



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

AUG 12 2008

MEMORANDUM FOR: All Contract Administrators
All Multifamily Hub Directors
All Multifamily Program Center Directors

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SUBJECT: Interim Management and Occupancy Review (MOR) Error Reporting

The purpose of this memorandum is to provide instructions on implementation of an interim reporting process for semi-annual reporting of subsidy errors discovered during a MOR and the resolution of those errors for use in reporting to the Office of Management and Budget (OMB).

Background:

In 2001, the Department implemented a Secretarial initiative, the Rental Housing Integrity Improvement Project (RHIP) to reduce erroneous subsidy payments in HUD's rental assistance programs and ensure that the right benefits go to the right persons. As a part of the President's Management Agenda (PMA) and working with OMB, the Department established a goal in FY 2000 for a 50 percent reduction in net subsidy overpayments by FY 2005.

Due to efforts through the RHIP initiative to work with its housing partners by providing enhanced program guidance, training, oversight, and enforcement, the Department exceeded this goal reporting evidenced by a 69 percent reduction in net subsidy overpayments from FY 2000 to FY 2005. Since 2005, in accordance with the PMA's initiative on the Elimination of Improper Payments, the Department continues to set aggressive goals to reduce errors in erroneous subsidy payments. The goals are now established based on the number of improper payments as a percentage of total program payments. The established goals have been met except for fiscal year 2007 when there was a slight increase in errors reported.

The Improper Payments Information Act of 2002 requires agencies to measure improper payments annually, develop improvement targets and corrective actions, track results and report results back to OMB. In order to measure improper payments, the Department conducts annual

studies on three major types of rental housing assistance payment errors: 1) program administrator income and rent determination error, 2) intentional tenant misreporting of income, and 3) errors in program administrator billings for assistance payments. These studies provide information for the Department to report to OMB on the measurement of improper payments. HUD has also been reporting to OMB the increasing number of MORs that are being conducted each year, but it has not had a system in place to record errors discovered and resolved as a result of these reviews.

The Office of Multifamily Housing Programs has established an initiative for the development of an Error Tracking Log to be incorporated as part of the Tenant Rental Assistance Certification System (TRACS) for tracking the specific dollar impact of income and rent discrepancies and the corresponding resolution. However, this Tracking Log as part of TRACS is not expected to be operational until FY 2010.

In the interim, an alternative process for reporting errors resulting in the over- and/or under-payment of subsidy has been developed and is being implemented effective with this memorandum. This information is necessary in order to target training at those areas where most of the errors are occurring and to inform OMB that not only is the Department continuing to monitor its program administrators but it is also increasing its efforts to ensure that subsidy payments are being calculated correctly. Therefore, for the purpose of this interim reporting, any MOR findings resulting in over- and/or under-payment of subsidy will be recorded and tracked.

Since it is necessary for the Department to roll out this initiative before the end of the fiscal year, the error reporting became effective on August 1, 2008, and the first report will cover all MORs scheduled and conducted during the period August 1, 2008 through September 30, 2008. Subsequent reports will be submitted on a semi-annual basis until the Error Tracking Log is ready for implementation.

Program Applicability:

This reporting process applies to the following rental assistance programs:

1. Project-based Section 8
 - a. New Construction
 - b. State Agency Financed
 - c. Substantial Rehabilitation
 - d. Section 202/8
 - e. Rural Housing Services Section 515/8
 - f. Loan Management Set-Aside (LMSA)
 - g. Property Disposition Set-Aside (PDSA)
2. Section 202/162 Project Assistance Contract (PAC)
3. Section 202 Project Rental Assistance Contract (PRAC)
4. Section 811 PRAC

Error Categories:

Each subsidy error discovered during a MOR should be recorded under one of the following four categories:

1. Eligibility
2. Calculation
3. Timing
4. Reporting

Attached for your assistance is a guidance tool (Attachment A) providing a listing of error types identified for each category type that may result in an error in the amount of subsidy paid. These error discrepancies have been taken from the Tenant Rental Assistance Certification System (TRACS) MAT User Guide and are the types of error discrepancies generated as a result of the computerized review of the data submitted to TRACS.

Error Resolution:

In determining whether or not an error has been resolved, the following error resolution definitions should be used:

1. 100% repayment
100% repayment to/from tenant or owner is made to correct error.
2. If 100% repayment cannot be made all at once
Repayment plan entered into between owner and tenant or between HUD/ Contract Administrator (CA) and owner will be evidence to consider the error resolved.
3. Defaults on repayment plan
 - When the tenant defaults on his/her repayment plan, if the owner has taken any of the following types of actions, the error is considered resolved:
 - Termination of assistance or tenancy
 - Referral to collection agency
 - Owner files civil/criminal action
 - Garnishment
 - When the owner does not comply with the requirements of the repayment agreement, once administrative action is taken by HUD or the CA to cure the deficiency, the error is considered resolved.

4. Fraud determined

- If the owner, after investigating, determines tenant fraud, if he/she has taken any of the following types of actions, the error is considered resolved:
 - Termination of assistance or tenancy
 - Referral to collection agency
 - Filing civil/criminal action
 - Reports fraudulent activity to the Office of Inspector General or other law enforcement agency
- If HUD or CA determines fraudulent activity on the part of the owner, once administrative action is taken by HUD, the error is considered resolved.

5. False positives

After verification/investigation it is determined that no error occurred.

Report Format:

HUD staff and CAs have the option of using an Excel spreadsheet or a comma delimited text file to report the total number of MORs performed during the reporting period where subsidy errors were discovered; the total number of subsidy errors by category type that are in the process of being resolved; and, the total number of subsidy errors by category type that have been resolved. It is not necessary to identify the category number code associated with the error. Once the information is sent to HUD Headquarters for a reporting period, HUD or CA staff will start over in recording errors for the next reporting period. HUD or CA staff is not expected to continue tracking errors that were unresolved in the previous reporting period.

Attached are the instructions (Attachment B) for reporting using the Excel spreadsheet format (Attachment C) or a comma delimited text file format (imbedded in the instructions). Also attached is a listing of the HUD field office names (Attachment D) and CA names and IDs (Attachment E) for reference in completing the report.

Submission of Report:

HUD staff and CAs are required to report to HUD Headquarters semi-annually based on the Federal fiscal year the number of errors discovered by category and the number of errors that are resolved or are in the process of being resolved. The reports are due 30-days after the end of the semi-annual period or on the next business day when the deadline falls on a weekend or holiday.

<u>Semi-annual period</u>	<u>Report Due</u>
10/1 thru 3/31	4/30
4/1 thru 9/30	10/30

The Program Center Director is responsible for submitting the report for his/her office to the Hub Director, who will then consolidate all of the reports from the Program Centers into one report for the Hub and then forward the report on to HUD Headquarters. The Hub Director is responsible

for establishing his/her own internal deadline to ensure that he/she meets the deadline for submitting the consolidated report. The CA will be responsible for submitting its report directly to HUD Headquarters, with a copy to the CAOM. If there are no errors to report or no MORs were conducted, the report must still be submitted indicating such.

The report is to be emailed to MF_MOR_Error_Report@hud.gov mailbox. The subject line of the email should read: **MOR Error Tracking Report**

The information from the reports will be used for reporting results to OMB. As indicated earlier, the information will also be used to assist Multifamily Housing in targeting training efforts in those categories where the majority of errors are occurring in order to reduce errors in our subsidy programs.

Thank you for your cooperation in this initiative and for your assistance in meeting the Department's commitment to implement the interim error tracking report requirement before the end of the fiscal year. If you have any questions regarding this memorandum, please contact Michael Sharkey, Housing Program Manager, Housing Assistance Policy Division at (202) 402-6788 or Deborah Lear, Director, Office of Housing Assistance Contract Administration Oversight at (202) 402-2768.

Attachments