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Resources, Community, and
Economic Development Division

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May 12, 1992



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The Honorable Barbara A. Mikulski
Chair, Subcommittee on VA, HUD
and Independent Agencies
Committee on Appropriations
United States Senate

Dear Madam Chair:

On November 26, 1991, you asked that we report on the Department of Housing and Urban Development's (HUD) budgetary needs for expiring section 8 certificate and voucher contracts for fiscal year 1993. Your request was based on the concern that in previous years HUD has not been able to accurately predict its budget needs for expiring certificate and voucher contracts. In an April 13, 1992, briefing on the progress of our work, we informed your office that in visits to two HUD field offices (in Baltimore, Md., and Richmond, Va.), we found certificate and voucher contracts needing renewal that had not been included in the President's fiscal year 1993 budget request. Subsequent to the April 13 briefing, we completed work at a third HUD field office (in Minneapolis, Minn.). This letter provides the results of our work to estimate renewal needs at the three offices for your use in considering HUD's fiscal year 1993 budget request.

In summary, as of April 30, 1992, HUD estimated that \$237.8 million (about 4 percent of the nationwide total) will be needed to renew expiring tenant-based section 8 certificate and voucher contracts at the three HUD field offices. We found that this estimate for the three offices (1) did not include \$16.4 million for contracts that must be renewed in fiscal year 1993 and (2) included \$8.6 million for contracts that are not due to be renewed in that fiscal year. The estimates differed because HUD field offices and HUD quality control procedures did not identify contracts that are due to be renewed in fiscal year 1993 and because HUD data bases used to supplement information supplied by field offices contained incorrect information. Since we reviewed contracts at only three field offices, our results cannot be generalized to the nation as a whole.

GAO/RCED-92-187R, Section 8 Budget Needs

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BACKGROUND

The section 8 housing assistance program is one of HUD's principal means of providing housing subsidies for lower-income families. According to HUD, it has entered into over 40,000 contracts with housing project owners and local housing agencies to provide section 8 subsidies for such households. The contracts must be renewed at the end of the contract term if subsidies are to be continued. Current policy is to renew each expiring contract for a 5-year term. The Congress appropriates funds at one time to cover the expected subsidy costs for the entire contract period. The amount of funding approved by the Congress for the section 8 program is referred to as budget authority.

HUD's management information systems have not provided accurate information on the budget authority needed to renew expiring contracts. Consequently, HUD has had to request that each of its field offices review field office records to determine renewal needs for the forthcoming fiscal year so that an overall amount can be determined. On the basis of the data provided by HUD field offices, the President's fiscal year 1993 budget, submitted to the Congress in January 1992, included \$7.3 billion in budget authority to renew expiring section 8 certificate and voucher contracts. Of this amount, \$6.5 billion in budget authority was for expiring tenant-based section 8 certificate and voucher contracts.¹ HUD has continued to revise its estimates for renewing these contracts since the President submitted his budget to the Congress. As of March 1992, HUD had identified an additional \$57 million in budget authority needed to renew expiring tenant-based section 8 contracts.

HUD'S PROCEDURE FOR ESTIMATING SECTION 8
RENEWAL NEEDS FOR FISCAL YEAR 1993

In July 1991, as in previous years, HUD sent instructions to its regional and field offices requiring that they identify certificate and voucher contracts expiring in fiscal year 1993. To facilitate this activity, HUD provided pro forma worksheets to the field offices.

In general, the section 8 subsidy that HUD calculates for budget purposes is the difference between the "fair market

¹HUD also requested about \$760 million to renew expiring project-based certificates. This portion of the request is outside the scope of our review.

rent" for a rental unit of a certain bedroom size in the geographical area and 30 percent of the assisted family's income. To complete the worksheet, HUD field office staff compute the subsidy using fair market rent levels and estimated average income levels for the assisted families in the area, adjusted by bedroom size. An estimated inflation factor and an estimate of the administrative fee of the local housing agency are also included in the calculation. The results are added together and multiplied by five to estimate the budget authority needed for the 5-year renewal term.

After the field offices completed their worksheets, HUD headquarters aggregated them into a data base. HUD headquarters also performed quality control checks, such as validating the mathematical accuracy of the field offices' submissions and using other data bases to identify contracts that field offices had not included in their worksheets. According to an April 21, 1992, HUD Office of Inspector General report, HUD had identified the need for an additional \$57 million for expiring tenant-based section 8 contracts as of March 1992.

HUD'S ESTIMATE IS INCOMPLETE

We performed a limited test of the completeness of HUD's estimate for tenant-based certificate and voucher contracts that are due to expire in fiscal year 1993. At the three field offices cited, we reviewed contract files to determine the estimated budget authority needed to renew these expiring contracts. We compared these expiring contracts with HUD's current list of expiring contracts (current as of April 30, 1992). This comparison showed that HUD's current estimates do not include \$16.4 million in budget authority that will be needed to renew contracts at these three offices for fiscal year 1993, but include \$8.6 million in budget authority for contracts that are not due to be renewed in fiscal year 1993 (see table 1).

Table 1: Estimates of Budget Authority Needed to Renew Expiring Section 8 Contracts in Three HUD Field Offices

Dollars in millions

Field office	HUD estimate as of April 30	Additions to HUD estimate (percent change)	Subtractions from HUD estimate (percent change)	Revised estimate (percent change)
Baltimore	\$ 57.9	\$ 3.8 (7)	\$1.2 (2)	\$ 60.4 (4)
Minneapolis	133.9	0 (0)	3.2 (2)	130.8 (-2)
Richmond	45.9	12.6 (27)	4.2 (9)	54.4 (18)
Total	\$237.8	\$16.4 (7)	\$8.6 (4)	\$245.6 (3)

Note: Estimates are for tenant-based certificates and vouchers only. Totals may not add due to rounding. See the "scope and methodology" section at the end of this letter for our method of calculating additional renewal needs.

The differences that we found were the result of

- field offices' relying on recent contract summaries that had erroneous information rather than reviewing the original contracts in the files;
- erroneous additions to the data base made by HUD headquarters officials in an attempt to include expiring contracts that field offices had not included, according to HUD officials; and
- in one case, a duplicate listing for a contract.

We discussed the results of our review with HUD headquarters officials, who agreed with our findings.

SCOPE AND METHODOLOGY

We selected three field offices in two HUD regions on the basis of the expected number of expiring contracts at each office (about 50 per field office) so that we could review all contracts in each office within the short time available to us. At each field office, we reviewed paper files maintained on each contract and determined how many units were covered by the contract and whether a contract expired between November 1, 1992, and October 31, 1993. This was the period that HUD headquarters instructed its field offices to use to identify section 8 contract renewal needs for fiscal year 1993. When the results of our work differed from HUD's, we discussed the differences with the HUD personnel who conducted the field survey in each field office's public housing division and/or their supervisors.

After our field visits, we learned that HUD had changed the period for determining budgetary needs to be consistent with the federal fiscal year (October 1, 1992, to September 30, 1993). Thus, our review covers 11 months (November 1, 1992, to September 30, 1993) of the 12 months covered by HUD's estimate of renewal needs. For October 1992, some additional renewal needs may exist that are not included in HUD's estimate. We did, however, verify that contracts that HUD listed as needing to be renewed in October 1992 are in fact due to be renewed in that month.

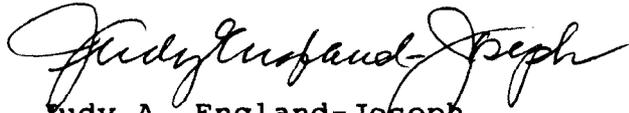
In reporting on the budget authority needed for expiring contracts, we verified that the contract should be renewed in fiscal year 1993, but we did not verify HUD's worksheet calculations for each contract. These calculations produced the dollar amounts listed in HUD's data base of renewal needs.

Finally, our review encompassed only expiring tenant-based certificate and voucher contracts. We limited our work to tenant-based section 8 contracts because these contracts comprise 90 percent of the total budget authority needs identified by HUD. However, because we reviewed contracts at only three field offices, our results cannot be generalized to the nation as a whole.

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If you have any questions about this information, please contact Dennis W. Fricke, Assistant Director, on (202) 566-1132. I can be reached on (202) 275-5525.

Sincerely yours,



Judy A. England-Joseph
Director, Housing and
Community Development Issues

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