



United States Department of Agriculture

# Multi-Family Housing Tenant Eligibility



Audit Report 04601-0003-31

February 2020

OFFICE OF INSPECTOR GENERAL

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## Audit Report 04601-0003-31

OIG evaluated RHS' controls over tenant eligibility to occupy multi-family rental housing in rural areas.

### OBJECTIVE

Our objective was to evaluate RHS' controls over the tenant certification and recertification process, including income verification.

### REVIEWED

We reviewed FY 2016 to 2018 MFH tenant records. We selected a statistical sample of 100 tenants from the 14 States with highest rental assistance dollars for file reviews. We also evaluated supervisory review records and analyzed MFH data.

### RECOMMENDS

RHS should improve its training for documentation requirements and best practices for document transfers during management company changes. It also needs to improve supervisory review tracking and ensure past due reviews are completed. Additionally, the agency needs to better ensure tenant identification information is accurate. Finally, RHS needs to recover unauthorized assistance and address other errors we identified.

### WHAT OIG FOUND

From fiscal years (FY) 2016 to 2018, the Rural Housing Service (RHS) provided more than \$2.9 billion in rental assistance payments on behalf of low-income tenants residing in approximately 14,000 Multi-Family Housing (MFH) apartment complexes. In order to ensure the eligibility of tenants residing in these apartments, property management must verify and document tenant eligibility in the tenant's file.

Our review found that 11 of 100 selected MFH tenant certification files from the selected States contained either inadequate documentation, errors in calculations, or both. This occurred because MFH property management did not always ensure all required documents were retained and all calculations were correct. As a result, we could not confirm the eligibility of two tenants and, based on our statistical sample, estimated that approximately 74,652 tenants received a total of approximately \$26.9 million in inaccurate rental assistance. We also found that RHS did not complete triennial supervisory reviews timely for 1,503 out of 14,388 properties—38 properties went 10 years without review—due to issues with the reports State offices were using to track the reviews. Finally, we found that out of 624,424 total MFH tenants, records for 5,585 tenants had data quality issues related to identifying information for the heads of household. Erroneous data can impair the agency's efforts to verify tenant eligibility and implement recently authorized wage matching capabilities.

RHS concurred with our recommendations and we accepted management decision on all 10 recommendations.





United States Department of Agriculture  
Office of Inspector General  
Washington, D.C. 20250



DATE: February 7, 2020

AUDIT  
NUMBER: 04601-0003-31

TO: Bruce W. Lammers  
Administrator  
Rural Housing Service

ATTN: Gary Bojes  
Chief Risk Officer  
Office of the Chief Risk Officer

FROM: Gil H. Harden  
Assistant Inspector General for Audit

SUBJECT: Multi-Family Housing Tenant Eligibility

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for all 10 audit recommendations in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than the Office of the Chief Financial Officer (OCFO), please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.



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## Background and Objectives

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### Background

The Department of Agriculture's (USDA) Rural Housing Service (RHS) is responsible for administering Multi-Family Housing (MFH) Programs. MFH properties provide affordable rental housing in rural areas geared for low-income, elderly, and disabled individuals and families.<sup>1</sup> To occupy a unit in an MFH apartment complex, applicants must meet agency-defined income limits as well as the program's definition of an eligible household, which may be made up of a variety of one or more people residing in the apartment.<sup>2</sup>

RHS provides rental assistance payments on behalf of low-income tenants who are unable to pay their full rent.<sup>3</sup> From fiscal years (FY) 2016 to 2018, RHS provided more than \$2.9 billion in subsidies through the MFH rental assistance program, which includes about 14,000 MFH apartment complexes in 50 States, Puerto Rico, the Virgin Islands, and Guam. Each property includes multiple apartment units, which vary from one bedroom to five bedrooms. Figure 1 shows a recently vacated two-bedroom MFH apartment.

**Figure 1: A recently vacated MFH apartment before the next tenant moved in. Photo by Office of Inspector General (OIG).**



MFH property management is responsible for complying with all applicable laws and regulations, including requirements to verify tenant eligibility.<sup>4</sup> With RHS guidance, MFH property management develops verification and documentation procedures for the properties

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<sup>1</sup> MFH programs were authorized by Title V of the Housing Act of 1949 and are governed by 7 C.F.R. § 3560, which was last updated in 2005.

<sup>2</sup> A household consists of the tenant or co-tenant and the persons or dependents living with a tenant or co-tenant, but not including a resident assistant.

<sup>3</sup> For those tenants receiving benefits, MFH rental assistance subsidizes the difference between 30 percent of a tenant's income and the monthly rental rate.

<sup>4</sup> The owners of MFH apartment complexes may manage the complexes themselves or hire management agents to operate their properties.

they manage. During the application process, property management certifies that prospective tenants are eligible.

To complete a tenant certification, property management must verify and document the following in the tenant's file: all income, assets, expenses, deductions, family characteristics, and any other factors that affect family eligibility or level of assistance. To ensure a tenant remains eligible to reside in MFH housing, property management must complete a recertification, at least annually, or whenever a tenant reports a \$100 minimum change in monthly household income. Property management must recertify tenants for monthly household income changes at or above \$50, if the tenant requests that such a certification be made. The certification is valid for 1 year unless the tenant's income changes in such a way that a new certification would be required.

If permitted by State law, RHS State offices verify tenant income by conducting State-level wage and benefit matches on at least 10 percent of all initial and subsequent tenant certifications each year. The recent Agriculture Improvement Act of 2018 granted USDA additional authorities to verify the income of tenants in rural housing programs similar to another Federal Department.<sup>5</sup> RHS is currently working on an inter-Departmental agreement that will provide property management personnel with additional resources to determine tenant eligibility, such as access to a national wage matching system.

RHS monitors the program through State and local office reviews. Routine monitoring includes regular checks of property management submissions and periodic onsite visits. The agency also performs triennial supervisory visits at MFH properties. These visits consist of a full physical inspection, an onsite review, a compliance review, and a tenant file review. The physical inspection includes an inspection of the project's grounds, exterior, common areas, and a sample of dwelling units. The onsite review includes examining the property's occupancy procedures, rent charge calculations, financial system and controls, and maintenance programs. The compliance review focuses on the property's marketing procedures, rental policies, waitlist, project and unit accessibility, eviction policy, and other operating policies. The tenant file review includes determining whether the asset and income documentation in the tenant file matches the information in the data system.

Property management submits tenant certifications to the agency through the Management Interactive Network Connection, which is a secure system for inputting information. It includes data validation checks and system messages that will alert the property management to potential data errors. Information flows through the Management Interactive Network Connection into the Multi-Family Information System (MFIS), which is the online intranet application used to input, query and report on MFH project and tenant-related information.

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<sup>5</sup> The Agriculture Improvement Act of 2018 granted USDA the same access to information, subject to the same requirements, applicable to the U.S. Department of Housing and Urban Development to verify income for participants in certain rural housing programs. Agriculture Improvement Act of 2018, Pub. L. No. 115-334, 132 Stat. 4763.

## **Objective**

The objective of this audit was to evaluate RHS controls over the tenant certification and recertification process, including income verification.

## Section 1: RHS Controls Over MFH Tenant Eligibility

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### Finding 1: RHS Needs to Improve Controls Over its Certification and Recertification Process

During our review of 100 selected MFH tenant certification files,<sup>6</sup> we found that 11 of the files contained inadequate documentation, errors in calculations, or both. This occurred because MFH property management did not ensure that tenant files contained all required documents, were transferred when properties changed management companies, or correctly calculated tenant income or adjusted income. As a result, RHS could not confirm whether two tenants living in MFH properties were eligible to participate in the program, and five other tenants potentially received inaccurate rental assistance benefits.<sup>7</sup> Based on our sample, we estimated that approximately 74,652 tenants in our 14 sampled States received a total of approximately \$26.9 million in inaccurate rental assistance.<sup>8</sup>

Federal regulations require property management to retain executed tenant certification forms and any supporting documentation in the tenant file for at least 3 years or until the next triennial supervisory visit, whichever is longer.<sup>9</sup> According to the MFH Asset Management Handbook (MFH Handbook), MFH property management must verify and document all income, assets, expenses, deductions, family characteristics, and any other factors that affect family eligibility or level of assistance in the tenant file.<sup>10</sup> Also, according to the MFH Handbook, “tenant file records are critical pieces of source documentation, perhaps *the* critical source documentation, used as evidence to support determinations and conclusions in all areas of occupancy monitoring.”<sup>11</sup> The tenant file records must be complete and contain all information and forms relevant to occupancy at the project.<sup>12</sup>

In our review of 100 statistically-selected tenant files, we identified errors that generally fell into two categories: (1) inadequate documentation, or (2) miscalculated income or adjusted income. Based on our statistical sample, we projected that approximately 11 percent of MFH tenant files in the 14 sampled States were affected by one or both of these errors.

Specifically, we found that four tenant files contained inadequate documentation. In two of these instances, properties stated they no longer had the required tenant files. Without the required documentation, we were unable to verify the tenants’ eligibility to occupy a unit at these

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<sup>6</sup> We statistically selected a sample of 100 certification and recertification files from the top 14 States with the highest MFH rental assistance dollars received. These 14 States accounted for approximately 50 percent of the MFH rental assistance between FYs 2016–2018.

<sup>7</sup> The identified errors for the remaining four tenants would have resulted in erroneous benefits, had they been receiving assistance.

<sup>8</sup> We are 95 percent confident this applies to between 38,145 and 127,791 (5.62 and 18.83 percent, respectively) tenant certifications and MFH paid between \$3,433,928 and \$113,269,598 (0.23 and 7.55 percent, respectively) in unsupported or improperly computed rental assistance for the 14 selected States.

<sup>9</sup> 7 C.F.R. § 3560.152(e)(2).

<sup>10</sup> USDA, *MFH Asset Management Handbook*, HB-2-3560, Chapter 6, “Project Occupancy” (Feb. 2005).

<sup>11</sup> USDA, *MFH Asset Management Handbook*, HB-2-3560, Chapter 6, “Project Occupancy” (Feb. 2005).

<sup>12</sup> USDA, *MFH Asset Management Handbook*, HB-2-3560, Attachment 6-J, “Required Tenant File Documentation” (Feb. 2005).

properties. Additionally, we could not verify either of these tenants' eligibility to receive rental assistance, even though, for example, one of these tenants was receiving \$271 per month in rental assistance. In two other instances, we identified incomplete files that did not contain supporting documents for all or part of tenants' incomes at the time of the certifications. Federal regulations require MFH property management to verify household income and other information necessary to establish tenant eligibility prior to annual or other recertifications. Further, MFH property management agree to accept financial responsibility when unauthorized assistance results from errors made by property management during certification.

When asked about the two instances of missing tenant files, current property managers stated that the files were not provided when the property owners changed management companies. We determined that the property owners did not ensure that all tenant files were transferred and properly retained. When we spoke with officials from the relevant States about the missing tenant files, the officials said they had never had a situation like this happen before these instances. State and national program officials agreed that the properties should have had the required documentation and acknowledged that Federal regulations require property owners to keep that documentation for at least 3 years. Furthermore, national program officials said that transferring MFH files can be a challenge, and increased guidance on file transfers would help prevent the loss of other files during management company changes. RHS officials also agreed that the identified property management companies with missing tenant files would need to attempt to obtain documentation to support the tenants' eligibility and any rental assistance received. Further, they agreed that the agency should seek recovery of any unauthorized rental assistance payments.

We also followed up with the two other properties to determine why they did not obtain income documentation at the time of certification. In one instance, the tenant was to provide a document but did not, and the property did not follow up until after we requested the tenant file. In the other instance, the property management personnel did not know why the supporting documentation was not obtained at the time of certification, when a similar document was obtained for the recertification the following year. When we discussed the tenant files' inadequate documentation with State officials, the officials told us they consider the lack of documentation an issue. They confirmed that the properties should obtain documentation prior to submitting a tenant certification, and that any unauthorized rental assistance should be repaid.

Finally, we determined that 8 out of the 100 tenant files at 8 different properties contained errors in the calculations of income or adjusted income.<sup>13</sup> Specifically, four tenant files had an error in calculated income, three had errors in calculated adjusted income, and one had both. The miscalculations were a result of various errors made by the property management personnel at the time of certification. For example, one file included an erroneously calculated medical expense deduction, while another file mistakenly included the same child support income twice.

When we discussed the erroneous calculations with current property management personnel, they generally agreed the errors had been made and said the management company or person that completed the certification in question no longer worked at the property. When we discussed the

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<sup>13</sup> One of these files also did not contain adequate documentation.

erroneous calculations with State officials, they said they would have someone do a review of the tenant files to determine if unauthorized assistance was indeed received. When we discussed the erroneous calculations with national program officials, they said that income and adjustment calculations can get complicated; however, it is a property management responsibility to ensure calculations are accurate. RHS officials said many of these issues could be identified during a supervisory review and that additional training on these topics for property management personnel would help minimize the incidence of such errors, as well.

Our review of the 100 tenant files identified \$3,973 in erroneously calculated rental assistance. Based on these results and the statistical sample drawn from 14 States, we projected that between 38,145 and 127,791 of tenant files in these States are similarly affected, with the total inaccurate rental assistance ranging between about \$3.4 million and \$113.3 million.

RHS has begun to review the tenant files for which we have identified the \$3,973 in errors and, at the conclusion of its reviews, RHS will need to resolve the identified errors. In order for RHS to better ensure that all MFH tenants are eligible and receive the correct amount of rental assistance, RHS needs to ensure the property management personnel are knowledgeable of program rules and requirements regarding document retention and tenant income and adjusted income calculations. RHS should provide additional training or guidance to property management personnel on documentation requirements for tenant files, including document retention policies. RHS should also develop and provide training or guidance to MFP property owners on best practices for document transfers in the event of management company changes. Finally, RHS should provide additional training or guidance to property management personnel on income calculations, including any adjustments to income.

## **Recommendation 1**

Develop and provide training or guidance to property management personnel on documentation requirements for tenant files, including document retention policies, income calculations, and any adjustments to income.

## **Agency Response**

We concur with the Office of Inspector General's (OIG) recommendation to provide further training to property management personnel on tenant file documentation, which is the guidance on document retention that is already issued to Section 515 borrowers. The following action will address this recommendation: As part of an Agency realignment, MFH is planning to implement a program-wide, online training delivery system which will train internal and external stakeholders on a variety of topics related to MFH compliance. As part of this curriculum, MFH will carry out training for borrowers and management companies on the completion and retention of all tenant income documents, as well as tenant file maintenance. This information is available in MFH Handbook 2, Chapter 6, but providing it in an online training format will make the information more accessible to property management personnel.

The estimated completion date is December 31, 2020.

## **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 2**

Develop and provide MFH property owners training or guidance on best practices for document transfers during management company changes.

## **Agency Response**

The Agency agrees that document transfers between management companies can result in misplaced documents. However, any training given must appropriately reflect the Agency's role with regard to the contract between the borrower and management agent(s). It is the Agency's opinion that new guidance is not necessary, as it remains the borrower's responsibility to always secure tenant certification documents, even if the management agent changes. It is preferred that a borrower replace a management company that is not performing up to compliance standards, including deficiencies in record retention. Providing additional guidance on tracking missing records may challenge the Agency's emphasis on the overall performance and well-being of the property. The following action will address this recommendation: The Agency proposes to provide training to both borrowers and management companies, which will include suggested best practices for document transfers during management company changes while appropriately defining the Agency's role and expectations.

The estimated completion date is December 31, 2020.

## **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 3**

Pursue recovery or take other actions as appropriate for the \$3,973 in unauthorized assistance and other errors we identified.

## **Agency Response**

The Agency concurs with OIG's recommendation to pursue recovery of any verified unauthorized assistance. OIG provided the list of cases where they discovered problems in income calculation. The majority of the unauthorized assistance was on one case in which the file could not be found (representing \$3,252 out of the total \$3,973 listed). When a tenant certification file is not found, the MFH field staff will work with the borrower to locate the most recent and appropriate documentation and concentrate on the actual amount that can be verified. While each case is unique, the eventual amount due is typically not the entire amount paid to the borrower on behalf of the tenant. The following action will address this recommendation: The

MFH staff in area offices will work with the management of the properties listed in order to verify and produce the corresponding unauthorized assistance repayment agreements.

The estimated completion date is December 31, 2020.

### **OIG Position**

We accept management decision for this recommendation.

## **Finding 2: RHS Needs to Improve Controls Over Triennial Supervisory Reviews**

We found that RHS had not always completed its triennial supervisory reviews of MFH properties, as required. Specifically, we found that 1,503 out of 14,388 properties were past due for a triennial review, including 38 properties that went 10 years without the review. This occurred because properties that missed a review did not appear on State office tracking reports showing supervisory reviews coming due the following year. As a result, RHS cannot ensure that tenants receive the correct amount of rental assistance and property managers properly maintain the MFH apartment complexes.

Federal regulations require RHS to perform monitoring activities in order to assess borrower and tenant compliance with requirements and ensure MFH housing projects are managed in accordance with program goals and objectives.<sup>14</sup> The MFH Handbook requires that a supervisory visit be completed at least once every 3 years.<sup>15</sup> The supervisory review consists of three parts: a physical inspection, an onsite review, and a compliance review. The onsite review includes a review of tenant files, which should include income verifications, documentation to support eligibility, and the tenant's lease.

During our review of sampled tenant files, we identified that 4 out of 96 properties had not received a triennial supervisory review since at least 2015.<sup>16,17</sup> One sampled property had not received a supervisory review since 2010. Therefore, we obtained a report showing the date of the most recent supervisory review for all MFH properties. Using this combined information, we identified at least 1,503 properties were past due for a triennial review, including 38 that had not received a supervisory review since at least 2009.

We spoke with RHS state officials, who informed us that they were, at times, unable to complete supervisory review visits timely due to staffing shortages and budget constraints. However, they agreed that properties that have gone longest without a review should be prioritized on the review schedule. After we made our audit request for the most recent supervisory review, the officials began scheduling the reviews and, in some instances, have already completed them. National program officials said that missed supervisory reviews may not show up on tracking reports if the reports are set to show only the current year.<sup>18</sup> They said they could use the data system to identify this problem and send alerts on whether a property has “fallen off” the reports.

To better ensure routine supervisory reviews of MFH properties, RHS needs to ensure that all past due supervisory reviews appear on State office tracking reports. RHS should establish

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<sup>14</sup> 7 C.F.R. § 3560.

<sup>15</sup> USDA, *MFH Asset Management Handbook*, HB-2-3560, Chapter 9, “Agency Monitoring,” 9.10(C) (Feb. 2005).

<sup>16</sup> Of the 100 tenants in our sample, 4 tenants lived at properties where another tenant was also statistically selected for our sample. Because of this overlap, the 100 tenants in our sample were associated with 96 total MFH properties.

<sup>17</sup> Of the 4 sampled properties with missed reviews, 1 was subsequently included on the report showing 1,500 properties past due for a triennial review as of July 24, 2019. After we made our audit request for the most recent supervisory review, State officials had completed the reviews for the remaining three sampled properties.

<sup>18</sup> RHS runs reports from MFIS that show the status of triennial supervisory reviews that are scheduled to be completed in the current year.

additional controls, such as data system reviews or alerts, to ensure the proper tracking and prioritization of past due supervisory reviews. RHS should also schedule and complete supervisory reviews on MFH properties that had not received a supervisory review within the past 3 years. These additional controls should help verify property management personnel follow program guidelines and help ensure that tenants receive the correct amount of rental assistance.

## **Recommendation 4**

Establish additional controls, such as data system reviews or alerts, to ensure the proper tracking and prioritization of past due triennial supervisory reviews.

### **Agency Response**

We concur with OIG’s recommendation to implement better tracking of overdue supervisory visits. Agency staff across the country continue to make the health and safety of MFH tenants their top priority. Prompt supervisory reviews are important, but there are circumstances under which it is appropriate to postpone such reviews, such as if the property has been severely damaged, is temporarily vacant, or under foreclosure. As MFH reviewed a list of active Section 515 properties in the portfolio, we found that 4.4 percent of properties are considered “overdue,” and 2.9 percent of properties were greater than one year overdue. MFH found only three properties that are still listed as active in the portfolio that were at least nine years overdue for a supervisory visit. Of these, one property has only Department of Housing and Urban Development (HUD) Section 8 subsidy (no Rental Assistance) and another property is currently in foreclosure proceedings (also with no Rental Assistance). Including these properties, only twenty-four properties are 7 years or more overdue (10 years since the last supervisory visit), which is approximately 0.18 percent of the entire portfolio. As with the foreclosure that was listed, it is possible that some necessary conditions were not included in the original data that MFH IT sent to OIG for review. The following action will address this recommendation: MFH will review the data provided to field offices in order to accurately account for the timeliness of any applicable supervisory reviews. We are also conducting an overall review and realignment of reporting and procedures throughout MFH, which will enable greater consistency in timely completion and documentation of supervisory visits across the country.

The estimated completion date is December 31, 2020.

### **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 5**

Schedule and complete triennial supervisory reviews of the MFH properties that have not received a supervisory review within the past 3 years.

## **Agency Response**

We concur with OIG's recommendation. As a new realignment of MFH staffing is to be implemented, the existing staff and resources available will improve coordination to complete all overdue supervisory site visits, or better document why such visits are not feasible (i.e. natural disaster.) In addition, MFH will research and report on efficient and sustainable options for future supervisory visits. The following action will address this recommendation: All applicable overdue supervisory visits will be prioritized for completion in fiscal year 2020.

The estimated completion date is December 31, 2020.

## **OIG Position**

We accept management decision for this recommendation.

### **Finding 3: RHS Needs to Improve the Quality of Data in MFIS**

Of the total 624,424 MFH tenants from FYs 2016 to 2018, we found data quality issues with the identifying information for 5,585 tenants. Data quality issues included Social Security numbers (SSN) for heads of household that were either invalid or matched the identifying information of deceased people, or listing the head of household as less than 18 years of age. This occurred because property management personnel did not always correctly enter codes or other data in MFIS, and current data checks either did not identify instances of mistyped tenant data or were not effective. Erroneous data in MFIS can impair the agency's efforts to verify tenant eligibility and implement its recently authorized wage matching capabilities.

Managers directing or controlling resources within USDA are responsible to establish, maintain, and improve controls for their assigned areas.<sup>19</sup> State offices must utilize wage matching of tenants if permitted by State law;<sup>20</sup> additionally, the agency recently received statutory authority to verify income for MFH participants.<sup>21</sup> Specifically, the agency was granted access to verify participant information derived from nationwide computer matching programs for all program participants with valid personal identifying information (name, date of birth, and SSN).

We evaluated tenant certification data obtained from MFIS and used data analytics software to perform verifications of SSNs and dates of birth, matching records from MFIS with the Social Security Administration's Death Master File (DMF).<sup>22</sup> In our analysis, we identified 5,585 tenants with one or more of the following:

- SSN that included letters or number combinations that were not valid, according to SSN formatting rules;
- SSN that matched the SSN of an individual reported as deceased in the DMF; or
- date of birth indicating the tenant was under 18 years old or older than the oldest known living person.

To better understand these observations, the team then non-statistically selected a sample of the tenant files described above for spot checks.<sup>23</sup> The spot checks confirmed that tenant data in MFIS included non-SSNs used in lieu of an SSN, a head of household under 18 years old, and various data entry errors.

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<sup>19</sup> USDA Departmental Regulation 1110-002, Management's Responsibility for Internal Control (June 17, 2013).

<sup>20</sup> USDA, *MFH Asset Management Handbook*, HB-2-3560, Chapter 6, 6.11 "Verification Procedures," and Chapter 9, "Wage and Benefit Matching," 9.14 (Feb. 2005).

<sup>21</sup> Agriculture Improvement Act of 2018, Pub. L. No. 115-334, 132 Stat. 4763.

<sup>22</sup> The DMF contains over 83 million records of deaths that have been reported to the Social Security Administration.

<sup>23</sup> We selected a sample of 74 tenant files based on date of birth analysis, social security validation, and data matched between the DMF and RHS data. This sample is non-statistical and results could not be projected.

Specifically, we identified the following concerns:

- At least 2,509 SSNs in MFIS did not follow the rules for valid SSNs. For example, our analysis identified instances where an SSN did not contain nine numeric digits or had invalid repeating digits. Through our spot checks, we confirmed that MFIS included data from tenant files that used a Tax Identification Number or a number issued by a country other than the United States, instead of an SSN. We noted that additional SSNs in MFIS may also be invalid, depending on whether they were issued before or after 2011.<sup>24</sup>
- At least 2,855 SSNs in MFIS matched SSNs of deceased people recorded in the DMF. Each of our spot checks for this issue disclosed data entry errors between the tenant files and MFIS.
- 220 tenants listed as heads of household were under the age of 18 on the certification's effective date in MFIS.<sup>25</sup> The ages ranged from negative 2,930 years old to between 17 and 18 years old. In our spot checks, we identified a tenant file stating the tenant was 17 years old at the time of certification and did not identify additional documents supporting that the tenant could properly enter into a rental contract.<sup>26</sup>
- Tenants with other questionable dates of birth, such as 6 tenants over the age of 116, including individuals over 140 years old.
- 5 tenants had more than one of the above concerns.

When we discussed our SSN data observations with RHS, national program officials explained that they did not establish certain SSN controls because, due to the indefinite delay of a regulatory requirement, they do not have the authority to require tenants to provide a SSN.<sup>27</sup> Also, while the agency checks MFH property management personnel against the DMF, agency officials stated they have not successfully developed checks for individual MFH tenants against the DMF.

Despite these explanations, the Federal regulations also require MFH applications to collect SSNs,<sup>28</sup> and the program handbook says tenant files should include verification and certification of SSNs, if available.<sup>29</sup> Further, MFIS requires information to be entered in the SSN data field in order to complete a certification. We determined that program officials permitted property management personnel to use various forms of tenant identification support, while MFIS did not differentiate between various forms of identification that property management personnel entered into the data system. This practice also did not prevent data entry errors.

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<sup>24</sup> The Social Security Administration changed its numbering system in 2011, affecting the number combinations that may be valid if issued before or after the change. We identified 6,038 SSNs that failed tests of either a pre-2011 or post-2011 rule, but could not confirm when these 6,038 SSNs were issued. Thus, we could not determine whether the pre-2011 or post-2011 rules were applicable.

<sup>25</sup> The effective date is the first day of the month of an initial or updated tenant certification.

<sup>26</sup> To be considered an eligible tenant, students must be of legal age in accordance with the applicable State law or otherwise legally able to enter into a binding contract. USDA, *MFH Asset Management Handbook*, HB-2-3560, Chapter 6, "Determining an Eligible Household," 6.5 (Feb. 2005).

<sup>27</sup> 7 C.F.R. § 3560.152 states that at 70 FR 8503, Feb. 22, 2005, regulatory implementation of the words "Be a United States citizen or qualified alien" was delayed indefinitely.

<sup>28</sup> 7 C.F.R. § 3560.154.

<sup>29</sup> *MFH Asset Management Handbook*, HB-2-3560, Chapter 6, "Required Tenant File Documentation," Attachment 6-J (Feb. 2005).

National program officials explained that there is a system code to enter into MFIS for tenants who did not provide an SSN.<sup>30</sup> However, we observed that properties did not use this system code consistently. Our spot checks disclosed that a property manager entered non-SSNs into MFIS rather than the system code for tenants without SSNs. State officials told us that they were unfamiliar with how to indicate when tenants do not have an SSN. Additionally, national officials stated that the system may include data errors that predate the data check.

When we discussed our concerns regarding tenants' dates of birth with RHS officials, the officials stated that the data system could be set to call extra attention to heads of household with dates of birth that indicate they are under the age of 18. They mentioned age of consent while discussing tenants under age 18. They also stated that MFIS is designed to identify tenants listed as over 150 years old and that the setting can be set to a lower number.

We determined that mistakes in the entry of SSNs into MFIS negatively affected tenant data. We also determined that the erroneous SSNs impaired efforts to verify tenant income through wage matches, as we were unable to receive State wage match results for all spot-checked tenants. Based on discussions with RHS officials, we determined that wage matches are not useful if they do not receive results or the results are for the wrong person. Also, the agency is pursuing the authority to require tenants to have identification, such as SSNs.<sup>31</sup> The agency also recently received additional national wage matching authority<sup>32</sup> and is currently working to implement inter-Departmental wage matching. In order to better achieve the benefits of the additional wage matching, RHS needs to ensure information in MFIS is accurate.

In order to improve the effectiveness of RHS' controls over income certifications and subsidy payment accuracy, RHS should determine the need for additional data input controls or guidance for program managers. Also, RHS should ensure that MFIS' current data check settings operate as intended, and review legacy MFIS data prior to the implementation of the data checks. Further, RHS should develop a method to identify and correct instances where property management personnel erroneously input data, such as reporting a tenant's age as a negative number. Finally, the agency should review the tenant files we identified as having data errors through our spot checks.

## **Recommendation 6**

Develop and provide additional guidance for State officials and property management personnel as necessary to ensure the accuracy of tenants' SSNs in MFIS.

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<sup>30</sup> The system code is a unique identification number that the system generates.

<sup>31</sup> The agency published Implementation of the Multi-Family Housing U.S. Citizenship Requirements Regulation Identifier Number 0575-AC86 (Nov. 2018).

<sup>32</sup> Agriculture Improvement Act of 2018, Pub. L. No. 115-334, 132 Stat. 4763.

## **Agency Response**

The Agency concurs with OIG's recommendation. For tenants that do not provide an SSN, MFH will provide guidance on a placeholder number that will not disrupt the data quality check. This will help identify errors in SSN versus records where no SSN has been provided. Current Agency regulations do not enforce the requirement of SSNs for MFH tenant eligibility. The following action will address this recommendation: MFH will provide guidance on SSN entry for management companies.

The estimated completion date is December 31, 2020.

## **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 7**

Review the data system checks of SSNs and make changes as needed.

## **Agency Response**

The Agency obtained authorization to access Social Security Administration (SSA) data through the 2018 Farm Bill and is in the process of setting up a data sharing agreement. The following action will address this recommendation: The Agency will work with SSA to obtain SSN data for verification of current tenant SSNs. MFH will add a system check for impossible data in the SSN field in MFIS. An alert will be added to alert the management company to possible SSN errors.

The estimated completion date is December 31, 2020.

## **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 8**

Review MFIS data, including legacy data from time periods prior to implementation of the data checks, to ensure compliance with current data rules.

## **Agency Response**

The Agency agrees that the data checks should also cover the legacy data. The following action will address this recommendation: MFH will complete a full review and analysis of legacy data, and will correct data, as needed

The estimated completion date is December 31, 2020.

## **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 9**

Review system controls related to tenants' date of birth to ensure controls identify tenants that are improbably young or old.

## **Agency Response**

The Agency agrees with this recommendation. The controls for date of birth data were put in place in May 2019, as a result of discussions with OIG during this audit. The following action will address this recommendation: MFH will run testing to ensure that the controls recently put into place are an effective remedy.

The estimated completion date is March 31, 2020.

## **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 10**

Review the data and files we identified as having data errors and take appropriate corrective actions.

## **Agency Response**

The Agency agrees with this recommendation. The following action will address this recommendation: MFH will review the listed data and make corrections, as applicable.

The estimated completion date is December 31, 2020.

## **OIG Position**

We accept management decision for this recommendation.

## Scope and Methodology

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Our audit evaluated RHS' controls over the MFH program tenant certification and recertification process, including income verification, for FYs 2016 to 2018. We commenced fieldwork in October 2018 at RHS Headquarters in Washington, D.C., and completed it in July 2019. Our audit covered MFH properties in 15 States, 7 of which we visited in person. See Exhibit B for a listing of locations.

The agency's MFIS included over 1.4 million certification records from FYs 2016 to 2018. These records include original certification records and recertification records, as tenants may certify or recertify multiple times. Based on this universe of certifications, RHS provided a total of approximately \$2.9 billion in rental assistance to MFH tenants. In order to evaluate the tenant certification and recertification process, we identified 14 States that received the highest amounts of rental assistance. These 14 States provided a total of approximately \$1.5 billion to tenants, which represented approximately 50 percent of program funding during that time period. We selected a statistical sample of 100 tenant files from the 14 States. The audit team obtained 35 tenant files in person and mailed a request for a copy of the files from the property for 65 tenant files.<sup>33</sup> We also conducted initial visits to the RHS State office and MFH properties in Missouri to gain an understanding of the certification process.

In order to evaluate RHS' compliance with its monitoring activities, we obtained the most recent triennial supervisory review for each of the sampled properties. We also obtained the date of the most recent triennial supervisory review for all MFH properties. For sampled properties that had not received a supervisory review in the previous 3 years, we followed up with the respective State offices to determine why.

We analyzed MFH data obtained from MFIS using commercially-available software and compared records against those in the DMF as of February 2019.<sup>34</sup> In order to assess our data review results, we also selected a non-statistical sample of tenant files from 14 properties in Missouri and 3 properties in Virginia to conduct spot checks. We selected the sample of 74 tenant files from these properties based on data characteristics, software validation test results, and DMF matches, as well as on geographical proximity, with an emphasis on files at properties with multiple potential concerns.

To obtain evidence about the controls over tenant certifications and recertifications included in the information systems, we performed audit procedures to determine if data were accurate and complete. We also obtained read-only access to the information system and reviewed the system user manual to test various controls. In addition, we discussed identified issues with RHS officials. As previously stated in our report, our evaluation of the accuracy of the tenant data in MFIS found that it contained inaccurate or illogical data. However, we did not perform general and application controls testing of RHS' data systems, as our objective related to tenant eligibility, and tenant eligibility is supported by management company tenant files. Therefore,

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<sup>33</sup> We obtained the 100 tenant files from a total of 96 unique properties in our statistical sample. There were instances where two tenant files were randomly selected from the same property in the following States: California, Georgia, North Carolina, and Texas. We physically obtained tenant files from 33 unique properties and received, by mail, tenant files from 63 unique properties.

<sup>34</sup> The DMF contains identities for approximately 83 million deceased individuals.

while we recommend enhanced data controls, we make no overall representation regarding the adequacy of any agency computer systems.

We relied on the work of specialists from OIG's Office of Data Sciences to develop the sampling methodology, select a statistical sample of MFH tenant certifications and recertifications, and project results based on the findings from the statistical sample. We also relied on their work to perform verifications of SSNs and dates of birth, and to match records from MFIS with the DMF. We obtained documentation to ensure these specialists were qualified professionally, competent in the work we relied upon, and met independence standards.

To accomplish our objectives, we also:

- reviewed laws, regulations, agency instructions, and any other documentation, including prior OIG and Government Accountability Office reports applicable to the scope of our audit;
- reviewed statistically selected tenant files using a proforma that was developed to consistently document reviews;
- requested and obtained State wage matches, if available;
- interviewed RHS national and State officials, as well as MFH property managers, regarding their responsibilities and administration of MFH with respect to tenant eligibility;
- interviewed property management personnel regarding tenant file review observations; and
- interviewed RHS national and State officials regarding the issues we found during our audit to obtain their position and response.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Abbreviations

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C.F.R.	Code of Federal Regulations
DMF	Death Master File
FY	fiscal year
MFH	Multi-Family Housing
MFH Handbook	MFH Asset Management Handbook
MFIS	Multi-Family Information System
RHS	Rural Housing Service
SSN	Social Security Number
OIG	Office of Inspector General
USDA	Department of Agriculture

## Exhibit A: Summary of Monetary Results

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<b>Finding</b>	<b>Recommendation</b>	<b>Description</b>	<b>Amount</b>	<b>Category</b>
1	1	Inaccurate Rental Assistance Paid to Property Owners on Behalf of Tenants	\$26,962,764	Questioned Costs, No Recovery
1	3	Inaccurate Rental Assistance Paid to Property Owners on Behalf of Tenants	\$3,973	Questioned Costs, Recovery Recommended
<b>Total Monetary Results</b>			\$26,966,737	

## Exhibit B: Sampled Property Locations by State

State	Number of Statistical Sample Files	Number of Properties Visited for Statistical Sample Files	Number of Properties that Mailed Tenant File for Statistical Sample	Number of Non-Statistical Sample Files	Number of Properties Visited for Non-Statistical Sample Files
Alabama	7	4	3	0	0
California	10	6	3	0	0
Florida	2	0	2	0	0
Georgia	9	0	8	0	0
Louisiana	4	0	4	0	0
Maine	3	0	3	0	0
Michigan	5	0	5	0	0
Mississippi	7	0	7	0	0
Missouri <sup>35</sup>	0	0	0	58	14
North Carolina	13	11	1	0	0
Pennsylvania	6	0	6	0	0
South Carolina	8	6	2	0	0
Tennessee	10	6	4	0	0
Texas	11	0	10	0	0
Virginia	5	0	5	16	3
<b>TOTAL</b>	<b>100</b>	<b>33</b>	<b>63<sup>36</sup></b>	<b>74</b>	<b>17</b>

<sup>35</sup> Our statistical sample review focused on the 14 States with the most estimated total rental assistance. To gain an understanding of MFH, we additionally reviewed Missouri, which we selected due to its proximity to our office located in Kansas City, Missouri.

<sup>36</sup> We physically obtained tenant files from 33 unique properties and received, by mail, tenant files from 63 unique properties. Thus, we obtained tenant files from a total of 96 unique properties in our statistical sample. There were instances where two tenant files were randomly selected from the same property in the following States: California, Georgia, North Carolina, and Texas.

## Exhibit C: Sampling Methodology for Rural Housing Service Multi-Family Housing Eligibility Audit

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### Objective

This statistical sample was designed to support OIG Audit 04601-0003-31. The objective of this audit was to evaluate RHS controls over the tenant certification and recertification processes, including income verification.

To help achieve this objective, we developed a representative random statistical sample of certifications for review.

### Audit Universe

The audit team non-statistically selected the 14 States with the most estimated total rental assistance for review. To assure the ability to audit all selected certifications, OIG eliminated all that were in projects that were closed. This resulted in a universe comprised of 678,650 “fund code 84” certifications at open projects in the 14 States with the largest estimated total rental assistance for the 3 years ending September 30, 2018, totaling \$1,500,022,332.

### Sample Design<sup>37</sup>

We considered various sample designs and ultimately chose to audit 100 tenant certifications, randomly selected without replacement from those in the audit universe.<sup>38</sup>

The sample size was determined based on the following factors:

- audit universe: 678,650 tenant certifications (from 14 States);
- confidence level: we are reporting two-tailed, 95 percent confidence intervals;
- precision: we wanted to report confidence intervals no wider than 20 percent (i.e., average precision of 10 percent, and  $\pm 10$  percent if symmetrical around the point estimate) and consistent with sequential (or stop-or-go) sampling per paragraph 3.64 and Appendix B of American Institute of Certified Public Accountants’ Audit Guide *Audit Sampling* (May 1, 2017); and
- expected exception rate: we did not have reliable historical information to help estimate this rate, so an exception rate of 50 percent was used since this rate provides the most conservative sample size.

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<sup>37</sup> This statistical design is provided as evidence of the statistical sample and projections. It is simply an explanation of statistics involved with the audit work and results. This is not a reflection of the monetary results of this audit report. See Exhibit A and the related findings for the actual monetary results.

<sup>38</sup> We used commercially available software to select this simple random sample “on record” with sample parameters “random” and the software’s default algorithm (with a random seed of 407716) and with the software reporting the selection order.

## Results

The results in the table below are projected to the audit universe of 678,650 certifications. Due to the relatively large population, small sample, and low exception rate (11 percent), the confidence interval limits for the number of certifications inadequately documented or with miscalculations in the universe are based on the binomial distribution. The binomial approximation is acceptable in this case, due to the large size of the population and the small sampling fraction (i.e., 100 out of 678,650 tenant certifications). The limits for the universe of unsupported or inaccurate rental assistance dollars are based on empirical likelihood.<sup>39</sup>

### Statistical Estimates

100 certifications selected from a universe of 678,650 with \$1,500,022,332 estimated rental assistance					
Description, number, percent, and dollars of exceptions	Actual found in sample	In the audit universe:			
		Estimate	95% confidence limits		Average precision (B-A)÷2
			Lower A	Upper B	
Certifications inadequately documented or with miscalculations	11	74,652	38,145	127,791	
		11%	5.62%	18.83%	6.60%
Unsupported or inaccurate rental assistance	\$3,973	\$26,962,764	\$3,433,928	\$113,269,598	
		1.80%	0.23%	7.55%	3.66%

The next section further explains the projections above.

<sup>39</sup> For the dollar-related projection, we used an empirical likelihood method consistent with that described by Alan H. Kvanli and Robert Schauer in Endnote 15 of “Is Your Agency Too Conservative? Deriving More Reliable Confidence Intervals,” *Journal of Government Financial Management*, Vol. 54, Summer 2005, pages 30–37. In addition, we incorporated the following adjustments, which in combination caused the limits on dollar amounts to be slightly more conservative (i.e., widened the confidence interval).

- The 3.841459 (chi-square value) was replaced with 4.79036857 (F-value with 1 and 99 degrees of freedom).
  - Bartlett correction for kurtosis ( $k$ ) and skewness ( $s$ ):  $1/(1 - \alpha/n)$ , with  $\alpha = (k + 3)/2 - s^2/3$  and  $n = 100$ .
  - Finite population correction factor:  $(1 - 100/678,650)$ .
- In combination, these adjustments result in calculations consistent with those by Kvanli and Schauer (2005, endnote 15) except that each value of 3.841459 is replaced with:  $[4.79036857 \times 1/(1 - \alpha/100) \times (1 - 100/678,650)]$ .

## **Interpreting the results**

Based on our sample, we estimate the following:

We estimated 74,652 (11 percent) of the certifications in the audit universe had inadequate documentation or miscalculated income or adjusted income, with a corresponding absolute value of \$26,962,764 (1.80 percent) paid for unsupported or improperly computed rental assistance. We are 95 percent confident this applies to between 38,145 and 127,791 (5.62 and 18.83 percent, respectively) of the tenant certifications and RHS paid between \$3,433,928 and \$113,269,598 (0.23 and 7.55 percent, respectively) in unsupported or improperly computed rental assistance.

**AGENCY'S  
RESPONSE TO AUDIT REPORT**





**Rural Development**

Bruce W. Lammers  
Administrator

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Washington, D.C. 20250

Telephone: (202) 692-0268

January 22, 2020

**TO:** Gil Harden  
Assistant Inspector General for Audit  
Office of the Inspector General

**THROUGH:** Gary Bojes  
Acting Chief Risk Officer  
Office of the Chief Risk Officer

**FROM:** Bruce W. Lammers /s/ Bruce W. Lammers  
Administrator  
Rural Housing Service

**SUBJECT:** Office of Inspector General Audit Number 04601-003-31, Multi-Family Housing Tenant Eligibility – Official Draft Response

**Recommendation 1**

Develop and provide training or guidance to property management personnel on documentation requirements for tenant files, including document retention policies, income calculations, and any adjustments to income.

**Agency Response:**

We concur with the Office of Inspector General's (OIG) recommendation to provide further training to property management personnel on tenant file documentation, which is the guidance on document retention that is already issued to Section 515 borrowers.

The following action will address this recommendation:

As part of an Agency realignment, MFH is planning to implement a program-wide, online training delivery system which will train internal and external stakeholders on a variety of topics related to MFH compliance. As part of this curriculum, MFH will carry out training for borrowers and management companies on the completion and retention of all tenant income documents, as well as tenant file maintenance. This information is available in MFH Handbook 2, Chapter 6, but providing it in an online training format will make the information more accessible to property management personnel.

**Estimated Completion Date:** December 31, 2020

## **Recommendation 2**

Develop and provide MFH property owners training or guidance on best practices for document transfers during management company changes.

### **Agency Response:**

The Agency agrees that document transfers between management companies can result in misplaced documents. However, any training given must appropriately reflect the Agency's role with regard to the contract between the borrower and management agent(s). It is the Agency's opinion that new guidance is not necessary, as it remains the borrower's responsibility to always secure tenant certification documents, even if the management agent changes. It is preferred that a borrower replace a management company that is not performing up to compliance standards, including deficiencies in record retention. Providing additional guidance on tracking missing records may challenge the Agency's emphasis on the overall performance and well-being of the property.

The following action will address this recommendation:

The Agency proposes to provide training to both borrowers and management companies, which will include suggested best practices for document transfers during management company changes while appropriately defining the Agency's role and expectations.

**Estimated Completion Date:** December 31, 2020

## **Recommendation 3**

Pursue recovery or take other actions as appropriate for the \$3,973 in unauthorized assistance and other errors we identified.

### **Agency Response:**

The Agency concurs with OIG's recommendation to pursue recovery of any verified unauthorized assistance. OIG provided the list of cases where they discovered problems in income calculation. The majority of the unauthorized assistance was on one case in which the file could not be found (representing \$3,252 out of the total \$3,973 listed).<sup>\*</sup> When a tenant certification file is not found, the MFH field staff will work with the borrower to locate the most recent and appropriate documentation and concentrate on the actual amount that can be verified. While each case is unique, the eventual amount due is typically not the entire amount paid to the borrower on behalf of the tenant.

The following action will address this recommendation:

The MFH staff in area offices will work with the management of the properties listed in order to verify and produce the corresponding unauthorized assistance repayment agreements.

<sup>\*</sup>See Management Response regarding Exhibit A

**Estimated Completion Date:** December 31, 2020

#### **Recommendation 4**

Establish additional controls, such as data system reviews or alerts, to ensure the proper tracking and prioritization of past due triennial supervisory reviews.

#### **Agency Response:**

We concur with OIG's recommendation to implement better tracking of overdue supervisory visits. Agency staff across the country continue to make the health and safety of MFH tenants their top priority. Prompt supervisory reviews are important, but there are circumstances under which it is appropriate to postpone such reviews, such as if the property has been severely damaged, is temporarily vacant, or under foreclosure.

As MFH reviewed a list of active Section 515 properties in the portfolio, we found that 4.4 percent of properties are considered "overdue," and 2.9 percent of properties were greater than one year overdue. MFH found only three properties that are still listed as active in the portfolio that were at least nine years overdue for a supervisory visit. Of these, one property has only Department of Housing and Urban Development (HUD) Section 8 subsidy (no Rental Assistance) and another property is currently in foreclosure proceedings (also with no Rental Assistance). Including these properties, only twenty-four properties are 7 years or more overdue (10 years since the last supervisory visit), which is approximately 0.18 percent of the entire portfolio. As with the foreclosure that was listed, it is possible that some necessary conditions were not included in the original data that MFH IT sent to OIG for review.

The following action will address this recommendation:

MFH will review the data provided to field offices in order to accurately account for the timeliness of any applicable supervisory reviews. We are also conducting an overall review and realignment of reporting and procedures throughout MFH, which will enable greater consistency in timely completion and documentation of supervisory visits across the country.

**Estimated Completion Date:** December 31, 2020

#### **Recommendation 5**

Schedule and complete triennial supervisory reviews of the MFH properties that have not received a supervisory review within the past 3 years.

#### **Agency Response:**

We concur with OIG's recommendation. As a new realignment of MFH staffing is to be implemented, the existing staff and resources available will improve coordination to complete all overdue supervisory site visits, or better document why such visits are not feasible (i.e. natural disaster.) In addition, MFH will research and report on efficient and sustainable options for future supervisory visits.

The following action will address this recommendation:

All applicable overdue supervisory visits will be prioritized for completion in fiscal year 2020.

**Estimated Completion Date:** December 31, 2020

### **Recommendation 6**

Develop and provide additional guidance for State officials and property management personnel as necessary to ensure the accuracy of tenants' SSNs in MFIS.

#### **Agency Response:**

The Agency concurs with OIG's recommendation. For tenants that do not provide an SSN, MFH will provide guidance on a placeholder number that will not disrupt the data quality check. This will help identify errors in SSN versus records where no SSN has been provided. Current Agency regulations do not enforce the requirement of SSNs for MFH tenant eligibility.

The following action will address this recommendation:

MFH will provide guidance on SSN entry for management companies.

**Estimated Completion Date:** December 31, 2020

### **Recommendation 7**

Review the data system checks of SSNs and make changes as needed.

#### **Agency Response:**

The Agency obtained authorization to access Social Security Administration (SSA) data through the 2018 Farm Bill and is in the process of setting up a data sharing agreement.

The following action will address this recommendation:

The Agency will work with SSA to obtain SSN data for verification of current tenant SSNs. MFH will add a system check for impossible data in the SSN field in MFIS. An alert will be added to alert the management company to possible SSN errors.

**Estimated Completion Date:** December 31, 2020

### **Recommendation 8**

Review MFIS data, including legacy data from time periods prior to implementation of the data checks, to ensure compliance with current data rules.

**Agency Response:**

The Agency agrees that the data checks should also cover the legacy data.

The following action will address this recommendation:

MFH will complete a full review and analysis of legacy data, and will correct data, as needed

**Estimated Completion Date:** December 31, 2020

**Recommendation 9**

Review system controls related to tenants' date of birth to ensure controls identify tenants that are improbably young or old.

**Agency Response:**

The Agency agrees with this recommendation. The controls for date of birth data were put in place in May 2019, as a result of discussions with OIG during this audit.

The following action will address this recommendation:

MFH will run testing to ensure that the controls recently put into place are an effective remedy.

**Estimated Completion Date:** March 31, 2020

**Recommendation 10**

Review the data and files we identified as having data errors and take appropriate corrective actions.

**Agency Response:**

The Agency agrees with this recommendation.

The following action will address this recommendation:

MFH will review the listed data and make corrections, as applicable.

**Estimated Completion Date:** December 31, 2020

**\* Management Response regarding Exhibit A**

**Finding 1 - Recommendation 1**

Potential Inaccurate errors in sample of tenant income calculations of \$3,973

The OIG projection does not adequately describe the context of the findings. In the OIG sample of 100 tenant certifications, the Agency made ten processing errors resulting in estimated overpayment of improper payments of \$721. In addition, one out of the 100 files was missing entirely. OIG included the total amount for the year of rental assistance associated with that file (\$3,252) in the total calculation of errors. The OIG projection is misleading and not accurate. While the missing file could have had improper calculations for assistance, the exact amount, if at all, has not yet been determined and drastically skews the projected amount of income calculation errors. The Agency action associated with Recommendation 3 will determine if any improper payments would be associated with the missing file.

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