

---

# AUDIT REPORT



PUBLIC AND INDIAN HOUSING INFORMATION CENTER  
(PIC)  
PUBLIC AND INDIAN HOUSING

2004-DP-0003

May 7, 2004

INFORMATION SYSTEMS AUDIT DIVISION  
OFFICE OF AUDIT

---





Issue Date	May 7, 2004
Audit Case Number	2004-DP-0003

TO: Michael Liu, Assistant Secretary for Public and Indian Housing, P

*Curtis Hagan*

FROM: Curtis Hagan, Director, Information Systems Audit Division, GAA

SUBJECT: Audit Report on Application Controls over Data Integrity within the Public and Indian Housing Information Center (PIC)

We have completed an audit of controls over the validity, accuracy, and completeness of data within the Public and Indian Housing Information Center (PIC). The objectives of our audit were to determine whether adequate controls were in place and, if so, whether they were operating effectively.

Our report contains three findings with recommendations requiring action by your office. The findings address inadequate controls over the identification of tenants, the accuracy of data, and oversight of PIC development and maintenance.

In general, we found that data collected within PIC has not been sufficiently accurate to enable PIC to achieve its original objectives. In our judgment, this has been due to a combination of (i) inadequate controls over PIC development and maintenance and (ii) an insufficient explanation and enforcement of reporting requirements to public housing agencies.

During our audit, PIH has taken corrective action to address several of the reported control weaknesses. However, additional efforts are needed.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without management decisions, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

## Management Memorandum

---

We appreciate the courtesies extended to the audit staff. Should you or your staff have any questions, please contact me at (202) 708-0614 extension 8149.

Attachment

# Executive Summary

---

We completed an audit of controls over certain segments of the Public and Indian Housing Information Center (PIC). The objectives of our audit were to determine whether adequate controls were in place and, if so, whether they were working properly. Previously, in Audit Report Number 2004-BO-0006 dated January 15, 2004, our Boston Regional Office reported data quality problems for Section 8 data through the year 2002 within the Multifamily Tenant Characteristic System (MTCS) incorporated into PIC's HUD Form-50058 module.

We found that adequate controls are not in place over the identification of tenants:

- Tenant names and social security numbers are kept on a web server outside of HUD's secure network, making them highly vulnerable to hackers for identify theft.
- HUD does not sufficiently identify tenants who are not citizens or tenants who are citizens but do not provide a valid social security number. This condition, facilitated by HUD's creation of an Alternate ID Generator, increases opportunities for fraudulently obtaining housing benefits.

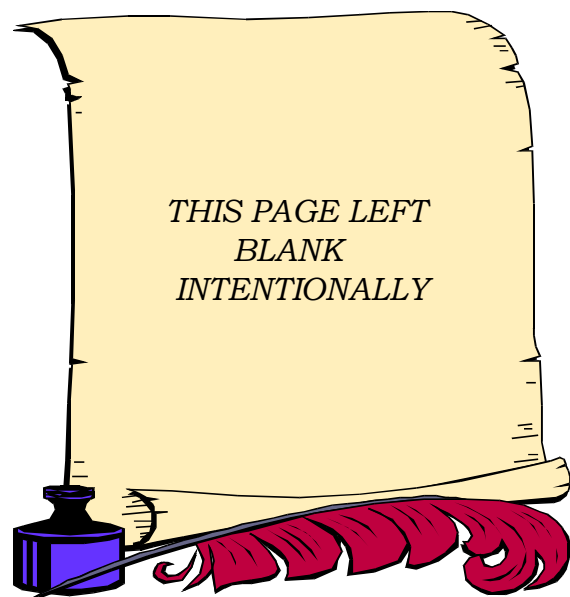
We found that certain controls over the accuracy of data within PIC have been inadequate:

- PIC was initially populated with data that was not entirely complete and accurate.
- An annual reexamination process that would update and correct inaccurate and incomplete data within the PIC system (through submission of updated Form 50058 records) is not enforced.
- Controls over the calculation of total tenant payment are not functioning.
- PIC's Building and Unit module (inventory of public housing units) contains inaccurate data. Current efforts to address this problem are insufficient. As a result, PIC data alone would not be a reliable source of information for HUD's assessment of public housing agency performance and the calculation of funding for the Capital Fund. HUD has used other supporting or corroborating data when calculating funding for the Capital Fund.

The effect of this has been accumulation of unreliable data, hindering achievement of PIC's original objectives to:

- provide a building and unit inventory for public and Indian housing,
- develop a Section 8 management assessment program and PIC risk assessment program,
- calculate the amount of subsidy authorized and disbursed to Public Housing Agencies (PHAs), and
- monitor PHA performance and use of HUD funds.

Our report contains a number of specific recommendations for correction of these conditions. Generally, we recommend that the Office of Public and Indian Housing establish adequate controls over PIC data quality before attempting to implement planned enhancements to PIC.



---

# Table of Contents

---

Management Memorandum	ii
-----------------------	----

---

Executive Summary	iii
-------------------	-----

---

Introduction	1
--------------	---

---

## Findings

1. Controls Over the Identification of Tenants Need to be Strengthened	5
2. Controls Over the Accuracy of Data are Inadequate	17
3. PIC Has Not Fully Met Its Objectives	31

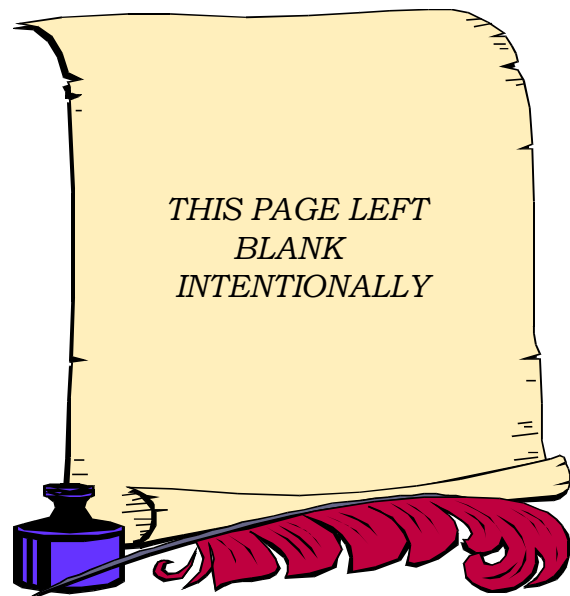
---

Follow Up On Prior Audits	37
---------------------------	----

---

## Appendices

A. Auditee Comments	39
---------------------	----





---

# Introduction

The Public and Indian Housing Information Center (PIC) was designed to facilitate a more timely and accurate exchange of data between Public Housing Agencies (PHAs) and local HUD offices by allowing the PHAs to submit information to HUD over the Internet. PIC provides a number of benefits:

- Reduces the burden of paper submission.
- Centralizes information on the monitoring and recovery efforts of public housing agencies undertaken by the field offices.
- Allows PIH to maintain a detailed audit trail of interactions with Housing Agencies and track findings to closure.

PIC was implemented on December 15, 1999. Since the inception of PIC, more than 600 web pages have been created, a detailed inventory of 1.2 million public housing units was established, and tenant family data for 3.5 million households was gathered. PIC is the largest Internet-based system in HUD. It is an integrated system that combines the functionality of a series of separate subsystems and also presents data from HUD's financial systems. PIC is classified as a mission critical system. Future planned enhancements to the system will increase the Department's dependence on PIC and increase its importance to HUD.

As indicated in Table 1 below, funding for PIC enhancements and maintenance has been substantial. In FY 2000, \$3,833,680 was funded for enhancements and maintenance. In subsequent years, annual expenditures for enhancements and maintenance more than doubled. For FY 2004, the projected budget for the PIC application is \$10,750,000.

Table 1.

<b>Funding for Enhancements and Maintenance</b>	
<b>Year</b>	<b>Amount</b>
2000	\$ 3,833,680
2001	14,249,206
2002	10,463,656
2003	8,437,856
2004 (projected)	\$10,750,000

The PIC help desk function receives separate funding. In FY 2003 \$1,197,539 was allocated. FY 2004, \$1,462,775 is budgeted.

The Office of Public and Indian Housing (PIH) established a PIC Coach for each of HUD's field offices. This person is responsible for coordinating with the PIC user community (public housing agencies) and acting as a liaison with HUD Headquarters to provide guidance, training, and monitoring of the PIC implementation in the field offices.

The PIC systems, modules, and Web applications currently in the production environment include:

- PIC Maintenance (Security/Database Administration)
- Risk Assessment
- Housing Agency (HA)
- Housing Agency Development (Building and Unit Inventory)
- Demolition Disposition
- Public Housing Drug Elimination Program (PHDEP)
- Executive Summary
- Management Reports
- Event Tracking System (ETS)
- Section 8 Management Assessment Program (SEMAP)
- Form HUD-50058 (Viewer, Submission, Reports and Alternate ID generator)
- Ad-hoc reports
- Office of Native American Programs (Annual Performance Reports – APR).

In this audit, we reviewed controls for three of the PIC modules:

1. Form HUD-50058 (Viewer, Submission, Reports and Alternate ID generator),
2. Section 8 Management Assessment Program (SEMAP), and
3. Building and Unit Sub-module of the Housing Agency Development Module.

### **Form HUD-50058**

The Form HUD-50058 module is used to collect and store data on families that participate in the Public Housing or Section 8 rental subsidy programs. PHAs collect and electronically submit information contained on the Form HUD-50058 to provide HUD with a picture of the people who participate in subsidized rental programs. The Form HUD-50058 module then creates reports used to analyze the subsidized rental programs, monitor PHAs, detect fraud, and provide information to Congress and other interested parties.

The Form HUD-50058 module replaces much of the old Integrated Business System (IBS), and has the Multifamily Tenant Characteristics System (MTCS) incorporated into it. Directly linked to the Form 50058 module, are two other PIC sub-modules: (1) an alternate ID generator; and (2) the building and unit inventory for the public housing program. The alternate ID generator was created to allow PHAs to report on applicants and tenants that do not provide a social security number. For the public housing program, all tenant Form 50058's entries must be linked to a unit record contained in the building and unit database in PIC.

### **SEMAP**

The Section 8 Management Assessment Program (SEMAP) measures PHA management performance in 14 key areas of the Section 8 tenant-based assistance programs. Public Housing Agencies that manage Section 8 Housing are required to electronically submit their SEMAP Certifications annually. PHAs have 60 days following their fiscal year end to complete their certifications online and submit them to their Field Office for review and final approval.

SEMAP measures a PHA's ability to afford decent rental units at a reasonable subsidy cost as intended by Federal housing legislation and by Congress' appropriation of Federal tax dollars for these programs.

## Building and Unit Inventory

The building and unit inventory data in PIC provides the Department's first automated tracking of the public housing programs inventory. The system contains information on more than 1.2 million units for more than 3,176 Public Housing Agencies nationwide. The inventory information is housed within the Housing Development module. The sub-module containing the demolition and disposition data within PIC is also housed within the Housing Development module, although, it is not currently available to users.

### Audit Objectives

The objectives of our audit were to determine whether adequate controls were in place and, if so, to determine whether they were effective in ensuring that data collected are valid, properly authorized, complete, accurate, and correctly processed by the computer.

### Audit Scope and Methodology

Due to the size of the PIC system and our limited resources, we focused our audit on controls for the Form HUD- 50058, SEMAP, and Building and Unit sub-module.

We conducted interviews with various program personnel. We interviewed users at the ten largest Public Housing Agencies to determine whether problems were experienced with input or retrieval of data and their understanding of the PIC system based on user documentation that they had been provided.

We obtained and reviewed documentation on the PIC infrastructure, system design, access controls, security settings, and policies and procedures.

We performed analysis on and tested selected data within the PIC Form HUD-50058, SEMAP and Building and Unit databases. We reviewed PIC tenant and unit data for the New York City Housing Agency to test (i) the controls within the social security number field and (ii) the system controls in place to detect fraud, waste, and abuse within the individual HUD programs. The New York City Housing Agency was selected because it is the nation's largest Public Housing Agency. We reviewed nationwide data for the alternate ID generator sub-module within the

Form HUD-50058 module to determine if controls were adequate to protect HUD from fraud, waste, and abuse. We also reviewed the data correction files created by the Department to address inaccuracies within the building and unit data in the PIC system, to determine if the files created will correct the known deficiencies, and determine the adequacy of the method being used. Detailed demolition and disposition data for the Michigan State Field Office was obtained to substantiate the data in the system and PIH developed correction files. The Michigan State Field Office was selected because the information was readily available to the audit staff. The PIC data processing that we tested is not specific to a location. Therefore, limiting the scope of our testing and sample selections to one Field Office or Public Housing Agency has no impact on the results or accuracy.

We used the following criteria during our review:

- HUD Policies and Practices, including application development procedures found in the System Development Methodology,
- OMB Circular A-127,
- Applicable Federal Statutes,
- NIST guidance, and
- Industry best practices.

We performed our audit work at HUD Headquarters and at the HUD Detroit Field Office. The audit covered the period February through October 2003.

The Audit was conducted in accordance with generally accepted government auditing standards.

# Controls Over the Identification of Tenants Need to be Strengthened

The PIC system does not have adequate controls over the identification of tenants. Specifically, we found that (i) tenant names and social security numbers are stored on the web server outside of HUD's secure network leaving them vulnerable to theft, (ii) controls over the completeness and accuracy of the social security number field are inadequate, and (iii) the PIC system does not sufficiently identify tenants who are not citizens of the United States or tenants that are citizens but do not provide a social security number. The last condition, facilitated by the Office of Public and Indian Housing's (PIH) creation of an Alternate ID Generator, increases the opportunities for unscrupulous individuals to fraudulently obtain housing benefits.

## Criteria

In its Federal Information Systems Controls Audit Manual, the General Accounting Office defines the term "confidentiality" as a requirement that private or confidential information not be disclosed to unauthorized individuals. The Computer Security Act of 1987 defines "sensitive" information as any information, the loss, or misuse or unauthorized access to or modification of which could adversely affect the national interest or the conduct of Federal programs or the privacy in which individuals are entitled to under the Privacy Act of 1974. The Privacy Act of 1974 states that agencies are required to establish appropriate administrative, technical and physical safeguards to insure the security and confidentiality of records and to protect against any anticipated threats or hazards to their security or integrity which could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual for whom information is maintained. NIST SP 800-14 provides that when performing a security risk assessment of a computer system, management should perform an assessment of the consequences from the degree of harm or loss that could occur particularly the significant long-term impacts such as from violation of privacy.

## Background

The PIC system contains sensitive, detailed information regarding the participants in PIH programs. Data is electronically submitted into the system based on the Form HUD-50058. PIC relies upon the social security number and name of the tenant on the Form as key fields to identify

participants within the system. When an applicant is assigned to a public housing unit, the applicant's social security number and name are tied to the unit information within the PIC system. HUD is required to protect this information under the Privacy Act of 1974.

### **PIH is Inappropriately Storing Sensitive Tenant Information Data on Web Servers**

We found that sensitive tenant data is permanently stored on web servers and not deleted when processing is complete. Specifically, when a new admission Form HUD-50058 is processed for a Public Housing tenant, the tenant's social security number is linked in PIC to the building and unit in which the tenant resides. The PIC building and unit data is permanently stored on the web server. It should not be because the web servers are accessible through the internet. Attempts could be made by outside attackers to penetrate the web server to obtain tenant names, social security numbers, and addresses. In our judgment, this deficiency in safeguarding tenant identities (information to be protected under the Privacy Act) is a consequence of the Office of Public and Indian Housing's failure to perform a security vulnerability assessment of the application components operating on the web server.

### **HUD Needs to Strengthen Controls Over the Social Security Number Field**

PIC does not have adequate controls over the completeness and accuracy of the social security numbers within the system. Specifically:

- PIC does not contain adequate controls to identify invalid head of household social security numbers provided by tenants.
- HUD is not requiring social security numbers, or other identifying information (i.e., alien registration number) to be input into the system for all household members over the age of 6 as required by HUD policy.
- PIC does not contain controls to identify invalid household member social security numbers submitted by the tenant.
- There are no controls within the social security number fields to prevent a tenant from being listed as both a household member and a head of household.

As part of their income verification process, HUD has initiated a monthly download of the data in PIC for verification through the Tenant Assessment Subsystem (TASS) system. This verification process selects the data in the system for tenants due for reexamination and validates the social security and supplemental security income information provided by tenants with the Social Security Administration and the Internal Revenue Service. Although it is possible that errors or invalid social security numbers could be identified through this process, this process alone is not sufficient to compensate for a lack of up front validation controls.

**PIH Failed to  
Implement Adequate  
Controls**

PIH designed an Alternate ID Generator module in PIC to place a number other than a social security number in the field for social security numbers. The Alternate ID is a system-generated number beginning with the letter H. When PIH created the alternate ID module, the controls originally implemented over the social security number field were removed. The attributes for this field were changed to allow alphanumeric characters, effectively removing basic social security number validation in PIC. The controls over the social security number field for the head of household and the family members in PIC currently do not enforce a requirement that the field contain only numbers. Furthermore, invalid social security numbers such as 111-11-1111, and 123-45-6789 are allowed.

**HUD Vulnerable  
Without Strict Controls**

As the system is currently designed, the Office of Public and Indian Housing cannot prevent a tenant from obtaining multiple units by applying for assistance a second or third time using the social security numbers of household members. Nor can PIH detect a tenant who, through fraudulent specification of the number of persons in the household, is receiving excessive assistance. Validation of identities of the individual household members is necessary to detect a tenant living in a unit that is larger than is needed or receiving a larger assistance payment than should have been authorized.

**Regulations and Controls over the PIC Alternate ID Generator Module Need to Be Strengthened**

In fiscal year 2002, the Office of Public and Indian Housing released the Alternate ID Generator module in

**PIH Regulations Are  
Not As Restrictive as the  
Statute**

PIC. The ID generator was designed to enable Public Housing Agencies to report Form HUD-50058 data on tenant head of households whom did not have, or did not provide, a social security number. We found two problems related to the Alternate ID generator. First, it is consistent with HUD regulations but the regulations do not fully implement 42 U.S.C. Section 1436a, which requires HUD to assess immigration status during the determination of eligibility for housing benefits. Second, we found control weaknesses inherent in the design of the Alternate ID Generator module. We determined that there are no controls within the system to (i) prevent the alternate ID from being reused after the original tenant has left the program and (ii) the module does not contain adequate controls to prevent a tenant from applying for and obtaining housing benefits multiple times.

Federal law (42 U.S.C. 1436a, Parts d(1) and d(2)) provides that for financial assistance being granted to, or for the benefit of an individual, there must be a declaration in writing by the individual (or in the case of an individual who is a child, by another on the individual's behalf), under penalty of perjury, stating whether or not the individual is a citizen or national of the United States, and if that individual is not a citizen or national of the United States, that the individual is in a satisfactory immigration status. If the declaration states that the individual is not a citizen or national of the United States and the individual is younger than 62 years of age, then the Immigration and Naturalization Service shall verify the declaration. If the declaration states that the individual is a citizen or national of the United States, the applicable Secretary, or the agency administering assistance covered under this section, may request verification of the declaration by requiring presentation of documentation that the applicable Secretary considers appropriate. This may, include a United States passport, resident alien card, alien registration card, social security card, or other documentation.

Federal Law 42 U.S.C. Section 3543 allows HUD, as a condition of initial or continued eligibility in HUD programs, to require that an applicant or participant (including members of the household) disclose his or her social security card or alien registration documentation to verify the information in the declaration.



The policy established by the Office of Public and Indian Housing in 24 CFR Part 5 does not incorporate all of the authority granted to the Secretary under these statutes. HUD's regulation at 24 CFR Part 5, Section 216, requires applicants and participants in HUD programs to provide the agency with either the social security numbers for all household members over the age of 6 or a certification that a social security number has not been assigned. The regulation is not specific regarding the type of documentation Public Housing Agencies are required to obtain from applicants who either do not possess or cannot produce verification of a social security number. The regulation leaves this matter open to other guidance issued by the Department. Federal law in this matter provides the Department with the authority to require specific documentation. The statute (42 U.S.C. Section 1436a) allows HUD to require a declaration in writing stating whether or not the individual is a citizen or national of the United States. If the individual is not a citizen or national, the declaration must state whether or not the individual is in a satisfactory immigration status. The Secretary can require the individual to present a social security card or alien registration documentation to verify the information in the declaration. In its regulations, HUD did not choose to use this authority.

**HUD Needs to Have Information on Non-citizen Tenants for the Department of Homeland Security**

Public Housing Agencies and HUD have an obligation to report to the Department of Homeland Security (formerly the Immigration and Naturalization Service) at least four times annually, on "any individual who the entity, knows is not lawfully present in the United States" (see Notice 58301 in Volume 65 of the Federal Register dated September 28, 2000). They are required to report to the Department of Homeland Security within 45 days after the close of the calendar year quarter, the name, address, and other identifying information in its possession regarding the individual. To ensure that the PIC database contains this data, and in order to allow Public Housing Agencies to accurately report information on the tenants that apply for and obtain housing under HUD programs, we believe HUD should amend its regulations to specify the documentation that Public Housing Agencies should obtain and report to HUD through the PIC system.

**Current Design of Alternate ID Module is Vulnerable to Fraud**

The Alternate ID generator was implemented in July of 2002. During the 13-month period from July 1, 2002 through July 31, 2003, there were 8,743 alternate ID's created in the PIC system. By rough comparison, there were 297,205 new admissions processed through the PIC system during the 12-month period from August 1, 2002 through July 31, 2003. This rough comparison indicates alternate IDs were used for only 3% of the number of new admissions processed nationwide. However, as illustrated in Table 2 below, usage of the Alternate ID generator was quite high in four states. In fact, 84% of all 8,743 Alternate IDs issued during the 13-month period from July 1, 2002 through July 31, 2003 were generated in Arizona, California, Oregon, and Texas.

Table 2.  
States with Highest Usage of Alternate ID Numbers

State	Alternate IDs Generated from 7/1/02 – 7/31/03		New Admissions from 8/1/02 – 7/31/03		Alternate IDs as % of New Admissions
	Number	Percent of Total	Number	Percent of Total	
Arizona	948	11%	2,632	0.9%	36%
California	3,725	43%	31,038	10.4%	12%
Oregon	537	6%	2,968	1.0%	18%
Texas	2,133	24%	24,584	8.3%	9%
Totals:	7,343	84%	61,222	20.6%	

Further analysis of the 8,743 records that were created with the Alternate ID generator found that 1,024 (11%) had a corresponding active tenant record within PIC utilizing a social security number. In each of these 1,024 cases, the effective dates of the transactions were later than April 30, 2002, indicating that these were not records that had been converted from the prior MTCS system. This data suggests that 1,024 heads of household among the 8,743 heads of household who used an alternate ID are receiving multiple benefits.

**Inadequate Controls over the Alternate ID Module**

Controls over the alternate ID module in the PIC system are inadequate. Specifically, we found that:

- there are no requirements or controls within the system to ensure that a valid social security number is obtained and input into the system when the tenant is able to obtain one,

- there are no controls preventing an Alternate ID from being reused within the system once the original tenant has left the program,
- there are no cross validation controls to prevent an applicant from applying for and obtaining housing multiple times,
- there are no controls within PIC to prevent a tenant from obtaining housing using both a social security number and an alternate ID, and
- there are no controls within PIC to prevent household members from obtaining housing using an alternate ID and a social security number in addition to being listed and counted in the rent calculation as a household member in a unit.

**System Design Should Be Modified to Collect the Immigration Information for Non-citizen Applicants and Tenants**

The current design of the Alternate ID Generator module in PIC not does protect the Department from fraud and abuse. Furthermore, it does not meet the Department's requirements. The Form HUD-50058 module in PIC was developed without the ability to capture immigration information, such as the alien registration number. The alien registration number is a field on the HUD-50058 form that Public Housing Agencies use to record the information that they obtain from non-citizen applicants/tenants to determine their eligibility status. The alien registration number is one of the forms of documentation that HUD can require (see 42 U.S.C. Section 1436a) for non-citizen housing. When the alternate ID generator was created, a decision was made to develop a module within the system to assign a number, unique to HUD, in lieu of requiring the reporting of alien registration numbers. In our opinion, the creation of the Alternate ID module in this manner does not support program reporting requirements. An alternate ID should not have been used in cases where a government form of identification, a social security number, or an alien registration number could have been obtained and used.

In summary, the lack of adequate controls over the identification of tenants in PIC has resulted in:

- exposure of the individuals receiving benefits to an increased risk of identify theft,
- diminished ability to ensure that only eligible individuals receive housing benefits, and
- inadvertent creation of new opportunities for fraud and abuse.

In addition, the failure to distinguish between eligible legal immigrants and ineligible legal or illegal immigrants in the PIC system, through the collection of alien registration numbers, hinders HUD's ability to fulfill its requirement to provide timely information to the Department of Homeland Security.

---

Auditee Comments

The Assistant Secretary for Public and Indian Housing provided comments on a draft audit report on March 29, 2004. The comments can be found in their entirety at Appendix A.

Generally, the Assistant Secretary disagrees with our finding that controls over the identification of tenants need to be strengthened. Specifically, the Assistant Secretary commented that:

“It is the PHA's responsibility to verify the citizenship of applicants and participant (sic) and report this information along with other tenant characteristics on the form HUD 50058 to HUD. ...”

“HUD routinely cross-matches social security numbers with the Social Security Administration (SSA) on a monthly basis. As a result, the SSA discloses invalid SSN, and combinations of SSN, date of birth and surname to HUD. Through this process, HUD prepares error reports and makes them available to housing agencies to alert them to take corrective action.”

“PIC contains the information that is required...to be provided to the Department of Homeland Security. ...”

The Department does not agree that 1,024 tenant records created with HUD's Alternate ID and 1,024 corresponding tenant records created with a social security number suggests that such tenants may be receiving multiple benefits.

The Department did not agree with a recommendation in the draft report to force HUD approval for the generation of

alternate ID's within PIC. Instead, the Department recommended implementation of a requirement to report the alien registration number in the system as a required field whenever an alternate ID is generated.

---

## OIG Evaluation of Auditee Comments

We made changes to our report after considering comments and requests from the Department. As requested, we revised Recommendation 1B.

The Department pointed to assessments and reviews performed outside the PIC system as a substitute for controls not present in the PIC system. The reviews and assessments have no linkage to the PIC system. That is, there is no requirement for data found to be inaccurate in PIC to be corrected in PIC after such an assessment or review. For example, there is no requirement for correction of invalid social security numbers found through "cross-matches" of social security numbers with the Social Security Administration.

Regarding the assertion that "PIC contains the information that is required...to be provided to the Department of Homeland Security," we agree that PIC can receive such information from PHAs but disagree that PIC has controls in place to assure receipt of accurate and complete information.

---

## Recommendations

We recommend that the Office of Public and Indian Housing Information Systems Division:

- 1A. Archive the data stored on the web server to the database after the data is inputted and accepted by the system.

- 1B. Re-design the Alternate ID Generator in a way that requires input of the alien registration number, captured in line 3p on the HUD Form 50058, before an alternate ID can be issued.
- 1C. Re-design the PIC system to allow for the creation and use of an alternate ID only in instances in which a social security number cannot be provided.
- 1D. Establish controls with the social security/alternate ID field that prevent a head of household from obtaining assistance using an alternate ID and a social security number.
- 1E. Re-design the PIC system to ensure that adequate controls are placed in the social security number field. The social security number should continue to be a required field with appropriate controls to validate the number with the exception of when an alternate ID is generated. Controls should be implemented to ensure that social security numbers are nine digit numeric and that obvious invalid numbers, i.e., 123-45-6789, are not accepted. The field should contain appropriate controls to validate the alternate ID.
- 1F. Establish controls within PIC to require all household members 6 years of age and older to supply a social security number, an alien registration number or a valid system generated alternate ID.
- 1G. Establish controls within the system to check for duplicate use of member of household social security numbers.
- 1H. Establish validation controls on all social security number fields and reject Form HUD-50058 submissions that use invalid social security numbers.
- 1I. Establish validation checks to ensure that no head of household is listed as a household member on another unit and that no household member is listed as a head of household.

- 1J. Establish a validation process through the Social Security Administration to ensure that tenant supplied social security numbers are valid.

We recommend that the Office of Public and Indian Housing:

- 1K. Institute regulations and policies and procedures for the Public Housing Agencies requiring the agencies to obtain and report to HUD through PIC the social security number, or applicable immigration status information (i.e., an alien registration number), for all heads of households and family members receiving assistance under programs run by the Office of Public and Indian Housing
- 1L. Establish policies and procedures that enforce the requirements of 24 CFR Part 5 requiring all household members that can obtain a social security number to do so to be eligible for assistance.
- 1M. Establish policies and procedures governing the issuance of alternate ID's within PIC, that limit the creation of these numbers to individuals that are unable to obtain a social security or alien registration number.





## Controls Over the Accuracy of Data Within PIC are Inadequate

We found that: (i) PIC was initially populated with data that was not completely accurate, (ii) the annual re-examination process intended to identify and correct inaccurate and incomplete information has not been enforced, (iii) controls over calculation of the total tenant payment are not functioning, and (iv) the PIC Building and Unit module (inventory of public housing units) contains inaccurate data. Efforts currently underway to address inaccurate data in the Building and Unit module are not sufficient. In our opinion, PIC is an unreliable source of information for HUD's assessment of Public Housing Agency performance and the calculation of funding for the Capital Fund.

Previously, in Audit Report Number 2004-BO-0006 dated January 15, 2004, our Boston Regional office reported data problems for Section 8 data through the year 2002 within the Multifamily Tenant Characteristic System module. MTCS data for the six New England states was reviewed and analyzed. The 6 databases contained records for 206,592 families. The July 12, 2002 *Form HUD 50058 Family Report MTCS Technical Reference Guide* from the PIH Office of Information Technology was used to identify "fatal errors" for selected fields, such as a blank in the last name field. Using analytical software, the auditors were able to test 38 data fields for the existence of 53 different types of errors. They found that 10 fields did not contain any errors and that 28 fields contained 34 different types of errors. Analysis revealed 567,282 errors distributed over these 28 fields and 206,592 records. The rate of errors per field ranged from less than one percent of the records to over 39 percent of the records. On average, seven percent of the data fields contained errors. Some of the more frequent errors were blank Section 8 addresses, missing portability indicators, missing owner names, missing owner SSN, payment standards outside the range, and rent-to-owner amounts outside the range. This analysis provides an indication of the accuracy of the Section 8 data within the PIC database through the end of 2002, largely as a result of HUD's not having cleaned up old MTCS data before migrating it to the new PIC system. Edit checks within MTCS were not as comprehensive as the edit checks in the new PIC system.

### Criteria

OMB Circular A-127, Part 7, Section j, "Internal Controls," requires that financial management systems include a system of internal controls that ensure:

- resource use is consistent with laws, regulations, and policies;
- resources are safeguarded against waste, loss, and misuse; and
- reliable data are obtained, maintained, and disclosed in reports.

OMB Circular A-127 also requires that appropriate internal controls be applied to all system inputs, processing, and outputs. It requires agencies to analyze how system improvements, new technology supporting financial management systems, and modifications to work processes can together enhance agency operations and improve program and financial management. It further requires (i) that the reassessment of information and processing needs be an integral part of the determination of system requirements and (ii) that agencies consider program operations, roles and responsibilities, and policies/practices to identify related changes necessary to facilitate financial management systems operational efficiency and effectiveness.

### **Conversion of MTCS Data Into PIC Resulted in Inaccurate Data**

**Data Converted from MTCS Contained Inaccuracies**

The migration of data from the Multifamily Tenant Characteristics System (MTCS) to the new PIC system did not include a clean up and validation of MTCS data. The edit checks contained within the predecessor system, MTCS, were not as comprehensive as the edit checks in the new PIC system. The Office of Public and Indian Housing knew that the data in MTCS would not clear the edits placed in the PIC system. Therefore, in order to load MTCS data into the PIC system, a management decision was made to have MTCS data bypass the PIC system edits. The management decision to load inaccurate data into the new PIC system was based upon the belief that the annual re-examination process within the Form HUD-50058 module would eventually correct the inaccurate data. That is, management expected that data migrated from MTCS would be replaced with accurate data within a 12-month period as annual re-examinations were made. However, the expected replacement of data did not occur for all of the data migrated from MTCS.

The number of inaccurate records is significant. We found 703,066 records converted from the prior MTCS system that had not had an annual re-examination in the last 15 months. We also identified 16,269 cases in which tenant records were in the current PIC database with head of household social security numbers starting with a leading F

or M. Management identified these records as records converted from MTCS.

We tested PIC's identification of tenants with housing units. Using data from the New York Housing Agency, we found 14,648 cases where public housing tenants were not tied to units. However, we performed other tests that did verify that tenants couldn't be defined in PIC without being assigned to a unit. We concluded that the 14,648 instances of tenants not tied to units had originated from the old MTCS system.

### **Annual Reexamination Process is not Enforced**

The tenant annual reexamination is intended to revalidate the data that is reported to the PIC system by the Public Housing Agencies. But PIH does not enforce the requirement for housing agencies to perform annual reexaminations. Reporting levels are tracked through SEMAP for housing vouchers that are used to evaluate Public Housing Agencies. However, this process does not exist for public housing. We found that there were 463,430 tenant records that had been created on the current PIC system with effective dates more than 15 months old.

PIH has not initiated a review to determine how the data in the database may affect ongoing system enhancements, modifications, or current reporting. In addition, PIH has not initiated a process to assess the data that is dormant in the current database to determine if the data is valid. The reporting process in PIC does not utilize a standard reporting format. There are reports generated from the system that utilize data going back 16 months and forward 4 months. The data converted from MTCS has now been in the database in excess of 16 months. Therefore, it should not be reflected in management reports. However, the data was reported in all management reports generated from the system during the first 16 months after it was loaded.

In FY 2001, PIH initiated the development of the Rental Integrity Monitoring (RIM) Review. The process includes onsite monitoring of PHAs and a specific review of the data obtained during the annual reexamination. Although this process is outside the PIC system, we found that if the process is implemented on an annual basis and coupled with tightened controls in the system, it could be an

adequate compensating control to address the issues we identified.

### **PIC Controls over the Calculation of Total Tenant Payment Should be Enhanced**

PIC system controls need to be enhanced to ensure that the Total Tenant Payment amount is accurate. Total Tenant Payment (TTP) is a field that is reported by the housing agency as part of the 50058 data form. The PHA is required to provide data for all of the fields that comprise the Total Tenant Payment field. The data in those fields are then used by the PIC system to perform edit checks to determine whether the TTP field being reported is accurate. We tested the edit checks on this field. We found that the limit check established in the system, which is to report a “fatal error” if the total tenant payment calculated exceeds \$2,250, is not functioning. We brought the results of our testing to the attention of PIH staff and corrective actions were immediately undertaken. PIH staff expects that the control over this calculation will be repaired in the next system release.

It is important that the error checks on the total tenant payment field, as well as the fields used to determine total tenant payment, be set at reasonable levels and that unreasonable amounts produce fatal errors in the system. Annual tenant income is a factor in setting the tenant payment. In our testing, we found that the limit check on the total tenant income level was set to produce a warning message if the amount exceeded \$125,000. There is not a limit on income that would produce a fatal error. We believe that PIH should reassess whether a reported tenant income of \$125,000 should produce only a warning message instead of a fatal error. In our opinion, there should be an edit check that produces a fatal error when high tenant income disqualifies the tenant for housing assistance.

### **PIC Building and Unit Module Contains Inaccurate Data**

The Office of Public and Indian Housing designed the building and unit module within PIC without (i) a mechanism to allow for the correction of building and unit data once submitted and approved or (ii) a mechanism to remove units that have been demolished or disposed of. The Office of

Public and Indian Housing began gathering building and unit data in PIC in October 2000. In the fall of 2001, the department estimated that approximately 90 percent of the almost 1.2 million units in the PIH inventory were entered into the system. The inability to easily correct data once entered and to account for units demolished or disposed of has resulted in inaccurate data within the database. In addition, our review of the analysis PIH completed to correct the inaccurate inventory information in the system found significant deficiencies in the methodology employed. The methodology being used by department has been in process for more than a year. It does not assess the entire inventory, does not establish a baseline data for the accuracy of the data, does not ensure that the details of the demolition and disposition of the units is maintained, and may not result in correct data.

**PIH Has Made Efforts  
to Improve the Accuracy  
and Data**

To address the data accuracy problems, PIH began providing PHA's with the ability to request a reset of their inventory information through HUD Headquarters. This process involves removing the tenant data for the public housing program from the database and a HUD release of the approval previously granted on the building and unit data. Public Housing Agencies can then resubmit their data building and unit data into the system and request approval from HUD. Once approval of the inventory is granted, the PHA has to resubmit all of its HUD-50058 forms for the public housing program. This process is cumbersome and time consuming for both PHA and HUD staff.

To address the demolition and disposition data accuracy problem, PIH began a process of comparing the data in PIC with the summary data in the predecessor system, the Integrated Business System (IBS). This began in the summer of 2002. IBS contained summary building and unit data and detailed demolition and disposition data for the public housing inventory. The comparison resulted in the identification of more than 69,000 discrepancies in unit data. PIH staff took this data and assembled a team of 12 employees to assist the staff in the Special Applications Center in reviewing these discrepancies and attempting to resolve them. The group completed a review of approximately 44,000 of the 69,000 unit discrepancies identified (64%). Data correction files were created based upon the results of this analysis to modify the data in PIC in September 2002. Additional reviews of the data in these files

were necessary to account for problems found with the way in which the data was entered. The initial results of this process were provided to us in July 2003.

Consequently, we reviewed the data correction files created by PIH twice during this audit. In both cases, our detailed analysis primarily consisted of looking only at the units marked in the correction files by PIH as to be removed from inventory. We reviewed these units to determine (i) whether they did in fact exist in the inventory in PIC and (ii) whether the unit was listed as vacant in the PIC system. The first file we were provided, dated July 29, 2003, had not yet been tested in the PIC test environment. There were 14,127 units to be removed from the inventory in that file. To distinguish properties within the PIC system, unit information is associated with PHA codes and individual development codes. The combination of the PHA code and the development code, a specific three-digit number assigned to each property, provides a unique identifier for each property in the system. We used these codes to organize the results of our review. We found:

- units for 7 development codes that PIH determined should be removed from PIC that did not exist in the system,
- 38 development codes in which the number of vacant units did not match the number of units to be removed, and
- an additional 6 development codes in which the number of units to be removed from the inventory exceeded the total number of units entered in the system.

To substantiate the information in the correction file, we requested the demolition and disposition data maintained by staff in the Michigan State Field office. Our review of that data identified 6 development codes that had demolished units and/or units that were scheduled for demolition that were not identified in the process utilized by PIH.

A second data correction file was provided to us on September 17, 2003. When we were provided the file we were told that it had cleared testing and was approved by the Change Control Board for loading into production. Our analysis of the second file again identified 34 development codes in which the number of units to be removed from PIC

exceeded the number of vacant units. To verify that tenants were assigned to the units, we pulled the unit detail for three of the development codes. In all three of the development codes, tenants were assigned to the units that were to be removed from the system.

**PIH Efforts to Address the Housing Inventory Problem Have Been Insufficient**

We assessed the actions taken by the department in the creation of the data correction files through October 2003. The process used to correct these units, and the methodology being applied to this correction process, has changed constantly during the period of time in which we performed this audit. The methodology employed did not take into consideration the problem of having to reenter all of the data into the system to correct it. Nor was there a method to ensure that information on when the unit was demolished or disposed of was included in the PIC system. Although the PIC demolition and disposition module was implemented in 2002, its functionality has not been provided to the PHAs or HUD PIH staff outside of the Special Applications Center in Chicago. We found that the building and unit data in PIC is used by staff in other departments within HUD to select units for inspection and to send out tenant surveys. In addition to there not being a mechanism to correct the data at the PHA and PIH field office level, there is no automated process to allow staff in other HUD divisions who use the building and unit data to submit corrections to the data when inaccuracies are discovered.

The plans to correct data in PIC do not establish a baseline date by which the data are to be accurate. In addition, PIH has not included detailed information, such as the date of demolition or disposition, in the data correction methodology. PIH authorized field offices to stop input into IBS in September of 2002 and authorized the shut down the IBS system 5 months later in February 2003. However, PIH has not determined, or planned how to ensure, that there is no disconnect between the demolition and disposition data maintained within PIC and IBS.

**PIC Data Alone Should Not Be Used to Calculate Funding for the Capital Fund**

The Office of Public and Indian Housing plans to use the building and unit data in PIC to distribute funds under the

Capital Fund. In FY 2003, PIC data was used but was manually adjusted in an effort to have accurate data. Until PIH finds a way to validate and correct the inventory information in PIC through external supporting or corroborating data, the building and unit data in the system should not be used to calculate the amount of funding under the Capital Fund.

**PIC Assessment of Public Housing Agency Performance is Unreliable**

The Office of Public and Indian Housing uses reporting rates of the HUD-50058 forms in PIC to measure Public Housing Agency performance for the Section 8 and public housing programs. The PIC delinquency report contains information on the Section 8 certificate, Moderate Rehabilitation, and public housing programs. The report details the:

- total number of units available,
- total number of occupied units,
- total number of administered units,
- number of HUD-50058 forms reported,
- percent reported, and
- the number that is missing.

The number of forms received during the last month, the last three months, and the last six months is also reported.

We reviewed the Delinquency Reports for the Public Housing Agencies under the Michigan State Office for the months of May, June, and July of 2003. Our review consisted of assessing the data for the public housing program only. We found that the number of total occupied units and the number of total administered units were not always the same although they should have been. We also identified instances in which the reporting percentage for the public housing program exceeded 100%. This should not have occurred because PIC requires a one-to-one ratio of tenants to units. Therefore, it should not be possible to have a reporting percentage in excess of 100%. We also found instances in which the unit data in PIC seemed to change with no apparent explanation. For example, MI166 on the delinquency report for May 31, 2003 showed a total number of occupied and administered units of 95. On the next monthly report (June 30), the number of units had decreased from 95 to 76. The decrease in the number of occupied and administered units changed the



reporting rate for the PHA from 81.05 percent to 100 percent. The numbers changed again on the next monthly report. For July 31, 2003, the number of occupied and administered units decreased from 76 to 73. The additional decrease in the number of occupied and administered units increased the reporting rate for the PHA from 100 percent to 108.22 percent. The percent reported is based on the total number of units administered, not the total number of units available or occupied.

We found instances in which the number of units occupied was greater than the number administered. It appears that there was no consistency in the way in which unit information was input into the system. In some instances the number of units administered or occupied was larger than the number of units available. In other instances, there were more units available than occupied or administered. We also found instances in which the number of units occupied was larger than the number administered or available. During the three-month period that we reviewed, the number of units used to calculate the reporting rate for the public housing agencies under the Michigan State Office changed for 50% of the agencies.

Information provided to us by PIH Information Systems Staff indicate that the original design of the delinquency report in PIC was supposed to pull the number of total administered units from the Form HUD-51234. The system had to be modified when the OMB authorization to use the Form 51234 expired in June 2001. PIC management then designed a new calculation method that is currently in place. The method implemented by PIC management uses the data in the p113pt\_ph\_unit table and adjusts it automatically whenever a user approves building and unit data and whenever a HUD-50058 form is received and processed. Utilization of this process created a situation in which normally non-changing data is modified anytime that the PHA submits an upload file in which the number of move-ins and number of move-outs are not equal.

Reporting rate information from PIC is one of the factors used to assess PHA performance. It is also used for risk assessment purposes to determine where monitoring resources will be allocated and when troubled status will be declared. The calculation of the reporting rate in PIC is currently based upon questionable and unreliable data. The

current reporting rates in PIC may not accurately reflect the performance of the individual Public Housing Agencies. In our opinion, the reporting rates should not be used to assess performance or risk until action is taken to ensure that reliable results can be obtained from the system.

---

## Auditee Comments

The Assistant Secretary for Public and Indian Housing provided comments on a draft audit report on March 29, 2004. The comments can be found in their entirety at Appendix A. Excerpts are provided below.

“The finding on inaccurate data in PIC, and in particular the Building and Unit module, does not support the conclusions presented. The statement contained in this report that the PIC data is so inaccurate that it should not be used to calculate the Capital Fund is without factual basis. We questioned OIG staff as to whether or not a statistically valid sample was obtained for all of the data used to calculate the Capital Fund. The OIG staff indicated that a statistically valid sample was not used. Instead the OIG data query had no sampling basis and was limited to a small universe of data mostly confined to the demolition and disposition data. The data used to calculate the Capital Fund is considerably more expansive than that contained in the demolition and disposition data set. Furthermore, the OIG verification was limited to one HUD Field Office currently dealing with difficult management challenges.”

“Since the retirement of the Integrated Business Systems (IBS) demolition and disposition module, the Field Office staff has manually captured data on housing units. In past years, PID used additional validations with the housing agencies to determine the correct Capital Fund payments. This year, PIH is doing a similar process. The building and unit inventory database for demolished and disposed properties is being updated in PIC. This process is underway and is an extensive validation between the housing agencies, local PIH Field Offices and PIH headquarters to verify that current inventory is correct. All of these facts were pointed out to the OIG staff. Based on all of the above, PIH takes strong exception to the language

in the OIG's report and requests that it be adjusted per our attached comments."

On the section of this report with the sub-heading "PIC Assessment of Public Housing Agency Performance is Unreliable," PIH commented that: "The statements and conclusions in this subsection are invalid. The OIG performed its audit only with data for the Public Housing Program and not the Section 8 program. Additionally OIG has not considered the public housing assessment system (PHAS) rules and its implementation via the PIH's Real Estate Assessment Center systems."

---

## OIG Evaluation of Auditee Comments

The comments indicate a misunderstanding of our audit scope and procedures.

Our opinion that PIC is an unreliable source of information for HUD's assessment of Public Housing Agency performance and the calculation of funding for the Capital Fund is based on consideration of the facts reported, including:

- PIC was initially populated with data that was not completely accurate (see our Audit Report Number 2004-BO-0006, dated January 15, 2004),
- This data was not corrected as expected through an annual reexamination process,
- There were poor controls over the accuracy and completeness of data subsequently collected,
- PIC's building and unit module was designed without a mechanism for correcting building and unit data and without a mechanism for removing units that were demolished or disposed of.
- The Department has been attempting to correct PIC's housing unit data since 2002.
- The Department acknowledges that PIC data alone has not been used, and is not now being used, to determine Capital Fund payments.

In this audit, we did use a sample in our review of PIH efforts to correct its inventory of housing units. In connection with our analysis of data correction files developed by PIH, we

tested the hypothesis that PIH had identified all demolished units, or units scheduled to be demolished, and included these in its data correction file. For this purpose, we reviewed demolition and disposition data maintained in the Michigan State Field office. This data is a part of (a sample, not randomly selected) national demolition and disposition data. We found that PIH had not identified all demolished units, or units scheduled for demolition, in this sample (Michigan, a part of national data). We therefore concluded that the hypothesis that PIH had identified all demolished units, or units scheduled for demolition, and included them within its data correction files was false. We did not attempt to determine how many demolished units, or units scheduled for demolition, may have been left out of PIH's data correction file.

Audit work was not limited to the New York Housing Agency and the Detroit Field Office as suggested by the Department.

We agree with the comment that we did not consider the section 8 program, the public housing assessment system, and real estate assessment center systems when reviewing PIC assessment of *public housing agencies'* performance. Section 8 and other information systems were not within the scope of this procedure and not relevant to this analysis. We disagree with the comment that this invalidates our conclusion that PIC assessment of public housing agencies' performance is unreliable.

We revised recommendation 2A after considering PIH comments.

---

## Recommendations

We recommend that the Office of Public and Indian Housing Information Systems Division:

- 2A. Establish and implement, with the assistance of applicable program staff, business rules to ensure that obsolete data in the database is identified and archived to the historical database, including obsolete data from the old MTCS system.

- 
- 2B. Initiate a project to track and follow-up on non-compliance of annual reexaminations for Public Housing.
  - 2C. Determine why the limit check on the total tenant payment field is not functioning properly and make the necessary system corrections to reestablish this control.
  - 2D. Reassess the limit check on the total tenant income field in PIC to determine if the field should have a fatal error associated with it.
  - 2E. Ensure that the building and unit data inventory in PIC is corrected through a one time, 100% certification of the data in PIC by the Public Housing Agencies and after the completion of the correction process, initiate an annual verification strategy, based on risk, to ensure that building and unit data remains accurate
  - 2F. Establish a mechanism to allow for the correction of building and unit data in PIC once approved within the system.
  - 2G. Ensure that a baseline date is established between the demolition and disposition data in IBS and the data in PIC to ensure that HUD has accurate and complete records.
  - 2H. Reassess the manner in which the reporting rate is calculated in PIC. Work with the PIH to create a fair measurement of PHA performance that does not utilize questionable and unreliable data.

## PIC Has Not Fully Met Its Objectives

We found that HUD's original objectives for the PIC system have not been fully met. We believe this is due to a combination of (i) poor control over its development and (ii) insufficient explanation, and enforcement of, reporting requirements to public housing agencies. As a result, the system created has not provided management with the complete and accurate information needed to effectively and efficiently manage the Department's Public and Indian Housing programs.

### Criteria

OMB Circular A-127, Part 7, Section j, "Internal Controls," requires that financial management systems include a system of internal controls that ensure:

- resource use is consistent with laws, regulations, and policies;
- resources are safeguarded against waste, loss, and misuse; and
- reliable data are obtained, maintained, and disclosed in reports.

OMB Circular A-127 also requires that appropriate internal controls be applied to all system inputs, processing, and outputs. It requires agencies to analyze how system improvements, new technology supporting financial management systems, and modifications to work processes can together enhance agency operations and improve program and financial management. It further requires that:

- the reassessment of information and processing needs be an integral part of the determination of system's requirements and
- agencies consider program operations, roles and responsibilities, and policies/practices to identify related changes necessary to facilitate financial management systems operational efficiency and effectiveness.

On April 29, 2002, in compliance with the requirements of the Privacy Act, the Office of Public and Indian Housing formally announced the PIC system in the Federal Register. The stated objectives for establishing the PIC system were:

- to combine the functionality of several individual HUD business systems into one integrated system with added functionality,
- to provide a building and unit inventory for public and Indian housing,
- to develop a section 8 management assessment program and PIC risk assessment program,
- to calculate the amount of subsidy authorized and disbursed to PHA's, and
- to monitor PHA performance and use of HUD funds.

All of the functionality expected from PIC has not been realized

### **PIC Was Designed and Implemented Without All of the Functionality Needed**

All of the functionality initially expected from the PIC system has not been realized. Initially, PIC was expected:

- to combine the functionality of several individual HUD business systems into one integrated system with added functionality,
- to provide a building and unit inventory for public and Indian housing,
- to develop a section 8 management assessment program and PIC risk assessment program,
- to calculate the amount of subsidy authorized and disbursed to PHA's, and
- to monitor PHA performance and use of HUD funds.

The implementation of PIC has not provided the agency an accurate and reliable inventory of public housing. As reported in finding number 2, PIH efforts to establish an inventory for the public housing program within PIC did not provide users a mechanism for correcting data after it was entered and approved. Nor was there a mechanism for recording information on housing units that were demolished or disposed of. Such functionality existed in the IBS system that PIC replaced.

Our testing of the Departments plans to correct the inventory data in the system resulted in a conclusion that PIC data should not be used to calculate subsidies for public housing agencies. As reported in Finding 2, the building and unit data within PIC contains inaccuracies and should not be used to calculate Capital Fund distributions to public housing agencies without external supporting or corroborating data.

PIC cannot be used reliably to monitor the performance of public housing agencies and assess program risk. Again, as reported in Finding 2, this is because the assessment process in PIC is unreliable.

PIC was not implemented with an appropriate means of reporting on tenants/applicants in the programs who were unable to provide a social security number. The statutes and regulations detailing the provision of housing benefits to non-citizens had been established well before creation of the PIC system. The Office of Public and Indian Housing was also aware of such problems with the predecessor system, MTCS. Nonetheless, a method that would allow PHA staff to report on individuals without a social security number was not provided within PIC. After implementation of PIC's 50058 module, HUD housing program officials reported that public housing agencies needed a mechanism to report on tenants/applicants in the programs who were unable to provide a social security number. Subsequently, the Alternate ID generator was developed. As reported in Finding 1, this did not resolve the problem and created a new set of problems.

PIC System Processing and Controls are Not Documented

#### **PIH Has Not Documented PIC System Processing And Controls**

Documentation for the PIC system needs to be enhanced to identify:

- field level edit checks,
- operational workflows based on system provided life cycle, and
- submission/processing controls.

Members of the internal support staff need system documentation to assess contractor work and system performance. Public housing agencies could use a manual that includes an explanation of PIC's data integrity requirements as a guide for submitting accurate tenant and building/unit data.

The only detailed system documentation available on system functionality is the Technical Reference Guide (TRG) for the Form 50058 sub-module. We reviewed this document and found that it does not reflect the current system environment. The outdated TRG does not include



the actual error messages presently within the sub-module. We provided the results of our assessment to PIH. The PIC maintenance contractor verified our results.

A validation tool is made available to public housing agencies to allow for 50058 upload files to be checked against PIC edit checks prior to the submission for processing. However, the validation tool is based upon the outdated TRG document. In addition, since most public housing agencies have their own internal computer systems to generate the 50058 files, they do not use the validation tool.

**Assessment by PIH did not Assess Potential User Process Improvements**

**PIH Has Not Implemented a Structured Quality Assurance Process for PIC**

PIH has not developed a structured mechanism to perform a quality assurance analysis on the 50058 and building and unit data uploads. Reporting of 50058 tenant data and reporting of building and unit data occurs through a batch upload in which edit checks are performed on the entire submission. The PIC system performed various types of edit checks to ensure the accuracy of data being reported. However, metrics are not maintained on the type of errors. As a result, repeated errors attributable to a lack of edit checks contained within the PHA or vendor systems or attributable to training/documentations issues will not be identified.

The System Architect performed an analysis of 50058 data submission errors to determine if error trends existed on December 2002 and January 2003 submission files. We reviewed that analysis and found that it did not assess the root causes for the errors and did not attempt to assess where process improvements could be made. In December 2002, a total of 69,936 forms were submitted. Another 89,944 forms were submitted in January 2003. Our analysis found that 17% of these forms had fatal errors and 11% received warnings.

**PIH Actions Underway Should Be Improved**

The Office of Public and Indian Housing has determined that most of the Public Housing Agencies nationwide generate the Form 50058 data for PIC using vendor software. Consequently, PIH is in the process of taking steps to enhance its vendor relations program. PIH has

instituted regularly scheduled conference calls to brief vendors on the current operations and planned enhancements to the system. In addition, PIH is in the process of upgrading its internet outreach efforts by utilizing password-protected communications. PIH plans to modify the statement of work on the PIC Help contract to provide feedback and track user communications through the internet and analyze them for trends.

The creation of a structured quality assurance analysis of the uploaded files would enhance the projects underway within the department and help users benefit from the identification of common errors occurring during processing and the associated process improvements.

### **Enhanced Management Oversight Efforts Are Needed**

The original design of the PIC system is far different from the system that PIH has actually created. In our opinion, the PIC system has grown too quickly and the Department has not taken adequate steps to ensure that the completed product meets the agency's requirements. We believe that the Office of Public and Indian Housing should strengthen administrative, technical, and management controls over PIC and complete the current system before implementing any further enhancements.

---

### **Auditee Comments**

The Assistant Secretary for Public and Indian Housing provided comments on a draft audit report on March 29, 2004. The comments can be found in their entirety at Appendix A. Excerpts are provided below.

“PIC is an evolving system. There is much more automation needed in PIH (sic) that is not currently available. Current OMB-300 exhibits reflect functionality that is reported in the audit that has not been met in the system's original objectives. It is inaccurate to state a system, which has planned development activities, is delinquent when these planned activities have not occurred. OMB placed all PIH system projects (including development, modernization and enhancement activities) on hold subject to the completion of

---

the Enterprise Architecture effort. As a result, PIH was able to use very little of the FY 2003 funds allocated for system development and enhancements. To increase the quality of data within PIC, PIH has instituted structured change management, configuration management and system release processes augmented by a mandatory user acceptance cycle.”

---

**OIG Evaluation of  
Auditee Comments**

PIH agrees with Recommendations 3A and 3C below.

---

**Recommendations**

We recommend that the Office of Public and Indian Housing Information Systems Division:

- 3A. Establish a document that defines all edit checks and system processing
- 3B. Establish a quality assurance process to collect 50058 data and building and unit upload data to identify error trends and possible corresponding process improvements.
- 3C. Determine through gap analysis what enhancements or modifications would be required to make the system function properly and provide the functionality that the department requires before implementing further system enhancements.

---

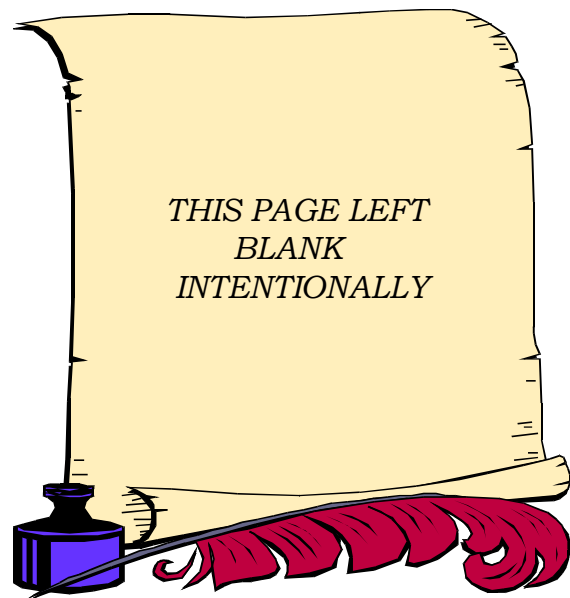
# Follow Up on Prior Audits

On September 10, 2003, we issued Audit Report Number 2003-DP-0001 titled “Audit Report on the Public and Indian Housing Information Center (PIC).” This report focused on controls over the security of the PIC system.

We reported that inadequate security planning in the PIC development life cycle resulted in significant security control weaknesses. We made 12 recommendations in the report for improving PIC security. We received a management response to the report on November 13, 2003. In general, the Office of Public and Indian Housing agreed with the issues cited and the recommended corrective actions. The department has submitted an action plan including final action target dates that implement corrective action by March 2005.

On January 15, 2004, the Boston Regional Office issued Audit Report Number 2004-BO-0006. This report tested a sample of PIC data for accuracy. This data was contained in the Multifamily Tenant Characteristic System (MTCS) module of the PIC System. Using analytical software, the auditors reviewed and analyzed six databases for the six New England states, containing records for 206,592 families. The auditors found that 28 of the total 38 data fields contained 34 different types of fatal errors. Auditors found a total of 567,282 fatal errors distributed over these 28 fields for the 206,592 records reviewed. The rate of fatal errors per field ranged from less than one percent of the records to over 39% of the records. On average, 7% of the data fields contained fatal errors. As discussed in Audit Report Number 2004-BO-0006, there were no recommendations regarding findings in that report because recommendations addressing those findings were to be made, and have been made, in this Audit Report (2004-DP-0003).





# Auditee Comments




U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

ASSISTANT SECRETARY FOR  
PUBLIC AND INDIAN HOUSING

MAR 29 2004

MEMORANDUM FOR: Curtis Hagan, Director, Information System Audit  
Division, GAA

FROM:   
Michael Liu, Assistant Secretary for Public and Indian Housing, P

SUBJECT: Response to Draft Audit Report, Audit 2004-DP-XXXX, Audit on  
HUD's Public and Indian Housing Information Center (PIC)

This is in response to the draft audit report identified above. Staff from the Office of Public and Indian Housing (PIH) has reviewed your audit findings concerning controls over the Public and Indian Housing Information Center (PIC). The attached matrix contains our comments addressing both inaccuracies in the report and suggestions for improvements relating to the recommendations.

The finding on inaccurate data in PIC, and in particular the Building and Unit module, does not support the conclusions presented. The statement contained in this report that the PIC data is so inaccurate that it should not be used to calculate the Capital Fund is without factual basis. We questioned OIG staff as to whether or not a statistically valid sample was obtained for all of the data used to calculate the Capital Fund. The OIG staff indicated that a statistically valid sample was not used. Instead, the OIG data query had no sampling basis and was limited to a small universe of data mostly confined to the demolition and disposition data. The data used to calculate the Capital Fund is considerably more expansive than that contained in the demolition and disposition data set. Furthermore, the OIG verification was limited to one HUD Field Office currently dealing with difficult management challenges.

Since the retirement of the Integrated Business Systems (IBS) demolition and disposition module, the Field Office staff has manually captured data on housing units. In past years, PIH used additional validations with the housing agencies to determine the correct Capital Fund payments. This year, PIH is doing a similar process. The building and unit inventory database for demolished and disposed properties is being updated in PIC. This process is underway and is an extensive validation between the housing agencies, local PIH Field Offices and PIH headquarters to verify that current inventory is correct. All of these facts were pointed out to the OIG staff. Based on all of the above, PIH takes strong exception to the language in the OIG's report and requests that it be adjusted per our attached comments.

PIC is an evolving system. There is much more automation needed in PIH that is not currently available. Current OMB-300 exhibits reflect functionality that is reported in the audit that has not been met in the system's original objectives. It is inaccurate to state a system, which has planned development activities, is delinquent when these planned activities have not occurred. OMB placed all PIH system projects (including development, modernization and enhancement activities) on hold subject to the completion of the Enterprise Architecture effort. As a result, PIH was able to use very little of the FY 2003 funds allocated for system development and enhancements. To increase the quality of data within PIC, PIH has instituted structured change management, configuration management and system release processes augmented by a mandatory user acceptance cycle.

**If you have any questions, please contact Elizabeth Hanson, Director, Real Estate Assessment Center. She can be reached at (202) 708-4932.**

**Attachment:**

**Matrix of Draft Audit Report on Application Controls over Data Integrity within PIC.**



Audit # 2004-DP-XXXX

Date March XX, 2004

**Detailed Comments on OIG's Draft Audit Report on Application Controls over Data Integrity within the PIC.**

No.	Draft Report Reference	Management Comments for OIG's Consideration
1.	<p><b>Exe. Summary: page iii 3<sup>rd</sup> Paragraph</b>            "An annual reexamination process intended to identify and correct inaccurate and incomplete information is not enforced."</p>	<p><b>The statement is factually incorrect. Please restate.</b>            The annual re-examination process is not intended to identify and correct inaccurate and incomplete information in the PIC system. The purpose of the annual re-examination is to update family information about income and family composition for the rent determination purposes. OIG needs to differentiate between the annual re-certification process, which is reviewed as part of the RIM initiative and is enforced, and the submission of the actual information into PIC. Please re-state the recommendation as follows:</p> <p>"The submission of updated HUD-50058 data resulting from the required annual re-examination process, which would update and correct inaccuracies in the PIC system, is not always enforced."</p>
2.	<p><b>Exe. Summary: page iii 3<sup>rd</sup> Paragraph</b>            "There are no controls over the calculation of total tenant payment."</p>	<p><b>The statement is factually incorrect. Please delete.</b>            Public housing agencies do not enter a number into 9j (TTP). The entry here is automatically calculated based on the data that is entered into Sections 3 (Member Information), 6 (Asset Information), 7 (Income Information), and 8 (Permissible and Medical/Disability Expenses). PIC performs edit checks to ensure that calculation by FRS, the freeware by HUD that prepares data for the From HUD 50058, are accurate. Errors in FRS calculations are not transferred to PIC.</p>
3.	<p><b>Exe. Summary: page iii</b>            "Inaccurate data collected within PIC has prevented achievement of its original objectives to:"</p>	<p><b>The Office of PIH disagrees with this statement. Please revise this statement to read as follows:</b>            "Inaccuracies in some of the data collected within PIC has prevented full achievement of some its original objectives to:"</p>

No.	Draft Report Reference	Management Comments for OIG's Consideration
4.	<p><b>Exe. Summary: page iii 3<sup>rd</sup> paragraph, 3<sup>rd</sup> bullet.</b>                      "The inventory of public housing units is inaccurate. Current efforts to address this problem are insufficient. As a result, PIC is an unreliable source of information for HUD's assessment of public housing agency performance and the calculation of funding for the Capital Fund without external supporting or corroborating data."</p>	<p><b>Please modify the comment that appears in the executive summary:</b>                      As written, this absolute statement could have far reaching ramifications for the Department in fulfilling its statutory requirements. It has the potential for throwing into question every allocation of Capital Funds nationwide since the inception of PIC. Furthermore, this statement makes an incorrect connection between building and unit information in PIC and the assessment of public housing agency performance. The proper connection is with the tenant characteristics report (form HUD-50058). Although we acknowledge problems with data integrity in PIC, the fact that PIH makes extensive use of external supporting and corroborating data to support our calculations as an alternate control ameliorates the risk implied by the OIG's comment. This fact, however, gets lost as you read the OIG's sentence above. Similar processes are in place for SEMAP scoring. We would like to point out that OIG did not work with statistically valid samples of the data to make such far-reaching conclusions (its testing was confined to the New York City Housing Authority and the Detroit Field Office).</p> <p>Please modify this statement to read as follows:</p> <p>"Our limited testing of building and unit data and tenant characteristics information from form HUD-50058 at the New York City Housing Authority and the Detroit Field Office show problems with the accuracy of the data in these locations. Current efforts by the Department to address the types of problems found at those sites are not sufficient. The Department currently has to supplement its data in PIC with external supporting or corroborating data in order to calculate the proper allocation under the Capital Fund. Problems with the HUD-50058 data may also show problems in the calculation of SEMAP scores."</p>
5	<p><b>Page 5,</b>                      (iii) the PIC system does not sufficiently identify tenants who are not citizens of the United States or tenants that are citizens but</p>	<p><b>The Office of PIH disagrees with this statement.</b>                      It is the PHA's responsibility to verify the citizenship of applicants and participant and report this information along with other tenant characteristics on the form HUD-50058 to HUD. Data extraction from PIC can provide PIH with the number of eligible and ineligible non-citizens, as</p>

Audit # 2004-DP-XXXX

Date March XX, 2004

No.	Draft Report Reference	Management Comments for OIG's Consideration
	do not provide a social security number. The last condition, facilitated by the Office of Public and Indian Housing's (PIH) creation of an Alternate ID Generator, increases the opportunities for unscrupulous individuals to fraudulently obtain housing benefits.	well as the number of eligible citizens, provided the PHA has performed the re-certification process in accordance with program requirements.
6.	<b>Page 6, Last bullet,</b> PIC does not contain controls to identify invalid household member social security numbers submitted by the tenant.	<b>The Office of PIH disagrees with this statement.</b> HUD routinely cross-matches social security numbers with the Social Security Administration (SSA) on a monthly basis. As a result, the SSA discloses invalid SSN, and combinations of SSN, date of birth and surname to HUD. Through this process, HUD prepares error reports and makes them available to housing agencies to alert them to take corrective actions.
7.	<b>Page 7, Last Paragraph,</b> Validation of identities of the individual household members is necessary to detect a tenant living in a unit that is larger than is needed or receiving a larger assistance payment than should have been authorized.	<b>The Office of PIH disagrees with this statement.</b> In the Public Housing program HUD can extract unit size and household size and identify over-housed situations from existing data. The Housing Choice Voucher program regulations allow for tenant living in a unit larger than is needed as long as fair market rent (FMR) is not exceeded.
8.	<b>Page 9, Last Paragraph,</b> Public Housing Agencies and HUD have an obligation to report to the Department of Homeland Security (formerly the Immigration and Naturalization Service) at least four times annually, on "any individual who the entity, knows is not lawfully present in the	<b>The Office of PIH disagrees with parts of this statement.</b> PIC contains the information that is required (tenant name, address and other identifying information, i.e. DOB) to be provided to the Department of Homeland Security (DHS). However, the DHS or the Executive Office of Immigration Review must make the finding or conclusion of unlawful presence, such as in a Final Order of Deportation. This authority does not rest with the Department nor would HUD have the underlying tenant files to support such determination. The administering agency, in this case public housing agencies, obtains this information from the



No.	Draft Report Reference	Management Comments for OIG's Consideration
	<p>United States" (see Notice 58301 in Volume 65 of the Federal Register dated September 28, 2000). They are required to report to the Department of Homeland Security within 45 days after the close of the calendar year quarter, the name, address, and other identifying information in its possession regarding the individual. To ensure that the PIC database contains this data, and in order to allow Public Housing Authorities Agencies to accurately report information on the tenants that apply for and obtain housing under HUD programs, we believe HUD should amend its regulations to specify the documentation that Public Housing Agencies should obtain and report to HUD through the PIC system.</p>	<p>DHS and thus the reporting burden rests with the housing agencies.</p>
<p>9.</p>	<p><b>Page 10, Last Paragraph,</b> This data suggests that 1,024 heads of household among the 8,743 heads of household who used an alternate ID are receiving multiple benefits.</p>	<p>The office of PIH takes exception to this suggestion, since there was insufficient information in the data presented to support it. The data also suggests that some of these heads of households could have initially applied for assistance and a Form HUD-50058 was created for them with an alternate ID, <i>then</i> later they provided a valid SSN and subsequent forms were submitted to HUD, <i>but</i> there was no link in PIC between the two forms that would show continuity of the family's records in PIC. In such cases the family would not have been receiving multiple benefits. A more informative count supporting the suggestion of multiple benefits would have to show how many Form HUD-50058 records exist where tenants received SSN</p>

Audit # 2004-DP-XXXX

Date March XX, 2004

No.	Draft Report Reference	Management Comments for OIG's Consideration
		with an effective date earlier than the effective date in records where the same tenant (head of household) received an alternate ID ?
10	<p><b>Page 11, first Bullet,</b> There are no requirements or controls within the system to ensure that a valid social security number is obtained and input into the system when the tenant is able to obtain one.</p>	<p><b>The Office of PIH disagrees with this statement.</b> The HUD business rule directs the Public Housing Agencies to perform verification and reporting to HUD. PHAs cannot force an individual to obtain a SSN under current regulation.</p>
11	<p><b>Page 16, First Paragraph,</b> "The Office of Public and Indian Housing knew that the data in MTCS would not clear the edits placed in the PIC system. Therefore, in order to load MTCS data into the PIC system, a management decision was made to have MTCS data bypass the PIC system edits. The management decision to load inaccurate data into the new PIC system was based upon the belief that the annual re-examination process within the Form HUD-50058 module would eventually correct the inaccurate data." "</p>	<p><b>The Office of PIH takes exception to this statement.</b> PIC was designed to hold data fields (elements) that MTCS did not have, so that MTCS data was inherently incomplete, rather than inaccurate, for population of the PIC databases. E.g., MTCS did not have data on public housing buildings and units in PHA inventory. PIC had edits that would preclude acceptance of some data if they did not match with corresponding addresses of buildings and units. The only way to get that MTCS data to be initially loaded into PIC, therefore, was to relax the edits in PIC that would prevent the transfer of data from MTCS to PIC. Other "inaccuracies" that might have existed in the MTCS data were speculative and were never tested. I.e., since MTCS did not have data on public housing buildings and units in PHA inventory, it was possible, without edit checks, to assign the same unit to more than one household. The probability of this inaccuracy was never verified before the transfer of data to PIC.</p>

No.	Draft Report Reference	Management Comments for OIG's Consideration
12	<p><b>Page 16, Second Paragraph,</b> The number of inaccurate records is significant. We found 703,066 records converted from the prior MTCS system that had not had an annual re-examination in the last 15 months.</p>	<p><b>Effect Of PHA Business Processes On Residual MTCS Data In PIC</b> The system genesis was to start with existing MTCS data and employ quality rules to update the records. It is possible that these records that remain were due to a failure of the PHA to submit end of participation records. The whole paradigm of timely and correct reporting was a Herculean effort for the PHA. For these records to exist and not be tied to a unit has no bearing for a re-exam or HUD performance monitoring. The data is used for historical purposes.</p>
13	<p><b>Page 16, Last Paragraph,</b> The tenant annual re-examination is intended to revalidate the data that is reported to the PIC system by the Public Housing Authorities Agencies.</p>	<p><b>The Office of PIH disagrees with this statement.</b> The annual re-examination is not intended to revalidate what is in PIC. The re-examination is to revalidate the information provided to the PHA by the tenant during the previous year and more importantly, to verify eligibility and the level of assistance for continued occupancy.</p>
14	<p><b>Page 17, First Line,</b> But PIH does not enforce the requirement for housing Authorities Agencies to perform annual re-examinations.</p>	<p><b>The Office of PIH disagrees with this statement.</b> Enforcement of annual re-examination requirements occurs through Rental Integrity Monitoring reviews.</p>
15	<p><b>Page 18, Last Paragraph,</b> (i) a mechanism to allow for the correction of building and unit data once submitted and approved.</p>	<p><b>The Office of PIH disagrees with this statement.</b> The process of loading building and unit data is sound. Data is now corrected as required by database maintenance. Instead, the challenge is to increase training of the HUD Field Office personnel to ensure that they understand what they are required to verify in their approval. This lack of understanding is what HUD believes allowed some housing agencies to enter their data inaccurately. HUD has instituted a PIC coach, train-the-trainer concept, facilitating help and training to Field Office personnel in the use of the PIC system.</p>



Audit # 2004-DP-XXXX

Date March XX, 2004

No.	Draft Report Reference	Management Comments for OIG's Consideration
16	<p><b>Page 21, 3<sup>rd</sup> Paragraph,</b> The Office of Public and Indian Housing plans to use the building and unit data in PIC to distribute funds under the Capital Fund. In FY 2003, PIC data was used but was manually adjusted in an effort to have accurate data. Until PIH finds a way to validate and correct the inventory information in PIC through external supporting or corroborating data, the building and unit data in the system should not be used to calculate the amount of funding under the Capital Fund.</p>	<p><b>The Office of PIH recommends revising the statement to read as follows:</b> “Our testing of the PIC Demo/Dispo at the Detroit Field Office revealed some errors with the data. HUD needs to perform further testing of the reliability of the buildings and units data in PIC to assure the Capital Fund formula is calculated properly.”</p>
17	<p><b>Page 21,</b> PIC Assessment of Public Housing Authorities Agencies Performance is Unreliable.</p>	<p><b>The Office of PIH disagrees with the statements in this sub-section under the title described.</b> The statements and conclusions in this subsection are invalid. The OIG performed its audit only with data for the Public Housing program, and not the Section 8 program. Additionally OIG has not considered the public housing assessment system (PHAS) rules and its implementation via the PIH's Real Estate Assessment Center systems.</p>
18	<p><b>Page 26, Third Paragraph,</b> The implementation of PIC has not provided the agency an accurate and reliable inventory of public housing.</p>	<p><b>The Office of PIH disagrees with this statement.</b> Of the 3,176 Housing Agencies with public housing units, HUD Field Offices have approved the number of units in the building and unit module. The legacy IBS system accounted for 1.2M units and PIC today is accounting for 1.24M units.</p>

No.	Draft Report Reference	Management Comments for OIG's Consideration
19	<p>Page 26, 4<sup>th</sup> Paragraph, Our testing of the Department's plans to correct the inventory data in the system resulted in a conclusion that PIC data should not be used to calculate subsidies for public housing Authorities Agencies.</p>	<p><b>The Office of PIH disagrees with this conclusion. Please revise the statement to read as follows:</b></p> <p>"Our testing of the PIC Demo/Dispo at the Detroit Field Office revealed some errors with the data. HUD needs to perform further testing, particularly in the Demo/Dispo data, to validate the reliability of the buildings and units data in PIC for the correct calculation of the Capital Fund formula."</p> <p>The IG cannot say with profound knowledge the PIC building and unit data is not sufficient to provide a reasonable Capital Fund distribution. The Demo/Dispo data as in previous years will be manually addressed to assure the HUD Capital Fund model is correct until the data in the system verified by the PHAs as correct.</p>
20	<p>1A. Archive the data stored on the web server to the database after the data is inputted and accepted by the system.</p>	<p>This is a known issue and is scheduled to be implemented.</p>
21	<p>1B. Re-design the Alternate ID Generator module to allow Public Housing Agencies to enter the required information into the system and then submit the information to HUD for approval. The format used should ensure capture of immigration documentation information (e.g., alien registration number).</p>	<p>This is not an effective control. Field Offices have no basis or information to make a determination as to the accuracy or the completeness of the data being submitted. All source data resides in tenants' files located at the PHA. In addition, even if we required the tenant files to be mailed to the field, HUD does not have the resources to validate and approve thousands of alternate identifications (not to mention the administrative burden to public housing agencies). Public housing agencies are accountable, and are compensated for, validating citizenship information.</p> <p>Instead, change the recommendation to read "Re-design the Alternate ID Generator module to make the Alien Registration Number (in line 3p) a mandatory field in the Form HUD-50058 when an alternate ID is generated, with appropriate business rules for validation."</p>
22	<p>1C. Re-design the PIC system to allow for the creation and use of an</p>	<p><b>Please remove this recommendation.</b></p> <p>The PIC system is already designed to issue alternate identification (AID) in cases where a social security</p>



Audit # 2004-DP-XXXX

Date March XX, 2004

No.	Draft Report Reference	Management Comments for OIG's Consideration
	alternate ID only in instances in which a social security number cannot be provided.	number is not available. Proper internal controls that may be implemented in response to the proposed recommendation 1E, as modified, would satisfy the objective of this recommendation (1C).
23	1E. Re-design the PIC system to ensure that adequate controls are placed in the social security number field. The social security number should continue to be a required field with appropriate controls to validate the number with the exception of when an alternate ID is generated. Controls should be implemented to ensure that social security numbers are nine digit numeric and that obvious invalid numbers, i.e., 123-45-6789, are not accepted. The field should contain appropriate controls to validate the alternate ID.	<b>The recommendation should be modified to read as follows:</b> "Re-design the PIC system to ensure that adequate controls are placed in the social security number field. The social security number should continue to be a required field <i>for all household members over age 6</i> , with appropriate controls to validate the number with the exception of when an alternate ID is generated. <i>Forms HUD-50058 with invalid social security numbers should be rejected.</i> Controls should be implemented to ensure that social security numbers are nine digit numeric and that obvious invalid numbers, i.e., 123-45-6789, are not accepted. The field should contain appropriate controls to validate the alternate ID."
24	1F. Establish controls within PIC to require all household members 6 years of age and older to supply a social security number, an alien registration number or a valid system generated alternate ID.	<b>Please remove this recommendation.</b> Proper internal controls that may be implemented in response to the proposed recommendation 1E, as modified, and in response to recommendation 1B, would satisfy the objective of this recommendation (1F).
25	1H. Establish validation controls on all social security number fields and reject Form HUD-50058 submissions that use invalid social security numbers.	<b>Please remove this recommendation.</b> This recommendation is already addressed in the response to recommendation 1E.

No.	Draft Report Reference	Management Comments for OIG's Consideration
26	1J. Establish a validation process through the Social Security Administration to ensure that tenant supplied social security numbers are valid.	A back-end process with the SSA already exists in the Tenant Assessment Sub-system (TASS) as outlined in paragraph 2 on page 7 of this report. Please change recommendation to read "re-design the PIC 50058 module to reject existing HUD-50058 data after the identification of invalid social security numbers by SSA".
27	2A. Establish and implement, with the assistance of applicable program staff, business rules to ensure that obsolete data in the database is identified and removed, including obsolete data from the old MTCS system.	<b>The Office of PIH disagrees with the recommendation.</b> The data mentioned here as obsolete is not used in any report or funding calculation. Data should not be deleted, but rather it should be archived, in accordance with the Department's data retention policies.
28	2B. Initiate a project to track and follow-up on non-compliance of annual re-examinations for Public Housing.	Done through Rental Integrity Monitoring (RIM) reviews. RIM reviews by HUD Field Offices; targeted at high-risk public housing agencies, sample tenants case files for review of compliance with occupancy requirements. A more aggressive approach would require a sanctions policy for low rate of reporting Form HUD-50058 and/or late re-examinations. PIH is developing such a policy that uses input from the RIM reviews and the Form HUD-50058 reporting rates in the PIC system.
29	2C. Determine why the limit check on the total tenant payment field is not functioning properly and make the necessary system corrections to reestablish this control.	System fix was implemented in PIC release 5.2 in Dec. 2003. (About TTP limit \$2,250)
30	2E. Ensure that the building and unit data inventory in PIC is corrected through a one time, 100% certification of the data in PIC by the Public Housing Authorities	Please combine recommendations 2E, 2F and 2G, and replace them with the single recommendation worded as follows: "The Office of PIH needs to ensure that proper processes and system controls for building and unit data are developed to track additions and deletions to the real estate inventory. PIH needs to do a one-time 100% certification of data in the PIC system to properly state

Audit # 2004-DP-XXXX

Date March XX, 2004

No.	Draft Report Reference	Management Comments for OIG's Consideration
	Agencies and after the completion of the correction process, initiate an annual verification strategy, based on risk, to ensure that building and unit data remains accurate.	inventory balances.”
31	2F. Establish a mechanism to allow for the correction of building and unit data in PIC once approved within the system.	<p><b>Please remove this recommendation.</b></p> <p>To ensure quality building and unit data, once Field Offices (FO) verify and approve, public housing agencies (PHA) can remove building and unit data through the Demo-Dispo process. Currently in the PIC system Field Offices can reject or approve building &amp; unit (B&amp;U) data after the PHA submits. In case of rejection by a Field Office, a PHA can correct B&amp;U data through PIC. The process of loading building and unit data is sound. Data is being corrected as required now by database maintenance. The challenge is to increase training of the HUD field office personnel to ensure that they understand what they are required to verify in their approval. This lack of understanding is what HUD believes allowed some public housing agencies to enter their data inaccurately. HUD has instituted a PIC coach, train-the-trainer concept, facilitating help and training to Field Office personnel in the use of the PIC system. See proposed modification under 2E above.</p>
32	2G. Ensure that a baseline date is established between the demolition and disposition data in IBS and the data in PIC to ensure that HUD has accurate and complete records.	<p><b>Please remove this recommendation.</b></p> <p>The Demolition &amp; Disposition module in PIC has been completed and implemented. The validation and verification process is underway and IBS data is used in the process. Currently, Demolition &amp; Disposition data is currently in a formal validation process, See PIH Notice 2003-33. See proposed modification under 2E above.</p>
33	2H. Reassess the manner in which the reporting rate is calculated in PIC. Work with the PIH to create a fair measurement of PHA	<p><b>The Office of PIH agrees with the recommendation.</b></p> <p>Improvements in the reporting rate are already identified and scheduled to be implemented.</p>



No.	Draft Report Reference	Management Comments for OIG's Consideration
	performance that does not utilize questionable and unreliable data.	
34	3A. Establish a document that defines all edit checks and system processing	This requirement is best satisfied through an effort under way to create and update documents to reflect all edit checks and system processing steps.
35	3C. Determine through gap analysis what enhancements or modifications would be required to make the system function properly and provide the functionality that the department requires before implementing further system enhancements.	<b>The Office of PIH agrees with the recommendation.</b> Like processes are underway. Jointly with the Office of Chief Information Officer (OCIO) and the Office of Housing, the Office of PIH has just completed an Enterprise Architecture for the Rental Housing Assistance Business for HUD. Gap analyses were performed, which identified business functions that were without automation. Additionally, existing data used by business units are under study for business improvement.