



September 2016

ELDERLY HOUSING

HUD Should Do More to Oversee Efforts to Link Residents to Services

GAO Highlights

Highlights of [GAO-16-758](#), a report to congressional committees

Why GAO Did This Study

The U.S. population of persons age 65 and older is expected to grow to 73 million by 2030. With age, people are increasingly likely to face physical and cognitive limitations. HUD's Section 202 program funds supportive rental housing for very low-income elderly households. Section 202 property owners are expected to coordinate the provision of services to help residents live independently and age in place.

GAO was asked to review how Section 202 properties connect residents to services and HUD's related monitoring efforts. This report examines (1) the extent to which Section 202 properties have service coordinators, (2) how properties without coordinators connect residents with services and why they may not use coordinators and (3) HUD's monitoring of Section 202 properties' efforts to connect residents with supportive services, among other objectives. GAO analyzed HUD's fiscal year 2014 data (the latest available) on Section 202 properties and service coordinators; surveyed a generalizable sample of Section 202 properties not identifiable in HUD data as having service coordinators; reviewed monitoring policies, program descriptions, and agency notices; and interviewed HUD officials from each of HUD's five Multifamily Housing regions and stakeholders.

What GAO Recommends

GAO recommends that HUD (1) improve the accuracy of its data on Section 202 properties with service coordinators, (2) develop written guidance on assessing compliance with supportive services requirements, and (3) develop procedures for verifying and analyzing performance data. HUD concurred with GAO's recommendations.

View [GAO-16-758](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov.

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What GAO Found

While limitations in the Department of Housing and Urban Development's (HUD) data make an accurate assessment difficult, GAO estimates that roughly half of the 7,229 Section 202 Supportive Housing for the Elderly (Section 202) properties have HUD-funded service coordinators—staff who link residents to supportive services such as transportation assistance or meals. HUD's data indicate that 38 percent of Section 202 properties have a HUD-funded service coordinator, but these data likely underestimate the true number. GAO surveyed a generalizable sample of Section 202 properties not identifiable in HUD's data as having a service coordinator and, on this basis, estimates that an additional 12 percent of Section 202 properties actually had one—bringing the actual total of Section 202 properties with service coordinators to about 50 percent. Federal internal control standards note that it is important for management to obtain relevant data from reliable sources. Properties with service coordinators are subject to additional monitoring, but without accurate information, HUD risks not taking steps to monitor Section 202 properties with service coordinators to help ensure they are connecting residents to supportive services.

Properties without service coordinators connect residents to services in a variety of ways—for example, property managers may serve this function themselves, or they may utilize other local organizations. Several stakeholders told GAO that property managers are well-positioned to know their residents, and have some insight into their needs. Others noted that property managers generally lack the time and expertise to effectively manage this responsibility, and that the manager's role can conflict with that of the service coordinator. Through GAO's survey and site visits, managers of Section 202 properties without service coordinators cited a variety of reasons for not employing them, including lack of funding and having too few units to justify hiring someone to focus on supportive services for the elderly residents.

HUD requires its staff to monitor Section 202 properties' adherence to program requirements. However, HUD lacks written policies and procedures that describe how its staff should monitor the requirement for Section 202 property managers to coordinate the provision of supportive services. Available guidance describes general monitoring procedures for multifamily properties but does not address Section 202 specifically. HUD officials told GAO they plan to develop guidance on monitoring Section 202 properties with service coordinator grants by December 2016. Federal internal control standards note the importance of documenting responsibilities through policies. Without written policies and procedures, HUD cannot be assured that elderly residents are receiving assistance obtaining services. In addition, HUD collects performance data, such as the number of services provided, from Section 202 properties that have service coordinators but does not have policies or procedures in place to verify the accuracy of the data or for analyzing the data collected. Federal internal control standards also note the importance of evaluating data for reliability and processing data into quality information to evaluate performance. Until HUD takes steps to assess service coordinator performance data for reliability and analyze the data reported, its ability to use that information to monitor whether service coordinators are performing effectively and helping to fulfill the goals of the Section 202 program will likely be limited.

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Abbreviations

HUD	Department of Housing and Urban Development
LIHTC	Low-Income Housing Tax Credit
PACE	Programs of All-Inclusive Care for the Elderly
Section 202	Supportive Housing for the Elderly

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September 1, 2016

Congressional Committees

The population of persons aged 65 and older in the United States is expected to grow to 73 million by 2030, an increase of 33 million in two decades.¹ The number of low-income older adults is also expected to climb.² With age, people are increasingly likely to face physical and cognitive limitations that pose challenges to living independently. The purpose of the Department of Housing and Urban Development's (HUD) Section 202 Supportive Housing for the Elderly (Section 202) program is to provide funding for the development and operation of supportive housing for very low-income elderly households.³ Supportive housing for the elderly is designed to meet the special physical needs of elderly persons and to accommodate the provision of supportive services.⁴ Under the Section 202 program, property owners are expected to help connect residents to services that will help them to live independently and age in place. One approach that Section 202 property owners use is to employ a service coordinator—someone who assists residents by linking them to community-based services (such as meal programs, in-home care, and transportation) based on their individual needs. In fiscal year 2016, Congress provided approximately \$433 million for the renewal of support for existing Section 202 units and up to \$77 million to renew grant funding for service coordinators.⁵ Section 202 property owners can also use their operating funds to pay for a service coordinator, with HUD's approval.

¹Joint Center for Housing Studies of Harvard University, *Housing America's Older Adults: Meeting the Needs of an Aging Population*, 2014.

²HUD defines a low-income household as one with income of 80 percent or less of area median income.

³HUD defines a very low-income household as one with income of 50 percent or less of area median income. HUD defines an elderly person as someone 62 years of age or older. An elderly household is one in which one or more household members is 62 years of age or older.

⁴12 U.S.C. § 1701q.

⁵Service coordinator grant funds are available for eligible multifamily assisted housing properties, including the Section 202 properties funded through direct loans.

You asked us to examine how many Section 202 properties have a service coordinator and how HUD tracks properties' performance in connecting residents to services. This report examines (1) the extent to which Section 202 properties have service coordinators, (2) how properties without service coordinators make services available to residents and reasons why some properties do not have service coordinators, (3) HUD's monitoring of Section 202 properties' efforts to make services available to residents, and (4) HUD's efforts to preserve Section 202 properties given recent trends in annual funding.

To determine the number of Section 202 properties that have a service coordinator, we obtained and analyzed HUD data on Section 202 properties as of the end of fiscal year 2014, which were the most recent data available at the time of our review. We focused on Section 202 properties with active HUD funding for the property, either in the form of direct loans, capital advances, or rental assistance. We compared this information to available HUD data on service coordinators in an effort to identify Section 202 properties that had a HUD-funded service coordinator. To assess the reliability of HUD's data, we conducted electronic testing, reviewed documentation related to relevant information systems, and compared data to published reports. We determined that HUD data on service coordinators funded through HUD grants were sufficiently reliable for our purposes. We determined that HUD data on service coordinators funded through individual Section 202 properties' budgets were not reliable for the purposes of determining the number of Section 202 properties with service coordinators, which we discuss in detail later in this report.

To determine how Section 202 properties without service coordinators make services available to their residents and why some Section 202 properties do not have service coordinators, we surveyed a generalizable sample of properties that were not identifiable as having a service coordinator in fiscal year 2014 according to data supplied to us by HUD.⁶ We also conducted site visits in each of HUD's five Office of Multifamily Housing regions and interviewed managers of Section 202 properties that

⁶HUD's data on Section 202 properties did not identify which ones had service coordinators. In order to determine which Section 202 properties had service coordinators, we compared HUD data on Section 202 properties to separate HUD data on multifamily properties with service coordinators.

were not identifiable in HUD's data as having service coordinators to discuss their survey responses. Based on this information, we identified alternative approaches to connecting Section 202 residents with services. We summarized the benefits and limitations of these approaches according to the views of federal officials, industry groups, and Section 202 property managers.

To evaluate HUD's monitoring of Section 202 properties' efforts to connect residents to services, we reviewed available information on monitoring-related policies and procedures, analyzed documentation of monitoring efforts, and interviewed HUD officials from headquarters and offices in each of HUD's five Office of Multifamily Housing regions.⁷ We compared HUD's monitoring activities to federal internal control standards related to program monitoring.⁸ We also interviewed HUD staff about the current procedures for using the performance information that it collects on service coordinators and compared this information to internal control standards for processing data into quality information and leading practices related to the use of performance information.⁹

To describe steps HUD has taken to preserve Section 202 properties, we identified and reviewed documentation of various tools that HUD has used to help ensure that properties are maintained in good physical condition and that property owners continue to provide affordable housing through the Section 202 program. We also analyzed HUD data to identify the number of Section 202 properties (funded with direct loans) that will mature over the next 10 years.¹⁰ In addition, we spoke to HUD officials from headquarters and from field offices in each of HUD's five Multifamily Housing regions, and we interviewed Section 202 property managers in

⁷During the course of our review, HUD was in the process of reorganizing the Office of Multifamily Housing, including the names and locations of its field-based offices. For reporting purposes, we refer to the HUD offices that we met with outside of HUD headquarters as field offices.

⁸GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

⁹GAO, *Managing for Results: Implementation of GPRA Modernization Act Has Yielded Mixed Progress in Addressing Pressing Governance Challenges*, [GAO-15-819](#) (Washington, D.C.: Sept. 30, 2015).

¹⁰A mortgage maturity date is the date on which mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in a mortgage.

each of these five regions about steps HUD has taken to assist in the preservation of existing Section 202 properties. We selected property managers based on the proximity of their property to a local HUD office, the presence of a service coordinator, and property size.

We conducted this performance audit from April 2015 to August 2016 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.

Background

HUD's Section 202 program was established by Section 202 of the Housing Act of 1959.¹¹ Since 1991, the Section 202 program has provided capital advances and rental assistance to private nonprofit organizations so that they can build housing that is affordable to very low-income elderly households. For this program, the term elderly refers to a household composed of one or more persons at least one of whom is 62 years of age or more at the time of initial occupancy.

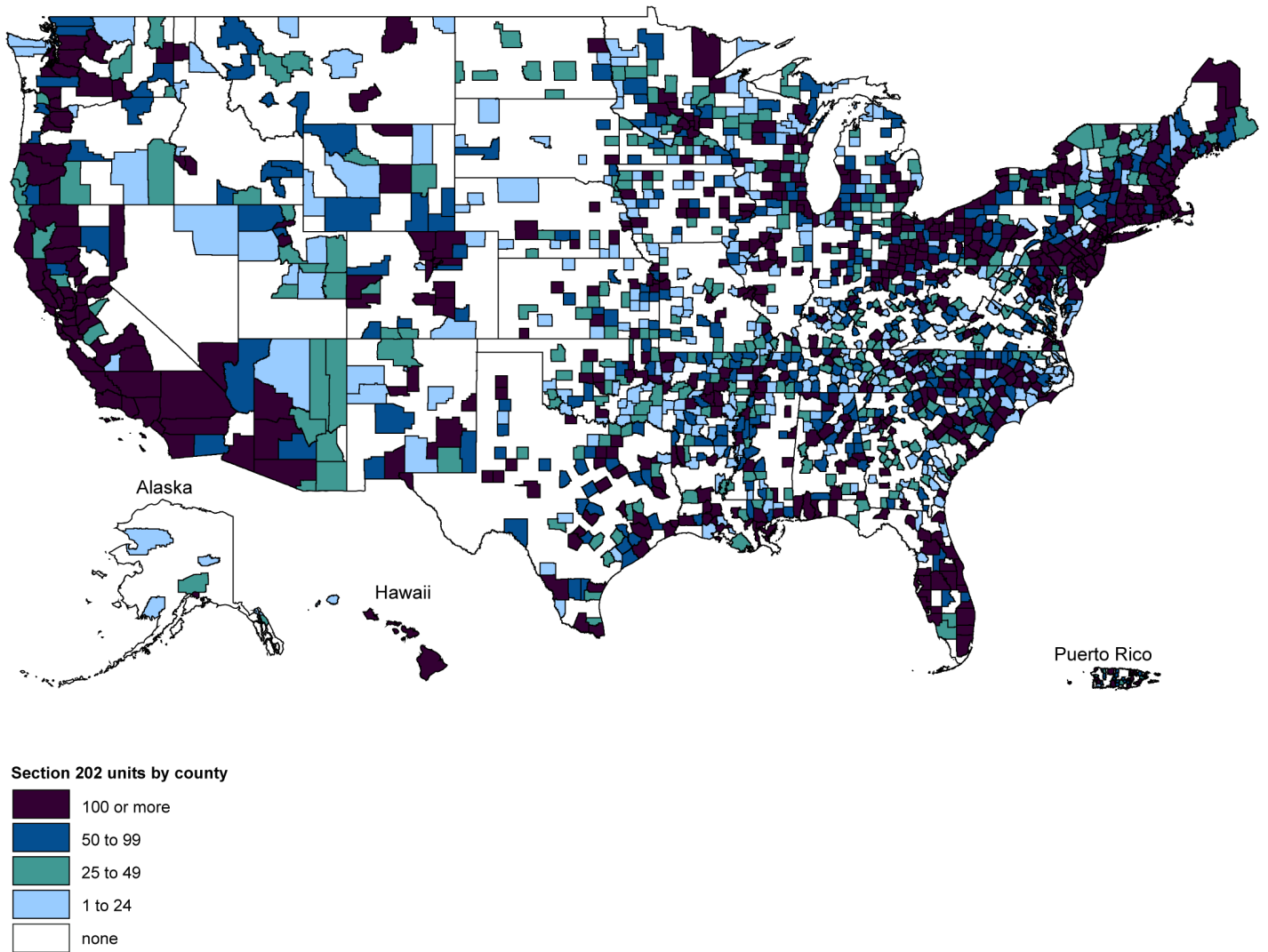
The Section 202 program is administered by HUD's Office of Multifamily Housing. Program monitoring is generally conducted by HUD staff located in field office locations. During the course of our review, HUD was in the process of reorganizing its Office of Multifamily Housing. Specifically, HUD was consolidating field operations from its existing structure into regional centers and other office types across five regions.¹² As of the end of fiscal year 2014, there were 7,229 active Section 202 properties across the country, with over 366,000 units, as shown in figure 1.¹³

¹¹Pub. L. No. 86-372, § 202, 73 Stat. 654, 667 (1959) (codified as amended at 12 U.S.C. 1701q).

¹²On April 24, 2013, HUD announced the transformation of the Office of Multifamily Housing Programs. The transformation plan included the consolidation of field operations from 52 field offices organized under 18 hubs into 12 locations across 5 regions.

¹³We defined an active Section 202 property as one that was open and occupied, and that was tied to the Section 202 program by an outstanding direct loan or capital advance or by a rental assistance contract.

Figure 1: Number of Section 202 Units by County, as of Fiscal Year 2014



Source: GAO analysis of Department of Housing and Urban Development data. | GAO-16-758

Program History

The type of financing offered through the Section 202 program has changed over time. At the program's inception, HUD made direct loans to private nonprofit organizations so they could build rental housing. The interest rates were low (around 3 percent), and the loans had a term of up

to 50 years. In 1991, the Cranston-Gonzalez National Affordable Housing Act replaced loans with capital advances. Capital advances bear no interest, and the amount of the capital advances is based on an area's development cost limits.¹⁴ Repayment of the capital advance is not required as long as the housing remains available for occupancy for very low-income elderly persons for at least 40 years. Capital advances must be used for the construction or rehabilitation of a structure, or acquisition of a structure with or without rehabilitation. As discussed later in this report, Congress last provided funding for new Section 202 developments in fiscal year 2011.

Rental assistance programs available to be used at Section 202 properties and their contract terms have also changed since the program's inception. For example, the Housing and Community Development Act of 1974 made project-based Section 8 rental assistance available to Section 202 property owners. Owners could then subsidize the rents of low-income households and, beginning in 1981, project-based Section 8 rental assistance was available primarily to very low-income households. Contracts for project-based Section 8 rental assistance payments between HUD and Section 202 owners were initially set for up to 20 years and were renewable. In 1991, the Cranston-Gonzalez National Affordable Housing Act introduced a different form of rental assistance referred to as project rental assistance. The duration of project rental assistance contracts was initially 20 years and is currently 3 years. As the initial contracts begin to expire, the rental assistance is renewed on a 1-year basis.

Section 202 property owners have varying business agreements with HUD, depending on factors including when their property came into the program and whether they have prepaid or refinanced direct loans. For example, Section 202 property owners are required by HUD to enter into a Use Agreement when they prepay a loan for which HUD's consent to prepay is required. The Use Agreement binds all subsequent owners to continue to operate the property for at least 20 years after the maturity date of the original loan, under terms at least as advantageous to existing and future tenants as the terms required by the original loan agreement or

¹⁴Capital advance amounts are based on a formula that takes into account high cost factors for specific cities.

any project-based rental assistance payments contract. Property owners that prepaid or refinanced their direct loan and that do not have rental assistance contracts are referred to by HUD as “stand-alone” Section 202 properties.¹⁵ These properties are contractually bound by their Section 202 Use Agreement to continue to operate under terms at least as advantageous to existing and future tenants as the terms required by the original loan agreement.

According to HUD officials, property owners that received a capital advance must enter into both a Use Agreement and a Regulatory Agreement. The Use Agreement for Section 202 properties that received a capital advance requires the property to meet the terms of the Section 202 program for at least 40 years. The Regulatory Agreement sets out various obligations, restrictions, and requirements on the owner beyond those set forth in the Use Agreement.¹⁶

The eligible resident population for the Section 202 program has also changed over time. When the Section 202 program was established in 1959, its purpose was to provide housing for moderate-income elderly households. Non-elderly persons with disabilities became eligible for the program in 1964 when non-elderly disabled individuals and families were added to HUD’s definition of “elderly families.”¹⁷ In 1968, HUD set income eligibility limits for Section 202 developments, limiting new households to those that were low income. Resident income guidelines changed in 1981 for Section 202 properties that received project-based rental assistance.¹⁸ The law required that HUD units receiving project-based Section 8 rental assistance be made available primarily to very low-income households. In 1990 the Cranston-Gonzalez National Affordable Housing Act established

¹⁵According to HUD, the universe of stand-alone Section 202 properties could include foreclosed properties.

¹⁶In addition to imposing use or occupancy restrictions on a property, a Regulatory Agreement may limit the amount of rents that may be charged and other covenants and restrictions that may be determined necessary on a case-by-case basis.

¹⁷Housing Act of 1964, Pub .L. No. 88-560, § 203(a)(1), 78 Stat. 769, 783 (1964).

¹⁸Omnibus Budget Reconciliation Act of 1981, Pub. L. No. 97-35. § 323, 95 Stat. 357, 404 (1981).

HUD's Section 811 program.¹⁹ The Section 811 program replaced the portion of the Section 202 program that provided long-term loans for the construction of housing for very-low-income persons with disabilities.

Supportive Services

The Housing Act of 1959 specified that the purpose of the Section 202 program was to fund housing and related facilities for elderly households. Related facilities could include structures suitable for use as community rooms or buildings, outpatient health facilities, infirmaries, or other essential service facilities. Although the Housing Act of 1959 did not explicitly mention supportive services, HUD officials told us that Section 202 properties have been required to connect residents to services for the entire history of the program. The Housing and Community Development Act of 1974 established a requirement that HUD seek to assure that Section 202 developments be in support of and supported by state and local plans which respond to federal program requirements by providing a range of services such as health, welfare, counseling, referral services, and services designed to encourage and assist tenants to use the services and facilities available to them.²⁰ Applicants for Section 202 funds must submit plans describing how the property's residents would be connected to supportive services and HUD must ensure that housing assisted under the Section 202 program provides a range of services tailored to the needs of the elderly persons occupying such housing. Owners must have the managerial capacity to assess the service needs of the residents and coordinate the provision of supportive services and tailor the services to the individual needs of the residents. The cost of providing services and employing a service coordinator is an eligible project rental assistance cost under the Section 202 program.

Service coordinators in HUD-assisted developments for elderly persons and persons with disabilities work with residents to provide a wide range of services. According to HUD's most recent funding notice for the service coordinator grant program, a service coordinator is responsible for ensuring that elderly residents, especially those who are at-risk or frail, and non-elderly residents with disabilities are linked to the supportive

¹⁹Pub. L. No. 101-625, § 811, 104 Stat. 4073, 4324, (codified as amended at 42 U.S.C. § 8013).

²⁰Pub. L. No. 93-383, § 210(c), 88 Stat. 633, 670 (1974).

services they need to continue living independently in their current homes. An at-risk elderly person means an individual 62 years of age or older who is unable to perform one or two activities of daily living, and a frail elderly person means an individual 62 years of age or older who is unable to perform at least three activities of daily living.²¹

Service coordinators can be funded through HUD's Multifamily Housing Service Coordinator grant program.²² Owners of eligible properties may apply for funds through HUD's grant process. For a development to qualify, at least 25 percent of its residents must be considered frail elderly, at-risk elderly, or disabled non-elderly.²³ Applicants must show that they have no other funds available to pay for a service coordinator. Grants are made for an initial 3-year term and are renewable. Grants provide funding for the salary, benefits, and related administrative costs associated with employing a service coordinator. Service coordinators funded with grant funds cannot organize activities that are unrelated to supportive services or provide supportive services directly.

²¹Activities of daily living and the ability to perform them include: eating (an individual may need assistance cooking and preparing meals, but must be able to feed themselves); bathing (an individual may need assistance getting in and out of a shower or tub, but must be able to wash self); dressing (must be able to dress self, but may need occasional assistance); and home management activities (may need assistance in doing housework or getting to and from activities, such as doctor appointments and shopping, but must be mobile).

²²Congress created HUD's Service Coordinator program through Section 808 of the 1990 Cranston-Gonzalez National Affordable Housing Act, Pub. L. No. 101-625, § 808, 104 Stat. 4324 (1990), as amended by the Housing and Community Development Act of 1992, Pub. L. No. 102-550, §§ 674, 676, 106 Stat. 3672, 3827, 3828, and the American Homeownership and Economic Opportunity Act of 2000, Pub. L. No. 106-569, § 851, 114 Stat. 2944, 3023. The Service Coordinator program receives funding through the "Housing for Elderly" account in each year's HUD appropriations. In fiscal year 2016, HUD received \$77 million to fund the Service Coordinators in Multifamily Housing Program as well as the continuation of existing Congregate Housing Services Program grants. Not all the service coordinators funded through these programs serve in Section 202 properties, however.

²³This requirement has been in Notices of Funding Availability for the service coordinator program. The most recent notice was for fiscal year 2013. HUD informed us that it was moving away from the 25 percent requirement.

Service coordinators for Section 202 properties can also be funded through the property’s operating budget with HUD approval.²⁴ HUD officials refer to these as budget-based service coordinators. For example, owners of Section 202 properties can include the service coordinator position in the development’s operating budget, where the position is supported by rental assistance under a project rental assistance contract or project-based Section 8 contract.²⁵ Also, in cases where properties accrue a rental subsidy that is not needed to pay operating costs (residual receipts), the monies must be spent on activities that will benefit the property and the residents, which can include a service coordinator. In addition, Section 202 property owners that prepay or refinance a direct loan and subsequently have a debt service savings can use the additional cash flow to fund a service coordinator. Figure 2 illustrates sources of HUD funding for Section 202 service coordinators.

Figure 2: Sources of Department of Housing and Urban Development Funding for Section 202 Service Coordinators

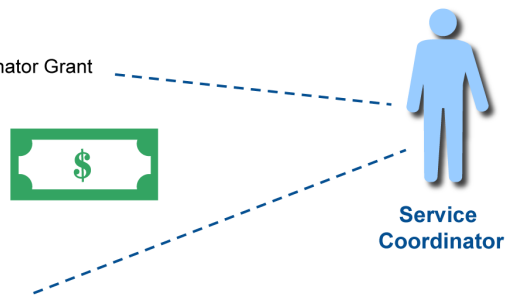
Grant funding

Multifamily Housing Service Coordinator Grant

Or

Budget-based funding

- Residual receipts
- Rental assistance
 - Project rental assistance contract
 - Project-based Section 8
- Debt service savings



Source: GAO. | GAO-16-758

Note: Residual receipts refer to rental subsidy that is not needed to pay operating costs. Owners of Section 202 direct loan properties have the option of refinancing the property for the purpose of reducing the interest rate and debt service; the resulting savings is referred to as debt service savings.

²⁴Service coordinators became eligible for funding through the Section 202 program starting in 1991. Project rental assistance contract projects are structured so that rental assistance may be used to pay for service coordinators.

²⁵The HUD-approved expenses for operating a Section 202 property may include up to \$15 per unit per month to provide services for the frail elderly and those determined to be at risk of being institutionalized.

The Actual Number of Section 202 Properties Having Service Coordinators Is Unknown because HUD's Data Are Incomplete

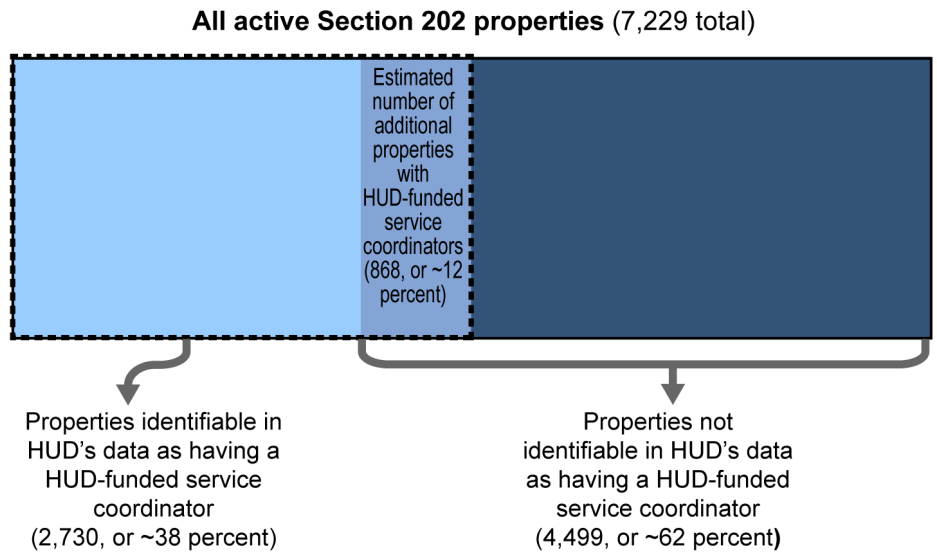
While limitations in HUD's data make an accurate assessment difficult, we estimate that roughly half of Section 202 properties have HUD-funded service coordinators. HUD's data show that, as of the end of fiscal year 2014, approximately 38 percent of Section 202 properties had HUD-funded service coordinators.²⁶ However, HUD's data likely underestimate the number of properties with service coordinators. Specifically, when we surveyed a generalizable sample of properties that were not identifiable in HUD data as having HUD-funded service coordinators in fiscal year 2014, 31 respondents indicated that they did have one.²⁷ Based on our survey results, we estimate that an additional 12 percent of Section 202 properties had a HUD-funded service coordinator in fiscal year 2014.²⁸ Therefore, we estimate that around 50 percent of all Section 202 properties had a service coordinator funded by HUD in that year—38 percent identified in HUD's data, plus the additional 12 percent suggested by our analysis of survey results (see fig. 3).

²⁶We did not take steps to verify that these properties had HUD-funded service coordinators. As described previously in figure 2, Section 202 properties can fund their service coordinators either through a grant from HUD's Multifamily Housing Service Coordinator program or through various forms of budget-based funding.

²⁷We surveyed 216 properties and received 149 responses, for a response rate of approximately 69 percent. When asked about these 31 properties—along with 5 further additional respondents who stated they employed a service coordinator but did not cite HUD as the position's funding source—HUD officials conducted further investigation on some of these properties in order to ascertain their status. HUD then supplied documentation from field office staff suggesting that 4 of these 36 properties did not have a service coordinator in 2014. (However, 2 of these properties cited state or local funds, rather than HUD funds, as their means of financing their service coordinator.) HUD officials also supplied documentation for 13 of the 36 properties suggesting that there was a HUD-funded service coordinator in fiscal years 2014, 2015, or 2016. For 8 of these 13 properties, HUD provided evidence that field staff were monitoring the service coordinator's performance. (HUD's procedures for monitoring service coordinators are discussed later in this report.) For more details concerning our survey methodology, see appendix I.

²⁸This estimate has a margin of error of plus or minus 5 percentage points.

Figure 3: Estimated Total Number of Section 202 Properties That Had a Service Coordinator in Fiscal Year 2014



Legend

----- Proportion of Section 202 properties GAO estimates to have HUD-funded service coordinators (~50 percent—this estimate has a margin of error of plus or minus 5 percentage points)

Source: GAO analysis of HUD data and GAO survey of Section 202 properties. | GAO-16-758

In addition, HUD’s data on service coordinators with budget-based funding appear to be less reliable than data for those funded by grants. Of the properties that we identified in HUD’s overall data as having a HUD-funded service coordinator, 73 percent of them used budget-based sources to pay for their service coordinator.²⁹ However, of the properties that had a HUD-funded service coordinator but were not identifiable as such in HUD’s data, we estimate that no less than 91 percent used

²⁹As described previously in figure 2, a property’s service coordinator funding is “budget-based” if it is paid for through the project’s rental assistance contract, or otherwise through the property’s regular income. By contrast, “grant-based” service coordinators are funded through grants from HUD’s Multifamily Housing Service Coordinator program.

budget-based funding, based on our analysis of survey results.³⁰ The significantly higher percentage of budget-based service coordinators among those not identifiable in HUD's data—no less than 91 percent, compared to 73 percent in HUD's overall data—suggests that HUD's data are less reliable for budget-based service coordinators than for those funded through grants.

According to HUD's headquarters staff, one possible cause of errors in HUD's data for budget-based service coordinators is that HUD field staff do not always properly record information on the presence and funding source of Section 202 properties' service coordinators. According to HUD officials, managers of Section 202 properties must submit budget requests annually, including requests to use HUD funds for service coordinators, to appropriate HUD field staff for review and approval. According to HUD staff, generally a property's first request for service coordinator funding should be made using a specific HUD form, and a version of this same form should be submitted in subsequent years as well. HUD staff told us that upon receiving requests to use HUD funds to pay for a service coordinator, field staff are supposed to record the approved source of HUD funding in HUD's centralized real estate management database. According to HUD headquarters officials, if field staff do not record the use of HUD funds for service coordinators in HUD's database, then HUD's data will be inaccurate.

In July 2016 HUD finalized guidance for field office staff on collecting and recording information on the presence and source of HUD funding for service coordinators, including service coordinators at Section 202 properties. This guidance describes how HUD field office staff should (1) review Section 202 properties' initial requests to use budgeted funds for service coordinators, (2) review subsequent budget requests, (3) identify funding sources for service coordinators, and (4) enter this information into an information system. According to HUD, this guidance went into effect immediately. However, HUD has not developed plans for how staff

³⁰Specifically, of the 31 survey respondents who indicated that their property had a HUD-funded service coordinator even though HUD's data did not identify them as such, all 31 reported that their service coordinator's funding was budget-based. Based on these results, we estimate that at least 91 percent of the service coordinators in these properties were funded through their properties' budgets. This estimate represents the lower bound of the 95 percent confidence interval.

are to receive training on the guidance, and it is too soon to know whether the guidance will improve the reliability of HUD's data on budget-based service coordinators.

Federal internal control standards note that it is important for management to obtain relevant data from reliable internal and external sources in a timely manner based on identified information requirements.³¹ As discussed more fully later in this report, HUD employs additional monitoring and oversight procedures at properties with HUD-funded service coordinators for the specific purpose of helping to ensure that these service coordinators are effectively linking residents to supportive services, in keeping with the goals of the Section 202 program. If HUD does not have complete and accurate information about the presence and funding source of service coordinators in Section 202 properties, it risks not taking all required steps to monitor all of these properties to help ensure they are connecting residents with the supportive services needed to age in place successfully.

Properties without Service Coordinators Generally Relied on Property Managers to Link Residents to Services and May Not Have Coordinators for Various Reasons

Based upon our survey results, site visits, and discussions with industry groups, we identified various approaches that Section 202 properties without service coordinators sometimes use to connect elderly residents to services—most commonly, having the on-site property manager play this role—as well as benefits and limitations of each of these approaches. We also identified common reasons why Section 202 properties may not have service coordinators, such as insufficient funding.

³¹[GAO-14-704G](#).

Properties without Coordinators Rely on a Variety of Means to Connect Residents to Services

The most commonly cited alternative approach to connecting Section 202 residents to services was to have the on-site property manager share information with residents. We estimate that about 77 percent of properties that did not have a HUD-funded service coordinator used this approach.³² Besides working with residents to understand their needs and to identify relevant community-based services, as a service coordinator would, the property manager can also (or instead) supply written materials. These materials (collected into binders or posted onto bulletin boards, for example) provide descriptions of locally available services, along with contact information. An estimated 47 percent of properties that did not have a HUD-funded service coordinator provided an on-site booklet or other written materials on local services.³³

Section 202 property managers, agency officials, and other stakeholders identified benefits and limitations of this alternative approach. For example, several of these stakeholders told us that property managers are well-positioned to know their residents, and have some insight into their needs. However, other stakeholders told us that having property managers assist residents with supportive services has at least two limitations. First, on-site managers do not necessarily have the time or expertise to effectively address residents' supportive service needs. Second, some property managers and agency officials told us that there is a certain degree of tension between the roles of property manager and service coordinator. For example, one property manager told us that because property managers are responsible for lease compliance and evictions, it would not make sense for them to assist residents with services while also trying to evict them. Further, while providing on-site written materials is an inexpensive way of making some residents aware of local services, some stakeholders noted that residents may need help reading and interpreting written information. Also, some stakeholders reported that they serve residents who do not read English, and thus written materials need to be translated.

³²This estimate has a margin of error of plus or minus 10 percentage points. Survey respondents could select multiple options for alternative approaches; thus, in selecting any given option, respondents were not citing it as the only alternative approach they utilized.

³³This estimate has a margin of error of plus or minus 10 percentage points. Because survey respondents could cite multiple alternative approaches, percentages sum to greater than 100.

A second commonly cited alternative was for Section 202 properties to work with Area Agencies on Aging or other local resources, which can coordinate services for residents. We estimate that about 54 percent of properties that did not have a HUD-funded service coordinator used this approach.³⁴ Area Agencies on Aging are public or private nonprofit agencies that are designated by the state to address the needs and concerns of all older persons at the regional and local levels.³⁵ They coordinate and offer services that help older adults remain in their homes, if that is their preference, aided by services that make independent living a viable option. Besides Area Agencies on Aging, Section 202 properties can also partner with other local organizations to connect residents to services. For example, the on-site property manager at one Section 202 property we visited described partnering with organizations as diverse as Adult Protective Services, local food pantries, and affordable transportation services.

Relying on Area Agencies on Aging or other local resources to connect Section 202 residents to supportive services also has benefits and limitations, according to property managers and other stakeholders with whom we met. Some Section 202 property managers told us that Area Agencies on Aging can coordinate services for residents. These services would not have a cost to the property. Further, the staffs at Area Agencies on Aging contract with local service providers to deliver many direct services, such as meals, transportation, and in-home services. However, some property managers also identified several limitations to this approach. First, these resources are not available (or not conveniently available) to all Section 202 properties. Second, these resources have limited funding, thus are limited in the assistance that they can provide. Finally, even when they do have sufficient available staff, not being located on-site poses disadvantages. Moreover, because they are not visible to residents on a daily or recurring basis, they are less able to build trust and rapport with residents, compared to on-site service coordinators.

³⁴This estimate has a margin of error of plus or minus 10 percentage points.

³⁵Area Agencies on Aging were created by the 1973 Older Americans Act and receive federal funding under this act, as well as through Medicaid and through various nonfederal sources.

A third approach we identified through our site visits and our discussions with industry groups was for eligible residents to access services through various Medicaid-funded programs.³⁶ At 7 of the 15 Section 202 properties we interviewed, property managers told us that some or all of the residents were assisted through either case managers, home-health or personal care aides, or other service organizations funded by Medicaid. Depending on how a state has structured its provision of Medicaid home- and community-based services, a combination of standard medical and nonmedical services may be available to eligible individuals—including, but not limited to, case management, homemakers, home health aides, personal care aides, and adult day health services.³⁷ However, most properties that cited this alternative approach—five out of seven—serve disabled adults (which could include elderly residents). The managers of these properties generally stated that their property did not employ a service coordinator because their residents' needs were served by Medicaid-funded programs.

Stakeholders with whom we spoke described benefits of the availability of home- and community-based services funded by Medicaid programs, but cited eligibility requirements and Medicaid funding being based on the individual (rather than on the place) as limitations of this approach to helping residents of Section 202 properties. For example, some stakeholders told us that personal care attendants can come to residents' homes and assist them with personal care needs—including bathing, shopping, cleaning, and medical management—and that home health aides may provide medical services to residents who are unable to travel to a physician. One Section 202 property manager told us that, because of their expertise, these types of attendants and aides are better suited to working with disabled residents, including disabled elderly residents, than are service coordinators. Several property managers explained, however, that only eligible individuals can benefit from Medicaid-funded care, which limits its utility as an alternative to property-based service coordinators who can serve everyone.

³⁶For eligible low-income older adults, state Medicaid programs may cover the cost of certain home and community-based services.

³⁷For more information about home- and community-based services, see GAO, *Older Adults: Federal Strategy Needed to Help Ensure Efficient and Effective Delivery of Home and Community-Based Services and Supports*, [GAO-15-190](#) (Washington, D.C.: May 20, 2015).

An additional approach that various stakeholders identified as a potential alternative to service coordinators is a specific Medicare and Medicaid program known as Programs of All-Inclusive Care for the Elderly (PACE). Like the Medicaid home- and community-based services program, PACE helps the elderly meet their health care needs in the community instead of going to a nursing home or other care facility. However, PACE programs also provide a range of integrated preventive, acute care, and long-term care services to help manage the medical, functional, and social needs of the frail elderly. PACE organizations provide care and services to individuals who are eligible for Medicare or Medicaid, or both, in their homes, the community, and at PACE centers. Many PACE participants get most of their care from staff employed by the PACE organization in the PACE center. Residents of Section 202 properties who are PACE participants would thus be able to coordinate their supportive service needs without the assistance of a service coordinator.

Stakeholders likewise cited benefits and limitations to the use of PACE. Staff from an industry group explained that, unlike service coordinators, PACE centers can supply an all-encompassing range of services to PACE participants directly. Furthermore, a property manager noted that PACE centers have a social component, essentially serving as a club where elderly people can go. However, stakeholders also explained that not all elderly residents would be eligible for PACE. To be eligible to participate in PACE, an individual must need a nursing-home level of care (as certified by that individual's state) and live in a PACE organization service area. Not all states offer PACE under Medicaid. At the time of our review, 32 states offered the program through 118 PACE centers.

Managers of Section 202 Properties without Service Coordinators Cited Costs and Other Reasons for Not Having a Coordinator

The most common reason Section 202 property managers cited for not having a service coordinator was that their properties did not have the resources to pay for one.³⁸ For an estimated 62 percent of Section 202 properties that did not employ a service coordinator in fiscal year 2014 and that principally serve elderly residents, insufficient funding was a reason why the property did not employ a service coordinator.³⁹

Besides insufficient funding, another reason Section 202 property managers commonly cited for not employing a service coordinator is that their residents received services through other means. Specifically, for an estimated 48 percent of properties that did not have a service coordinator in fiscal year 2014, the availability of local resources, such as Area Agencies on Aging, was a reason why the property did not employ a service coordinator.⁴⁰ During our site visits, some property managers explained that a service coordinator was not needed because residents received services (e.g., case management) through other programs, including Medicaid. For example, a Section 202 property we visited in Chicago that serves individuals with severe and persistent mental illnesses (some of whom are elderly) is operated by a mental health services provider that provides services directly to residents. This provider is reimbursed by Medicaid. Also, at a property we visited near Los Angeles that serves developmentally disabled adults, some of whom are elderly, residents are required to spend 56 hours per week at a center that provides federally-funded supportive services. Managers of other properties we visited told us that some residents are assisted by home-health aides that come directly to their unit to help them with activities of daily living. While some property managers with whom we met did not

³⁸Survey respondents were able to select more than one reason for why their properties did not have a service coordinator.

³⁹Based on our survey results, we estimate that approximately 25 percent of active Section 202 properties principally served non-elderly disabled populations in 2014. Therefore, we analyzed survey results for both the broader set of active Section 202 properties, and for the subset that principally serves elderly households. Henceforth, unless otherwise stated, survey results represent only those from respondents who self-identified as being active Section 202 properties, who did not employ a service coordinator in fiscal year 2014, and who principally served elderly residents. The estimate cited in the text has a margin of error of plus or minus 12 percentage points.

⁴⁰This estimate has a margin of error of plus or minus 12 percentage points.

know how their aides were funded, they thought such persons were funded through Medicaid.

Finally, nearly half of the Section 202 property managers that we surveyed reported that they did not employ a service coordinator due to the property's small size. Specifically, we estimate that of the properties that did not have a service coordinator in fiscal year 2014, 49 percent did not have one because of the small number of units at the property.⁴¹ Property managers and an owner with whom we met told us that when a property has a small number of units, it may not be cost-effective to employ a full-time service coordinator. For example, the owner of a 19-unit property told us that the property manager was able to assist all the residents with their service-related needs and that hiring a full-time service coordinator would not be cost-effective. Furthermore, for properties with fewer than 25 units, we estimated that 23 percent of these properties would want a service coordinator, even if funding were available for one.⁴²

HUD Lacks Guidance on Monitoring Supportive Services Requirements and Does Not Analyze Performance Data

HUD requires its staff to monitor Section 202 properties' adherence to program requirements but does not have written guidance for staff with monitoring responsibilities on the level and type of activity a Section 202 property must perform to demonstrate meeting the program's requirement to help residents obtain supportive services. HUD also lacks written procedures for how staff should identify and monitor Section 202 properties that are bound to the program through business agreements rather than through HUD funding. Further, while HUD collects performance information from Section 202 properties that have service coordinators, HUD does not take steps to verify the accuracy of performance information and does not analyze the data collected.

⁴¹This estimate has a margin of plus or minus 12 percentage points. Because respondents were able to select more than one reason for why their properties did not have a service coordinator, some that selected their property's small size may also have been among those who cited insufficient funding and the availability of other local resources.

⁴²This estimate has a margin of error of plus or minus 13 percentage points and includes properties that principally serve non-elderly disabled populations along with those that principally serve the disabled.

HUD Lacks Written Policies and Procedures on Assessing Section 202 Properties' Adherence to Supportive Service Requirements

HUD requires that its staff monitor the Section 202 supportive services requirement but lacks guidance for doing so. Section 202 properties are subject to general monitoring procedures for HUD multifamily programs, but these procedures do not specifically mention the Section 202 program's service-related requirements or how HUD staff should monitor Section 202 properties' adherence to these requirements. For example, HUD's Monitoring Desk Guide provides general information on HUD's procedures for risk assessment, on-site monitoring, and monitoring documentation.⁴³ Because of its broad focus, the guide does not discuss specific programs, including the Section 202 program, or how HUD staff should assess the program's requirements related to supportive services. Similarly, a 2010 HUD handbook describes management and occupancy reviews, which HUD (or contractors) performs on HUD-assisted multifamily housing properties to help ensure that owners and managers comply with program requirements.⁴⁴ However, this handbook does not specifically discuss the portion of the review that addresses supportive services. Thus, it does not provide written guidance for HUD staff (or contractors) with responsibility for conducting these reviews on the minimum type, frequency, or level of activity a Section 202 property must perform to demonstrate meeting the program's statutory requirement to help connect residents to supportive services.⁴⁵ As a result, HUD staff (or contractors) with responsibility for conducting management and occupancy reviews may vary in their interpretation of whether the

⁴³Department of Housing and Urban Development, *HUD Monitoring Desk Guide: Policies and Procedures for Program Oversight*.

⁴⁴When resources are available, management and occupancy reviews are to be conducted within 6 months of a property's occupancy; within 6 months following a change in property ownership or management; when desk reviews and risk assessments indicate that physical, financial, or management problems exist; when deficiencies in property operations have been identified at other properties of the same owner or management; prior to granting preliminary approval of a transfer of physical assets to another owner; and as necessary to monitor the owner's or manager's implementation of corrective actions.

⁴⁵A HUD document on Frequently Asked Questions about management and occupancy reviews notes that reviewers are to collect data about services for residents. The document does not describe the level of information that is sufficient to satisfy the Section 202 program's requirement related to supportive services.

activities are sufficient to indicate that the property is addressing the program's supportive service requirements.⁴⁶

HUD staff with whom we met consistently mentioned that management and occupancy reviews are tools for monitoring Section 202 properties, but they varied in their interpretation of the role of field staff in monitoring properties' adherence to requirements related to supportive services. For example, staff from one office told us that properties without service coordinators are not required to connect residents to supportive services and that this is not an activity that they look for as a part of their monitoring work. Staff from another office told us that they do not have a formal process for assessing the efforts of properties without service coordinators to link residents to services, and that they rely on property owners and managers to address this requirement. Staff from two other offices noted that they are alerted to issues related to supportive services if residents complain. Officials from HUD's headquarters told us that Section 202 properties, whether they have a service coordinator or not, are required to help residents obtain supportive services, and that field staff have responsibility for monitoring services for residents through the management and occupancy review process.

HUD staff also varied in their views of the field offices' responsibilities for monitoring stand-alone Section 202 properties. According to HUD, a stand-alone Section 202 property is one that no longer has a direct loan

⁴⁶In 2012, HUD changed how it selected contractors that had a role in performing management and occupancy reviews from a competitive contracting process to a Notice of Available Funding process not subject to federal procurements laws. As a result, several contractors sued HUD. In March 2014, the Federal Circuit Court of Appeals, siding with the contractors, directed HUD to acquire the contract administration services pursuant to federal procurement laws and regulations. *CMS Contract Management Services v. U.S.*, 745 F. 3d 1379 (Fed. Cir. 2014), *cert. denied*, 135 S.Ct. 1842 (2015). During the litigation, HUD suspended the management and occupancy reviews that had been performed by contractors. While it continues to work on complying with the court's ruling, HUD recently provided contractors in 42 states amended contracts to resume their management and occupancy reviews. The resumption of these reviews was set to begin in May 2016.

and does not have a rental assistance contract.⁴⁷ Our analysis of HUD data indicates that there were 75 stand-alone Section 202 properties in fiscal year 2014.⁴⁸ HUD headquarters staff told us that they do not have written policies or procedures for identifying or specifically monitoring stand-alone Section 202 properties. They also told us that the agency does not conduct management and occupancy reviews for stand-alone Section 202 properties. These staff stated that field staff should identify the stand-alone properties in their geographic area of responsibility and conduct risk assessments of these properties, consistent with the agency's procedures for its multifamily programs. According to HUD, stand-alone Section 202 properties are generally required to annually self-certify their compliance with the Section 202 program, including the supportive services requirement, and provide this information to their appropriate field office.⁴⁹ Field staff are also responsible for collecting the self-certifications and logging their receipt in a HUD information system, according to HUD headquarters officials. However, staff from only one of the five field offices that we met with told us that they took steps to identify the number of stand-alone properties in their geographic area of responsibility. Field staff from other offices varied in their descriptions of the procedures involved with monitoring stand-alone Section 202 properties. For example, some staff told us that HUD does not have any standardized monitoring procedures for stand-alone Section 202 properties, and others told us that HUD's headquarters staff monitor these properties.

⁴⁷According to HUD, some Section 202 properties no longer have Section 202 direct loans because the loan was prepaid or refinanced, or the property foreclosed. These properties also do not have rental assistance contracts. These stand-alone properties are contractually bound by a Section 202 Use Agreement to continue to operate under terms at least as advantageous to existing and future tenants as the terms required by the original loan agreement.

⁴⁸As previously noted, as of the end of fiscal year 2014 there were 7,229 active Section 202 properties. We defined an active Section 202 property as one that was open and occupied, and that was tied to the Section 202 program by an outstanding direct loan, capital advance, or rental assistance contract. According to HUD, some of the 75 properties we identified using the agency's data have Section 202 Use Agreements that have since expired, and others may have been in the process of applying for a rental assistance contract with HUD.

⁴⁹According to HUD, some of the older Section 202 Use Agreements did not include the self-certification requirement. HUD officials were not able to tell us how many of the 75 stand-alone properties lacked this requirement.

As of July 2016, HUD did not have written guidance related to monitoring service coordinators. HUD's headquarters staff told us that they are in the process of developing written guidance for monitoring service coordinator grantees, which is also to be a written resource for field staff on monitoring Section 202 properties with service coordinators. HUD staff stated that the guidance was being developed as a part of the agency's reorganization of its Office of Multifamily Housing.⁵⁰ According to draft documentation related to this effort, HUD plans to work with a contractor to develop guidance for service coordinator grantees on financial management, reporting, and grant monitoring by December 2016. While this effort may help clarify HUD's responsibilities for monitoring Section 202 properties with grant-based service coordinators, the draft documentation does not address how HUD should assess other Section 202 properties' compliance with the program's supportive service requirements. More specifically, documentation related to this effort does not mention how HUD staff should monitor the program's supportive services requirement for Section 202 properties with budget-based service coordinators or Section 202 properties without service coordinators.

Federal internal control standards note the importance of documenting responsibilities through policies.⁵¹ Without written policies and procedures that specifically delineate the roles and responsibilities of HUD staff in monitoring Section 202 properties' compliance with the program's supportive services requirements, HUD cannot be assured that the elderly residents of these properties are receiving the assistance with obtaining supportive services that the program is intended to provide.

⁵⁰As previously discussed, in April 2013 HUD announced that it was reorganizing the Office of Multifamily Housing in an effort to focus on customer service and risk management, address increasing business demand, and increase efficiency. As a part of this effort, during the course of our review HUD was consolidating 18 Hubs into 12 locations across 5 regions.

⁵¹[GAO-14-704G](#).

HUD Collects Information on Section 202 Properties with Service Coordinators but Does Not Verify or Analyze This Information

Our review identified several processes HUD uses to monitor Section 202 properties—including management and occupancy reviews and semiannual performance reports—but HUD does not verify the accuracy of or analyze the service-related information it collects through these activities. For Section 202 properties that receive funding from HUD in the form of a direct loan, capital advance, or rental assistance, HUD staff (or contractors) are to periodically conduct management and occupancy reviews. Reviewing officials use a HUD form to assess the management and oversight of the property and to determine compliance with HUD’s business agreements. The form includes a one-page section for the assessment of supportive services for residents. According to HUD officials with responsibility for administering the Section 202 program, management and occupancy reviews are not intended to be a tool for assessing a Section 202 properties’ compliance with the requirement to connect residents to services. Rather, HUD uses the form to document services provided to residents and whether the property has a service coordinator, among other things.

HUD takes additional monitoring steps for Section 202 properties that have HUD-funded service coordinators. For example, HUD field staff review semiannual performance reports to verify that individual service coordinators are linking the residents of specific Section 202 properties to services. Semiannual performance reports, which HUD requires from Section 202 properties with HUD-funded service coordinators, are prepared by service coordinators, and include both outputs and outcomes.⁵² For example, a service coordinator can report the number and type of services provided, which is generally considered an output. In contrast, service coordinators can also report on outcomes—for example, the reason that an elderly resident vacated the property, including passing away or moving to a facility that provides a higher level of care, such as a nursing home.⁵³

Additionally, for Section 202 properties with Multifamily Housing Service Coordinator grants, HUD staff are to review semiannual performance

⁵²Outputs are products and services delivered by a program. Outcomes describe the intended result of carrying out a program or activity.

⁵³Recording move-out reasons provides HUD with data needed to assess the extent to which residents age in place, which is a goal of the Section 202 program.

reports to determine if grants should be renewed. For example, HUD may renew grants based on the grantee's acceptable performance, and will use semiannual performance reports to inform this decision. According to HUD officials, the agency uses semiannual performance reports as a part of its process for assessing requests for grant renewals. HUD officials told us that they receive around 1,100 renewal requests each year and that none have been denied as a result of semiannual performance report information. According to HUD staff, if the agency has concerns about a Section 202 property's performance, HUD staff would take steps to work with the owner to address them.

In addition to the semiannual performance reports, properties with HUD-funded service coordinators are to provide assurance that the service coordination function is effectively implemented. According to HUD guidance, property managers can use assessments of the quality of the service coordinator's work to provide this assurance. Quality assurance assessments are an allowable administrative expense, not to exceed 10 percent of the service coordinator's salary, and are to be conducted by a qualified third party. For Section 202 properties with grant-funded service coordinators, grant funds can be used to pay for the assessment. According to HUD officials, field staff review quality assurance reports when they are submitted along with the service coordinator's semiannual performance report.

While HUD field staff review the performance-related reports that are submitted for Section 202 properties with service coordinators, HUD does not have policies or procedures in place to verify the accuracy of information that properties report about the performance of their service coordinator. Further, HUD does not take steps to verify this information as a part of the properties' management and occupancy reviews. Although verifying all of properties' self-reported information may be challenging, GAO guidance on data reliability recommends tracing a sample of data records to source documents to determine whether the data accurately and completely reflect the source documents.⁵⁴ Further, federal internal control standards note the importance of evaluating data for reliability.⁵⁵

⁵⁴GAO, *Assessing the Reliability of Computer-Processed Data*, [GAO-09-680G](#) (Washington, D.C.: July 2009).

⁵⁵[GAO-14-704G](#).

Because HUD does not verify the accuracy of information from semiannual performance reports, it lacks assurance that this information is accurate. To the extent that HUD relies on this information to assess the performance of service coordinators at Section 202 properties, its understanding of coordinators' performance may be limited.

In addition, HUD has not developed policies or procedures for analyzing data from the semiannual performance reports that it requires Section 202 properties with service coordinators to submit, although it has taken recent steps to improve its use of data. At the outset of our review, HUD officials told us that they did not have an information system to collect this information but that the performance data would be more useful if they were aggregated. They also noted that it would be cost-prohibitive for the agency to revise an existing information system to accommodate performance data from the semiannual performance report. During the course of our review, HUD began taking steps that would enable it to electronically extract data from semiannual performance reports and put them into a spreadsheet. The Office of Management and Budget approved a change to information collection procedures for the semiannual performance report in November 2015. This change required service coordinators to submit the report using a fillable format, a feature which would enable HUD to extract performance data. According to Office of Management and Budget documentation, semiannual performance reports had to be submitted to HUD in the fillable format for the reporting period of October 1, 2015, through March 31, 2016. In July 2016 HUD officials provided us with a spreadsheet of performance data they had downloaded for this performance period. In providing the data, HUD noted that the data are still in a preliminary and raw form and may have quality issues. We requested documentation of HUD's plans for analyzing the data. According to HUD, the agency has not yet developed standard

procedures for analyzing the data and does not have a firm timeline for the development of such procedures.⁵⁶

While improving the agency's ability to extract performance data from the most recent semiannual performance reports is a positive step, HUD has not developed policies or procedures for analyzing the data collected. Federal internal control standards note that management should process data into quality information and use the quality information to make informed decisions and evaluate performance in achieving key objectives.⁵⁷ In addition, our previous work has found that federal agencies can use performance information to identify performance improvement opportunities, improve program implementation and organizational processes, and make other important management and resource allocation decisions.⁵⁸ Until HUD develops and implements policies and procedures for analyzing the performance information that it requires from Section 202 properties with service coordinators, its ability to use that information to monitor whether service coordinators are performing effectively and helping to fulfill the goals of the Section 202 program will likely be limited.

⁵⁶In addition to these steps, HUD's Office of Strategic Planning and Management plans to include the Multifamily Housing Service Coordinator program in an effort to collect consistent performance data across a number of HUD grant programs using standardized performance indicators. HUD officials with responsibility for this effort told us that they plan to implement this effort in fiscal year 2018, pending Office of Management and Budget approval. On September 10, 2015, HUD posted a 60-day notice soliciting public comments about the proposed information collection and reporting requirements. 80 Fed. Reg. 54,577. On April 26, 2016, HUD posted a notice in the *Federal Register* to allow for an additional 30 days for public comment, 81 Fed. Reg. 24631.

⁵⁷[GAO-14-704G](#).

⁵⁸[GAO-15-819](#).

Appropriated Funds for New Properties Have Not Been Available for Several Years, but HUD Has Taken Steps to Preserve Existing Properties

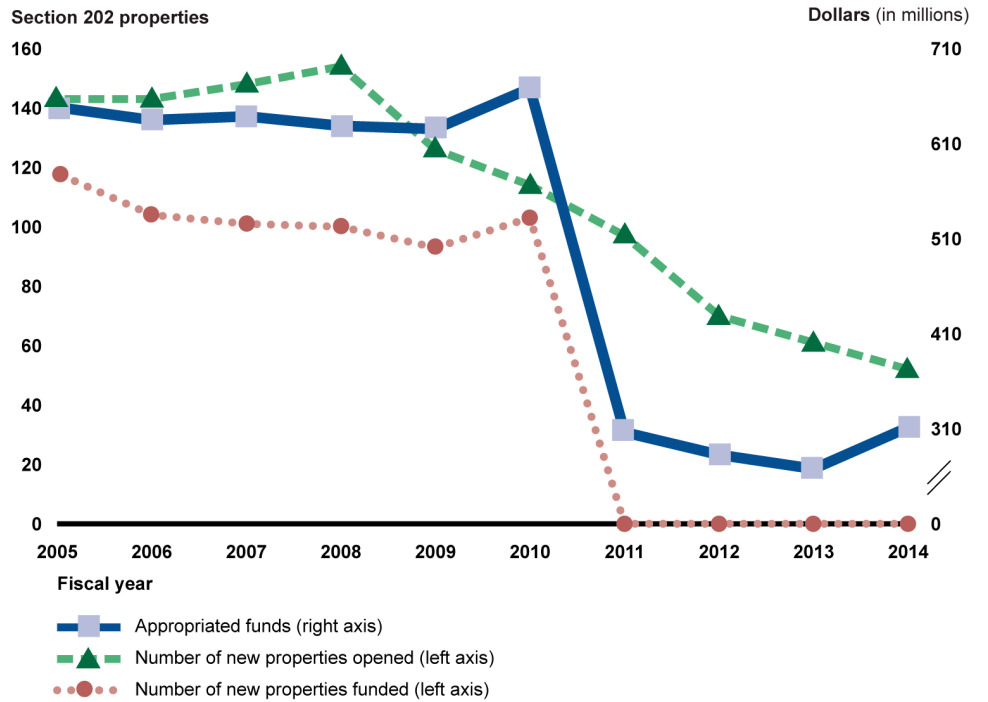
Appropriated Funds Have Not Been Available for New Construction since Fiscal Year 2011

The Section 202 program last received appropriations for new developments in fiscal year 2011. The fiscal year 2011 appropriation of approximately \$100 million for new units was a significant reduction from previous years' appropriations of more than \$500 million. Currently, funds are appropriated primarily for the renewal of existing properties' rental assistance contracts.

Because developing a new Section 202 property can take several years, there is often a lag between the year in which Congress appropriates funds for Section 202 capital advances and the year in which properties are occupied. Thus, the number of new Section 202 properties opening has not yet ceased entirely, as shown in figure 4. However, it has been declining since 2008. While Congress has not appropriated any funds for new construction since fiscal year 2011, it has continued to appropriate funds for the renewal of Section 202 properties' rental assistance contracts.⁵⁹

⁵⁹While Congress appropriated approximately \$100 million for new Section 202 developments in fiscal year 2011, HUD combined these funds with fiscal year 2010 appropriations for a single round of awards.

Figure 4: Number of Section 202 Properties Funded and Opened Compared to Section 202 Appropriations, Fiscal Years 2005 through 2014

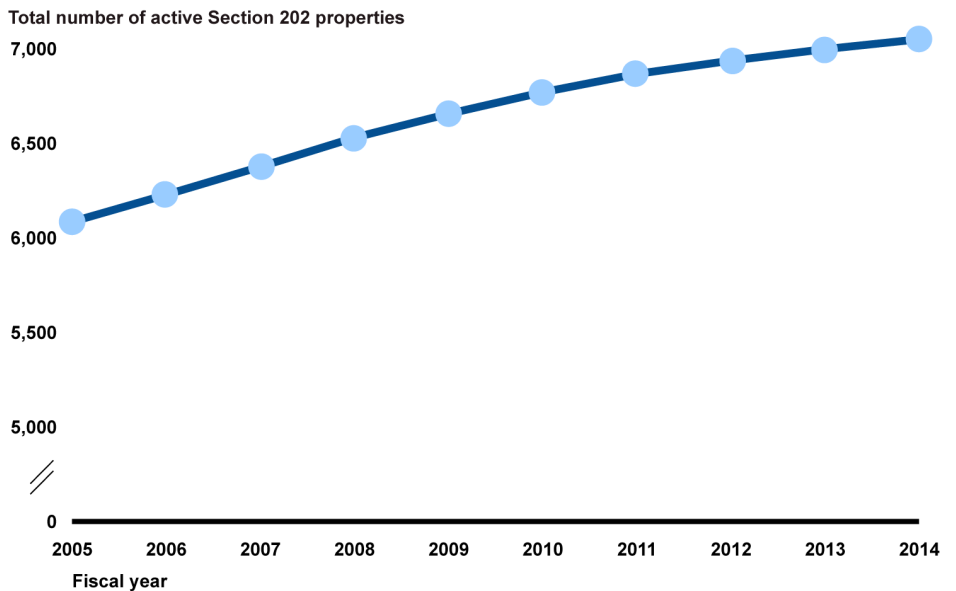


Source: GAO analysis of Department of Housing and Urban Development data. | GAO-16-758

Note: While Congress appropriated approximately \$100 million for new Section 202 developments in fiscal year 2011, HUD combined these funds with fiscal year 2010 appropriations for a single round of awards. Due to the way HUD maintains these data, all developments funded in this combined round are recorded as part of the fiscal year 2010 funding award. While Congress has not appropriated any funds for new construction since fiscal year 2011, it has continued to appropriate funds for the renewal of Section 202 properties' rental assistance contracts.

As a result of the production and funding trends shown previously in figure 4, the growth of the overall portfolio of Section 202 properties has slowed over the past several years (see fig. 5).

Figure 5: Total Number of Active Section 202 Properties



Source: GAO analysis of Department of Housing and Urban Development data. | GAO-16-758

Note: Data show Section 202 properties that were still open as of the end of fiscal year 2014.

HUD Has Taken Measures to Preserve Existing Properties and to Encourage Owners to Continue to Serve Low-Income Elderly Households

HUD officials described several avenues through which HUD helps to preserve the current stock of Section 202 properties. First, HUD helps to ensure the long-term physical viability of Section 202 properties by routinely performing physical inspections. Second, because even well-maintained properties eventually require rehabilitation, HUD assists owners who wish to refinance their properties to pay for capital repairs. Third, HUD hosts clinics to encourage owners of Section 202 direct loan properties to remain connected to the Section 202 program.⁶⁰ Finally, for owners of Section 202 properties who wish to leave the program, HUD helps owners to transfer their properties to other parties interested in maintaining them as Section 202 properties.

Physical Inspections

HUD helps to ensure the long-term physical viability of Section 202 properties by routinely performing physical inspections. Physical

⁶⁰A Section 202 direct loan property is one for which the capital financing was supplied by a direct loan from HUD. As previously mentioned, the 1990 Cranston-Gonzalez National Affordable Housing Act replaced loans with capital advances.

inspections are performed by HUD staff or contractors, and HUD officials told us that the frequency of the physical inspections varies according to the physical condition of the properties. Properties found to be in good condition are subject to follow-up inspections every 3 years, while those with deficiencies receive follow-up inspections more frequently. When physical inspections reveal deficiencies that threaten residents' health and safety, properties must carry out immediate remediation plans.

Refinancing

Section 202 direct loan properties can be refinanced for capital repairs, which can extend both the physically useful life of the property and the duration of the property's commitment to the Section 202 program. According to HUD officials, most Section 202 owners are mission-driven and therefore wish to continue providing affordable housing for the elderly.⁶¹ Nevertheless, the lack of public sector funding for capital improvements is a challenge because many properties are old and need physical improvements. Refinancing offers owners a way of accessing funds to make improvements to properties, which may be deteriorating or in need of modernization, so that they can continue to provide affordable housing. In order to prepay a loan and refinance a Section 202 property, property owners generally must obtain HUD approval.⁶²

HUD has published guidance that outlines the requirements Section 202 direct loan prepayments must meet in order to receive this approval.⁶³ Beyond extending the physically useful life of a Section 202 property, refinancing also offers a means of lengthening properties' obligations to serve their target populations under the terms of the Section 202 program. As a condition of securing HUD's approval to refinance, owners

⁶¹According to HUD officials, 428 Section 202 properties have exited the program in its entire history. A property "exits" the Section 202 program when, among other means, its original HUD mortgage matures and the property has no rental assistance contract (or other affordability agreement) with HUD, or when a property with no outstanding HUD loan allows its rental assistance contract to expire. HUD officials told us that most of the 428 exits resulted from mortgages that had matured.

⁶²Section 202 properties with original financing dates of approximately 1977 to 1982 may not be required to seek HUD's prior approval, but may instead prepay their loans with only a 30-day notice to HUD.

⁶³Department of Housing and Urban Development, *Updated Requirements for Prepayment and Refinance of Section 202 Direct Loans*, HUD Notice H 2013-17 (Washington, D.C.: May 30, 2013).

of direct loan properties sign a Use Agreement, which, as previously discussed, obligates the property to maintain the affordability terms of the original loan and any existing project-based rental assistance contract for a period of at least 20 years beyond the loan's original maturation date.⁶⁴

Section 202 properties can be refinanced in a number of ways. For example, owners can borrow from a conventional lender and use the loan proceeds to pay off their original HUD loan and also to finance needed capital repairs. HUD helps to encourage this practice by working with approved lenders to make available mortgage insurance for the refinancing and substantial rehabilitation of Section 202 properties through the Section 221(d)(4) program.⁶⁵ Section 202 owners can also finance capital repairs through low-income housing tax credits (LIHTC). LIHTCs are competitively awarded by state-level housing finance agencies, and they allow awardees—for example, Section 202 owners planning to make substantial rehabilitations on their properties—to attract equity investment to their properties by selling ownership interests to parties interested in using the tax credits.⁶⁶ As with refinancing performed via conventional lenders, HUD helps to encourage LIHTC-based refinancing by providing certain flexibilities for using HUD mortgage insurance products to insure transactions that use LIHTCs. For example, HUD streamlined its procedures for processing HUD's multifamily mortgage insurance applications involving LIHTCs. As part of this effort,

⁶⁴Initially, owners of Section 202 direct loan properties were allowed to prepay their loans as long as they continued to operate their properties (on terms at least as favorable to tenants as the terms under the original loan agreement) up through the original date of loan maturity. The Section 202 Supportive Housing for the Elderly Act of 2010, Pub. L. No. 111-372, §§ 201-204, 124 Stat. 4077, 4079, changed the law to provide that in order to gain HUD approval to prepay an existing Section 202 loan, an owner must agree to maintain affordability for at least 20 years beyond the date of the original loan's maturation.

⁶⁵The Section 221(d)(4) program insures mortgage loans to facilitate the new construction or substantial rehabilitation of multifamily rental or cooperative housing for moderate-income families, the elderly, and the handicapped, protecting lenders against loss on mortgage defaults.

⁶⁶For more information on low-income housing tax credits, see GAO, *Low-Income Housing Tax Credit: Some Agency Practices Raise Concerns and IRS Could Improve Noncompliance Reporting and Data Collection*, [GAO-16-360](#) (Washington, D.C.: May 11, 2016) and *Low-Income Housing Tax Credit: Joint IRS-HUD Administration Could Help Address Weaknesses in Oversight*, [GAO-15-330](#) (Washington, D.C.: July 15, 2015).

HUD made program changes that reduce up-front and overall transaction costs.

HUD has used Senior Preservation Rental Assistance Contracts as a tool to assist some Section 202 properties in refinancing. The Section 202 Supportive Housing for the Elderly Act of 2010 authorized HUD to provide Senior Preservation Rental Assistance Contracts with 20-year terms to prevent displacement of residents of certain Section 202 properties, by providing new rental assistance for previously-unsubsidized units in cases where refinancing results in increased tenant rents.⁶⁷ HUD made its first award of these contracts in 2013, providing \$14.8 million to preserve rental assistance in 12 Section 202 properties. However, while HUD has received appropriations in subsequent years sufficient to annually renew this initial round of awards, the appropriations have not been sufficient to make any further rounds of awards.

HUD has also proposed regulations that would assist owners of Section 202 properties financed through capital advances by allowing owners to borrow funds for needed capital renovations. Section 202 properties developed subsequent to the 1990 passage of the Cranston-Gonzalez National Affordable Housing Act were financed with capital advances, and their ongoing operations are subsidized through rental assistance contracts. However, current HUD regulations do not allow project rental assistance funds to pay for debt service, which precludes owners of these properties from borrowing money to make needed renovations.⁶⁸ On October 7, 2014, HUD proposed new regulations which, among other things, would permit Section 202 properties that were financed through capital advances to use their rental assistance funds to pay debt service.⁶⁹ This would allow Section 202 owners to borrow capital funds to

⁶⁷Pub. L. No. 111-372, § 204, 124 Stat. 4077, 4081. Prior to enactment of this law, owners of Section 202 properties had to refinance into a loan with reduced principal and interest payments. Owners of properties financed prior to 1974 at low interest rates found it difficult to meet this requirement. The Section 202 Supportive Housing for the Elderly Act allowed owners with interest rates at or below 6 percent to refinance even though debt service costs increase as long as they used the proceeds of the new loan to address the physical needs of the property. HUD may award Senior Preservation Rental Assistance Contracts to Section 202 properties to prevent displacement of tenants when a refinancing results in increased rents.

⁶⁸See 24 C.F.R. § 891.105 (definition of “operating costs”) and 24 C.F.R. § 891.835.

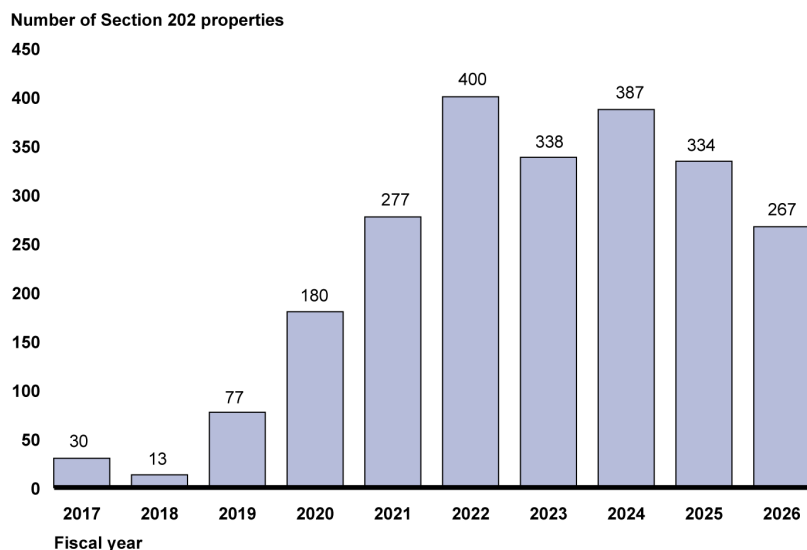
⁶⁹79 Fed. Reg. 60,590 (Oct. 7, 2014).

renovate existing properties and then adjust their rental assistance contracts to allow them to service this new debt. As of July 2016, these proposed regulations had not been finalized.

Preservation Clinics

HUD also hosts clinics to encourage owners of Section 202 direct loan properties to remain connected to the Section 202 program. More specifically, the clinics are intended to help owners understand and evaluate their financing, recapitalization, and rental assistance options. For example, from July 2015 through February 2016, HUD hosted nine clinics in various regions of the country. According to HUD officials, to identify properties to invite to the clinics, HUD staff (or contractors) review HUD's data to identify Section 202 properties whose agreements (whether mortgage notes or rental assistance contracts) are set to expire in the next few years. (Fig. 6 shows the annual number of properties whose agreements are set to expire by 2026.) HUD staff told us that they then invited to the clinics owners of properties for which the mortgages would mature within the following 3 years. According to HUD officials, a total of 550 people attended the recent series of nine clinics. However, HUD officials explained that, because this series of clinics only recently concluded, it is too early to attempt to measure their results, such as the number of refinances that occurred as a result of them.

Figure 6: Number of Active Section 202 Direct Loan Properties with Mortgages Maturing from 2017 through 2026



Source: GAO analysis of Department of Housing and Urban Development data. | GAO-16-758

Note: This figure depicts mortgage maturations from fiscal year 2017 through 2026, though there are Section 202 properties for which mortgages will mature beyond 2026 as well.

Transfers of Rental Assistance and Ownership

For properties that have rental assistance contracts through HUD's Section 8 program, including Section 202 properties, HUD's Section 8(bb) authority provides HUD with a means of preserving the rental assistance associated with these properties.⁷⁰ Under Section 8(bb), if a Section 8 rental assistance contract is terminated or expires and is not renewed, HUD is required to transfer any remaining budget authority to another contract to provide assistance to eligible families, including eligible families receiving rental assistance at the time of the contract termination. HUD officials described Section 8(bb) as an important preservation tool for residents of Section 202 properties.

HUD also preserves existing Section 202 units by assisting owners with property transfers. In cases where owners decide to sell their properties, HUD can work with these owners to try to preserve their properties as affordable housing for low-income seniors. One way they do this is via transfers of physical assets. Through this process, with HUD approval, the ownership of a Section 202 property is transferred to another eligible organization. The new owner must agree to continue to operate the property in accordance with the tenant-related provisions of the Section 202 program, among other things. HUD staff told us that they can assist owners with this process by helping to identify organizations that may be interested in purchasing the property. HUD officials told us that—while HUD does not currently track the number of Section 202 property transfers—they are uncommon and typically occur in conjunction with the creation of a new ownership entity for purposes of a refinance.

Conclusions

HUD's Section 202 program is intended to provide affordable rental housing for the elderly and to help connect residents to supportive services so that they can age in place. However, our review found that HUD faces several impediments to effectively ensuring that elderly residents of its Section 202 properties are connected to supportive services.

First, HUD does not have reliable data on the number of Section 202 properties that have service coordinators. Specifically, HUD's data are

⁷⁰Section 8(bb)(1) of the United States Housing Act of 1937, Pub. L. No. 75-412, 50 Stat.888, as amended, provides HUD with a tool for preserving Section 8 budget authority.

missing information on the presence of a number of HUD-funded service coordinators at Section 202 properties, in part because HUD field staff may not be consistently following the agency's procedures for identifying and recording the presence of budget-based service coordinators at Section 202 properties. This missing information could hinder HUD's ability to monitor and collect performance information on HUD-funded service coordinators. Federal internal control standards note the importance of obtaining relevant data from reliable internal and external sources in a timely manner. While HUD finalized guidance for field staff in July 2016 to improve its data on HUD-funded service coordinators, until HUD field office staff fully implement this guidance, HUD may not be identifying all cases where service coordinators' performance does not meet the goals of the Section 202 and service coordinator programs.

Second, while HUD staff (or contractors) are responsible for monitoring Section 202 properties, HUD has not provided them with specific, written guidance on monitoring properties' compliance with supportive service requirements. While HUD is developing written guidance that will address monitoring, HUD's plans for the guidance have limitations. For example, the plans note that the guidance will focus on Section 202 properties with grant-based service coordinators. The plans do not address how HUD staff should assess other Section 202 properties' compliance with the program's supportive service requirements, including properties with budget-based service coordinators and properties without service coordinators. In addition, HUD lacks written guidance on the agency's policies and procedures for identifying and monitoring stand-alone Section 202 properties. Federal internal control standards note the importance of documenting responsibilities through policies. Without program-specific monitoring guidance, HUD may not be able to ensure that the elderly residents of its Section 202 properties, including stand-alone Section 202 properties, are receiving the supportive housing that the program promises.

Finally, HUD has not made effective use of the performance information that it collects from Section 202 properties that have HUD-funded service coordinators, including information from semiannual performance reports. HUD has taken steps to improve its ability to extract data from the semiannual performance reports, but it does not verify the accuracy of the data. GAO guidance recommends verifying that data records accurately reflect the source documents, and federal internal control standards note the importance of evaluating data for reliability. Furthermore, HUD does not analyze the data to better understand service coordinators' performance. Internal control standards underline the importance of using

quality information to evaluate performance in achieving key objectives. By taking steps to verify the accuracy of performance information and analyze the information collected, HUD could increase its understanding of the extent to which service coordinators help elderly residents of Section 202 properties age in place, a goal of both the Section 202 and service coordinator programs.

Recommendations for Executive Action

To better inform Congress and improve what is known about the extent to which elderly residents of Section 202 properties are assisted by service coordinators, we recommend that the Assistant Secretary for Housing take the following three actions:

- Implement HUD's guidance on processes to improve the accuracy of information on Section 202 properties with budget-based service coordinators, and take steps to evaluate whether the guidance has improved the reliability of this information.
- Develop and implement written guidance that describes how HUD staff should assess Section 202 properties' compliance with the program's supportive services requirement. Such guidance should include information on the roles and responsibilities of HUD staff for (1) identifying stand-alone Section 202 properties and (2) monitoring the supportive services requirement for Section 202 properties with grant- and budget-based service coordinators, Section 202 properties that do not have service coordinators, and stand-alone Section 202 properties.
- Develop and implement policies and procedures for (1) verifying the accuracy of a sample of the performance information that Section 202 properties submit through semiannual performance reports and (2) analyzing the performance information collected.

Agency Comments and Our Evaluation

We provided a draft of this report to HUD. HUD provided written comments, which are reprinted in appendix III.

In its letter, HUD agreed with our recommendations and pointed to actions it has taken or intends to take to implement them, including the following examples:

- Consistent with our recommendation to improve the accuracy of information on Section 202 properties with budget-based service coordinators, HUD stated that it has started to make changes to

the Integrated Real Estate Management System (iREMS) to better support data for the Service Coordinator program.

- Concerning our recommendation to develop and implement written guidance on how HUD staff should assess Section 202 properties' compliance with the program's supportive services requirement, HUD noted that the agency had implemented guidance in July 2016 that would apply to the Multifamily Housing Service Coordinator grant program. HUD also noted that it will develop guidance and training that would standardize the role of Quality Assurance providers, which serve as a monitoring tool for the agency.
- Furthermore, consistent with our recommendation for making more effective use of the performance information collected from Section 202 properties with HUD-funded service coordinators, HUD noted that it is determining a process for verifying and analyzing performance data.

When HUD provides documentation of these actions we will review the information to determine whether our recommendations have been fully implemented.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the Secretary of Housing and Urban Development and other interested committees. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-8678 or garciadiazd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.



Daniel Garcia-Diaz
Director, Financial Markets and Community Investment

List of Committees

The Honorable Susan Collins
Chairman
The Honorable Jack Reed
Ranking Member
Subcommittee on Transportation, Housing and Urban Development and
Related Agencies
Committee on Appropriations
United States Senate

The Honorable Mario Diaz-Balart
Chairman
The Honorable David Price
Ranking Member
Subcommittee on Transportation, Housing and Urban Development and
Related Agencies
Committee on Appropriations
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Our objectives were to examine (1) the extent to which Section 202 Supportive Housing for the Elderly (Section 202) properties have service coordinators, (2) how properties without service coordinators make services available to residents and reasons why some properties do not have service coordinators, (3) the Department of Housing and Urban Development's (HUD) monitoring of Section 202 properties' efforts to make services available to residents, and (4) HUD's efforts to preserve Section 202 properties given recent trends in annual funding.

Use of Section 202 Data to Determine Number of Service Coordinators

To determine the number of Section 202 properties that have a service coordinator and the characteristics of such properties and their residents, we obtained and analyzed HUD data on Section 202 properties, service coordinators, and tenant characteristics as of the end of fiscal year 2014, the most recent year for which data were available at the time of our review.¹ We assessed HUD's data quality in terms of federal internal control requirements for the use of quality information.² We focused on Section 202 properties with active HUD funding for the property, either in the form of direct loans, capital advances, or rental assistance. HUD's data on Section 202 properties did not identify which ones had service coordinators. We compared information on Section 202 properties with active HUD funding to available HUD data on service coordinators in an effort to identify Section 202 properties that had a HUD-funded service coordinator. To assess the reliability of this information, we conducted electronic testing of the data to identify outliers as well as missing data, reviewed documentation related to relevant information systems, compared data to published reports, and interviewed HUD officials with responsibility for managing this information. We also compared HUD's data with results from GAO's survey of a generalizable sample of Section 202 property managers (described below). We determined that HUD data

¹We limited our analysis to Section 202 properties that were active as of the end of fiscal year 2014. To identify the active properties, we excluded two categories of properties that were included in HUD's data. First, we omitted the "stand-alone" properties: those with no ties to the Section 202 program via an outstanding direct loan, capital advance, or rental assistance contract. Second, because HUD's data included properties that were in the development or construction process in 2014—but which had not yet been occupied by residents—we excluded properties that could be known (via a data variable related to project status) not to have opened during fiscal year 2014.

²GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

were sufficiently reliable for determining the number of Section 202 properties with service coordinators that were funded through HUD's Multifamily Service Coordinator grant program. We determined that HUD data were not reliable for the purpose of determining the number of Section 202 properties with budget-based service coordinators.

Use of Survey to Learn More about Properties Not Identifiable in HUD Data as Having Service Coordinators

We conducted a self-administered, web-based questionnaire survey of a sample of managers of Section 202 properties to determine how well HUD's data captured the presence of HUD-funded service coordinators in Section 202 properties, to identify steps that properties that do not have a HUD-funded service coordinator take to connect their residents with services, and to learn about Section 202 properties' experiences with HUD monitoring and oversight.

Survey Development

Each questionnaire began with a filter question to determine whether the sampled property was in fact an active Section 202 property as of the end of fiscal year 2014. Questionnaires focused on four primary topic areas: property and resident characteristics, efforts to connect residents with supportive service (with separate sets of questions for properties that had service coordinators and those that did not), experience with HUD monitoring, and steps taken to assess residents' service needs and their health and well-being.

Most survey questions were closed-ended, in which property managers selected from a list of possible responses. To obtain additional narrative and supporting context, survey respondents were given opportunities to provide additional open-ended comments throughout the survey. In nine cases, we performed site visits to properties included in our survey sample before the survey link was distributed electronically. In these cases, we administered the survey on-site.

Sample Selection

We selected a stratified random sample of 216 properties from the 4,499 that were not identifiable in HUD's data as having had a HUD-funded

service coordinator at the end of fiscal year 2014.³ We computed the overall sample size to yield percentage estimates with confidence intervals no wider than plus or minus 10 percentage points at the 95 percent level of confidence. We then increased the sample size for an expected response rate of about 70 percent. Our sample was designed to allow us to make projections to all Section 202 properties that (according to HUD's data) lacked a HUD-funded service coordinator, as well as to the subpopulation of these properties that principally served elderly residents. This planned level of precision applied only to questions asked of the entire sample; questions asked of only a subset of the sample (e.g., questions addressed only to properties that had service coordinators, or only to properties that did not have service coordinators) would produce estimates with wider confidence intervals.

Survey Administration

Using e-mail addresses supplied by HUD headquarters, we sent the sampled Section 202 managers a link to a secure survey website, along with a unique identifier and password to control access to each member's questionnaire.⁴ Except for the cases of on-site survey administration, the

³We stratified our sample based on a data variable that essentially identified whether a property had been financed with a Section 202 capital advance, rather than a direct loan. The 1990 Cranston-Gonzalez National Affordable Housing Act both (i) replaced the Section 202 program's former direct loan financing instrument with the new instrument of capital advances and (ii) created HUD's Section 811 program—a separate program dedicated specifically to creating supportive housing for very-low-income persons with disabilities—thereby removing the possibility that any future-funded Section 202 properties would principally serve the nonelderly disabled population. Thus, any Section 202 properties funded after the effective date of this act would of necessity serve only elderly households. Because we wanted to ensure we had an adequate number of responses from properties that principally serve elderly households, and because properties financed with capital advances are known to fit this description, we oversampled properties funded by Section 202 capital advances.

⁴Pursuant to advice we received from HUD headquarters, we sent each survey link to the individual identified in HUD's data as the "Management Agent" or "Management Agent Contact" for the relevant party. In cases where this information was missing in HUD's data—and later, in cases where e-mail addresses were found to be nonworking—we worked with HUD headquarters and field office staff to obtain suitable contact information for the property. In cases where suitable information remained unavailable even after working with HUD staff—and later, in cases where the parties identified as "Management Agent" or "Management Agent Contact" proved nonresponsive to invitations to complete the survey—we sent the survey link to parties identified in HUD's data as "Owner" or "Owner Contact." Regardless of who received the survey link, we specified in our instructions that the survey was to be completed by a person with broad perspective and knowledge about whether the Section 202 property has a service coordinator and how services are made available to residents.

survey began on February 22, 2016, and data collection ended on April 24, 2016.⁵ During the course of survey data collection, we sent periodic reminder e-mails to all nonrespondents to encourage participation in the survey. We also conducted tailored follow-ups by telephone with selected nonrespondents—for example, those only partially completing their questionnaires. From our stratified random sample of 216 properties, we received valid responses from 149 properties resulting in a response rate of 69 percent.

Weighting and Confidence Intervals

We identified 10 sampled properties that indicated they were either a Section 811 property (3 properties) or were not an active Section 202 property at the end of fiscal year 2014 (7 properties). As a result, we treated these respondents as being out of scope and generalized the weighted survey results to the estimated target population of about 4,275 properties (plus or minus 5.6 percentage points) in the sample frame that were active Section 202 properties at the end of fiscal year 2014. We statistically adjusted, or weighted, survey results to account for the fact that we oversampled properties that were funded with capital advances, to produce estimates that represented the entire target population. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. As each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as 95 percent confidence intervals. This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that each of the confidence intervals based on our survey includes the true values in the sample population. Throughout this report, we disclose the confidence interval for each estimate as a margin of error (e.g., plus or minus 10 percentage points).

Steps to Minimize Types of Error

In addition to sampling error, questionnaire surveys are subject to other potential errors. We included steps in the survey design, data collection, and data analysis stages to minimize these types of nonsampling errors.

⁵The nine cases of on-site survey administration ranged from December 7, 2015, through February 8, 2016.

- **Measurement error.** Measurement error can result from differences in how a particular question is interpreted or from the different sources of information available to respondents. To minimize the possibility of measurement error, we designed draft questionnaires in collaboration with GAO survey specialists. We conducted pretests by telephone with five Section 202 property managers (one in each of HUD's five Multifamily Housing regions). On the basis of survey specialist input and these pretests, we made revisions to questionnaire drafts as necessary to reduce the likelihood of measurement and nonresponse errors (the types of nonresponse associated with the perceived burden, lack of question clarity, or relevance to the respondent). In addition, our analysts answered respondent questions and resolved difficulties that respondents had in completing our questionnaire. We asked open-ended comment questions at various points in the questionnaire to allow respondents to explain or provide context for their answers, which helped inform and corroborate our interpretation and analysis of the survey results.
- **Nonresponse error.** Nonresponse error can result from failing to collect information on some or all questions from those sampled. To minimize the possibility of nonresponse error, we made multiple follow-up contacts with nonrespondents throughout data collection to reduce nonresponse. We performed nonresponse bias analyses to determine whether those not responding may have answered in a fundamentally different way on key questions we asked. Specifically, we compared response rates across strata definitions and examined the accuracy of estimates of the population by property size. We observed similar response rates within each of the strata and found no statistically significant differences in weighted estimates of property size when compared to the sample frame. Based on this analysis we found no evidence of significant nonresponse bias in the results.
- **Data processing error.** Data processing error can result from faulty or incomplete recording of survey responses, or from improperly designed analysis of the survey results once collected. To minimize the possibility of data processing error, a second data analyst independently verified the accuracy of all computer analyses. In addition, Section 202 property managers made their responses directly into an automated web survey instrument, preventing errors associated with manual data entry of written answers. (For the nine surveys that were administered during our site visits, a GAO analyst similarly entered the property managers' responses directly into this automated web survey instrument on the basis of the answers recorded on-site.)

Use of Site Visits to Learn More about Properties Not Identifiable as Having Service Coordinators in HUD Data

To further determine how properties without service coordinators made services available to residents, and to identify reasons some Section 202 properties did not have a service coordinator, we conducted site visits to HUD field offices and Section 202 properties in and around major cities in each of HUD's five Multifamily Housing regions. We selected cities that (1) had HUD field offices identified in HUD's data as being "Hubs"; (2) were in close proximity to GAO field offices; (3) had within a 100-mile proximity at least two Section 202 properties from our survey sample; and (4) had at least one Section 202 property that HUD's data indicated had a service coordinator in fiscal year 2014.⁶ The HUD field offices we selected included three Regional Centers—located in Atlanta, Georgia; Chicago, Illinois; and Fort Worth, Texas—and two Asset Management offices—located in Los Angeles, California, and Washington, D.C.⁷ All of the local HUD offices that we interviewed had staff with responsibility for monitoring Section 202 properties. In each of the cities we visited, we interviewed managers of properties that did not have service coordinators and discussed their survey responses.⁸ We also visited at least one property in each city that did employ a HUD-funded service coordinator in fiscal year 2014.⁹ To identify property managers, we also considered property size. Based on the survey responses and site visits, we identified alternative approaches to connecting Section 202 residents with supportive services. To identify the benefits and limitations of these approaches, we summarized the views of HUD officials, industry groups, and Section 202 property managers. We also conducted a review of the relevant academic and industry literature in an effort to identify alternative approaches of connecting residents of Section 202 properties to services besides using a service coordinator.

⁶Although the primary purpose of these site visits was to learn more about properties that do not employ HUD-funded service coordinators, for further context we also wanted to get the perspective of at least one property in each city that did employ a service coordinator in fiscal year 2014.

⁷Regional centers have production and other non-asset management positions. Asset management offices have asset management staff.

⁸In 9 of 10 cases, we visited the properties before the survey was out in the field, so we administered the survey on-site and discussed responses as we recorded them.

⁹We spoke with officials in HUD's Regional center in Fort Worth, Texas, but we visited three Section 202 properties in and around Oklahoma City, Oklahoma. Hub is a term HUD has used for a regional office.

HUD's Monitoring of Section 202 Properties' Efforts to Link Residents to Services

To assess HUD's monitoring of Section 202 properties' efforts to connect residents to services, we obtained and reviewed available documentation of monitoring-related policies and procedures. We analyzed documentation of monitoring efforts, and we interviewed HUD officials from headquarters and offices in each of HUD's five Office of Multifamily Housing regions. Based on these documents and interviews with HUD staff, we identified two monitoring processes, management and occupancy reviews and reviews of semiannual performance reports, which focus to some extent on supportive services at Section 202 properties.

To assess the extent to which HUD staff were following these monitoring policies and procedures, we reviewed available documentation of management and occupancy reviews conducted from 2010 through 2015. We included in our survey questions for property managers about HUD's monitoring efforts, and we analyzed responses to these questions. During site visits to cities within HUD's five Multifamily Housing regions, we interviewed Section 202 property managers and local HUD staff about HUD's monitoring practices. We compared HUD's monitoring activities to federal internal control standards related to program monitoring.¹⁰ As a part of this analysis, we compared HUD's activities with the internal control requirement for documenting responsibilities through policies.

We also examined HUD's efforts to collect performance information on service coordinators for Section 202 properties. We interviewed HUD staff about requirements for properties' reporting of performance information, as well as HUD's procedures for collecting and reviewing the performance information that it collects on service coordinators. We reviewed draft documentation of HUD's plans to improve its procedures for collecting and analyzing performance information as well as HUD's preliminary download of performance data. We compared HUD's practices for using performance information to GAO guidance on data reliability and federal internal control standards related to evaluating data for reliability.¹¹ Additionally, we compared HUD's practices to previous GAO work on using performance information to identify performance improvement opportunities as well as federal internal control standards

¹⁰[GAO-14-704G](#).

¹¹[GAO-09-680G](#) and [GAO-14-704G](#).

for processing data into quality information.¹² Finally, we interviewed managers of Section 202 properties with service coordinators, as well as service coordinators themselves, about performance reporting requirements during our site visits.

HUD's Efforts to Preserve Section 202 Properties

To describe steps HUD has taken to preserve Section 202 units, we identified and reviewed documentation of various tools that HUD has used to help ensure that properties are maintained in good physical condition and that property owners continue to provide affordable housing through the Section 202 program. For example, we reviewed HUD Notices on prepaying and refinancing direct loans as well as agency documentation related to preservation workshops. We discussed these tools with HUD headquarters staff and—in the case of one of these tools (preservation clinics)—with HUD's field office staff. We reviewed documentation of HUD's policies and procedures for monitoring the physical condition of Section 202 properties, and interviewed HUD staff and Section 202 property managers about preserving the property. We reviewed HUD policies and procedures related to the refinancing of Section 202 properties, as well as proposed regulatory changes to these policies. We interviewed managers of Section 202 properties about HUD's efforts to encourage them to continue operating as Section 202 properties. We also analyzed HUD data to identify the number of Section 202 properties with direct loans that will mature from 2017 through 2026.

We conducted this performance audit from April 2015 to August 2016 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.

¹²[GAO-15-819](#) and [GAO-14-704G](#).

Appendix II: Copy of Survey

Survey of Service Provision among Section 202 Properties

U.S. Government Accountability Office

The U.S. Government Accountability Office (GAO) is an independent nonpartisan research agency of the Congress. Congressional appropriations committees asked us to conduct a study examining the prevalence of service coordinators among Section 202 properties, the reasons some properties lack service coordinators, and alternative methods of making services available to residents.

The purpose of this survey is to obtain information from a sample of Section 202 managers on the reasons Section 202 properties may not have service coordinators and any alternative methods of making supportive services available to residents. As Congress has requested, we also want to learn about properties that have service coordinators and obtain information on funding sources for these coordinators.

This survey asks about activity during fiscal year 2014 (FY2014) — October 2013 through September 2014 — unless otherwise specified.

You are listed as a contact for the Section 202 property below. However, you may need to coordinate with additional staff to complete it or get it to the best person to complete it. This questionnaire pertains only to the following property (even if this property is one portion of a multi-phased project):

- Property: [xxx]
- iREMS ID:[xxx]
- Address: [xxx]
- City/State: [xxx]

Contact information; property and resident characteristics

1. Please provide the name, title, telephone number, and e-mail address of the person responsible for completing this survey so that we may follow up, if necessary.

- a. Name: _____
- b. Title: _____
- c. Phone number: _____
- d. E-mail address: _____

2. At the end of FY2014 was this property an active Section 202 property?

- Yes
- No
- Don't Know

If "no" or "do not know" was checked, please explain.

3. As of the end of FY2014, which of the following best describes the composition of residents at this property?

- Generally elderly (head of household is 62 or older)
- More elderly than non-elderly disabled
- More non-elderly disabled than elderly
- Generally non-elderly disabled
- Other (specify below)

If "Other" was checked for question 3 please explain below:

4. During any part of FY2014, did this property employ a service coordinator?

- Yes (continue with question 5)
- No (skip to question 8)

Properties that Do Employ Service Coordinators

5. During FY2014, which of the following funding sources were used to pay for the service coordinator(s)?

	Yes	No
a. Debt service savings		
b. Residual receipts		
c. Project Rental Assistance Contract (PRAC)		
d. Service Coordinator Program Grant		
e. Section 236 excess income		
f. Section 8 operating funds		
g. Private funds		
h. State or local funds		
i. Other (specify below)		

If "other": What was the other funding source?

6. To what extent did the funding used cover the costs of employing a service coordinator (e.g., salary, administrative costs)?

- Covered all costs (skip to question 7)
- Covered most costs
- Covered some costs

6A. If the funding used did not cover all costs, what percentage of overall costs was not covered — and what types of costs were not covered?

7. In FY2014, were any steps taken to ensure that the service coordinator function was implemented effectively?

- Yes
- No

7A. If “Yes” was checked for question 7, please indicate what steps were taken.

- A third party conducted a quality assurance assessment
- We conducted a quality assurance assessment “in-house.”
- Other (specify below)

If “Other” was checked for question 7A, please describe the steps that were taken to ensure that the service coordinator function was implemented effectively.

7A. If “No” was checked for question 7, what were the reasons no steps were taken?

Properties That Do Not Employ Service Coordinators

8. In FY2014, which of the following were reasons for not employing (funding) a service coordinator for this property? (for each row check Yes or No)

	Yes	No
a. Insufficient funding		
b. Small number of units		
c. Residents had access to a service coordinator that was employed (funded) by another Section 202 property		
d. Residents had access to a service coordinator that was employed (funded) by another HUD-subsidized property (but not a Section 202 property)		
e. Residents used local resource(s) (e.g., Local Area Agency on Aging (AAA), Program of All-Inclusive Care for the Elderly (PACE))		
f. Other (specify below)		

If “Other” was checked for question 8, please explain the reason.

9. Would the property manager want to employ a service coordinator for this property if funding were available?

- Yes
- No
- Don't Know

10. Please briefly explain the response to question 9.

11. In FY2014, what resources were available to residents to help them obtain supportive services? (for each row check one answer)

	Yes	No	Don't Know
a. Property manager's assistance			
b. On-site booklet/written information on local services			
c. Service coordinator of an adjacent property			
d. Service coordinator of a different property			
e. Local Area Agency on Aging (AAA)			
f. Program of All-Inclusive Care for the Elderly (PACE)			
g. Other (specify below)			

If "Other" was checked for question 11, please describe the resource(s) that were available to residents.

12. In your opinion, what would be the benefits of having a service coordinator to link residents that are 62 or older with supportive services?

13. Besides having a service coordinator, what other approaches might link Section 202 residents that are 62 or older to supportive services in order to help them age in place?

HUD Monitoring

14. When was HUD's most recent Management Review for this Section 202 property?

- Prior to FY2010
- FY2010
- FY2011
- FY2012
- FY2013
- FY2014
- FY2015
- Never
- Don't know

15. Did HUD's most recent Management Review examine residents' access to supportive services (i.e., Section 24 of HUD Form 9834)?

- Yes (continue with question 15A)
- No (skip to question 16)
- Don't Know (skip to question 16)

15A. If "Yes" was checked for question 15, did HUD identify any findings or concerns related to residents' access to supportive services?

- Yes (continue with question 15B)
- No (skip to question 16)

15B. If “Yes” was checked for question 15A, please describe HUD’s findings or concerns as well as the corrective actions taken to address them.

Residents’ Supportive Service Needs and Wellness Information

16. In FY2014, were residents’ supportive service needs formally assessed?

- Yes
- No

16A. If “Yes”: How often are formal assessments of residents’ needs updated?

	Yes	No
a. Annually		
b. As requested by resident		
c. Never		
d. Other (specify below)		

If “Other” was checked for question 16A, please describe other times when assessments of residents’ needs are updated.

16A. If you answered “No” to question 16, please explain why residents’ supportive service needs are not assessed:

17. What resident-level information, if any, is gathered about how well residents that are 62 or older manage living independently?

	Yes	No
a. Frequency of falls or other similar accidents		
b. Frequency of hospitalizations		
c. Duration of hospitalizations		
d. Re-hospitalization within 30 days of hospital discharge		
e. Duration of tenancy		
f. Reasons for moving out		
g. Type of facility moving into after moving out of your property		
h. Other (specify below)		

If “Other” was checked for question 17, describe the other resident-level information collected (that relates to the potential impact of supportive services).

18. What additional explanations of your answers or comments or suggestions do you have about the Section 202 program and the provision of supportive services?

Appendix III: Comments from the Department of Housing and Urban Development



OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

AUG 22 2016

Mr. Daniel Garcia-Diaz
Director
Financial Management and Community
Investment
Government Accountability Office
441 G Street, NW
Washington, DC 20548-0001

Dear Mr. Garcia-Diaz:

Thank you for the opportunity to respond to the Draft Report GAO-16-758 entitled "Elderly Housing – HUD Should Do More to Oversee Efforts to Link Residents to Services" received on July 27, 2016. This letter is in response to the Recommendation for Executive Action in the draft. Technical comments on the draft are also included.

GAO Recommendations for Executive Action

To better inform Congress and improve what is known about the extent to which elderly residents of Section 202 properties are assisted by service coordinators, GAO recommends that the Assistant Secretary for Housing take the following three actions:

Recommendation #1:

Implement HUD's guidance on processes to improve the accuracy of information on Section 202 properties with budget-based service coordinators, and take steps to evaluate whether the guidance has improved the reliability of this information.

HUD Response:

HUD's intent is to support aging in place by promoting coordinated care which brings together multiple disciplines in an effort to best coordinate social and health services. Doing so will promote early intervention and sustained wellness overtime – essentially improving quality of life for our residents. HUD sees the service coordinators as the 'lynchpin' for this effort.

As such, it is essential that HUD have a record of all subsidized multifamily housing projects with a Service Coordinator program. Although the majority of properties with service coordinators are accounted for in the Integrated Real Estate Management System (iREMS), there are limitations to the data and a need for updated formal guidance. In practice, field staff are to input required information into iREMS. To improve the accuracy of information on Section 202 properties (as well as other eligible properties) with budget-based service coordinators, we have begun to work with Multifamily Housing's Office of Program Systems Management in an effort to make adaptive changes to iREMS to better support data for the Service Coordinator program. The

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changes will allow for a stand-alone section within the database for the Service Coordinator program. It will also allow the Department to collect up-to-date information on an as needed basis. Upon completion of this effort, written instructions will be made available in the iREMS user guide. HUD will take steps to evaluate whether the guidance and system changes have improved the reliability of this information.

Recommendation #2:

Develop and implement written guidance that describes how HUD staff should assess Section 202 properties' compliance with the program's supportive services requirement. Such guidance should include information on the roles and responsibilities of HUD staff for: (1) identifying stand-alone Section 202 properties; and (2) monitoring the supportive services requirement for Section 202 properties with grant- and budget-based service coordinators, Section 202 properties that do not have service coordinators, and stand-alone Sections 202 properties.

HUD Response:

HUD agrees with the importance of monitoring the requirement to connect tenants to supportive services.

In July 2016, HUD implemented a new set of National Standard Work documents for grant programs and will assess what additional written guidance would be useful for field staff in conducting these monitoring activities. Under the Service Coordinator program, funds may be used to cover the cost of Quality Assurance (QA) providers. The role of the QA is to ensure the fidelity of the Service Coordinator program and serve as a monitoring tool for the Department. Currently, HUD is collaboratively working with Abt Associates to develop guidance and well as web-based training that will better shape and standardize the role of Quality Assurance providers. While all properties in our portfolio are classified according to program by the relevant field staff, HUD will consider what additional specific guidance on stand-alone properties might assist staff in monitoring the supportive services requirement at these properties.

Recommendation #3:

Develop and implement policies and procedures for (1) verifying the accuracy of a sample of the performance information that Section 202 properties submit through semiannual performance reports, and (2) analyzing the performance information collected.

HUD Response:

HUD's Office of Housing is currently working with the Office of Policy Development and Research (PD&R) to determine the most efficient and effective processes for verifying and analyzing data collected through the semiannual performance reports for the Service Coordinator

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program, beginning with performance report data collected in FY2016 using HUD's new fillable form. This data will be used in conjunction with information collected through the evaluation component of the upcoming Supportive Services Demonstration to inform policy decisions and enhance the performance of the Multifamily Service Coordinator program.

HUD appreciates GAO's efforts to review the Multifamily Service Coordinator Program and make recommendations to enhance the effectiveness of the program in connecting tenants to supportive services.

Sincerely,



Edward L. Golding
Principal Deputy Assistant Secretary for Housing

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Daniel Garcia-Diaz, (202) 512-8678 or garciadiazd@gao.gov

Staff Acknowledgments

In addition to the contact named above, Paul Schmidt (Assistant Director), Lisa Moore (Analyst-in-Charge), James Ashley, Vaughn Baltzly, Collen Berracasa, William Chatlos, Emily Chalmers, John McGrail, Ruben Montez De Oca, Carl Ramirez, Jennifer Schwartz, Jena Sinkfield, and Nina Thomas-Diggs made key contributions to this report.

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