



Issue Date	April 14, 2008
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Audit Report Number	2008-KC-0003
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TO: Milan M. Ozdinec, Deputy Assistant Secretary, Office of Public Housing and Voucher Programs, PE

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FROM: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: Enterprise Income Verification Users Did Not Always Take Advantage of HUD's Training and Guidance

HIGHLIGHTS

What We Audited and Why

We reviewed the U.S. Department of Housing and Urban Development's (HUD) Enterprise Income Verification (EIV) system. This audit was included in our annual audit plan. HUD implemented the EIV system nationwide for public housing authorities to use to identify and reduce tenant income and subsidy errors within the Section 8 and public housing programs. Our objective was to determine whether HUD provided adequate guidance and training to its EIV coordinators and housing authority users.

What We Found

We found that HUD provided adequate guidance and training to its EIV coordinators and housing authority users. However, EIV users did not always take advantage of HUD's EIV training and guidance. Since use of EIV is not yet mandatory, HUD did not require housing authorities to ensure that their users take EIV training prior to granting them access to the EIV system. As a result, housing authority users may not fully understand EIV's capabilities and their responsibilities when using the system.

What We Recommend

We recommend that HUD consider enhancing existing requirements to require housing authorities to certify that their EIV users have received EIV training prior to granting access to the EIV system.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

The Deputy Assistant Secretary disagreed with the audit report and its recommendation. His office provided written comments on April 1, 2008. The complete text of HUD's response, along with our evaluation of that response, is in appendix A of this report.

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BACKGROUND AND OBJECTIVES

Erroneous subsidy payments are a major problem in U.S. Department of Housing and Urban Development (HUD) programs. In 2001, HUD initiated the Rental Housing Integrity Improvement Project (RHIP) to address causes of errors and improper payments. Under RHIP, the Office of Public and Indian Housing implemented a comprehensive strategy to reduce errors. One of the key components of this strategy included Upfront Income Verification (UIV). UIV is the verification of income, before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals.

To assist housing authorities in identifying unreported and underreported tenant income, HUD developed the Enterprise Income Verification (EIV) system through computer matching agreements with the Social Security Administration and the U.S. Department of Health and Human Services. The EIV system is a HUD-provided Internet-based tool that allows housing authorities to view and compare employment information, wages, unemployment compensation, and Social Security benefit information.

HUD strongly encourages housing authorities to use the EIV system to validate tenant-reported income. In addition, housing authorities should inform tenants of the system's capability and their intent to compare tenant-reported information with tenant income information in the EIV system. HUD expects housing authorities to make an effort to use all available resources, including the EIV system, to verify tenant-reported income. HUD issued a proposed rule for public comment in June 2007 that would make the use of EIV mandatory for all housing authorities.

HUD lists the following as benefits of using the EIV system:

- Increasing the efficiency and accuracy of income and rent determinations,
- Reducing incidents of unreported and underreported household income,
- Removing the barriers to verifying tenant-reported income,
- Addressing material weaknesses in a housing authority's reexamination process and program operations, and
- Assuring that more families that are eligible are able to participate in the program.

Our audit objective was to determine whether HUD provided adequate guidance and training to its EIV coordinators and housing authority users.

RESULTS OF AUDIT

Finding 1: Enterprise Income Verification Users Did Not Always Take Advantage of HUD's Training and Guidance

EIV users did not always take advantage of HUD's training and guidance. Since use of EIV is not yet mandatory, HUD did not require housing authorities to ensure that their users take EIV training prior to granting access to the EIV system. As a result, housing authority users may not fully understand EIV's capabilities and their responsibilities when using the system.

HUD Made EIV Webcast Training Available to Housing Authority Users

Housing authority users did not always take advantage of HUD's EIV training and guidance. Housing authorities have access to EIV webcast training and materials at EIV's website. The Office of Public Housing Programs provided hands on training sessions in over 40 locations at various housing industry conferences, as well as onsite housing authority training. Local HUD offices also provided ongoing EIV training opportunities. In addition, the Director of Public Housing Programs (Director) regularly responds to EIV questions posed by housing authorities.

While HUD's EIV training and user guide were available to housing authorities, only eleven of nineteen housing authority users took EIV training via HUD's webcasts. The remaining eight only received local or on-the-job training while using EIV. Housing authority users indicated that they were either not using or were unaware of various EIV capabilities. For example,

- Only six of fifteen housing authorities that we contacted indicated that they used all available EIV reports.
- Nine housing authorities were unaware that they could use the Issuance of Vouchers option for Form 50058, which allows access to a Section 8 applicant's income information in the EIV system, before signing a lease.
- Two housing authority administrators did not know that they could terminate a user's access to the EIV system without HUD approval.

Use of the EIV System Is Voluntary

Since use of EIV is not yet mandatory, HUD did not require housing authorities to ensure that their users take EIV training prior to granting access to the EIV system. The Director commented that HUD's plan was to train its field office

EIV coordinators and have them train housing authority administrators and users. In addition, HUD provided webcast training that was always available on the internet and an EIV user's manual. However, HUD granted housing authority users access to the EIV system without ensuring the users received any EIV training. Users then had access to the housing authority's tenants' financial information.

Housing Authorities May Not Be Using EIV to Its Full Potential

Housing authority users may not fully understand EIV's capabilities and their responsibilities when using the system. For example,

- By not using available EIV training and materials, housing authority users limit their ability to understand EIV reports to identify possible unreported and underreported tenant income. The EIV reports include information on head of household, income discrepancy, new hires, deceased tenants, multiple subsidy, and identification verification.
- Being unaware of the Issuance of Vouchers option for Form 50058 allows Section 8 applicants with unreported or underreported income into the Section 8 program.
- Housing authorities allow users who no longer work for them unauthorized access to tenant income information in EIV while awaiting unnecessary HUD approval to terminate access.

Conclusion

HUD has provided hands on training sessions across the country at various housing industry conferences as well as onsite housing authority training. In addition, Housing authority users have access to EIV webcast training and materials at EIV's website. To ensure users understand and properly use the EIV system, HUD needs to ensure that housing authorities require their users to receive EIV training prior to granting them access to the system.

Recommendations

We recommend that the Deputy Assistant Secretary for Public Housing and Voucher Programs

- 1A. Consider enhancing existing requirements to require housing authorities to certify that their EIV users have received EIV training prior to granting access to the EIV system. The housing authorities would keep the certifications on file and have them available for review.

SCOPE AND METHODOLOGY

Our review covered the period from October 2005 through November 2007.

To accomplish our objective, we obtained and reviewed applicable regulations and guidance related to the EIV system. We also

- Performed on-site reviews at the Denver Housing Authority, the Housing Authority for the City of Dallas, and the Housing Authority for the City of Los Angeles.
- Interviewed by telephone user administrators and users at the following housing authorities: the Chicago Housing Authority, Atlanta Housing Authority, Pueblo Housing Authority, Aurora Housing Authority, San Jose/Santa Clara Housing Authority, Benecia Housing Authority, Tacoma Housing Authority, Pawtucket Housing Authority, Flagler County Housing Authority, Housing Authority of the County of Los Angeles, Minneapolis Housing Authority, St. Paul Housing Authority, and New York City Housing Authority.
- Interviewed HUD's EIV coordinators, either in person or by telephone, at the following HUD field offices: Denver, Dallas, Los Angeles, Seattle, Chicago, Atlanta, Boston, New York City, Jacksonville, Minneapolis, and Philadelphia.
- Reviewed 55 tenant files at the three housing authorities where we performed on-site work; the tenants either received Section 8 assistance or lived in public housing units.
- Reviewed housing authority policies and procedures related to the use of EIV at the three housing authorities where we performed on-site work.

We obtained an understanding of how HUD granted access to EIV and how housing authorities used EIV. We discussed EIV practices with HUD's EIV coordinators, housing authority user administrators, and housing authority users. They identified concerns related to their use of the EIV system.

We used computerized data from HUD's Public and Indian Housing Information Center and the EIV system solely for background information and for examples of operational concerns identified during the review. We did not perform any tests to assess the reliability of the data.

We performed on-site work at the three housing authorities from September to November 2007. We discussed results with the HUD's Director of Public Housing Programs at HUD headquarters on August 31, 2007, November 28, 2007, and February 13, 2008.

We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined the following internal controls were relevant to our audit objectives:

- HUD's training and guidance for use of the EIV system.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

We did not identify any significant weaknesses.

APPENDIXES

Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



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

OFFICE OF PUBLIC AND INDIAN HOUSING

April 1, 2008

MEMORANDUM FOR: Ronald J. Hosking, Regional Inspector General for Audit,
7AGA

FROM: Milan M. Ozempiec, Deputy Assistant Secretary, Office of
Public Housing and Voucher Programs, PE

SUBJECT: Program Office Response to the Draft OIG Audit Report
Regarding HUD's Enterprise Income Verification (EIV)
System

This office has received and reviewed HUD OIG's draft audit report issued on March 7, 2008, and subsequently revised on March 21, 2008. The OIG audit report indicates that EIV users did not always take advantage of HUD's training and guidance. OIG has made one recommendation. My office is appreciative for the support the OIG has given PIH in its efforts to provide various forms of EIV guidance and training materials to Public Housing Authorities (PHAs) and HUD staff. I am, however, in disagreement with the basic finding condition and associated recommendation. My Office's response is below.

Recommendation 1A: Require housing authorities to certify that their EIV users have received EIV training prior to granting access to the EIV system. The housing authorities would keep the certifications on file and have them available for review.

Program Office Response: First and foremost, given the limited recourses available, I believe my office has made tremendous efforts to provide EIV guidance and training materials to PHAs to support their use of EIV as a more efficient and effective means of verifying tenant-reported income (from wages, unemployment compensation and Social Security benefits). Our trainings seem to be quite prolific. In fact according to your report, all 19 housing authority users participated in some form of EIV training, eleven (58%) of the users participated in HUD-sponsored training.

In addition to the HUD training and guidance efforts, many PHAs have adopted internal standard operating procedures for EIV use and conduct in-house EIV training or on-the-job training for current and new employees. To the extent the local PHA efforts tie the use of the EIV system to a PHA's local processing, the local training may actually be more effective. Once again according to your audit, the remaining eight (42%) of the users received local or on-the-job training. Thus, all EIV users reviewed as part of your audit received some form of training.

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Comment 1

Ref to OIG Evaluation

Auditee Comments

Comment 2

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Second, we believe that creating a, as yet defined, certification requirement will be viewed as an impediment to using EIV. Implementing such a requirement would require an unnecessary layer of bureaucracy to the process of using the system. The Department would be forced to provide specific instructions to PHAs as to which trainings would meet the certification requirements, set aside precious training and travel funds to conduct additional training sessions, hire more employees to conduct trainings, and finally add the review of the certifications to an already burdened list of required compliance review requirements conducted by HUD field office staff. Finally, if after HUD or OIG review, an EIV certification did not meet the requirements, the PHA would be subject to another Audit finding. Correcting the audit finding may depend upon additional HUD training which may not be available.

Comment 3

While HUD strongly opposes adding this new, and as yet defined certification process, we will continue to remain vigilant in our successful efforts to reduce improper payment through the EIV process by continuing to make EIV guidance and training available to PHAs and HUD staff within the resources that are available to the Office, maintain user web site warnings on the need to assure EIV data is only accessed and used by properly authorized users for limited HUD business purposes, and provide incentives to more PHAs to properly use EIV, and penalties when it fails to do so. PIH Notice 2007-27(HA) for example does just that.

In closing, we do not agree the OIG recommendation is needed or necessary. Thank you for the opportunity to respond to the recommendation and we appreciate the helpfulness of the audit staff.

If you have any questions, please feel free to contact me on (202) 708-1380, or Nicole Faison, Director for the Office of Public Housing Programs on (202) 402-4267.

OIG Evaluation of Auditee Comments

Comment 1 We agree that the Office of Public Housing Programs (HUD) has made tremendous efforts to provide EIV guidance and training to housing authorities. We believe implementing the report's recommendation would help ensure that housing authorities take full advantage of the EIV training available. As stated in the report, the training that users received varied considerably from viewing HUD webcasts to on-the-job training. In addition, the Director of HUD's Office of Public Housing Programs indicated that knowledge of EIV varied considerably among housing authority users around the country. Implementing this recommendation would ensure housing authority users would all receive similar training on the use of EIV prior to gaining access to the system.

In addition, Section 5.233(b) of the Proposed Rule provides penalties for failure to implement a Uniform Income Verification process such as EIV. Once use of EIV becomes mandatory, the Director indicated that HUD plans to establish a compliance group to monitor income discrepancies nationwide. The group would review unresolved, continued income discrepancies to determine if they were valid. If they were valid, the housing authority would have to repay any excess subsidy that HUD paid on that tenant's behalf. By HUD requiring housing authorities to ensure users received basic EIV training, it would have a solid basis for penalizing housing authorities because trained users should know how to use EIV and resolve income discrepancies.

Finally, the report's recommendation complements HUD's training efforts as explained on its website: "HUD is focused on developing a cadre of skilled HUD and PHA staff through the delivery of training and technical assistance." The report's recommendation is directly in line with this statement and takes it one step further. When use of EIV becomes mandatory, HUD can capitalize on its significant commitment in time and money to training, by requiring housing authorities to ensure its users receive EIV training. This would ensure that HUD gets "more value for its training efforts" and it increase users' ability to identify unreported tenant income and resolve income discrepancies. Since the primary purpose of EIV is to assist housing authorities to improve income verification during required income reexaminations, requiring EIV training would improve housing authorities' ability to accomplish that purpose.

Comment 2 HUD's comments suggest that any type of certification would be unnecessarily cumbersome and expensive. That was not the intent of our recommendation and we agree that such a process should not be bureaucratic or complicated. We therefore modified our recommendation to stress that HUD need not create a totally new requirement. HUD already has a requirement that new users must receive annual security awareness training and must sign the EIV User Access Authorization Form to signify that they that understand and accept the EIV Rules of Behavior. HUD could require that a housing authority's User Administrator simply state in Part I (A) of this form (in the box: "Type of work which involves use of UIV data that is contained in the EIV system") that the user took EIV training on a certain date. The form could be completed and signed as before.

From our perspective, it is logical for HUD to ensure that users are fully trained on the proper use of information in EIV once HUD grants them access. Concerning which training housing authority users should take; HUD could designate its most recent beginner training session available on the web.

Comment 3 We agree that HUD has done an exceptional job making EIV training and guidance available to housing authorities. We believe that implementing this recommendation would ensure that housing authorities take full advantage of its efforts.