



UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Combating Fraud Within Your Housing Authority

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HUD-OIG
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SECTION I

OIG Background

What is OIG?

- The HUD Office of Inspector General (OIG) became statutory with the signing of the Inspector General Act of 1978 (Public Law 95-452).
- The OIG is *an independent office within HUD*. As an independent official appointed by the President, the IG is free from undue influence or constraints in performing her function.

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Inspector General Act of 1978

- Establish Inspectors General and their offices in order to:
 - Conduct and supervise audits and investigations of the agency's programs and operations
 - Recommend policies designed to:
 - Promote economy, efficiency, and effectiveness
 - Prevent and detect fraud and abuse
 - Provide a means for keeping the Secretary and Congress informed

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IGs are Authorized to

- Access all records and information of the agency and program participants
- Conduct audits and criminal investigations
- Issue subpoenas for records and documents
- Hire staff and control its own budget resources

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HUD OIG Mission

- Promote Integrity, Efficiency, and Effectiveness in HUD's Programs and Operations
- Prevent and Detect Fraud, Waste & Abuse
- Seek Administrative Sanctions, Civil Recoveries, and/or Criminal Prosecution

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To Accomplish Our Mission we:

- Conduct independent and objective audits, investigations, and other activities relevant to the HUD mission
- Keep the Secretary, Congress, and the American public fully and currently informed
- Work collaboratively with HUD staff and program participants to ensure success of HUD program goals

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What the Office of Audit Does

- Internal and External Audits
 - Financial
 - Information Systems
 - Program Compliance/Performance
- Legislation/Regulation Reviews
- Support for Investigations and Assistant US Attorneys

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Who We Audit

Internal

- HUD Program Areas
 - Single-family Housing
 - Multifamily Housing
 - **Public and Indian Housing**
 - Community Planning and Development
- HUD Financial Statements
- HUD Information Systems

External

- Mortgage Companies
- Multifamily Properties
- **Housing Authorities**
- Local Governments
 - Cities
 - Counties
 - Tribes
 - State Housing Agencies
- Community Organizations
- Health Care Facilities

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Selecting Auditees



- Risk Assessments
 - HUD funding amounts
 - HUD monitoring efforts
 - HUD assigned risk levels
 - Historical audit information
- Auditor Suggestions
- Referrals
 - Office of Investigation
 - HUD Program Staff
- Hotline Complaints
 - www.hudoig.gov/report-fraud
- Congressional Inquiries

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HUD OIG Audit Plan

- Provides brief descriptions of activities that HUD OIG plans to initiate or continue
- Published every 6 months
- Organized by program area
- Describes the primary objectives and concerns for each review



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What is the Audit Process

- Conduct Entrance Conference
 - Explain purpose and scope
- Survey the Operation
 - Understand the program and regulatory requirements
 - Identify program criteria
 - Quick look at management controls
- Review Operations
 - Conduct interviews
 - Examine records and test controls
 - Develop recommendations
 - Communicate the results to management

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What is the Audit Process

- Conduct Exit Conference
 - Formally advise management of audit results
- Issue Audit Reports
 - Draft Report – to management only
 - Final Report – to interested parties including Congress
 - Post on Web

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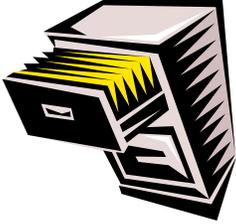


SECTION III

How To Prepare for an Audit

How To Prepare

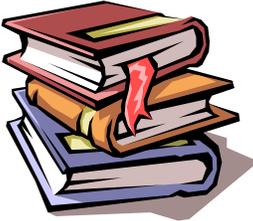
- Have relevant documents available
 - Documents related to our objective
 - Notification may request certain documents
 - Show that specific requirements have been met
 - Get documents out of archives or off the computer system



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How to Prepare

- Ensure policies & procedures are up-to-date
 - Indicates how the organization operates
- Have any HUD-granted waivers available



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How to Prepare



- Notify appropriate staff & ensure availability
 - Make staff aware of potential interviews
 - Scheduling interviews around any available time

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How to Prepare

- Be ready to be interviewed
 - Explain role in the organization
 - Walk us through processes
 - Explain how the use of funds met program requirements
 - Explain organization's internal controls



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PHA's Guidelines

- Annual Contribution Contract (ACC)
- Federal Regulations
- HUD Handbooks
- HUD Notices & Guidebooks
- State and Local Laws

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SECTION IV

Audit Results



- ### Common PHA Issues
- Common PHA issues:
 - Unsupported costs
 - Ineligible expenses
 - Lack of adequate controls
 - Lack of staff training
 - Lack of adequate understanding of Program requirements
 - Conflict of interest
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- ### Common Findings
- Audits frequently disclose weaknesses in:
 - Card Cards
 - Bookkeeping & Accounting
 - Personnel & Hiring
 - Procurement & Contracting
 - Ethics & Standard of Conduct
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Common Findings

– Card Cards

Next to cash, credit card abuse is the most common form of fraud. Executive Directors must ensure that there are strong policies and controls surrounding the use of the PHA's credit cards. Not only are credit cards often used to circumvent procurement rules, but many times they are used for the credit card holder's personal expenses which have nothing to do with the PHA's operations.

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Common Findings

– Bookkeeping & Accounting

Policies and procedures for the handling of and accounting for funds demands your attention. Without good internal controls, separation of duties, and a strong system of checks and balances; PHAs often are subject to thefts and embezzlements by employees in positions of trust.

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Common Findings

– Personnel & Hiring

Through effective screening the Executive Director can identify qualified personnel. Executive Directors should follow best practices and set policy for PHA employee screening that includes background, credit, and reference checks.

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Common Findings

– Procurement & Contracting

Goods and services must be procured in an effective manner in compliance with Federal, State and local laws. Weak procurement policies entice some employees to manipulate contracts to their personal benefit.

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Common Findings

– Ethics & Standard of Conduct

Federal ethics rules for procurement and contracts apply to PHA employees, but you should also be aware that there are probably applicable State or local laws. As part of your role in setting the “tone for integrity” you should ensure that applicable rules are established and followed by all PHA staff.

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Types of Monetary Findings

- **Ineligible Costs**
 - Not allowable by law; contract; or Federal, State, or local policies or regulations
- **Unsupported Costs**
 - Eligibility cannot be determined
- **Unreasonable/Unnecessary Costs**
 - Exceed what would be incurred by a prudent, competitive business
- **Recommendations that Funds Be Put to Better Use**
 - Amounts that could be used more efficiently if an OIG recommendation is implemented

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Examples of Reports

<http://www.hudoig.gov>

- The Authority improperly used Federal funds to pay its information technology contractor to retrieve text messages from a personal cell phone, and paid for services from an open-ended contract to a resident each month to pick up trash around one of the Authority's properties.
- The Authority paid for flights for a board member's traveling companion. In addition, the Authority improperly spent Federal funds for two employees to take residents on a trip to a resort/tourist location. The Authority's travel policy was insufficient. It allowed travel for other than official business.
- The Authority misused Federal funds by purchasing employees and commissioners iPads, pocketbooks, cell phones and other gifts. It did not have written procedures for employees to follow for some of its basic finance functions, and the employees were not always aware of the applicable HUD or Authority requirements.

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WHEN TO COMMUNICATE WITH THE OIG

- During the audit
- When provided with Draft Findings
- When provided with Draft Reports
- At the Exit Conference

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WHAT HAPPENS AFTER THE AUDIT

- The books are not closed



- Audit Resolution Process



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Audits Resolution Process

- **Management Decision**
PHAs will work with HUD's Program Office to implement recommendations and corrective actions after OIG issues the Final Audit Report
- **HUD Management**
 - Evaluates the report and determines the required action to take
 - Requests OIG concurrence in Management Decision
 - Resolves any differences with OIG
 - Certifies that all actions in the Management Decisions are complete
- **OIG**
 - Concurs or non-concurs with proposed Management Decision
 - Reaches agreement



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Commissioners & Directors

- **Fiduciary Responsibilities**
 - Maintain integrity in operating the PHA
 - Have policies & procedures in place to protect the PHA from fraud, waste, & abuse
 - Ensure policies support sound management controls to protect the PHA from fraud, waste, & abuse

Section 19 of the ACC

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Commissioners Do's

- DO**
- Pass resolutions and implement policies to prevent fraud, and address unethical behavior.
 - Ensure staff is properly trained on HUD requirements and local procedures.
 - Understand clearly your roles and responsibilities to the PHA.
 - Monitor performance periodically to ensure that policies and procedures are effective or whether adjustments are needed.
 - Establish monitoring controls to prevent or expose conflicts of interest, fraud and abuse.
 - Ensure that an audit is conducted annually and that commissioners review the report. Ask the auditors to include areas of concern in their review.
 - Establish high ethical standards for PHA staff and act as positive role models.
 - Learn about common risks and be alert of problems (for example, embezzlement, improper procurement, conflicts of interest).

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Commissioners Don'ts

Don't

- Sign blank checks, or checks not properly supported with bills, invoices, or vouchers.
- Allow banks accounts to be controlled by one signature.
- Allow reconciliation of bank statements by the person who signs the checks, if possible (use fee accountant).
- Use PHA supplies, equipment, tax exempt status, or staff for personal use.
- Use PHA credit cards for personal use even with reimbursement.
- Use PHA contractors for personal purposes while they are engaged in PHA work.
- Accept gifts, dinner, or gratuities from people who do business with the PHA.
- Do business with the PHA while you are a commissioner.

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What Else Can Commissioners Do?

- Ensure the PHA has implemented quality controls
 - Independent functions (Separation of duties)
 - Periodically check work for employees
- Ask for copies of anything under review.
- Visits HUD's website @ www.hud.gov
- Attend training sessions (like this)
- Attend industry conferences and share the information.

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Five Ground Rules

- Maintain Separation of Duties
- Provide Competencies and Training
- Insist on Good Record Keeping
- Maximize Competition
- Uphold Ethics and Prohibit Conflicts of Interest

Serious allegations of fraud should be reported to your local HUD Office of Inspector General or to the HUD OIG Hotline at:

<http://www.hudoig.gov/report-fraud>

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How To Best Perform Your Role?

- Be a Leader
- Set a Positive Example
- Contribute your time, energy and know how
- Ensure the Board meetings are informative and productive (ask Qs)
- Set high standards
- Understand that you are ultimately accountable for the PHA's performance

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SECTION V

HUD OIG Prevention Bulletins

Integrity Bulletins

- **Public Housing Titles**
 - [A Primer for PHA Commissioners](#)
 - [Procurement & Contracting: Five Ground Rules for Grantees and Subrecipients](#)
 - [Best Practices for Purchase and Travel Card Integrity](#)
 - [Procurement & Contracting: Five Ground Rules for Executive Directors and Commissioners](#)
 - [Hiring by Public Housing Agencies](#)
 - [Avoiding Embezzlement of Public Housing Funds](#)
 - [Developing a Fraud Policy](#)

<https://www.hudoig.gov/fraud-prevention/industry-advisories>

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SECTION VI

Getting the Latest Information

Staying Connected

- Look for collection of links on the right side of www.hudoig.gov

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Questions???
