



GAO

Accountability \* Integrity \* Reliability

---

United States Government Accountability Office  
Washington, DC 20548

March 10, 2005

The Honorable Russell T. Davis  
Administrator  
Rural Housing Service  
U.S. Department of Agriculture  
1400 Independence Avenue, SW  
Washington, D.C. 20250-1300

Subject: *Information Resource Management Internal Control Issues*

Dear Mr. Davis:

In a recently completed report for Chairman Robert W. Ney, we evaluated how the U.S. Department of Agriculture's (USDA) Rural Housing Service (RHS) makes eligibility determinations for its rural housing programs.<sup>1</sup> As part of that review, we used 2000 census data to determine the populations of the rural areas that received RHS housing program loans and grants. We obtained information on the RHS loans and grants provided to communities, from October 1998 through April 2004, from databases maintained by USDA's Information Resource Management (IRM) in St. Louis, Missouri. As with any system, the accuracy of the data and the process used for entry affects reliability and usefulness for management and reporting purposes. During our review, we identified several issues that raised concerns about the accuracy of the information in the IRM databases. For example, while we originally intended to geocode (that is, match) 5 years of the national RHS housing loan and grant portfolio to specific communities, the time needed to ensure the reliability of the data required us to limit much of our analysis to five states (Arizona, California, Maryland, Massachusetts, and Ohio).

This report is a follow-up on our report to Chairman Ney, and its purpose is to discuss the implications of the data issues for your management and reporting functions. In this report, we describe (1) the types of inaccuracies we encountered with the RHS data and (2) what, if any, reviews and systems controls are in place to detect or control database errors. We also make recommendations intended to improve the accuracy of RHS loan and grant databases.

---

<sup>1</sup>GAO, *Rural Housing: Changing the Definition of Rural Could Improve Eligibility Determinations*, [GAO-05-110](#) (Washington, D.C.: Dec. 3, 2004).

To meet these objectives, we contacted officials at RHS headquarters. In addition, we spoke with state office and St. Louis, Missouri IRM officials to discuss procedures used to record and check the information entered into the Dedicated Loan Origination and Servicing System, Guaranteed Loan System, and the Multifamily Housing Information System databases; reviewed RHS documents and plans regarding databases system improvements; and applied GAO's standards for internal control.

We conducted our review from November 2004 through January 2005 in accordance with generally accepted government auditing standards.

## **Results in Brief**

Our analysis of information in USDA's IRM loan and grant databases raised concerns about the accuracy of the databases. In reviewing 29,000 records for five states we found incorrect, incomplete, and inconsistent entries. For example, over 8 percent of the community names or zip codes were incorrect. Additionally, inconsistent spellings of community names distorted the number of unique communities in the database. More than 400 entries lacked sufficient information (i.e., street addresses, community names, and zip codes) that are needed to identify the community to which the loan or grant had been made. As a result, some communities served by RHS were double counted, others could not be counted, and the ability to analyze the characteristics of communities served was compromised.

Because data from these systems are used to inform Congress, senior agency management, and the public about the reach and effectiveness of RHS programs, eliminating erroneous data will help ensure that key decisions and analyses are reliably supported. However, we found RHS lacks appropriate reviews and database entry processes that could prevent or detect inaccurate or incomplete data in its normal course of business. For example, RHS does not have procedures for second-party review of the data in IRM systems. Moreover, while the databases have edit functions in place that are intended to prevent the entry of nonconforming data (such as the entry of a community name in a street address field), the functions are not preventing incorrect or incomplete entries.

## **Background**

The federal government has provided housing assistance to eligible residents of rural America since the 1930s. Over time, Congress has expanded the eligibility categories and changed population limits for determining what areas are eligible for the programs. Currently, the Housing Act of 1949, as amended, sets forth eligibility criteria requirements for rural housing programs. Communities with population levels up to 25,000 may be determined eligible, but as a community's population increases, the statute imposes additional requirements that include being "rural in character," having a serious lack of mortgage credit, or not being located in a metropolitan statistical area (a county or counties associated with a

core urbanized area of 50,000 or more people). RHS uses judgment to make decisions on what areas are “rural in character” and uses population as the primary factor in determining eligibility.

### **IRM Inaccuracies Include Incorrect or Incomplete Data Fields and Inconsistent Entry of the Same Data**

During our review of records for five states, we identified errors and inaccuracies that included incorrect, incomplete, and inconsistent entries. The level of inaccuracy in the records we reviewed raises questions about the accuracy of the IRM databases as a whole. For example, when we attempted to geocode the loans and grants on a nationwide basis, we found that about 7 percent of the community names or zip codes within the databases were incorrect, while about 8 percent were incorrect in the five states. Additional inaccuracies we identified included:

- Community names were not spelled uniformly throughout the databases. While many communities were identified consistently in the three different databases, in numerous instances the same community names had different spellings, and thus were counted multiple times. Initially, from 29,000 records, we identified 3,222 unique communities in the five states that received loans and grants. After we corrected for the variations in the names, the number of unique communities decreased by 208 to 3,014. If such inaccuracies occurred at the same rate for the rest of the states, RHS would be significantly overestimating the number of communities it served.
- In many cases, so little information was available that we were not able to identify the communities that had received loans or grants. Thus we could not identify recipients of more than 400 RHS loans or grants because the databases lacked information on the street address, name of community, and zip code. Since population is the primary factor in determining eligibility, questions arise as to how RHS management can evaluate eligibility decisions without sufficient information to identify the community where a loan or grant was made.
- In some cases the communities listed were not officially recognized as “places” by the Census Bureau (Census). According to Census, a “place” is a concentration of population either legally bounded as an incorporated place or delineated for statistical purposes as a Census-designated place. If the community listed is not a recognized “place,” RHS management would not have census information available to evaluate eligibility determinations. For example, Miller, Maryland, was listed in the RHS data as a community receiving a loan. However, an Allegany County (Maryland) Boards and Commission staff member stated that to the best of his knowledge, Miller was never a town, only a farm. We also found a listing for Central Valley, California, which

should have been listed as Shasta Lake, California—Central Valley has been part of the incorporated city of Shasta Lake, California, since 1993.

- Community names were sometimes listed in the wrong field. For example, in the Guaranteed Loan System database, we found the community name listed in the street address field for 73 loans or grants.

### **Improved Internal Control Would Allow RHS to Better Assess and Verify IRM Data**

On the basis of our review, we determined that RHS lacked sufficient internal control to ensure the accuracy of IRM data and to help decision makers reliably assess whether RHS is meeting its accountability goals and strategic and annual performance goals. According to GAO's *Standards for Internal Control in the Federal Government* and related documents, an agency's system of internal control should include appropriate measures designed to ensure the validity, accuracy, and completeness of the data in agency systems and that erroneous data are captured, reported, investigated, and promptly corrected.<sup>2</sup>

The controls that RHS has implemented to ensure the completeness and accuracy of its databases do not appear to be sufficient. According to one senior RHS administration official, entering correct loan and grant data at the field level has been a continuous and frustrating problem. The official noted that field staff responsible for entering data do not recognize the importance of uniformly recording correct and complete data. One agency control for helping to ensure that data are correct would be to include a second-party review of the data. However, RHS said that they do not have procedures requiring that the data entered into IRM systems at state and local levels undergo such a review.

Although there is no second-party review, according to USDA's Fiscal Year 2004 Annual Plan, the databases RHS uses do contain a variety of "edits" to minimize the risk of inaccurate data input. Staff in state offices we visited said that the types of errors we found would have been caught if the edit functions that are built into the systems had worked as intended. For example, we should not have found key fields left blank or street address information in the community field and vice versa. These officials agreed that the high number of nonconforming data entries we identified indicated that an assessment was needed, particularly to determine if the edit functions were not detecting the errors or if RHS staff were overriding the edits.

---

<sup>2</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-AIMD-00-21.3.1](#) (Washington, D.C.: November 1999) provides guidance to agencies to help them assess, evaluate, and implement effective internal controls that can be helpful in improving their operational processes and GAO, *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C., August 2001) assists agencies maintain or implement effective internal control and, when needed, helps them determine what, where, and how improvements can be made.

Since these data form the basis of information used to inform Congress (and the public) about the effectiveness of RHS programs, data accuracy is central to RHS program management and the ability of Congress and other oversight bodies to evaluate the agency and its programs. The agency has worked to improve its management information systems (e.g., since 2002, the agency has spent \$10.3 million to improve its management information systems including developing single and multifamily program data warehouses, which were designed to improve its reporting capabilities); however, the system still relies upon information collected and entered from state and local field offices. Unless steps are taken to ensure that the data entered into the systems are accurate, simply upgrading the systems will not result in correct information.

## **Conclusions**

In reviewing RHS data for selected states, we identified various errors that raise questions about the accuracy of the databases in their entirety. Although the agency is making efforts to improve its management information systems, our findings suggest additional measures could ensure more accurate data entry and reporting, particularly at the field level. In addition to improving the accuracy of the information, such an effort could ensure that RHS's investment in system upgrades would provide more meaningful and useful information to the agency, Congress, and the public.

## **Recommendations for Executive Action**

To improve data entry and accuracy and, in turn, better ensure accurate internal reporting and reporting to Congress, we recommend that the Administrator, RHS, take the following actions:

- Issue an Administrative Notice to field management and staff explaining how data are used for management and reporting purposes and advising them of the need to establish a second-party review to help ensure that data in the three IRM databases are accurate and complete.
- Require that each state office correct errors in existing information.
- Take corrective action to ensure that system edit functions are in place and properly functioning.

## **Agency Comments and Our Evaluation**

We provided a draft of this report to USDA for review and comment. The Acting Undersecretary for Rural Development wrote that USDA recognizes that accurate and complete loan and grant address data are a critical component and management resource for its single-family and multifamily housing programs and emphasized the importance of correctly inputting the initial address information for loans and grants in the IRM systems to ensure precision and uniformity. In

response to our recommendations, the Acting Secretary agreed to (1) issue an Administrative Notice to field management and staff explaining the importance of entering accurate and complete data into the three loan and grant databases and establishing a second-party review of address data input, where necessary; (2) correct existing address information identified as incorrect in the databases, if possible; and (3) where needed, enhance system edit functions so that input errors can be curtailed or eliminated (as budget resources permit).

We are pleased that USDA agrees with us on the importance of accurately entering loan and grant data and having effective system edit functions, as well as acting on our recommendations to achieve those goals. However, the qualifications used in the response raise some concerns. First, GAO's internal control standards require that design features contribute to data accuracy and that erroneous data are captured, reported, investigated, and promptly corrected. Until USDA can demonstrate that its edit functions or other data entry design features can ensure the accuracy and completeness of the data in the IRM databases, second-party review would be necessary. Second, based on our assessment of the problems with the data systems, it does not appear to us that fixing them as recommended should require a significant level of additional resources. USDA's complete written comments appear in the enclosure.

- - - - -

We are sending copies of this report to the Chairman, Subcommittee on Housing and Community Opportunity, House Committee on Financial Services, and other interested congressional parties. We will make copies available to others upon request. This report will also be available at no charge on GAO's Web site at <http://www.gao.gov>.

This report was prepared under the direction of Andy Finkel, Assistant Director. Other major contributors included Mark Egger, Richard LaMore, Barbara Roesmann, and Thomas Taydus. If you have any questions about this report, please contact me at [shearw@gao.gov](mailto:shearw@gao.gov) or Andy Finkel at [finkela@gao.gov](mailto:finkela@gao.gov) or either of us at (202) 512-8678.

Sincerely yours,



William B. Shear  
Director, Financial Markets and  
Community Investments

Enclosure

Comments from the Department of Agriculture



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20250

FEB 25 2005

William B. Shear  
Director, Financial Markets and Community Investment  
United States Government Accountability Office  
441 G Street, NW  
Room 2A10  
Washington, DC 20548

Dear Mr. Shear:

Thank you for providing the United States Department of Agriculture (USDA), Rural Development, with your draft report entitled Information Resource Management Internal Control Issues, Report Number GAO-05-288R. For your consideration, Rural Development offers the following comments on the draft report and requests that a copy of these comments be included in your final report.

The draft report indicates that Rural Development's data systems were difficult to use for geocoding information. The systems Rural Development uses for its loan and grant databases capture basic address information, like street address, town or city, and zip code. Historically, the address information has been used for certain reporting and mailing purposes. The purpose of the address information in the systems is not for geocoding it to designations such as census tracts or Metropolitan Statistical Areas. While geocoding is increasingly relied upon for program reporting purposes, Rural Development's data systems may have some limitations in this regard since only primary address information is captured. For instance, the systems do not identify a loan or grant to a specific census tract. Census tracts are a common element useful for geocoded type reporting, and had our systems included this information, it may have provided useful information to the Government Accountability Office.

Nevertheless, Rural Development recognizes that accurate and complete loan and grant address data is a critical component and management resource for its Single Family and Multi-Family Housing programs. It is important that the initial address information for a loan or grant input into the Dedicated Loan Origination and Servicing System, the Guaranteed Loan System, or the Multifamily Housing Information System, be done carefully to ensure precision and uniformity.

Rural Development will issue an Administrative Notice to field management and staff that explains the importance of entering accurate and complete data into the three loan and grant databases, and for establishing a second-party review of address data input, where necessary. Existing address information identified as being incorrect in the databases will be rectified, if possible. Where needed, Rural Development will enhance system edit functions so that data input errors for address information can be curtailed or

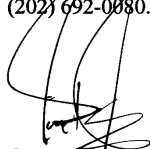
AN EQUAL OPPORTUNITY EMPLOYER

Enclosure I

eliminated. Any needed system enhancements will be given high priority; however, the enhancements would be dependant upon the necessary budget resources to complete the necessary development and implementation.

Rural Development is committed to the future of rural communities, and intends to continue improving the opportunities for decent, safe, and affordable housing in Rural America.

Thank you for the opportunity to comment on the report. If you have any questions, please contact John M. Purcell, Director, Financial Management Division, at (202) 692-0680.



GILBERT GONZALEZ  
Acting Under Secretary  
Rural Development

(250225)



---

---

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ([www.gao.gov](http://www.gao.gov)). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to [www.gao.gov](http://www.gao.gov) and select "Subscribe to Updates."

---

## Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office  
441 G Street NW, Room LM  
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000  
TDD: (202) 512-2537  
Fax: (202) 512-6061

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

---

## Congressional Relations

Gloria Jarmon, Managing Director, [JarmonG@gao.gov](mailto:JarmonG@gao.gov) (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, D.C. 20548

---

## Public Affairs

Paul Anderson, Managing Director, [AndersonP1@gao.gov](mailto:AndersonP1@gao.gov) (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548