Major causes for improper rental assistance payment

1. NO DOCUMENTATION IN FILE

REQUIREMENT:
Rural Development (RD) requires that all files contain third party documentation on income, assets and deduction for each resident. This documentation must be obtained at move-in and for annual recertification.

RD REGULATIONS:
(1) 7CFR part 3560.152 “Tenant Eligibility.” (e) “Tenant Certification and Recertification” (2) “Borrower requirement.”
(2) Asset Management Handbook: Chapter 6, Section 2 “Calculating Income and Initial Certification.”

SOLUTIONS:
(1) Resident Manager should properly complete all certifications and recertifications as required by all funding sources, including RD, tax credits, HUD, etc.
(2) Resident files should be reviewed by a management company representative on a regular basis (at move-in and recertification) to verify that all resident files contain the required documentation.
(3) When assuming management responsibilities on an existing project the new management company should always obtain the resident records from the previous management company and/or owner, which should be the files with original resident signatures. The new general partner or owner should make this requirement a part of the purchase agreement.
Major causes for improper rental assistance payment

2. MISSING ZERO INCOME WORKSHEET

REQUIREMENT:
Rural Development requires that all households with zero income must state source of income for paying other household expenses.

RD REGULATIONS:
(1) No reference in regulation – see Asset Management Handbook.
(2) Asset Management Handbook: Chapter 6
   b. Attachment 6-B “Zero Income Verification Checklist.”

SOLUTION:
(1) Resident Manager should complete all zero income worksheets during time of certification and recertification.
(2) Resident files should be reviewed by a management company representative on a regular basis (at move-in and recertification) to verify that all resident files contain the required zero income worksheet as required.
Major causes for improper rental assistance payment

3. CERTIFICATION NOT DATED

REQUIREMENT:
Rural Development requires that the tenant certification forms be signed and dated by all adult tenants and co-tenant (except minors and other permitted occupants) as well as a management company representative, often the resident manager.

RD REGULATION:
(1) 7CFR 3560.152 “Tenant Eligibility” (e) “Tenant certification and verification.”
(2) Asset Management Handbook: Chapter 6, Section 7 “Tenant Recertification and Changes in Eligibility.”

SOLUTION:
(1) The tenant certification forms be signed and dated by all adult tenants and co-tenants (except minors and other permitted occupants) as well as a management company representative, often the resident manager. Note that this must be signed before the effective date.
(2) Resident files should be reviewed by a management company representative on a regular basis (at move-in and recertification), comparing the tenant certification form effective date with the signature dates to verify proper dating of all tenant certification forms.
Council for Affordable and Rural Housing

Improper Payment Audit
Site Manager Training

Major causes for improper rental assistance payment

4. INCORRECT CERTIFICATION RECEIVED OR MISSING

REQUIREMENT:
Rural Development requires that all site resident files include a properly completed and executed tenant certification form not less than one year old.

RD REGULATIONS:
(1) 7CFR 3560.152(e) “Tenant Eligibility.”
(2) Asset Management Handbook: Chapter 6, Section 7 “Tenant Recertification and Changes in Eligibility.”

SOLUTION:
(1) Complete all tenant certification forms and have them signed and dated by all adult tenants and co-tenants (except minors and other permitted occupants) as well as a management agent representative, often the resident manager.
(2) Resident files should be reviewed by a management company representative on a regular basis (at move-in and recertification), to verify that tenant certification forms are properly completed, signed, dated and present in the file.
(3) If resident income increases $100 or more per month, the tenant must notify the resident manager and the resident manager must recertify. If income decreases $50 or more, and the tenant requests a recertification, then the resident manager must recertify. If household size changes, the tenant must notify the resident manager, and the resident manager must recertify as well.
(4) For the audit requests, the files to be forwarded should be reviewed for completeness prior to forwarding to RD to assure all documents requested are provided.
5. MISSING CURRENT AWARDS LETTER

**REQUIREMENT:**
Rural Development requires verification of all households’ income and assets with third party written documentation that is not more than 90 days.

**RD REGULATIONS:**
(1) 7CFR3560.152 “Tenant Eligibility” (e) “Tenant Certification and Verification” (2) “Borrower Responsibility.”
(2) Asset Management Handbook: Chapter 6, Section 2, 6.11 “Verification Procedure” A. “Verification Requirement.”

**SOLUTION:**
(1) Resident manager should obtain current award letter from third party sources, no older than 90 days. One award letter entity often used is Social Security, these awards letters are normally provided annually to the residents. If unable to obtain at time of certification from Social Security ask the resident to provide a copy of their last awards letter. Remind resident that for next year they should provide you a copy of the updated award letter.
(2) Resident files should be reviewed by a management company representative on a regular basis (at move-in and recertification), to determine current award letters or other proper documentation is in the file.
6. INCOME CALCULATION DIFFERENCE

REQUIREMENT:
Rural Development requires that all income and asset information be used to calculate gross and net income to allow for proper calculation of resident rental rate.

RD REGULATION
(1) 7CFR 3560.153 “Calculation of Household Income and Assets.” This section refers you to 24CFR5.609 and 24CFR5.611.
(2) 24CFR5.609 “Annual Income.” (Part of Title 24 for Housing and Urban Development)
(3) 24CFR5.611 “Adjusted Income.” (Part of Title for Housing and Urban Development)
(4) Asset Management Handbook: Chapter 6, Section 2
   a. 6.8 “Borrower & Applicant/Tenant Responsibility.”
   b. 6.9 “Calculation of Tenant Income.”
   c. 6.10 “Evaluating Applicant Assets.”
   d. 6.11 “Verification Procedures.”
   e. Attachment 6-A “Annual Income Inclusion & Exclusion.”
   f. Attachment 6-C “Allowable Deductions.”
   g. Attachment 6-D “Family Assets.”

SOLUTION:
(1) Resident manager shall calculate tenant income, assets and deductions on the tenant certification form.
(2) Resident files should be reviewed by a management company representative to determine that income calculations have been properly completed, the tenant certification is properly completed, dated and signed and all income and assets on the tenant certification form have 3rd party written verification not more than 90 days old.
Council for Affordable Rural Housing

Improper Payment Audit

Major causes for improper rental assistance payment

7. CERTIFICATION NOT SIGNED

REQUIREMENT: Rural Development requires that tenant certification be completed at initial occupancy and annually thereafter.

RD REGULATION:
(1) 7CFR 3560.152 “Tenant Eligibility” (e) “Tenant Certification and Verification .”

SOLUTION:
(1) Resident manager shall have the household residents sign the tenant certification form when completed and signed before the initial move in date or the recertification date.
(2) Resident files should be reviewed by a management company representative for proper signing and dating of tenant certification form.
ADDITIONAL SOLUTIONS

A. If MFIS contact is a person at the management company office, the file request will come directly to that person, who can then coordinate file copying, review and mailing to Rural Development.

B. If contacted directly by Rural Development to provide files and/or information, resident manager should immediately contact their management agent to coordinate submission of the requested information.

C. Management company should provide initial training for all on-site staff.

D. Management company should have copies of the RD regulations and handbooks on-site.

E. Management company should have a second person review all resident files for completeness. This is most important for a new resident manager. Mistakes can be made by a new employee not fully understanding the process, and mistakes caught early can identify the need for additional training which will lead to improved resident file documentation.

F. Management company should send resident manager to training courses that are appropriate and provide trade literature. Some of those include Rural Development state trainings, Annual Meetings by State Associations, SPECTRUM training, Management Company trainings, State Housing Finance Agency trainings, etc. Staff attending trainings should be advised to contact their management company should a trainer provide information/options not currently company policy.

G. Management company should provide other resources to resident managers, including trade magazines and newsletters such as CARH’s Insights for On-sites.

H. Use of Income/Asset Deduction Checklist as provide by USDA-Rural Development.
UNAUTHORIZED ASSISTANCE RECAPTURE

Rural Development regulations (7CFR 3560.701 to 3560.709 also called SubPart O – “Unauthorized Assistance.”) allow for recapture of unauthorized assistance when the Agency determines that a borrower or tenant was ineligible for, or improperly used, assistance received from the Agency.” Major provisions of this section are as follows:

1. Rural Development shall notify the borrower, in writing, when a determination has been made that unauthorized assistance was received by the borrower. This is to be considered a preliminary notice, not a demand letter.
2. The borrower will have a right to a meeting with Rural Development to discuss the matter.
3. Rural Development will then seek repayment of all unauthorized assistance received by the borrower plus the cost of collection.
4. Rural Development will provide an unauthorized assistance determination notice if the borrower agrees to repay the unauthorized assistance.
5. Repayment can be made either with a lump sum payment or through payments over a period of time, usually within 90 days unless an alternative date is agreed to by Rural Development.
6. Borrowers who refuse to enter into an unauthorized assistance repayment schedule with Rural Development could have liquidation procedures implemented in accordance with 7CFR 3560.456 or other enforcement actions, such as suspension, debarment, civil or criminal penalties.