

GAO Highlights

Highlights of [GAO-17-725](#), a report to the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, Committee on Appropriations, U.S. Senate

Why GAO Did This Study

RHS provides about \$1.4 billion annually in rental subsidies to owners of multifamily housing for more than 270,000 low-income rural households. RHS's agreements with property owners provide rental assistance payments estimated to last 1 year. In fiscal years 2013–2015, RHS was unable to renew all its agreements because it ran out of funds. For example, in fiscal year 2015, the funding gap was about \$97 million. As a result, some property owners' rental assistance payments were delayed.

GAO was asked to examine the reasons why RHS ran out of funds and how RHS plans to improve its budget requests. This report examines (1) reasons RHS ran out of funds for renewing rental assistance agreements in fiscal years 2013–2015 and how it responded, and (2) what RHS has done to help prevent future funding gaps and the extent to which it has addressed related budgetary issues. GAO analyzed RHS budget and rental assistance data for fiscal years 2011–2016, reviewed RHS policies and procedures, and interviewed RHS national office officials and staff from 15 (of 47) randomly selected state offices.

What GAO Recommends

GAO recommends that RHS develop plans for testing rental assistance estimation methods, develop estimation controls, create controls to ensure use of appropriate assumptions in budget requests, and provide guidance on reviews of rental assistance renewals. RHS did not comment on GAO's recommendations.

View [GAO-17-725](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov.

RURAL HOUSING SERVICE

Additional Actions Would Help Ensure Reasonableness of Rental Assistance Estimates

What GAO Found

An interplay of three primary factors contributed to the funding gaps that the rental assistance program of the U.S. Department of Agriculture's Rural Housing Service (RHS) faced in fiscal years 2013–2015:

- **Fiscal year 2013 sequestration and rescissions.** An across-the-board cancelation of budgetary resources in March 2013 decreased the program's approximately \$907 million budget by about \$70 million.
- **Unreliable methods for estimating rental assistance costs.** RHS used a state-wide, per-unit average cost to calculate rental assistance agreement amounts. This resulted in some properties receiving more funds than needed, tying up funds that could have been used for other properties.
- **Limited management flexibility.** RHS had limited ability to adjust its program management to help prevent funding gaps. For example, RHS does not have authority to fund agreement renewals for less than 1 year.

RHS took steps to mitigate the effects of the funding gaps on property owners, but some had negative consequences. For example, to cover fiscal year 2014–2015 gaps, RHS used unexpended rental assistance funds from properties that had exited the program. But, as a result, the program lost the associated rental assistance units and RHS could not re-assign the units to other properties.

RHS has taken steps under its existing authorities to help prevent future funding gaps but lacks certain plans and controls to help ensure its estimates of rental assistance costs are reasonable. In fiscal year 2016, RHS began using a new cost model integrated with its program information system that more accurately estimates rental assistance agreement renewals. For instance, the model estimates renewal costs based on property-level data rather than state-wide averages. RHS also began including estimates of agreements that would need two renewals in the same fiscal year (a number of which are to be expected) in budget requests. But, GAO found weaknesses in aspects of RHS's budget estimation and execution of rental assistance. Specifically, RHS:

- does not have a plan for ongoing monitoring or testing of the new estimation method. Federal internal control standards call for management to establish monitoring activities and evaluate results.
- lacks controls to detect misestimates of rental assistance, a problem RHS experienced during early use of the model. Federal internal control standards call for control activities for information systems to respond to risks.
- has not used the appropriate inflation rates in its budget estimates since fiscal year 2009. Office of Management and Budget guidance states budgets should be consistent with the economic assumptions it provides.
- has not provided staff guidance on their responsibilities for determining whether properties' rental assistance should be renewed. Federal internal control standards call for documenting responsibilities through policies.

The weaknesses may exist partly because RHS continues to refine its estimation method, which has been in effect for about 2 years. By addressing them, RHS would have greater assurance that it will develop the best possible estimates.