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# Highlights

Highlights of [GAO-04-937](#), a report to Ranking Minority Member, Subcommittee on Agriculture, Rural Development, and Related Agencies, Senate Committee on Appropriations.

## Why GAO Did This Study

The Rural Housing Service's (RHS) Section 521 rental assistance program provides rental subsidies for about 250,000 rural tenants. Because the program has a waiting list of 80,000 eligible tenants and there are over 1.3 million rural low-income renters eligible for housing subsidies, it is important to effectively distribute resources to extend assistance to as many needy tenants as possible. Therefore, GAO was asked to assess (1) how RHS distributes rental assistance funds to properties and tenants, (2) how RHS monitors the use of rental assistance funds, and (3) whether there are sufficient internal controls in place to ensure that these funds are being effectively administered and used.

## What GAO Recommends

GAO recommends that the Secretary of Agriculture require that program officials establish centralized guidance on transferring unused rental assistance, improve sampling methods to select tenant household files for supervisory reviews, and improve verification of tenant information. To help the agency verify tenant information, Congress may wish to consider giving RHS access to the Department of Health and Human Services' National Directory of New Hires.

The Department of Agriculture generally agreed with GAO's recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-04-937](http://www.gao.gov/cgi-bin/getrpt?GAO-04-937).

To view the full product, including the scope and methodology, click on the link above. To view the survey results, click on the following link [www.gao.gov/cgi-bin/getrpt?GAO-04-978SP](http://www.gao.gov/cgi-bin/getrpt?GAO-04-978SP). For more information, contact William B. Shear at (202) 512-4325 or [shearw@gao.gov](mailto:shearw@gao.gov).

# RURAL HOUSING SERVICE

## Updated Guidance and Additional Monitoring Needed for Rental Assistance Distribution Process

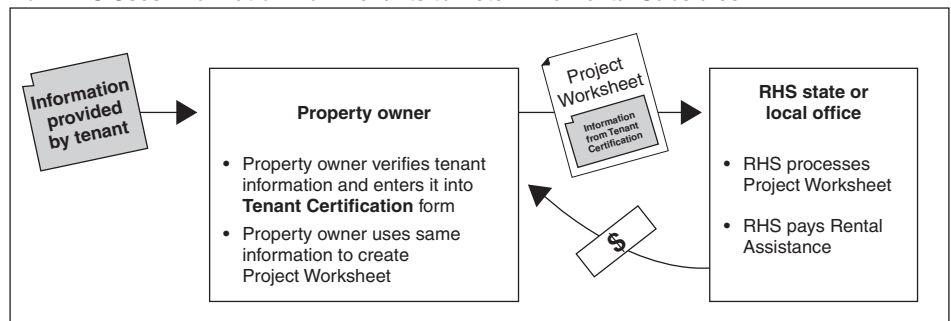
### What GAO Found

RHS's national office pays rental assistance funds to property owners through a variety of contracts and transfers of unused rental assistance from one property to another. RHS staff calculate the payment amounts using information provided by tenants and verified by property owners. The current system requires RHS staff to enter payment data into the agency's database manually. However, RHS's national office is upgrading two systems to streamline the payment process. But some local RHS staff are concerned that the new process may eliminate a layer of review.

RHS's national, state, and local offices share responsibility for monitoring the rental assistance program, with the local offices performing the primary review every 3 years. The national office outlines the monitoring activities for the rental assistance program in its Rural Development Instructions and provides other guidance, such as administrative notices and unnumbered letters. We found that state and local offices follow this guidance inconsistently and sometimes consider it unclear. National office staff are planning a number of initiatives to increase monitoring of the rental assistance program, but a number of key management positions in the national office are unfilled, which could limit the effectiveness of program monitoring.

RHS's internal controls do not provide adequate oversight of rental assistance funds because RHS guidance is inadequate and tenants' incomes are not adequately verified. First, insufficient guidance on the transfer process limits RHS's ability to move unused rental assistance to properties that have tenants with the greatest unmet need. Second, the triennial supervisory review does not provide reasonable assurance that tenants income and assets, and ultimately rental assistance payments, are adequately verified. Alternate methods of verifying tenant information also have limited effectiveness but could help improve internal control if properly designed and implemented.

### How RHS Uses Information from Tenants to Determine Rental Subsidies



Source: GAO.