HUD PUBLIC AND INDIAN HOUSING PROGRAMS

Progress on Prior GAO Recommendations to Enhance Accountability and Efficiency

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Accessible Version
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What GAO Found

As of June 2015, the Department of Housing and Urban Development (HUD) had addressed some of GAO’s 16 prior recommendations for four programs: Moving to Work (MTW), Family Self-Sufficiency (FSS), Housing Choice Voucher (voucher), and Indian Housing Block Grant (IHBG). But other recommendations require further attention. Specifically:

- HUD has addressed seven of eight recommendations GAO made in April 2012 to improve assessment of MTW, capture lessons learned, and enhance program oversight. The MTW program is intended, among other things, to give state and local housing agencies flexibility to design and test innovative strategies for providing housing assistance. HUD agreed or partially agreed with most of GAO’s recommendations. However, it has yet to fully implement a process for systematically identifying lessons learned.

- HUD has taken initial steps to address GAO’s two recommendations from a July 2013 report to develop and implement (1) a process to better ensure that data on FSS grants were complete and (2) a strategy for regularly analyzing FSS participation and outcome data. The FSS program is designed to help families receiving HUD housing assistance become self-sufficient through case management and referrals to supportive services such as education and training. HUD agreed with the recommendations and has revised its data collection and analysis procedures. But it has not yet provided full documentation of these efforts so that GAO can assess its actions.

- HUD has implemented one of three recommendations GAO made in a 2012 report on the voucher program. The voucher program subsidizes private market rents for about 2 million low-income households. HUD neither agreed nor disagreed with these recommendations. But HUD has addressed one that is aimed at streamlining the program’s administration by, among other things, publishing a proposed rule that includes measures to simplify administrative processes. HUD has not yet provided GAO evidence that it has implemented the two other recommendations, one on informing Congress about excess state and local housing agency reserves and one on informing Congress about HUD’s criteria for redistributing these reserves.

- HUD has implemented two of three GAO recommendations from a March 2014 report on the IHBG program. IHBG annually provides more than $600 million in housing assistance to about 570 federally and state-recognized Indian tribes. Consistent with GAO’s recommendations, HUD has broadened its solicitation of input from block grant recipients and developed a location on its website to collect and disseminate best practices on housing development. HUD has also taken steps to address a third recommendation to collaborate with other agencies that work with Indian tribes to improve interagency coordination on environmental reviews for tribal housing development. The agencies’ efforts to develop a coordinated environmental review process are ongoing.
Chairman Luetkemeyer, Ranking Member Cleaver, and Members of the Subcommittee:

I am pleased to be here today to discuss our work on programs administered by the Office of Public and Indian Housing (PIH) within the Department of Housing and Urban Development (HUD). PIH programs help some of the nation’s most vulnerable households—including low-income families and members of Native Americans tribes—obtain safe, decent, and affordable housing. PIH also operates complementary programs designed to help assisted households become more self-sufficient and economically independent. PIH programs accounted for approximately 60 percent of HUD’s budget authority for fiscal year 2015, or about $26 billion. The size of this investment, coupled with the nation’s fiscal challenges and unmet affordable housing needs, underscores the importance of managing these programs as efficiently and effectively as possible.

My testimony today is based primarily on four reports we issued between March 2012 and March 2014. Appendix I provides a list of recommendations from these reports and their status. I will discuss (1) HUD’s progress on our prior recommendations to improve assessment of the Moving to Work (MTW) demonstration program and Family Self-Sufficiency (FSS) program; (2) our previously reported options and recommendations to HUD to increase the efficiency of the Housing Choice Voucher (voucher) program; (3) HUD’s actions to address our prior recommendations on the implementation of the Indian Housing Block Grant (IHBG) program; and (4) additional ongoing challenges facing PIH.

To conduct the work for the four reports issued from 2012 to 2014, we relied on several analytical methods, including reviewing legislation, regulations, and studies; analyzing HUD and public housing agency budget, financial, and program data; and reviewing HUD policies, procedures, and program documentation and comparing them to federal

requirements. We also interviewed officials from HUD and public and tribal housing agencies, as well as representatives from organizations advocating for affordable housing, residents of federally subsidized housing, and American Indians, Alaska Natives, and Native Hawaiians. Our prior reports each include a detailed description of our scope and methodology. To update the status of recommendations from these reports, we reviewed new or revised HUD policies, procedures, and reports and interviewed HUD officials. For this testimony, we also reviewed information on HUD’s estimates of improper rental assistance payments reported for fiscal years 2010 through 2013 (the most recent estimate available). We performed the work on which this testimony is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The assistance PIH provides to low-income families encompasses three broad program areas:

- public housing, which offers units for eligible tenants in properties generally owned and administered by state and local public housing agencies (PHA);

- tenant-based rental assistance, which provides vouchers that eligible households can use to rent houses or apartments in the private housing market; and

- Native American programs, which provide block grants and loan guarantees to tribal entities for housing development and assistance and housing-related services.

Specific programs administered by PIH include, but are not limited to, the following:

- **MTW Demonstration Program.** HUD implemented the MTW demonstration program, which was authorized by the Omnibus Consolidated Rescissions and Appropriations Act of 1996, in 1999.²

The program is intended to give participating PHAs the flexibility to design and test innovative strategies for providing and administering housing assistance. The program has three statutory purposes: to reduce costs and achieve greater cost-effectiveness in federal housing expenditures, give families with children incentives to obtain employment and become self-sufficient, and increase housing choices for low-income families.\(^3\) To put in place the innovations intended under the program’s authorizing legislation, PHAs may request waivers of certain provisions in the United States Housing Act of 1937, as amended.\(^4\) For example, PHAs may combine the funding they are awarded annually from different programs—such as public housing capital funds, public housing operating funds, and voucher funds—into a single, authority-wide funding source. As of June 2015, 39 PHAs were participating through the end of their fiscal year 2018.

- **FSS Program.** FSS was authorized in 1990 to help families receiving vouchers or living in public housing become self-sufficient through case management and referrals to education, training, and other supportive services. HUD has historically received separate FSS appropriations for public housing residents and Housing Choice Voucher recipients, but Congress combined the appropriations in fiscal year 2014.\(^5\) PHAs use grant funds to pay program coordinators who link residents to the supportive services they need to achieve self-sufficiency. Families in the FSS program sign contracts with their PHAs requiring that all family members become independent of cash welfare assistance and that the head of the family seek and maintain

\(^3\)In addition to addressing the program’s three statutory purposes, agencies participating in MTW must meet five requirements. They must (1) serve substantially the same total number of eligible low-income families that they would have served had funding amounts not been combined; (2) maintain a mix of families (by family size) comparable to those they would have served without the demonstration; (3) ensure that at least 75 percent of households served are very low income, as defined by Section 3 of the United States Housing Act of 1937; (4) establish a reasonable rent policy to encourage employment and self-sufficiency; and (5) assure that the housing provided meets HUD’s housing quality standards.

\(^4\)42 U.S.C. §§ 1437 et seq.

employment.\textsuperscript{6}

- **Voucher Program.** The voucher program was authorized under Section 8 of the United States Housing Act of 1937, as amended.\textsuperscript{7} In recent years, the voucher program has helped provide affordable rental housing to about 2 million very low- or extremely low-income households annually.\textsuperscript{8} Approximately 2,400 PHAs administer the voucher program on HUD’s behalf. Under the program, an assisted household pays either 30 percent of its monthly adjusted income in rent or the PHA-established minimum rent (up to $50). The remainder of the rent—the difference between the lesser of the unit’s gross rent (rent plus utilities) or a local “payment standard” and the household’s payment—is paid through a HUD-subsidized “voucher.” The payment standard is based on the HUD-determined fair market rent for the locality, which HUD annually estimates for metropolitan and nonmetropolitan areas.\textsuperscript{9} Participating PHAs can set payment standards (that is, pay subsidies) of between 90 and 110 percent of the fair market rent for their areas. The voucher program is not an entitlement program. Therefore, the amount of budget authority Congress provides through annual appropriations limits the number of households that the program can assist. Historically, appropriations for the voucher program (or for other housing programs) have not been sufficient to assist all households that HUD identified as having worst-case housing needs—households with very low incomes that pay more than 50 percent of their incomes in rent, live in substandard

\textsuperscript{6}For the FSS program, welfare assistance means income assistance from federal or state welfare programs and includes only cash maintenance payments designed to meet a family’s ongoing basic needs. It does not include nonrecurrent, short-term benefits or food assistance and emergency rental and utilities assistance, among other things. See 24 CFR § 984.103. Completion of the contract occurs when the PHA determines that (1) the family has fulfilled all of its responsibilities under the contract; or (2) 30 percent of the family’s monthly adjusted income equals or is greater than the Fair Market Rent amount for the unit size for which the family qualifies. 24 C.F.R. § 984.303(g). Families are expected to complete their contracts within 5 years, although a PHA may extend a family’s contract for up to 2 additional years in some circumstances. 24 C.F.R. § 984.303(c), (d).

\textsuperscript{7}42 U.S.C. § 1437f(o).

\textsuperscript{8}Very low-income households are those with incomes at or below 50 percent of the area median income; extremely low-income households are those with incomes at or below 30 percent of the area median income.

\textsuperscript{9}Under 42 U.S.C. § 1437f(c)(1), HUD annually must publish fair market rents for the voucher program. See related regulations at 24 C.F.R. Part 888.
housing, or both.\textsuperscript{10}

- **IHBG Program.** Native American tribes primarily receive assistance for low-income housing through the IHBG program under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) program.\textsuperscript{11} NAHASDA reorganized the system of housing assistance that HUD provided to Native Americans by eliminating or incorporating several separate programs into a single block grant program—the IHBG program—and created the Title VI Loan Guarantee (Title VI) program to assist grant recipients with private market financing. HUD’s Office of Native American Programs within PIH administers NAHASDA. IHBG is a formula grant program, and participating tribes may choose to receive housing funds directly or through a tribally designated housing entity (TDHE) that administers the housing program on their behalf. As of January 2015, 566 federally recognized and 5 state-recognized Indian tribes with membership levels ranging from a few hundred to a few hundred thousand are eligible to receive IHBG funds annually to provide their members with adequate and affordable housing. Families eligible for NAHASDA-funded assistance must be low-income Indian families—those whose income does not exceed 80 percent of the area median income—residing on a reservation or in an Indian area.

\textsuperscript{10}Each year, Congress appropriates funding for subsidies for renewal (existing) and incremental (new) vouchers and administrative expenses. HUD then allocates the program funding to PHAs, which are expected to use all allocated subsidy funding for authorized program expenses. However, if PHAs’ allocated amounts exceed the total cost of their program expenses in a given year, their unused subsidy funds must be maintained in subsidy reserve accounts. HUD also pays administrative fees to PHAs based on the number of units leased (vouchers used) as of the first of each month. As with subsidy funding, if the appropriated amount does not fully cover agencies’ fees, HUD will reduce the amount of funding each PHA receives to fit within the appropriated amount.

In our prior work on the MTW and FSS programs, we concluded that HUD could take additional steps to understand program outcomes. We made eight recommendations in our April 2012 report on the MTW program, seven of which have been implemented.\textsuperscript{12} We made two recommendations to HUD concerning FSS in a July 2013 report on self-sufficiency programs.\textsuperscript{13} HUD has not fully implemented either of these recommendations. The following discussion addresses selected recommendations from these reports that focus on improving program assessment. (See app. I for a full list of the recommendations from these reports and their status.)

In our April 2012 report on the MTW program, we identified a number of weaknesses that limited HUD’s ability to determine program outcomes as they related to statutory purposes.\textsuperscript{14} First, we found that guidance on reporting performance information did not emphasize the importance of accurate outcome-oriented information. We noted that PHAs participating in MTW (MTW agencies) reported annually on their activities, including efforts to reduce administrative costs and encourage residents to work. But the usefulness of this information was limited because it was not consistently outcome oriented. For example, for similar activities designed to promote family self-sufficiency, one MTW agency reported only the number of participants, which is generally considered an output, and another agency did not provide any performance information. To be consistent with the GPRA Modernization Act of 2010 (GPRAMA), we noted that HUD’s guidance on reporting performance information should indicate the importance of outcome-oriented information.\textsuperscript{15}

Second, we reported in 2012 that HUD had not identified the performance data needed to assess the results of similar MTW activities across PHAs.

\textsuperscript{12}GAO-12-490.

\textsuperscript{13}GAO-13-581. This report also addressed HUD’s Resident Opportunity and Self-Sufficiency Service Coordinators program, which provides funding to hire service coordinators to assess the needs of public housing residents and coordinate available resources in the community to meet those needs. The report made two recommendations to HUD concerning this program, both of which have yet to be implemented (see app. I).

\textsuperscript{14}GAO-12-490.

Obtaining performance information from demonstration programs is critical, because the purpose of a demonstration is to test approaches to identify those that provide positive results. Since 2009 HUD had been requiring agencies to provide information on the impact of MTW activities, including benchmarks and metrics, in their annual MTW reports. We found that while these reports were informative, they did not lend themselves to quantitative analysis because the reporting requirements did not call for standardized data, such as the number of residents who found employment.

Further, we found that HUD had not established performance indicators for MTW. According to GPRAMA, federal agencies should establish efficiency, output, and outcome indicators for each program activity as appropriate. Federal internal control standards also require the establishment of performance indicators. As we noted in 2012, specific performance indicators for the MTW program could be based on the three statutory purposes of the program. For example, agencies could report on the savings achieved (reducing costs).

In light of these shortcomings, we recommended that HUD (1) improve its guidance to MTW agencies on providing performance information in their annual reports by requiring that such information be quantifiable and outcome oriented, (2) develop and implement a plan for quantitatively assessing the effectiveness of similar activities and the program as a whole, and (3) establish performance indicators for the program.

HUD subsequently implemented all three of these recommendations. Specifically, in May 2013 HUD revised the reporting requirements for MTW agencies and began requiring them to report quantifiable and outcome-oriented information on MTW activities. Also, in 2015 HUD developed a five-step plan to quantitatively assess both the effectiveness of similar activities across agencies and the program as a whole. According to this plan, HUD will assign standard metrics for all of the implemented and proposed activities of each MTW agency and ensure

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16GAO-12-490.


that agencies conducting similar activities report annually on the same set of metrics. HUD has taken steps to implement this plan by, for example, issuing guidance to MTW agencies on how to assign the metrics to activities. Additionally, in 2013 HUD established standard measures that correlate with each of the statutory objectives of the MTW program. For each measure, HUD will be able to calculate quantitative results for the program as a whole and determine whether they are positive, neutral, or negative.

Finally, we indicated in our 2012 report that while HUD had identified some lessons learned on an ad hoc basis, it did not have a systematic process in place for identifying them. As previously noted, obtaining impact information from demonstration programs is critical. Since 2000, HUD had been identifying some activities that could be replicated by other PHAs. For example, a HUD-sponsored contractor developed five case studies to describe issues and challenges involved in implementing MTW. However, these efforts had shortcomings. In most cases, the lessons learned were chosen based on the opinions of HUD or contracted staff and largely involved anecdotal (or qualitative) data rather than quantitative data. We reported in 2012 that because HUD had not developed criteria and a systematic process for identifying lessons learned, HUD was limited in its ability to promote useful practices for broader implementation. We recommended that HUD create a process to systematically identify lessons learned. HUD agreed and in response stated that once its revised reporting requirements were implemented, the resulting data would inform an effort to establish lessons learned. As of June 2015, HUD had provided information on the steps it will take to systematically identify promising practices. We are in the process of reviewing this information to determine if it fully satisfies our recommendation.

19 GAO/PEMD-95-1.
In a July 2013 report, we found that the number of families participating in HUD’s FSS program could not be reliably assessed. According to HUD guidance, PHAs that received FSS grants were required to update information about each participating family at least annually. As a part of these updates, PHAs were expected to indicate whether the family was actively participating in or had exited the program. For those families that had exited the program, PHAs were required to indicate whether they had completed the program or stopped participating for other reasons. In general, PHAs were to report these data using HUD’s Public and Indian Housing Information Center (PIC) system.

We found that many PIC records lacked information on when and why the participating family exited the FSS program before completion. For example, while HUD’s PIC data indicated that 14,690 families began participating in the FSS program in fiscal year 2006, data on exits for the 5-year program were missing for nearly half of these families. According to HUD officials with responsibility for implementing the FSS program, the records could have been incomplete or incorrect for several reasons. For example, if a participating family had left public housing or the voucher program, the responsible PHA might not have updated the FSS portion of PIC to reflect the departure. The officials also told us that no HUD staff had been given specific responsibility for monitoring the completeness of participants’ records in PIC. We determined that not analyzing the extent to which PHAs had reported required data limited HUD’s ability to effectively oversee the program.

During our work for the July 2013 report, we also noted that HUD required PHAs to enter summary output and outcome data annually in a spreadsheet-based reporting tool. These data were to include, among other things, the number of households that had increased their incomes or moved to nonsubsidized housing and the number of residents that had obtained high school diplomas. However, we found that PHAs also had not consistently reported such information, a condition that was exacerbated by a lack of program-specific reporting guidance. Further, we found that HUD lacked a strategy for using the data it collected on the FSS program, whether through PIC or its spreadsheet-based reporting tool. Internal control standards underline the importance not only of

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20 GAO-13-581.
collecting but also using information to achieve programmatic goals—in this case, helping families increase self-sufficiency.

To address limitations in HUD’s oversight of the FSS program, we recommended that HUD develop and implement a process to better ensure that data on FSS participant grants were complete.\textsuperscript{21} We stated that such a process should include steps to identify missing data and the reasons for the omissions and to help ensure that the data were complete. HUD agreed with this recommendation and in May 2014 implemented modifications to the PIC system. According to HUD, the modifications established a system of checks within PIC that would alert PHA users if the information they submitted was incomplete or appeared to be incorrect. In June 2015, HUD reported that between June 2014 and May 2015 the new system had generated 36,802 alerts notifying PHAs that they needed to correct their information before resubmitting it to HUD. According to HUD, the agency also has taken initial steps to improve its spreadsheet-based tool and prevent PHA users from submitting incomplete data. HUD officials told us that they would provide documentation of PHAs’ use of the tool and HUD’s analysis of the data collected by July 30, 2015. While HUD’s actions to date appear to be broadly consistent with our recommendation, we will determine whether HUD has satisfied our recommendation after we obtain and review this documentation.

While acknowledging the difficulty of determining the outcomes of self-sufficiency activities, our July 2013 report concluded that HUD could have done more to review participant accomplishments across programs. To improve what is known about and better inform Congress on residents’ progress towards self-sufficiency, we recommended that HUD develop and implement a strategy for regularly analyzing FSS participation and outcome data. We noted that such a strategy could include identifying PHAs from which lessons could be learned as well as PHAs that might need assistance improving completion rates or outcomes. HUD agreed with this recommendation, and in March 2014 the agency established criteria for identifying high-performing and poorly performing FSS grantees using data from PIC. According to HUD, the agency will annually

\textsuperscript{21}Federal internal control standards state that transactions should be promptly recorded to maintain their relevance and value to management, and HUD’s own reporting guidance also directs grant recipients to record program start dates, exit dates, reasons for exiting the program prior to completion, and completion dates.
assess changes in earned income and FSS program graduation rates, among other factors. In June 2015, HUD stated that it would provide documentation of the use of the criteria to identify high-performing and poorly performing FSS grantees. We will determine whether HUD has fully implemented our recommendation when we receive this documentation.

In our March 2012 report, we identified several options that, if implemented effectively, could reduce voucher program costs or allow PHAs to assist additional households. First, improved information on the level of subsidy reserves that housing agencies should maintain could aid budget decisions and reduce the need for new appropriations. Second, agency officials have noted that the voucher program’s requirements are complex and burdensome and that streamlining these requirements could reduce costs. Finally, changing the method for calculating households’ payments toward rent—known as rent reform—and consolidating voucher administration under fewer housing agencies could also reduce program costs. These options involve difficult policy decisions that will affect some of the most vulnerable members of the population and alter long-standing program priorities and practices. Our 2012 report made recommendations to HUD that pertain to the subsidy reserve and administrative streamlining options we identified.

As we reported in March 2012, improved information on the level of subsidy reserves PHAs should maintain could aid budget decisions and reduce the need for new appropriations. PHAs had accumulated subsidy reserves—that is, unspent funds—that Congress could use to (1) reduce program appropriations through a rescission and offset and potentially meet other needs or (2) direct HUD to assist more households. PHAs may under-lease or receive more funding than they can spend in a year. Unless rescinded and offset, PHAs can accumulate unused subsidy funding in reserve accounts held by HUD and spend it for authorized

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22See GAO-12-300. We also discussed steps Congress and HUD had already taken to manage cost increases. For example, in 2003, Congress changed the voucher program’s funding formula to tie renewal funding for vouchers to actual costs and leasing rates, rather than the number of authorized vouchers (used or unused).

23A rescission is legislation enacted by Congress that cancels the availability of previously enacted budget authority before it would otherwise expire.
expenses in future years. HUD has requested the authority to offset and, in some cases, redistribute “excess” reserves—those beyond what is needed to fund defined contingencies. But HUD has not developed specific or consistent criteria defining what constitutes excess reserves or how it would redistribute funding among PHAs.

In our March 2012 report, we concluded that providing Congress with better information on subsidy reserves could help ensure that disbursed funds would be used to assist households rather than remain unused. This assessment was consistent with the results of previously issued work, in which we concluded that agency reporting about key areas such as financial management or program reforms should inform congressional decision making. We recommended in our 2012 report that HUD provide information to Congress on (1) the estimated amount of excess subsidy reserves and (2) criteria for redistributing excess reserves among PHAs, while also determining a level of subsidy reserves PHAs should retain on an ongoing basis to effectively manage their voucher programs. HUD neither agreed nor disagreed with our recommendations. HUD officials subsequently told us that, upon request, they provide information to congressional appropriators on subsidy reserve levels, including balances above certain minimum reserve levels. However, HUD has not yet determined what level of subsidy reserves PHAs should retain or provided Congress with criteria for redistributing excess reserves. As a result, we consider these recommendations to not be implemented.

### Administrative Reforms Could Streamline Burdensome Requirements and Reduce Costs

As we indicated in our March 2012 report, in various budget requests for 2004 through 2012 HUD requested the authority to put in place reforms that could decrease voucher program subsidy costs, administrative costs, or both. These reforms include streamlining complex and burdensome requirements and improving the delivery and oversight of rental assistance.

We recommended in our March 2012 report that HUD consider proposing to Congress options for streamlining and simplifying the administration of the voucher program and making corresponding changes to the administrative fee formula to reflect any new or revised administrative

We stated that such proposals should be informed by the results of HUD’s administrative fee study and the experience of the MTW program. HUD neither agreed nor disagreed with our recommendation. However, consistent with our recommendation, in the President’s budgets for fiscal years 2013-2016, HUD proposed a number of statutory changes to streamline administrative requirements for the voucher program. In addition, in January 2015 HUD published a proposed rule that included a number of program and administrative simplification measures for the voucher program. For example, the proposed rule includes a provision that would permit PHAs to conduct streamlined annual reexaminations for families with fixed incomes. According to HUD, the department will publish a final rule no later than December 2015. Further, in April 2015 HUD released its voucher program administrative fee study. The study found that the current administrative fee funding did not fully cover the amount needed to effectively and efficiently administer the voucher program. HUD has indicated that it plans to commence work on developing a proposed rule for a new administrative fee formula based on the findings of the study. On the basis of HUD’s actions, we consider our recommendation to be implemented.

Rent Reform and Consolidation Could Reduce Costs or Increase Households Served, but Both Actions Involve Trade-offs

As we indicated in our March 2012 report, changes to the calculation of households’ payment toward rent (rent reform) and the consolidation of voucher administration under fewer PHAs could yield substantial cost savings, allow PHAs to serve additional households if Congress were to reinvest annual cost savings in the voucher program, or both. Furthermore, these options are not mutually exclusive—that is, the cost savings are not exclusive of each other.

25 In that report, we noted that efforts to identify specific reforms were in line with the goals of the Government Performance and Results Act of 1993 (GPRA), which Congress enacted in part to inform its decision making by helping to ensure that agencies provided objective information on the relative effectiveness and efficiency of their programs and spending. GPRA, § 2(b)(5). The GPRA Modernization Act of 2010 updated the federal government’s performance measurement framework established in GPRA.

26 80 Fed. Reg. 423 (Jan. 6, 2015). In part, the proposed measures are pursuant to authorization provided by Congress in the Consolidated Appropriations Act, 2014. For example, see Pub. L. 113-76, Division L, § 220, 128 Stat. 630 (2014) (authorizes PHAs to inspect voucher units not less than biennially rather than annually).

savings or additional households served could be greater if both options were implemented.

We found that because about 90 percent of voucher program funds are used to pay subsidies, decreasing the subsidy, which would increase the household contribution toward rent, would yield the greatest cost savings. Our March 2012 report estimated the effect of several options that changed either the minimum rents households were required to pay or used different formulas for calculating required household payments. In identifying and assessing these options, we reviewed proposals included in draft legislation and reports from HUD, the Congressional Budget Office, and housing industry groups. We also considered changes certain PHAs had implemented. We estimated the effect—both in terms of cost savings and the additional households that could be served if Congress chose to reinvest the savings in the program—of requiring assisted households to pay

- higher minimum rents (ranging from $50 to $300),
- 35 percent of their adjusted income in rent,
- 30 percent of their gross income in rent (with no adjustments), or
- a percentage of the applicable fair market rent.

For example, increasing minimum rents to $75 would yield an estimated $67 million in annual cost savings or allow PHAs to serve an estimated 8,600 additional households. Requiring assisted households to pay 30 percent of their gross income (rather than income adjusted for certain deductions and exclusions) in rent would yield an estimated annual savings of $513 million or allow PHAs to serve an estimated 76,000 additional households, based on household characteristic and rent data as of December 2010. A rent structure based on gross income would eliminate the deductions and exclusions that households currently may claim. Simplification of the rent calculation could also reduce the potential for improper payments resulting from program administrator rent calculation errors.

While each of these options could reduce costs or create administrative efficiencies, each also involves trade-offs that should be considered before any changes are implemented. Under each option, some households would have to pay more in rent than they currently pay. Setting a minimum rent of $75 would increase the rent for 11 percent of
assisted households, and requiring households to pay 30 percent of gross income would increase the rent for 86 percent of households. The options also would have varying effects on different types of households, such as families with children, persons with disabilities, and the elderly. We also noted disparities by geographic area, such as high-cost versus low-cost rental markets. For example, setting household rental payments based on a percentage of the applicable fair market rent would place greater burdens on households in high-cost areas.

Finally, our March 2012 report found that consolidating voucher program administration under fewer PHAs could yield a more efficient oversight and administrative structure and cost savings for HUD and PHAs. HUD spends considerable resources in overseeing the more than 2,400 PHAs that administer the voucher program. According to a 2008 HUD study, the department dedicated from more than half to two-thirds of its oversight resources to PHAs that administered 400 or fewer vouchers and 10 percent of all units. According to agency officials, consolidating voucher administration under fewer agencies would decrease HUD’s oversight responsibilities.

In our March 2014 report on tribal housing challenges, we found that Indian tribes and TDHEs participating in the IHBG program faced both external and internal challenges in carrying out affordable housing activities. Some of the challenges that tribes faced included the following:

- **Remoteness and lack of adequate infrastructure.** Many of the tribal housing officials we interviewed told us that tribes’ remote locations or lack of adequate infrastructure to support housing led to higher development costs. For example, one Arizona tribe saw its costs double because materials had to be brought in by helicopter. Officials from a Nevada tribe told us that the tribe’s land base was undeveloped, requiring the tribe to invest resources to put infrastructure in place before building homes for tribal members.

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28 Across all the scenarios we considered, we estimated that from 2 to 92 percent of households would experience an increase in their monthly payment. Setting a minimum rent of $50 would affect the fewest households and increasing rent to 35 percent of adjusted income would affect the most.

29 GAO-14-255.
According to the officials, sewer pipes in one of the tribe’s communities were failing and in need of upgrades. The officials added that another community had significant bedrock that likely would require blasting before infrastructure could be added to the area, and the nearest main road was 5 miles away.  

- **Differing federal environmental review requirements.** NAHASDA regulations state that the environmental effects of activities carried out with assistance from the program must be evaluated in accordance with the National Environmental Policy Act of 1969 (NEPA), as amended (42 U.S.C. §§ 4321-4347), and related authorities. Under NEPA, agencies evaluate the likely environmental effects of projects they are proposing using an environmental assessment or, if the project is more likely to significantly affect the environment, a more detailed environmental impact statement. When tribes combine IHBG and other federal funds on a project—something NAHASDA allows—they must follow each agency’s particular NEPA requirements. IHBG recipients identified mandatory environmental reviews as an area in which differing federal agency requirements contributed to project delays and increased costs when IHBG and other funds were combined. We concluded that a coordinated environmental review process for tribal housing similar to one proposed for water and wastewater projects by a federal infrastructure task force would address the issue.

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31. Under NAHASDA regulations, an Indian tribe may choose to assume environmental review responsibilities. Should a tribe decline to accept the responsibilities, HUD will perform the environmental review. In general, a HUD environmental review must be completed for any NAHASDA-assisted activity before a recipient may acquire, rehabilitate, convert, lease, repair, or construct property. Should a tribe assume environmental review responsibilities, no funds may be committed to a grant activity before the tribe’s completion of the environmental review, HUD’s approval of the request for release of funds, and certification by a certifying officer of the tribe that the tribe, among other things, has fully carried out its environmental review responsibilities.

32. While this practice, known as leveraging, provides recipients with additional funding to meet their housing needs, it can also trigger a complicated and costly exercise for them.
of costly multiple reviews.\textsuperscript{33} We recommended that to increase consistency and reduce time and cost for IHBG recipients HUD, the U.S. Department of Agriculture, the Department of the Interior, and the Indian Health Service should initiate an interagency effort to develop and implement a coordinated environmental review process for all agencies overseeing tribal housing development. We suggested that the agencies determine if designating a lead agency would be appropriate. HUD agreed with the recommendation. In June 2015, HUD told us it would continue collaborating with the other agencies to develop a coordinated environmental review process that would simplify efforts to develop tribal housing.\textsuperscript{34} HUD said that the collaborating agencies hoped to have some recommendations on the process by September 2015.

- **Potential reduction in training opportunities and program support.** In fiscal year 2012, HUD instituted new training and technical assistance procedures according to revised language in the NAHASDA appropriation legislation. These procedures changed both the way that HUD made funds available to provider organizations and IHBG recipients’ options for requesting training and technical assistance. Specifically, Congress stopped appropriating a set-aside to the National American Indian Housing Council (NAIHC)—which had previously served as the primary provider of external training and technical assistance to IHBG recipients—and directed HUD to provide grants on a competitive basis to national and regional organizations.\textsuperscript{35} Also, as a result of the changes, recipients can no longer contact NAIHC directly to set up training as they had before, but instead must go through HUD. Some IHBG recipients were skeptical about changes that reduced NAIHC’s role. We found that HUD was soliciting feedback to assess the provision of training and technical assistance, but only from tribes that were already using the new procedures. We

\textsuperscript{33}The federal infrastructure task force we referred to in the 2014 report includes the Alaska Native Tribal Health Consortium, the Department of the Interior’s (Interior) Bureau of Reclamation, the Environmental Protection Agency, HUD, the Indian Health Service (IHS), and the U.S. Department of Agriculture (USDA).

\textsuperscript{34}IHS and Interior also concurred with our recommendation regarding interagency coordination on environmental reviews for tribal housing. USDA did not provide a written response but did not disagree with the recommendation.

\textsuperscript{35}Until fiscal year 2012, Congress appropriated approximately $2 million to $3.5 million annually as part of a set-aside in the NAHASDA appropriation to NAIHC.
concluded that a more comprehensive approach would include input from tribes that had not yet used HUD’s new procedures so that their concerns could be addressed. Additionally, we found that HUD had not shared promising housing practices across grant recipients in an easily accessible manner. We recommended that HUD (1) expand its training feedback mechanism to include input from recipients that had not yet used the new procedures, and (2) collect and disseminate promising approaches that recipients had used to address housing challenges. HUD disagreed with the first recommendation, noting that it already had a fully functioning feedback mechanism for training and technical assistance. However, HUD subsequently outlined actions it had taken to broaden its solicitation of input from IHBG recipients through various outreach efforts, including events attended by tribal housing officials. HUD has also developed a location on its website that collects and disseminates best practices on housing development to tribes, TDHEs, and the general public. As a result, we consider both recommendations to be implemented.

As we and HUD’s Inspector General have found in previously issued work, PIH faces a number of ongoing program management challenges. Among these are reducing improper rental subsidy payments (over- and underpayments), preserving and improving affordable federally assisted rental properties, and overseeing the performance of PHAs.

- **Reducing improper rental subsidy payments.** HUD’s rental assistance programs, which include public housing and voucher programs, are among the programs at risk of having significant improper payments. As we found in a 2005 report, HUD initiated the Rental Housing Integrity Improvement Project in 2001 to address this problem, which stems in part from tenant underreporting of income. Under this effort, HUD has provided PHAs with fraud detection tools, such as the Enterprise Income Verification system, which makes tenant income and wage data available to PHAs. According to HUD

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36 In prior work, we found that collaboration among entities with a common goal is most effective when mechanisms such as a means of collecting input from all stakeholders are in place. See GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, GAO-12-1022 (Washington, D.C.: Sept. 27, 2012).

annual financial reports, steps taken by the agency reduced estimated improper rental assistance payments for the public housing and voucher programs from $2.4 billion in 2000 to $0.66 billion in 2010. HUD’s most recent estimate, which applies to payments made in 2013, was $0.79 billion. Further reducing the amount of net overpayments could allow HUD to assist additional households but will require sustained management attention.

- **Preserving and improving affordable federally assisted rental properties.** A 2010 report by a HUD contractor estimated that the existing capital needs for public housing totaled $26 billion and that approximately $3.4 billion in ongoing capital needs would accrue annually.\(^{38}\) Congress provided nearly $4 billion in funds under the American Recovery and Reinvestment Act of 2009 to help PHAs address the backlog of capital projects, and we reported several times between 2009 and 2012 on how PHAs were using these funds to rehabilitate and modernize public housing.\(^{39}\) However, a substantial backlog of public housing capital projects remains. To address this backlog and improve the condition of public housing, the Rental Assistance Demonstration (RAD) program was created in 2011. RAD allows PHAs to convert units subsidized under the public housing program to long-term (typically 15 to 20 years), project-based voucher or rental assistance contracts.\(^{40}\) In addition, RAD gives owners of properties receiving rental assistance under three HUD “legacy” programs the opportunity to enter into long-term contracts that facilitate the financing of improvements.\(^{41}\) Over the next several years, rental assistance contracts will expire for about 38,000 affordable housing units currently subsidized through these legacy programs.

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\(^{40}\)Project-based vouchers tie the assistance to the property—and preserve the property’s long-term affordability—because residents with project-based vouchers can benefit from the subsidy only if they remain in the specific unit.

\(^{41}\)The three programs are the Rent Supplement, Rental Assistance Payment, and Moderate Rehabilitation programs. These programs are referred to as “legacy” programs because the contracts were entered into in the 1960s, 1970s, and 1980s, and no new contracts can be authorized under the programs.
Absent new contracts, owners of these units will no longer be required to maintain affordable rents or make their units available to low-income residents. Property owners and PHAs (for the public housing program) can leverage the subsidy payments under the newly converted contracts to raise capital through private debt and equity investments to make improvements. In an April 2014 report, we found that HUD had developed an effective process for converting units subsidized under the legacy programs to project-based vouchers under RAD.\(^{42}\) Continued HUD oversight of program implementation will be key to ensuring that RAD achieves its property preservation and improvement objectives.

- **Overseeing PHA performance.** PIH has faced challenges in overseeing the performance of PHAs that receive HUD funds to operate the public housing and voucher programs. HUD uses a rating tool called the Public Housing Assessment System to evaluate the overall condition of PHAs and measure their performance in several areas, including physical condition, financial condition, and management operations. Additionally, HUD uses its Section Eight Management Assessment Program to measure the performance of PHAs that administer the voucher program. PHAs that perform poorly on these assessments may be designated as "troubled," triggering enhanced HUD oversight. Further, HUD has the authority to place PHAs with severe, persistent management problems under administrative receivership. Our prior work and work conduct by HUD’s Inspector General have illustrated the types of challenges HUD has faced in carrying out these oversight responsibilities. For example, as we found in a 2009 report, the Public Housing Assessment System was not intended to identify inappropriate uses of public housing funds and was limited in its ability to detect potential mismanagement.\(^{43}\) Additionally, in a 2012 report, HUD’s Inspector General found that HUD had not developed adequate controls to

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\(^{43}\)GAO, *Public Housing: HUD’s Oversight of Housing Agencies Should Focus More on Inappropriate Use of Program Funds*, GAO-09-33 (Washington, D.C.: June 11, 2009). In this report, we recommended that HUD (1) regularly summarize and evaluate the results of audits of PHAs to identify common problems, monitor emerging issues, and evaluate overall monitoring and oversight processes; and (2) develop mechanisms—such as financial indicators—and use them as part of its ongoing monitoring and review of housing agencies’ use of public housing funds. HUD implemented these recommendations.
ensure that the Section Eight Management Assessment Program was effective in identifying underperforming PHAs. That same year, the Inspector General found that HUD did not effectively oversee and manage the administrative receivership of the East St. Louis Housing Authority. The large number of PHAs nationwide (about 3,300) and the significant physical and financial challenges some of them face highlight the importance of effective HUD oversight of these housing agencies.

In conclusion, our reviews of public and Indian housing programs since 2012 have identified a number of areas in which PIH could strengthen its program assessments, increase efficiencies, and enhance collaboration efforts. HUD has made progress in implementing some of our recommendations, but additional actions are needed to address others. We look forward to continuing to work with this committee in overseeing PIH and other HUD programs to ensure that they are operating in the most effective and efficient manner. As you know, we are conducting ongoing work for this committee examining broad management issues at HUD, including risk management and program oversight and evaluation, that may further address some of the topics I have discussed today.

Chairman Luetkemeyer, Ranking Member Cleaver, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to respond to any questions that you may have at this time.

44HUD, Office of Inspector General, The Section Eight Management Assessment Program Lacked Adequate Controls To Accomplish Its Objective, 2012-AT-0001 (Atlanta, Ga.: Aug. 3, 2012). The Inspector General recommended that HUD develop and implement improved controls over the Section Eight Management Assessment Program as it currently existed and improve its controls over how field offices performed program requirements. HUD has implemented these recommendations.

45HUD, Office of Inspector General, HUD Did Not Effectively Oversee and Manage the Receivership of the East St. Louis Housing Authority, 2012-KC-0003 (Kansas City, Kans.: September 5, 2012). The Inspector General recommended that HUD develop and implement a receivership plan for the Authority that included sufficient assessments, decision points, measurable goals, and accountability mechanisms; improve its structure for managing receiverships; permanently fill the director position within the Office of Receivership Oversight; and develop adequate accountability mechanisms for HUD staff whose primary responsibilities involved receiverships. HUD has implemented the last three of these recommendations. According to the Office of Inspector General, action on the first recommendation has been suspended pending the outcome of a legal action.
For further information about this testimony, please contact me at 202-512-8678 or garciadiazd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Steve Westley, Assistant Director; Don Brown, Analyst-in-Charge; Bernice Benta-Jackson; Emily Chalmers; Andy Finkel; Tarek Mahmassani; Cory Marzullo; John McGrail; Lisa Moore; Josephine Perez; Paul Schmidt; and Paige Smith.
Appendix I: Content and Status of Relevant GAO Recommendations

The following table summarizes the status of our prior recommendations to the Department of Housing and Urban Development (HUD) from our April 2012, July 2013, March 2012, and March 2014 reports that discuss Office of Public and Indian Housing (PIH) programs. We classify each recommendation as either open (the agency has either not taken or completed steps to implement the recommendation) or implemented. The recommendations are listed by report.

<table>
<thead>
<tr>
<th>Table 1: Status of Recent GAO Recommendations Concerning PIH, June 2015</th>
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<tr>
<td><strong>Product</strong></td>
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<tr>
<td>GAO-12-490: Moving to Work Demonstration: Opportunities Exist to Improve Information and Monitoring (April 2012)</td>
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<td>To better inform Congress and improve what is known about residents’</td>
<td>participation in key grant programs designed to facilitate resident self-sufficiency, and their progress towards self-sufficiency, the Secretary of the Department of Housing and Urban Development should develop and implement a strategy for regularly analyzing FSS participation and outcome data; such a strategy could include identification of public housing agencies (PHA) from which lessons could be learned and PHAs that may need assistance improving completion rates or outcomes.</td>
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<td>To better inform Congress and improve what is known about residents’</td>
<td>participation in key grant programs designed to facilitate resident self-sufficiency, and their progress towards self-sufficiency, the Secretary of the Department of Housing and Urban Development should develop and implement a strategy for regularly analyzing ROSS SC participation and outcome data; such a strategy could include identification of PHAs from which lessons could be learned and PHAs that may need assistance improving participation rates or outcomes.</td>
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<td>GAO-12-300: Housing Choice Vouchers: Options Exist to Increase Program</td>
<td>Efficiency (March 2012)</td>
<td>Open</td>
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<td>To help reduce voucher program costs or better ensure the efficient use of voucher program funds, the HUD Secretary should provide information to Congress on housing agencies’ estimated amount of excess subsidy reserves. In taking these steps, the Secretary should determine a level of subsidy reserves housing agencies should retain on an ongoing basis to effectively manage their voucher programs.</td>
<td>Implemented</td>
<td></td>
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<tr>
<td>Further, the Secretary should consider proposing to Congress options for streamlining and simplifying the administration of the voucher program and making corresponding changes to the administrative fee formula to reflect any new or revised administrative requirements. Such proposals should be informed by results of HUD’s ongoing administrative fee study and the experience of the MTW program.</td>
<td>Implemented</td>
<td></td>
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<tr>
<td>GAO-14-255: Native American Housing Assistance and Self-Determination Act</td>
<td>of 1996 (NAHASDA) grant recipients, an interagency effort similar to that of the federal infrastructure task force but specific to tribal housing should be initiated with participants from Indian Health Service, HUD, Department of the Interior, and the U.S. Department of Agriculture to develop and implement a coordinated environmental review process for all agencies overseeing tribal housing development. In addition, the agencies should determine if it would be appropriate to designate a lead agency in this effort.</td>
<td>Open</td>
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<tr>
<td>To better ensure that NAHASDA grant recipients receive adequate training, technical assistance, and support, as the Office of Native American Programs (ONAP) finalizes new training and technical assistance procedures for NAHASDA grant recipients, ONAP should expand its existing mechanism to seek and incorporate feedback and input from all recipients, including input from recipients that have not yet used the new procedures, in order to better ensure that its training and technical assistance procedures meet recipients’ needs.</td>
<td>Implemented</td>
<td></td>
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<tr>
<td>To better ensure that NAHASDA grant recipients receive adequate training, technical assistance, and support, ONAP should collect and disseminate promising approaches that recipients have used to address housing challenges.</td>
<td>Implemented</td>
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Source: GAO.
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