction
- HUD field offices will follow up to ensure that:
 - Individual tenant file errors have been corrected
 - Overall corrective actions identified in the initial baseline review have been corrected and completed
- In conducting a follow-up review, a field office will pull a new sample of tenant files.
 - For systemic deficiencies, the new sample will be drawn at random. For specific deficiencies, a targeted sample, if appropriate, will be drawn.
 - The review should be limited to files with effective dates after the date by which corrective actions should have been implemented.

SANCTIONS

- Under the Section 8 Management Assessment Program (SEMAP) rules, HUD has the right to conduct a “confirmatory” review at any time. (24 CFR 985.101(c))
- If a PHA’s RIM review results are contrary to what the PHA certified to as part of its SEMAP score, the PHA’s SEMAP score will be lowered.

Section 2: The RIM Review Process

Notes



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

ASSISTANT SECRETARY FOR
PUBLIC AND INDIAN HOUSING

August 26, 2003

Dear Certified Public Accountants:

We are writing to inform you of the Department's concentrated efforts at correcting a material weakness in the Department's financial statements which has now risen to the level of a Presidential Management Agenda item: the improper calculation of subsidy payments. You are receiving this letter because your firm has been identified by the Real Estate Assessment Center as having performed independent audits of Public Housing Agencies (PHAs) over the past two years. We are reaching out to you because the Department relies on the results of your audits to assess/mitigate risk and to target our scarce resources.

The Presidential mandate requires that the Department reduce income/rent errors 50 per cent by Fiscal Year (FY) 2005, with incremental error reduction goals of 15 per cent by FY 2003 and 30 percent by FY 2004, for both the Public Housing and Housing Choice Voucher (HCV) programs. An independent study performed in FY 2001 by Macro, Inc., on behalf of the Office of Policy Development and Research, disclosed that the Department is currently paying over 1.7 billion dollars in excess subsidy and is underpaying over 600 million dollars to low-income families. The Improper Payments Act requires the annual reporting and recovery of erroneous federal payments. A copy of the study can be downloaded at <http://www.huduser.org/publications/pubasst/qualitycontrol.html>.

To achieve its error reduction goals, the Department has implemented a new initiative: the Rental Housing Integrity Improvement Project (RHIP). *Rental Integrity Monitoring (RIM) reviews* are a key component of RHIP. The RIM initiative represents an approach that focuses on a PHA's income/rent calculations and those occupancy activities (e.g., PHA's quality control procedures) that directly impact upon the accuracy of income/rent calculations. The reviewer's primary task, during both the *initial* and *follow-up* RIM reviews, is to make a determination for each tenant file as to whether the PHA's income and rent calculations are accurate and to assist the PHA in the development of a Corrective Action Plan (CAP) wherever egregious income/rent errors exist. The conduct of initial and follow-up reviews enables the reviewer to determine if a PHA has corrected income/rent errors and implemented measures to prevent the reoccurrence of errors.

Although a substantial reason for the error is due to underreported and unreported income, which may be beyond the scope of the audit, both the results of the Macro Inc. study and the *RIM* reviews show many items that are routinely tested as part of the compliance and internal controls section of the audit pursuant to OMB Circular A-133 are contributing to the problem. Findings identified during a RIM review such as calculation errors, use of outdated payment standards for the HCV program, lack of third party verification to support tenant income as well as exclusions/deductions, and other internal control problems substantially contribute to the overall error.

Over the past nine months, staff from the Office of Public and Indian Housing, implemented detailed on-site *RIM* reviews of PHAs' income and rent calculations throughout the 10 (ten) HUD regions to assure the accuracy of the subsidy calculations. The reviewers randomly selected tenant files from over 650 of the Department's largest PHAs. Errors, identified during the *RIM* reviews, are being compared to the income and rent findings identified in the PHAs' audit reports.

Additionally, staff from Headquarters is tracing the subsidy determinations for a sample of tenants through the PHAs' accounting systems; comparing aggregate subsidy determinations to the subsidy payments made by HUD for the year. We have asked the Public Housing Directors in the HUD field offices to mail the results of our reviews to you and to the PHAs' Board of Commissioners. Where we find an audit report inconsistent with our findings (e.g., lack of internal controls, calculations errors, etc.) we have instructed our field offices to refer those firms to the Audit Quality Assurance team at the Real Estate Assessment Center to determine the best course of action.

We ask that you serve as a partner in assuring compliance with those sections of the *A-133 Compliance Supplement* (see Enclosures) that apply to the income and rent requirements for the Public Housing and HCV programs. Collectively, the compliance documents instruct the auditor to take actions that include an independent determination based on random file selection as to whether or not the PHA made improper payments (e.g., overpayments and underpayments), calculated the tenant's rent payment using documentation from third party verification, etc. The *RIM* review parallels the requirements outlined in the *Compliance Supplement*. Thus, the auditor's focus on compliance requirements for the Public Housing and HCV programs reinforces the Department's efforts to ensure that PHAs implement their CAPs.

David A. Vargas, MSA, CPA, Senior Advisor of my staff will be following up with the American Institute of Certified Public Accountants, the Association of Government Accountants, and other entities to reinforce these requirements. Should you have questions, please contact Mr. Vargas at (202) 708-0614, ext., 6192.

Sincerely,

Michael Liu,
Assistant Secretary

Enclosures