



December 2017

HOUSING CHOICE VOUCHER PROGRAM

Limited Indications of Potential Fraud against Participants Identified

GAO Highlights

Highlights of [GAO-18-53](#), a report to congressional requesters

Why GAO Did This Study

With the goal of providing safe, decent, affordable housing, HUD provides rental assistance to low-income households through its HCV program, administered locally by approximately 2,200 PHAs around the country. In fiscal year 2016, the HCV program received approximately \$20 billion in funding and provided rental assistance to approximately 2.4 million households. Local demand in the program may exceed voucher supply, and individuals may wait years before receiving a voucher. After receiving a voucher, participants have a limited amount of time to secure a rental. Accordingly, PHAs have issued alerts about criminals targeting program participants with fraud schemes, such as by claiming to offer admission to the program for a fee.

This report describes (1) the types of reported fraud schemes against HCV participants, including older adults, PHAs' awareness of such schemes and their frequency, and indicators of such schemes online; and (2) HUD's and PHAs' antifraud regulations, guidance, and information related to fraud risks affecting program participants. GAO reviewed online fraud alerts and consumer complaint data from calendar years 2011 to 2016; conducted a generalizable survey of PHA officials about their awareness of fraud against participants; interviewed agency officials and experts; and conducted online covert tests of 350 rental ads and 26 commercial websites. GAO visited eight PHAs, selected based on size and location, among other factors.

GAO is not making recommendations in this report. HUD had no comments on a draft of this report.

View [GAO-18-53](#). For more information, contact Rebecca Shea at (202) 512-6722 or shear@gao.gov.

December 2017

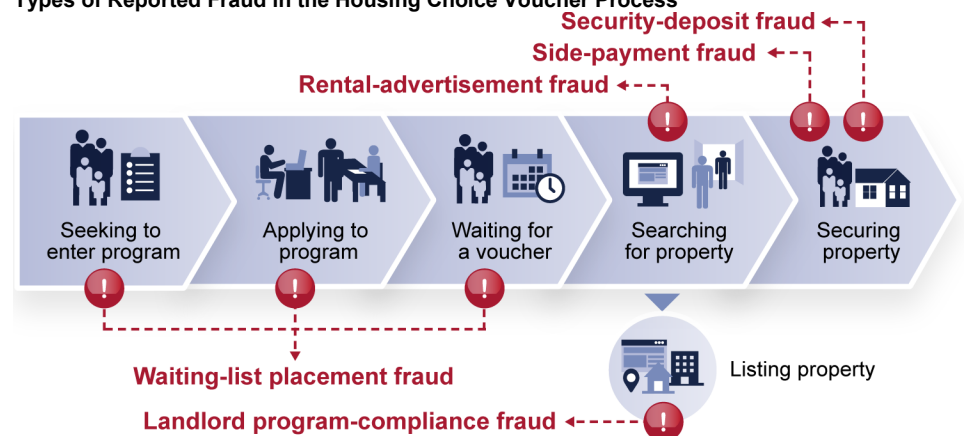
HOUSING CHOICE VOUCHER PROGRAM

Limited Indications of Potential Fraud against Participants Identified

What GAO Found

Public Housing Agencies (PHA) have reported various types of fraud schemes against Housing Choice Voucher (HCV) participants, including older adults, but were aware of limited instances of such schemes. Similarly, GAO identified few potential indicators of these schemes in online covert testing of rental ads and websites. According to GAO's analysis of fraud alerts and complaint data, the type of fraud participants may encounter—such as waiting-list, rental, and side-payment fraud—depends on where they are in the HCV process and whether they are applicants, voucher holders, or landlords, as shown in the figure below. For example, side-payment fraud involves agreements—mutual or compelled—in which the voucher holder pays additional rent or other payments to the landlord for benefits, for example to secure a rental or avoid eviction.

Types of Reported Fraud in the Housing Choice Voucher Process



Source: GAO analysis of Federal Trade Commission (FTC), Department of Housing and Urban Development (HUD), Public Housing Agency (PHA), and academic research information. | GAO-18-53

According to GAO's survey of PHAs representing approximately 1.9 million households, PHAs reported few incidents of the various fraud types, although side-payment fraud, a program violation, was noted most frequently. Specifically, GAO estimates that while 41 percent of PHAs were aware of instances of side-payment fraud in the prior year, most reported 2 to 5 incidents in the prior year. In addition, 3 to 10 percent of PHAs were aware of instances of the other types of fraud GAO identified. GAO's online covert testing also found few indicators of potential fraud. For example, some websites requested payment for information about the HCV application process, but none explicitly offered to do something prohibited by program rules, such as placing someone on a waiting list for a fee.

The Department of Housing and Urban Development's (HUD) and PHAs' antifraud regulations, guidance, and information largely focus on efforts to protect the HCV program. For example, PHAs are required by HUD to inform families of program-related fraud and abuse, including the prohibition against side payments. In addition, GAO found that several PHAs voluntarily provide targeted messages to participants about fraud schemes by outside parties. Through industry associations, PHAs have mechanisms through which they share best practices that could include these and other issues.

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Abbreviations

CFR	U.S. Code of Federal Regulations
FTC	Federal Trade Commission
HCV	Housing Choice Voucher
HOME	Home Investment Partnerships Program
HUD	Department of Housing and Urban Development
LIHTC	Low Income Housing Tax Credit
OIG	Office of Inspector General
PHA	Public Housing Agency

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December 4, 2017

The Honorable Susan Collins
Chairman
The Honorable Robert P. Casey
Ranking Member
Special Committee on Aging
United States Senate

The Honorable Claire McCaskill
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

With the goal of providing safe, decent, and affordable housing to low-income families, the elderly, and the disabled, the U.S. Department of Housing and Urban Development (HUD) supplements tenants' rental payments in privately owned housing chosen by tenants through its Housing Choice Voucher (HCV) program.¹ This program is administered locally by approximately 2,200 Public Housing Agencies (PHA) around the country. In fiscal year 2016, HUD received approximately \$20 billion for the HCV program, providing rental assistance to approximately 2.4 million households.² Local demand in the program may exceed voucher supply, and households may be on waiting lists for years before they receive a voucher. In addition, after receiving a voucher, participants have a limited amount of time to secure a rental. PHAs and others have issued alerts about criminals targeting HCV program participants (including applicants, voucher holders, and landlords) in potentially fraudulent schemes, such as individuals who fraudulently claim to offer vouchers for a fee.

¹The Section 8 program assists eligible families in the private rental market. The HCV program is one component of the Section 8 program; the other is the Project-Based Rental Assistance program, which attaches voucher assistance to specific housing units. HUD also administers three other rental-assistance programs, the Public Housing Program, the Home Investment Partnerships Program (HOME), and the Low Income Housing Tax Credit (LIHTC). Only the HCV program was within the scope of our work.

²According to HUD's HCV program guidebook, a household is defined as either a single person or a group of persons.

You asked that we investigate possible fraud against HCV program participants and examine applicable federal oversight, including any preventive and educational measures taken to help identify and limit such fraudulent activity affecting HCV participants—including older adults and other vulnerable populations—and to provide information about fraudulent activity identified to date. In this report, we describe (1) the types of reported fraud schemes committed against HCV participants (including older adults), awareness by PHAs and other relevant organizations of fraud incidents and how often they occur, and indicators of such schemes online; and (2) antifraud regulations, guidance, and informational materials, if any, that HUD and PHAs have in place to identify and mitigate fraud against program participants.

For our first objective, we employed a number of methodologies. Specifically, to describe the types of fraud schemes reported as being committed against HCV participants in 2016 and 2017, we searched for fraud alerts that a nongeneralizable sample of 60 PHAs publicly posted on the Internet and reviewed the 22 alerts (posted by 20 separate PHAs) that we found. We also reviewed complaints from the Federal Trade Commission's (FTC) Consumer Sentinel database for calendar years 2011 through 2016.³ We reviewed complaint data to identify examples of housing and HCV-specific fraud, including schemes affecting older adults. We assessed the reliability of the data by interviewing officials and reviewing related documentation, and found the data sufficiently reliable for the purposes of our reporting objectives. We also interviewed PHA officials about fraud schemes against HCV participants. Finally, we identified key academic research that classified online rental fraud, and interviewed one of the authors of the research.

To determine awareness of incidents of fraud schemes among PHAs and other relevant organizations, we surveyed PHA officials and conducted site visits to interview PHAs and other relevant organizations and experts. In our survey of a nationally representative, random sample of executive directors of 278 PHAs, we asked about their awareness of fraud against participants, in the last year (spring 2016–spring 2017), within the jurisdiction to which they provide oversight. If the executive directors

³The Consumer Sentinel database combines consumer complaints provided to a number of organizations, including, among others, FTC, the Consumer Financial Protection Bureau, the Better Business Bureau, and the Identity Theft Assistance Center. We provided FTC with a set of search terms to use in the query. Terms were related to the HCV program and to rental property and rental advertisement websites, among others.

responded that they were aware of these schemes, we asked that they provide information on the number of incidents, within their jurisdiction, that they were aware of in the prior year.⁴ Examples of fraud types included in the survey were promising placement or a higher place on a voucher waiting list, selling fake vouchers, theft of security deposits, requiring side payments and favors, and offering suspect credit-report services. We surveyed executive directors from all 83 PHAs that administered 5,000 or more vouchers as of the fourth quarter of 2015, and a probability sample of 195 executive directors of PHAs with 1,000 to 4,999 vouchers. The survey had a response rate of 84 percent and is generalizable to the full population of PHAs that administer at least 1,000 vouchers. In addition, we interviewed eight PHAs in total, from locations in the Midwest, Northeast, and West Coast regions of the United States. These PHAs were selected using criteria to provide a range of PHAs across geographical locations and PHA size, among other factors. Moreover, we also interviewed an HCV voucher holder about the holder's knowledge of fraud against participants. We also interviewed industry experts—selected based on their expertise and experience with legal and financial issues affecting older adults and low-income individuals—about fraud affecting older adults, and about identity theft affecting low-income individuals. Finally, we interviewed officials from the HUD Office of Inspector General (OIG).

To identify indicators of fraud schemes online, we used covert testing to investigate (1) a nongeneralizable sample of 350 rental advertisements in a selection of U.S. cities across several rental websites, and (2) a nongeneralizable sample of 26 commercial websites advertising information on, or assistance with, the HCV program. For our sample of rental advertisements, we counted any communications with online advertisers as having an indicator of fraud if they contained requests such as asking for a wire transfer of a security deposit or first month rent without first offering to show the property. For commercial websites, we used multiple search terms across two search engines to produce a list of target websites. Using undercover identities, we visited each website and input any requested information, including a name and e-mail address, and made a payment if the website requested payment for a service. We also asked website operators whether they could place us on a waiting list. Because covert testing of advertisements and websites was carried

⁴Because each executive director responded with respect to the jurisdiction of the PHA he or she administers, we attribute the survey results to the respective PHA. See app. I for more information on our sampling methodology.

out on a nongeneralizable sample, results of this effort are also nongeneralizable.

To describe antifraud regulations, guidance, and informational materials, we reviewed relevant HUD regulations and policy documentation, as well as informational materials developed by the eight PHAs we interviewed, designed to educate HCV participants about the program. We interviewed PHA officials about the HCV program and about the information they provide to participants. We also interviewed officials from FTC, the Consumer Financial Protection Bureau, the HUD OIG, the U.S. Postal Inspection Service, and the Department of Health and Human Services about practices used by federal agencies to inform the public about fraud-related issues. For additional details on our scope and methodology, see appendix I.

We conducted this performance audit from May 2016 to December 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We conducted our related investigative work from January 2017 to July 2017 in accordance with investigative standards prescribed by the Council of the Inspectors General on Integrity and Efficiency.

Background

The HCV program, administered by HUD, subsidizes housing costs for low-income households in the private rental market. Because HUD provides HCV assistance directly to the household, participants are able to find their own housing, including single-family homes, townhouses, and apartments. If the household moves out of the unit, it can move with continued assistance to another private rental unit.⁵

PHAs administer the HCV program at the local level, while HUD administers funding and furnishes technical and professional assistance to PHAs in planning, developing, and managing the program. Approximately 2,200 PHAs across the country administer the voucher

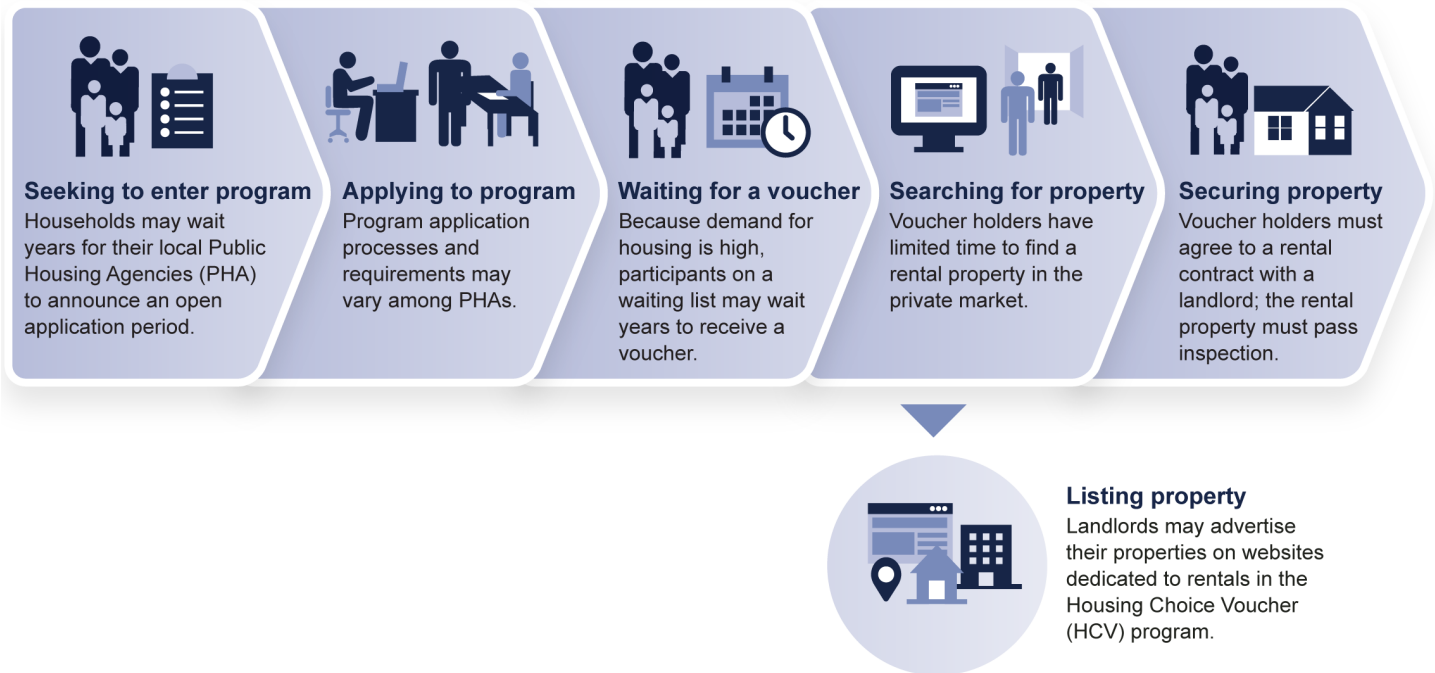
⁵Voucher holders may not be able to move out of the area immediately; they may have to live in the jurisdiction of the initial PHA for a year before they can move.

program on HUD's behalf, managing day-to-day operations in the HCV program, including the application and voucher distribution processes, as well as housing inspection and approval. PHAs are responsible for ensuring that rents are reasonable, determining households' eligibility, calculating and periodically redetermining households' incomes and rental payments, and making subsidy payments to landlords. In addition, PHAs perform basic program functions, such as establishing and maintaining a waiting list, processing tenant moves, conducting landlord and tenant outreach, and reporting to HUD.

Local PHAs determine the eligibility of households, approve applications, and distribute vouchers. In general, to be eligible to participate in the HCV program, households must have very low incomes—that is, incomes not exceeding 50 percent of the area median income. Moreover, at least 75 percent of new voucher program participants must have extremely low incomes, not exceeding 30 percent of the area median income. Once a household is approved by a PHA to participate in the program and finds a rental unit, that household pays 30 percent of its monthly income, after certain adjustments, toward rent. The remaining portion of the rent is paid through the HUD-subsidized voucher. PHAs can pay subsidies to cover between 90 percent and 110 percent of the fair market rent for their areas.

The HCV application and rental process is displayed in figure 1.

Figure 1: Housing Choice Voucher Application and Rental Process



Source: GAO analysis of Department of Housing and Urban Development (HUD) and Public Housing Agency (PHA) information. | GAO-18-53

The following applies in the HCV application process:

- Households seeking to enter the HCV program may wait years for their local PHA to announce an open application period. PHAs may establish waiting lists if the number of applicants to the program exceeds available vouchers, and may close the waiting list if it contains more households than the PHA can assist in the near future. Therefore, prospective applicants in some locations can wait years for a local PHA to determine the eligibility of those already on the waiting list—and provide vouchers to eligible individuals—before reopening waiting lists to new applicants.
- During open application periods, applicant households may encounter processes and requirements that vary amongst PHAs. Applying for a voucher from a local PHA may take place in person or online, while PHAs may determine an applicant’s priority to receive a voucher by varying methods, such as a random lottery amongst all applicants, or on a first-come-first-serve ordering of when applicants applied. Moreover, PHAs can establish local preferences for selecting

applicants from their waiting lists. For example, PHAs may give preference to a household that (1) is homeless or living in substandard housing, (2) is paying more than 50 percent of its income for rent, or (3) has an older-adult household member. Regardless of methods to determine eligibility, apply for, and obtain a voucher within the HCV program, it is free to participants.

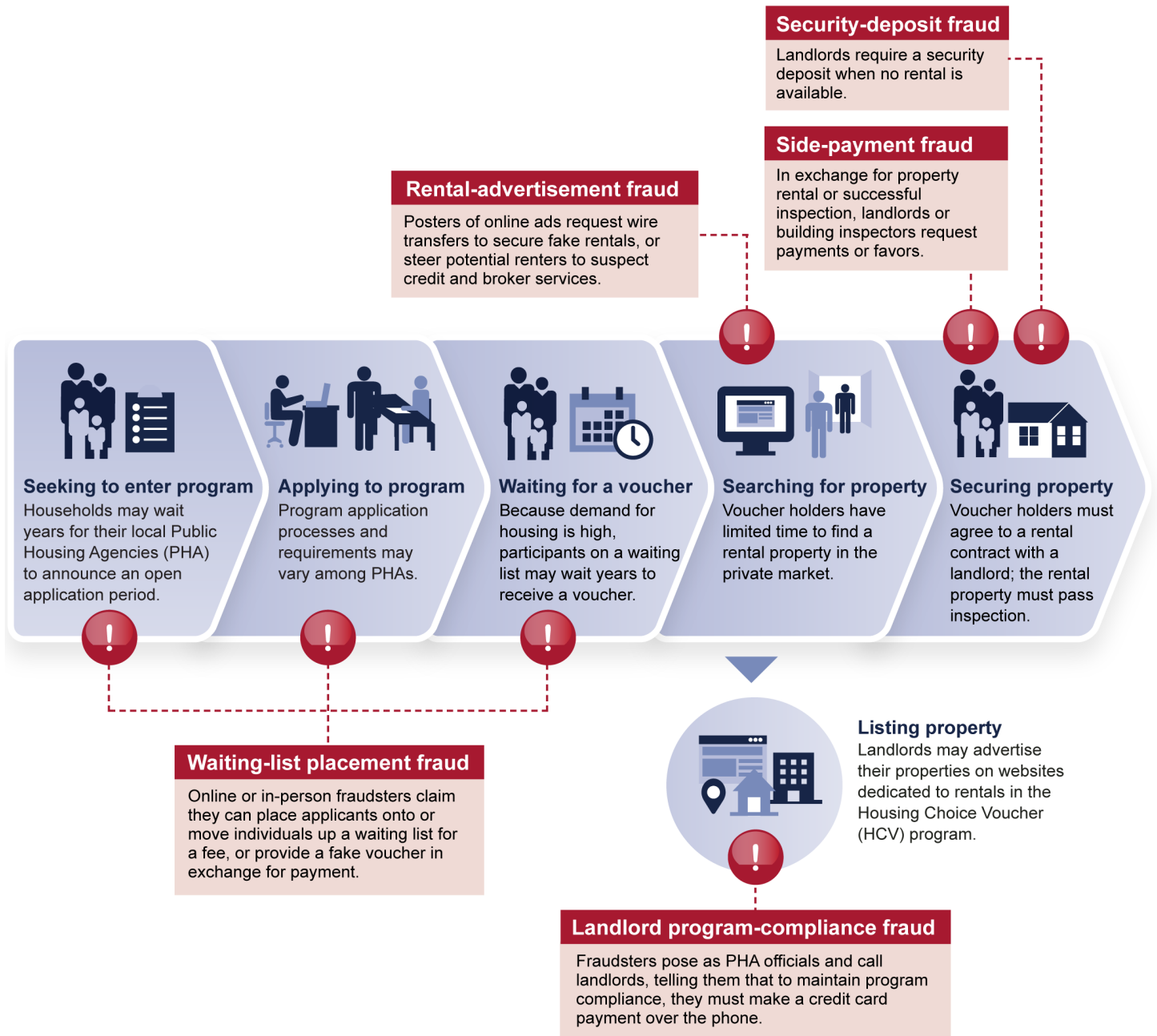
- When an open application period ends and before determining household eligibility, PHAs may initially put applicant households on a waiting list. Because the demand for vouchers may exceed the supply available to the local PHA, households that have already waited to apply to the program may also wait years to receive a determination of eligibility and receive a voucher.
- After receiving a voucher, households must find eligible private-market rental housing within a limited time frame. A PHA will make contact with and issue a voucher to a household that is determined to be eligible and is subsequently selected from the waiting list. Households receiving vouchers use them to subsidize their rents in private apartments or houses available in the rental market. Households must find housing quickly—generally within 60 days—unless the PHA grants an extension. In some cases, PHAs direct voucher holders to websites dedicated to rentals in the HCV program, where private landlords list available units.
- When a voucher-holding household finds a unit that it wishes to occupy—and reaches an agreement with the landlord over the lease terms—the PHA inspects the dwelling and determines whether the rent requested is reasonable. To be eligible, a rental unit must meet HUD minimum housing-quality standards, and must provide an acceptable level of health and safety. After the unit is inspected and deemed eligible, the household signs a contract with HUD, and both HUD and the household sign contracts with the landlord. The contract stipulates that the PHA will make the housing-assistance payment to the landlord and the household will pay the difference between the housing-assistance payment and the rent. Landlord participation in the HCV program is free, and landlords do not pay to maintain compliance with the program. Moreover, the HCV program provides for the use of vouchers across locations. Once a household receives a voucher, it may use the voucher in any location in which a PHA administers the voucher program, as long as it remains eligible.

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Waiting-List, Rental, and
Side-Payment Fraud Are
among the Reported
Types of Schemes That
Can Affect Voucher
Participants

Reported fraud schemes against program participants—including prospective applicants, individuals on waiting lists, current voucher holders, and landlords providing rental units—can occur at each point in the HCV application and rental process, according to program officials and our analysis of FTC complaint data. On the basis of our reviews of fraud alerts issued by PHAs and complaints submitted to the FTC, the type of fraud that participants, including older adults, may encounter depends on where they are in the process and whether they are landlords or renters. Fraudsters perpetrate reported schemes in a variety of ways, such as through in-person impersonation of PHA staff or by manipulating telephone numbers to convince landlords to make unnecessary payments. Reported types of fraud schemes and when they could potentially occur in the HCV application and rental process are displayed in figure 2.

Figure 2: Types of Reported Fraud in the Housing Choice Voucher Process



Source: GAO analysis of Federal Trade Commission (FTC), Department of Housing and Urban Development (HUD), Public Housing Agency (PHA), and academic research information. | GAO-18-53

As shown in figure 2, various reported fraud types can be carried out against HCV participants. While some fraud types are specific to the HCV program, participants may also be victims of general rental-housing fraud. The reported fraud types, which we identified through interviews with PHAs and others and through an analysis of PHA fraud alerts and Consumer Sentinel complaints, include the following:

- *Waiting-List Placement Fraud.* In online or in-person settings, fraudsters may claim they can provide a voucher, place applicants onto a waiting list, or move individuals to a higher position on the waiting list. In exchange, fraudsters may request a payment, or may request information (such as name, credit-card number, and e-mail address) that may put participants at risk of credit-card fraud or identity theft.⁶ Waiting lists maintained by PHAs may open infrequently, and program application processes and requirements vary from location to location. Reported fraud schemes may take advantage of applicant unfamiliarity with program rules, and target those seeking to enter the program or awaiting a voucher.
- *Rental-Advertisement Fraud.* Because they rent in the private market, voucher holders are susceptible to online rental-fraud schemes. Those who place online rental advertisements may request wire transfers from prospective renters to secure fake rentals, or steer potential renters to suspect credit-reporting services that offer commissions to the scammers or realtor services that charge users a onetime or recurring monthly fee.
- *Side-Payment Fraud.* Officials from PHAs and other organizations characterized side payments as two distinct activities—alternatively, as landlord fraud against tenants on one hand, and mutually beneficial agreements between tenants and landlords on the other. In exchange for property rental or successful inspection, landlords or building inspectors may fraudulently request additional payments or pressure participants for other favors from voucher holders. Landlords may ask tenants for a monthly payment above the agreed rent, or may require HCV participants to pay for utilities when not required to in their rental

⁶An identity-theft expert we interviewed defined these types of fraud as follows. Credit-card fraud occurs if the perpetrator steals a credit-card number, expiration date, and three-digit Card Security Code. With that information, a fraudster can buy things using an existing credit card, but cannot start a new line of credit using the stolen information, because the fraudster is missing date of birth and Social Security number of the victim. Identity theft involves the theft of information required for credit-card fraud, along with date of birth and Social Security number of the victim. The perpetrator can then claim to be the victim and open a new line of credit.

agreement. For example, a Midwest PHA we interviewed reported being aware of coercive demands by landlords for side payments or sexual favors in exchange for a rental unit. Side payments may also be a mutual arrangement between landlord and voucher holders. For example, voucher holders may make a payment above their monthly rent—in violation of program rules—and in exchange the landlord agrees not to report that there are unauthorized occupants living in the unit, again in violation of program rules. A West Coast PHA we interviewed characterized most side payments it is aware of as mutual agreements of this type.

- *Security-Deposit Fraud.* Because they rent in the private market, voucher holders may encounter fraudsters advertising a rental and requiring a security deposit from one or several prospective renters even if there is no rental unit available or only one of the prospective renters will ultimately obtain the rental.
- *Program-Compliance Fraud against Landlords.* Fraudsters may take advantage of landlord unfamiliarity with HCV program rules. In calls to HCV program landlords, fraudsters mask their phone number with that of the local PHA, and direct the landlords to make a credit-card payment over the phone to purchase materials or to make a payment in order to remain in compliance with program rules.

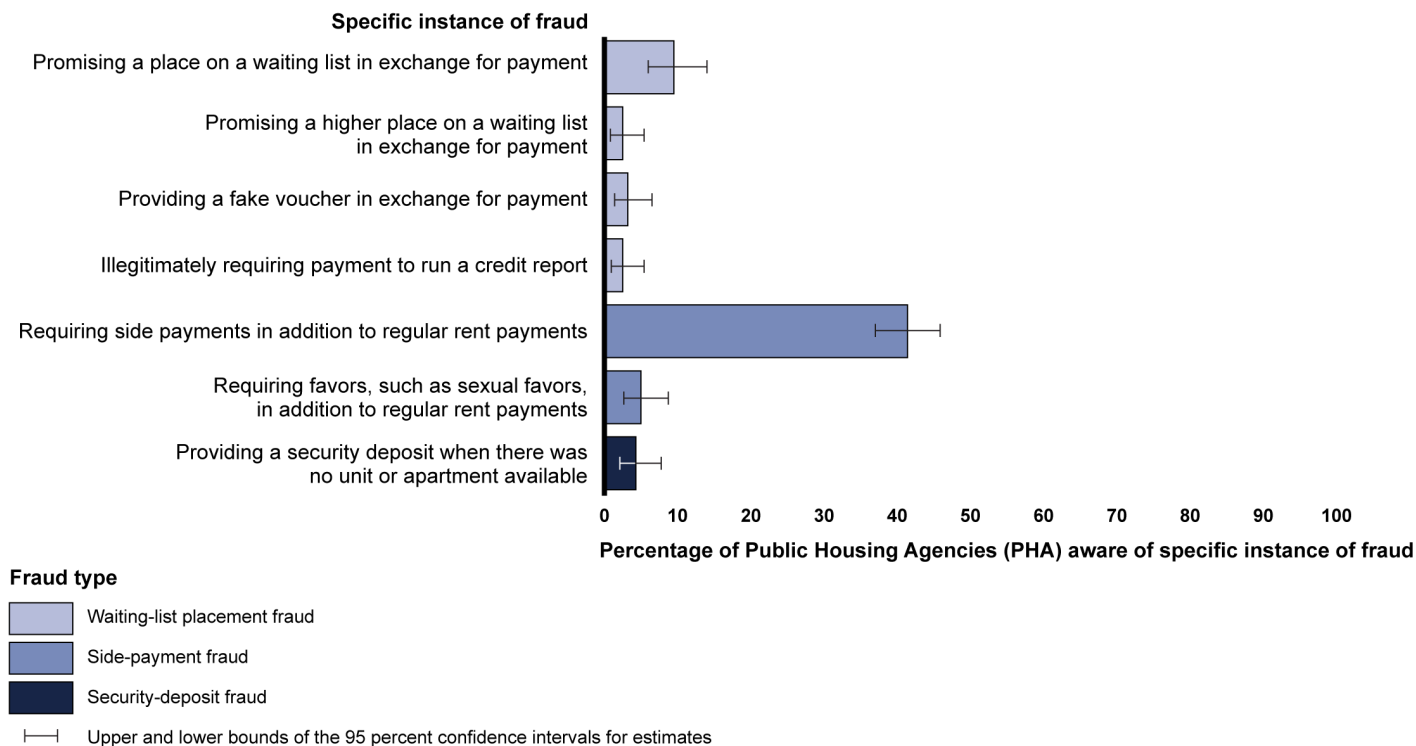
PHAs Are Aware of Limited Instances of Fraud Affecting Voucher Participants in Their Jurisdictions, with Side-Payment Fraud Reported Most Often

An overwhelming majority of surveyed PHAs did not report awareness of any occurrences of most fraud types that could affect HCV program participants, while those that were aware of fraud against participants reported few instances, according to our survey results and interviews. We surveyed a nationally representative sample of PHAs representing approximately 1.9 million households. We inquired about incidents occurring within their area of jurisdiction from spring 2016 through spring 2017. We asked about fraudsters promising placement onto or a higher place on a waiting list, selling vouchers, stealing security deposits, or offering suspect credit-report services; voucher holders and landlords engaging in side payments; and landlords and building inspectors illegally soliciting favors.⁷ Apart from incidents of side payments (discussed in detail below), on the basis of PHA responses to our survey we estimate that between 3 and 10 percent of all PHAs with 1,000 or more vouchers were aware of any occurrences of the types of fraud schemes included in our survey (see fig. 3). Further, when PHAs were aware of such fraud

⁷For full survey results, see app. II.

schemes, most reported between 2 to 5 cases in their local area of jurisdiction from spring 2016 through spring 2017. Our other sources of evidence were consistent with our survey results. For example, we interviewed officials with two PHA associations—representing approximately 1,900 total PHAs—about fraud against HCV participants (other than side payments). The associations reported that they were unaware of widespread instances of these types of fraud against participants.

Figure 3: Estimated Percentage of PHAs with Awareness of Incidents of Fraud in Their Jurisdiction between Spring 2016 and Spring 2017, by Fraud Types



Source: GAO. | GAO-18-53

PHAs were much more likely to report awareness of incidents of side payments than the other types of fraud included in our survey, according to our analysis of survey responses. As noted above, side-payment fraud involves agreements—mutual or compelled—in which the voucher holder pays additional rent or other payments to the landlord in return for benefits, to secure a rental, or to avoid eviction. On the basis of survey responses, we estimate that 41 percent of all PHAs with 1,000 or more

vouchers were aware of incidents of side payments in the prior year, as shown in figure 3 above.⁸ Of PHAs reporting side payments, we estimate that the vast majority (93 percent) were aware of 1 to 10 instances of side payments in the prior year (spring 2016–spring 2017), with most reporting between 2 and 5 incidents in the past year. Further, we estimate that 7 percent were aware of 11 or more instances in the prior year.⁹

Officials from all eight PHAs we interviewed similarly told us that they were aware of side payments, but some said that participants rarely report cases of side payments to them.¹⁰ Because violation of HCV rules could result in termination of a lease or loss of voucher for the recipient, it is possible that side payments are not always reported to PHAs. Two experts providing legal services to low-income individuals said that, in regard to fraud affecting HCV participants, landlord requests for side payments is relatively more common than other types of fraud. In addition, a current voucher holder told us about personal experiences involving requests for such payments by landlords, but also said that he or she had not experienced any other types of fraud.

In response to our open-ended survey question on other fraud not specifically mentioned in the survey, three PHAs in two regions reported variations of a type of fraud that intends to convince landlords that they are not in compliance with HCV rules, and that they must make a payment over the phone. Although this type of fraud was not included explicitly in our survey and is therefore not included in figure 3 above, in survey comments one West Coast PHA and two PHAs in the Southeast reported instances of this type of fraud. In open-ended survey comments, a West Coast PHA reported being aware of two attempts of similar fraud, in which fraudsters called landlords and asked them to make a credit-card payment over the phone to maintain program compliance. Similarly, two southeastern PHAs also reported being aware of instances of similar fraud schemes in the last year, although neither provided the number of cases reported to them. Furthermore, another West Coast PHA that was not included in our survey issued an online alert about scammers calling

⁸The 95 percent confidence interval for this estimate is (37, 46).

⁹The 95 percent confidence interval for the percentage of PHAs reporting 1 to 10 instances is (86, 97), while the 95 percent confidence interval for the percentage of PHAs reporting 11 or more instances is (3, 14).

¹⁰Some of the PHAs we interviewed also participated in our survey, so survey results and interview responses are not cumulative.

landlords, masking their actual phone number with the PHA's phone number, and stating that in order for the landlord to maintain program compliance, the landlord must make a credit-card payment over the phone to purchase a program manual. In an interview, officials from this PHA reported being aware of 36 attempts of this fraud type against landlords from September 2015 to April 2017.

According to PHA officials, fraud schemes generally have not targeted older-adult HCV participants. In survey responses, a limited number of PHAs reported fraud against older adults. For example, we estimate that of PHAs reporting awareness of side-payment schemes, very few PHAs (about 8 percent) were aware of instances in which landlords targeted older adults in side-payment requests.¹¹ Moreover, an official from one PHA we interviewed stated that because older adults are likely to have advocates helping them to find housing, they are less likely than other HCV participants to be victims of fraud. Similarly, one expert providing legal services to older adults in the HCV program indicated that project-based participants—who rent units only in specific buildings—are more likely than HCV participants to be targets of in-person fraud because they are located in identifiable properties.

Several PHAs issued fraud alerts about schemes against participants, but officials at PHAs we interviewed about some of the alerts told us that incidents of these fraud types were limited.¹² Specifically:

- A Midwestern PHA issued an alert about an individual promising a voucher for a fee and meeting victims in person to receive payment. In a follow-up interview, PHA officials stated that, in total, they received five to seven reports about this fraud. Each of these cases occurred while the PHA's waiting list was open in 2015. A nearby PHA also reported that when its waiting list was open in 2011, an individual with fake PHA credentials fraudulently took payment from individuals and promised to move them to the top of the waiting list. The PHA was aware of 10 individuals who were victims of the fraud, and estimated that they each paid about \$200 to the perpetrator.
- A West Coast PHA issued an alert about a website charging applicants to submit a program application. However, in an interview

¹¹The 95 percent confidence interval for this estimate is (4, 15).

¹²We visited the websites of 60 PHAs; 20 posted online fraud alerts about various fraud types that could affect HCV program participants.

the PHA reported awareness of only one case over the last 3 years of fraud committed by outside parties against voucher participants.¹³

Although instances of fraud against HCV participants reported to PHAs appear relatively rare, participants who provide personal information to unknown individuals are still at risk for identity theft, according to some experts we interviewed. Two identity-theft experts stated that credit-card fraud is likely if individuals enter payment information in unverified sites. Furthermore, one expert stated that low-income individuals can be targets for identity theft because fraudsters can use stolen identities with low credit scores to obtain high-interest loans that they do not intend to pay off.

Few Indicators of Potential Fraud Found in Online Covert Testing

In covert testing using undercover tools and techniques, we found no indicators of fraud in rental advertisements posted online, and few indicators of fraud in commercial websites offering information to participants about the HCV program.

Through our online covert testing, we found no indicators of potential fraud in 350 advertisements—selected using a random-selection methodology—posted in online marketplaces across six cities.¹⁴ On the basis of an academic study of online fraud schemes on rental marketplaces and information provided by PHAs, we developed a list of indicators of potential fraud.¹⁵ These indicators include requests for a wire transfer of security deposit or first month rent without offering to provide an in-person viewing of the property, or requesting an up-front or monthly side-payment agreement as a condition of rental. In searches of one rental website, we came across a small number of advertisements that initially appeared to contain an indicator of potential fraud—specifically, links to a website for specialized realtor services; covert testing of that link did not find further indicators of potential fraud.

None of the 26 commercial websites we covertly tested contained text explicitly stating that they would place or move someone up a waiting list

¹³All three PHAs discussed here were survey participants and may have included these fraud incidents in their responses. Therefore, survey results and interview responses are not cumulative.

¹⁴For more about our advertisement search methodology, see app. I.

¹⁵Youngsam Park, Damon McCoy, and Elaine Shi, “Understanding Craigslist Rental Scams,” *International Conference on Financial Cryptography and Data Security* (2016): 3–21.

for a fee. Further, in e-mail correspondence with every website, we asked whether they could help place us on a waiting list. Some website operators never replied and some stated they could not do so, with none agreeing to place us on a list. However, some websites used HUD's Equal Housing Opportunity logo, which might make them appear to be associated with official government programs, while others requested payment for suspect services and products. For example:

- One PHA fraud alert specifically named one of the websites we tested covertly, and indicated that the website fraudulently offered to submit an application for the HCV program for a onetime registration fee. Our covert testing found that this website displayed HUD's Equal Housing Opportunity logo, and charges a fee for a "guide" about the voucher program, but at the time of our testing the website did not offer to submit an application for a fee. Payment to the website resulted in access to a guide and online forum containing a list of open PHA waiting lists for the HCV program and links to publicly available PHA websites.
- One website we covertly tested requested payment for an e-book guide to assist with the HCV application process. We made payment but never received the e-book.
- One website subject to covert testing stated that landlords in the HCV program may deny or refuse to rent to a potential tenant based on his or her credit-report information, and referred us to a suspect website offering credit reports. The website claimed to offer a "free credit report" and requested personal information including a Social Security number and credit-card number. As part of our covert testing, we provided a credit-card number. We also entered all zeroes as a Social Security number on the site, prompting the site to state that it could not provide us with a credit report, as we had not provided a valid Social Security number. Despite that fact, the site charged our credit card a recurring payment. In a phone call, a representative of the website stated that, in the terms-of-use for the website, users are informed that they must explicitly request that recurring payments be terminated or that those payments would continue.

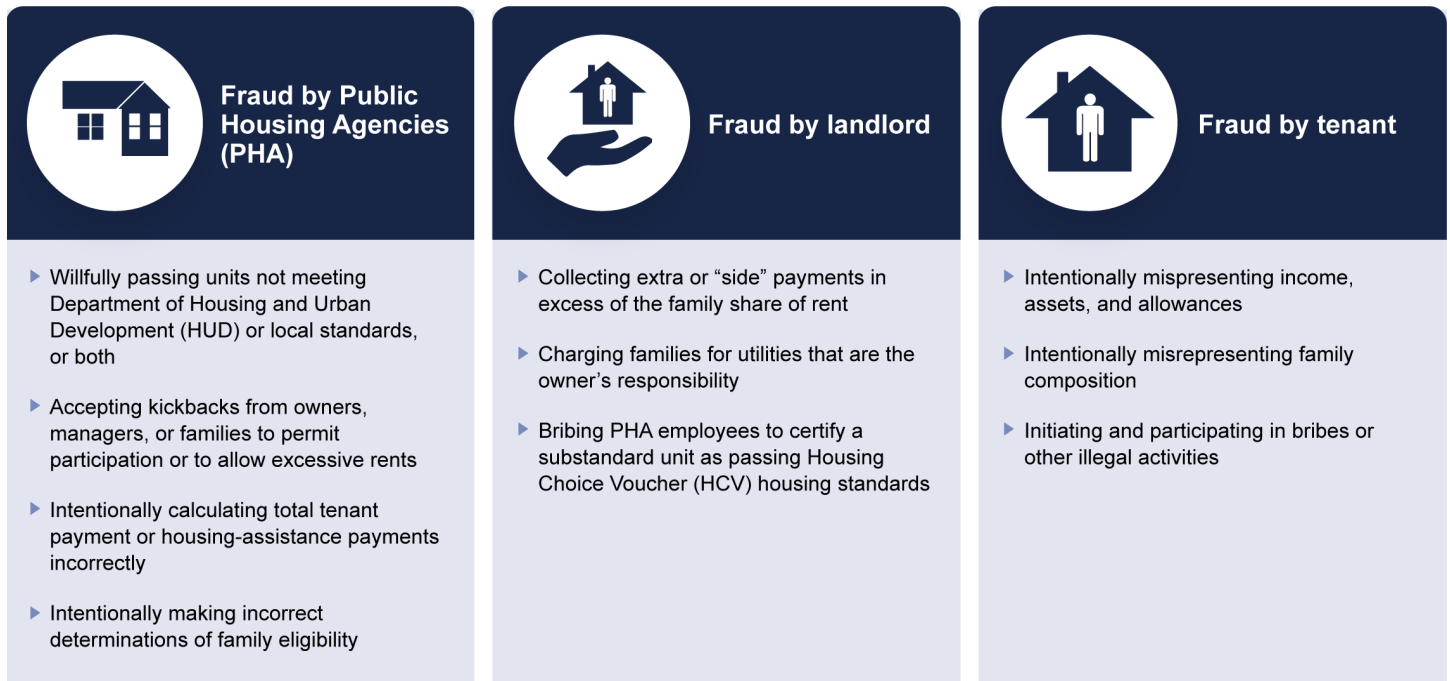
HUD and PHA Antifraud Efforts Focus Mainly on Fraud against the HCV Program; Some PHAs Voluntarily Provide Information about Fraud against Participants

HUD regulations and guidance and PHA informational materials pertinent to fraud primarily focus on protecting the HCV program rather than protecting participants from fraud committed by external parties.¹⁶ For example, where the regulations mention fraud explicitly, it is generally in relation to mitigating program violations by owners and voucher program participants, recovering program losses from fraud, and assessing participants, applicants, and owners for participation or continued participation in the program.

Apart from requiring that PHAs inform participants about a prohibition against side payments to landlords (a program rule violation), HUD's antifraud guidance, as outlined in the Housing Choice Voucher Program Guidebook, generally focuses on preventing fraud against the program, as opposed to fraud against participants. For example, an applicant misrepresenting income and assets to obtain an HCV voucher and a landlord bribing a PHA employee to approve substandard rental housing are types of program fraud. See figure 4 for examples of HCV program-related fraud listed in the guidebook.

¹⁶The implementing regulations for the HCV program are contained in Title 24 of the U.S. Code of Federal Regulations (CFR). Part 982 contains program requirements for the HCV housing-assistance program under Section 8 of the United States Housing Act of 1937.

Figure 4: Examples of HCV Program-Related Fraud Listed in the Housing Choice Voucher Program Guidebook



Source: GAO analysis of HUD information. | GAO-18-53

Education and outreach requirements for PHAs specified in the HCV guidebook largely focus on providing adequate public notice of waiting-list openings; an oral briefing when the PHA selects a family to participate in the program; and a written briefing packet for participants, which must include a variety of subjects related to program administration, leasing a unit, and family obligations. Consistent with the guidebook, written or online briefing materials from the eight PHAs we interviewed mention various types of program violations. All but one specifically state that side-payment agreements between landlords and tenants are prohibited, which, as discussed above, can be viewed as both fraud affecting the participant and against the program. HUD directs PHAs to inform participants that landlord–participant side payments are prohibited.

HUD provides guidance on how a PHA should handle a situation in which the landlord is collecting side payments. If the PHA finds that the landlord is collecting side payments, the PHA must notify the landlord to immediately cease collecting these payments and require repayment to the tenant of the full amount collected. The PHA must determine whether the landlord also collected side payments from other participants and

follow up to require repayment. The amount can be repaid by offsetting the amount due against future housing-assistance payments. At its discretion, the PHA may terminate the housing-assistance payments contract with the landlord immediately, even if the landlord has repaid amounts due the tenant, but the PHA must cancel the contract if the landlord fails to repay.

Although not required, several PHAs we visited or contacted voluntarily provided informational materials to program participants that included targeted messages and alerts notifying them of certain housing-assistance fraud by outside parties, such as voucher-sale fraud, or fraud involving being placed on or moved up a waiting list. For example, in program briefing documents given to participants,

- a northeastern PHA warns participants of housing-assistance scams, and specifically advises participants not to pay to, among other things, (1) be placed on or be moved up a waiting list or (2) receive an HCV voucher or voucher extension;
- a different northeastern PHA advises HCV participants not to give their voucher to anyone, including the apartment owner, agent, or property manager; and not to give any money to the apartment broker, owner, or agent until the PHA approves the selected apartment; and
- a West Coast PHA advises HCV applicants and participants to be aware of fraud, particularly schemes that require a payment to file an application or to move up a waiting list.

In addition, PHAs share best practices that could include these and other issues. For example, two industry associations representing approximately 1,900 PHAs provide mechanisms for PHAs to share information and best practices about HCV administration and issues affecting HCV program participants and their communities. Both regularly hold conferences, meetings, and other events that provide a venue for members to discuss relevant issues. In addition, one of these associations has published reports on issues affecting older adults and connecting housing and community services, among other issues, while the other published a report on issues related to rental reform proposals.

Agency Comments

We provided a draft of this report for review and comment to HUD, FTC, the Consumer Financial Protection Bureau, the Department of Health and Human Services, and the U.S. Postal Service. We received e-mails from HUD, the Consumer Financial Protection Bureau, and the Department of Health and Human Services in which liaisons to GAO for those agencies stated they had no comments on the report. We received technical comments from FTC and the U.S. Postal Service, which we incorporated in the report as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Housing and Urban Development, the Federal Trade Commission, the Director of the Consumer Financial Protection Bureau, the Secretary of Health and Human Services, and the Postmaster General of the U.S. Postal Service. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-6722 or shear@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.








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Appendix I: Objectives, Scope, and Methodology

In this report, we describe (1) the types of reported fraud schemes committed against Housing Choice Voucher (HCV) participants (including older adults), awareness by Public Housing Agencies (PHA) and other relevant organizations of fraud incidents and how often they occur, and indicators of such schemes online; and (2) antifraud regulations, guidance, and informational materials, if any, that the Department of Housing and Urban Development (HUD) and PHAs have in place to identify and mitigate fraud against program participants.

To address our first objective we used a variety of methods (see fig. 5). Details on our use of these methodologies are described below.

Figure 5: Key Methodologies Used to Identify Types of Reported Fraud, Fraud Awareness, and Indicators of Online Fraud

Category of evidence	Methodology
▶ Types of reported fraud	 <p>Fraud alerts We reviewed fraud alerts publicly posted on the Internet primarily by large Public Housing Agencies (PHA).</p>
	 <p>Consumer complaint data We reviewed complaints for examples of housing and Housing Choice Voucher (HCV)-specific fraud, including fraud targeting the elderly.</p>
▶ Awareness of fraud incidents among organizations	 <p>Survey We conducted a generalizable survey of executive directors of PHAs administering 1,000 or more HCVs.</p>
	 <p>Interviews We performed site-visit interviews in three national regions with eight PHAs. We interviewed a selection of organizations about fraud against older adults and the economically vulnerable. We also interviewed experts about credit fraud and identity theft.</p>
▶ Indicators of online fraud	 <p>Covert testing We covertly tested a sample of rental ads in a selection of U.S. cities across several rental websites, and covertly tested commercial websites advertising information or assistance with the voucher program.</p>

Source: GAO. | GAO-18-53

First Objective

Types of Reported Fraud

Fraud Alerts

Some PHAs issue online alerts and post these on their websites to inform HCV applicants and participants about potential fraud schemes. We initially identified PHA fraud alerts by performing online searches about fraud in the HCV program. We then developed a structured search method for identifying additional fraud alerts. To do this, in 2016 and 2017, we searched fraud alerts issued by a nongeneralizable sample of 60 PHAs; in total, 20 PHAs published 22 alerts about fraud affecting HCV applicants and participants on their websites.

We identified our nongeneralizable sample of 60 PHAs using 2015 fourth-quarter Picture of Subsidized Households data from HUD, which contain information on subsidized housing units by several types of programs including the HCV program. The initial population contained PHAs ordered by total number of HCV program vouchers available. We selected our sample of PHAs based on those with the most vouchers.

Consumer Complaint Data

We reviewed consumer complaint data from the Federal Trade Commission's (FTC) Consumer Sentinel database from calendar years 2011 through 2016. The date range of the data represents the most-recent years available at the time of our request. Our review of the data focused on complaints related to the HCV program and companies that offer rental housing services. We assessed the reliability of the data by interviewing officials and reviewing related documentation and found the data sufficiently reliable for the purposes of our reporting objectives.

We developed several categories for reviewing complaints based on criteria on fraud schemes affecting HCV program applicants and participants. To develop an initial list of categories, we selected a subsample of the first entries in the data and independently created categories that could be used to categorize the complaints in the subsample. On the basis of this methodology, we identified a set of defined coding categories, which were as follows:

1. HCV-specific fraud,
2. housing-related fraud (HCV not mentioned),
3. housing-related fraud involving the purchase of foreclosed property,

4. housing-related credit-report fraud,
5. housing-related fraud requesting electronic wire transfer of funds,
6. HCV-specific complaints where fraud is not mentioned or the nature of fraud is unclear,
7. housing-related complaints where fraud is not mentioned or the nature of fraud is unclear, and
8. complaints not related to the scope of the engagement.

We also separately coded whether the subject matter of each complaint specifically affected an older adult.

We applied a two-person data-coding process to ensure intercategory reliability. FTC delivered the data to us in batches organized along search terms we provided. For several of the initial batches we received, as a first step in the coding process, a coder categorized each complaint into one of the categories above, and simultaneously identified any complaints that contained relevant housing-related or HCV-related fraud types that we had not already discovered. As a second step, a reviewer assessed a nonrandomized sample of the data to determine whether coding was correct, and whether the coder had identified any previously unknown fraud types in the batch. We repeated this process for three of the five batches that we received, and reviewed over 600 total complaints. Upon finding no new fraud types in the coded data, we ceased analysis and did not code the remaining two batches we received, which we deemed to contain complaint categories unlikely to reveal new types of fraud.

We also interviewed PHA officials from eight PHAs (selected using a methodology discussed below). Additionally, we reviewed an academic study describing fraud against prospective renters in online marketplaces, which allowed us to identify several fraud types that could be used against HCV participants searching for rental units. The study used crawling and automated interaction to identify fraud types.¹ We interviewed an author of the study to clarify research techniques. We assessed that the individual was sufficiently independent. Our

¹Youngsam Park, Damon McCoy, and Elaine Shi, "Understanding Craigslist Rental Scams," *International Conference on Financial Cryptography and Data Security* (2016): 3–21. Crawling is the automatic process of systematically traversing a group of webpages by following their embedded electronic links in order to build an index of relevant information.

methodological specialist assessed the study, and found its conclusions to be sufficiently valid and reliable for our purposes.

Awareness of Fraud Incidents

Survey

We conducted a web-based survey with a nationally representative stratified random sample of executive directors overseeing PHAs. In the survey, we asked PHA executive directors and their staffs to provide information on known fraudulent activities by fraudsters or impersonators, fraudulent activities by landlords and building inspectors, and any other information on fraudulent activities adversely affecting HCV program applicants and participants from spring 2016 through spring 2017. We administered our survey from April to May 2017. Estimated percentages of the responses for all closed-ended questions from the survey are included in appendix II.

We identified the population of PHA executive directors using 2015 fourth-quarter Picture of Subsidized Households data from HUD, which contain information on subsidized housing units by several types of programs including the HCV program. The Picture of Subsidized Households data also contain the percentage of households using these programs by factors such as age, income, and disability. We assessed the reliability of the data for use as our sampling frame by reviewing technical documentation, conducting electronic testing, and interviewing officials who oversee the data system; we found the data sufficiently reliable for our purposes.

Our initial population list contained a total of 2,243 PHA executive directors, and our sample contained 278 PHA executive directors. We stratified the population by size of PHAs as follows: We drew (1) a certainty sample of 83 executive directors who oversaw at least one PHA with 5,000+ vouchers ("large" PHAs) and (2) a probability sample of 195 executive directors who oversaw at least one PHA with 1,000–4,999

vouchers (“medium” PHAs).² For purposes of discussion, we refer to the experiences of PHAs in our analysis, although our sampling unit was the executive directors of the PHAs.³

To formulate our survey questionnaire on the types of fraud potentially adversely affecting HCV program applicants and participants, we conducted research on the topic of fraud by interviewing PHA officials, reviewing fraud alerts publicly posted on the Internet by large PHAs, and reviewing consumer complaint data. On the basis of the results of our research, we developed our survey questionnaire to include questions on external fraud such as (1) fraudsters or impersonators promising placement on a voucher waiting list, (2) fraud offering higher placement on voucher waiting lists, (3) fraud offering fake vouchers, (4) fraud offering suspect credit-report services, (5) landlords requiring prohibited side payments, (6) illegal solicitation of favors by landlords and building inspectors, and (7) illegal solicitation of rental-unit security deposits by landlords. We pretested our survey instrument with four PHAs located in Maryland, Michigan, Ohio, and Virginia. We revised our questionnaire language and format based on input received by officials in these four PHAs in order to improve the clarity of the questions. An independent survey specialist within GAO also reviewed a draft of the questionnaire prior to its administration; it is available in appendix II.

We administered a web-based questionnaire accessible through a secure server. When we completed the final survey questions and format, we sent an e-mail announcement of the survey to 278 PHAs in April 2017. The PHA points of contact were notified that the questionnaire was available online and were given unique passwords and usernames. We sent follow-up e-mail messages twice in May 2017 to those who had not yet responded. We contacted remaining nonrespondents by telephone, beginning in May 2017. The questionnaire was available online until mid-May 2017.

²We used professional judgement and HUD’s PHA size labels to devise the PHA size categories used in our report. HUD uses several different size categorizations when presenting data on PHAs. On the basis of our analysis of the distribution of number of vouchers per PHA, we classified PHAs into one of three size categories—large, medium, and small—to optimize sampling among PHAs with 1,000 vouchers or more. We excluded PHAs with fewer than 1,000 vouchers because 98 percent of missing data was attributable to these PHAs.

³An executive director may oversee more than one PHA. Two executive directors who were in scope for our sample oversaw another large- or medium-sized PHA.

We obtained a weighted overall response rate of 84 percent, and the response rate by stratum was 86 percent for our first stratum (“large” PHAs) and 83 percent for our second stratum (“medium” PHAs). Because we followed a probability procedure on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample’s results as a 95 percent confidence interval (e.g., plus or minus 10 percentage points). This interval would contain the actual population value for 95 percent of the samples we could have drawn. Confidence intervals are provided along with each sample estimate in the report. All survey estimates presented in this report are generalizable to the population of large and medium PHAs, or to either the population of large PHAs or medium PHAs analyzed separately. Unless otherwise noted, estimates for the full population of large and medium PHAs have a margin of error for a 95 percent confidence interval within +/-4.5 percentage points or less. Unless otherwise noted, estimates for the medium PHAs analyzed separately have a maximum margin of error for a 95 percent confidence interval of +/-5.4 percentage points or less. Unless otherwise noted, estimates for the large PHAs analyzed separately have a maximum margin of error for a 95 percent confidence interval of +/-4.5 percentage points or less. Some questions had too few respondents to generate reliable estimates. In these cases, we report the raw frequencies of respondents to our survey.

To minimize nonsampling errors, and to enhance data quality, we employed recognized survey design practices in the development of our survey questionnaire and in the collection, processing, and analysis of the survey data. To minimize errors arising from differences in how survey questions might be interpreted and to reduce variability in responses that should be qualitatively the same, we conducted pretesting of our survey questionnaire; see discussion on pretesting above. To reduce nonresponse, a source of nonsampling error, as mentioned above we followed up by e-mail and by telephone with PHAs who had not responded to the survey to encourage them to complete it.

To analyze open-ended comments provided by those responding to the survey, we conducted a content analysis for the purpose of identifying fraudulent activities against HCV program participants not addressed in our survey questionnaire. We analyzed open-ended responses to identify fraud types not directly addressed in our survey. We identified two additional types of fraud. One type of fraud involved fraudsters posing as PHA officials, calling landlords to convince them to make unnecessary

Interviews of Government Officials, Nongovernment Officials, and Others

payments. This type of fraud against landlords is discussed in the report. The other type of fraud identified was not related to participation in the HCV program, and so is not discussed in the report.

As part of our site visits, we interviewed officials from eight PHAs located in three U.S. regions. On the East Coast, we interviewed officials with the New York City Department of Housing Preservation and Development, the New York City Housing Authority, and New York State Homes and Community Renewal. In the Midwest, we interviewed officials with the Cuyahoga Metropolitan Housing Authority, the Detroit Housing Commission, and the Flint Housing Commission. On the West Coast, we interviewed officials with the Housing Authority of the County of San Bernardino and the Housing Authority of the City of Los Angeles. We identified our interviewee selection on the basis of ensuring geographical representation, budgetary considerations, metropolitan cities with a large population, PHAs' issuance of fraud alerts, PHA size—large, medium, and small, PHA in states with a large number of older adults, and consideration for overlap of other GAO ongoing work in the area of the HCV program. Our sample of PHA interviewees is nongeneralizable. Moreover, we interviewed an HCV voucher holder about the voucher holder's knowledge of fraud against participants.

We also interviewed government and nongovernment officials and others based on their knowledge and expertise on the topic of fraud in general; fraud education campaigns; fraud adversely affecting HCV program applicants and participants; fraud affecting older adults; or identity theft. Specifically in reference to government agencies, we interviewed officials from the U.S. Federal Trade Commission (FTC), the Consumer Financial Protection Bureau, the U.S. Postal Inspection Service, and the Department of Health and Human Services about fraud types and about practices used by federal agencies to inform the public about fraud-related issues. We also interviewed officials from the HUD Office of Inspector General (OIG) about any past or ongoing work related to the scope of our reporting objectives.⁴ For our interviewee selection, we considered recommendations from other organizations such as PHAs and legal-assistance organizations and reviewed prior GAO work on the issue

⁴According to an official at HUD OIG, it had no ongoing or past work related to fraud against HCV participants by outside parties. Moreover, a search of published OIG reports produced no reports on the subject of landlord-tenant side payments.

of older-adult financial exploitation.⁵ We also considered organizations' characteristics in terms of fraud prevention or work performed in assisting potential fraud victims. These characteristics include whether the organization

- has an investigative unit that may have data on fraud schemes,
- posts fraud alerts on its Internet websites,
- has data on fraud cases,
- collaborates with other groups on fraud awareness,
- has a fraud or complaint hotline,
- works on fraud prevention and provides support to victims of fraud, or
- works with vulnerable populations including low-income individuals or the older-adult population on social or legal issues.

Indications of Potential Fraud Online

Covert Testing

On the basis of an academic study about fraud in online rental marketplaces (discussed above) and PHA-provided information, we developed a list of indicators of potential fraud that might appear in online advertisements. We used covert tools and techniques to test a nongeneralizable sample of advertisements posted on commercial websites commonly used by HCV voucher holders and landlords for rental property listings, counting advertisements as potentially fraudulent if the originator of the advertisement did any of the following:

- Requested a wire transfer of security deposit or first month's rent, or both, without offering to provide an in-person viewing of the property. For example, the person who posted the advertisement might state that the rental is available, but that the person is currently not in the country.
- Provided a link to a suspect credit-report site within the advertisement or subsequent correspondence. While requiring a credit report is a normal part of the rental process, fraudsters may post a fake rental advertisement and redirect victims to a credit-score company. If the

⁵See GAO, *Elder Justice: National Strategy Needed to Effectively Combat Elder Financial Exploitation*, [GAO-13-110](#) (Washington, D.C.: Nov. 15, 2012).

victim pays for the credit score, the credit-score company will pay the fraudster a commission.

- Stated in correspondence that the rental unit is no longer available, but recommended a suspect site providing rental search, broker services, or monthly payments toward purchase of a foreclosed property.
- Requested an up-front or monthly side-payment agreement as a condition of rental.
- Included an e-mail address directly in the text of the ad. According to one academic expert on fraud, it was rare to see a legitimate advertisement poster embed an e-mail address in a post, because most people do not want to expose that information on the Internet.

Advertisements or correspondence containing an indicator of fraud do not necessarily reveal the presence of a fraud scheme. For example, the presence of an e-mail address directly in the text of an advertisement may also indicate that the advertisement was posted by a realtor service.

We selected 6 geographically diverse cities nationwide for covert testing of online rental advertisements. To generate a list of cities for possible selection, we identified cities containing the 20 PHAs with the largest number of HCV vouchers.⁶ We identified one commonly used online housing-rental marketplace for the general public and another online rental marketplace specifically dedicated to HCV rentals. We then determined the total number of advertisements available across the two rental websites in those cities. We used the following criteria to select cities for covert testing:

- From the 20 cities described above, we selected 3 cities with the most available advertisements across the two online rental marketplaces.
- From the 20 cities described above, we selected 2 cities where a nearby PHA had closed its HCV waiting lists in the last half of 2016.
- Outside of the 20 cities described above, we also selected 1 city with a large number of available advertisements where we had previously completed a site visit.

In each metropolitan area selected for covert testing, we identified relevant online rental marketplaces operating in the area. We then used a

⁶Some cities contained more than one such PHA. The number of vouchers for each PHA was as of the last quarter of 2015.

random-selection methodology to identify advertisements for testing from amongst all current advertisements on each marketplace. In total, we responded to 350 advertisements. On sites specifically dedicated to HCV rentals, we generally sampled from among all current ads. On sites featuring a mix of private rental ads, we developed a list of search keywords and sampled only among ads that explicitly stated that they would accept an HCV voucher. By e-mail, we contacted the originator of each of the 350 advertisements we covertly tested and engaged in correspondence.

To determine the extent of detected potential fraud in online sites, we covertly tested websites identified as offering information or assistance with the HCV program; note that this methodology is distinct from that described above to covertly test advertisements. To discover sites for investigation, we performed web searches with a variety of relevant search terms using two popular search engines. We clicked through the first few pages of each set of search results, and collected the names of commercial sites that appeared either within search results or in ads accompanying the results. Finally, we entered the address of each of the websites we found into a separate search portal. This search portal suggests possible competitor and similar websites for the target website; we added websites discovered through this method to our list of websites for investigation. In total, we tested 26 websites. If the website requested a payment of any kind, we made the payment. We also corresponded with each website, asking explicitly whether it could place us on an HCV waiting list.

Second Objective

To address our objective regarding antifraud regulations, guidance, and informational material, if any, that HUD and PHAs have in place to identify and mitigate potential fraud against program participants, we reviewed HUD regulations on the HCV Program and the Section 8 Management Assessment Program. These regulations outline the requirements for PHAs to perform education and outreach on the HCV program. We also reviewed HUD's HCV Program Guidebook. This guidebook provides direction to PHAs administering the HCV Program on informing applicants about program-related fraud.

We also reviewed written or online briefing materials for participants developed by the eight PHAs we interviewed. These briefing materials must include a variety of subjects, related to program administration, leasing a unit, and family obligations.

We conducted this performance audit from May 2016 to December 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We conducted our related investigative work from January 2017 to July 2017 in accordance with investigative standards prescribed by the Council of the Inspectors General on Integrity and Efficiency.

Appendix II: Results of GAO's Survey of Public Housing Agencies

To determine awareness of incidents of fraud schemes among PHAs, we conducted a web-based survey to a nationally representative sample of executive directors overseeing Public Housing Agencies (PHA) from April 2017 to May 2017. We solicited input on executive directors' familiarity with and awareness of fraud schemes against U.S. Housing and Urban Development (HUD) Housing Choice Voucher (HCV) Program applicants and participants. We distributed the survey to 278 PHAs, of which 233 (84 percent) responded. We stratified the population by size of PHA as follows: (1) a certainty sample of 83 executive directors who oversaw at least one PHA with 5,000+ vouchers ("large" PHAs); and (2) a probability sample of 195 executive directors who oversaw at least one PHA with 1,000–4,999 vouchers ("medium" PHAs). Results of our survey are generalizable to the entire population of large and medium PHAs. For a more-detailed discussion of our survey methodology, see appendix I.

The results of our survey provide the input of PHA executive directors and their staffs at the time they completed the survey in April and May 2017. The questions we asked in our survey are presented below. Our survey comprises seven top-level, fixed-choice questions; three subquestions for each "yes" response to top-level questions; and one open-ended question. In this appendix, we include all survey questions, and the estimated percentages for the responses to the top-level questions. Because of the limited number of respondents answering "yes" to the top-level survey questions, we could not generate reliable estimates for the survey subquestions; therefore we present only raw frequency counts for all subquestions except those corresponding to survey question 5 where we present both estimated percentages and raw frequency counts for those responses.

In our survey open-ended question, we asked PHA executive directors to provide information on fraudulent activities affecting HCV program participants other than those covered by the seven fixed-choice questions. This element was our attempt at identifying fraud types not directly addressed in our survey. While we are not providing the responses to the open-ended question, our analysis of those responses identified two additional types of fraud. One type of fraud involved fraudsters posing as PHA officials, calling landlords to convince them to make unnecessary payments. The other type of fraud identified was not related to participation in the HCV program, and so is not discussed in the report.

Fraudulent Activities by Fraudsters or Impersonators

Survey Question 1 Responses

Table 1: Estimated Percentage of PHAs Aware of Fraud Type—Survey Question 1

In the past year, is your PHA aware of scam artists or impersonators *promising a place on a waitlist* in exchange for payment from your PHA program applicants who are currently not on a waitlist? (Question 1)

Analysis group	Response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
Full population	Yes	9.5	6.1	14.0
	No	90.5	86.0	93.9
Medium Public Housing Agencies (PHA)	Yes	7.4	3.9	12.6
	No	92.6	87.4	96.1
Large PHAs	Yes	19.7	16.4	23.5
	No	80.3	76.5	83.6

Source: GAO. | GAO-18-53

Note: Overall estimates are generalizable to all PHAs and to PHAs by size.

Tables 2–5 below present results for PHAs that responded “yes” to question 1. Because of the limited number of respondents answering “yes” to question 1, we could not generate reliable estimates for question 1 subquestions, and present raw frequency counts only.

Table 2: Reported Incidents of Fraud Type (Raw Counts)—Survey Question 1

About how many incidents like this is your PHA aware of in the past year? *Please only include incidents that occurred in your PHA.* (Question 1A)

Analysis group	1 incident	2–5 incidents	6–10 incidents	11 or more incidents	Frequency missing
Full population	3	14	5	2	2
Medium PHA	1	6	3	0	
Large PHA	2	8	2	2	

Source: GAO. | GAO-18-53

Appendix II: Results of GAO's Survey of Public Housing Agencies

Table 3: Methods by Which PHAs Became Aware of Fraud Type (Raw Counts)—Survey Question 1
How did your PHA become aware of these incidents? (Question 1B)

Analysis group	Response	The victim, or target of the fraud, informed us	PHA staff witnessed or came across fraudulent activity	Someone other than the victim or PHA staff	Some other way
Full population	Checked	22	5	5	5
	Not checked	4	21	21	21
Medium PHA	Checked	10	2	1	2
	Not checked	2	10	11	10
Large PHA	Checked	12	3	4	3
	Not checked	2	11	10	11

Source: GAO. | GAO-18-53

Note: Respondents could select more than one response option.

Table 4: PHAs Reporting That Older Adults Were Targeted in Fraud Incidents (Raw Counts)—Survey Question 1
Were elderly program participants targeted by scam artists or impersonators in these incidents? (Question 1C)

Analysis group	Yes	No	Unsure	Not checked
Full population	4	7	14	1
Medium PHA	1	4	6	1
Large PHA	3	3	8	0

Source: GAO. | GAO-18-53

Survey Question 2 Responses

Table 5: Estimated Percentage of PHAs Aware of Fraud Type—Survey Question 2

In the past year, is your PHA aware of scam artists or impersonators—*promising to move your PHA program applicants higher on the waitlist—in exchange for payment?* (Question 2)

Analysis group	Response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
Full population	Yes	2.5	0.9	5.4
	No	97.5	94.6	99.1
Medium PHA	Yes	1.9	0.4	5.3
	No	98.1	94.7	99.6
Large PHA	Yes	5.6	3.9	8.1
	No	94.4	91.9	96.1

Source: GAO. | GAO-18-53

Note: Overall estimates are generalizable to all PHAs and to PHAs by size.

Tables 6–8 below present results for PHAs that responded “yes” to question 2. Because of the limited number of respondents answering “yes” to question 2, we could not generate reliable estimates for question 2 subquestions, and present raw frequency counts only.

Table 6: Reported Incidents of Fraud Type (Raw Counts)—Survey Question 2

About how many incidents like this is your PHA aware of in the past year? Please only include incidents that occurred in your PHA. (Question 2A)

Analysis group	1 incident	2–5 incidents	6–10 incidents	11 or more incidents	Frequency missing
Full population	2	2	0	1	2
Medium PHA	1	1	0	0	
Large PHA	1	1	0	1	

Source: GAO. | GAO-18-53

Appendix II: Results of GAO's Survey of Public Housing Agencies

Table 7: Methods by Which PHAs Became Aware of Fraud Type (Raw Counts)—Survey Question 2
How did your PHA become aware of these incidents? (Question 2B)

Analysis group	Response	The victim, or target of the fraud, informed us	PHA staff witnessed or came across fraudulent activity	Someone other than the victim or PHA staff	Some other way
Full population	Checked	5	0	1	2
	Not checked	2	7	6	5
Medium PHA	Checked	2	0	0	0
	Not checked	1	3	3	3
Large PHA	Checked	3	0	1	2
	Not checked	1	4	3	2

Source: GAO. | GAO-18-53

Note: Respondents could select more than one response option.

Table 8: PHAs Reporting That Older Adults Were Targeted in Fraud Incidents (Raw Counts)—Survey Question 2
Were elderly program participants targeted by scam artists or impersonators in these incidents? (Question 2C)

Analysis group	Yes	No	Unsure	Not checked
Full population	1	2	3	1
Medium PHA	1	1	0	1
Large PHA	0	1	3	0

Source: GAO. | GAO-18-53

Survey Question 3 Responses

Table 9: Estimated Percentage of PHAs Aware of Fraud Type—Survey Question 3

In the past year, is your PHA aware of scam artists or impersonators providing a fake voucher to your PHA program applicants or participants in exchange for payment? (Question 3)

Analysis group	Response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
Full population	Yes	3.2	1.4	6.4
	No	96.8	93.6	98.6
Medium PHA	Yes	1.9	0.4	5.3
	No	98.1	94.7	99.6
Large PHA	Yes	9.9	7.5	12.9
	No	90.1	87.1	92.5

Source: GAO. | GAO-18-53

Note: Overall estimates are generalizable to all PHAs and to PHAs by size.

Tables 10–12 below present results for PHAs that responded “yes” to question 3. Because of the limited number of respondents answering “yes” to question 3, we could not generate reliable estimates for question 3 subquestions, and present raw frequency counts only.

Table 10: Reported Incidents of Fraud Type (Raw Counts)—Survey Question 3

In the past year, is your PHA aware of scam artists or impersonators providing a fake voucher to your PHA program applicants or participants in exchange for payment? (Question 3)

Analysis group	1 incident	2–5 incidents	6–10 incidents	11 or more incidents	Frequency missing
Full population	1	6	1	1	1
Medium PHA	0	2	0	0	
Large PHA	1	4	1	1	

Source: GAO. | GAO-18-53

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Table 11: Methods by Which PHAs Became Aware of Fraud Type (Raw Counts)—Survey Question 3
How did your PHA become aware of these incidents? (Question 3B)

Analysis group	Response	The victim, or target of the fraud, informed us	PHA staff witnessed or came across fraudulent activity	Someone other than the victim or PHA staff	Some other way
Full population	Checked	7	3	2	1
	Not checked	3	7	8	9
Medium PHA	Checked	2	1	0	0
	Not checked	1	2	3	3
Large PHA	Checked	5	2	2	1
	Not checked	2	5	5	6

Source: GAO. | GAO-18-53

Note: Respondents could select more than one response option.

Table 12: PHAs Reporting That Older Adults Were Targeted in Fraud Incidents (Raw Counts)—Survey Question 3
Were elderly program participants targeted by scam artists or impersonators in these incidents? (Question 3C)

Analysis group	Yes	No	Unsure	Not checked
Full population	2	5	2	1
Medium PHA	1	0	1	1
Large PHA	1	5	1	0

Source: GAO. | GAO-18-53

Survey Question 4 Responses

Table 13: Estimated Percentage of PHAs Aware of Fraud Type—Survey Question 4

We know there are legitimate reasons for requiring payment to run a credit report. However, in the past year, is your PHA aware of scam artists or impersonators illegitimately requiring payment to run a credit report for your PHA program applicants and program participants? (Question 4)

Analysis group	Response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
Full population	Yes	2.5	0.9	5.5
	No	97.5	94.5	99.1
Medium PHA	Yes	2.5	0.7	6.2
	No	97.5	93.8	99.3
Large PHA	Yes	2.8	1.7	4.7
	No	97.2	95.3	98.3

Source: GAO. | GAO-18-53

Note: Overall estimates are generalizable to all PHAs and to PHAs by size.

Tables 14–16 below present results for PHAs that responded “yes” to question 4. Because of the limited number of respondents answering “yes” to question 4, we could not generate reliable estimates for question 4 subquestions, and present raw frequency counts only.

Table 14: Reported Incidents of Fraud Type (Raw Counts)—Survey Question 4

About how many incidents like this is your PHA aware of in the past year? Please only include incidents that occurred in your PHA. (Question 4A)

Analysis group	1 incident	2–5 incidents	6–10 incidents	11 or more incidents	Frequency missing
Full population	0	3	2	0	1
Medium PHA	0	1	2	0	
Large PHA	0	2	0	0	

Source: GAO. | GAO-18-53

Appendix II: Results of GAO's Survey of Public Housing Agencies

Table 15: Methods by Which PHAs Became Aware of Fraud Type (Raw Counts)—Survey Question 4
How did your PHA become aware of these incidents? (Question 4B)

Analysis group	Response	The victim, or target of the fraud, informed us	PHA staff witnessed or came across fraudulent activity	Someone other than the victim or PHA staff	Some other way
Full population	Checked	4	0	0	1
	Not checked	2	6	6	5
Medium PHA	Checked	3	0	0	0
	Not checked	1	4	4	4
Large PHA	Checked	1	0	0	1
	Not checked	1	2	2	1

Source: GAO. | GAO-18-53

Note: Respondents could select more than one response option.

Table 16: PHAs Reporting That Older Adults Were Targeted in Fraud Incidents (Raw Counts)—Survey Question 4
Were elderly program participants targeted by scam artists or impersonators in these incidents? (Question 4C)

Analysis group	Yes	No	Unsure	Not checked
Full population	1	2	2	1
Medium PHA	1	1	1	1
Large PHA	0	1	1	0

Source: GAO. | GAO-18-53

Fraudulent Activities by Landlords and Building Inspectors

Survey Question 5 Responses

Tables 17–23 below present results for PHAs that responded “yes” to question 5. Because of the number of respondents answering “yes” to question 5, we were able to generate reliable estimates for question 5 subquestions and present both estimates and raw frequency counts.

Table 17: Estimated Percentage of PHAs Aware of Fraud Type—Survey Question 5

In the past year, is your PHA aware of landlords requiring side payments in addition to regular rent payments for your PHA program applicants and program participants? (Question 5)

Analysis group	Response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
Full population	Yes	41.4	37.0	45.9
	No	58.6	54.1	63.0
Medium PHA	Yes	37.7	32.3	43.0
	No	62.3	57.0	67.7
Large PHA	Yes	59.2	54.7	63.5
	No	40.8	36.5	45.3

Source: GAO. | GAO-18-53

Note: Overall weighted estimates for question 5 are generalizable to all PHAs and to PHAs by size.

Table 18: Reported Incidents of Fraud Type (Weighted Estimates)—Survey Question 5

About how many incidents like this is your PHA aware of in the past year? Please only include incidents that occurred in your PHA. (Question 5A)

Full population response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
1 incident	27.3	18.9	37.0
2–5 incidents	55.6	48.8	62.4
6–10 incidents	9.9	4.9	17.4
11 or more incidents	7.2	3.0	14.1

Source: GAO. | GAO-18-53

Note: Overall weighted estimates for subquestion 5A are generalizable to all PHAs and to PHAs by size.

Appendix II: Results of GAO's Survey of Public Housing Agencies

Table 19: Reported Incidents of Fraud Type (Raw Counts)—Survey Question 5

About how many incidents like this is your PHA aware of in the past year? Please only include incidents that occurred in your PHA. (Question 5A)

Analysis group	1 incident	2–5 incidents	6–10 incidents	11 or more incidents	Frequency missing
Full population	26	56	10	10	1
Medium PHA	18	34	6	2	
Large PHA	8	22	4	8	

Source: GAO. | GAO-18-53

Table 20: Methods by Which PHAs Became Aware of Fraud Type (Weighted Estimate)—Survey Question 5

How did your PHA become aware of these incidents? (Question 5B)

Full population	Response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
The victim, or target of the fraud, informed us	Checked	79.2	70.1	86.6
	Not checked	20.8	13.4	29.9
PHA staff witnessed or came across fraudulent activity	Checked	23.9	16.0	33.3
	Not checked	76.1	66.7	84.0
Someone other than the victim or PHA staff	Checked	13.3	7.4	21.4
	Not checked	86.7	78.6	92.6
Some other way	Checked	5.5	1.9	11.8
	Not checked	94.5	88.2	98.1

Source: GAO. | GAO-18-53

Note: Respondents could select more than one response option. Also, overall weighted estimates for subquestion 5B are generalizable to all PHAs and to PHAs by size.

Table 21: Methods by Which PHAs Became Aware of Fraud Type (Raw Counts)—Survey Question 5

How did your PHA become aware of these incidents? (Question 5B)

Analysis group	Response	The victim, or target of the fraud, informed us	PHA staff witnessed or came across fraudulent activity	Someone other than the victim or PHA staff	Some other way
Full population	Checked	82	23	16	6
	Not checked	21	80	87	97
Medium PHA	Checked	48	16	6	3
	Not checked	13	45	55	58
Large PHA	Checked	34	7	10	3
	Not checked	8	35	32	39

Source: GAO. | GAO-18-53

Table 22: PHAs Reporting That Older Adults Were Targeted in Fraud Incidents (Weighted Estimates)—Survey Question 5
Were elderly program participants targeted by landlords in these incidents? (Question 5C)

Full population response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
Yes	8.0	3.6	15.1
No	73.6	63.9	81.8
Unsure	18.4	11.4	27.3

Source: GAO. | GAO-18-53

Note: Overall estimates are generalizable to all PHAs and to PHAs by size.

Table 23: PHAs Reporting That Older Adults Were Targeted in Fraud Incidents (Raw Counts)—Survey Question 5
Were elderly program participants targeted by landlords in these incidents? (Question 5C)

Analysis group	Yes	No	Unsure	Not checked
Full population	8	73	21	1
Medium PHA	5	46	9	1
Large PHA	3	27	12	0

Source: GAO. | GAO-18-53

Survey Question 6 Responses

Table 24: Estimated Percentage of PHAs Aware of Fraud Type—Survey Question 6

In the past year, is your PHA aware of landlords or building inspectors requiring favors, such as sexual favors, in addition to regular rent payments for your PHA program participants? (Question 6)

Analysis group	Response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
Full population	Yes	5.0	2.6	8.7
	No	95.0	91.3	97.4
Medium PHA	Yes	4.3	1.8	8.7
	No	95.7	91.3	98.2
Large PHA	Yes	8.5	6.3	11.3
	No	91.5	88.7	93.7

Source: GAO. | GAO-18-53

Note: Overall estimates are generalizable to all PHAs and to PHAs by size.

Tables 25–27 below present results for PHAs that responded “yes” to question 6. Because of the limited number of respondents answering “yes” to question 6, we could not generate reliable estimates for question 6 subquestions, and present raw frequency counts only.

Table 25: Reported Incidents of Fraud Type (Raw Counts)—Survey Question 6

About how many incidents like this is your PHA aware of in the past year? Please only include incidents that occurred in your PHA. (Question 6A)

Analysis group	1 incident	2–5 incidents	6–10 incidents	11 or more incidents	Frequency missing
Full population	9	3	0	0	1
Medium PHA	4	2	0	0	
Large PHA	5	1	0	0	

Source: GAO. | GAO-18-53

Table 26: Methods by Which PHAs Became Aware of Fraud Type (Raw Counts)—Survey Question 6

How did your PHA become aware of these incidents? (Question 6B)

Analysis group	Response	The victim, or target of the fraud, informed us	PHA staff witnessed or came across fraudulent activity	Someone other than the victim or PHA staff	Some other way
Full population	Checked	8	0	3	1
	Not checked	5	13	10	12
Medium PHA	Checked	4	0	1	1
	Not checked	3	7	6	6
Large PHA	Checked	4	0	2	0
	Not checked	2	6	4	6

Source: GAO. | GAO-18-53

Note: Respondents could select more than one response option.

Table 27: PHAs Reporting That Older Adults Were Targeted in Fraud Incidents (Raw Counts)—Survey Question 6

Were elderly program participants targeted by landlords or building inspectors in these incidents? (Question 6C)

Analysis group	Yes	No	Unsure	Not checked
Full population	0	11	1	1
Medium PHA	0	6	0	1
Large PHA	0	5	1	0

Source: GAO. | GAO-18-53

Survey Question 7 Responses

Table 28: Estimated Percentage of PHAs Aware of Fraud Type—Survey Question 7

In the past year, is your PHA aware of incidents where a landlord asked a prospective tenant of your PHA to provide a security deposit when there was no unit or apartment available? (Question 7)

Analysis group	Response	Estimated percentage	95 percent confidence interval—lower bound (percent)	95 percent confidence interval—upper bound (percent)
Full population	Yes	4.3	2.1	7.7
	No	95.7	92.3	97.9
Medium PHA	Yes	3.1	1.0	7.1
	No	96.9	92.9	99.0
Large PHA	Yes	9.9	7.5	12.9
	No	90.1	87.1	92.5

Source: GAO. | GAO-18-53

Note: Overall estimates are generalizable to all PHAs and to PHAs by size.

Tables 29–31 below present results for PHAs that responded “yes” to question 7. Because of the limited number of respondents answering “yes” to question 7, we could not generate reliable estimates for question 7 subquestions, and present raw frequency counts only.

Table 29: Reported Incidents of Fraud Type (Raw Counts)—Survey Question 7

About how many incidents like this is your PHA aware of in the past year? Please only include incidents that occurred in your PHA. (Question 7A)

Analysis group	1 incident	2–5 incidents	6–10 incidents	11 or more incidents	Frequency missing
Full population	4	6	0	1	1
Medium PHA	1	2	0	1	
Large PHA	3	4	0	0	

Source: GAO. | GAO-18-53

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Table 30: Methods by Which PHAs Became Aware of Fraud Type (Raw Counts)—Survey Question 7
How did your PHA become aware of these incidents? (Question 7B)

Analysis group	Response	The victim, or target of the fraud, informed us	PHA staff witnessed or came across fraudulent activity	Someone other than the victim or PHA staff	Some other way
Full population	Checked	11	1	0	0
	Not checked	1	11	12	12
Medium PHA	Checked	4	0	0	0
	Not checked	1	5	5	5
Large PHA	Checked	7	1	0	0
	Not checked	0	6	7	7

Source: GAO. | GAO-18-53

Note: Respondents could select more than one response option.

Table 31: PHAs Reporting That Older Adults Were Targeted in Fraud Incidents (Raw Counts)—Survey Question 7
Were elderly program participants targeted in these incidents? (Question 7C)

Analysis group	Yes	No	Unsure	Not checked
Full population	0	10	1	1
Medium PHA	0	4	0	1
Large PHA	0	6	1	0

Source: GAO. | GAO-18-53

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Rebecca Shea, (202) 512-6722 or shear@gao.gov

Staff Acknowledgments

In addition to the contact named above, Kathy Larin (Director), Tonita Gillich (Assistant Director), Scott Hiromoto (Analyst-in-Charge), Maurice Belding, Yue Pui Chin, Colin Fallon, Dennis Fauber, Maksim Glikman, Ronald La Due Lake, Jill Lacey, Won Lee, Robert Letzler, Barbara Lewis, Olivia Lopez, Maria McMullen, Anna Maria Ortiz, Sabrina Streagle, Adam Windram, and Helina Wong made key contributions to this report.

Also contributing were Marcus Corbin, Cory Marzullo, Wayne McElrath, Josephine Perez, Samuel Portnow, and Paul Schmidt.

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