

## **PROGRAM INTEGRITY ADDENDUM**

[24 CFR 792.101 to 792.204, 982.54]

### **INTRODUCTION**

The US Department of HUD conservatively estimates that millions of dollars are paid annually to program participants who falsify or omit material facts in order to gain more rental assistance than they are entitled to under the law. It is also known that many HUD-assisted families are either totally ineligible, or are receiving benefits which exceed their legal entitlement.

The PHA is committed to assuring that the proper level of benefits is paid to all participating families, and that housing resources reach only income-eligible families so that program integrity can be maintained.

The PHA will take all steps necessary to prevent fraud, waste, and mismanagement so that program resources are utilized judiciously.

This chapter outlines the PHA's policies for the prevention, detection and investigation of program abuse and fraud.

### **A. CRITERIA FOR INVESTIGATION OF SUSPECTED ABUSE AND FRAUD**

Under no circumstances will the PHA undertake an inquiry or an audit of a participating family arbitrarily. The PHA's expectation is that participating families will comply with HUD requirements, provisions of the voucher, and other program rules. The PHA staff will make every effort (formally and informally) to orient and educate all families in order to avoid unintentional violations. However, the PHA has a responsibility to HUD, to the Community, and to eligible families in need of housing assistance, to monitor participants and owners for compliance and, when indicators of possible abuse come to the PHA's attention, to investigate such claims.

The PHA will initiate an investigation of a participating family only in the event of one or more of the following circumstances:

**Referrals, Complaints, or Tips.** The PHA will follow up on referrals from other agencies, companies or persons which are received by mail, by telephone or in person, which allege that a family is in non-compliance with, or otherwise violating the family obligations or any other program rules. Such follow-up will be made providing that the referral contains at least one item of information that is independently verifiable. A copy of the allegation will be retained in the family's file.

**Internal File Review.** A follow-up will be made if PHA staff discovers (as a function of a certification or recertification, an interim redetermination, or a quality control review), information or facts which conflict with previous file data, the PHA's knowledge of the family, or is discrepant with statements made by the family.

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**Verification of Documentation.** A follow-up will be made if the PHA receives independent verification or documentation which conflicts with representations in the family's file (such as public record information or reports from other agencies).

## **B. STEPS THE PHA WILL TAKE TO PREVENT PROGRAM ABUSE AND FRAUD**

The PHA management and staff will utilize various methods and practices (listed below) to prevent program abuse, non-compliance, and willful violations of program rules by applicants and participating families. This policy objective is to establish confidence and trust in the management by emphasizing education as the primary means to obtain compliance by families.

***Is Fraud Worth It? (HUD 1141)*** This document (created by HUD's Inspector General) will be furnished to all applicants to promote understanding of fraud, and to clarify the PHA's expectations for cooperation and compliance. It provides information on how to report fraud to the HUD Office of Inspector General Hotline.

**Program Orientation Session.** Mandatory orientation (briefing) sessions will be conducted by the PHA staff or contracted agents for all prospective program participants, either prior to or upon issuance of a voucher. At the conclusion of all "Briefing" Sessions, the family representative will be required to sign a "Voucher Briefing Packet" (MSHDA 145) to confirm receipt of information that was provided to them, including rules and pertinent regulations were explained to them.

**Review and Explanation of Forms.** PHA Staff or contracted Agents will explain all required forms and review the contents of all (re)certification documents prior to signature.

**Warning Statements.** The PHA will place a warning statement about the penalties for fraud (as described in the False Statement Act, U.S.C. 1001 and 1010) on key PHA forms and form letters that request information from a family or owner.

**Training on Standards of Conduct and Ethics.** The PHA will provide each PHA employee with the necessary training on program rules and the PHA's rules standards of conduct and ethics.

## **C. STEPS THE PHA WILL TAKE TO DETECT PROGRAM ABUSE AND FRAUD**

The PHA Staff will use a variety of activities to detect errors, program abuse, and fraud by assisted families.

**Quality Control File Reviews.** Prior to initial certification, and at the completion of all subsequent recertifications, **selected participant files** will be reviewed. Such reviews shall include, but are not limited to:

- \* **Assurance that verification of all income and deductions is present.**
- \* **Use of HUD EIV system and other up-front income verification sources to**

compare with family-provided information and to detect possible unreported income.

\* **Proof of birth and Social Security Number for every household member is present.**

\* **Changes in reported Social Security Numbers or dates of birth.**

\* **Authenticity of file documents.**

\* **At annual reexamination, current information provided by the family will be compared to information provided at the last annual reexamination to identify inconsistencies and incomplete information.**

\* **Review of signatures for consistency with previously signed file documents.**

\* **Required forms are present, correct, dated and signed.**

**Observation.** The PHA Staff , **Housing Agents and Inspectors** will maintain high awareness of circumstances which may indicate program abuse or fraud, such as unauthorized persons residing in the household and unreported income.

\* **Observations will be documented in the family's file and investigated.**

**Use of Audit Reports.** The PHA will use the results reported in any HUD or State official monitoring or audit report that identify potential program abuses and make appropriate corrections to the administration of the program to resolve the identified issues and/or abuses.

**Individual Reporting.** The PHA will encourage staff, program participants, and the public to report possible program abuse or fraud.

#### **D. THE PHA'S HANDLING OF ALLEGATIONS OF POSSIBLE ABUSE AND FRAUD**

The PHA staff will encourage all participating families to report suspected abuse to their **Housing Agent, Resource Specialist, or the Compliance Enforcement Coordinator**. All such referrals, as well as referrals from community members and other agencies, will be thoroughly documented and placed in the participant's file. All allegations, complaints and tips will be carefully evaluated in order to determine if they warrant follow-up. The **Housing Agent, Resource Specialist, or Compliance Enforcement Coordinator** will not follow up on allegations which are vague or otherwise non-specific. They will only review allegations which contain one or more independently verifiable facts.

**File Review.** An internal file review will be conducted to determine if the subject of the allegation is a client of the PHA and, if so, to determine whether or not the information reported has been previously disclosed by the family.

It will then be determined if the PHA is the most appropriate authority to do a follow-up (more so than police, HUD OIG, or other investigative agency). Any file documentation of past

behavior as well as corroborating complaints will be evaluated.

**Conclusion of Preliminary Review.** If at the conclusion of the preliminary file review there is/are fact(s) contained in the allegation which conflict with file data, and the fact(s) are independently verifiable, the **Compliance Enforcement Coordinator** will initiate an investigation to determine if the allegation is true or false.

## **E. HOW THE PHA WILL INVESTIGATE ALLEGATIONS OF ABUSE AND FRAUD**

If the PHA determines that an allegation or referral warrants follow-up, either the staff person who is responsible for the file, **the Compliance Enforcement Coordinator** or a person designated by the Executive Director to monitor the program compliance will conduct the investigation. The investigative steps taken will depend upon the nature of the allegation and may include, but are not limited to, the items listed below. In all cases, the PHA will secure the written authorization from the program participant for the release of information.

\* **Wage Reporting Services, Employers and Former Employers.** Third party wage reporting services (i.e., the Work Number), employers or former employers may be contacted to verify wages which may have been previously undisclosed or misreported.

\* **HUD's Enterprise Income Verification (EIV) System** which provides information from State wage reporting systems, multi-subsidy data, deceased tenant reports, and other data to verify previously undisclosed or misreported information.

\* **Data Share.** Information from a data share source; i.e. the Michigan Department of Human Services with which the PHA has a reciprocal agreement which provides TANF, Food Stamps, and Child Care benefit information.

\* **Criminal Record Reporting tools** such as the Michigan Internet Criminal History Tool (ICHAT), Michigan Public Sex Offender Registry (PSOR), or Michigan Department of Corrections Offender Tracking System (OTIS) to verify criminal history.

\* **Financial Institution or Credit Bureau Inquiries.** In cases involving previously unreported income and financial sources, an inquiry may be made to determine if there is financial activity that conflicts with the reported income of the family.

\* **Verification of Credit.** In cases where the financial activity conflicts with file data, a *Verification of Credit* form may be mailed to the creditor in order to determine the unreported income source.

\* **Neighbors/Witnesses.** Neighbors and/or other witnesses may be interviewed who are believed to have direct or indirect knowledge of facts pertaining to the PHA's review.

\* **Other Agencies.** Investigators, case workers or representatives of other benefit agencies may be contacted.

\* **Public Records.** If relevant, the PHA will review public records kept in any jurisdictional courthouse. Examples of public records which may be checked are: real estate, marriage, divorce, uniform commercial code financing statements, voter registration, judgments, court or police records, state wage records, utility records and postal records.

\* **Interviews with Head of Household or Family Members.** The PHA will discuss the allegation (or details thereof) with the Head of Household or family member by telephone or by scheduling an appointment at the appropriate PHA office. A high standard of courtesy and professionalism will be maintained by the PHA staff person who conducts such interviews. Under no circumstances will inflammatory language, accusation, or any unprofessional conduct or language be tolerated by the management. If possible, an additional staff person will attend such interviews.

#### **F. PLACEMENT OF DOCUMENTS, EVIDENCE AND STATEMENTS OBTAINED BY THE PHA**

Documents and other evidence obtained by the PHA during the course of an investigation will be considered "work product" and will either be kept in the participant's file, or in a separate "work file." In either case, the participant's file or work file shall be kept in a locked file cabinet. Such cases under review will not be discussed among PHA Staff unless they are involved in the process, or have information which may assist in the investigation.

#### **G. CONCLUSION OF THE PHA'S INVESTIGATIVE REVIEW**

At the conclusion of the investigative review, the **Compliance Enforcement Coordinator** will report the findings to the **Regional Manager, PHA Division Director**, or designee. It will then be determined whether a violation has occurred, a violation has not occurred, or if the facts are inconclusive.

#### **H. EVALUATION OF THE FINDINGS**

If it is determined that a program violation has occurred, the PHA will review the facts to determine:

The type of violation (procedural, non-compliance, fraud).

Whether the violation was intentional or unintentional.

What amount of money (if any) is owed by the family.

If the family is eligible for continued occupancy.

## **I. ACTION PROCEDURES FOR VIOLATIONS WHICH HAVE BEEN DOCUMENTED**

Once a program violation has been documented, the PHA will propose the most appropriate remedy based upon the type and severity of the violation.

1. **Procedural Non-compliance.** This category applies when the family "fails to" observe a procedure or requirement of the PHA, but does not misrepresent a material fact, and there is no retroactive assistance payments owed by the family.

Examples of non-compliance violations are:

Failure to appear at a pre-scheduled appointment.

Failure to return verification in time period specified by the PHA.

- (a) **Warning Notice to the Family.** In such cases a notice will be sent to the family which contains the following:
  - \* **A description of the non-compliance and the procedure, policy or obligation which was violated.**
  - \* **The date by which the violation must be corrected, or the procedure complied with.**
  - \* **The action which will be taken by the PHA if the procedure or obligation is not complied with by the date specified by the PHA.**
  - \* **The consequences of repeated (similar) violations.**

2. **Procedural Non-compliance - Overpaid Assistance.** When the family owes money to the PHA for failure to report changes in income or assets, the PHA will issue a Notification of Overpayment of Assistance. This Notice will contain the following:

A description of the violation and the date(s);

Any amounts owed to the PHA;

A ten-day response period; and

Notification of the right to request an informal hearing with instructions for the request of such hearing.

- (a) Participant Fails to Comply with PHA's Notice. If the Participant fails to comply with the PHA's notice, and a family obligation has been violated, the PHA will initiate termination of assistance.
- (b) Participant Complies with PHA's Notice. When a family complies with the PHA's notice, the staff person or Housing Agent responsible will meet with him/her to

discuss and explain the Family Obligation or program rule which was violated and attempt and/or obtain a Repayment Agreement with the family.

3. **Intentional Misrepresentations.** When a participant falsifies, misstates, omits or otherwise misrepresents a material fact which results (or would have resulted) in an overpayment of housing assistance by the PHA, the PHA will evaluate whether or not:

The participant had knowledge that his/her actions were wrong, and

The participant willfully violated the family obligations or the law.

Knowledge that the action or inaction was wrong. This will be evaluated by determining if the participant was made aware of program requirements and prohibitions. The participant's signature on various certifications, briefing certificate, and Personal Declarations are adequate to establish knowledge of wrong-doing.

The participant willfully violated the law. Any of the following circumstances will be considered adequate to demonstrate willful intent:

- (a) An admission by the participant of the misrepresentation.
- (b) That the act was done repeatedly.
- (c) If a false name or Social Security Number was used.
- (d) If there were admissions to others of the illegal action or omission.
- (e) That the participant omitted material facts which were known to him/her (e.g., employment of self or other household member).
- (f) That the participant falsified, forged or altered documents.
- (g) That the participant uttered and certified to statements at an interim recertification which were later independently verified to be false.

4. **Dispositions of Cases Involving Misrepresentations.** In all cases of misrepresentations involving efforts to recover monies owed, the PHA may pursue, depending upon its evaluation of the criteria stated above, one or more of the following actions:

- (a) Criminal Prosecution: If the PHA has established criminal intent, and the case meets the criteria for prosecution, the PHA will:

**\* Refer the case to the local, State or District Attorney, notify HUD's OIG, and terminate rental assistance.**

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(b) Administrative Remedies: The PHA will:

- \* **Terminate assistance and demand payment of restitution in full.**
- \* **Terminate assistance and execute an administrative repayment agreement in accordance with the PHA's Repayment Policy.**
- \* **Terminate assistance and pursue restitution through civil litigation.**
- \* **Continue assistance at the correct level upon payment of restitution in full by the designated date agreed to by the parties.**

Permit continued assistance at the correct level and execute an administrative repayment agreement in accordance with the PHA's repayment policy.

**5. Notification to Participant of Proposed Action.** The PHA will notify the family of the proposed action by U.S. Mail.

#### **J. OVERPAYMENTS TO OWNERS**

In all cases of overpayment of subsidy caused by the owner, the owner must repay to the PHA any excess subsidy received.

If the landlord/owner has been overpaid as a result of fraud, misrepresentation or violation of the HAP Contract, the PHA may terminate the Contract and arrange for restitution to the PHA and/or family as appropriate. **The PHA may recover overpaid amounts by withholding HAP payments due for subsequent months, or if the debt is large, the PHA may allow the owner to pay in installments over a period of time.**

**The PHA will make every effort to recover any overpayments made as a result of landlord fraud or abuse. Payments otherwise due to the owner may be debited in order to repay the PHA or the tenant, as applicable.**

#### **K. PROHIBITED OWNER ACTIONS**

An owner participating in the HCV Program must not:

- \*Make any false statement to the PHA (Title 18 U.S.C. Section 1001)
- \*Commit fraud, bribery, or any other corrupt or criminal act in connection with any federal housing program (24 CFR 982.453(a)(3) including
  1. Charging the family rent above or below the amount specified in the family's lease.
  2. Charging a security deposit other than that specified in the family's lease.

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3. Charging the family for services that are provided to unassisted tenants at no extra charge.
4. Knowingly accepted housing assistance payments for any month(s) after the family has vacated the unit.
5. Knowingly accepting incorrect or excess housing assistance payments.
6. Offering bribes or illegal gratuities to the PHA Board of Commissioners, employees, contractors, or other PHA Representatives.
7. Residing in the unit with an assisted family.
8. Offering payments or other incentives to an HCV family as an inducement for the family to make false or misleading statements to the PHA.

**Remedies and Penalties: When the PHA determines that the owner has committed prohibited owner actions, program abuse, or fraud, the PHA may take any of the following actions:**

- \*Require the owner to repay excess Housing Assistance Payments;**
- \*Terminate the HAP Contract;**
- \*Bar the owner/landlord from future participation in any PHA Program;**
- \*Refer the case to local, state or federal officials for criminal prosecution.**