



Final Income Match Report

Quality Control for Rental Assistance Subsidy Determinations FY 2013 Study

September 5, 2014

CONTRACT #: GS-23F-9777H
TASK ORDER #: DU208WP-13-T-00002

Prepared for:

Office of Policy Development and Research
Department of Housing and Urban Development
Washington, DC 20410

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INTRODUCTION

As part of the Quality Control for Rental Assistance Subsidy Determinations (HUDQC) Study, the U.S. Department of Housing and Urban Development (HUD) contracted with ICF International to conduct an Income Match Study between income data from the National Directory of New Hires (NDNH) and income data from the Quality Control (QC) study collected during field data collection. The purpose of the Income Match Study is to identify the rental housing assistance payment errors associated with intentional tenant misreporting of income. The match was conducted for all adult household members¹ in the Fiscal year (FY) 2013 HUDQC study through their social security numbers with NDNH data files provided by HUD. This report includes the results of the income match for the PHA-administered Public Housing, Section 8 - Voucher, and Section 8 - Moderate Rehabilitation programs; and the Housing-administered Section 8, Section 202 and Section 811 Project Rental Assistance Contracts (PRAC) and Section 202/162 Project Assistance Contracts (PAC) programs.

This report is divided into three major sections: (I) study summary, (II) methodology, and (III) detailed findings. The study summary section presents an overview of the study, a summary of the estimated subsidy costs associated with intentional unreported income for the FY 2013 study, and historical estimated subsidy costs associated with the FY 2011 and FY 2012 studies. The methodology section provides details on the process used to review and resolve each income record received from the NDNH data match. Lastly, the detailed findings section provides subsidy cost information associated with unreported income by program type, income type, and study year. Additionally, ICF conducted checks for identity theft for the FY 2013 study. Discussions of those findings are presented in the Appendix of this report.

¹ HUD was provided with Social Security Numbers for heads of households, co-heads, and spouses, regardless of age, along with all household members 18 and older.

I. STUDY SUMMARY

On the basis of the income match between adult household members in the FY 2013 HUDQC study and the NDNH data, this report identifies sources of earned income or unemployment compensation that were not found during the QC field data collection process.² The NDNH data contained quarterly information on the source and amount of nearly all legally reportable sources of earned income and unemployment compensation benefits. These data excluded sole proprietors without any employees. For each source of earned or unemployment compensation income identified through NDNH, a determination was made regarding whether the source was new or whether the source was previously identified during the QC field data collection process. Each case was thoroughly analyzed to avoid the double counting of income. For cases in which a potential new source of income was identified, third-party verification data were gathered and used to confirm either the tenant's monthly employment income or the monthly unemployment compensation benefits. Confirmed new sources of income were added to the QC files and tenant rent was recalculated to estimate the impact of the unreported income on HUD subsidies.

The findings from the FY 2013 analysis of NDNH data indicate that intentional tenant unreported income resulted in an estimated overpayment of \$315.2 million in annual HUD subsidy costs. Exhibit 1 provides subsidy cost information by program type for the FY 2013 study.

Exhibit 1
Summary of FY 2013 Subsidy Cost Estimates Associated with Intentional Unreported Income by Program Type, Nationally Weighted for Both Earned Income and Unemployment Compensation

Administration Type	Subsidy Cost	95% Confidence Intervals
PHA-administered – Public Housing	\$87,552,727	±\$56,150,755
PHA-administered – Section 8	\$153,785,861	±\$112,479,830
Owner-administered	\$73,902,790	±\$45,953,350
Total	\$315,241,378	±\$120,450,650

Exhibit 2 summarizes the subsidy cost associated with unreported income for the FY 2011, FY 2012, and FY 2013 studies. Due to the limited number of cases with new unreported income, these estimates could fluctuate greatly from year to year. In FY 2013, the subsidy overpayment cost was significantly lower than in FY 2012 (about \$315.2 million and \$419.2 million, respectively).

² QC field data were collected from three primary sources: (1) the 50058/50059 Forms found in tenant files; (2) documentation found in tenant files; and (3) household interviews. A fourth source, third-party verification obtained by ICF, was also used on an as-needed basis.

Exhibit 2

Summary of Subsidy Cost Estimates Associated with Intentional Unreported Income by Program Type for FY 2011 through FY 2013, Nationally Weighted for Both Earned Income and Unemployment Compensation

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

For study years FY 2005 through FY 2010, the same population counts were used to create the weights. Since FY 2011, the population totals were updated to more accurately reflect the current population. In FY 2012 and again in FY 2013, Moving to Work households were included in the frame resulting in an increase in the population totals.³ Comparing overall and program type subsidy cost estimates from FY 2012 with FY 2013, only the subsidy cost estimate for Public Housing showed a statistically significant change.

Note: Because the Income Match Study estimates are reliant on a small number of cases in error, they can fluctuate greatly from year to year. Therefore, results should be interpreted with caution.

³ Please refer to the *HUDQC FY 2013 Final Report*, Chapter 2: The Sample, for a more detailed explanation of this change.

II. METHODOLOGY

In preparation for the FY 2013 income match, ICF reviewed HUD guidelines and protocols in addition to the correspondence and forms used in the FY 2012 income match. The forms were revised, as appropriate, and instructions for processing the data were updated. The income match review and analysis were conducted according to the detailed procedures found in *FY 2013 Income Match Plan* dated June 19, 2014.

As mentioned previously, the NDNH match provides data for both earned income and unemployment compensation benefit income for the household members included in the FY 2013 QC sample. Comprehensive findings are presented for households with earned income and households with unemployment compensation benefit income.

Two different processes are used to review earned income and unemployment compensation benefits records. Once the records have been processed and sources of unreported new income are discovered, the same methodology is used to estimate the subsidy cost associated with these income.

The processes used are described below.

A. Earned Income

The match with the NDNH database identified earned income for 1,064 households from the FY 2013 QC sample. The study used the following three-step protocol for the initial categorization of household member income data:

- Step 1: Each case was reviewed and organized by aggregating cases with similar categorizations, such as whether the employer was the same as that identified during the QC study or a potential new employer.
- Step 2: After each case was categorized, a more thorough review was conducted for cases in which it was unknown whether the employer from the NDNH data was the same as the QC employer. During this secondary review, all the cases were re-categorized into two classes, either resolved (no new income discovered) or unresolved (potential new source of income exists). As part of the review process, NDNH earned income was excluded for household members who were live-in aides or dependents.
- Step 3: For unresolved cases (potential new source of income exists) tenant addresses were verified using data provided by employers. If the addresses matched, the sources were considered a new source of income. If the addresses did not match or the address information was missing, ICF reviewed tenant files and conducted follow-up with third parties to determine if identity theft was applicable to these cases. Cases with stolen identities were not considered new sources of unreported income. (See Appendix for details.)

During the *initial* review of the data, households were categorized as follows:

- **NDNH and QC employers were the same.** The employer identified through the NDNH data was the same as the employer identified through the QC process. There were 516 households that fell into this category.
- **NDNH earnings were not considered new sources.** The earnings identified through the NDNH match were not considered new sources of income for multiple reasons. Most cases were not considered new sources of income because the incomes were not earned during the appropriate time period. Other reasons included income for live-in aides or income for household members who were minors at the time of recertification. There were 289 households that fell into this category.

In certain cases, it was initially unclear whether the NDNH employers were new. Two types of cases fell into this category. The first type included cases in which employment income was found in both NDNH and QC data, but the employer name in the NDNH data did not match the employer name in the QC data. The second type included cases in which the tenant name in the NDNH data did not match the tenant name in the QC data. These two types of cases required further investigation before the households were considered to have a potential new source of income.

For cases that required further investigation, file documents from the QC study were reviewed, an Internet search was conducted, and/or employers were called to obtain additional information to determine whether the QC and NDNH employers and/or tenants were the same. If the NDNH and the QC employers were determined to be the same, then they were coded as a match. For example, if the employer listed in NDNH was the parent company of the employer listed in QC, they were considered to be the same employer. If it was not possible to determine that the NDNH and the QC employers were the same, it was considered a potential new source of income. Similarly, for cases where the tenant names did not match, if it was determined that the tenant name listed in the NDNH record was the same as the tenant name in the QC file, then the income was considered a potential new source of income. For example, if the NDNH record listed maiden name or a middle name of a person as the last name or first name, then the case was considered to be a potential new source of income. However, if there was no indication that the two names were for the same person, then the case was considered a case of stolen identity and was removed from further analysis. Using this process, 11 cases were determined to be cases of stolen identity.

- **NDNH earnings were considered potential new sources of income.** Cases that had data only in the NDNH data set were considered to be potential new sources of income. This also includes cases where further investigations were done to determine whether the income was a potential new source of income (as discussed above). This category had 259 households.

Exhibit 3 summarizes how households were categorized by program type.

Exhibit 3
Initial Categorization of Earned Income for Each Household by Program Type

Categories	PHA-administered		Owner-administered		Total	
	Households	Percent	Households	Percent	Households	Percent
NDNH and QC employers were the same	414	50%	102	42%	516	49%
NDNH earnings were not considered new sources	203	25%	86	35%	289	27%
NDNH earnings were considered potential new sources of incomes	204	25%	55	23%	259	24%
TOTAL*	821	100%	243	100%	1064	100%

*Data in this exhibit are unweighted.

For the 259 households with a potential new source of earned income, further follow-up actions were taken to determine whether the income should be considered as unreported. The steps taken were as follows:

- If the employer was connected with The Work Number,⁴ it was used to gather wage information.
- All other employers were sent a letter requesting wage verification.
- Follow-up calls were made to all employers who did not respond to the request for verification within seven business days after the request was mailed.

Exhibit 4 compares FY 2012 with FY 2013 for the number of *households* with potential new sources of income, the number of *employers* to whom third-party requests were sent, and the number of *employers* from whom third-party verification was received. In certain cases, as indicated in the table below, some households had multiple sources of potential new sources of income identified by the NDNH data. Therefore, the number of households and employers do not correspond one to one.

⁴ The Work Number is a private accounting firm contracted by employers to process payrolls and provide employment verification and payroll data to authorized third parties.

Exhibit 4
Comparison of FY 2012 with FY 2013 Verification Requests for Potential New Sources of Earned Income

Third-Party Verification Requests	FY 2012			FY 2013		
	PHA-administered	Owner-administered	Total	PHA-administered	Owner-administered	Total
Total Households with Potential New Sources of Income	168	39	207 (9% of households)	204	55	259 (11% of households)
Employers to whom Third-Party Requests Were Sent*	201	48	249	253	71	324
Employers where Third-Party Verification Was Received*	169	43	212 (85% return rate)	209	57	266 (82% return rate)

*Some households have multiple potential sources of new income from the NDNH data.

B. Unemployment Compensation Benefits

The match with the NDNH database identified unemployment compensation income for 190 of the households in the FY 2013 QC sample. During the initial review, these households were categorized as follows:

- **NDNH and QC benefits were the same.** Unemployment compensation benefits were identified in both the QC and the NDNH data.
- **NDNH benefits were not considered new sources.** Unemployment compensation benefits identified through the NDNH match were not received during the appropriate time period.
- **NDNH benefits were considered to be potential new sources of income.** Unemployment compensation benefits were considered potential sources of new unreported income.

Exhibit 5 categorizes households with unemployment compensation benefits records by program type, following the initial review described above.

Exhibit 5
Initial Categorization of Unemployment Compensation for Each Household by Program Type

Categories	PHA-administered		Owner-administered		Total	
	Households	Percent	Households	Percent	Households	Percent
NDNH and QC were the same	54	35%	14	40%	68	36%
NDNH benefits were not considered new sources	65	42%	14	40%	79	41%
NDNH benefits were considered potential new sources of income	36	23%	7	20%	43	23%
TOTAL	155	100%	35	100%	190	100%

For the 43 households in which the NDNH identified benefits were considered to be potential new sources of income, verification requests were sent to the respective State agencies that administered the benefits to the households. For the FY 2013 study, ICF paid fees to State agencies that required fees for the information requested.

Exhibit 6 provides a comparison of the response rates for FY 2012 with FY 2013 for requests for verification of benefit information from State agencies administering unemployment compensation benefits. The higher response rates for FY 2013 may be attributed to the payment of fees for State agencies that required them.

Exhibit 6
Comparison of FY 2012 with FY 2013 Verification Requests for Potential New Source of Unemployment Compensation Benefits

Third-Party Verification Requests	FY 2012			FY 2013		
	PHA-administered	Owner-administered	Total	PHA-administered	Owner-administered	Total
Total Households with potential source of Unemployment Compensation Benefits*	35	12	47	36	7	43
Requests sent to the appropriate State agency	35	13	48	36	7	43
Total number received	23 (66% return rate)	9 (69% return rate)	32 (67% return rate)	33 (92% return rate)	6 (86% return rate)	39 (90% return rate)

C. Calculating the Subsidy Cost

To determine whether an income (either from employment or unemployment compensation) should be considered a new unreported source of income, third-party verification and NDNH quarterly wage and benefit information were examined. Third-party verification was examined to determine whether the household member had income in the month before and after the QC month or, during and after the QC month. In the absence of third party verification, income that ended in the QC quarter was not considered a new source of income, and income that started in the QC quarter was not considered a new source unless the amount earned during that quarter was similar (between 85–115%) to the income earned in the subsequent quarter.

If the wage data provided by the third-party or NDNH met the criteria above, the income received during the QC quarter was multiplied by four to determine the annual countable income. NDNH data were used to calculate the unreported income, even if third-party verification income information was available.

III. DETAILED FINDINGS

After reviewing the information obtained through the NDNH match and all the verification received from the third parties, 75 households were determined to have new sources of earned income and 9 households had new sources of unemployment compensation income.

The annual subsidy loss associated with the new sources of income was determined by adding these new sources of income to the income already identified during the QC field data collection, and recalculating the household's rent. Weights were used to determine nationally representative subsidy losses associated with all the income discovered for the households in the QC sample.

Exhibit 7 provides a summary of case dispositions for the households included in the FY 2013 HUDQC sample after the process was completed. The table provides the number of total households selected for the QC study by program type, the number of households in the QC study that had earned income or unemployment compensation, and the number of households for which NDNH provided unreported earned income or unemployment compensation benefits.

**Exhibit 7
Income Match Final Case Dispositions (FY 2013)**

Case Disposition	PHA-administered		Owner-administered	Total
	Public Housing	Section 8		
QC Household Sample Size	804	799	799	2402
QC Households with Earnings or Unemployment Compensation	340	351	178	869
Households where NDNH Data Identified Income Sources Did Not Match QC Study Sources				
• Earned Income	106	98	55	259
• Unemployment Compensation	21	15	7	43
Households with Unreported Income				
• Earned Income	34	26	15	75
• Unemployment Compensation	5	2	2	9
Total Sources of Unreported Income that Affected Subsidy Determinations for QC Households	39	28	17	84

Exhibit 8 provides a summary of weighted and unweighted subsidy discrepancies associated with the 75 households in which new earned income sources were identified.

**Exhibit 8
Summary of Subsidy Cost Estimates for Earned Income**

Administration Type	Unweighted Values	Nationally Weighted Values*
	Cases with Unreported Income	Cases with Unreported Income
PHA-administered - Public Housing		
Households in Error	34	47,611
Unreported Income	\$428,250	\$604,475,467
Subsidy Cost	\$56,556	\$73,902,286
PHA-administered - Section 8		
Households in Error	26	67,946
Unreported Income	\$260,344	\$676,287,096
Subsidy Cost	\$59,352	\$147,034,621
Owner-administered		
Households in Error	15	26,066
Unreported Income	\$156,936	\$261,230,485
Subsidy Cost	\$42,720	\$70,455,655
Total		
Household in Error	75	141,622
Unreported Income	\$845,530	\$1,541,993,048
Subsidy Cost	\$158,628	\$291,382,562

* Note: For nationally weighted results, program-specific data may not equate to overall total data due to rounding.

Exhibit 9 provides a summary of weighted and unweighted subsidy discrepancies associated with the nine households in which new unemployment compensation benefits were identified.

Exhibit 9
Summary of Subsidy Cost Estimates for Unemployment Compensation

Administration Type	Unweighted Values	Nationally Weighted Values*
	Cases with Unreported Income	Cases with Unreported Income
PHA-administered – Public Housing		
Households in Error	5	7,828
Unreported Income	\$32,476	\$50,796,862
Subsidy Cost	\$8,796	\$13,650,441
PHA-administered – Section 8		
Households in Error	2	5,451
Unreported Income	\$8,304	\$22,459,094
Subsidy Cost	\$2,496	\$6,751,240
Owner-administered		
Households in Error	2	3,772
Unreported Income	\$7,372	\$13,765,920
Subsidy Cost	\$1,860	\$3,457,135
Total		
Households in Error	9	17,050
Unreported Income	\$48,152	\$87,021,875
Subsidy Cost	\$13,152	\$23,858,817

* Note: For nationally weighted results, program-specific data may not equate to overall total data due to rounding.

Exhibit 10 provides a summary of weighted and unweighted subsidy costs associated with the 84 households in which new income sources were identified.⁵ The discrepancies are presented by program type; however, these numbers are provided for informational purposes and are not statistically reliable due to the low incidence of error. The total subsidy error associated with the income from the NDNH data was estimated to be \$315.2 million.

Exhibit 10
Summary of Subsidy Cost Estimates for Both Earned Income and Unemployment Compensation

Administration Type	Unweighted Values	Nationally Weighted Values*
	Cases with Unreported Income	Cases with Unreported Income
PHA-administered - Public Housing		
Households in Error	39	55,439
Unreported Income	\$460,726	\$655,272,329
Subsidy Cost	\$65,318	\$87,552,727
PHA-administered - Section 8		
Households in Error	28	73,397
Unreported Income	\$268,648	\$698,746,190
Subsidy Cost	\$61,848	\$153,785,861
Owner-administered		
Households in Error	17	29,838
Unreported Income	\$164,308	\$247,996,405
Subsidy Cost	\$44,580	\$73,902,790
Total		
Households in Error	84	158,672
Unreported Income	\$893,682	\$1,629,014,923
Subsidy Cost	\$171,780	\$315,241,378

* Note: For nationally weighted results, program-specific data may not equate to overall total data due to rounding.

⁵The 84 households in error include 75 households with new earned income and 9 households with new unemployment compensation benefits.

Exhibit 11 provides a comparison of the nationally weighted findings from the FY 2011 and FY 2012 Income Match studies with the FY 2013 findings.

Note that although the total number of households in error has increased, total unreported income and total subsidy cost have decreased since FY 2012. This could be attributed to amounts of unreported income from each source being smaller than in previous years.

Exhibit 11
Comparison of FY 2011 through FY 2013 Findings Using Nationally Weighted Values*

Administration Type	FY 2011	FY 2012	FY 2013
	Cases with Unreported Income		
PHA-administered - Public Housing			
Households in Error	38,000	62,000	55,439
Unreported Income	\$575,564,000	\$945,995,000	\$655,272,329
Subsidy Cost	\$78,622,000	\$203,685,000	\$87,552,727
PHA-administered - Section 8			
Households in Error	74,000	75,000	73,397
Unreported Income	\$1,144,493,000	\$770,174,000	\$698,746,190
Subsidy Cost	\$265,696,000	\$168,802,000	\$153,785,861
Owner-administered			
Households in Error	25,000	19,000	29,838
Unreported Income	\$304,059,000	\$160,335,000	\$247,996,405
Subsidy Cost	\$84,175,000	\$46,713,000	\$73,902,790
Total			
Households in Error	137,000	156,000	158,672
Unreported Income	\$2,024,117,000	\$1,876,505,000	\$1,629,014,923
Subsidy Cost	\$428,493,000	\$419,201,000	\$315,241,378

* Note: For results presented above, program-specific data may not equate to overall total data due to rounding.

There was a noticeable decrease in the overall dollar error; however, the difference was not statistically significant. When comparing overall and program type subsidy cost estimates from FY 2012 with FY 2013, only the subsidy cost estimate for the Public Housing program showed a statistically significant change.

**Appendix:
Identity Theft Case Analysis**

Appendix: Identity Theft Case Analysis

In response to HUD’s concern about cases with identity theft being reported as unreported income, ICF implemented steps to determine cases of stolen identity and excluded them from the income match analysis of unreported income. Determination of cases with stolen identity was made in multiple stages of the process. Some instances of identity theft were determined during the initial review of the cases. Other instances of identity theft were determined based on further verification of tenant files or information from third parties.

A total of 16 cases were identified as having stolen identity and were excluded from the income match analysis. The majority of these cases were identified during the *initial* review. Only five cases were identified after secondary reviews, tenant file reviews, and third-party follow-ups.

Exhibit A-1 shows the total cases of stolen identity by administration type.

Exhibit A-1
Cases of Stolen Identity for FY 2013

Categories	PHA-administered		Owner-administered		Total	
	Households	Percent	Households	Percent	Households	Percent
Determination of identity theft based on initial review	8	67%	3	75%	11	69%
Determination of identity theft based on follow-up with third parties and tenant file reviews	4	33%	1	25%	5	31%
TOTAL	12	100%	4	100%	16	100%

The following section describes the various stages where identity theft was determined.

Identity Theft Determination Based on Initial Review:

Most cases with stolen identity were determined during the initial review of the cases. In this process, cases in which the tenant name listed in the NDNH were determined not to be the tenant identified in the QC study were considered to be cases of stolen identity and were removed from the analysis. Eleven households met this criterion and were excluded from the analysis.

Identity Theft Determination Based on Third-Party Verification:

Remaining cases with stolen identity were determined after verification information was received from the third parties. For cases that were initially considered to have potential new sources of income, third-party verification requests were sent. In these requests, ICF asked the employers to indicate whether the tenant address presented on the form (based on NDNH data) matched their employee records. If the address in their records matched the form, these cases were not considered to have stolen identity. If the address in the employer records did not match the address in the NDHN data, then further investigation was conducted to determine whether

the case could be considered stolen identity. In 23 instances, the tenant addresses in employer records did not match the address in NDNH data.

Further investigations to determine stolen identity were done for these 23 cases. For these cases, the QC tenant file was reviewed to find documentation or indication as to whether the tenant contested the employment. In four instances, the tenant did contest employment information. These were considered cases of stolen identity and were removed from analysis. After that determination, the QC tenant files were reviewed for the tenant address. In 10 instances, the tenant address review resulted in finding that the address in the NDNH data did not match the address in employer record for legitimate reasons. For example, there were documents in the file that showed that the address in the employer record was the tenant's previous address, whereas the address listed in NDNH data was the tenant's current address. These 10 cases were not considered to be incidents of stolen identity.

For cases where there was no indication or explanation for the difference in address, the third party was contacted for additional information, such as the employee's actual location of employment, whether the tenant was a seasonal employee, and whether the employer provided housing when the tenant was working. These were potential probes to justify the difference in addresses. For eight households, either the employers were unable to provide information necessary to confirm that the tenant's identity was stolen, or ICF was unable to contact the employers to validate the addresses. This was true when employment was verified by Work Number (an automated verification service). These eight cases also were not considered to have stolen identity. In one case, information provided by the third party was sufficient to determine that the identity of the tenant was stolen. This case was removed from further analysis.

Overall, there were five additional cases of confirmed identity theft where either there was documentation in the file indicating that tenants had contested employment, or further information was received from the third party indicating the possibility that the tenant's identity was stolen.

Details of the procedure that ICF followed to identify cases of stolen identity are in Appendix B of the *FY 2013 Income Match Plan* sent to HUD on June 19, 2014.

Exhibit A-2 shows the analysis done for each step of the identity theft check conducted for the 23 cases with address mismatch in FY 2013 by administration type.

Exhibit A-2
Categorization of Cases to Identify Stolen Identity for Earned Income by Administration Type Based on Review of Third-Party Verification

Categories	PHA-administered		Owner-administered		Total	
	Households	Percent	Households	Percent	Households	Percent
Total number of cases where tenant address did not match between NDNH and employer records	16	100%	7	100%	23	100%
Indication or explanation in tenant file for legitimacy of tenant address mismatch	6	38%	4	57%	10	43%
Insufficient information to determine stolen identity based on third party follow up or when third party was unreachable	6	38%	2	29%	8	35%
Tenant address contested or case verified as identity theft	4	24%	1	14%	5	22%