**INTRODUCTION**

This chapter covers HUD and PHA policies designed to prevent, detect, investigate, and resolve instances of unintentional errors and intentional program abuse.

Part I: Preventing, Detecting, and Investigating Errors and Program Abuse. This part presents PHA policies related to preventing, detecting, and investigating errors and program abuse.

Part II: Corrective Measures and Penalties. This part describes the corrective measures the PHA must and may take when errors or program abuses are found.

PART I. PREVENTING, DETECTING, AND INVESTIGATING   
ERRORS AND PROGRAM ABUSE

**14-I.A. PREVENTING ERRORS AND PROGRAM ABUSE**

This section describes the methods the PHA will use to prevent errors and program abuse.

**☑ Decision Point:** **What actions will the PHA take to prevent program errors and abuse?**

Things to Consider

* The model plan lists six actions the PHA will take to help prevent errors and program abuse. Section 14-I.B discusses detection. Some of these detection efforts may also play a role in prevention, but detection is their primary purpose so they are not listed here.
* Although HUD rules do not specifically require these actions, all are considered good practice. If you delete the action concerning “Is Fraud Worth It?” (form HUD-1141-OIG) or “What You Should Know about EIV,” you will need to amend the policy in section 5-I.B, which lists these HUD publications as items that the PHA will provide in the briefing packet.
* Two versions of the guide “What You Should Know about EIV” were provided by HUD as attachments to Notice PIH 2017-12, one with a signature block and one without. (See the notice for printing instructions.) It is not mandatory to give the guide to families or to require families to acknowledge receipt of the guide by signing a copy for retention in the family file. Doing so, however, will help to discourage program abuse.
* Most of these items should be familiar to your agency. The only item that may be new is the requirement for the PHA to have a HAP contract briefing with new owners/agents. The language in the plan does not require this briefing to be face-to-face.
* If you choose to delete the requirement for an owner briefing in this section, you will also need to change the policy in Section 9-I.G.
* Including definitions of *error* and *program abuse or fraud* in the policy helps to ensure that PHA staff applies the definitions consistently.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

To ensure that the PHA’s HCV program is administered according to the highest ethical and legal standards, the PHA will employ a variety of techniques to ensure that both errors and intentional program abuse are rare.

The PHA will discuss program compliance and integrity issues during the voucher briefing sessions described in Chapter 5.

The PHA will provide each applicant and participant with a copy of “Is Fraud Worth It?” (form HUD-1141-OIG), which explains the types of actions a family must avoid and the penalties for program abuse.

The PHA will provide each applicant and participant with a copy of “What You Should Know about EIV,” a guide to the Enterprise Income Verification (EIV) system published by HUD as an attachment to Notice PIH 2017-12. In addition, the PHA will require the head of each household to acknowledge receipt of the guide by signing a copy for retention in the family file.

The PHA will place a warning statement about the penalties for fraud (as described in the 18 U.S.C. 1001 and 1010) on key PHA forms and form letters that request information from a family or owner.

PHA staff will be required to review and explain the contents of all HUD- and PHA-required forms prior to requesting family member signatures.

At every regular reexamination, PHA staff will explain any changes in HUD regulations or PHA policy that affect program participants.

The PHA will require first-time owners (or their agents) to participate in a briefing session on HAP contract requirements.

The PHA will provide owners with ongoing information about the program, with an emphasis on actions and situations to avoid.

The PHA will provide each PHA employee with the necessary training on program rules and the organization’s standards of conduct and ethics.

For purposes of this chapter the term *error* refers to an unintentional error or omission. P*rogram abuse or fraud* refers to a single act or pattern of actions that constitute a false statement, omission, or concealment of a substantial fact, made with the intent to deceive or mislead.

🞎 *Option 2:* *Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**14-I.B. DETECTING ERRORS AND PROGRAM ABUSE**

In addition to taking steps to prevent errors and program abuse, the PHA will use a variety of activities to detect errors and program abuse.

**Quality Control and Analysis of Data**

Under the Section 8 Management Assessment Program (SEMAP), HUD requires the PHA to review a random sample of tenant records annually to determine if the records conform to program requirements and to conduct quality control inspections of a sample of units to ensure compliance with applicable housing quality standards [24CFR, Part 985]. (See Chapter 16 for additional information about SEMAP requirements).

**☑ Decision Point: Does the PHA wish to elaborate on quality control activities the PHA takes to detect fraud?**

Things to Consider

* The model plan briefly discusses HUD’s requirements for quality control related to SEMAP and then identifies three additional actions the PHA will take. Each of these is a normal part of processing, and should not impose any additional burden on staff. You may wish to elaborate, or to discuss other activities you use to detect errors and program abuse.
* 24 CFR 5.233 requires PHAs to use HUD’s EIV system in its entirety, not only as a source of third-party verification, but to reduce administrative and subsidy payment errors.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

In addition to the SEMAP quality control requirements, the PHA will employ a variety of methods to detect errors and program abuse including:

The PHA routinely will use HUD and other non-HUD sources of up-front income verification. This includes The Work Number and any other private or public databases available to the PHA.

At each annual or interim reexamination, current information provided by the family will be compared to information provided at the most recent reexamination to identify inconsistencies and incomplete information.

The PHA will compare family-reported income and expenditures to detect possible unreported income.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Independent Audits and HUD Monitoring**

**☑ Decision Point:** **Does the PHA wish to elaborate on its policies regarding the use of third party sources of information to help detect errors and program abuse?**

Things to Consider

* This policy commits the PHA to using any information provided in an independent audit or from HUD reviews to detect errors and program abuse. If the PHA has a more detailed policy, it should be inserted here.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will use the results reported in any IPA or HUD monitoring reports to identify potential program abuses as well as to assess the effectiveness of the PHA’s error detection and abuse prevention efforts.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Individual Reporting of Possible Errors and Program Abuse**

**☑ Decision Point: Does the PHA want to elaborate on the discussion of individual (public) reporting of errors?**

Things to Consider

* The language in the model plans simply states that the PHA will encourage others to report errors and program abuses. If the PHA has a more detailed policy, it should be inserted here.

🞎 *Option 1*: *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will encourage staff, program participants, and the public to report possible program abuse.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**14-I.C. INVESTIGATING ERRORS AND PROGRAM ABUSE**

**When the PHA Will Investigate**

**☑ Decision Point: How will the PHA decide when an investigation will be initiated?**

Things to Consider

* The model plan commits the PHA to investigating most reports of error or program abuse, but gives the PHA latitude to ignore non-specific allegations. If the PHA has a more detailed policy, it should be inserted here.

🞎 *Option 1*: *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will review all referrals, specific allegations, complaints, and tips from any source including other agencies, companies, and individuals, to determine if they warrant investigation. In order for the PHA to investigate, the allegation must contain at least one independentlyverifiable item of information such as the name of an employer or the name of an unauthorized household member.

The PHA will investigate when inconsistent or contradictory information is detected through file reviews and the verification process.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Consent to Release of Information**

The PHA may investigate possible instances of error or abuse using all available PHA and public records. If necessary, the PHA must require HCV families to sign consent forms for the release of additional information.

**No policy decisions are required.**

**Analysis and Findings**

**☑ Decision Point: How will the PHA analyze information collected during the investigation and make its findings?**

Things to Consider

* The model plan adopts the “preponderance of the evidence” as the standard of evidence for investigation of errors and program abuse. If changes are made to the definition here, they must also be made in Chapters 3, 12, and 16.
* The policy also describes the determinations the PHA must make at the end of the process. If the PHA has a more detailed policy, it should be inserted here.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will base its evaluation on a preponderance of the evidence collected during its investigation.

*Preponderance of the evidence* is defined as evidence which is of greater weight or more convincing than the evidence which is offered in opposition to it; that is, evidence that as a whole shows that the fact sought to be proved is more probable than not. Preponderance of evidence may not be determined by the number of witnesses, but by the greater weight of all evidence.

For each investigation the PHA will determine (1) whether an error or program abuse has occurred, (2) whether any amount of money is owed the PHA, and (3) what corrective measures or penalties will be assessed.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Consideration of Remedies**

**☑ Decision Point: What will the PHA consider when determining remedies that will apply to family and owner-caused error or program abuse?**

Things to Consider

* In the case of family-caused errors, the model plan includes “considerations” that are recommended in the HCV Guidebook [p. 22-14].
* The model plan calls for the PHA to make similar considerations when it comes to owner-caused error or abuse. The PHA could take a stricter position but should remember that owner participation will be hindered if owners perceive the program is not administered fairly.
* By establishing a local policy about the kinds of circumstances that will be considered, the PHA can help ensure that staff consistently consider the same types of information when making decisions.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

In the case of family-caused errors or program abuse, the PHA will take into consideration (1) the seriousness of the offense and the extent of participation or culpability of individual family members, (2) any special circumstances surrounding the case, (3) any mitigating circumstances related to the disability of a family member, (4) the effects of a particular remedy on family members who were not involved in the offense.

In the case of owner-caused errors or program abuse, the PHA will take into consideration (1) the seriousness of the offense, (2) the length of time since the violation has occurred, and (3) the effects of a particular remedy on family members who were not involved in the offense.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Notice and Appeals**

**☑ Decision Point: Following an investigation, how will the PHA notify an owner or family of its conclusions?**

Things to Consider

* For administrative ease and consistency, this policy calls for written notice and uses the standard of 10 business days that is used throughout much of the plan.
* The model plan lists the information that the notice will contain to ensure staff consistency.
* The policy clarifies that applicants or participants will only be given a right to an informal review or hearing, as required in Chapter 16.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will inform the relevantparty in writing of its findings and remedies within 10 business days of the conclusion of the investigation. The notice will include (1) a description of the error or program abuse, (2) the basis on which the PHA determined the error or program abuses, (3) the remedies to be employed, and (4) the family’s right to appeal the results through the informal review or hearing process, if applicable (see Chapter 16).

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**PART II. CORRECTIVE MEASURES AND PENALTIES**

**14-II.A. SUBSIDY UNDER- OR OVERPAYMENTS**

A subsidy under- or overpayment includes (1) an incorrect housing assistance payment to the owner, (2) an incorrect family share established for the family, and (3) an incorrect utility reimbursement to a family.

**Corrections**

Whether the incorrect subsidy determination is an overpayment or underpayment of subsidy, the PHA must promptly implement the correct HAP, family share, and any utility reimbursement.

* **Decision Point: When will corrections that result in changes of family share be effective?**

Things to Consider

* HUD regulations do not specify an effective date for these types of changes. Therefore to ensure consistency the model plan language specifies a reasonable implementation timeline.
* The policy in this section is consistent with the policies for reexamination effective dates in Chapter 11.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

Increases in the family share will be implemented on the first of the month following a written 30-day notice.

Any decreases in family share will become effective the first of the month following the discovery of the error.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

# Reimbursement

Whether the family or owner is required to reimburse the PHA or the PHA is required to make retroactive subsidy payments to the owner or family depends upon which party is responsible for the incorrect subsidy payment and whether the action taken was an error or intentional program abuse. Policies regarding reimbursement are discussed in the three sections that follow.

**14-II.B. FAMILY-CAUSED ERRORS AND PROGRAM ABUSE**

An incorrect subsidy determination caused by a family generally would be the result of incorrect reporting of family composition, income, assets, or expenses, but also would include instances in which the family knowingly allows the PHA to use incorrect information provided by a third party.

**Family Reimbursement to PHA [HCV GB pp. 22-12 to 22-13]**

* **Decision Point:** **Under what circumstances will the PHA require families to repay excess subsidy received?**

Things to Consider

* The model plan states that families will be required to repay any excess subsidy received for family-caused errors or program abuse.
* A PHA could choose not to require repayment in the case of unintentional family error. If a PHA chooses to have this type of policy, it should include specific criteria or identify specific circumstances in which repayment would not be required. Otherwise, it could result in the disparate treatment of families.
* Cases in which a family does not report information because the PHA never requested it are considered PHA-caused errors, not family-caused errors. Therefore, this policy would not require repayment by the family in those cases.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

In the case of family-caused errors or program abuse, the family will be required to repay any excess subsidy received. The PHA may, but is not required to, offer the family a repayment agreement in accordance with Chapter 16. If the family fails to repay the excess subsidy, the PHA will terminate the family’s assistance in accordance with the policies in Chapter 12.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**PHA Reimbursement to Family**

* **Decision Point:** **Will the PHA reimburse families for underpayment of subsidy when the underpayment is caused by the family?**

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will not reimburse the family for any underpayment of assistance when the underpayment clearly is caused by the family.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Prohibited Actions**

An applicant or participant in the HCV program must not knowingly:

* Make a false statement to the PHA [Title 18 U.S.C. Section 1001].
* Commit fraud, bribery, or any other corrupt or criminal act in connection with any federal housing program [24 CFR 982.552(c)(iv)].
* **Decision Point: What action will the PHA consider as evidence of family program abuse?**

Things to Consider

* The model plan identifies a number of specific actions that would be considered program abuse. Giving such concrete examples of what is meant by program abuse may be useful both in preventing abuse and taking action when abuse occurs. HUD does not require this language.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

Any of the following will be considered evidence of family program abuse:

Payment to the owner in excess of amounts authorized by the PHA for rent, security deposit, and additional services

Offering bribes or illegal gratuities to the PHA Board of Commissioners, employees, contractors, or other PHA representatives

Offering payments or other incentives to the owner or a third party as an inducement for the third party to make false or misleading statements to the PHA on the family’s behalf

Use of a false name or the use of falsified, forged, or altered documents

Intentional misreporting of family information or circumstances (e.g. income, family composition)

Omitted facts that were obviously known by a family member (e.g., not reporting employment income)

Admission of program abuse by an adult family member

The PHA may determine other actions to be program abuse based upon a preponderance of the evidence, as defined earlier in this chapter.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Penalties for Program Abuse**

This section describes actions a PHA may take in the case of program abuse by a family. This section references policies in other sections of this chapter, as well as Chapters 3 and 12. Therefore, **no policy decisions are required in this section**.

**14-II.C. OWNER-CAUSED ERROR OR PROGRAM ABUSE**

An incorrect subsidy determination caused by an owner generally would be the result of an incorrect owner statement about the characteristics of the assisted unit (e.g., the number of bedrooms, which utilities are paid by the family). It also includes accepting duplicate housing assistance payments for the same unit in the same month or after a family no longer resides in the unit.

**Owner Reimbursement to the PHA**

In all cases of overpayment of subsidy caused by the owner, the owner must repay to the PHA any excess subsidy received. The PHA may recover overpaid amounts by withholding housing assistance payments due for subsequent months, or allow the owner to pay in installments over a period of time [HCV GB p. 22-13].

* **Decision Point: How will the PHA permit the owner to repay excess subsidies received?**

Things to Consider

* Chapter 16 already contains a policy on repayment of excess subsidies by owners, therefore, this section simply refers to the policy in Chapter 16.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

In cases where the owner has received excess subsidy, the PHA will require the owner to repay the amount owed in accordance with the policies in Section 16-IV.B.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Prohibited Owner Actions**

* **Decision Point: What actions will the PHA consider as evidence of owner program abuse?**

Things to Consider

* The model plan identifies a number of specific actions that would be considered program abuse. Giving such concrete examples of what is meant by program abuse may be useful both in preventing abuse and taking action when abuse occurs. HUD does not require this language.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

Any of the following will be considered evidence of owner program abuse:

Charging the family rent above or below the amount specified by the PHA

Charging a security deposit other than that specified in the family’s lease

Charging the family for services that are provided to unassisted tenants at no extra charge

Knowingly accepting housing assistance payments for any month(s) after the family has vacated the unit

Knowingly accepting incorrect or excess housing assistance payments

Offering bribes or illegal gratuities to the PHA Board of Commissioners, employees, contractors, or other PHA representatives

Offering payments or other incentives to an HCV family as an inducement for the family to make false or misleading statements to the PHA

Residing in the unit with an assisted family

Committing sexual or other harassment, either quid pro quo or hostile environment, based on the protected classes defined in Chapter 2

Retaliating against any applicant or participant reporting/alleging sexual or other harassment, either quid pro quo or hostile environment, based on the protected classes defined in Chapter 2

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Remedies and Penalties**

This section describes actions a PHA may take in the case of program abuse by an owner. This section references policies in other sections of this chapter, as well as Chapters 13 and 16. Therefore, **no policy decisions are required in this section**.

**14-II.D. PHA-CAUSED ERRORS OR PROGRAM ABUSE**

This section addresses actions of a PHA staff member that are considered errors or program abuse related to the HCV program. Additional standards of conduct may be provided in the PHA personnel policy.

PHA-caused incorrect subsidy determinations include (1) failing to correctly apply HCV rules regarding family composition, income, assets and expenses, (2) assigning the incorrect voucher size to a family, and (3) errors in calculation.

**De Minimis Errors [24 CFR 5.609(c)(4)]**

This section states that the PHA must take corrective action to repair the family if the family has been overcharged even if the error is de minimis.

**☑ Decision Point: How will the PHA reimburse a family for overpayment of rent when the overpayment is caused by the PHA?**

Things to Consider

* Notice PIH 2023-27, states that PHAs are required to reimburse participants for overpayment of rent in accordance with PHA policy.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will reimburse a family for any family overpayment of rent, regardless of whether the overpayment was the result of staff-caused error, staff program abuse, or a de minimis error.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Prohibited Activities**

* **Decision Point: What actions will the PHA consider as program abuse by PHA staff?**

Things to Consider

* The model plan identifies a number of specific actions that would be considered program abuse. Giving such concrete examples of what is meant by program abuse may be useful both in preventing abuse and taking action when abuse occurs. HUD does not require this language.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

Any of the following will be considered evidence of program abuse by PHA staff:

Failing to comply with any HCV program requirements for personal gain

Failing to comply with any HCV program requirements as a result of a conflict of interest relationship with any applicant, participant, or owner

Seeking or accepting anything of material value from applicants, participating families, vendors, owners, contractors, or other persons who provide services or materials to the PHA

Disclosing confidential or proprietary information to outside parties

Gaining profit as a result of insider knowledge of PHA activities, policies, or practices

Misappropriating or misusing HCV funds

Destroying, concealing, removing, or inappropriately using any records related to the HCV program

Committing any other corrupt or criminal act in connection with any federal housing program

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**14-II.E. CRIMINAL PROSECUTION**

* **Decision Point: In what circumstances will the PHA refer a case for criminal prosecution?**

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

When the PHA determines that program abuse by an owner, family, or PHA staff member has occurred and the amount of overpaid subsidy meets or exceeds the threshold for prosecution under local or state law, the PHA will refer the matter to the appropriate entity for prosecution. When the amount of overpaid assistance meets or exceeds the federal threshold, the case will also be referred to the HUD Office of Inspector General (OIG).

Other criminal violations related to the HCV program will be referred to the appropriate local, state, or federal entity.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**14-II.F. FRAUD AND PROGRAM ABUSE RECOVERIES**

The PHA may retain a portion of program fraud losses that the PHA recovers from a family or owner through litigation, court order, or a repayment agreement [24 CFR 982.163]. **No policy decisions are required.**

**FINALIZING THE DOCUMENT**

Take a final look at the changes you have made in this chapter of the administrative plan.  
Have you:

(1) Added or subtracted any exhibits at the end of the chapter?  Yes  No.

(2) Added, subtracted or reordered any major sections (at the A, B, or C level?)  Yes  No

If you answered yes to either of these questions, you must adjust the chapter to match your changes.

**☑ Decision Point: Are any changes required to this chapter?**

No. No changes to the model plan are needed.

Yes. Edits only. Edit and insert PHA language as appropriate.

Yes. PHA changed the organization of the chapter. Adjust the chapter to reflect your changes **and** review the rest of the document to make sure that any references to section numbers are correct.

**☑ Decision Point: Are changes required in other chapters as a result of changes to this chapter?**

Check the “Things to Consider” under each decision point to identify if changes to the model plan policy will require changes to policies in other chapters of the plan.

No. Changes to other chapters are not necessary.

Yes. Changes to the following chapters are also required: