



Highlights of [GAO-05-224](#), a report to the Chairman, Subcommittee on Housing and Community Opportunity, Committee on Financial Services, House of Representatives

## 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 in 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). In response to a congressional request, GAO examined the sources and magnitude of improper rent subsidy payments HUD has identified and the steps HUD is taking to address them, including efforts to simplify the process of determining rent subsidies.

## What GAO Recommends

GAO makes recommendations designed to improve HUD's oversight of the process for determining rental subsidies in its housing assistance programs. GAO also recommends 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-05-224](http://www.gao.gov/cgi-bin/getrpt?GAO-05-224).

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](mailto: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 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 made several efforts under RHIP to address improper rent subsidies for its public housing and voucher programs. Rental Integrity Monitoring (RIM) reviews by HUD's field offices—on-site assessments of public housing agencies' compliance with policies for determining rent subsidies—are a key part of the initiative. However, GAO found that resource constraints and a lack of clear guidance from HUD headquarters hampered the reviews and that the field offices did not collect complete and consistent data, limiting HUD's ability to analyze and make use of the results. HUD has not incorporated RIM reviews into its routine oversight activities. HUD expects that a second effort, a Web-based tenant income verification system, will avoid an estimated \$6 billion in improper subsidies over 10 years, but the system is not yet fully implemented.

HUD has undertaken RHIP efforts for its project-based Section 8 programs but faces several challenges. HUD has improved its policies and guidance for property owners. The agency also plans to give owners access to the Web-based income verification system by the end of 2006. HUD plans to rely more extensively on contractors to monitor property owners' compliance with its policies for determining subsidies.

According to HUD, the complexity of the 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 will likely require statutory changes by Congress and affect the rental payments of many tenants. HUD is considering various approaches to simplifying policies for determining rent subsidies but has not conducted a formal study to inform policymakers on this issue.