



# City of New York

---

## OFFICE OF THE COMPTROLLER

Scott M. Stringer  
COMPTROLLER



## FINANCIAL AUDIT

**Marjorie Landa**

Deputy Comptroller for Audit

Audit Report on the Department of  
Housing Preservation and  
Development's Procedures for the  
Verification of Section 8 Housing  
Choice Voucher Program Participant-  
Reported Information

FM13-121A

**May 29, 2015**

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, NY 10007

SCOTT M. STRINGER  
COMPTROLLER

May 29, 2015

To the Residents of the City of New York:

My office has audited the Department of Housing Preservation and Development (HPD) to determine whether HPD's procedures for verifying Section 8 Housing Choice Voucher (Section 8) program participant-reported information during the annual recertification process were adequate and sufficient to meet federal Department of Housing and Urban Development (HUD) program requirements. We audit entities such as HPD to ensure that they effectively manage assets entrusted to them and do so in accordance with applicable rules and regulations.

HPD provides housing subsidies to more than 32,400 families by paying a portion of the program participants' rent. Through Section 8, HPD subsidizes the rent for qualified low-income families. The families then pay the differences between the actual rents charged by the landlords and the amount subsidized by the Section 8 program. During Fiscal Year 2013, HPD received approximately \$423 million in subsidies from HUD for the operation of the Section 8 program.

The audit found that HPD's existing procedures generally meet HUD's requirements for verifying participant-reported information and that HPD appropriately utilized HUD's Deceased Tenants Report, Multiple Subsidy Report, and the Failed Verification Report. However, we looked at additional sources of asset, income and family composition data and matched it against all HPD Section 8 participants as of July 1, 2013 and determined that there was evidence that indicated that as many as 829 participants may have omitted information during recertification. The information we found potentially related to Section 8 participants' assets and income was not in HPD's database, and may have affected the participants' entitlement to benefits.

The audit recommends that HPD determine whether the participants identified in this audit as possibly having failed to report ownership of real property or marriage have, as a result, received Section 8 benefits to which they are not entitled to, whether they are currently entitled to benefits, and if so, in what amounts. HPD should take appropriate action against those participants who have omitted information and/or made false statements to HPD in connection with the program, refer any participant who appeared to have made a material omission or a false statement to HPD in connection with their recertifications to the New York City Department of Investigation, and refer those participants who appear to have wrongly received property tax exemptions to the appropriate taxation authorities. Finally, HPD should consider employing additional procedures to verify assets and income, including but not limited to the data matches we performed, to improve its verification of participant-reported information.

The results of the audit have been discussed with HPD officials, and their comments have been considered in preparing this report. HPD's complete written response is attached to this report. If you have any questions concerning this report, please e-mail my Audit Bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott Stringer", written over the word "Sincerely".

[WWW.COMPTROLLER.NYC.GOV](http://WWW.COMPTROLLER.NYC.GOV)

Scott Stringer

# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
Audit Findings and Conclusions .....	2
Audit Recommendations.....	2
HPD Response.....	3
<b>AUDIT REPORT .....</b>	<b>4</b>
Background .....	4
Objective.....	5
Scope and Methodology Statement.....	5
Discussion of Audit Results with HPD .....	5
<b>FINDINGS .....</b>	<b>7</b>
Verification of Participant-Reported Assets Can Be Improved.....	7
304 Participants Appear to Own Property That Has Not Been Reported .....	8
54 Participants Likely Claiming Property Tax Exemptions for Second Homes that Require Full-Time Residency .....	10
Verification of Participant-Reported Family Composition Can Be Improved .....	10
Potential Unreported Spouses .....	11
Residency Concerns .....	11
<b>RECOMMENDATIONS .....</b>	<b>13</b>
<b>DETAILED SCOPE AND METHODOLOGY.....</b>	<b>14</b>
<b>APPENDIX</b>	
<b>ADDENDUM</b>	

# THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

## Audit Report on the Department of Housing Preservation and Development's Procedures for the Verification of Section 8 Housing Choice Voucher Program Participant-Reported Information

FM13-121A

### EXECUTIVE SUMMARY

This audit examined whether the Department of Housing Preservation and Development's (HPD) procedures for verifying Section 8 Housing Choice Voucher Program participant-reported information during the annual recertification process were adequate and sufficient to meet federal Department of Housing and Urban Development (HUD) program requirements. The audit covered all participants who were active as of July 1, 2013. HPD provides housing subsidies to more than 32,400 families by paying a portion of the program participants' rents to their private landlords. Through Section 8, HPD subsidizes the rent for qualified low-income families. The families then pay the differences between the actual rents charged by the landlords and the amount subsidized by the Section 8 program. During Fiscal Year 2013, HPD received approximately \$423 million in subsidies from the federal government through HUD for the operation of the Section 8 program.

Federal regulations established by HUD require Public Housing Agencies (PHA), like HPD, to conduct initial certifications and subsequent recertifications of family income and composition every year. Through the annual recertifications, HPD is required to determine that participants continue to be eligible and recalculate the current amounts of the subsidies to which they are entitled. Under the recertification requirements, participants must accurately report their most current information regarding changes in family composition, income, assets, and other factors used by HPD to determine the amount of Section 8 rental subsidies that will be paid on their behalf.

As part of the recertification process, HPD case managers review and analyze the information received from participants. Pursuant to HUD requirements, case managers validate participant income information through HUD's Enterprise Income Verification system (EIV), a web-based computer system that contains employment and income information about individuals who participate in HUD's rental assistance programs. EIV also verifies participants' social security numbers and determines if participants owe outstanding debt to any PHA. In addition, HUD requires HPD to periodically utilize different reports to verify the information they receive, including the Deceased Tenants Report, which is used to identify deceased participants; the Multiple

Subsidy Report, which is used to identify participants who may be receiving subsidies in more than one location; and the Failed Verification Report, which is used to identify participants whose personal identifiers, such as social security numbers, do not match the Social Security Administration (SSA) database.

## **Audit Findings and Conclusions**

HPD's existing procedures generally meet HUD's requirements for verifying participant-reported information and appropriately utilized HUD's Deceased Tenants Report, Multiple Subsidy Report, and the Failed Verification Report. Further, in a sample of 25 case files we reviewed closely, we did not identify any instance where HPD recertified a participant without obtaining the required documentation to verify reported income or without validating the information through EIV in accordance with its existing procedures.

HUD does not require HPD to conduct additional verifications beyond those it presently conducts. However, HUD's guidebook states that, "PHAs are ultimately responsible for ensuring that the right people receive the right amount of subsidy, and they must maintain a high degree of accuracy in administering the housing choice voucher program." Accordingly, we looked at additional sources of assets, income and family composition data and matched it against all HPD Section 8 participants as of July 1, 2013 to determine if there were participants who may have omitted information during recertification. Based on our data matches, we identified discrepancies in records potentially related to 829 participants. The information we found potentially related to Section 8 participants' assets and income was not in HPD's database, and may have affected the participants' entitlement to benefits. To maintain program integrity, HPD should consider implementing, in whole or in part, procedures such as those we employed to ensure that it considers all available information related to Section 8 eligibility during recertification, and to use additional data to verify self-reported information on property ownership and marriage.

## **Audit Recommendations**

This report makes a total of five recommendations to HPD, including:

- Determine whether those participants we identified in this audit as possibly having failed to report ownership of real property or marriages have, as a result, received Section 8 benefits to which they were not entitled, whether they are currently entitled to any benefits, and if so, in what amounts.
- Take any appropriate action under the Section 8 program against those participants who have omitted information and/or made false statements to HPD in connection with the program.
- Refer any Section 8 participants who appear to have made material omissions or false statements to HPD in connection with their recertifications to the New York City Department of Investigation.
- Consider employing additional procedures to verify assets and income, including but not limited to the data matches we performed, to improve its verification of participant-reported information.

## HPD Response

In its response to the draft report, HPD officials did not dispute the report's findings and stated that HPD has already taken actions related to the Comptroller's recommendations, and will continue to monitor their impact. The full text of HPD's response is included as an addendum to this report.

# AUDIT REPORT

## Background

HPD is the largest municipal developer of affordable housing in the nation. As one of its many programs, HPD administers the federal Section 8 Housing Choice Voucher program, also known as the Section 8 program, to approximately 32,400 families in New York City's five boroughs.<sup>1</sup> The Section 8 program pays a portion of the rent to private landlords to subsidize qualified low-income families.<sup>2</sup> The families then pay the differences between the actual rents charged by their landlords and the amount subsidized by the Section 8 program. During Fiscal Year 2013, HPD received approximately \$423 million in subsidies from the federal government through HUD for the operation of the Section 8 program.

To qualify for the Section 8 program, families must be within the income limits set by HUD, at least one member of the family must be able to document compliance with program requirements of citizenship or eligible immigration status, and the family must provide social security numbers for all family members who claim citizenship or eligible immigration status. Further, HPD Section 8 participants, unlike those who receive vouchers through the New York City Housing Authority, must have certain defined special circumstances in addition to being within income limits, such as homelessness. As of May 2014, there were approximately 3,000 families on a waiting list maintained by HPD to receive Section 8 vouchers. Some of the families have been on the waiting list since 2008.

Currently, there is an acute shortage of affordable housing in New York City. According to Mayor DeBlasio's *Housing New York: A Five-Borough, 10-Year Housing Plan to Protect and Expand Affordability* released on May 5, 2014, there were only about 425,000 rental units that were affordable to the nearly one million extremely low income and very low income households (those households with total yearly income of \$42,000 or less) in the five boroughs.

Federal regulations established by HUD require PHAs, like HPD, to conduct initial certifications and subsequent recertifications of family income and composition every year. Through the annual recertifications, HPD is required to determine that participants continue to be eligible and recalculate the current amounts of the subsidies to which they are entitled.

Pursuant to HUD regulations, HPD sends a recertification package to heads of households in the Section 8 program once a year. Under the recertification requirements, participants must accurately report their most current information regarding changes in family composition, income, assets and other factors used by HPD to determine the amount of Section 8 rental subsidies to be paid. In addition, participants must provide third-party verifications, which include but are not limited to bank statements, W-2 statements, employer letters, real estate closing documents, and letters from authorizing agencies providing benefits. (See the Appendix I for a breakdown of information and supporting documentation participants must submit at recertification).<sup>3</sup>

---

<sup>1</sup> In New York City, there are two City Public Housing Agencies that provide Section 8: HPD and the New York City Housing Authority. The New York City Housing Authority administers the Section 8 program on behalf of approximately 96,481 families.

<sup>2</sup> HPD defines a family as "A single person or group of persons with or without children who maintain an interdependent relationship...and whose income and resources are available to meet the family's needs." HPD defines the Head of Household as the designated adult member of the household wholly or partly responsible for paying the rent and able to enter into a lease under state and local law. Unless otherwise noted in this report, family members in the household are referred to as participants

<sup>3</sup> This audit is of the recertification process, only, which imposes different requirements on PHAs for determining continued eligibility than those required at the time initial applications are evaluated.

As part of the recertification process, HPD case managers review and analyze the information received from participants. Pursuant to HUD requirements, case managers validate participant income information through HUD's EIV, a web-based computer system that contains employment and income information about individuals who participate in HUD's rental assistance programs. EIV also verifies participants' social security numbers and determines if participants owe outstanding debt to any PHA. In addition, HUD requires HPD to periodically utilize different reports to verify the information they receive, including the Deceased Tenants Report, which is used to identify deceased participants; the Multiple Subsidy Report, which is used to identify participants who may be receiving subsidies in more than one location; and the Failed Verification Report, which is used to identify participants whose personal identifiers, such as social security numbers, do not match the SSA database.

## **Objective**

The objective of this audit was to determine whether HPD's procedures for the verification of participant-reported information during the annual recertification process were adequate and sufficient to meet HUD program requirements.

## **Scope and Methodology Statement**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope period of this audit covered all HPD Section 8 participants that were active as of July 1, 2013.

## **Discussion of Audit Results with HPD**

The matters covered in this report were discussed with HPD officials during and at the conclusion of this audit. On May 1, 2014, we provided HPD with an initial list of the participants referred to in the report as having possibly failed to disclose complete and accurate information about assets, income and family composition during their recertification for Section 8 subsidies. Included in that list was preliminary information we obtained that indicated the possibility that income and/or assets may not have been reported by those participants. A preliminary draft report was sent to HPD officials and discussed at an exit conference held on April 15, 2015. At the exit conference, HPD officials provided additional information, which was considered in preparation of the draft report. On April 23, 2015, we submitted a draft report to HPD with a request for comments. We received a written response from HPD on May 7, 2015.

In its response to the draft report, HPD officials did not dispute the report's findings and stated that "HPD shares the Comptroller's concern that the agency's federal HCV funding be administered responsibly. Accordingly HPD makes every effort to carefully balance the cost-effectiveness and efficiency of its controls with the need for comprehensive administrative action. Adding levels of administrative oversight may potentially reduce incidences of discrepancy, but also impact the agency's ability to effectively administer housing resources to New York City's



homeless population. With due consideration, HPD has already taken actions related to the Comptroller's recommendations, and will continue to monitor their impact."

Further, HPD agreed with the first four of the report's recommendations. For the final recommendation, HPD stated that it is entering into a Memorandum of Understanding with the New York City Clerk's Office to gain direct access to marriage records but did not indicate what steps, if any, it will take to identify unreported property.

The full text of HPD's response is included as an addendum to this report.

## FINDINGS

We found that HPD's existing procedures generally meet HUD's requirements for verifying participant-reported information and that it appropriately utilized HUD's Deceased Tenants Report, Multiple Subsidy Report, and the Failed Verification Report. Further, in a sample of 25 case files we reviewed closely, we did not identify any instance where HPD recertified a participant without obtaining the required documentation to verify reported income or without validating the information through EIV in accordance with its existing procedures.

HPD is not required to conduct additional verifications by HUD. However, HUD's guidebook states that, "PHAs are ultimately responsible for ensuring that the right people receive the right amount of subsidy, and they must maintain a high degree of accuracy in administering the housing choice voucher program." Accordingly, we looked at additional sources of assets, income and family composition data and matched it against all HPD Section 8 participants as of July 1, 2013, to determine if there were participants who may have omitted information during recertification. Based on these public record data matches, our analysis found potential discrepancies in these records related to 829 participant households. Specifically, we identified 304 participants who appeared to own 339 properties, which according to HPD's database had not been reported. In addition, we found 528 participants who appear to have been married between 2011 and 2013 but whose spouses were also not known to HPD, including 16 spouses who appeared to receive payments for working for the City in 2013.

Because the information we found was potentially related to household assets and income and was not in HPD's database, 829 participants may have received benefits or a level of benefits to which they were not entitled. We calculated that HPD provided a total of \$26 million in subsidies for these 829 participants between the dates of the omitted events (e.g., the purchasing of property or getting married) and February 28, 2014.<sup>4</sup> Had the participants reported all of their household assets and income, they might have been deemed ineligible for Section 8 benefits or, even where they were eligible to receive Section 8 benefits, the amount of their subsidies might have been reduced. In addition, any of these 829 participants who were ineligible for Section 8 vouchers because of the omitted information deprived an eligible person on the waiting list of a subsidy he or she should have received.

We reported these potential discrepancies and provided supporting information to HPD so they could take any appropriate action. Participants found to have underreported household assets and income could be required to repay the subsidies and/or could be removed from the program. They may also be subject to legal penalties. To maintain program integrity, HPD should consider implementing, in whole or in part, procedures to ensure it considers all available information related to Section 8 eligibility during recertifications, and to use additional data to verify self-reported information on property ownership and marriage.

### Verification of Participant-Reported Assets Can Be Improved

HPD can improve controls over the accuracy and completeness of the information it receives about participant assets by performing public record searches for each participant at the time of

---

<sup>4</sup> Although the full value of the subsidies paid totals \$26 million, this does not necessarily mean the full value was improper. In addition, for participants with unreported property, we calculated subsidies paid on behalf of the participants only if the unreported property was a single- or multi-family property. Three of the 528 participants who appear to have not reported their marriages to HPD also appear to have unreported real property. To avoid double counting the total number of participants, three participants were removed from the count of total participants.

recertification or by periodically running batch reviews of participants against public records of property ownership. By these means, HPD could identify participants who do not completely report property ownership. Information about additional properties owned and income received from those properties could result in subsidy reductions or terminations from the program and free up limited vouchers for eligible households on the HPD waiting list.

Although EIV enables HPD to verify income, it does not allow for verification of assets. In a prior audit conducted by the New York City Comptroller of a program that serves HPD's Section 8 participants, we identified a considerable risk that the failure of Section 8 participants to report properties they owned would go undetected and so such properties would not be included in the determination of rental assistance.<sup>5</sup> Consequently, we utilized LexisNexis to identify property potentially owned by participants in the Section 8 program.<sup>6</sup>

During recertification, Section 8 participants are required to identify all real property they own, provide documentation supporting its cash value and provide documentation of any income derived from these assets. Income is a key factor for calculating Section 8 subsidies and how much those subsidies will be. Participants are required to sign and certify that they have read all forms and instructions, are aware of their responsibilities under the Section 8 program, and that providing false statements to a government agency is punishable under federal law and may result in termination from the program. However, this certification, while important, provides a limited control over the completeness and accuracy of the information the participants report. HUD also requires certain specific verifications of the participant-supplied information, which are limited in their effectiveness for the identification of assets.

## **304 Participants Appear to Own Property That Has Not Been Reported**

Based on our analysis of all of the individuals receiving Section 8 subsidies through HPD as of July 1, 2013, matched against publically available records such as deeds, tax records and other corroborating information, we identified 304 participants who possibly own 339 properties throughout the United States that was not considered at the time of recertification.<sup>7</sup> Of these, 30 Section 8 participants appear to own more than one property. In many cases, the addresses where the Section 8 participants receive their subsidies appear as mailing addresses on the deeds, tax records and mortgages we reviewed. Table I provides a breakdown of the types and number of properties we identified.

---

<sup>5</sup> The report, *Audit Report on the Department of Housing Preservation and Development's Disbursement of Its Family Self-Sufficiency Program Funds*, (Audit Number FM13-058A), determined that 3% of the sampled Section 8 participants appear to have owned unreported real property in New York City.

<sup>6</sup> LexisNexis is a subscription database that, among other things, aggregates public records of property ownership and personal data about individuals. As a government agency, we may have been able to access data that an ordinary user of LexisNexis' products would not have been able to obtain.

<sup>7</sup> For some of the 304 participants, we were able to obtain further corroboration that the participants were associated with these real properties through motor vehicle, utility and voter registration records.

**Table I**

Types of Unreported Property

<b>Type of Property</b>	<b>Amount</b>
Single Family Home	202
Multi-Family Home	34
Commercial Property	5
Timeshares or Campsites	9
Vacant Land	89
<b>Total</b>	<b>339</b>

Owning unknown single family and multi-family homes and commercial properties could have a significant impact on those participant/owners' recertifications because such properties generally have far greater values and could be income-producing. Accordingly, when HPD does not know of such assets, it may also be unaware of a material amount of income.<sup>8</sup>

In one example, we identified a Section 8 program participant who appears to own a pair of two-family homes and one single family home in Buffalo, New York. In October 2005, the participant was admitted to the Section 8 program and started receiving a rental subsidy for a cooperative apartment in lower Manhattan. In November 2006, the participant appears to have purchased the first two-family home, which contains four bedrooms and two bathrooms. He then appears to have purchased a second two family home, containing five bedrooms, in March 2007, and a third single-family home, containing three bedrooms, in January 2010. As of March 2014, tax records show that the owner's name and mailing address for all three properties exactly matched the participant's name and his address in lower Manhattan where he receives a Section 8 subsidy. From December 2006 to February 2014 we calculated that the participant received \$42,314 in rental subsidies from HPD. However, on his most recent recertification on file, modified on February 21, 2014, the participant reported owning only \$3,209 in assets and no real property. Based on the information we obtained, we question the \$42,314 in rental subsidies paid by HPD from December 2006 to February 2014. Also, because of these potential omissions on the participant's certification forms, it is unclear who has been living in the three homes in Buffalo that appear to be owned by the participant and whether the homes and/or the Section 8 apartment have been generating any unreported income for the participant.

In another example, we identified another program participant who appears to have owned two commercial properties used as auto-repair shops and a 2,100 square foot single-family home in Queens at the time of his 2013 recertification. HPD's electronic database indicates that the participant reported approximately \$20,000 in income from the auto repair shops but did not declare any real property assets to HPD at the time of recertification, according to HPD's database. The fair market value of the home is estimated on tax records to be \$791,000. Public records indicate that the participant may have purchased the home in December 2001 and the auto repair shops in 1989 and 2008. In February 2004, the participant entered the Section 8 program and started receiving a rental subsidy for a two-bedroom apartment in midtown Manhattan. Because the participant appears to have already owned the home in Queens and the two auto repair shops when he initially applied to participate in Section 8, we question the \$297,000 in rental subsidies paid by HPD for the midtown Manhattan apartment from February 2004 through February 2014. In addition, as is explained in more detail below, this Section 8

<sup>8</sup> Given the generally small dollar value of timeshares, campsites, and vacant land, we did not consider these in our analysis.

participant appears to have been receiving the New York State School Tax Assessment Relief (STAR) exemption on the Queens home since 2006.

## **54 Participants Likely Claiming Property Tax Exemptions for Second Homes that Require Full-Time Residency**

In addition to receiving Section 8 subsidies, we found that 54 of the 304 Section 8 participants identified as appearing to own unreported real property may also have claimed the STAR tax exemption or its out-of-state equivalent for a primary residence other than their Section 8 apartments. A STAR tax exemption may only be claimed by a homeowner on a property that is used as the owner's primary residence. Similarly, a Section 8 voucher may only be used to supplement the rent on a participant's primary residence. Consequently, a Section 8 participant cannot receive Section 8 rental assistance for an apartment supposedly used as a primary residence and at the same time receive a STAR tax exemption for a different property supposedly used as a primary residence.

Our analysis found that 40 Section 8 participants appear to have received the STAR exemptions in New York, 12 appear to have received the STAR equivalent in Florida (also known as the Homestead exemption) and one each appear to have received equivalent exemptions in Ohio and Texas. If a participant's primary residence is actually the Section 8 apartment then these participants are defrauding the STAR program or its out-of-state equivalent. Conversely, if the participants are residing at these homes, then the participants are not entitled to receive Section 8 subsidies.

**HPD Response:** "HPD is in the process of hiring an accountant as a resource to support the work of Case Managers who detect fraud and need assistance in establishing the value of assets. The accountant will also address the cases identified by the Comptroller as potentially containing discrepancies in property ownership reporting."

**Auditor Comment:** HPD should expedite the review of these cases. Many of the participants cited have significant assets that were unreported that will not only affect income but also raises other questions including concerns about participant residency.

## **Verification of Participant-Reported Family Composition Can Be Improved**

Similar to the verification of assets, there are inherent difficulties verifying whether family composition as reported by the participants is accurate and complete. HPD can potentially improve controls over the accuracy of this information by using data analytic tools. While not required by HUD or HPD rules, data analysis can help address the concerns over the accuracy of participant-reported family composition revealed by the data match conducted in connection with this audit. After reviewing our preliminary findings with HPD at an exit conference held on April 15, 2015, HPD officials stated they intend to enter into a memorandum of understanding with the New York City Clerk's Office to obtain the data necessary to perform a similar analysis to the one performed in connection with this audit on an ongoing basis.

## Potential Unreported Spouses

A data match between marriage records maintained by the New York City Clerk's Office and HPD's Section 8 database identified 832 Section 8 participants who appear to have been married between February 2011 and November 2013. Of these 832 participants, 528 of the new spouses had not been reported to HPD as of February 2014. Accordingly, there is a significant risk that the incomes of the new spouses may not have been reported by the participants. HPD's Section 8 Housing Choice Voucher Program Briefing Book, which is written for Section 8 participants to instruct them on program procedures, states that families are required to immediately notify HPD of changes in family composition. Any unreported spouse living at the Section 8 address and generating income could potentially result in overpayments of the rental subsidy.

The 528 participants who did not report their marriages to HPD received over \$10 million in Section 8 subsidies since they were married and may not have been entitled to a portion or all of the subsidies they received. Of the 528 participants, 447 reported their Section 8 addresses as their residence on the marriage license, while 81 did not. In addition, 206 apparent spouses of the 447 participants reported the participants' Section 8 address as the spouses' residence on their marriage licenses, which indicates that the couples may have both been residents at the Section 8 address prior to marriage. While it is possible that the remaining 241 couples where one spouse did not list the Section 8 address as a home address continued to live separately after their marriage, the information obtained in the data match at a minimum suggests that further inquiry by HPD is warranted.

Section 8 participants are required to provide information about all household income, including unemployment and public assistance benefits received by household members. The apparent new spouses of the participants we identified listed a variety of occupations on the marriage records, including patent agent, information technology specialist, and bus driver. In addition, a number identified themselves as unemployed. Since the Section 8 program considers wages along with unemployment compensation, disability, Social Security and some welfare benefits when calculating household income, a new marriage would likely result in a decrease in a Section 8 subsidy for the family.

In addition to the occupations listed on the marriage licenses, we determined that 16 spouses of the 528 participants who did not report their spouses to HPD worked for the City and received income in 2013. Four out of the 16 spouses reported the Section 8 address as their home addresses in their City payroll records. For example, one participant married a Parks Department employee in July 2013. Both individuals listed the Section 8 address as their place of residence on their marriage license. City payroll records confirm that the Parks Department employee identified the Section 8 address as his home and earned over \$60,000 in 2013. According to HPD's records, this income was not reported to HPD because the participant did not report her marriage and that her family composition had changed to HPD, nor did she report her spouse during her next recertification in November 2013. Furthermore, additional Parks Department records indicate that the Parks Department employee had been living at the Section 8 apartment for several years, which had also never been reported. In 2013, the couple's combined income exceeded \$90,000, which would in all likelihood result in a significant reduction or elimination of their subsidy.

## Residency Concerns

As noted above, the data match conducted in connection with this audit between HPD Section 8 participants and marriage records revealed that 81 of the 528 Section 8 participants who did not

report their spouses to HPD listed an address on the marriage records other than their Section 8 addresses. This omission indicates that these participants of Section 8 vouchers may not, in fact, be living at their Section 8 addresses. Also, 12 of the 81 participants were single-member households and so there are apparently no eligible household members who might be occupying the apartments. As indicated by HPD's guidelines, failure to live at the subsidized address violates the HPD residency requirement. Further, if a participant is in fact not living in the unit, the remaining household members who might be deemed eligible may be living in a unit that is too large for their current family size under normal Section 8 program occupancy requirements, a condition HUD and HPD call "over-housed."<sup>9</sup>

**HPD Response:** "HPD has reviewed the 2013 participant files that were identified as possibly containing discrepancies in household composition. In cases where a discrepancy is verified, HPD will then determine if there is a resulting discrepancy in household income reported."

HPD further added that "HPD is currently negotiating a Memorandum of Understanding (MOU) with the New York City Clerk's office, which will allow HPD to conduct regular data matches based on marriage records received from the office. Providing HPD access to this data source will allow the agency to take an additional step, beyond what is required by HUD, in verifying household composition."

---

<sup>9</sup> Upon the breakup of a family, HPD has broad discretion to determine who remains in the program. Either household may retain the voucher if there is mutual consent or a court stipulated determination as to which household retains assistance.

# RECOMMENDATIONS

While HPD generally met HUD's requirements verifying participant-reported information, based on all of the above findings, we recommend that HPD:

1. Determine whether those participants we identified in this audit as possibly having failed to report ownership of real property or marriages, have as a result received Section 8 benefits to which they were not entitled, whether they are currently entitled to any benefits, and if so, in what amounts.

**HPD Response:** "HPD has reviewed the 2013 participant files that were identified as possibly containing discrepancies in household composition. In cases where a discrepancy is verified, HPD will then determine if there is a resulting discrepancy in household income reported.

HPD is also entering into a Memorandum of Understanding with the New York City Clerk's Office to gain direct access to marriage records which will provide an additional source of verification. (See Response #5 for more information.)"

2. Take any appropriate action under the Section 8 program against those participants who have omitted information and/or made false statements to HPD in connection with the program.

**HPD Response:** "HPD will continue to follow its Housing Choice Voucher Administrative Plan (submitted to HUD 4/15/15) in addressing any substantial misrepresentation of participant information."

3. Refer any Section 8 participant who appear to have made a material omission or a false statement to HPD in connection with their recertifications to the New York City Department of Investigation.

**HPD Response:** "HPD will continue to follow its Housing Choice Voucher Administrative Plan in referring cases of substantial misrepresentation to the New York City Department of Investigation."

4. Refer those participants who appear to have wrongly received property tax exemptions to the appropriate taxation authorities.

**HPD Response:** "HPD will continue to refer cases of substantial misrepresentation to the appropriate governmental agency as allowed by the law."

5. Consider employing additional procedures to verify assets and income, including but not limited to the data matches we performed, to improve its verification of participant-reported information.

**HPD Response:** "HPD is in the process of hiring an accountant as a resource to support the work of Case Managers who detect fraud and need assistance in establishing the value of assets. The accountant will also address the cases identified by the Comptroller as potentially containing discrepancies in property ownership reporting."



## DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope period of this audit covered all Section 8 participants that were active as of July 1, 2013. To gain an understanding of the Section 8 program, we reviewed the *Code of Federal Regulations, Title 24, Part 982–Section 8 Tenant Based Assistance: Housing Choice Voucher Program*; HUD Handbook 4350.3: *Occupancy Requirements of Subsidized Multifamily Housing Programs*; HUD Housing Choice Voucher Program Guidebook 7420.10G; HPD's *Administrative Plan*, and HPD's *Housing Choice Voucher Program Briefing Book*.

To gain an understanding of HPD's controls over the verification of participant-reported information, we interviewed the various program administrators and personnel at HPD responsible for the Section 8 program. Specifically, we interviewed the Director of Policy and Special Programs, the Director of Operations, two Team Leaders and five Case Managers. In addition, we interviewed the Director of the Housing Management Division at HUD's New York Office. Further, we observed an actual recertification for a participant and flowcharted the recertification process. We documented our understanding of the controls and possibility of fraud through written narrative.

To achieve our objective, we obtained a list from HPD of all 75,822 individuals in the Section 8 program as of July 1, 2013. To determine whether the list provided by HPD was complete, we randomly selected 25 physical case files and traced the files back to the list provided by HPD. To further evaluate the completeness of the list, we compared the number of households on the list to the program statistics published on HPD's website as of December 2012.

To determine the accuracy of the list, we randomly selected 50 participants from the list and compared the information on the list to the information stored in HPD's database. To directly test the accuracy and completeness of HPD's database, we randomly selected an additional 25 participant files and compared the information in the physical files to their associated information from the list.

We also used those 25 files to determine whether HPD obtained the required documentation from the participants at recertification. Further, we reviewed the file to determine whether it contained evidence that HPD verified various participant reported information with HUD databases such as EIV.

To determine whether HPD periodically utilized HUD's Deceased Tenants Report, Multiple Subsidy Report, and the Failed Verification Report, we requested and reviewed the relevant reports.

To identify participants who potentially own real property we utilized LexisNexis' batch processing services. 632 participants who potentially own 859 properties were initially identified. To determine whether the participants were the bona fide owners of the property, we reviewed deeds, tax records, and mortgages for each property with its respective municipality, county, or state.

Any properties that were disposed of prior to March 1, 2014, or were falsely identified as belonging to the Section 8 participants were eliminated. We then conducted further research within HPD's database of Section 8 participants who were identified as apparent owners of real property to determine whether the property was reported. For those participants who appear to own and did not report the real property, we obtained a record of subsidy payments made on their behalf and then calculated all subsidy payments that were made as of the date of omission through February 2014 to determine the amount of subsidy affected. Finally, where applicable, we obtained property tax records to determine whether certain tax exceptions were being taken.

To identify program participants who were recently married, we obtained marriage records for the period of February 2011 through November of 2013 and then performed a data match between the marriage records and the list of program participants provided by HPD. We evaluated the results of the initial match to determine whether spouses were reported to HPD. For those participants who did not report their spouses, we obtained a record of subsidy payments made on their behalf and then calculated all subsidy payments that were made as of the date of omission to February 2014 to determine the amount of subsidy affected. Finally, we compared City payroll records against those spouses who were not reported to determine whether they were City employees or earning income.

Information Participants are  
Required to Submit to HPD During  
the Recertification Process<sup>10</sup>

<b>Information Category</b>	<b>Description</b>	<b>Type Of Documentation Required to be Submitted by Participant</b>
Income	Wages	Six weeks of consecutive paystubs or verification on employer letterhead stating the amount and frequency of pay
	Social Security Administration Retirement or Disability Benefits	Certification of the amount received by participant or a household member
	Unemployment/Workers Compensation	Official documentation of the frequency and amount of payments received
	Self-Employment/Seasonal Employment	Signed copy of participant's most recent tax return
	Child Support/Alimony	Official documentation or letter from the absent parent or spouse showing frequency and amount of the child support or alimony payments
	Public Assistance	Verification letter stating the amount of benefits paid
	Pension/Retirement/Veteran's Pay/Disability Benefits	Official documentation showing the frequency and amount of payments received
	Real Estate Income	Documentation of any income received from owning real property (e.g. property rental income, income earned from the sale of the property, etc.)
Assets	Bank Accounts	Verification letter completed by the financial institution, HPD form filled out by financial institution, or the participant's most recent bank statement

<sup>10</sup> Other information participants have to submit during the recertification process, where applicable, are: documentation of financial aid/scholarships, documentation of other types of support, such as regular income from organizations or persons outside the participants' home, documentation of unreimbursed medical/pharmacy/disability/expenses (deductible from income if exceeding 3% of household annual income), child care expenses for children in the household under 13 years of age, documentation of full-time student or job training status for all adults in the household over 18 years of age, documentation of all household members under 18 years of age who live in the unit without one or both parents for 183 days a year or more, along with documentation of child support provided for the household members under 18 years of age.

Information Category	Description	Type Of Documentation Required to be Submitted by Participant
Assets	Investment Accounts or Retirement Savings Accounts	Verification letter from the financial institution, or the participant's most recent statement
	Company Retirement or Pension Accounts	Official documentation of the frequency and amount of payments received
	Lump Sum Payments (e.g. Inheritances, Insurance Payments or Settlements)	Official documentation of the value of the payment amount and any interest earned
	Personal Property Held as an Investment (e.g. Coin Collections, Jewelry, etc.)	Official documentation of the value of the property and any outstanding debt
	Equity in Real Estate Property (The estimated market value of any property owned less the unpaid balance on loans secured by the asset)	Tax and mortgage statements
	Other Types of Assets (e.g. cash value of trusts and life insurance, Annuities, S corporations, partnerships)	Documentation verifying the value of the asset
Household Members	Add a Household Member	Letter of approval from landlord, photo identification, documentation of any income (if over 18 years of age), Social Security card and birth certificate (all new household members)
	Remove a Household Member	Documentation of the departing member's new address (e.g. copy of the departed or departing member's lease or utility bills), date of death or copy of death certificate is household member is deceased
Other Required Forms	Debts Owed to Public Housing Agencies and Terminations	Form signed by all household members over 18 years of age
	Authorization of Release of Information	
	Declaration of Employment Status	



Department of  
Housing Preservation  
& Development  
nyc.gov/hpd

VICKI BEEN  
Commissioner

Office of the Commissioner  
100 Gold Street  
New York, N.Y. 10038

May 7, 2015

Marjorie Landa  
Deputy Comptroller for Audits  
Office of the New York City Comptroller  
1 Centre Street- Room 1100N  
New York, New York 10007-2341

**Re: Response for the Audit on HPD's Procedures for the Verification of Section 8  
Housing Choice Voucher Program Participant-Reported Information  
Audit Number: FM13-121A**

Dear Deputy Comptroller Landa:

The following represents the Department of Housing Preservation and Development's response to the findings and recommendations made in the Audit on HPD's Procedures for the Verification of Section 8 Housing Choice Voucher Program Participant-Reported Information.

If you have any additional questions, please call Assistant Commissioner Josh Cucchiaro at (212) 863-6610.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Vicki Been".

Vicki Been

cc: Mindy Tarlow, Director, Mayor's Office of Operations  
Don Shacknai  
Josh Cucchiaro



**AUDIT RESPONSE**  
**NEW YORK CITY COMPTROLLER'S AUDIT**  
**NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT**  
**AUDIT OF PROCEDURES FOR THE VERIFICATION OF SECTION 8 HOUSING CHOICE VOUCHER PROGRAM**  
**PARTICIPANT-REPORTED INFORMATION**  
**REPORT FM13-121A**

The objective of the Comptroller's audit was to examine whether the Department of Housing Preservation and Development (HPD) has adequate and sufficient procedures in place for its Housing Choice Voucher (HCV) program to meet the requirements of the federal Department of Housing and Urban Development (HUD).

HPD is pleased with the Comptroller's finding that the agency meets HUD's requirements for verifying participant-reported information. The Comptroller also found that HPD is utilizing HUD's reports, which were designed to assist public housing agencies (PHAs) in further verifying HCV participant eligibility. These two methods of verification are included in HPD's current HCV administrative procedures. The Comptroller found that HPD is following these procedures.

The Comptroller also expanded the scope of its audit to include a level of verification that HUD does not require HPD to complete. In this additional examination, the Comptroller reviewed data sources not required by HUD, including ones to which HPD does not currently have direct access. The Comptroller identified two areas in which it believes HPD can take extra steps to verify participant-reported income: assets and household composition. The five recommendations included in the report relate to additional verification steps in these two areas.

HPD shares the Comptroller's concern that the agency's federal HCV funding be administered responsibly. Accordingly, HPD makes every effort to carefully balance the cost-effectiveness and efficiency of its controls with the need for comprehensive administrative action. Adding levels of administrative oversight may potentially reduce incidences of discrepancy, but also impact the agency's ability to efficiently administer housing resources to New York City's homeless population. With due consideration, HPD has already taken actions related to the Comptroller's recommendations, and will continue to monitor their impact.

To address the Comptroller's suggestion to implement additional verification of household composition, HPD is currently negotiating a Memorandum of Understanding (MOU) with the New York City Clerk's Office, which will allow HPD to conduct regular data matches based on marriage records received from the office. Providing HPD access to this data source will allow the agency to take an additional step, beyond what is required by HUD, in verifying household composition.

HPD has already reviewed the 2013 files identified by the Comptroller as ones with potential discrepancies in household composition. As discrepancies in household composition do not necessarily equate with discrepancies in reported income, HPD is evaluating each case to determine whether there is a discrepancy in household composition and, if so, whether this resulted in inaccurate reporting of participant income.

The Comptroller also suggested that HPD take additional measures to verify participants' assets, including property assets. Although participants are allowed to hold certain property, they must report

**AUDIT RESPONSE**  
**NEW YORK CITY COMPTROLLER'S AUDIT**  
**NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT**  
**AUDIT OF PROCEDURES FOR THE VERIFICATION OF SECTION 8 HOUSING CHOICE VOUCHER PROGRAM**  
**PARTICIPANT-REPORTED INFORMATION**  
**REPORT FM13-121A**

imputed income. To be able to evaluate imputed income per the Comptroller's recommendation, HPD is in the process of hiring an accountant who can better assess data related to assets and property ownership.

The Comptroller recommended that HPD refer participants who materially misrepresented information to appropriate governmental agencies. HPD will continue its practice of referring all cases of serious misrepresentation to the Department of Investigation, and notifying other governmental agencies of discrepancies as allowable by law.

HPD will continue to weigh the cost-effectiveness of taking steps beyond those steps currently required by HUD to verify participant-reported income, against the need to efficiently provide housing resources for homeless families in New York City.

**AUDIT RESPONSE**  
**NEW YORK CITY COMPTROLLER'S AUDIT**  
**NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT**  
**AUDIT OF PROCEDURES FOR THE VERIFICATION OF SECTION 8 HOUSING CHOICE VOUCHER PROGRAM**  
**PARTICIPANT-REPORTED INFORMATION**  
**REPORT FM13-121A**

<u>Findings</u>	<u>Recommendation</u>	<u>Response</u>
<p>HPD Generally Met HUD's Requirements in Verifying Participant-Reported Information</p>	<p>Below are recommendations to enhance the program.</p>	<p>HPD meets and exceeds HUD's requirements but will consider additional steps to further verify unreported household information.</p>
<p>Verification of Participant – Reported Assets Can be Improved</p> <p>304 Participants Appear to Own Property that has not Been Reported</p> <p>Verification of Participant-Reported Family Composition Can be Improved</p> <p>Potential Unreported Spouses, Residency Concerns</p>	<p><b>1.</b> Determine whether those participants we identified in this audit as possibly having failed to report ownership of real property or marriages have, as a result, received Section 8 benefits to which they were not entitled, whether they are currently entitled to any benefits, and if so, in what amounts.</p>	<p><b>1.</b> HPD has reviewed the 2013 participant files that were identified as possibly containing discrepancies in household composition. In cases where a discrepancy is verified, HPD will then determine if there is a resulting discrepancy in household income reported.</p> <p>HPD is also entering into a Memorandum of Understanding with the New York City Clerk's Office to gain direct access to marriage records which will provide an additional source of verification.</p> <p>(See Response #5 for more information.)</p>
	<p><b>2.</b> Take any appropriate action under the Section 8 Program against those participants who have omitted information and/or made false statements to HPD in connection with the program.</p>	<p><b>2.</b> HPD will continue to follow its Housing Choice Voucher Administrative Plan (submitted to HUD 4/15/15) in addressing any substantial misrepresentation of participant information.</p>
	<p><b>3.</b> Refer any Section 8 participant who appears to have made a material omission or false statement to HPD in connection with their re-certifications to the New York City Department of Investigation.</p>	<p><b>3.</b> HPD will continue to follow its Housing Choice Voucher Administrative Plan in referring cases of substantial misrepresentation to the New York City Department of Investigation.</p>



**AUDIT RESPONSE**  
**NEW YORK CITY COMPTROLLER'S AUDIT**  
**NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT**  
**AUDIT OF PROCEDURES FOR THE VERIFICATION OF SECTION 8 HOUSING CHOICE VOUCHER PROGRAM**  
**PARTICIPANT-REPORTED INFORMATION**  
**REPORT FM13-121A**

<p>54 Participants Likely Claiming Property Tax Exemptions for Second Homes That Require Full-Time Residency</p>	<p><b>4.</b> Refer those participants who appear to have wrongly received property tax exemptions to the appropriate taxation authorities.</p>	<p><b>4.</b> HPD will continue to refer cases of substantial misrepresentation to the appropriate governmental agency as allowed by law.</p>
	<p><b>5.</b> Consider employing additional procedures to verify assets and income, including but not limited to the data matches we performed, to improve its verification of participant-reported information.</p>	<p><b>5.</b> HPD is in the process of hiring an accountant as a resource to support the work of Case Managers who detect fraud and need assistance in establishing the value of assets. The accountant will also address the cases identified by the Comptroller as potentially containing discrepancies in property ownership reporting.</p>