



Systemic Findings vs. Non-systemic Findings

During the January 21, 2004 conference call with RHIP Coordinators, on the FY 2004 RIM Re-review Guidance, several questions were raised regarding the difference between systemic findings and non-systemic findings and errors. This guidance is intended to clarify this distinction and reconfirm that the purpose of Rental Integrity Monitoring Reviews (RIM) is to focus on *systemic* findings.

Systemic Findings

Systemic findings may be viewed from two basic perspectives:

A. Systemic Findings Rooted in Tenant File Review Results

1. Systemic findings may be based on Tenant File Errors that are made *consistently* in a given income and rent category or *component*.
 - a. “Component” in this instance refers to the various income and expense items used to calculate rent (see Executive Summary of the PD&R Quality Control ... study, page ix).
 - b. “Consistently” means that the error occurs in a relatively high percentage of the tenant files *for which the component would be applicable*.
 - There is no numerical or percentage “threshold” for determining “consistently.” Original guidance (April 28, 2003 Memorandum from Michael Liu) established a threshold of 30 percent of sampled files. However, this guidance only has meaning if it is applied to the universe of tenant files *for which a specific error situation would be applicable*.
 - For example, in 4 files reviewed out of a total sample of 30 files, a reviewer finds that the PHA has miscalculated medical expenses. However, of the total 30-file sample, only 10 files were for families who qualified for the medical expenses deduction. Even though the error has only occurred in 13 percent of the total file sample, the error has occurred in 40 percent of the files for families who were eligible for the medical expenses deduction.
 - Clearly, the reviewer will need to exercise judgment in deciding whether a “consistent” problem exists in a particular component. However, to support this judgment, the reviewer will need to establish the number of tenant files *for which a particular component is applicable*, before determining that a “consistent” problem exists in that component. As part of defining the finding, the reviewer should “roll-up” the file results, quantifying the universe of tenant files for which a specific component is applicable, and the number of tenant files where that specific component error was found.



Systemic Findings vs. Non-systemic Findings

results, they may suggest systemic problems or weaknesses that do not necessarily or clearly manifest themselves in the tenant file sample review.

- b.** The classic example in this area is flawed process for gathering information about qualification for medical expenses, which may lead to underreporting and undercounting of medical expenses by qualified families. However, this would not necessarily be evident from the tenant file review itself; given that even among families who qualify for a deduction for medical expenses, there is no expectation that these families must actually have medical expenses. Lack of evidence of medical expenses in the tenant files for qualified families may be attributable to flawed process, or may simply be attributable to healthy families.
- c.** The basic principle here is that tenant files represent the end result of a process and may not necessarily provide documentation or evidence of all of the actions and decisions that make up the process. Therefore, inherently flawed policy and process, in and of itself, may lead to flawed results, regardless of whether those flaws are readily apparent in the tenant files.
- d.** Because conclusions reached in this manner are not tied directly to tenant file errors, a numerical or percentage count of tenant file errors is immaterial. However, as with any finding, the reviewer must be able to support their conclusions. Where possible, the reviewer should use the results of the tenant file reviews to support, supplement, and reinforce the conclusions reached from review of PHA policy, procedure, practice, etc.

It is important to note that when determining whether or not a systemic finding exists, in addition to meeting one of the criteria above, the definition of “finding” must also be met. In other words, the errors must violate statute, regulation, handbook, Notice, or other HUD requirements.

Systemic findings must be identified as such in a written report to the PHA. For each systemic finding, the Field Office is required to clearly describe the condition, criteria/citation, cause, consequence, and corrective action. PHAs are then required to respond within 45 days of issuance of the review report. In that response, PHAs must either explain how the finding was resolved, or how it will be resolved within the next six months (i.e., corrective action plan).



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Other Findings and Errors

In the context of RIM reviews, the reviewer may discover other conditions or errors that clearly violate regulations, handbooks, notices, or other HUD requirements, but do not meet the *systemic* finding criteria discussed above. Most commonly, these situations involve isolated, human error, not necessarily indicative of a systemic weakness in the PHA's operations.

- For example, in a total tenant file sample review of 30 files, a reviewer identifies the use of an incorrect payment standard in 1 tenant file. Further investigation indicates that the PHA staff understands the correct use of payment standards and that the error appears to be an isolated instance. Although the use of an incorrect payment standard clearly violates regulatory requirements, in this case, the error would be identified in the RIM review report as a tenant file error rather than rising to the level of a *systemic* finding.

Field offices must include a listing of tenant file errors in the review report, and require the PHAs to correct those errors. It is expected that, in most cases, tenant file errors will be corrected within the 45-day period a PHA has to respond to the review report.

(NOTE: Keep in mind that even seemingly "isolated" errors with no apparent patterns or consistency could rise to the level of a *systemic* finding, if these errors are of a sufficiently high volume or number. (See the above discussion of systemic findings for clarification).