



# Integrity Bulletin

U.S. Department of Housing and Urban Development  
Office of Inspector General

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## Locking Out Tenant Fraud and Error

### *Tips for PIH and Section 8 Occupancy Staff*

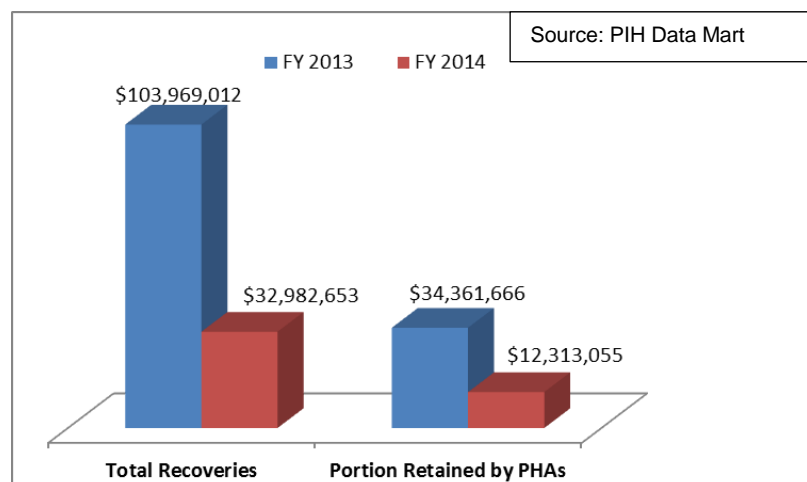
More can be done to combat tenant fraud and correct errors. While enforcement is one tool, it should be part of a comprehensive approach that tries to prevent as well as detect violations. This bulletin emphasizes the important role of Public Housing Agencies (PHAs) in maintaining integrity in the programs that provide rental assistance to low-income families. Some of the successful procedures and techniques used by PHAs to address the problem of tenant fraud and errors follows.

### **Background**

The Department of Housing and Urban Development (HUD) provides housing assistance through the Public Housing Program and the Housing Choice Voucher Program (Section 8). For Fiscal Year (FY) 2014, HUD received over \$25.2 billion dollars to assist approximately 3.3 million families.

Tenant eligibility and continued assistance is based on individuals accurately disclosing their income, assets, and household composition. The programs are vulnerable to improper payments when individuals lie or withhold information, or administrators make errors in determining benefits. HUD's most recent estimate of improper payments due to fraud and error in PHA administered assistance programs is \$1.04 billion annually. For FY 2013, PHAs reported \$103.9 million in recoveries with about a quarter of the amount being retained by the PHAs. The following graph shows recoveries and portions retained as fees by PHAs decreased sharply in 2014.

With only about 10% of all improper payments being recovered annually, and the amount of recoveries decreasing there is much that can be done to increase PHA recoveries. This bulletin provides proven steps used by PHAs to reduce improper payments



## **Actions You Can Take To Prevent Fraud and Errors**

Many PHAs have established investigation units and fraud prevention/detection programs. Their goals consist of detecting and deterring program abuses; improving the quality of verifying information submitted on applications and recertification's; recouping overpaid subsidies; and seeking local prosecution for flagrant cases of fraud. Only you know the general character of your tenant population. You may not need a separate unit but your occupancy staff can still benefit from the tips in this bulletin. On the other hand, if your staff spends a lot of time correcting errors and chasing down fraud tips, conducting hearings, and terminations, etc., you may want to consider the cost benefit, especially since PHAs can retain up to 50 percent of repayments.

Good tenant screening isn't just about stopping fraud. Sometimes there is a correlation between committing fraud and other undesired tenant behaviors such as eligibility, drug use, etc. Doing a good job of screening helps reduce problems in a number of areas.

*Rules that can be broken without consequences, eventually lead to more violations and disregard of other rules.*

Following are lessons learned and techniques employed by PHAs with comprehensive screening processes.

### **Step 1. Double Check Policies**

One of the first things Occupancy Managers should do is to check the currency and completeness of their occupancy policies and procedures. Some PHAs develop house procedures that aren't supported in the occupancy policy or forget to add new mandatory or desired discretionary policies published in the federal register. Consequently, when they try to take administrative actions, they lose in court because the policy was never formally adopted.

PHAs should also adopt fraud policies that address specific corrective actions that can be taken, or rules on how to prosecute fraud locally. (See our previous bulletin on fraud policies.) Also, the policies should be reviewed by the authority's legal counsel for compliance with the jurisdiction's Tenant Landlord laws, and any conflicts between HUD's policies need to be noted and resolved.

Another key area and for consistency purposes, PHA policies and procedures should contain guidance on how to accurately calculate tenant rents if the tenant receives income on an hourly, weekly, biweekly, or monthly basis.

### **Step 2. Invest in Sound Education on Policies and Procedures**

Assure occupancy specialists know their jobs and receive formal training. A poor practice is to tell new occupancy staff to observe others for a day, or to read the PHA's policies without providing any actual training. Be committed to strong staff competency by making sure they have the knowledge and skills to perform the job well. Interviewing skills are key to good intake, so whenever possible staff should have training in this skill.

### **Key Staff Competencies**

Knowledge:

1. Basic Occupancy Training.
2. Understanding PHA policies and procedures.
3. Understanding roles and responsibilities.
4. Learning to avoid common processing errors.
5. Understanding common fraud and how to detect it.

Skills:

1. Interviewing.
2. Being alert to details in tenant circumstances that raise red flags.
3. Verifying income and assets

All applicants should have the benefit of a good orientation. Sometimes applicant and/or tenant education is an afterthought, with little or no time given to it. Don't just give them a handbook and tell them to read it. If you want better compliance with PHA rules, spending time on orientation will pay big benefits, and save time correcting mistakes later caused by tenants' lack of information. This step may not eliminate all violations but may save you a great deal of time later.

Be sure the orientation advises families of their legal obligation to fully disclose total income, assets, and to identify who will be living in the unit. Inform families that reporting inaccurate information can result in termination of assistance, eviction, and/or possible criminal prosecution. Remind applicants and tenants of the penalties for fraud and misrepresentation.

Signs, posters and newsletters describing applicable Federal, State or local housing fraud laws should be conspicuously displayed at all locations where the PHA conducts business with applicants and assisted families. Resident meetings and recertification times provide opportunities to review rules and expectations. Remember education is a continual process, not a one-time occurrence.

### **Step 3. Have Sound Procedures to Obtain Family Data.**

Basic procedures for preventing applicant or tenant abuse are found in HUD Guidebook "[Housing Choice Voucher Program Guidebook](#)" (7420.10g), and "[The Public Housing Occupancy Guidebook](#)". The quality of the "intake" work you do beforehand will directly affect the ability to prove fraud if it is discovered later. It can also help distinguish cases

of mistakes from fraud. Tenant intake is more than just filling out forms, it's the key to assuring that tenants understand their obligations and that you obtain accurate information.

Interviewing skills are so important that, if possible, you should provide interview training to all your occupancy staff. Some interviewing tips include:

- ✓ Put the tenant/family at ease and ask questions in a friendly manner. The objective is to reduce misunderstanding as much as possible and to create a climate of easy communication.
- ✓ Have tenants bring a completed and signed recertification form to the meeting each year. Don't permit tenants (or PHA staff) to copy information from the prior to the current recertification form(s). This will ensure information is the most accurate and up to date. If false, information was provided in the prior year, comparing each year's forms will provide the PHA an opportunity to detect inconsistencies.
- ✓ Use simple, descriptive language. Don't ask, "Does your family have any fixed assets?" rather, "Does your family own a house, stocks, bonds, savings accounts, etc.?"
- ✓ Be an educator. Make it part of the interview routine to elaborate on anything that appears to confuse the tenant. Ask often, "Do you understand?" or "Is that clear?"
- ✓ Avoid a "hostile" mentality. Don't carry over anger from a previous difficult interview to the next family to be interviewed. Start fresh.
- ✓ Don't ask yes/no questions if possible. Try to ask open-ended questions that require the tenants to respond with narrative. Don't ask, "Do you have income?" but rather, "Where do you work, or if you aren't working now, have you applied for work?" "Where?"
- ✓ Don't ask leading questions. For example, at recertification time, don't ask, "Do your children Joe, Sam, and Linda still live with you?" Request the tenant to tell you names and dates of birth.

*Your job entails more than mechanically filling out forms and accepting anything you are told. It means ensuring you analyze responses, and probe, when needed, to assure you are obtaining the truth.*

- ✓ Besides knowing the legal identity of the persons applying for assistance also ask for any other names used, such as nicknames, maiden names, or names used in a previous marriage. People who try to hide income often use undisclosed prior names.
- ✓ Use [the Enterprise Income Verification \(EIV\) system](#). The EIV System is available to all PHAs nationwide and is an excellent means to identify unreported employment and tenants with any adverse rental information from previous assisted housing experiences. Effective January 31, 2010, PHAs were required to use and implement the EIV system in their day-to-day operations.
- ✓ The Quality Housing and Work Responsibility Act of 1998 authorized the Federal Bureau of Investigation to provide criminal history checks to PHAs. [Notice PIH 2003-11 \(HA\)](#) describes the procedure to follow to obtain this information for the purposes of applicant screening, lease enforcement and eviction. Hundreds of PHAs have made use of this authorization to make their screening more effective.
- ✓ Record previous addresses. A Post Office box for mail is acceptable, but a street address for residency should be required.
- ✓ For cases where applicant/tenants report no income, the methods cited on page 88 of the Housing Choice Vouchers Guidebook provide excellent instructions on how to validate that the tenant has no income.
- ✓ Have a form to document the name and location of an absent or ex-spouse. Have the applicant record the amount of child support or alimony and last date of contact with the ex-spouse.
- ✓ Some PHAs keep a *Chronology of Dates and Events*. This is a log listing events regarding the family, complaints received, and changes in income to note for future recertifications, etc. This helps you keep track of who you talked to, and when forms were sent and returned. It keeps you organized.
- ✓ Document. Document. Document. This will help you verify information later and may substantiate any fraudulent activity discovered later.
- ✓ Assess the application after it has been completed and signed. This is the time to discuss any contradictions or inconsistencies with the applicant.

Does this type of questioning take longer? Yes, but not as long as following up on fraud and errors discovered later. Errors can be caught by having a quality control process to double check files. Common errors are in the determinations on income, calculating benefit level and poor or no verification of family income and eligibility. A system to double check even a sampling of the tenant files builds expertise and reduces errors.

#### Step 4. Be Alert for Errors and Possible Fraud

Reports of fraud generally come to the attention of the PHA in one of three ways: complaints, file reviews, or observations. For example:

1. Complaints and/or tips. Use your education programs to encourage tenants or others who may have information about abuse of the program to report it. Take good notes and get specifics if possible. If you decide follow-up is not necessary, note your reasons in the tenant file for future reference. Many PHAs post a fraud reporting form on their web site so anyone can report things like: unreported Income; unreported vehicles; sub-leasing; owners living in unit; unauthorized tenant; home business; criminal/drug activity; etc.
2. File Reviews. There may be inconsistencies found in reviewing previous applications and special or annual recertifications. Such inconsistencies might include discrepancies in ages, family size, earnings; different Social Security Numbers given for the same individual; alterations on employment verifications; income increases; or abnormal deductions.
3. Observations. Observations of a family's life style may show furnishings and belongings inconsistent with tenant file information on income and family composition. Set up a communication procedure for application processors to obtain information from inspectors, maintenance staff, and other PHA employees who in the normal course of their duties may see things that are out of the ordinary. Pay attention to community newspapers and newsletters, etc.

Example 1: A PHA employee noticed a tenant had been honored as employee of the month; however, the tenant had not reported the income from the job.

Example 2: A PHA employee noted local newspaper reporting a marriage of a tenant that was not reported.

People skilled at fraud commonly use maiden names or exclude dates or digits in their date of birth or addresses and become adept at misstating information to try and pass a tenant check.

***What is Tenant Fraud? When the applicant/tenant deliberately provides false or misleading information or omits key facts in order to obtain or increase the amount of assistance provided, and then signs/declares that the lies or omissions are true.***

***Do not confuse fraud and errors. Errors are caused by misunderstandings, unclear instructions, or other unintentional acts.***

## **Step 5. Gather the Facts on a Suspected Violation.**

If you do a good job on the "front-end", the follow-up to obtain evidence to substantiate a violation or error is fairly straightforward. The fact-gathering process is one of documenting pertinent information that would prove or disprove alleged fraud, and providing insight to determine if the violation(s) are deliberate or merely misunderstandings or mistakes. When PHAs suspect abuse, they should investigate the possible violation and, where proven, obtain repayment of overpaid assistance, or terminate assistance if warranted. Public records and the PHA's authorization to verify income, permits PHAs to obtain most information needed.

## **Step 6. Review the Facts**

After you have obtained data regarding suspected abuses, you will come to one of three conclusions. You may decide that the results:

- Prove that there is no program violation and close the case in favor of the tenant;
- Are inconclusive. You can either close the case or, if you believe there are still problems to resolve, keep the case open pending new information or additional work;or
- Prove there is a program violation. You must review the circumstances and meet with the tenant in order to decide what action is appropriate.
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No matter what the result, all documentation should be retained in the tenant file.

## **Step 7. Provide Tenant Counseling.**

At the conclusion of the fact-gathering process, you will determine the appropriate course of action. Before you take any action, you should give the tenants an opportunity to review the facts gathered and to respond. Do not accuse tenants of fraud. Simply say that there is a problem with their file and, unless it can be resolved the PHA will need to take corrective action. Inform the tenant of the actions you could take. Show them the documents that substantiate your beliefs. Tenants must be given reasonable amount of time to produce documents on their own behalf. During the session take notes, so that you can place an accurate record in the file.

## **Step 8. Select a Course of Corrective Action.**

If there was no program violation, then close the case in favor of the tenant. If results are inconclusive, you can close the case; or, if you believe there are still problems to resolve, keep the case open pending new information or additional work. If results show a program violation you need to determine if the violation was intentional or accidental and whether it was the tenant's fault or a PHA error. You should consider dollar significance when deciding whether corrective action is warranted. It is not effective to spend funds and time to obtain relatively small repayment amounts. Do a general cost benefit analysis or set a threshold for amounts that are not practical to pursue.



### Eviction or Termination of Assistance

Depending on the program involved, you should evict or terminate assistance when you determine the tenant did not meet the program requirements when they first entered the program or no longer meet the requirements of the program. You should follow established grievance procedures for taking these actions.

### Recovery Actions

Section 8 regulations (24 CFR 892) permit PHAs to retain an amount equal to the greater of either the expenses of the case or 50 percent of the amount actually collected. This applies to administrative repayment agreements, civil litigation, or criminal prosecutions. You may pursue one or more of these actions at a time or sequentially, depending on the situation. Chapter 22 of the Housing Choice Voucher Program contains details for retaining a portion of the recoveries.

#### 1. Repayment Agreements

Repayment agreements are required whenever the PHA determines that the family underpaid the rent, and for the entire period of documented underpayment. The repayment agreement should contain a description of the program violation, the tenant agreement with the findings, the duration of the violation, the amount owed, the terms of repayment, and consequences of not making the payments.

Also, the PHA should monitor all repayment agreements, and if payments are missed, take appropriate action to enforce the agreement.

#### 2. Civil Recoveries

If tenants owing rent abandon a unit or refuse to pay on a repayment agreement, and you are aware that they possess sufficient assets or income, civil suit may be considered. HUD approval must be obtained before initiating litigation. Contact your local HUD field office.

#### 3. Criminal Prosecution in Local and Federal Courts

In flagrant cases, or if a PHA documents that a tenant willfully intended to misrepresent the truth the PHA should seek local, State, or Federal prosecution. Moreover, if the abuse was committed over several years or the underpayments are substantial, these also would be reasons to consider prosecution.

Prior to beginning the prosecution process, the PHA should discuss the issue with the [HUD OIG Special Agent in Charge](#) and agree on referral protocols.

PHA's should coordinate with local law enforcement officials (prosecutor, sheriff, police, HUD OIG agents etc.) to determine their criteria for prosecuting tenant fraud. Meeting with them will enable the PHA to provide an overview of the housing process and the violations most often committed. Such a meeting also will serve to educate the PHA on the documentation the prosecutor will need. Some PHAs have



also held a meeting with the local judge(s) to educate them on tenant fraud so that assisted units aren't viewed as housing of last resort.

***Previous Program Integrity Bulletins***

**A Primer for PHA Commissioners**

**Developing a Fraud Policy**

**Avoiding Embezzlement of Public Housing Funds**

**Hiring by Public Housing Agencies**

**Procurement & Contracting: Five Ground Rules for Executive Directors and Commissioners**

Available at: <http://www.hudoig.gov/fraud-prevention/industry-advisories>