

**COMPUTER MATCHING AGREEMENT**

**BETWEEN**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ADMINISTRATION FOR CHILDREN AND FAMILIES  
OFFICE OF CHILD SUPPORT ENFORCEMENT**

**AND**

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

*Verification of Employment and Income and Analysis*

U.S. Department of Health and Human Services Data Integrity Board #1513

**I. PURPOSE AND LEGAL AUTHORITY FOR CONDUCTING THE MATCHING PROGRAM; DEFINITIONS**

This computer matching agreement, hereinafter "agreement," governs a matching program between the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement (OCSE) and the U.S. Department of Housing and Urban Development (HUD).

**A. Purpose and Legal Authority for Conducting the Matching Program**

The Privacy Act of 1974, as amended by the Computer Matching and Privacy Protection Act of 1998, hereinafter "Privacy Act," requires that each matching agreement specify the purpose and legal authority for conducting the matching program. 5 U.S.C. §552a (o)(1)(A).

The purpose of the matching program is to assist HUD in verifying the employment and income of participants in certain rental assistance programs. OCSE shall provide HUD with new hire, quarterly wage, and unemployment insurance information from the National Directory of New Hires (NDNH) pertaining to participants whose names and Social Security numbers are transmitted to OCSE. HUD may also use the information, after the removal of personal identifiers, for the purpose of conducting analyses of the employment and income reporting of those participants.

Subsections 453(j)(7)(A), (C)(i), and (D)(i) of the Social Security Act provide the legal authority for conducting the matching program as follows:

(7) Information comparisons for housing assistance programs -- (A) Furnishing of information by HUD -- Subject to subparagraph (G), the Secretary of Housing and Urban Development shall furnish to the Secretary, on such periodic basis as determined by the Secretary of

Housing and Urban Development in consultation with the Secretary, information in the custody of the Secretary of Housing and Urban Development for comparison with information in the National Directory of New Hires, in order to obtain information in such Directory with respect to individuals who are participating in any program under –

- (i) the United States Housing Act of 1937 (42 U.S.C. §1437 et seq.);
- (ii) section 202 of the Housing Act of 1959 (12 U.S.C. §1701q);
- (iii) section 221(d)(3), 221(d)(5), or 236 of the National Housing Act (12 U.S.C. §1715l(d) and 1715z-1);
- (iv) section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. §8013); or
- (v) section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. §1701s).

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(C) Duties of the Secretary -- (i) Information disclosure -- The Secretary, in cooperation with the Secretary of Housing and Urban Development, shall compare information in the National Directory of New Hires with information provided by the Secretary of Housing and Urban Development with respect to individuals described in subparagraph (A), and shall disclose information in such Directory regarding such individuals to the Secretary of Housing and Urban Development, in accordance with this paragraph, for the purposes specified in this paragraph. \*\*\*

(D) Use of information by HUD — The Secretary of Housing and Urban Development may use information resulting from a data match pursuant to this paragraph only —

- (i) for the purpose of verifying the employment and income of individuals described in subparagraph (A); and
- (ii) after removal of personal identifiers, to conduct analyses of the employment and income reporting of individuals described in subparagraph (A).

42 U.S.C. §§653(j)(7)(A), (C)(i), and (D).

Subsection 453(j)(7)(D)(ii) of the Social Security Act provides legal authority “after the removal of personal identifiers, to conduct analyses.” 42 U.S.C. §653(j)(7)(D)(ii). Prior to using the results of the information comparison, HUD shall provide OCSE documentation, including the specific analyses being conducted, specific HUD users, procedures for the removal of personal identifiers, data storage location and safeguards, retention periods, and other information pertaining to the use of the results of the information comparison for analyses.

## **B. Background**

A computerized comparison of records from systems of records for the purpose of verifying the eligibility of participants in a federal benefit program constitutes a “matching program” as defined by the Privacy Act. Records contained in a system of records may not be disclosed to a recipient agency or non-federal agency for use in a “matching program,” as defined by the Privacy Act, except pursuant to a written agreement containing certain provisions as specified in subsection 552a(o) of the Privacy Act (as amended). 5 U.S.C. §552a(o). This agreement contains the specified provisions. It also contains, or incorporates by reference, requirements from the Social Security Act, pursuant to which the matching program is authorized, National Institute of Standards and Technology Series 800 Special Publications, U.S. Department of Health and Human Services Information Security Program Policy, Office of Management and Budget guidance, U.S. Department of Health and Human Services and OCSE requirements, and other federal privacy and security requirements governing the disclosure of personally identifiable information.

The agreement includes a security addendum and six appendices, which includes a cost-benefit analysis (Appendix A). A reimbursement agreement (not attached or appended) shall be executed each fiscal year of the agreement in accordance with section XI of this agreement.

OCSE and HUD have entered into matching agreements and renewals since 2004, the latest of which expires on March 15, 2016. *See* Appendix B of this agreement. This agreement sets forth the terms and conditions of a new matching program.

OCSE is the “source agency,” and HUD is the “recipient agency” as defined by the Privacy Act. 5 U.S.C. §552a(a)(9) and (11). The HUD Office of Public and Indian Housing (PIH), and the OCSE Division of Federal Systems are the components within their respective agencies responsible for the agreement.

## **C. Definitions**

The terms contained in this agreement shall have the meaning given such terms in subsection (a) of the Privacy Act. 5 U.S.C. §552a(a). Additionally, other terms are defined as follows:

(1) “Federal Parent Locator Service” means a service, which includes the NDNH, conducted under the direction of OCSE pursuant to section 453 of the Social Security Act for purposes specified in sections 453 and 463. 42 U.S.C. §§653 and 663.

(2) “National Directory of New Hires (NDNH)” means an automated directory maintained in the Federal Parent Locator Service, established by subsection 453(i)(1) of the Social Security Act, containing new hire, unemployment insurance, and quarterly wage information supplied by state and federal agencies pursuant to subsections 453A(b)(1)(C) and (g)(2) of the Social Security Act. 42 U.S.C. §§653(i)(1), 653a(b)(1)(C), and (g)(2).

- (3) “New hire information” means information pertaining to newly hired employees reported to the NDNH by state and federal agencies pursuant to subsections 453A(b)(1)(C), 453A(g)(2)(A) and 453(i)(1) of the Social Security Act. 42 U.S.C. §§653a(b)(1)(C), 653a(g)(2)(A) and 653(i)(1).
- (4) “Quarterly wage information” means employee wage information reported to the NDNH by state and federal agencies pursuant to subsections 453A(g)(2)(B) and 453(i)(1) and (n) of the Social Security Act. 42 U.S.C. §§653a(g)(2)(B), 653(i)(1) and (n).
- (5) “Unemployment insurance information” means information pertaining to benefits paid under state unemployment compensation programs and reported to the NDNH pursuant to subsections 453A(g)(2)(B) and 453(e)(3) and (i)(1) of the Social Security Act. 42 U.S.C. §§653a(g)(2)(B) and 653(e)(3) and (i)(1).
- (6) “Contract administrator” means the agency that has entered into an Annual Contributions Contract with HUD. Such agency is a “public housing agency” as defined as any state, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in the development or operation of public housing. 42 U.S.C. §1437a(b)(6). The agency monitors the housing assistance payments contract entered into by owners.
- (7) “HUD QC Study” means The Department of Housing and Urban Development (HUD) Quality Control for Rental Assistance Subsidy Determinations studies that provides national estimates of rent errors in tenant subsidies for HUD rental assisted programs. Its focus is on identifying households where an error was made when calculating the amount of the household’s rent and providing nationally representative findings related to those errors.
- (8) “Independent auditor” means a Certified Public Accountant or a licensed or registered public accountant, having no business relationship with the private owner except for the performance of audit, systems work, and tax preparation.
- (9) “Low-income housing” means decent, safe, and sanitary dwellings assisted under the United States Housing Act of 1937.
- (10) “Management agent” means the entity that enters into an agreement with the owner of a housing project to manage the project in accordance with the housing assistance payments contract and HUD’s requirements and regulations.
- (11) “Multifamily (MF) business partners” means “private owners,” “management agents,” and “contract administrators” as these terms are defined herein.
- (12) “Multifamily Housing Programs” means the programs which are administered by MF business partners under the following statutes:
- i. The United States Housing Act of 1937 (42 U.S.C. §1437 et seq.)
  - ii. Section 202 of the Housing Act of 1959 (12 U.S.C. §1701q)
  - iii. Section 221(d)(3), 221(d)(5), or 236 of the National Housing Act of 1959 (12 U.S.C. §§1715l(d) and 1715z-1)
  - iv. Section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. §8013)
  - v. Section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. §1701s)
- (13) “Personnel” means HUD employees, HUD contractors, PHAs, and MF business partners.

- (14) "Private owner" means the person or entity who owns the housing project containing the assisted dwelling unit and who enters into a contract with HUD to operate the project in accordance with HUD's requirements and regulations.
- (15) "Public Housing" means low-income housing, and all necessary appurtenances thereto, assisted under the United States Housing Act of 1937, other than under Section 8, and includes dwelling units in a mixed finance project that are assisted by a public housing agency with capital or operating assistance.
- (16) "Public Housing Agency" (PHA) means any state, county, municipality, or other governmental entity, public body, agency, or instrumentality of these entities that is authorized to engage or assist in the development or operation of low-income housing under the United States Housing Act of 1937.
- (17) "Public and Indian Housing" (PIH) Programs means the Disaster Housing Assistance, Public Housing and Section 8 tenant-based programs administered by PHAs under the United States Housing Act of 1937.
- (18) "Rental Assistance" (also known as housing assistance or subsidy) means the amount HUD pays the PHA or private owner for a unit occupied by a tenant assisted under one of PIH's or MF Housing's assistance programs. It includes HUD's share of the contract rent and any utility reimbursement due to the tenant.
- (19) "Subsidy" (also known as housing assistance or rental assistance) means the amount HUD pays the PHA or private owner for a unit occupied by a tenant assisted under one of PIH's or MF Housing's assistance programs. It includes HUD's share of the contract rent and any utility reimbursement due to the tenant.
- (20) "Tenant" means an individual or family renting or occupying an assisted dwelling unit.

## II. JUSTIFICATION FOR THE MATCHING PROGRAM AND ANTICIPATED RESULTS

The Privacy Act requires that each matching agreement specify the justification for the program and the anticipated results, including a specific estimate of any savings. 5 U.S.C. §552a(o)(1)(B).

### A. Justification for the Matching Program

The prevention and reduction of improper payments, waste, and abuse in federal benefit programs is a key governmental goal, as is evidenced by federal legislation, guidance, and policy. The President issued Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, establishing policies that federal programs serve their intended beneficiaries; provide public scrutiny of significant payment errors and eliminate the highest improper payments; establish accountability for reducing improper payments; and coordinate federal, state, and local government action in identifying and eliminating improper payments. 74 FR 62201 (Nov. 25, 2009).

The Improper Payments Information Act of 2002, Pub. L. 107-300, as amended on July 22, 2010 by the Improper Payments Elimination and Recovery Act of 2010,

Pub. L. 111-204, requires federal agencies to identify programs susceptible to significant improper payments and to report to Congress on efforts to reduce such payments. The Office of Management and Budget issued implementing guidance to federal agencies in Circular A-123, *Management's Responsibility for Internal Controls*, Appendix C, parts I and II (April 14, 2011).

Specific HUD requirements further justify the matching program and the analysis of employment and income reporting. HUD is required to establish procedures, which are appropriate and necessary to assure that income information provided to PHAs and MF business partners by families is complete and accurate. HUD must randomly, regularly, and periodically select a sample of families and obtain information from external agency data sources pertaining to the individuals within the families only for the purpose of verifying incomes in order to determine eligibility of families for benefits (and the amount of benefits, if any). 42 U.S.C. §1437f(k). HUD program administrators are required to use accurate income amounts in determining housing rental assistance. *See* 24 CFR §5.659 and chapter 5, section 3 of the Occupancy Requirements of Subsidized Multifamily Housing Programs, 4350.3 REV-1. Public housing and tenant-based Section 8 programs PHAs are required to use accurate income amounts in determining housing rental assistance and verifying a family's annual income and other factors that affect the determination of adjusted income or income-based rent. 24 CFR §§960.259 and 982.516.

As of September 5, 2014, HUD estimates a total subsidy error associated with incorrect or fraudulent reporting in the amount of \$315,241,378 and estimates a total of 141,622 households have incorrectly reported income. HUD also estimates that approximately 4.02 percent .85 percent of households participating in PIH and MF Housing programs, respectively, may not have disclosed all wage, employment, unemployment compensation benefits, and/or social security benefits. The NDNH is a centralized database of wage and employment information and, as such, provides an effective and efficient means to obtain information to assist HUD in identifying subsidy errors.

The matching program will assist HUD in detecting fraud, waste, and abuse and enhancing program integrity by providing useful information on the employment status and wages of HUD program applicants and recipients, specifically: 1) those who are employed with the federal government; 2) those who are employed in another state, including those who have been rehired by a previous employer after having been separated from such prior employment for at least 60 consecutive days (Pub. L. 112-40, effective April 21, 2012, amending subsection 453A(a)(2) of the Social Security Act, 42 U.S.C. §653a(a)(2)); and 3) those whose information is not readily available through the State Directory of New Hires, state workforce agencies, or other data reporting systems.

The positive results of the previous matching programs between HUD and OCSE further justify the proposed matching program. *See* section II.B and Appendix A of this agreement.

## **B. Anticipated Results of the Matching Program**

HUD conducted an analysis of the costs and benefits of the matching program, which

includes a specific estimate of savings. See section XIII of this agreement and Appendix A. The cost-benefit analysis measures the financial and non-financial benefits to HUD that are derived from the use of NDNH information by HUD and other authorized entities, as well as the costs associated with the previous matching program. In some cases, the data used in the cost-benefit analysis are actual data; estimated figures were used when actual data were not available.

The cost-benefit analysis demonstrates the matching program is likely to be cost-effective. HUD estimates that use of information in the Enterprise Income Verification (EIV) system, which includes NDNH information, is projected to result in a total annual potential impact of \$315.2 million per year. The cost-benefit analysis demonstrates HUD will continue to achieve a positive cost-benefit ratio and produce additional benefits to HUD.

### **III. DESCRIPTION OF THE RECORDS; FREQUENCY; METHOD OF TRANSMISSION; PROJECTED STARTING AND COMPLETION DATES**

The Privacy Act requires that each matching agreement specify a description of the records that will be matched, including each data element that will be used, the approximate number of records that will be matched, and the projected starting and completion dates of the matching program. 5 U.S.C. §552a(o)(1)(C).

#### **A. OCSE and HUD Systems of Records**

The NDNH contains new hire, quarterly wage, and unemployment insurance information furnished by state and federal agencies and is maintained by OCSE in its system of records "OCSE National Directory of New Hires," No. 09-80-0381, published in the *Federal Register* at 80 FR 17906 on April 2, 2015. The disclosure of NDNH information by OCSE to HUD constitutes a "routine use," as defined by the Privacy Act. 5 U.S.C. §552a(b)(3). Routine use (12) of the system of records authorizes the disclosure of NDNH information to HUD. 80 FR 17906, 17907 (April 2, 2015).

The HUD records used in the information comparison are retrieved from, and the results of the information comparison are maintained within, the HUD system of records "Enterprise Income Verification" (EIV), No. HUD/PIH-5, last published in the *Federal Register* at 71 FR 45066 on August 8, 2006, and updated on September 1, 2009, at 74 FR 45235. "Routine use" (1) of the system of records authorizes disclosure of HUD records to OCSE.

#### **B. Specified Data Elements Used in the Matching Program**

##### **1. Data Elements in the HUD Input File; Approximate Number of Records**

The HUD input file provided to OCSE contains records pertaining to individuals who are participating in certain housing programs described in subparagraph (A)

of subsection 453(j)(7) of the Social Security Act. Each individual record contains the following data elements, where available:

- First name
- Last name
- Date of birth
- Social Security number

Each HUD input file contains approximately 6.4 million records, which represent approximately 9.9 million individuals participating in the specified HUD housing programs. Of this total, approximately 7.7 million records pertain to individuals who participate in HUD's PIH programs and approximately 2.2 million records pertain to individuals who participate in HUD's MF Housing programs.

The HUD input file submitted annually for the purpose of conducting analyses of employment and income reporting for the HUD Quality Control for Rental Assistance Subsidy Determinations (QC Study) will contain the records pertaining to approximately 5,284 individuals from 2,402 households.

These numbers are an estimate of the number of records provided to OCSE by HUD and may fluctuate within the effective period of the agreement.

## **2. Verification of Name and Social Security Number Combinations**

To enhance the accuracy of records used in the matching program and fairness to the individuals to whom the records pertain, HUD verifies the name and Social Security number combinations contained in the input file using Social Security Administration processes prior to transmitting records to OCSE. Such verification increases the likelihood that NDNH information provided to HUD pertains to the appropriate individuals.

## **3. HUD and NDNH Data Elements Used to Conduct the Comparison**

OCSE will compare Social Security numbers provided by HUD to Social Security numbers in the NDNH in accordance with subsection 453(j)(7)(C)(i) of the Social Security Act. 42 U.S.C. §653(j)(7)(C)(i).

## **4. NDNH Data Elements Requested by HUD**

To accomplish the purposes of this matching program, and in accordance with subsection 453(j)(7)(B) of the Social Security Act, which permits HUD to request NDNH information only to the extent necessary to verify the employment and income of individuals who are participating in the specified programs, HUD requests the following data elements from the NDNH new hire, quarterly wage, and unemployment insurance files:



**a. New Hire File**

- Employee name
- Employee address
- Employee date of hire
- Employee state of hire
- Federal Employer Identification Number
- State Employer Identification Number
- Department of Defense status code
- Employer name
- Employer address

**b. Quarterly Wage File**

- Employee name
- Quarterly wage processed date
- Federal Employer Identification Number
- State Employer Identification Number
- Department of Defense code
- Employer name
- Employer address
- Employee wage amount
- Quarterly wage reporting period

**c. Unemployment Insurance File**

- Claimant name
- Claimant address
- Claimant benefit amount
- Unemployment insurance reporting period

**5. Data Elements from the NDNH in the Output File; Approximate Number of Records**

In accordance with subsection 453(j)(7)(C)(i) of the Social Security Act, the output file provided to HUD by OCSE will contain NDNH new hire, quarterly wage, and unemployment insurance information, if any, pertaining to the individuals whose records are contained in the HUD input file. 42 U.S.C. §653(j)(7)(C)(i).

The approximate number of records in the output file provided to HUD by OCSE depends upon the number of individuals whose information is maintained in the NDNH and the amount of NDNH information, if any, associated with those individuals.

### **C. Frequency of Information Comparisons**

Subsection 453(j)(7)(A) of the Social Security Act authorizes HUD to furnish input files to OCSE, "on such periodic basis as determined by the Secretary of Housing and Urban Development in consultation with the Secretary of the U.S. Department of Health and Human Services . . . " 42 U.S.C. §653(j)(7)(A). HUD has determined that it will furnish to OCSE input files for comparison with information in the NDNH, containing the following approximate number of records in the following frequencies:

- 6.4 million records will be furnished monthly against the new hire file
- 6.4 million records will be furnished quarterly against the quarterly wage file
- 6.4 million records will be furnished quarterly against the unemployment insurance file
- Approximately 150,000 records will be furnished monthly, in non-quarterly months (8 times per year), against the quarterly wage and unemployment insurance files, pertaining to new program participants, participants who have turned 18, or participants who have had a major change of status
- 5,284 records will be furnished annually against the new hire, quarterly wage, and unemployment insurance files for the purpose of conducting analyses of the employment and income reporting

### **D. Method of Transmission**

Input files from HUD to OCSE and output files from OCSE to HUD, will be transmitted via a mutually approved and secure data transfer method which utilizes FIPS 140-2 encryption standards. Files to and from entities authorized under sections VIII.E.1 and 2 of this agreement will be transmitted, or accessed, via the EIV system or another mutually approved and secure method of data transfer.

### **E. Projected Starting and Completion Dates**

OCSE may commence comparisons and disclosures under this agreement upon completion of all of the following requirements:

- the signing of the agreement by OCSE and the authorized HUD official;
- the submission by HUD of the documentation required by OCSE to assess the security posture of HUD; and
- the completion by HUD of the notice and reporting requirements specified in subsection XII.A of this agreement.

The projected expiration date of the agreement shall be 18 months from the effective date referenced in section XII.A of this agreement.

#### IV. NOTICE PROCEDURES

##### A. Individualized Notice that Information May Be Subject to Verification through Matching Programs

The Privacy Act requires that each matching agreement shall specify procedures for providing individualized notice at the time of application and notice periodically thereafter, as directed by the Data Integrity Board of the agency, to applicants for and recipients of financial assistance or payments under federal benefit programs, that any information provided by such applicants and recipients may be subject to verification through matching programs. 5 U.S.C. §552a(o)(1)(D)(i).

Subsection 453(j)(7)(G) of the Social Security Act also provides that HUD “shall not seek, use, or disclose NDNH information relating to an individual without the prior written consent of such individual (or of a person legally authorized to consent on behalf of such individual).” 42 U.S.C. §653(j)(7)(G).

Pursuant to this requirement, HUD has implemented procedures and developed forms for providing individualized notice at the time of application, and periodically thereafter, upon annual recertification or reexamination that the information provided by applicants and recipients may be verified through matching programs. Such procedures are in accordance with directions by the Data Integrity Board of the U.S. Department of Housing and Urban Development, subject to guidance by the Office of Management and Budget. The notice appears in the federal form, HUD-9886, *Authorization for the Release of Information/Privacy Act Notice* and HUD-9887, *Notice and Consent for the Release of Information*, contained in the “Document Package for Applicant’s/Tenant’s Consent to the Release of Information.” See Appendix C.

##### B. Publishing General Notice of Matching Program in the *Federal Register*

The Privacy Act requires a recipient agency to publish notice of the establishment or revision of a matching program in the *Federal Register*, at least 30 days prior to conducting such program. 5 U.S.C. §552a(e)(12).

At least 30 days prior to conducting the matching program, HUD shall publish the notice of matching program in the *Federal Register*. The notice shall clearly identify the systems of records and categories of records being used, and state that the matching program is subject to the review period afforded the Office of Management and Budget and Congress.

HUD shall also provide a copy of the notice of matching program to OCSE immediately upon publication in the *Federal Register*.

**C. Furnishing Report of Matching Program and Agreement to Congress and the Office of Management and Budget**

The Privacy Act requires that a copy of the matching agreement must be transmitted to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform and be available upon request to the public, in order to permit an evaluation of the probable or potential effect of such proposal on the privacy or other rights of individuals. 5 U.S.C. §552a(r) and (o)(2)(A). Agencies are also required to provide a report of a matching program, including the agreement, to the congressional committees and to the Office of Management and Budget. See Office of Management and Budget Circular No. A-130, Appendix I, 4(d).

HUD shall provide a report of the matching program, including a copy of the agreement, to the congressional committees and the Office of Management and Budget and shall make the agreement available, to the public upon request.

**V. VERIFYING INFORMATION AND OPPORTUNITY TO CONTEST FINDINGS**

**A. Requirements for Verifying Information and Opportunity to Contest Findings**

The Privacy Act requires that each matching agreement specify procedures for verifying information produced in the matching program and an opportunity to contest findings, as required by subsection (p). 5 U.S.C. §552a(o)(1)(E). Subsection (p) of the Privacy Act provides as follows:

(1) In order to protect any individual whose records are used in a matching program, no recipient agency, non-Federal agency, or source agency may suspend, terminate, reduce, or make a final denial of any financial assistance or payment under a Federal benefit program to such individual, or take other adverse action against such individual, as a result of information produced by such matching program, until

(A)(i) the agency has independently verified the information;

...

(B) the individual receives a notice from the agency containing a statement of its findings and informing the individual of the opportunity to contest such findings; and  
(C)(i) the expiration of any time period established for the program by statute or regulation for the individual to respond to that notice; or

(ii) in the case of a program for which no such period is established, the end of the 30-day period beginning on the

date on which notice under subparagraph (B) is mailed or otherwise provided to the individual.

(2) Independent verification referred to in paragraph (1) requires investigation and confirmation of specific information relating to an individual that is used as a basis for an adverse action against the individual, including where applicable investigation and confirmation of –

- (A) the amount of any asset or income involved;
- (B) whether such individual actually has or had access to such asset or income for such individual's own use; and
- (C) the period or periods when the individual actually had such asset or income.

(3) Notwithstanding paragraph (1), an agency may take any appropriate action otherwise prohibited by such paragraph if the agency determines that the public health or public safety may be adversely affected or significantly threatened during any notice period required by such paragraph.

5 U.S.C. §552a(p).

Further, subsection (q)(1) of the Privacy Act provides that notwithstanding any other provision of law, no source agency may disclose any record which is contained in a system of records to a recipient agency or non-federal agency for a matching program if such source agency has reason to believe that the verification and opportunity to contest requirements of subsection (p), or any matching agreement entered into pursuant to subsection (o), or both, are not being met by such recipient agency. 5 U.S.C. §552a(q)(1). *See also* Office of Management and Budget guidelines at 54 FR 25818 (June 19, 1989).

#### **B. Procedures for Verifying Information and Opportunity to Contest Findings**

HUD recognizes that information obtained from the NDNH is not conclusive evidence of the wage and employment information of an identified individual, but is an indication that further verification is warranted. HUD has established and implemented procedures for HUD and authorized entities to which information is redisclosed to verify information produced in the matching program and providing the individual an opportunity to contest findings. Such procedures provide that prior to taking adverse action against an individual, HUD shall independently verify the information produced in the matching program; notify the individual of any findings; and inform the individual of the opportunity to contest such findings in accordance with subsections (p)(1) and (2) of the Privacy Act. 5 U.S.C. §552a(p)(1) and (2). These procedures are set forth in 24 CFR §5.236, 24 CFR §966.4(1)(3), 24 CFR §982.555 and related HUD directives and are applicable to authorized entities.

## **VI. RETENTION AND DISPOSITION OF RECORDS**

The Privacy Act requires that each matching agreement specify procedures for the retention and timely destruction of identifiable records created by a recipient agency or non-federal agency in such matching program. 5 U.S.C. § 552a(o)(1)(F). The Privacy Act also requires that each matching agreement specify procedures governing the use by the recipient agency or non-federal agency of records provided in a matching program by a source agency, including procedures governing return of the records to the source agency or destruction of records used in such programs.

5 U.S.C. §552a(o)(1)(I).

The following provisions specify the retention periods for the records contained in the HUD input file provided by HUD and the NDNH records, which includes the information contained in those records, even NDNH information that is not labeled as such, provided to HUD in the matching program and to entities authorized pursuant to this agreement.

After the retention periods, OCSE and HUD shall destroy the records, including the erasure of all electronic records.

### **A. HUD Records in the Input File**

OCSE may retain the records contained in the input file provided to OCSE by HUD only for the period of time required for the processing related to the matching program, but no longer than 60 days after the transmission of the file to OCSE.

### **B. NDNH Records in the Output File**

#### **1. Copy of NDNH Records in the Output File**

OCSE may retain copies of the records contained in the NDNH output file provided to HUD by OCSE only for the period of time required to ensure the successful transmission of the output file to HUD, but no longer than 60 days after the transmission of the output files to HUD.

#### **2. NDNH Records in the Output File Provided to HUD**

HUD may retain the NDNH records contained in the output file provided to HUD by OCSE only for the period of time required to transfer such information onto the HUD system, EIV, but no longer than 60 days from the date of the disclosure of the files to HUD.

#### **3. NDNH Records Downloaded and Maintained within the EIV**

After downloading NDNH records onto the HUD system, EIV, HUD shall retain the NDNH records within the EIV only for the period of time required to achieve the authorized purpose of the matching program, and all legal retention requirements HUD establishes in conjunction with the National Archives and

Records Administration have been met, but no later than two years from the date of the disclosure of the information to HUD.

#### **4. Printed NDNH Information**

HUD and all authorized entities may retain printed NDNH information only for the time required to achieve the authorized purpose of the matching program, but no later than the term of the tenancy plus three years from the end of participation or move out date. Records may be retained beyond such retention period if such record is required for litigation, which was started before the expiration of the initial maximum record retention period. The HUD MF Housing requirements are in HUD Handbook 4350.3 REV-1, *Occupancy Requirements of Subsidized Multifamily Housing Programs*, Paragraph 5-23. The HUD Public and Indian Housing requirements are in 24 CFR §908.101.

#### **5. NDNH Information for QC Study**

HUD may retain NDNH information—electronic and printed—used for the purposes of analyses of income and employment reporting for the HUD QC Study until the authorized purpose has been achieved, but no later than two years from the date of the disclosure of the information to HUD.

### **VII. SECURITY PROCEDURES**

The Privacy Act requires that each matching agreement specify procedures for ensuring the security of the records matched and the results of such programs. 5 U.S.C. §552a(o)(1)(G).

#### **A. Procedures for Ensuring the Security of Records**

This agreement, including the security addendum, specifies procedures for ensuring the security of such records.

#### **B. Applicability of Security Procedures**

Security requirements for this information comparison and disclosure are specified in the security addendum to this agreement.

### **VIII. RESTRICTIONS ON DUPLICATION, REDISCLOSURE, AND USE OF RECORDS**

The Privacy Act requires that each matching agreement specify prohibitions on duplication and redisclosure of records provided by the source agency within or outside the recipient agency or the non-federal agency, except where provided by law or essential to the conduct of the matching program. 5 U.S.C. §552a(o)(1)(H). The Privacy Act also requires that each matching agreement specify procedures governing the use by a recipient agency or non-federal agency of records

provided in a matching program by a source agency, including procedures governing return of the records to the source agency or destruction of records used in such program.  
5 U.S.C. §552a(o)(1)(I).

Restrictions on duplication, redisclosure, and use of records are also found in the Social Security Act. Subsection 453(l)(1) requires that NDNH information and the results of comparisons using NDNH information shall not be used or disclosed except as *expressly* provided in section 453, subject to section 6103 of the Internal Revenue Code of 1986. 42 U.S.C. §653(l)(1). Subsection 453(l)(2) provides that an administrative penalty (up to and including dismissal from employment), and a fine of \$1,000 shall be imposed for each act of unauthorized access to, disclosure of, or use of, information in the NDNH by any officer or employee of the United States or any other person who knowingly and willfully violates the requirement. 42 U.S.C. §653(l)(2). Subsection 453(m) requires the Secretary of the U.S. Department of Health and Human Services to establish and implement safeguards with respect to the entities established under this section designed to restrict access to confidential NDNH information to authorized persons, and restrict use of such information to authorized purposes. 42 U.S.C. §653(m). All duplicates, redisclosures, and uses of NDNH information, requested by HUD and approved by OCSE, and HUD information, are identified in this agreement. Further redisclosures and uses by HUD or the authorized entities identified in section VIII.E of this agreement or OCSE are prohibited under this agreement. Further redisclosures and uses may be permitted only if: 1) specifically requested by HUD, 2) authorized under subsection 453(j)(7)(E) of the Social Security Act, 3) governed by a written modification to this agreement, and 4) supported by the documentation agreed upon by OCSE and HUD for ensuring compliance with the privacy and security safeguards in this agreement, including the security addendum.

Subsection 453(j)(7) of the Social Security Act, under which this matching program is authorized, further restricts the redisclosure and use of records as described in the following sections.

**A. Determination that Disclosures Do Not Interfere with Child Support Program**

Subsection 453(j)(7)(C)(ii) of the Social Security Act provides that the Secretary of Health and Human Services shall make disclosures to HUD only to the extent that the Secretary determines that such disclosures do not interfere with the effective operation of the program under title IV, part D of the Social Security Act.  
42 U.S.C. §653(j)(7)(C)(ii).

OCSE may not commence, or may discontinue, disclosing NDNH information upon a determination that such disclosure interferes with the effective operation of the state/federal child support program. OCSE will provide HUD with 10 days advance written notice prior to any discontinuation of the disclosure of NDNH information.

**B. Authorized Purpose and Use of NDNH Information by HUD; Verifying Employment and Income; Analyses**

Subsection 453(j)(7)(D) of the Social Security Act provides that HUD may use



information resulting from the information comparison only for the purpose of verifying the employment and income of individuals participating in certain HUD programs described in subparagraph (A) and, after the removal of personal identifiers, to conduct analyses of the employment and income reporting of such individuals. 42 U.S.C. §653(j)(7)(D).

HUD shall use, duplicate, copy, extract, and redisclose the results of the information comparison solely for the purposes authorized pursuant to this agreement, and comply with all privacy and security safeguards, in accordance with the terms and conditions specified in the agreement, including the security addendum.

Explanation of the use of NDNH information for the analyses of employment and income reporting (the HUD QC Study) is included in Appendix E. Such analyses must pertain solely to individuals currently participating in the specified programs during the period of the matching program. The authority to use NDNH information resulting from a data match for analyses of employment and income reporting extends only to HUD, not to entities to which HUD rediscloses NDNH information. HUD users authorized to use the results of the information comparisons for the purpose of analyses are identified in Appendix F.

Prior to any use of information resulting from this agreement used for the purpose of conducting analyses of employment and income reporting, HUD shall provide OCSE documentation, including the specific analyses being conducted, specific HUD users, procedures for the removal of personal identifiers, data storage location and safeguards, retention periods, and other information pertaining to the use of the results of the information comparison. HUD has provided such documentation for the QC Study analysis. *See* Appendix E. HUD agrees that further analysis shall be approved by OCSE prior to conducting such analysis.

**C. Redisclosures Authorized by Subsection 453(j)(7)(E) of the Social Security Act**

Subsection 453(j)(7)(E)(ii) of the Social Security Act authorizes HUD to redisclose NDNH information to a public housing agency, the HUD Inspector General, and the Attorney General for the purpose of verifying employment and income of participants in housing programs described in subparagraph (A) of subsection 453(j)(7).

Subsection 453(j)(7)(E)(iv)(II) of the Social Security Act authorizes HUD to redisclose NDNH information to a private owner, a management agent, and a contract administrator in connection with the administration of certain HUD programs described in subparagraph (A) of subsection 453(j)(7) (multifamily business partners).

HUD may redisclose NDNH information under such authority if the redisclosure to such entity is: 1) specifically requested by HUD; 2) authorized under subsection 453(j)(7)(E) of the Social Security Act, as agreed upon by HUD and

OCSE; and 3) identified in section VIII.E.1 and 2. of this agreement and in Appendix F.

Such redisclosures may be authorized only for the purpose of verifying the employment and income of individuals described in subparagraph (A) in accordance with subsection 453(j)(7)(E)(iii) of the Social Security Act. 42 U.S.C. §653(j)(7)(E)(iii).

**D. Evaluation of Costs, Benefits and Safeguards; Control Policies; Audit and Sanctions**

Subsection 453(j)(7)(E)(iv)(I) of the Social Security Act provides that HUD and OCSE shall determine whether to permit disclosure of NDNH information to a private owner, a management agent, and a contract administrator based on an evaluation, made by HUD in consultation with and approved by OCSE, of the costs and benefits of disclosures made to public housing agencies, the HUD Inspector General, and the Attorney General, and the adequacy of measures used to safeguard the security and confidentiality of information so disclosed. The evaluation required pursuant to subsection 453(j)(7)(E)(iv)(I) was conducted by HUD and signed by HUD and OCSE in May 2007.

Subsection 453(j)(7)(E)(ii) and (iv)(II) of the Social Security Act provides that HUD may disclose NDNH information subject to certain conditions contained in subsection 453(j)(7)(E)(iii). The conditions require disclosures to be made: (1) in accordance with data security and control policies established by HUD and approved by OCSE; (2) subject to audit in a manner satisfactory to OCSE; and (3) subject to the sanctions under subsection (l)(2) of section 453 of the Social Security Act. 42 U.S.C. §653(j)(7)(E)(ii), (iii) and (iv)(II). HUD and OCSE have agreed to such conditions, which are contained within this agreement, including the security addendum.

**E. Entities Requested by HUD for Redisclosure; Authorized Purpose and Use; Conditions for Redisclosure**

HUD requests and is authorized to redisclose the results of the information comparison to the following entities.

**1. Public Housing Agencies, HUD Inspector General, and Attorney General; Multifamily Business Partners**

HUD requests redisclosure of NDNH information to the PHAs, PHA management agents, the HUD Inspector General, the Attorney General, private owners, management agents, and contract administrators (MF business partners).

**2. Limited Redisclosure to Independent Auditors and to Entities Associated with Grievance Procedures and Judicial Proceedings**

HUD requests limited redisclosure of written reports containing NDNH information to certain approved independent auditors hired by the management agents, owners, or PHAs pursuant to HUD Inspector General audit requirements for the sole purpose of performing an audit of whether these HUD authorized entities verified tenants' employment and/or income and calculated the subsidy and rent correctly.

HUD also requests limited redisclosure of NDNH information to: 1) lawyers and court personnel associated with judicial proceedings relating to independently verified unreported income identified through this matching program; and 2) lawyers and certain agency personnel associated with grievance procedures relating to independently verified unreported income identified through this matching program.

Prior to redisclosure to these entities, HUD must implement procedures to: 1) permit access only to NDNH information within hard copy files, 2) prohibit transmitting or transporting NDNH information in any form, 3) prohibit entering NDNH information on any portable media, 4) require these entities to sign non-disclosure agreements (or similar documentation) which permit the use of NDNH information only for the purpose of the dispute, and 5) prohibit these entities from redisclosing NDNH information to any user not authorized by subsection 453(j)(7) of the Social Security Act and identified within this agreement.

**3. Authorized Purpose and Use for Redisclosures of NDNH Information; Verifying Employment and Income**

Subsection 453(j)(7)(E)(i) of the Social Security Act authorizes HUD to redisclose NDNH information to public housing agencies (PHAs), the PHA management agents, the HUD Inspector General, the Attorney General, and private owners, management agents, and contract administrators (MF business partners) for the sole purpose of verifying employment and income of participants in housing programs described in subparagraph (A) of subsection 453(j)(7). 42 U.S.C. §653(j)(7)(E)(i).

Entities to which HUD may redisclose NDNH information are authorized to use the information only for the purpose of the verification of employment and income of participants in housing programs, not for the purpose of conducting analyses of the employment and income reporting of such participants.

PHAs, PHA management agents, private owners, management agents, and contract administrators are authorized to access and use NDNH information pertaining solely to participants of the housing programs administered by those entities.

All redisclosures of NDNH information, requested by HUD and approved by OCSE, are identified in this agreement and in the Data Flow Diagram. See Appendix D. The diagram identifies: 1) where and how the NDNH information is maintained by HUD and other authorized entities; 2) HUD and other authorized entities' personnel who have access to NDNH information; and 3) the purpose for such access.

**F. HUD Responsibility to Ensure Compliance with Agreement by Authorized Entities; Measures**

HUD responsibilities pertaining to all privacy and security safeguards within this agreement, including the security addendum, extend to HUD contractors. HUD shall ensure that the authorized entities identified in section VIII.E of this agreement comply with all privacy and security safeguards within this agreement, including the security addendum.

Prior to any redisclosure under this agreement, HUD shall take the following measures to ensure such compliance: (1) establishing, documenting, and implementing, between HUD and each authorized entity, all safeguards within this agreement, including the security addendum; (2) providing authorized entities written documentation of all safeguards within this agreement; (3) entering into a written agreement or requiring a certification that those authorized entities shall comply with such safeguards; and (4) periodically monitoring to verify compliance, conducting audits, and otherwise enforcing all such safeguards within those entities.

**IX. ASSESSMENT OF ACCURACY OF RECORDS**

The Privacy Act requires that each matching agreement specify information on assessments that have been made on the accuracy of records that will be used in the matching program. 5 U.S.C. §552a(o)(1)(J).

**A. NDNH Records**

The information maintained within the NDNH is reported to OCSE by state and federal agencies. OCSE verifies the accuracy of name and Social Security number combinations maintained by OCSE against Social Security Administration databases in accordance with subsection 453(j)(1) of the Social Security Act. 42 U.S.C. §653(j)(1). A record reported to the NDNH is considered "verified" if the name and Social Security number combination has a corresponding name and Social Security number combination within Social Security Administration databases.

One hundred percent of the employee name and Social Security number combinations contained in the new hire file and the unemployment insurance file against which input files are compared have been verified against Social Security Administration databases. For quarterly wage, 77 percent of name and Social Security number combinations have

been verified because some states do not collect enough name data. However, information comparisons may be conducted and reliable results obtained.

## **B. HUD Records**

HUD verifies the accuracy of name and Social Security number combinations maintained by HUD against Social Security Administration databases. The input file to be compared to the NDNH only contains name and Social Security number combinations that have been verified by the Social Security Administration. Thus, HUD deems 100 percent of the name/Social Security number combinations that HUD transmits to OCSE to be accurate.

## **X. ACCESS TO RECORDS BY THE COMPTROLLER GENERAL**

The Privacy Act requires that each matching agreement specify that the Comptroller General of the United States may have access to all records of a recipient agency or a non-federal agency that the Comptroller General deems necessary in order to monitor or verify compliance with this agreement. 5 U.S.C. §552a(o)(1)(K). OCSE and HUD agree that the Comptroller General may have access to such records for the authorized purpose of monitoring or verifying compliance with this agreement.

## **XI. REIMBURSEMENT**

Subsection 453(k)(3) of the Social Security Act requires a state or federal agency that receives information from the Secretary of U.S. Department of Health and Human Services to reimburse the Secretary for costs incurred by the Secretary in furnishing the information. The reimbursement shall be at rates which the Secretary determines to be reasonable and will include the costs of obtaining, verifying, maintaining and comparing the information. 42 U.S.C. §653(k)(3).

Subsection 453(j)(7)(F) of the Social Security Act requires HUD to reimburse OCSE, in accordance with subsection (k)(3), for the costs incurred by OCSE in furnishing the information. 42 U.S.C. §653(j)(7)(F).

OCSE has established a full-cost reimbursement methodology for calculating user fees for each state or federal agency receiving information from the NDNH. A reimbursement agreement shall be executed each fiscal year of the matching program, and HUD shall reimburse OCSE in accordance with the terms of such reimbursement agreement.

## **XII. EFFECTIVE DATE, DURATION, MODIFICATION AND TERMINATION OF AGREEMENT**

### **A. Effective Date of the Agreement**

The Privacy Act provides that no agreement shall be effective until 30 days after publication of a notice of matching program in the *Federal Register* and the date a copy of the agreement is transmitted to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform. 5 U.S.C. §552a(e)(12) and (o)(2)(B). Also, see 5 U.S.C. §552a (o)(2)(A) and (r) and Office of Management and Budget Circular No. A-130, *Management of Federal Information Resources*, Appendix I, 4(d) (Nov. 28, 2000).

This agreement may be effective, and the comparison and disclosure of information under this agreement may commence, when the agencies comply with the Privacy Act notice and reporting requirements. Where applicable, agencies may agree upon a later effective date, for example, to coincide with the expiration of a renewal of a previous agreement between the agencies. HUD and OCSE intend that the effective date of this agreement will be March 16, 2016, the day after the expiration date of the Renewal of the matching agreement, U.S. Department of Health and Human Services Data Integrity Board, No. 1304.

Unless the Office of Management and Budget or Congress disapproves the agreement within 40 days of the date the transmittal letter for the report of matching program was signed, or the Office of Management and Budget grants a waiver of 10 days of the 40-day review period, or public comments are received that result in cancellation or deferral of the implementation of the program, this agreement shall be effective no sooner than the latest of the following dates:

- March 16, 2016, (the day after the expiration date of the Renewal of the matching agreement, U.S. Department of Health and Human Services Data Integrity Board No. 1304);
- 30 days after the date the notice of matching program is published in the *Federal Register*;
- 40 days after the date HUD transmits the report of the matching program to the Senate Committee on Homeland Security and Government Affairs and the House Committee on Oversight and Government Reform and the Office of Management and Budget Office of Information and Regulatory Affairs.

### **B. Duration of the Agreement**

The Privacy Act requires that each matching agreement shall remain in effect only for such period, not to exceed 18 months, as the Data Integrity Board of the agency determines is appropriate in light of the purposes, and length of time necessary for the conduct, of the matching program. 5 U.S.C. §552a(o)(2)(C).

This agreement shall remain in effect for 18 months. The Data Integrity Boards of the

agencies may renew the agreement for a period of up to one year if the matching program will be conducted without any change; and OCSE and HUD certify to the Data Integrity Boards in writing that the program has been conducted in compliance with the agreement. 5 U.S.C. §552a(o)(2)(D).

Subsection (q) provides that no source agency may renew a matching agreement unless the recipient agency or non-federal agency has certified that it has complied with the provisions of that agreement; and the source agency has no reason to believe that the certification is inaccurate. 5 U.S.C. § 552a(q)(2)(A) and (B).

### **C. Modification of the Agreement**

This agreement may be modified at any time by a written amendment to the agreement, which is approved by HUD, OCSE, and the Data Integrity Boards of each agency.

### **D. Termination of the Agreement**

This agreement may be terminated at any time with the consent of both agencies.

Either agency may unilaterally terminate this agreement upon written notice to the other agency, in which case the termination date shall be effective 90 days after the date of the notice or at a later date specified in the notice provided this date does not exceed the approved duration for the agreement.

If OCSE has reason to believe that the verification and opportunity to contest requirements of subsection (p) of the Privacy Act (as amended) or any other requirement of this agreement are not being met, OCSE shall terminate disclosures of records contained in the NDNH under the agreement in accordance with subsection 552a(q)(1) of the Privacy Act (as amended). 5 U.S.C. §552a(q)(1).

If OCSE determines that any authorized entity to which NDNH information is redisclosed is not complying with any of the terms and provisions in this agreement, OCSE may terminate this agreement.

If OCSE determines that the privacy or security of NDNH information is at risk, OCSE may terminate the agreement and any further disclosures, without prior notice to HUD.

Each agency will submit to its Data Integrity Board a copy of any notification of termination.

## **XIII. COST-BENEFIT ANALYSIS**

The Privacy Act provides that a Data Integrity Board shall not approve any written agreement for a matching program unless the agency has completed and submitted to such Board a cost-benefit analysis of the proposed program and such analysis demonstrates that the program is likely to be cost effective. 5 U.S.C. §522a(u)(4)(A).

HUD conducted a cost-benefit analysis in accordance with the Privacy Act based upon information from FY 2013. The analysis, dated May 7, 2015, was submitted to OCSE on May 14, 2015. *See* Appendix A and section II.B of this agreement. OCSE shall submit the cost-benefit analysis to the Data Integrity Board of the U.S. Department of Health and Human Services.

#### **XIV. NECESSITY OF INFORMATION FOR AUTHORIZED PURPOSE**

Subsection 453(j)(7)(B) of the Social Security Act requires HUD to seek minimum information only to the extent necessary to verify the employment and income of participants of specified programs. 42 U.S.C. §653(j)(7)(B).

HUD will comply with such requirement by ensuring that each individual pertaining to whom information is requested and each data element requested, the frequency of transmission and the retention and disposition periods of NDNH information are necessary to accomplish the authorized purpose for obtaining NDNH information—verifying the employment and income of participants of the specified programs. (*See* sections III.B III.D and VI of this agreement).

HUD may provide to each entity listed in sections VIII.E.1 and 2 of this agreement only the specific NDNH information necessary to perform their official duties for accomplishing the purpose for obtaining NDNH information—verifying the employment and income of participants of the specified programs.

#### **XV. PERIODIC REPORTING OF PERFORMANCE OUTCOMES**

The Office of Management and Budget requires OCSE to periodically report measures of the performance of the Federal Parent Locator Service, including the NDNH, through various federal management devices, such as the Office of Management and Budget Information Technology Dashboard, the Annual Report to Congress, and the Major IT Business Case. OCSE is required to provide performance measures demonstrating how the Federal Parent Locator Service supports OCSE's strategic mission, goals and objectives, and cross-agency collaboration. OCSE also requests such performance reporting to ensure matching partners use NDNH information for the authorized purpose.

To assist OCSE in its compliance with federal reporting requirements, and to provide assurance that HUD uses NDNH information for the authorized purpose, HUD shall provide to OCSE a written report describing the performance outputs and outcomes attributable to its use of NDNH information for the purposes set forth in this agreement. The report will identify the estimate of the erroneous rental housing assistance payments attributable to tenant reporting of income that was determined through the comparison using NDNH information.

HUD shall provide such reports in a format determined by HUD and approved by OCSE, to OCSE on an annual basis, no later than three months after the end of each fiscal year of the matching program.



The reports may also assist HUD in the development of a cost-benefit analysis of the matching program required for any subsequent matching agreements in accordance with 5 U.S.C. §552a(o)(1)(B). *See* section II.B of this agreement.

## **XVI. DISPUTE RESOLUTION**

Disputes related to this agreement over financial or accounting issues shall be resolved in accordance with instructions provided in the Treasury Financial Manual, Volume I, *Intragovernmental Business Rules Bulletin*, or a superseding directive, available on the Treasury Financial Manual website at <http://www.fms.treas.gov/tfm/vol1/bull.html>.

## XVII. PERSONS TO CONTACT

- A. The U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement contact for programs and security is:

Linda Boyer  
Data Access and Security Manager  
Division of Federal Systems  
Office of Child Support Enforcement  
Administration for Children and Families  
Wilbur J. Cohen Federal Building  
330 Independence Ave, SW  
Room G-644  
Washington, DC 20201  
Phone: 202-401-5410  
Fax: 202-401-5558  
E-mail: [linda.boyer@acf.hhs.gov](mailto:linda.boyer@acf.hhs.gov)

- B. The U.S. Department of Housing and Urban Development contacts are:


Larry Tipton  
EIV Project Manager  
Office of Public and Indian Housing  
Real Estate Assessment Center  
U.S. Department of Housing and Urban Development  
451 7th Street, SW, Room PCFL2  
Washington, DC 20410  
Phone: 202-475-8746  
Fax: 202-485-0286  
E-mail: [larry.r.tipton@hud.gov](mailto:larry.r.tipton@hud.gov)

Danielle D. Garcia  
Director  
Housing Oversight Division  
U.S. Department of Housing and Urban Development  
451 7th Street, SW, Room 6134  
Washington, DC 20410  
Phone: 202-402-2768  
Fax: 202-708-3104  
E-mail: [danielle.d.garcia@hud.gov](mailto:danielle.d.garcia@hud.gov)


**XVIII. APPROVALS**

By their signatures below, the authorized officials approve this agreement.

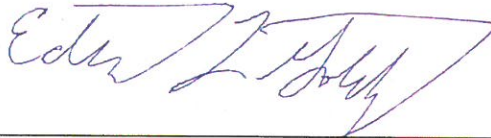
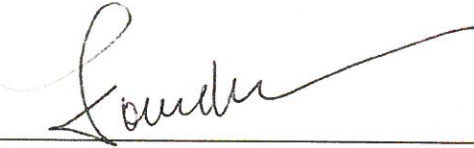
**A. U.S. Department of Health and Human Services Program Official**

|   |                        |
|---|------------------------|
|  |                        |
| <i>Sr</i> <b>Vicki Turetsky</b><br>Commissioner                                   | <b>Date</b><br>11/3/15 |

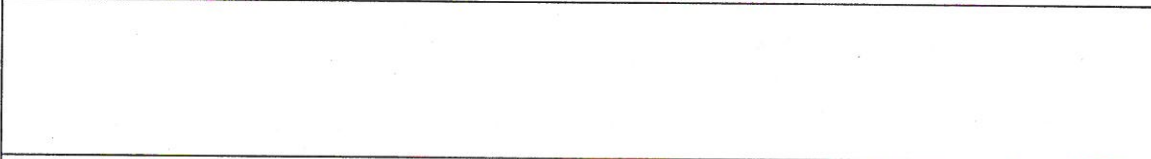
**B. U.S. Department of Health and Human Services Data Integrity Board**

|   |                       |
|---|-----------------------|
|  |                       |
| <b>Colleen Barros</b><br>Chairperson, HHS Data Integrity Board                    | <b>Date</b><br>2/2/15 |

**C. U.S. Department of Housing and Urban Development Program Officials**

|   |                         |
|---|-------------------------|
|                    |                         |
| <b>Edward Golding</b><br>Principle Deputy Assistant Secretary for Housing                           | <b>Date</b><br>12-29-15 |
|                    |                         |
| <b>Lourdes Castro Ramirez</b><br>Principal Deputy Assistant Secretary for Public and Indian Housing | <b>Date</b><br>12/29/15 |

**D. U.S. Department of Housing and Urban Development Data Integrity Board**

|  |             |
|--|-------------|
|  |             |
| <b>Patricia A. Hoban-Moore</b><br>Chairperson, HUD Data Integrity Board              | <b>Date</b> |

## SECURITY ADDENDUM

U.S. Department of Health and Human Services  
Administration for Children and Families  
Office of Child Support Enforcement

and

U.S. Department of Housing and Urban Development

### I. PURPOSE AND EFFECT OF THIS SECURITY ADDENDUM

The purpose of this security addendum is to specify the security controls that the Office of Child Support Enforcement (OCSE) and U.S. Department of Housing and Urban Development (HUD) shall have in place to ensure the security of the records compared against records in the NDNH and the results of the information comparison.

By signing this security addendum, OCSE and HUD agree to comply with the provisions of the Social Security Act, the Privacy Act of 1974, the Federal Information Security Modernization Act of 2014 (FISMA), Office of Management and Budget (OMB) directives, National Institute of Standards and Technology (NIST) series of Special Publications (SP). Further, each agency has implemented the minimum security controls required for a system categorized as “moderate” in accordance with the Federal Information Processing Standards (FIPS) Publication 199, *Standards for Security Categorization of Federal Information and Information Systems*, NIST. OCSE and HUD agree to use the information (such as input and output files) received from each agency for authorized purposes in accordance with the terms of the agreement.

As federal requirements change or new requirements are established, OCSE and HUD shall comply with such requirements.

### II. APPLICABILITY OF THIS SECURITY ADDENDUM

This security addendum is applicable to the agency, personnel, facilities, documentation, information, electronic and physical records, other machine-readable information, and the information systems of OCSE and HUD and entities specified in the agreement, which are hereinafter referred to as “OCSE” and “HUD.”

### III. SECURITY AND PRIVACY SAFEGUARDING REQUIREMENTS

OCSE developed these safeguarding requirements based on the federal laws and requirements governing the protection of information referenced in section I of this security addendum as well as the *Security Requirements for Federal Agencies Receiving Federal Parent Locator Service*

*Data. HUD was provided a copy of the Security Requirements for Federal Agencies Receiving Federal Parent Locator Service Data, on July 29, 2015].*

This section presents the safeguarding requirements with which OCSE and HUD shall comply and continuously monitor. HUD shall also comply with three additional requirements: Breach Reporting and Notification Responsibility; Security Authorization; and Audit Requirements.

The safeguarding requirements for receiving NDNH information as well as the safeguards in place at OCSE for protecting the agency input file are as follows:

1. HUD shall restrict access to, and disclosure of, the NDNH information to authorized personnel who need the NDNH information to perform their official duties in connection with the authorized purposes specified in the agreement.

OCSE restricts access to and disclosure of the agency input file to authorized personnel who need it to perform their official duties as authorized in this agreement.

**Policy/Requirements Traceability:** 5 U.S.C. §552a(b)(1)

2. HUD shall establish and maintain an ongoing management oversight and quality assurance program to ensure that only authorized personnel have access to NDNH information.

OCSE management oversees the use of the agency input file to ensure that only authorized personnel have access.

**Policy/Requirements Traceability:** 5 U.S.C. §552a; NIST SP 800-53 Rev 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, PL-4(1), PS-6, PS-8

3. HUD shall advise all authorized personnel who will access NDNH information of the confidentiality of the NDNH information, the safeguards required to protect the NDNH information, and the civil and criminal sanctions for non-compliance contained in the applicable federal laws.

OCSE advises all personnel who will access the agency input file of the confidentiality of the information, the safeguards required to protect the information, and the civil and criminal sanctions for non-compliance contained in the applicable federal laws.

**Policy/Requirements Traceability:** 5 U.S.C. §552a; NIST SP 800-53 Rev 4, PL-4(1), PS-6, PS-8

4. HUD shall deliver security and privacy awareness training to personnel with authorized access to NDNH information and the system that houses, processes, or transmits NDNH information. The training shall describe each user's responsibility for proper use and protection of NDNH information, how to recognize and report

potential indicators of insider threat, and the possible sanctions for misuse. All personnel shall receive security and privacy awareness training prior to accessing NDNH information and at least annually thereafter. The training shall cover the other federal laws governing use and misuse of protected information.

OCSE delivers security and privacy awareness training to personnel. The training describes each user's responsibility for proper use and protection of other agencies' input files, how to recognize and report potential indicators of insider threat, and the possible sanctions for misuse. All personnel receive security and privacy awareness training prior to accessing agency input files and at least annually thereafter. The training covers the other federal laws governing use and misuse of protected information.

**Policy/Requirements Traceability:** 44 U.S.C. §3551 *et seq.*; OMB Circular A-130, *Management of Federal Information Resources*; OMB M-07-16, *Safeguarding Against and Responding to the Breach of Personally Identifiable Information*; NIST SP 800-53 Rev 4, AT-2(2), AT-3

5. HUD personnel with authorized access to the NDNH information shall sign non-disclosure agreements, rules of behavior, or equivalent documents prior to system access, annually, and if changes in assignment occur. The non-disclosure agreement, rules of behavior, or equivalent documents shall outline the authorized purposes for which HUD may use the NDNH information and the civil and criminal penalties for unauthorized use. HUD may use "wet" and/or electronic signatures to acknowledge non-disclosure agreements, rules of behavior, or equivalent documents.

OCSE personnel with authorized access to the agency input file sign non-disclosure agreements and rules of behavior.

**Policy/Requirements Traceability:** OMB Circular A-130 - Appendix III, *Security of Federal Automated Information Resources*; OMB M-07-16; NIST SP 800-53 Rev 4, PS-6

6. HUD shall maintain records of authorized personnel with access to the NDNH information. The records shall contain a copy of each individual's signed non-disclosure agreement, rules of behavior, or equivalent document and proof of individual's participation in security and privacy awareness training.

OCSE maintains a record of personnel with access to the agency input file. The records will contain a copy of each individual's signed non-disclosure agreement, rules of behavior, or equivalent document and proof of participation in security and privacy awareness training.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, AT-4

7. HUD shall have appropriate procedures in place to report security or privacy incidents, or suspected incidents involving NDNH information. Immediately upon discovery,

but in no case later than one hour after discovery of the incident, HUD shall report confirmed and suspected incidents, in either electronic or physical form, to the Federal Parent Locator Service (FPLS) Information Systems Security Officer (ISSO) designated on this security addendum. The requirement for HUD to report confirmed or suspected incidents involving NDNH information to OCSE exists in addition to, not in lieu of, any HUD requirements to report to the United States Computer Emergency Readiness Team (US-CERT) or other reporting agencies.

OCSE has appropriate procedures in place to report security or privacy incidents, or suspected incidents involving the agency input file. Immediately upon discovery but in no case later than one hour after discovery of the incident, OCSE will report confirmed and suspected incidents to the HUD security contact designated on this security addendum. The requirement for OCSE to report confirmed or suspected incidents to HUD exists in addition to, not in lieu of, requirements to report to US-CERT or other reporting agencies.

**Policy/Requirements Traceability:** OMB Circular A130 – Appendix III; OMB M-07-16; NIST SP 800-53 Rev 4, IR-6

8. HUD shall prohibit the use of non-HUD furnished equipment to access NDNH information without specific written authorization from the appropriate HUD representative.

OCSE does not permit personnel to access the agency input file remotely using non-agency furnished equipment.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, AC-20(1)(2)

9. HUD shall require that personnel accessing NDNH information remotely (for example, telecommuting) adhere to all the security and privacy safeguarding requirements provided in this security addendum. HUD and non-HUD furnished equipment shall have appropriate software with the latest updates to protect against attacks, including, at a minimum, current antivirus software and up-to-date system patches and other software patches. Prior to electronic connection to HUD resources, HUD shall scan the HUD and non-HUD furnished equipment to ensure compliance with the HUD standards. All remote connections shall be through Network Access Control, and all data in transit between the remote location and HUD shall be encrypted using FIPS 140-2 encryption standards. Personally-owned mobile devices shall not be authorized. See numbers 8 and 19 of this section for additional information.

OCSE does not permit personnel to access the agency input file remotely using non-agency furnished equipment.

**Policy/Requirements Traceability:** OMB M-06-16, *Protection of Sensitive Agency Information*; OMB-M-07-16; NIST SP 800-53 Rev 4, AC-17, AC-20



10. HUD shall implement an effective continuous monitoring strategy and program that shall ensure the continued effectiveness of security controls by maintaining ongoing awareness of information security, vulnerabilities, and threats to the information system housing NDNH information. The continuous monitoring program shall include configuration management, patch management, vulnerability management, and risk assessments before making changes to the system and environment, ongoing security control assessments, and reports to HUD officials as required.

OCSE has implemented a continuous monitoring strategy and program that ensures the continued effectiveness of security controls by maintaining ongoing awareness of information security, vulnerabilities, and threats to the information system housing the input file. The continuous monitoring program includes configuration management, patch management, vulnerability management, and risk assessments before making changes to the system and environment, ongoing security control assessments, and reports to HHS officials as required.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, CA-7(1); NIST SP 800-137, *Information Security Continuous Monitoring for Federal Information Systems and Organizations*

11. HUD shall maintain an asset inventory of all software and hardware components within the boundary of the information system housing NDNH information. The inventory shall be at a level of granularity deemed necessary by HUD for internal tracking and reporting.

OCSE maintains an inventory of all software and hardware components within the boundary of the information system housing the agency input file.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, CM-2(1)(3)(7), CM-7(1)(2)(4), CM-8(1)(3)(5), CM-11, IA-3, SA-4(1)(2)(9)(10), SC-17, SC-18, SI-4(2)(4)(5), PM-5

12. HUD shall maintain a system security plan describing the security requirements for the system housing NDNH information and the security controls in place or planned for meeting those requirements. The system security plan shall describe the responsibilities and expected behavior of all individuals who access the system.

OCSE maintains a system security plan that describes the security requirements for the information system housing the agency input file and the security controls in place or planned for meeting those requirements. The system security plan includes responsibilities and expected behavior of all individuals who access the system.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, PL-2(3), NIST SP 800-18 Rev 1, *Guide for Developing Security Plans for Federal Information Systems*

13. HUD shall maintain a plan of action and milestones for the information system housing NDNH information to document plans to correct weaknesses identified during security control assessments and to reduce or eliminate known vulnerabilities in the system. HUD shall update the plan of action and milestones as necessary based on the findings from security control assessments, security impact analyses, and continuous monitoring activities.

OCSE maintains a plan of action and milestones for the information system housing the agency input file to document plans to correct weaknesses identified during security control assessments and to reduce or eliminate known vulnerabilities in the system. OCSE updates the plan of action and milestones as necessary based on the findings from security control assessments, security impact analyses, and continuous monitoring activities.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, CA-5, NIST SP 800-18 Rev 1

14. HUD shall maintain a baseline configuration of the system housing NDNH information. The baseline configuration shall include information on system components (for example, standard software packages installed on workstations, notebook computers, servers, network components, or mobile devices; current version numbers and patch information on operating systems and applications; and configuration settings/parameters), network topology, and the logical placement of those components within the system architecture.

OCSE maintains a baseline configuration of the information system housing the agency input file.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, CA-7, CA-9, CM-2(1)(3)(7), CM-3(2), CM-5, CM-6, CM-7(1)(2)(4), CM-8(1)(3)(5), CM-11, SI-4(2)(4)(5)

15. HUD shall limit and control logical and physical access to NDNH information to only those personnel authorized for such access based on their official duties and identified in the records maintained by HUD pursuant to numbers 6 and 27 of this section. HUD shall prevent personnel from browsing case files not assigned to them by using technical controls or other compensating controls.

OCSE limits and controls logical and physical access to the agency input file to only those personnel authorized for such access based on their official duties. OCSE prevents browsing using technical controls that limit and monitor access to the agency input file.

**Policy/Requirements Traceability:** 5 U.S.C. §552a; NIST SP 800-53 Rev 4, AC-2, AC-3

16. HUD shall transmit and store all NDNH information provided pursuant to this agreement in a manner that safeguards the information and prohibits unauthorized access. All electronic HUD transmissions of information to HUD and entities specified in the agreement shall be encrypted using a FIPS 140-2 compliant product.

HUD and OCSE exchange data via a mutually approved and secured data transfer method that uses a FIPS 140-2 compliant product.

**Policy/Requirements Traceability:** OMB M-06-16; OMB M-07-16; FIPS 140-2, *Security Requirements for Cryptographic Modules*; NIST SP 800-53 Rev 4, MP-4, SC-8

17. HUD shall transfer and store NDNH information only on HUD owned portable digital media and mobile computing and communications devices that are encrypted at the disk or device level, using a FIPS 140-2 compliant product. See numbers 8 and 18 of this section for additional information.

OCSE does not copy the agency input file to mobile media.

**Policy/Requirements Traceability:** OMB M-07-16; FIPS 140-2

18. HUD shall prohibit the use of computing resources resident in commercial or public facilities (for example, hotels, convention centers, airports) from accessing, transmitting, or storing NDNH information.

OCSE prohibits the use of computing resources resident in commercial or public facilities (for example, hotels, convention centers, airports) from accessing, transmitting, or storing the agency input file.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, AC-19(5), CM-8(3)

19. HUD shall prohibit remote access to NDNH information, except via a secure and encrypted (FIPS 140-2 compliant) transmission link and using two-factor authentication, as required by OMB M-06-16. HUD shall control remote access through a limited number of managed access control points.

OCSE prohibits remote access to the agency input file except via a secure and encrypted (FIPS 140-2 compliant) transmission link and using two-factor authentication as required by OMB M-06-16.

**Policy/Requirements Traceability:** OMB M-06-16; OMB M-07-16; FIPS 140-2; NIST SP 800-53 Rev 4, AC-17, IA-2(11)(12), SC-8

20. HUD shall maintain a fully automated audit trail system with audit records that, at a minimum, collect data associated with each query transaction to its initiator, capture date and time of system events, and type of events. The audit trail system shall

protect data and the audit tool from addition, modification, or deletion and should be regularly reviewed and analyzed for indications of inappropriate or unusual activity.

OCSE maintains a fully automated audit trail system with audit records that, at a minimum, collect data associated with each query transaction with its initiator, capture date and time of system events, and type of events. The audit trail system shall protect data and the audit tool from addition, modification, or deletion and should be regularly reviewed and analyzed for indications of inappropriate or unusual activity.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, AU-2, AU-3, AU-6(1)(3), AU-8, AU-9(4), AU-11

21. HUD shall log each computer-readable data extract from any database holding NDNH information and verify that each extract has been erased within 90 days after completing required use. If HUD requires the extract for longer than 90 days to accomplish a purpose authorized pursuant to this agreement, HUD shall request permission, in writing, to keep the extract for a defined period of time, subject to OCSE written approval. HUD shall comply with the retention and disposition requirements in the agreement.

OCSE does not extract information from the agency input file.

**Policy/Requirements Traceability:** OMB M-06-16; OMB M-07-16

22. HUD shall utilize a time-out function for remote access and mobile devices that require a user to re-authenticate after no more than 30 minutes of inactivity. See numbers 8, 9, and 18 of this section for additional information.

OCSE uses a time-out function for remote access and mobile devices that requires a user to re-authenticate after no more than 30 minutes of inactivity.

**Policy/Requirements Traceability:** OMB M-06-16; OMB M-07-16

23. HUD shall erase electronic records after completing authorized use in accordance with the retention and disposition requirements in the agreement.

OCSE erases the electronic records after completing authorized use in accordance with the retention and disposition requirements in the agreement.

**Policy/Requirements Traceability:** 5 U.S.C. §552a

24. HUD shall implement a Network Access Control (also known as Network Admission Control (NAC)) solution in conjunction with a VPN option to enforce security policy compliance on all HUD and non-HUD remote devices that attempt to gain access to, or use, NDNH information. HUD shall use a NAC solution to authenticate, authorize, evaluate, and remediate remote wired and wireless users before they can

access the network. The implemented NAC solution shall evaluate whether remote machines are compliant with security policies through host(s) integrity tests against predefined templates, such as patch level, service packs, antivirus, and personal firewall status, as well as custom created checks tailored for the HUD enterprise environment. HUD shall disable functionality that allows automatic code execution. The solution shall enforce security policies by blocking, isolating, or quarantining non-compliant devices from accessing the HUD network and resources while maintaining an audit record on users' access and presence on the HUD network. See numbers 8 and 18 of this section for additional information.

OCSE ensures that personnel do not access the agency input file remotely using non-agency furnished equipment.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, AC-17, AC-20, IA-2(11)(12), IA-3

25. HUD shall ensure that the organization responsible for the data processing facility storing, transmitting, or processing the NDNH information complies with the security requirements established in this security addendum. The "data processing facility" includes the personnel, facilities, documentation, data, electronic, and physical records and other machine-readable information, and the information systems of HUD including, but not limited to, employees and contractors working with the data processing facility, contractor data centers, and any other individual or entity collecting, storing, transmitting, or processing NDNH information.

OCSE ensures that the data processing facility complies with the security requirements established in this security addendum.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, SA-9(2)

26. HUD shall store all NDNH information provided pursuant to this agreement in an area that is physically safe from access by unauthorized persons during duty hours as well as non-duty hours or when not in use.

OCSE stores the agency input file provided pursuant to this agreement in an area that is physically safe from access by unauthorized persons during duty hours as well as non-duty hours or when not in use.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, PE-2, PE-3

27. HUD shall maintain a list of personnel authorized to access facilities and systems processing sensitive data, including NDNH information. HUD shall control access to facilities and systems wherever NDNH information is processed. Designated officials shall review and approve the access list and authorization credentials initially and periodically thereafter, but no less often than annually.

OCSE maintains lists of personnel authorized to access facilities and systems

processing the agency input file. OCSE controls access to facilities and systems wherever the agency input file is processed. Designated officials review and approve the access list and authorization credentials initially and periodically thereafter, but no less often than annually.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, AC-2, PE-2

28. HUD shall label printed reports containing NDNH information to denote the level of sensitivity of the information and limitations on distribution. HUD shall maintain printed reports in a locked container when not in use and shall not transport NDNH information off HUD premises. When no longer needed, in accordance with the retention and disposition requirements in the agreement, HUD shall destroy these printed reports by burning or shredding.

OCSE does not generate printed reports containing the agency input file.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, MP-3, MP-4, MP-5, MP-6

29. HUD shall use locks and other protective measures at all physical access points (including designated entry and exit points) to prevent unauthorized access to computer and support areas containing NDNH information.

OCSE uses locks and other protective measures at all physical access points (including designated entry/exit points) to prevent unauthorized access to computer and support areas.

**Policy/Requirements Traceability:** NIST SP 800-53 Rev 4, PE-3

#### **IV. BREACH REPORTING AND NOTIFICATION RESPONSIBILITY**

Upon disclosure of NDNH information from OCSE to HUD, HUD is the responsible party in the event of a breach or suspected breach of the information. Whether NDNH information is in the custody of HUD or an authorized entity, immediately upon discovery but in no case later than one hour after discovery of the incident, HUD will report the breach or suspected breach to OCSE security officials and will comply with any and all OMB reporting and notification requirements and conduct all activities pertaining to such reporting and notification. These activities include, but are not limited to: investigating the incident; communicating with US-CERT; notifying individuals whose information is breached; notifying any third parties including the media; notifying any other public and private sector agencies involved; responding to inquiries about the breach; responding to congressional inquiries; resolving all issues surrounding the information breach; performing any follow-up activities; correcting the vulnerability that allowed the breach; and any other activity as required by OMB M-07-16, *Safeguarding Against and Responding to the Breach of Personally Identifiable Information*, May 2007, and other federal law and guidance.

**Policy/Requirements Traceability:** OMB Circular A130 – Appendix III; OMB M-06-19, *Reporting Incidents Involving Personally Identifiable Information and Incorporating the Cost for Security in Agency Information Technology Investments*; OMB M-07-16; NIST SP 800-53 Rev 4, IR-6

## V. SECURITY AUTHORIZATION

OCSE requires systems that process, transmit, or store NDNH information to be granted authorization to operate following the guidelines in NIST 800-37 Revision 1.

### A. HUD Security Posture

HUD submitted to OCSE the required documentation and OCSE has reviewed and approved HUD security posture. During the period of the agreement HUD shall maintain an updated security authorization.

### B. HUD Permitted Entity Security Posture

Prior to the redisclosure of NDNH information by HUD to any entity authorized pursuant to subsection 453(j)(7)(E) of the Social Security Act and specified within the agreement, HUD shall demonstrate, and OCSE shall review and approve, the security posture of the entity's systems and processes. 42 U.S.C. §653(j)(7)(E).

All information systems and applications that process, transmit or store NDNH information shall be fully compliant with FISMA, OMB directives, and NIST guidelines.

Prior to receiving NDNH information, entities shall have implemented the minimum security controls required for a system categorized as "moderate" in accordance with FIPS 199.

All systems and applications handling NDNH information shall first be granted the authorization to operate (ATO) through the authorization process according to NIST SP 800-37 Revision 1. In addition, if applicable, federal agencies that share NDNH information with entities specified in the agreement shall ensure the specified contractors meet the same safeguarding requirements. The authorizing official of the agency that re-discloses NDNH information to the permitted entity may grant them the ATO or security authorization.

The security authorization process shall have been conducted according to the NIST SP 800-37 Revision 1, as appropriate.

Federal agencies shall comply with NIST SP 800-37 Revision 1, including implementing a continuous monitoring program for permitted entities. Agencies shall conduct the authorization process at least every three years or when there are major changes to a system. Agencies must verify privacy protection periodically through audits and reviews of the systems and procedures.

By signing the security addendum, HUD signatories confirm that HUD has, for the entities specified in the agreement, reviewed the security controls in place to safeguard information and information systems and has determined that the risk to federal data is at an acceptable level. The security controls in place at all entities specified in the agreement are commensurate with those of a federal system categorized as “moderate” according to FIPS 199. *See also* OMB M-14-04, *FY 2013 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management*.

## **VI. AUDIT REQUIREMENTS**

In accordance with subsections 453(j)(7)(E)(ii) and (iv)(II) of the Social Security Act, the disclosure of NDNH information to HUD and additional authorized entities is conditioned upon the disclosure being subject to audit in a manner satisfactory to the Secretary of Health and Human Services. 42 U.S.C. §653(j)(7)(E)(ii) and (iv)(II).



**VII. PERSONS TO CONTACT**

- A.** The U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement security contact is:

Linda Boyer, FPLS Information System Security Officer  
Division of Federal Systems  
Office of Child Support Enforcement  
Administration for Children and Families  
Wilbur J. Cohen Federal Building  
330 Independence Ave, SW  
Room G-644  
Washington, DC 20201  
Telephone: 202-401-5410  
Fax: 202-401-5558  
E-mail: [linda.boyer@acf.hhs.gov](mailto:linda.boyer@acf.hhs.gov)

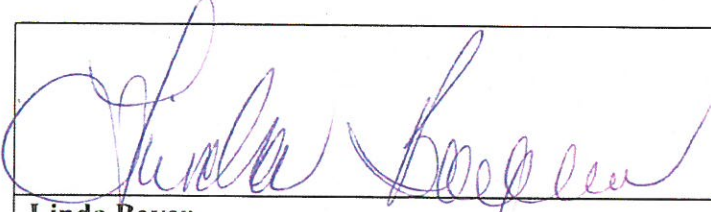
- B.** The HUD security contact is:

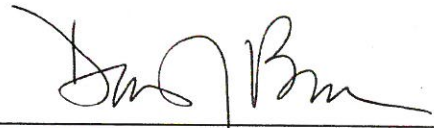
Carlos M. Segarra  
Chief Information Security Officer  
U.S. Department of Housing and Urban Development  
451 7th Street SW, Washington, DC 20410  
Phone: 202-402-4407  
Fax: 202-402-1002  
E-mail: [Carlos.M.Segarro@hud.gov](mailto:Carlos.M.Segarro@hud.gov)

**VIII. APPROVALS**


By their signatures below, the authorized officials approve this security addendum.

**A. U.S. Department of Health and Human Services Official**

|   |                         |
|---|-------------------------|
|  |                         |
| <b>Linda Boyer</b><br>FPLS Information Systems Security Officer                   | <b>Date</b><br>10-30-15 |

|   |                        |
|---|------------------------|
|  |                        |
| S <b>Vicki Turetsky</b><br>Commissioner   | <b>Date</b><br>11/3/15 |

**B. U.S. Housing and Urban Development Official**

|   |                         |
|---|-------------------------|
|  |                         |
| <b>Carlos M. Segarra</b><br>Chief Information Security Officer                      | <b>Date</b><br>12/25/15 |

|   |             |
|---|-------------|
| <b>Name of Agency Authorized Official (if two signatures are required)</b><br>Title of Agency Authorized Official | <b>Date</b> |
|---|-------------|

**APPENDIX A**

**Cost Benefits Analysis in Support of  
HUD's Office of Public and Indian Housing and  
Multifamily Housing Programs'  
Computer Matching Agreement for Matching of the Enterprise Income Verification  
System with the National Directory of New Hires**

**May 7, 2015**

## I. PURPOSE OF THIS ANALYSIS

The purpose of this cost/benefit analysis is to provide an assessment of the benefits attained by the Department of Housing and Urban Development (HUD) through the matching program between the HUD Enterprise Income Verification (EIV) system for Public and Indian Housing (PIH) and Multifamily (MF) Housing programs tenant data and the National Directory of New Hires (NDNH) administered by the Department of Health and Human Services (HHS) Office of Child Support Enforcement (OCSE). HUD and HHS executed a computer matching agreement (CMA) on February 4, 2011, the terms of which were renewed for eighteen months on August 4, 2013. This document is in support of the proposal for a new CMA, which will encompass the matching processes for participants of HUD's new Disaster Housing Assistance Program (DHAP) and continued matching processes for HUD's annual Quality Control for Rental Assistance Subsidy Determinations (QC) study for the purpose of conducting statistical analysis; as well as continued periodic data matching for the Office of Public and Indian Housing (PIH) and Office of Housing.

This document is intended to satisfy the requirement found in Section 552a(u)(4)(A) of the Privacy Act that requires the Secretary of HUD and the Secretary of HHS to evaluate the costs and benefits of the proposed disclosure. 5 U.S.C. 552a(u)(4)(A). As such, this analysis updates separate, earlier similar analyses that covered PIH and MF Housing.

## II. DEFINITIONS OF TERMS/ACRONYMS

| <b>Term/<br/>Acronym</b> | <b>Definition</b>   |
|--------------------------|---|
| EIV                      | Enterprise Income Verification system   |
| FTE                      | Full-time equivalent  |
| FY                       | Fiscal Year   |
| GAO                      | Government Accountability Office  |
| HHS                      | U.S. Department of Health and Human Services  |
| HUD                      | U.S. Department of Housing and Urban Development  |
| IMS                      | Inventory Management System (formerly known as the Public and Indian Housing Information Center (PIC))  |
| IRS                      | Internal Revenue Service  |
| Management Agent         | Entity that enters into an agreement with the owner of a project to manage the project in accordance with the housing assistance contract and HUD's requirements and regulations      |
| Multifamily Housing      | Office of Multifamily Housing Programs  |
| NDNH                     | National Directory of New Hires maintained by the Department of Health and Human Services in the Administration for Children and Families' Office of Child Support Enforcement (OCSE) |
| NPV                      | Net Present Value   |

| <b>Term/<br/>Acronym</b>    | <b>Definition</b>  |
|-----------------------------|--|
| OCSE                        | Office of Child Support Enforcement  |
| OMB                         | Office of Management and Budget  |
| Owner                       | The person or entity that owns a housing project containing the dwelling unit and who enters into a contract to operate the project in accordance with HUD's requirements and regulations as part of the MF Housing program.                         |
| PIH                         | Office of Public and Indian Housing  |
| PD&R                        | Office of Policy Development and Research  |
| Public Housing Agency (PHA) | Any State, county, municipality, or other governmental entity or public body or agency or instrumentality of these entities that is authorized to engage or assist in the development or operation of low-income housing under the 1937 Housing Act. |
| Public Housing              | Housing assisted under the 1937 Act, other than under Section 8. "Public Housing" includes dwelling units in a mixed finance project that are assisted by a PHA with capital or operating assistance.  |
| QC Study                    | Quality Control for Rental Assistance Subsidies Determinations study   |
| REAC                        | PIH's Real Estate Assessment Center  |
| Rent                        | The amount payable monthly by the family to the PHA or owner.  |
| Rental Assistance           | Also known as housing assistance or subsidy. The amount HUD pays the PHA or owner for a unit occupied by a tenant assisted under a PIH or MF Housing assistance programs including any reimbursements of expenses.                                   |
| RHIIP                       | Rental Housing Integrity Improvement Project   |
| SS                          | Social Security benefits   |
| SSA                         | Social Security Administration   |
| SSI                         | Supplemental Security Income benefits  |
| SSN                         | Social Security Number   |
| SSO                         | Single Sign On (used in WASS)  |
| Subsidy                     | Also known as housing assistance or rental assistance.   |
| SWICA                       | State Wage Information Collection Agencies   |
| TASS                        | Tenant Assessment Subsystem (the predecessor system of EIV)  |
| Tenant                      | An individual or family renting or occupying an assisted dwelling unit.  |
| TRACS                       | Tenant Rental Assistance Certification System  |
| UIV                         | Upfront Income Verification  |
| WASS                        | Web Access Subsystem (the single-sign on portal used by EIV)   |

### III. BACKGROUND

With the implementation in 2007 of the CMA authorizing EIV matching against NDNH on behalf of MF Housing programs, HUD's combined matching against NDNH for the PIH and MF Housing programs is projected to amount to 6.4 million records against the new hires file each month as well as the same number against the NDNH wage and unemployment insurance benefit files each quarter. Approximately, an additional 150,000 records will be matched against the

wage and unemployment insurance benefit files on the non-quarterly months. Tenants matched in non-quarterly months are new program participants, participants who have turned 18, or participants where a major change of status was determined by examining the trend in the past requests. The process that is followed is that ID information, consisting of Social Security Number (SSN), last name, and date of birth (DOB), is first matched against Social Security Administration (SSA) databases. EIV obtains tenant Social Security and Supplemental Security Income (SS/SSI) benefit information as well as feedback from SSA as to whether or not there is a problem with the accuracy of the tenant ID information. Only those tenant IDs that have been verified by SSA are matched against the NDNH files.

The EIV system used by HUD for upfront verification of income is a critical component in HUD's department-wide Rental Housing Integrity Improvement Project (RHIP) initiative. The RHIP initiative was developed in accordance with Presidential Management Agenda initiative #10 to ensure that the right benefits go to the right persons. See <http://www.whitehouse.gov/omb/budget/fy2002/mgmt.pdf>

The purpose of the EIV system is to compile tenant income information and serve as a central repository and primary source of income and benefits data, securely accessible over the Internet, for use by HUD business partners to improve the accuracy of income verification that underlies rental subsidy determinations. The HUD business partners for PIH are the Public Housing Agencies (PHAs). PHAs are generally state and local governmental chartered entities. As part of their contractual relationship under which HUD funds PHAs, the PHAs assume responsibility for acting on HUD's behalf in determining tenant income and subsidy level in the recertification process. PHAs submit information gathered from their public housing tenants and Housing Choice Voucher recipients (who are all being referred to as tenants in this document), including the tenant's income, on form HUD-50058, Family Report. The HUD business partners for MF Housing programs are property owners who have entered into contracts to have their buildings available to tenants subsidized by the MF Housing programs. Owners typically are represented by management agents. They will be referred to in this document as owners/agents (O/A). The role of the O/As acting on behalf of HUD is determining tenant income and subsidy level and closely parallels that of the PHAs in implementing PIH programs. O/As submit information concerning tenants, including the tenant's income, on form HUD-50059, Owner's Certification of Compliance with HUD's Tenant Eligibility and Rent Procedures.

HUD business partners access information online that has been compiled in EIV using NDNH data. EIV is not treated as being dispositive. The tenant may dispute the accuracy of the data in EIV or may have more recent data that reflects a change in income being received. If there is an issue with the tenant's income or source of income, the HUD business partner must independently verify the disputed information to resolve the issue.

As shown in the computations later in this document, the return on investment for EIV is huge. It calculates to more than 90 times the investment for PIH and MF Housing. HUD rental housing assistance programs represent the Federal Government's investment in trying to assure that all parts of our society have adequate housing. It is important that the public funds that are allocated to this purpose are used as efficiently as possible to assure the maximum benefit goes to those who have been designated by law and implementing regulation as being qualified. Using NDNH

data, the EIV system is able to do a more complete job of helping assure that those tenants receiving benefits are qualified and that funds that should go to assisting additional qualified families are not consumed by excessive or ineligible subsidy payments.

The efficiency of EIV as a tool in addressing HUD's rental housing assistance subsidy error problem was recognized by the Government Accountability Office (GAO) when on January 31, 2007, GAO removed the "At Risk" designation from HUD programs. In *GAO 07-310 High Risk Series - An Update* that agency said at page 14:

"In 2006, HUD executed an important part of its plan in reducing improper rental assistance payments by implementing a Web-based system that provides public housing agencies with an efficient method for validating the incomes of families receiving assistance. This system, which HUD also plans to implement for multifamily property owners, utilizes a database containing wage, unemployment, and new hire information compiled by the Department of Health and Human Services. HUD expects that the system will avoid an estimated \$6 billion in improper rent subsidies over 10 years."

In the OMB Improving the Accuracy and Integrity of Federal Payments Report released the same day, OMB said at page iii:

*"Key to HUD's success in reducing improper payments was the implementation of the 'Enterprise Income Verification System.' This system allows housing administrators controlled access to existing Federal databases to verify amounts and sources of beneficiaries' income, including wages, social security benefits and unemployment insurance benefits."*

HUD also recently received a 2007 Presidential Quality Award for which the creation of EIV was cited as the basis of the award.

#### **IV. COST BENEFIT ANALYSIS**

The basis for this cost benefit analyses is to compare the cost and benefits of the EIV implementation of NDNH data with a projection of the costs and benefits had EIV not implemented NDNH data in place of data obtained through matching against State Wage Information Collection Agencies (SWICAs). This cost/benefit analysis reflects the availability of data from the FY 2013 QC Study and a related supplemental analysis of unreported income. The FY 2013 QC Study provides data on the nature and extent of the subsidy determination error problem in FY 2013, EIV had been implemented for both PIH and MF Housing programs in FY 2007.

#### **Methodology**

This cost-benefit analysis continues the approach taken in previous analyses of demonstrating the difference (delta) between the costs and benefits of using NDNH data as compared to the previous methodology used by HUD of performing upfront income verification with data obtained through matching agreements with individual states. The baseline data being used in this analysis is actual costs for EIV starting in FY 2006 when NDNH data was first deployed.

This is being compared to the costs that HUD would have incurred had it continued to use data from an expanding number of SWICAs. Projections are over the ten year expected life of the EIV application.

Once cost and cost-saving estimates were determined, and assuming a useful life of 10 years, the future value of each cost element was extrapolated from FY 2006 through FY 2015 by applying an estimated 5 percent rate of inflation. The present value of the total costs and benefits was subsequently calculated.

### **The Basis for Projecting the Altered Costs and Benefits from EIV Access to NDNH Data**

The annual QC Study, conducted by the HUD Office of Policy Development and Research (PD&R) for each FY since FY 2000, represents a continuous baseline for measuring HUD's progress in addressing the tenant subsidy error problem. It should be acknowledged that QC Study data is extremely conservative in defining the scope of the problem. In particular, the criticism has been that although QC Study coverage of underreported income was good, additional information was needed covering tenants who failed to report income. HUD lacked the statutory authorization to utilize NDNH data for this purpose until 2004. It did, however, obtain authorization to do an income match study of data for FY 2000 period using Internal Revenue Service (IRS) data to identify unreported income.

The income matching error estimate developed using IRS data had limitations. One was that it had the potential to duplicate some of the income reporting errors found in the HUD QC studies. Another was that the time lag between the availability of IRS data and the timing of the tenant income certification and recertification actions matched made it very difficult to validate apparent discrepancies, which were known to be likely to include a number of false positive matches. These concerns led HUD to supplement its 2004 QC Study (of FY 2003 income determinations) with data obtained by matching the tenants sampled for its annual QC studies with NDNH data. This type of match permitted use of more current data, and was accompanied by case-by-case validation of any apparently unreported new sources of income detected by the match. This, in turn, permitted elimination of a number of false positive matches that were due to duplicate reporting of the same income source under different names or income not earned during the tenant income certification/recertification month. HUD would have preferred a larger sample size than the 2,400 cases used in estimating the income reporting error, because the confidence interval for the associated error estimate is relatively large, but there is a high cost to conducting the extensive field work needed for this type of research and the estimate it provides gives a useful gauge of the relative magnitude of the problem.

The corresponding subsidy error measurements for the Fiscal Years 2004 and FY 2005 (conducted in 2005 and 2006) used the normal QC study methodology plus a supplemental income matching report based on a NDNH data match. The income matching process was incorporated in the FY 2006 QC report and is incorporated into subsequent fiscal year reports. As noted previously, this income match differed from that conducted covering the 2000 period because it made use of more current NDNH data and because follow-up income verification



procedures were used in instances where apparent new sources of unreported income were detected.

The QC Study report provides the only multiyear statistical overview of the progress being made to address HUD's rental housing assistance (RHA) subsidy error problem. While it is true that the sample size of 2,400 households results in a substantial variance in the data, the QC Study nevertheless is a reliable tool for capturing the overall trend. The report over the years has shown that HUD's RHIIP, of which EIV is a notable part, has resulted in more than halving the dimensions of the problem.

In FY 2001, prior to enactment of the IPIA and IPERA, HUD established the Rental Housing Integrity Improvement Project to reduce an acknowledged improper payment problem in its rental assistance programs.

There are three major components of potential errors which could result in improper payments in these complex RHAP programs:

- 1) Program administrator error – the administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- 2) Tenant income reporting error – the tenant beneficiary's failure to properly disclose all income sources and amounts upon which subsidies are determined; and
- 3) Billing error – errors in the billing and payment of subsidies due between HUD and third party program administrators and/or housing providers.

From FY 2000 through FY 2012, HUD reduced the gross improper payments error from \$3.430 billion to \$1.324 billion, a reduction of 61 percent. A baseline measurement for the third component, billing error, was completed in FY 2005, based on FY 2003 expenditures, and was estimated to be \$214 million. In FY 2012, the billing error was estimated to be \$106 million. This estimate was derived from the most recent billing error estimates for the Public Housing Program and the Owner-administered Project-based Assistance programs. The following chart provides a summary for all three error components for FY 2012 as compared to the baseline year (FY 2000). Actual results are not presented for FY 2013 because HUD reports on prior year data (i.e., FY 2013 studies are conducted using FY 2012 data).

**Percent Reductions in Improper Payments**  
**Dollars in Billions**

| <b>Error Type</b>      | <b>Baseline Estimates</b> | <b>FY 2012 Estimates</b> | <b>Percent Reduction</b> |
|------------------------|---------------------------|--------------------------|--------------------------|
| Administrator Error    | * \$2.238                 | \$0.799                  | 69%                      |
| Income Reporting Error | * \$0.978                 | \$0.419                  | 57%                      |
| Billing Error          | * \$0.214                 | \$0.106                  | 50%                      |
| <b>Total</b>           | <b>\$3.430</b>            | <b>\$1.324</b>           | <b>61%</b>               |

*\*Administrator and Income Reporting Error Estimates are from FY 2000; the Billing Error Estimate is from FY 2005.*

As an indicated of overall program health, HUD has annually reported the amount of improper rental assistance payments in HUD's financial reports. The following chart provides the findings from 2009 to 2012 and 2000 for comparison purposes.

**IMPROPER RENTAL ASSISTANCE PAYMENTS**  
**DOLLARS IN THOUSANDS**

| <b>Administration / Error Type</b>              | <b>2012 Gross Erroneous Payments</b> | <b>2011 Gross Erroneous Payments</b> | <b>2010 Gross Erroneous Payments</b> | <b>2009 Gross Erroneous Payments</b> | <b>2000 Gross Erroneous Payments</b> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Public Housing</b>                           |                                      |                                      |                                      |                                      |                                      |
| Administrator Error                             | \$190,850                            | \$139,885                            | \$141,033                            | .....                                | \$602,557                            |
| Income Reporting Error                          | \$203,685                            | \$78,622                             | \$45,433                             | .....                                | \$294,000                            |
| Billing Error                                   | \$49,000                             | \$49,000                             | \$49,000                             | .....                                | Not available                        |
| <b>Subtotal:</b>                                | <b>\$443,535</b>                     | <b>\$267,507</b>                     | <b>\$186,466</b>                     | <b>.....</b>                         | <b>\$896,557</b>                     |
| <b>Section 8 Voucher</b>                        |                                      |                                      |                                      |                                      |                                      |
| Administrator Error                             | \$430,716                            | \$436,155                            | \$341,515                            | \$440,288                            | \$1,096,535                          |
| Income Reporting Error                          | \$168,802                            | \$265,696                            | \$86,709                             | \$121,477                            | \$418,000                            |
| Billing Error                                   | -                                    | -                                    | -                                    | -                                    | Not available                        |
| <b>Subtotal:</b>                                | <b>\$599,518</b>                     | <b>\$701,751</b>                     | <b>\$428,224</b>                     | <b>\$561,765</b>                     | <b>\$1,514,535</b>                   |
| <b>Total PHA-administered</b>                   |                                      |                                      |                                      |                                      |                                      |
| Administrator Error                             | \$621,566                            | \$576,040                            | \$482,548                            | \$440,288                            | \$1,699,092                          |
| Income Reporting Error                          | \$372,487                            | \$344,318                            | \$132,142                            | \$121,477                            | \$712,000                            |
| Billing Error                                   | \$49,000                             | \$49,000                             | \$49,000                             | -                                    | Not available                        |
| <b>Subtotal:</b>                                | <b>\$1,043,053</b>                   | <b>\$969,358</b>                     | <b>\$614,690</b>                     | <b>\$561,765</b>                     | <b>\$2,411,092</b>                   |
| <b>Total Project-based / Owner-administered</b> |                                      |                                      |                                      |                                      |                                      |
| Administrator Error                             | \$177,234                            | \$119,168                            | \$167,719                            | \$209,455                            | \$539,160                            |
| Income Reporting Error                          | \$46,713                             | \$84,175                             | \$71,056                             | \$96,326                             | \$266,000                            |
| Billing Error                                   | \$57,000                             | \$57,000                             | \$57,000                             | \$57,000                             | Not available                        |

|                                |                    |                    |                  |                  |                    |
|--------------------------------|--------------------|--------------------|------------------|------------------|--------------------|
| <b>Subtotal:</b>               | <b>\$280,947</b>   | <b>\$260,343</b>   | <b>\$295,775</b> | <b>\$362,781</b> | <b>\$805,160</b>   |
| <b>Total Improper Payments</b> |                    |                    |                  |                  |                    |
| Administrator Error            | \$798,800          | \$695,208          | \$650,267        | \$649,743        | \$2,238,252        |
| Income Reporting Error         | \$419,200          | \$428,493          | \$203,198        | \$217,803        | \$978,000          |
| Billing Error                  | \$106,000          | \$106,000          | \$106,000        | \$57,000         | Not available      |
| <b>Total:</b>                  | <b>\$1,324,000</b> | <b>\$1,129,701</b> | <b>\$959,465</b> | <b>\$924,546</b> | <b>\$3,216,252</b> |

The overall reduction in improper payments for HUD's three major types of rental housing assistance programs over the past fifteen years has been primarily attributed to HUD's efforts to work with its housing industry partners through enhanced program guidance, training, oversight, and enforcement. HUD also uses the Enterprise Income Verification (EIV) system to reduce the level of improper payments. The EIV system makes integrated income data available from one source allowing PHAs and multifamily property owners to improve income verification during income reexaminations. Increased availability and use of the EIV system by PHAs, owners, management agents, and contract administrators for HUD's rental assistance programs have a direct correlation to the reduction of improper payments associated with income reporting errors. Use of EIV by PHAs, owners, management agents, and contract administrators became mandatory effective January 31, 2010.

Collectively, the above efforts have had a positive impact on the programs administrator's ability to reduce errors in the calculation of income, rent and subsidies. Although Administrator Error and Income Reporting Error totals increased from \$650 million in FY 2010 to \$695 million in FY 2011, and from \$203 million in FY 2010 to \$428 million in FY 2011 respectively, the findings were on par with the findings from FY 2004 through FY 2010. They are within the statistical margin of error and do not represent statistically significant differences.

#### **FY 2013 QC Study – Income Match Results**

The FY 2013 QC Study included a separate analysis of tenant underreporting of income by conducting an income (wages and unemployment benefits) match between the NDNH income data and QC income data. All household members age 18 and over in the FY 2013 QC Study were matched with NDNH files. The table below provides a summary of the Income Match findings at the household (case) level.

### Income Match Case Dispositions

|   |   | PIH-administered |                    | Owner-administered | Total |
|---|---|------------------|--------------------|--------------------|-------|
|   |   | Public Housing   | Section 8 Vouchers |                    |       |
| 1 | QC Household Sample   | 804              | 799                | 799                | 2,402 |
| 2 | QC Households Reporting Earnings or Unemployment Compensation                             | 340              | 351                | 178                | 869   |
| 3 | Households with NDNH Identified Income Sources Unmatched with QC Study Sources            |                  |                    |                    |       |
|   | Earned Income   | 106              | 98                 | 55                 | 259   |
|   | Unemployment Compensation   | 21               | 15                 | 7                  | 43    |
| 4 | Households with Unreported Income   |                  |                    |                    |       |
|   | Earned Income   | 34               | 26                 | 15                 | 75    |
|   | Unemployment Compensation   | 5                | 2                  | 2                  | 9     |
| 5 | Total Sources of Unreported Income that Affected Subsidy Determinations for QC Households | 39               | 28                 | 17                 | 84    |

The table below for FY 2013 provides a summary of weighted and unweighted subsidy costs associated with the 84<sup>1</sup> households where new income sources were identified. The discrepancies are presented by program type; however, those numbers are provided for informational purposes and are not statistically reliable due to the low incidence of error.

<sup>1</sup> 84 households in error include (75 households with new earned income, and 9 households with new unemployment benefits.)

**Summary of Subsidy Cost Estimates for both Earned Income  
and Unemployment Compensation**

|  | Unweighted Values          | Nationally Weighted Values |
|--|----------------------------|----------------------------|
| Program Type                                   | Cases w/ Unreported Income | Cases w/ Unreported Income |
| <b>Earned Income</b>                           |                            |                            |
| <b>PIH-administered - Public Housing</b>       |                            |                            |
| Households in Error                            | 34                         | 47,611                     |
| Unreported Income                              | \$428,250                  | \$604,475,467              |
| Subsidy Cost                                   | \$56,556                   | \$73,902,286               |
| <b>PIH-administered - Section 8 – Vouchers</b> |                            |                            |
| Households in Error                            | 26                         | 67,946                     |
| Unreported Income                              | \$260,344                  | \$ 676,287,096             |
| Subsidy Cost                                   | \$59,352                   | \$ 147,034,621             |
| <b>Owner-administered</b>                      |                            |                            |
| Households in Error                            | 15                         | 25,000                     |
| Unreported Income                              | \$156,936                  | \$304,059,000              |
| Subsidy Cost                                   | \$42,720                   | \$84,175,000               |
| <b>Unemployment Compensation</b>               |                            |                            |
| <b>PIH-administered – Public Housing</b>       |                            |                            |
| Households in Error                            | 5                          | 7,828                      |
| Unreported Income                              | \$32,476                   | \$50,796,862               |
| Subsidy Cost                                   | \$8,796                    | \$13,650,441               |
| <b>PIH-administered – Section 8 – Vouchers</b> |                            |                            |
| Households in Error                            | 2                          | 5,451                      |
| Unreported Income                              | \$8,304                    | \$22,459,094               |
| Subsidy Cost                                   | \$2,496                    | \$6,751,240                |
| <b>Owner-administered</b>                      |                            |                            |
| Households in Error                            | 2                          | 3,772                      |
| Unreported Income                              | \$7,372                    | \$13,765,920               |
| Subsidy Cost                                   | \$1,860                    | \$3,457,135                |
| <b>Total</b>                                   |                            |                            |
| Household in Error                             | 84                         | 158,672                    |
| Unreported Income                              | \$893,682                  | \$1,629,014,924            |
| Subsidy Cost                                   | \$171,780                  | \$315,241,379              |

The table below summarizes the subsidy cost associated with unreported income for the FY 2011, FY 2012, and FY 2013 QC studies. Due to the limited number of cases with new unreported income, these estimates could fluctuate greatly from year to year. In FY 2013, the

subsidy overpayment cost was significantly lower than in FY 2012 (about \$315.2 million and \$419.2 million, respectively).

### **Comparison of FY 2007 and FY 2011 Findings Using Nationally Weighted Values**

| Administration Type             | Subsidy Cost         |                      |                      |
|---------------------------------|----------------------|----------------------|----------------------|
|                                 | FY 2011              | FY 2012              | FY 2013              |
| PHA-administered Public Housing | \$78,622,422         | \$203,685,292        | \$87,552,727         |
| PHA-administered Section 8      | \$265,695,668        | \$168,802,108        | \$153,785,861        |
| Owner-administered              | \$84,174,531         | \$46,712,918         | \$73,902,790         |
| <b>Total</b>                    | <b>\$428,492,621</b> | <b>\$419,200,318</b> | <b>\$315,241,378</b> |

The use of NDNH data by HUD business partners will help to identify more potential unreported income sources, verify the accuracy of tenant-reported income, improve the accuracy of subsidy determinations, reduce improper payments, as well as, reduce the occurrences of tenant misrepresentation of income.

#### **Baseline Costs and Benefits**

This analysis compares the baseline of FY 2007 EIV operations (using NDNH) to a projection of costs and benefits that would have been had EIV not switched to NDNH as its data source for wage and unemployment benefits information. At the time of NDNH implementation, HUD had entered into computer matching agreements with 28 SWICAs. Our assumption in structuring costs and benefits for comparison would be as if HUD had projected to continue to use SWICA data. This assumes that the effort to sign matching agreements ultimately would have reached 45 states. A few states (with large tenant populations) had legal impediments to executing computer matching agreements or simply were not interested. Based on the time that it took to negotiate and implement agreements with the first 28 SWICAs and the known difficulties in finalizing agreements with additional SWICAs, we estimate that it would have taken until the end of FY 2007 to reach agreements with the additional 17 states.

Use of SWICA data was considerably more complex and expensive for HUD than NDNH. A substantial number of states could not agree to follow standard matching input and output parameters nor arrangements for overlaying later data over earlier data. Scheduling, transmission and correction processes required substantial hands-on IT staff support. Data quality issues required considerable attention.

#### **The Cost Delta**

We have identified the following additional costs that would have been entailed had we

continued with matching with the SWICAs instead of implementing NDNH data:

- SWICA negotiations and coordination with SWICAs required 75 percent of the time of one senior staff member. That would continue until the process of negotiating with additional SWICAs ended and then would continue at the rate of 50 percent per year for coordination and renegotiation activities.
- Technical arrangements with new and existing SWICAs required 50 percent of the time of one senior IT staff member and 100 percent of the time of one database analyst FTE. Once the process of making technical arrangements with new SWICAs had been completed, the requirements on the time of the senior IT staff member would be reduced to 25 percent of the time and the requirement for database analyst assistance would be reduced to half a FTE per year.
- By the time that EIV was using data from 28 states, development and maintenance operations in support of data matching activities with new and existing SWICAs consumed 25 percent of the time of one IT project manager and three IT staff FTEs. The need to support additional states would increase the needed IT staff FTEs by two. Once the process of making technical arrangements with new SWICAs has been completed, the development work would be reduced to working with the states when they change their system reducing the requirements on the time of contractor staff to four IT staff FTEs.
- SWICA-related data quality and maintenance support activities by the EIV team consumed 25 percent of the time of one senior project manager and 50 percent of the time of one junior project manager as well as six EIV IT staff FTE. With the progression to 45 SWICAs, that would have increased to 75 percent of the time of the junior project manager as well as 9.5 FTE. (The delta for this continuing need is calculated by subtracting the resources devoted to supporting the current mode of operation, which is with the senior project manager and 2.5 FTE.)

Expanding SWICA agreements to the additional states and to cover MF Housing program participants would have entailed additional costs

- Expanding SWICA agreements to cover the 17 additional states is estimated to increase state reimbursement costs from \$1.5 million to \$2.7 million.
- Expanding SWICA agreements to cover MF Housing program participants is estimated to raise state reimbursement costs by an additional 25 percent.

Over the ten year planned system life the cost of continuing to use SWICAs would be considerably higher than those of using NDNH:

| Cost Elements (FY 06 – FY 15) | SWICA       | NDNH        |
|-------------------------------|-------------|-------------|
| <i>Total Costs</i>            |             |             |
| 1.0 Planning                  | \$18,072.90 | \$11,463.30 |
| 2.0 Acquisition               | \$27,541.40 | \$5,331.20  |

|                                     |                    |                    |
|-------------------------------------|--------------------|--------------------|
| 3.0 Operations and Maintenance      | \$16,961.00        | \$4,414.30         |
| <b>Total Costs (Discounted \$K)</b> | <b>\$62,575.30</b> | <b>\$21,208.80</b> |

**The Benefits Delta**

Coverage using SWICA data was a problem. With 28 states, we covered 59 percent of the tenant population. Our experience was that additional SWICA matching agreements became increasingly difficult and time consuming to conclude. Many of the remaining states were small. Some of the most resistant states were large. By working over a two-year period to increase the number of SWICAs to 45, we would have increased coverage to 70 percent. Some of the largest PHAs still would not have been covered. In addition, SWICA data did not include State and Federal employees and most importantly did not cover employment or unemployment insurance benefits across state lines. As result, data for 40 percent of all wages and unemployment benefits for covered states were not captured. Employment across state lines is a major fact of life in states. Indeed, many major metropolitan areas cover multiple states. As result of these inherent limitations in the scope of SWICA data, 40 percent of all wages and unemployment benefits for covered states were not captured. NDNH brought national coverage for wage and unemployment insurance benefit data that was not possible with intra-state data from a patchwork of states.

The continued use of SWICA data rather than NDNH data would impact the derived benefits in terms of less ability to reduce subsidy overpayments:

- Reaching and implementing agreements with the final 17 SWICAs would have been phased over the course of an additional two-year period.
- The 28 states represent 59 percent of the tenant population while the additional 17 states represent 11 percent.
- Agreements with the individual SWICAs expressly did not cover jobs that crossed state lines, nor was there coverage of State and Federal employees. No new hires data was included. This had the cumulative effect of reducing information about tenant income for those covered by SWICA agreements to roughly 60 percent of the jobs of the covered tenant population.

The difference in benefits is very substantial:

| <b>Cost Elements (FY 06 – FY 15)</b> | <b>SWICA</b>       | <b>NDNH</b>        |
|--------------------------------------|--------------------|--------------------|
| <b>Total Costs</b>                   |                    |                    |
| 1.0 Planning                         | \$18,072.90        | \$11,463.30        |
| 2.0 Acquisition                      | \$27,541.40        | \$5,331.20         |
| 3.0 Operations and Maintenance       | \$16,961.00        | \$4,414.30         |
| <b>Total Costs (Discounted \$K)</b>  | <b>\$62,575.30</b> | <b>\$21,208.80</b> |
|                                      |                    |                    |
| <b>INCREMENTAL BENEFITS</b>          | <b>SWICA</b>       | <b>NDNH</b>        |



|   |                     |                       |
|---|---------------------|-----------------------|
| External Customer Benefits                      | \$383,635.30        | \$959,006.20          |
| Internal Benefits (Cost Savings/Cost Avoidance) | \$173,184.30        | \$562,286.60          |
| <b>Total (Discounted \$K)</b>                   | <b>\$556,819.60</b> | <b>\$1,521,292.80</b> |
| <b>INCREMENTAL NET PRESENT VALUE</b>            |                     |                       |
| On-Budget Incremental Net Present Value         | \$127,570.00        | \$545,492.10          |
| Off-Budget Incremental Net Present Value        | \$338,021.00        | \$942,211.70          |
| <b>Total Incremental Net Present Value</b>      | <b>\$465,591.00</b> | <b>\$1,487,703.80</b> |
| <b>RETURN ON INVESTMENT (ROI)</b>               |                     |                       |
| On-Budget ROI                                   | 380%                | 3348%                 |
| Off-Budget ROI                                  | 841%                | 5710%                 |
| <b>Total ROI</b>                                | <b>1221%</b>        | <b>9058%</b>          |

### Costs and Benefits for PIH and MF Housing

#### EIV's High Net Present Value and Return on Investment

EIV has an extraordinarily high return on investment as a project. That simply is because it compiles data from existing sources and re-uses them for its analyses and because of the size of the subsidy error for HUD assisted rental housing. The cost is relatively minor when compared to the size of the benefit.

| <i>Cost Elements (FY 06 – FY 15)</i>               | <b>Total Value</b>    | <b>PIH</b>            | <b>Multifamily Housing</b> |
|--|-----------------------|-----------------------|----------------------------|
| <b>INCREMENTAL COSTS</b>                           |                       |                       |                            |
| 1.0 Planning                                       | \$11,463.30           | \$5,731.65            | \$5,731.65                 |
| 2.0 Acquisition                                    | \$5,331.20            | \$2,665.60            | \$2,665.60                 |
| 3.0 Operations & Maintenance                       | \$4,414.30            | \$2,207.15            | \$2,207.15                 |
| <b>Total Incremental Costs (Discounted \$K)</b>    | <b>\$21,208.80</b>    | <b>\$10,604.40</b>    | <b>\$10,604.40</b>         |
| <b>INCREMENTAL BENEFITS</b>                        |                       |                       |                            |
| External Customer Benefits                         | \$959,006.20          | \$663,657.80          | \$295,348.40               |
| Internal Benefits<br>(Cost Savings/Cost Avoidance) | \$562,286.60          | \$408,426.80          | \$153,859.80               |
| <b>Total (Discounted \$K)</b>                      | <b>\$1,521,292.80</b> | <b>\$1,072,084.60</b> | <b>\$449,208.20</b>        |
| <b>INCREMENTAL NET PRESENT VALUE</b>               |                       |                       |                            |
| On-Budget Incremental Net Present Value            | \$545,492.10          | \$400,029.55          | \$145,462.55               |
| Off-Budget Incremental Net Present Value           | \$942,211.70          | \$655,260.55          | \$286,951.15               |
| <b>Total Incremental Net Present Value</b>         | <b>\$1,487,703.80</b> | <b>\$1,055,290.10</b> | <b>\$432,413.70</b>        |

| <b>RETURN ON INVESTMENT (ROI)</b> |              |               |              |
|-----------------------------------|--------------|---------------|--------------|
| On-Budget ROI                     | 3348%        | 4864%         | 1832%        |
| Off-Budget ROI                    | 5710%        | 7903%         | 3517%        |
| <i>Total ROI</i>                  | <b>9058%</b> | <b>12767%</b> | <b>5349%</b> |

It should be noted that the proportionately smaller measurements of incremental net present value and return on equity for MF Housing reflect the correspondingly smaller numbers for the size of the subsidy error problem for MF Housing. This difference should be viewed in perspective. A return on investment of 5349 percent, meaning that for every dollar spent on EIV for MF Housing, more than \$53.49 is returned, is so huge that it would be difficult to find another investment with a return that even approaches that number.

One factor that did not go into the cost/benefit analysis is how useful EIV has become as a source for investigation of possible criminality. HUD's Office of Inspector General (OIG) is a significant user of EIV, with 188 authorized users. Although they do not quantify their actions to a degree that would allow us to attribute how much impact there is due to the use of EIV by OIG investigators, the most recent available semi-annual report of the HUD OIG includes numerous cases of rental assistance fraud that have been successfully pursued. See <http://www.hud.gov/offices/oig/sar61.pdf>, starting at page 23.

Investigative actions with prosecutions when appropriate have a well-understood effect of leveraging compliance.

**Non-Recurring Benefits**

All benefits are recurring.

**Cost Reduction**

As was demonstrated above, the costs of NDNH implementation are sharply lower for HUD than it would have been to continue to deal with the individual SWICAs.

**Value Enhancement**

By implementing NDNH data for use by HUD's PIH business partners, EIV has improved on the extent of its coverage and its effectiveness over what was possible by obtaining intra-state data for most, but not all states. EIV has also been a major contributing factor in reducing HUD's improper payments 61% from FY 2000 through FY 2012. This is a huge number for HUD. Access to NDNH data allows MF Housing business partners as well as their PIH counterparts to reach their intended audiences with better service, provide stakeholders with more accurate information on subsidies, and drastically reduce subsidy error and unreported income rates.

### **Recurring Benefits**

Using data from the EIV system has had a dramatic effect in reducing the size of the income subsidy error for PIH and MF Housing programs.

### **Non-Quantifiable Benefits**

Reducing the error rate in public and assisted housing programs will:

- Better ensure that tenants receive the correct level of assistance;
- Help identify tenants who are not qualified for assistance;
- Allow HUD business partners administering HUD rental housing assistance programs to optimize the use of the funding that they receive from HUD so as to provide assistance to more qualified households;
- Maintain the public's trust in HUD's management of its programs; and
- Increase HUD's credibility with Congress, OMB and other stakeholders.