



Highlights of [GAO-12-624](#), a report to congressional requesters

Why GAO Did This Study

RHS, an agency within USDA, paid property owners about \$1 billion in fiscal year 2011 to help more than 270,000 low-income rural tenants afford rental housing. Each year, some of RHS's rental subsidy payments are improper—that is, too high or too low. Federal requirements regarding improper payments are set forth in statute and in OMB guidance. GAO was asked to review (1) the extent to which RHS has examined the sources and magnitude of improper rental assistance payments, (2) RHS's compliance with requirements and guidance concerning improper payments, and (3) potential lessons RHS could learn from HUD efforts to identify and reduce improper rental assistance payments. To do this work, GAO analyzed agency data and documents; reviewed statutes and guidance; and interviewed RHS, HUD, and OMB officials.

What GAO Recommends

To help reduce improper payments caused by unreported tenant income, GAO suggests that Congress should consider authorizing RHS access to HHS's New Hires database and recommends that RHS develop proposed legislation to gain access to SSA benefits data. GAO also recommends that USDA submit RHS's method for estimating improper payments to OMB for review and that RHS take steps to consistently apply procedures for classifying payments as improper, examine improper payments made on behalf of deceased tenants or caused by payment processing errors, and hold agency managers accountable for reducing improper payments. USDA said it generally agreed with GAO's recommendations.

View [GAO-12-624](#). For more information, contact Mathew Scire at (202) 512-8678 or scirem@gao.gov.

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RURAL HOUSING SERVICE

Efforts to Identify and Reduce Improper Rental Assistance Payments Could be Enhanced

What GAO Found

The Rural Housing Service (RHS) has identified improper rental assistance payments caused by certain sources of errors, but its reported error rate (total amount improperly paid divided by program outlays) may understate the magnitude of the problem. RHS has identified improper payments resulting from inaccurate calculations of tenant subsidies and incomplete supporting documents. From fiscal years 2007 through 2010, RHS reduced its reported error rate from 3.95 percent (representing \$35 million in errors) to 1.48 percent (representing \$15 million in errors). However, these figures may be understated because RHS has not estimated improper payments due to unreported tenant income, and it lacks the authority to match tenant data to federal income data for this purpose. These data include the Department of Health and Human Services' (HHS) New Hires database and the Social Security Administration's (SSA) data on benefits payments. RHS has proposed legislation to gain access to the HHS data but not the SSA data. Additionally, RHS has not recently estimated payment processing errors and has not strictly adhered to procedures for classifying payments as improper. Further, in 2008, RHS began excluding improper payments of less than \$100 from its estimated error rates. However, it did not submit this change to the Office of Management and Budget (OMB), which is responsible for approving agency methodologies for estimation. As a result, RHS lacks assurance that its approach is appropriate.

RHS uses required statistical methods for estimating improper payments but has not fully met requirements for reporting on, reducing, and recovering such payments. Consistent with the Improper Payments Information Act of 2002, as amended, and OMB guidance, RHS examines a statistically valid sample of payments and generates estimates with an acceptable level of precision. RHS also has reported required information, such as actions to address payment errors. However, RHS did not fully comply with the requirement to implement and report steps for holding agency managers accountable for reducing improper payments. In addition, although OMB cites data matching as a way to reduce payment errors, RHS has not used data already available from SSA to detect payments made on behalf of deceased tenants. Further, RHS has yet to institute a recovery audit program in accordance with the Improper Payments Elimination and Recovery Act of 2010, although it plans to do so sometime in 2012. These shortcomings negatively affect the integrity of RHS's subsidy payments.

The Department of Housing and Urban Development's (HUD) use of data matching to reduce improper payments in its rental assistance programs illustrates the potential benefits and challenges of this technique for RHS. HUD developed a web-based system that allows authorized HUD staff and program administrators (e.g., public housing agencies) to match tenant information to HHS's New Hires database and SSA benefits data. According to HUD, the system has helped to reduce income reporting errors and has contributed to a more than threefold decline in total improper payments from fiscal years 2000 through 2010. Negotiating a data-sharing agreement with one agency and fully implementing the data matching system took several years. Additionally, HUD provides extensive guidance, training, and technical assistance to program administrators to help ensure effective use of the system.