

July 14, 2010

TO: State Directors  
Rural Development

ATTN: Multi-Family Housing Program Directors

FROM: Tammye Treviño *(Signed by Tammye Trevino)*  
Administrator  
Housing and Community Facilities Programs

SUBJECT: Improper Payment Information Act Compliance Report  
Section 521 - Rental Assistance Program

Attached is a copy of this year's Multi-Family Housing (MFH) Improper Payment Information Act Report (IPIA) on an audit that was conducted January - March 2010. The Report (**Attachment A**) details the findings and recommendations of the study that was undertaken to determine the error rate of payments in the Rental Assistance (RA) program.

The report determined that the error rate of gross dollars improperly calculated against the fiscal year (FY) 2009 program outlay to be 1.39 percent. This rate has steadily decreased in the past two years. The Report revealed that subsidy payment calculation errors were made 1.13 percent of the time on Agency overpayment of subsidy to tenants and 0.25 percent on Agency underpayment of subsidy to tenants, and Agency improper payment of subsidy estimated at \$13.6 million. Unauthorized assistance over- and under-payments of \$100 or less were not counted in the error rate.

The study showed that "income calculation errors" were the most common source of all errors. These two types of errors accounted for 76 percent of the total number of errors.

As an Agency, we must continually improve our oversight of borrowers and management agents to ensure tenant incomes are verified with sufficient supporting documentation on which to make such determinations. Additionally, borrowers and management agents must review their quality assurance processes to make sure that they are securing documentation and verification, and improve the accuracy of their mathematical calculations.

EXPIRATION DATE:  
July 31, 2011

FILING INSTRUCTIONS:  
Housing Programs

As in the past 2 years, we requested the assistance of the Appeals, Audits & Unauthorized Assistance Unit from the Centralized Servicing Center (CSC) to complete the IPIA audit. CSC requested directly from property managers the supporting documentation for selected Rental Assistance payments. Below is a list of the states with payment errors and the cause of the error:

<b>ST</b>	<b>Error Amt.</b>	<b>Primary Code</b>	<b>Fault Code</b>
CA	\$112	Income calculation-calculation difference on SSI.	3 – Both
ID	\$(113)	Income calculation-wage calculation difference.	3 – Both
IL	\$(236)	No RA amount	2 - Borrower/Agent Error
NE	\$368	Incorrect cert.	1 - Insufficient Documentation
OH	\$131	Deduction – medical documentation calculation difference	2 - Borrower/Agent Error
OR	\$196	Income calculation-calculation difference on SSI.	3 – Both
OR	\$183	Income calculation – no documentation in file per site manager.	1 - Insufficient Documentation
PA	\$(131)	No RA amount	2 - Borrower/Agent Error
TN	\$118	Income calculation-calculation difference on SSI.	3 – Both
TX	\$488	Incorrect cert.	3 – Both
WA	\$102	Income calculation – other	2 - Borrower/Agent Error
WV	\$217	Income calculation – no documentation in file per site manager.	1 - Insufficient Documentation
WV	\$253	Income calculation – no documentation in file per site manager.	1 - Insufficient Documentation

In order to improve Agency oversight and reduce the errors committed by borrowers and property agents, the Agency will be implementing the following corrective actions:

1. *Establish a tracking process in the Multi-Family Information System (MFIS) to monitor the number of tenant files reviewed during the property's triennial Supervisory Visit. This will provide the Agency with additional information regarding the review of tenant files outside of the IPIA audit to help determine trends to supplement with the IPIA review. This corrective action will provide the Agency with additional documentation to determine on-going compliance with the proper payment of Rental Assistance.*  
**Timeframe – Completed on April 14, 2010.**
2. *Implement a new management agent performance assessment review that will reduce management fees paid to noncompliant management agents. If performance decreases, there will be a concurrent decrease in the base management fee allowed for that year. Errors made on tenant certifications will be one of six criteria used for determining reduction in management fees paid. The performance assessment review was announced as part of last year's corrective action plan. Subsequent to the issuance of the report, Rural Development presented the draft review to a select group of state housing program directors for evaluation and comment. Following receipt of their input, Rural Development discussed the proposal with industry groups. Additional modifications to the proposal are now underway, and a final proposal is being prepared for approval by the Rural Housing Service Administrator. Once approved, technical modifications to the Multi-Family Information System (MFIS) database will be necessary in order to produce an automated report that the field staff can use. This corrective action will provide financial incentives for the management agents to improve their performance for providing correct data to the Agency.* **Timeframe – December 31, 2010.**
3. *The National Office will continue to pursue access to the Health and Human Services New Hires data and HUD's Enterprise Income Verification (EIV) System to be shared with State Offices and management agents. This corrective action will provide third party documentation that should decrease the error of lack of file documentation.*  
**Timeframe – Ongoing.**

If you have any questions regarding this memorandum, please contact Stephanie White at (202) 720-1615, or Janet Stouder at 202-720-9728.

Attachment