



Revising Tenant File Testing Due to EIV



General Audit Guidance from Chapter 1 of Audit Guide

2



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Auditor should ensure that the audit procedures to be used are complete and applicable. If additional requirements are identified or requirements are not applicable to a certain period, procedures should be adjusted accordingly and documented. Federal rules, regulations, and other guidance should be followed and procedures should be modified to test current compliance. **Examples include the mortgagee letters or housing notices.**

HUD Notice H 2011-21

3



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- Notice H 2011-21, issued August 17, 2011, is the current EIV Notice
- It supersedes HUD Notices H 2010-11, H 2009-20 and H 2008-03
- As expected, HUD changed most of the “Shoulds” to “Musts” in regard to EIV Verification Reports

Purpose of Notice

4



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- Instructions for using EIV system as
 - A third party source to verify tenant employment and income verification
 - Reduce administrative and subsidy errors
- Must be used by O/As, Cas, HUD staff
- IPAs may use EIV documents but cannot get access to the system

Applicability of Notice

5



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- All Project-based Section 8
- Section 202/811, including PRAC
- Section 236
- Section 221(d)(3)

Background of Notice

6



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- Reduction of improper payments
- HUD established RHIIP
- 2004 HUD reached agreement with HHS to match computer data
- Refined in 2009 and made effective in January 2010

Employment and Income Data Available in EIV

7



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- TRACs is updated each morning and uploaded to EIV that evening
- SS Benefits are matched quarterly for tenant who pass SSA Identity test
- Each quarter the entire tenant population is matched with SSA
- SSA COLAs are only available annually. O/A must select method for determining income (no COLA for 2010)

Employment and Income Data Available in EIV

8



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National Database of New Hires (NDNH) data

- Tenants who pass the identity match with SSA are matched with NDNH data
- Two types of matches
 - Monthly matches
 - Quarterly match
- W-4 data is updated in EIV by the 20th of the month

Adjusting Audit Guide Procedures for EIV

9



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- Before determining how we will adjust the procedure we should re-evaluate the sampling requirements to understand what needs to be considered.
- Revisit Appendix A to the HUD Audit Guide on Sampling

Sample Selection

10



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- HUD allows statistical and nonstatistical sampling. Both require judgment in planning, executing and evaluating the sample
- Sample must be representative
- Sample size must be adequate
- Attribute sampling was selected with input from industry
- To be used for compliance testing and test of controls whenever you see the word “sample”
- Because of inconsistencies, HUD has issued Appendix A to the Guide for sampling guidance

Appendix A - Sampling

11



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- When planning a sample auditor should consider the objective and determine the whether the procedures will achieve the objective. Sample size depends on both objectives and efficiency of sample
- All MATERIAL instances of noncompliance, including those identified through sampling must be identified as findings

Appendix A – Sampling, con't

12



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- Before testing, auditor **MUST** document the attribute and/or assertions being tested and identify the sample population is complete
- Each compliance test selected for testing s/b considered a separate sample.
- May test multiple attributes within each compliance requirement
- Auditors **MUST** assess control environment at entities with multiple locations. If controls are different, each location will be a separate population

Appendix A – Sampling, con't

13



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- Auditor **MUST** document the sampling unit
- Auditor **MUST** ensure that sample is representative
- Should clearly define what will be an exception subject to materiality to determine method of reporting

Sample Sizes

14



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- Auditor needs to determine 3 values:
 - Confidence level (90, 95, 99 percent)
 - Tolerable Exception Rate (5-10 percent acceptable)
 - Expected Exception Rate (No exceptions)
 - Materiality – For attribute testing, monetary materiality or tolerable misstatement is not a necessary input

Required Sample Sizes

15

Compliance Sample Size Table

Importance/ significance of the attribute being tested	Confidence level	Tolerable rate	Minimum sample size for populations over 200
Low	90%	5%	50
Low	90%	10%	25
High	95%	5%	65
High	95%	10%	35



Required Sample Sizes, con't

16



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- Table is illustrative but does not replace professional judgment, however, these **are minimum sample sizes**
- Other considerations may increase sample sizes
- If initial sample does not include a particular attribute being tested, there would typically be a need to select additional items
- Each compliance test s/b evaluated separately to determine sample size
- Judgment to determine which items are high or low risk

Sample Sizes of 200 or Fewer Items

17



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- 20 when population >100 and <199
- 10 when population >50 and <99
- 5 when the population >20 and <49
- Fewer than 5 for < 20

Evaluating Sample Results

18



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- Sample sizes are based on no exceptions. If sample results in no exceptions, auditor has achieved the desired confidence level on the assertion
- If exceptions are found, auditor should investigate the nature and cause to determine materiality and method of reporting
- Expansion of test is not required
- All exceptions must be reported in accordance with Guide
- May be necessary to apply additional procedures to determine magnitude
- Consider internal control weaknesses

Required Documentation

19



АНАСРА

- Must include:
 - Test objective
 - Definition of an exception
 - Description of population tested
 - Sampling unit
 - Confidence level
 - Significance of attribute
 - Sample size
 - Results of sample

Determining Sample Population

20



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- Should EIV testing be a focus of the sample or just an add-on to the currently list in the Guide?
- Should the auditor continue to select a sample of tenant files from the general population or it is better to limit our sampling to tenants exhibiting greater risk?
 - Tenants failing verification or income discrepancy tests
 - Tenants who have no income
 - Deceased tenants

Determining Attributes to Test

21



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- Can the auditor use judgment in determining what will be an exception, subject to materiality?
- Determining other attributes to test such as 18 birthday requirements
- Should auditor test for EIV security concerns?