





DATE: September 27, 2023

FAV
NUMBER: 04026-0001-22

TO: Lynn Moaney
Associate Chief Financial Officer
Office of the Chief Financial Officer

FROM: Janet Sorensen
Assistant Inspector General for Audit

SUBJECT: Final Action Verification—*Multi-Family Housing Tenant Eligibility*

The Office of Inspector General (OIG) completed a final action verification (FAV) of all 10 recommendations in our February 7, 2020, report on the *Multi-Family Housing Tenant Eligibility* (Audit Report 04601-0003-31). A FAV determines whether the final action documentation the agency provides to the Office of the Chief Financial Officer (OCFO) supports the agency's management decision reached with OIG.^{1,2} Our objective was to determine whether the documentation the Rural Housing Service (RHS) provided to OCFO was sufficient to close all the recommendations made in the Audit Report 04601-0003-31.

On September 28, 2021, OCFO reported to RHS that it closed all 10 recommendations. Based on our review of the documentation in OCFO's files, we did not concur with OCFO's decision to close recommendations 1 through 3. Table 1 provides information on the recommendations that OIG did not concur with the final action determination, including the reasons why the documentation was not sufficient to close the recommendations. Table 2 summarizes the action RHS took with respect to each recommendation where we concur that sufficient documentation was provided to close recommendations 4 through 10.

¹ *Final action* is the completion of all actions that management has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report. USDA Departmental Regulation 1720-001, 6g (1), *Audit Follow-up and Management Decision* (Nov. 2, 2011).

² *Management decision* is an agreement between agency management and OIG on the action(s) taken or to be taken to address a finding and recommendation cited in an audit report. The management decision must include the agreed upon dollar amount affecting the recommendations and an estimated completion date unless all corrective action is completed by the time agreement is reached. USDA Departmental Regulation 1720-001, 6g (1), *Audit Follow-up and Management Decision* (Nov. 2, 2011).

Background

Our report, *Multi-Family Housing Tenant Eligibility*,³ made 10 recommendations to improve RHS' controls over the tenant certification and recertification process, including income verification. From fiscal years (FY) 2016 to 2018, 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. 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, OIG could not confirm the eligibility of two tenants and estimated that approximately 74,652 tenants received a total of approximately \$26.9 million in inaccurate rental assistance. Our report also noted 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, our review 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.

OIG and RHS reached management decision on all 10 recommendations in a memorandum dated February 7, 2020. The memorandum detailed what corrective actions RHS needed to implement to achieve final action on the recommendations.

In accordance with USDA Departmental Regulation 1720-001,⁴ OCFO has the responsibility to determine final action for recommendation(s) where OIG has agreed to management decision. As such, OCFO evaluates agency-provided documentation to support planned corrective actions and to determine if final action has occurred.

Scope and Methodology

The scope of this final action verification was limited to determining whether RHS' plan of action for all the recommendations in the original audit report were completed in accordance with the management decisions reached on February 7, 2020. To accomplish our objective, we reviewed documentation of corrective actions RHS submitted to OCFO.

We did not perform internal control testing or make site visits to determine whether the underlying deficiencies that were initially identified had been corrected. In addition, we did not provide an opinion on the results of the implementation or effectiveness of each recommendation. This final action verification was conducted in accordance with our internal guidance: IG-7710, *Non-audit Work*⁵ and *Final Action Verification Guidance and Procedures*.⁶

³ Audit Report 04601-0003-31, *Multi-Family Housing Tenant Eligibility*, Feb. 2020.

⁴ USDA Departmental Regulation 1720-001, 7d(1-9), *Audit Follow-up and Management Decision* (Nov. 2, 2011).

⁵ IG-7710, *Non-audit Work*, (Sept. 20, 2018).

⁶ USDA OIG, *Final Action Verification Guidance and Procedures* (May 2019).

As a result, this final action verification is not conducted in accordance with Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States, or the Quality Standards for Inspection and Evaluation, issued by the Council of the Inspectors General for Integrity and Efficiency. However, before we performed this non-audit service, we determined that following our guidance would not impair our independence to perform audits, inspections, attestation engagements, or any other future or ongoing reviews of the subject.

Results of Final Action Verification

Overall, we determined RHS provided sufficient documentation to OCFO to close 7 of the 10 recommendations we made in our February 2020 audit report, specifically recommendations 4 – 10.⁷ Table 2 summarizes our conclusions for the seven recommendations.

Recommendations Without Sufficient Documentation

We determined that RHS did not provide sufficient documentation to OCFO to close three recommendations we made in the same audit report, specifically recommendations 1, 2, and 3.

We detail the reasons for our determinations in Table 1.

Table 1. RHS' Actions for Recommendations with Insufficient Documentation to Achieve Final Action

Rec. No.	Recommendation	Action Taken	Reason Not Sufficient to Close
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.	RHS provided OCFO documentation of guidance outlining requirements for borrowers and management companies for tenant files, including document retention policies. RHS provided OCFO documentation that training was provided to MFH field specialists on tenant certification document retention policies. Further, RHS provided to OCFO a screenshot of documentation that contained two links for	RHS did not provide evidence to OCFO showing that the training or guidance was provided to borrowers and management company personnel on documentation requirements for tenant files, document retention policies, income calculations, and any adjustments to income. Further, RHS did not include sufficient documentation to support the contents contained within both the documents referenced on the MINC webpage. Without providing OCFO with the contents of the two trainings,

⁷ Audit Report 04601-0003-31, *Multi-Family Housing Tenant Eligibility*, Feb. 2020.

Rec. No.	Recommendation	Action Taken	Reason Not Sufficient to Close
		<p>training documents— “Tenant Eligibility Requirements Training” and “Tenant Certification Process Training” listed on the Management Interactive Network Connection (MINC) webpage (MFH’s portal for management companies).</p>	<p>it is unclear whether the intent of the OIG recommendation was met. RHS needs to provide OCFO evidence that the contents of the documents listed on the MINC webpage includes guidance to borrowers and management personnel on the noted documentation requirements for tenant files, document retention policies, income calculations, and adjustments to income.</p>
2	<p>Develop and provide MFH property owners training or guidance on best practices for document transfers during management company changes.</p>	<p>RHS Administrator issued an un-numbered letter to RD National Office officials and MFH staff to specifically address the loss or unavailability of tenant eligibility documentation that may be requested as part of an Agency review and/or during the transition of management companies. RHS submitted to OCFO documentation to support that training on the guidance was provided to MFH field specialists to address document retention during transfers between management. RHS also provided OCFO with a screenshot of the MINC system help webpage that highlighted the titles for two training documents – “Tenant Eligibility Requirements Training” and the “Tenant</p>	<p>RHS did not provide evidence to OCFO that training was developed and provided to borrowers and management companies on suggested best practices for document transfers during management company changes. We found the guidance provided (e.g., unnumbered letter) did not clearly outline suggested best practices for document transfers during management company changes. Further, RHS did not provide OCFO the contents of the two training materials added to the MINC system webpage, which RHS indicated was a communication portal for the management companies. Without RHS providing OCFO the actual training materials, it is unclear whether these documents contain the suggested best practices agreed upon for management decision. RHS</p>

Rec. No.	Recommendation	Action Taken	Reason Not Sufficient to Close
		Certification Process Training.”	needs to provide OCFO evidence that the agency developed suggested best practices for document transfers during management company changes. RHS also needs to provide OCFO evidence that the contents of the training materials added to the MINC webpage contain this information.
3	Pursue recovery or take other actions as appropriate for the \$3,973 in unauthorized assistance and other errors we identified.	RHS provided OCFO a file that contained documentation for 11 tenants that comprised the \$3,973 in unauthorized assistance and other errors identified by OIG. The file included documents such as tenant certification forms, social security benefit statements, employment verification letters and forms, child support statements, a check for \$22, and emails between RHS officials regarding the tenants that received unauthorized assistance. RHS explained the check was for a tenant that was found to have received \$16 in unauthorized assistance. RHS provided an email that \$84 was not collectible because the tenant vacated the property.	In the Agency Response, RHS noted 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). To address this recommendation, RHS stated the MFH staff in area offices will work with the management of the properties listed by OIG to verify and produce the corresponding unauthorized assistance repayment agreements. To achieve final action, OIG stated RHS needs to provide OCFO with evidence demonstrating it took actions as appropriate for the \$3,973 in unauthorized assistance. RHS provided OCFO a file that contained documentation to support the 11 tenants; however, no additional explanation or clarification was provided to describe the analysis and/or crosswalk that outlined determining factor(s) for each tenant

Rec. No.	Recommendation	Action Taken	Reason Not Sufficient to Close
			identified and to support their respective amount(s) of unauthorized assistance. Thus, a determination could not be made to connect the corresponding repayment agreements with the applicable tenants.

Recommendations With Sufficient Documentation

We determined that RHS provided sufficient documentation to OCFO to close seven recommendations we made in our February 7, 2020, audit report, *Multi-Family Housing Tenant Eligibility* (Recommendations 4 through 10).

We detail the reasons for our determinations in Table 2.

Table 2. RHS' Actions for Recommendations with Sufficient Documentation to Achieve Final Action

Rec. No.	Recommendation	Action Taken
4	Establish additional controls, such as data system reviews or alerts, to ensure the proper tracking and prioritization of past due triennial supervisory reviews.	RHS provided OCFO a document that included a record/list of MFH projects with overdue supervisory visits, the dates of last visits, State response on the status of the supervisory visit and any comments describing why the visit has not been performed. RHS also provided OCFO a document that reflects an email from RD national office sent to all states notifying them to update and prioritize the MFH list/record of overdue supervisory visits that was on the RD SharePoint site. Finally, RHS provided OCFO a screenshot showing that they made changes to the Multi-Family Information System (MFIS) system restricting field users from extending due dates and requiring national office authorization to extend due dates for visits past 3 years.

Rec. No.	Recommendation	Action Taken
5	Schedule and complete triennial supervisory reviews of the MFH properties that have not received a supervisory review within the past 3 years.	RHS provided OCFO a document that included a record/list of MFH projects with overdue supervisory visits and the intended schedule for completion. RHS also provided OCFO documentation notifying States to prioritize the overdue supervisory visits over the annual supervisory visits currently due. RHS provided a memo regarding the MFH overdue supervisory visits that required States to prioritize the oldest supervisory visits before all other due supervisory visits and that the supervisory visits must be accomplished in order of oldest to newest. RHS informed OCFO that they were unable to conduct and complete the triennial supervisory visits due to travel and in-person social distancing restrictions from the COVID-19 pandemic. RHS provided a letter to OCFO requesting a change in management decision to complete the remaining overdue supervisory visits when COVID-19 restrictions and social distancing measures were eased in the MFH property's State and/or county. After follow up discussions with OIG, RHS was informed that considering the impact of COVID-19 on the agency's ability to complete the remaining supervisory visits, OIG believed RHS had met the intent of recommendation 5 to the extent feasible at the time. Additionally, OIG informed RHS that since the agency had implemented or updated relevant controls and were still prioritizing the remaining visits once it was safe, OIG agreed to close the recommendation.
6	Develop and provide additional guidance for State officials and property	RHS provided OCFO a screenshot of the MINC help internet homepage

Rec. No.	Recommendation	Action Taken
	management personnel as necessary to ensure the accuracy of tenants' SSNs in MFIS.	(MFH's portal for management companies) which listed the Tenant Certification Process Training document. RHS also provided OCFO a copy of the slide from the Tenant Certification Process Training document which provides guidance on SSN entry to management companies.
7	Review the data system checks of SSNs and make changes as needed.	RHS informed OCFO of the Computer Matching Agreement (CMA) with the Social Security Administration to obtain SSN data for verification of current and incoming new tenant SSNs. RHS provided OCFO documentation to support interim guidance on the implementation of system checks for impossible data elements on new tenant certification in the SSN field of the MINC system. In addition, RHS provided OCFO with documentation to support the implementation of the system checks to show the rejection for any entries with SSN errors.
8	Review MFIS data, including legacy data from time periods prior to implementation of the data checks, to ensure compliance with current data rules.	RHS provided OCFO documentation of the 136 anomalies identified based on the agency's review and analysis of the legacy data. RHS also provided documentation to OCFO to confirm changes made to the MINC system on the implementation and validation of the tenant SSN and date of birth (DOB) controls. RHS also provided OCFO documentation to illustrate system controls when a tenant's birthday is more than 120 years old, an incorrect SSN, and the system rejection for an invalid SSN or a birthdate that does not fit within the established parameters.

Rec. No.	Recommendation	Action Taken
9	Review system controls related to tenants' date of birth to ensure controls identify tenants that are improbably young or old.	RHS provided OCFO documentation to illustrate system controls implemented on tenant date of birth entries such as birth dates greater than the current date and tenants older than 120 years, which would trigger a system error message. RHS provided documentation stating that they made changes to the MINC system to clean up date of birth anomalies in the current residence and to prevent new occurrences of discrepant data. Specifically, for the date of birth, RHS noted that they added validations to require tenants to be at least 18 years old and to prohibit household members to be older than 120 years.
10	Review the data and files we identified as having data errors and take appropriate corrective actions.	RHS provided OCFO with documentation to support their review of the data and files with errors alongside the corrections made to the data anomalies. RHS also provided OCFO with documentation to support that they verified all current tenants' data errors were corrected, and the updates were made in the MFIS. RHS provided OCFO support to confirm the completion of corrections to the SSNs.

We notified OCFO of our conclusions and asked the agency if they intend to reopen Recommendations 1 through 3. On September 18, 2023, an OCFO official responded that the office concurred with our assessment and will reopen recommendations 1 through 3.

We request that OCFO provide us with verification when sufficient support is obtained to achieve final action for recommendations 1 through 3.

cc: Christopher Simmons, Director, Office of the Chief Financial Officer; Angilla Denton, Chief Risk Officer, Rural Housing Service

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