



# OFFICE OF THE STATE AUDITOR

*Suzanne M. Bump*

**TESTIMONY OF DEPUTY AUDITOR GERALD MCDONOUGH  
BEFORE THE JOINT COMMITTEE ON HOUSING IN SUPPORT OF HOUSE  
BILL NO. 7 – AN ACT IMPLEMENTING RECOMMENDATIONS OF THE  
STATE AUDITOR RELATIVE TO RENT FRAUD IN STATE PUBLIC HOUSING**

**MAY 3, 2011**

Good morning Chairman Honan, Chairman Eldridge, and members of the Committee. My name is Gerald McDonough, and I am the Deputy Auditor for Legal and Policy for State Auditor Suzanne Bump. Thank you for this opportunity to testify on behalf of House Bill 7, *An Act Implementing the Recommendations of the State Auditor Relative to Rent Fraud in State Public Housing*.

Making government work better is a goal that Auditor Bump has long championed in her public service career. She believes that the public deserves a state government that is effective, accountable, and transparent. As the new State Auditor she is raising the professional parameters under which the Office works to protect the taxpayers of the Commonwealth. House Bill 7 would enhance the ability of this Office to do its job as the state's fiscal watchdog.

In 2008, the State Auditor's Office issued a report on the efficiency and effectiveness of the rent determination process for Massachusetts local housing authorities. One of the findings in the report is that local housing authorities use two different methods to verify tenant income. The income of state-assisted tenants is checked with the Wage Match system, which only verifies wages. In

contrast, the income of federally-assisted tenants is verified using the federal EIV -- Enterprise Income Verification -- system, which verifies income not only from wages, but also from Social Security and unemployment benefits. Section 1 of House Bill 7 would direct DHCD to implement the more thorough EIV system for the verification of all public housing tenant income. This one change would eliminate the need for local housing authorities to use two different methods to verify tenant income and would enhance the ability of local housing authorities to verify public housing tenant income.

Another major finding in the audit is that local housing authorities are losing income because they do not have the tools that they need to determine if tenants are underreporting or falsely reporting their income and assets. While the Bureau of Special Investigations within the State Auditor's Office, also known as BSI, is statutorily authorized to investigate allegations of fraud in a number of public assistance programs, BSI has no statutory authority to investigate allegations of fraud in housing-related public assistance programs. To remedy this short-coming, Section 2 of House Bill 7 would allow local housing authorities to refer cases of suspected fraud to BSI for investigation. BSI has the ability to verify a number of income sources other than wages – such as child support, Lottery winnings, and interest income, to name just a few – which neither the Wage Match system nor EIV can access. BSI has the investigatory power, the subpoena authority, the inter-agency contacts, and the years of experience in combating public assistance fraud to help local housing authorities better address the possibility of fraud.

As Auditor DeNucci's report demonstrated, because local housing authorities lack the appropriate tools to verify tenant income and investigate fraud in public housing, those local housing authorities are losing potential rental income and incurring additional administrative and maintenance costs. At the same time, deserving applicants are being deprived of affordable housing, local law enforcement is burdened, and the health, safety, and security of honest, law abiding tenants are compromised. Enacting House Bill 7 would improve the

efficiency and effectiveness of public housing, increase the likelihood that only qualified applicants receive public housing, and save the taxpayers money.

Thank you for this opportunity to provide testimony on this important piece of legislation, which, I believe, will help us all in our goal of making government work better. Please contact me if I may provide any further information or if you have any questions.