



Highlights of [GAO-05-1027T](#), a testimony before the Subcommittee on Federal Financial Management, Government Information, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In fiscal year 2003, the Department of Housing and Urban Development (HUD) paid about \$28 billion to help some 5 million low-income tenants afford decent rental housing. HUD has three major programs: the Housing Choice Voucher (voucher) and public housing programs, administered by public housing agencies, and project-based Section 8, administered by private property owners. As they are every year, some payments were too high or too low, for several reasons. To assess the magnitude and reasons for these errors, HUD established the Rental Housing Integrity Improvement Project (RHIP). This testimony, based on a report issued in February 2005, discusses the sources and magnitude of improper rent subsidy payments HUD has identified and the steps HUD is taking to address them.

What GAO Recommends

In its report, GAO made recommendations designed to improve HUD's oversight of the process for determining rental subsidies in its housing assistance programs. GAO also recommended that HUD study the potential impacts of alternatives for simplifying the rent determination process. HUD agreed with GAO's recommendations to improve its program oversight but said that the report did not fully present the significance and impact of HUD's efforts under RHIP.

www.gao.gov/cgi-bin/getrpt?GAO-05-1027T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David G. Wood at (202) 512-8678 or WoodD@gao.gov.

HUD RENTAL ASSISTANCE

Progress and Challenges in Measuring and Reducing Improper Rent Subsidies

What GAO Found

HUD has identified three sources of errors contributing to improper rent subsidy payments: (1) incorrect subsidy determinations by program administrators, (2) unreported tenant income, and (3) incorrect billing. HUD has attempted to estimate the amounts of improper subsidies attributable to each source but has developed reliable estimates for only the first—and likely the largest—source. HUD paid an estimated \$1.4 billion in gross improper subsidies (consisting of \$896 million in overpayments and \$519 million in underpayments) in fiscal year 2003 as a result of program administrator errors—a 39 percent decline from HUD's fiscal year 2000 baseline estimate. GAO estimates that the amount of net overpayments could have subsidized another 56,000 households with vouchers in 2003.

HUD has initiated several efforts under RHIP to address improper subsidies in its public housing, voucher, and project-based Section 8 programs. Specifically, HUD has (1) stepped up monitoring of program administrators, (2) improved verification of tenants' incomes, and (3) provided guidance and training on program requirements to HUD staff and program administrators. These actions have strengthened HUD's oversight of the programs, despite some implementation problems and remaining challenges. For example, for the voucher and public housing programs, HUD field office staff completed about 1,100 Rental Integrity Monitoring reviews—that is, on-site assessments of public housing agencies' compliance with policies for determining rent subsidies—between 2002 and 2004. However, problems with a database containing information on these reviews prevented HUD from analyzing the results.

According to HUD, the complexity of existing policies contributes to the difficulties program administrators have in determining rent subsidies correctly. For example, program administrators must assess tenants' eligibility for 44 different income exclusions and deductions. However, simplification of these policies, which will likely require statutory changes by Congress, could affect many tenants' rental payments, with some tenants paying more and others paying less. HUD has considered various approaches to simplifying policies for determining rent subsidies, but it has not conducted a formal study to inform policymakers on this issue.