



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-118718

MARCH 1, 1979

The Honorable Patricia Roberts Harris
The Secretary of Housing and Urban
Development



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Dear Mrs. Harris:

The General Accounting Office is concerned about possible duplicate payments in the Department of Housing and Urban Development's (HUD's) Section 8 Housing Assistance Program for existing units. We made a review to determine if controls exist to ensure that project owners are not collecting payments for the same tenant from both a public housing agency (PHA) and HUD under the section 8 program. This is possible because some project owners receive payments under two components of the existing housing program--the regular PHA-administered program and the special allocations program for troubled projects. The two components are administered by different organizations within HUD and payments to owners are made from two different sources--PHAs and HUD.

We found that controls do not exist, and, in fact, duplicate payments were made in three of nine special allocations projects we examined. Duplicate payments have also been identified by three HUD area offices we contacted and by HUD's Office of Inspector General. We believe HUD should establish controls to prevent such payments.

BACKGROUND

The Housing and Community Development Act of 1974 amended the United States Housing Act of 1937 and added, under section 8, a new program to provide rental assistance to families with incomes too low to obtain private housing. Among other things, the program makes use of existing housing stock. Generally, families pay 15 to 25 percent of their income for rent and HUD subsidizes the remainder.

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PHAs administer most of the existing housing portion of the program. Eligible families negotiate lease agreements with the owners after which the PHA executes a housing assistance payments contract with the owner. Under this part of the program, the PHA makes payments to the owners on behalf of the tenants.

In March 1976, HUD instituted a program to assist financially troubled multifamily projects with HUD-insured or HUD-held mortgages. Under this program, called the Special Allocations Program, HUD authorized the use of a portion of the section 8 existing housing funds for some projects with immediate or potentially serious financial difficulties. Contracts are between the owners and HUD and may cover all or some of the units in the projects. HUD makes payments directly to owners under the special allocations program.

Participants in the PHA-administered program choose the location and particular home they wish to lease, subject to PHA approval. Their choice can and does include units in projects with contracts under the special allocations program.

The PHA-administered and special allocations components of the existing housing program are managed by separate entities in HUD, both at the field office and headquarters levels. In the field offices, the Housing Program Management Branch has general oversight responsibility for the PHA-administered program, while the Loan Management Branch administers the special allocations program. At the headquarters level, the PHA-administered program is the responsibility of the Existing Housing Branch, and the special allocations program is administered by the Office of Multifamily Housing Management and Occupancy.

Since inception of the PHA-administered program in 1974, about 446,000 units had been allocated as of December 31, 1978, under contracts totaling over \$960 million annually. In addition, about 162,000 units had been allocated under the special allocations program with contracts totaling about \$260 million annually.

During our review, which was made in the fall of 1978, we contacted officials from HUD headquarters and 17 of its field offices (see enc. I) to obtain their comments on the existence of controls and the possibility of duplicate payments. The field offices selected gave us a broad geographic cross-section of the country (at least one office from each HUD region) and included those offices with high volumes of PHA-administered and special allocations program units. In addition, we analyzed 1 month's payments made to nine special allocations projects which also housed PHA tenants in the Atlanta, Georgia, metropolitan area. We visited three of these special allocations projects and two PHAs.

CONTROLS TO PREVENT DUPLICATE
PAYMENTS DO NOT EXIST

HUD does not require its field offices to control housing payments made to special allocations projects to prevent duplicate payments. HUD's field offices are not required to cross-check names and addresses of tenants being subsidized under the special allocations program with those under the PHA-administered program. Likewise, PHAs are not required to make such cross-checks or to provide HUD field offices with names and addresses of participating tenants.

HUD headquarters officials responsible for the special allocations program said they had not provided instructions to prevent or check for duplicate payments because they had not realized they could occur. The Acting Director of the Office of Multifamily Housing Management and Occupancy agreed, however, that the fragmentation of responsibilities for the two components of the section 8 existing housing program would allow this type of situation to exist.

Only 1 of the 17 HUD field offices we contacted had established controls to prevent duplicate payments. The New York area office anticipated the problem and had initiated a procedure to check for duplicate payments. This office obtains listings of PHA participants living in special allocations projects from the New York Housing Authority. A cross-check is then made by the New York area office to its listing of tenants in special allocations projects for possible duplicate payments.

The other HUD field offices we contacted had not established controls to prevent duplicate payments. However, officials of some offices recognized that duplicate payments can occur and three offices had identified duplicate payments. Officials of some of the field offices commented that

- they would consider establishing control procedures or had no time to implement new procedures unless instructed to do so by HUD headquarters,
- they rely on PHAs or special allocations project owners to check for duplicate payments, and
- some or all of the PHA-administered units were being converted to the special allocations program.

A manager of one of the three special allocations projects we visited also confirmed the potential for duplicate payments. The manager told us project records could easily be manipulated so that duplicate payments are received. We did not discuss this matter with the managers of the other two projects we visited.

DUPLICATE PAYMENTS WERE MADE

We found that some duplicate payments have been made. Three of the nine special allocations projects we examined received payments for the same apartment or tenant and time period from both HUD and PHAs. Duplicate payments have also been identified by three HUD field offices and HUD's Office of Inspector General.

To determine if duplicate payments had been made, we obtained names of tenants in the PHA-administered program residing in special allocations projects in the Atlanta metropolitan area. Of 36 special allocations projects in the area, 9 were identified as housing a total of 224 PHA tenants. We cross-checked the payments made by HUD and those made by the PHAs for the nine special allocations projects. We identified the following nine duplicate payments.

- In October 1978, the owner of a special allocations project in Jonesboro, Georgia, billed HUD and the Jonesboro PHA for seven units. The units had been

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vacated by tenants in the special allocations program during August and September; however, they were subsequently leased to tenants in the PHA-administered program. If the units had remained vacant, the HUD payment would have been appropriate because special allocations projects are authorized to receive a portion of the rent for a period of time after units are vacated. However, since the units were occupied by PHA program tenants, HUD was erroneously billed for \$669. We brought this matter to the attention of HUD officials who said they would take action to collect the overpayments.

- Two special allocations projects within the Atlanta PHA jurisdiction also received duplicate payments. One project owner noted the error and credited HUD on the following month's billing. In the other project, a tenant from the PHA-administered program was converted to the special allocations program in August 1978. The project manager, however, did not notify the PHA of this change. As a result, the project received duplicate payments from the PHA until the contract with the PHA expired 2 months later and erroneously received \$135. We brought this matter to the attention of PHA officials who said they would take action to collect the overpayments.

Three other HUD area offices we contacted had also identified duplicate payments. Officials of the New York area office, who had implemented controls, and the Dallas area office, who sometimes received listings of tenants from PHAs, told us they had found some duplicate payments. In addition, an official of the Portland area office said that a duplicate payment was identified by one project manager.

HUD's Office of Inspector General has also identified duplicate payments and cited the incident in a report entitled "Report on Internal Audit of Section 8 Leased Housing Program Existing Units" dated June 23, 1978. The report pointed out that this incident was indicative of the types of abuse which can occur in the program and was presented as information for management to consider.

Duplicate payments can occur in any special allocations project which houses tenants from the PHA-administered program. Information on the total number of such tenants in special allocations projects is not available. However, officials in 14 of the 17 HUD field offices we contacted said that their special allocations projects also housed tenants from the PHA-administered program. In addition, in our recent report on deconcentration in the section 8 program 1/ we pointed out that about 18 percent of the tenants in the Pittsburgh PHA's section 8 existing housing program reside in three special allocations projects.

CONCLUSIONS AND RECOMMENDATIONS

Controls are needed to prevent duplicate payments of section 8 existing housing funds. While such payments identified by our review may have been few in number and small in amount, they demonstrate that the potential for duplicate payments exists programwide, either inadvertently or not, and that some duplicate payments have been made.

Various controls or cross-checks could be implemented to prevent duplicate payments. The New York area office's method of cross-checking is one way. Another would be to ask PHAs to make the cross-check. The frequency of cross-checks could be adjusted according to local circumstances. For example, some localities have fewer tenants from the PHA-administered program in special allocations projects than others. In such cases, fewer or less frequent checks may be appropriate.

Accordingly, we recommend that you require that reasonable controls be established over section 8 payments made by HUD and PHAs to owners of special allocations projects to prevent duplicate payments. Further, where such controls identify several duplicate payments at an individual special allocations project or locality, we recommend that prior payments be reviewed to determine if duplicate payments had been made, and if so, appropriate actions be taken to collect the overpayments.

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1/ Letter report to the Secretary of Housing and Urban Development, (CED-78-181), Oct. 20, 1978.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this letter to the Senate Committee on Banking, Housing and Urban Affairs and to the House Committee on Banking, Finance and Urban Affairs. We are also sending copies to your Assistant Secretary for Housing-Federal Housing Commissioner and Inspector General.

Sincerely yours,

A handwritten signature in cursive script that reads "Henry Eschwege".

Henry Eschwege
Director

Enclosure

HUD FIELD OFFICES CONTACTED BY GAO

	Section 8 units under contracts as of 12/31/78	
	<u>Special allocations program</u>	<u>PHA- administered program</u>
Atlanta	8,503	11,160
Boston	6,162	19,790
Dallas	5,069	20,908
Denver	3,736	9,263
Detroit	8,221	3,364
Greensboro	2,537	12,980
Indianapolis	4,674	6,121
Kansas City	3,042	6,108
Los Angeles	13,613	51,265
Milwaukee	3,486	6,426
Newark	5,757	10,887
New York	14,288	23,029
Oklahoma City	2,376	8,813
Philadelphia	3,597	12,125
Pittsburgh	2,418	4,906
Portland	1,994	9,525
San Francisco	<u>8,685</u>	<u>24,114</u>
Total	<u>98,158</u>	<u>240,784</u>