

# **Exhibit 13-1**

## **Program Violations and Fraud Control**

### **13-1.1 PROGRAM VIOLATIONS AND FRAUD CONTROL**

AHFC will assess and investigate allegations of possible program violations and fraud in all rental assistance programs. Fraud is defined as:

- a. A single act or pattern of actions that include false statements, the omission of information, or the concealment of a substantive fact made with the intention of deceiving or misleading AHFC to gain some benefit dishonestly.
- b. A willful and intentional deception; an action or an intentional omission. Fraud cannot be committed accidentally.

A higher standard of proof is needed to pursue criminal prosecution of fraud than to pursue an administrative remedy for program violations.

- a. Fraud should not be confused with tenant errors, which HUD considers unintentional program violations. Tenant errors are usually infractions or oversights that do not involve intentional deceit (e.g., tenant misunderstands or forgets the rules).
- b. Families who mistakenly provide incorrect information must reimburse AHFC for the difference between what the family should have paid and the actual amount the tenant did pay. This circumstance constitutes a tenant error and is NOT a basis for termination.

If research of the program violation reveals the family did not intentionally plan to withhold or omit information:

- a. Refer to Chapter 8 regarding Termination, or
- b. Refer to Chapter 13 if the client owes AHFC money to consider if a Repayment Agreement may be offered.

#### **13-1.1.B Allegations and Referrals**

Allegations and referrals are most often reported in person or by phone. Staff must protect the privacy of participants and tenants. Staff may use the *Telephone Complaint* (form PW303) to collect information from the caller.

### **Instructions to Accept Allegations and Referrals**

1. Do not acknowledge to the caller that the subject of the call is a program participant.
2. Do not give the caller information about the client.
3. Advise the caller that the allegation will be researched.
4. Advise the caller that staff will not be at liberty to provide him/her with information at any time in the future.

Allegations and referrals that fraud has occurred must be independently verified before further action is taken. Compare all information contained in referrals to the information in the file. If there is new information, consider the following standards prior to taking action:

1. Allegations must contain enough information for staff to verify the information such as the name of the establishment where the client was seen working, an unreported family member's name, make of car, or employer.
2. Two or more allegations with the same information will be researched.
3. Update computer notes.
4. Referrals from individuals or outside agencies alleging fraud or any program violation will be placed in the correspondence section of the client file.

#### **13-1.1.C Research and Documentation**

To prove fraud, AHFC must establish that the action or inaction was intentional. In some cases, the sanction to the family for the program violation(s) will only result in termination of assistance.

Although there are numerous types of program violations that may be considered fraud, the two most common are the failure to report fully all sources of income and the failure to report accurately who is residing in the residence.

#### **1. Additional Program Violations May Include:**

- a. Using false documents such as birth certificates or marriage licenses
- b. Falsifying the number of household members such as adding fictitious children to increase subsidy
- c. Subletting a unit by the family

#### **2. Research**

The Privacy Act and confidentiality of records is explained in Chapter 1. AHFC staff will ONLY collect income information about individuals who have a current, signed *Notice and Consent for the Release of Information* (form HUD 9887 and 9887-A) in the client file.

Potential fraud cases are researched and documented by staff. Staff will complete the *Fraud Action Request*, form PW316, to forward to the Regional Manager.

If approved by the Regional Manager, the client file and supporting documentation will be forwarded to the Central Office. The Management Specialist will review the file with the Housing Operations Director.

If approved by the Director, the entire client file will be forwarded to the Attorney General's office for further investigation and prosecution. The AG's office will recommend when a case will be reported to the HUD OIG Hotline or the Special Agent-in-Charge.

### **Instructions to Research Possible Noncompliance**

1. Research UIV and EIV databases for unreported income for clients with a current release of information form. NOTE: A discrepancy between reported income and electronic data must be verified by third party verification.
2. Examine family expenses for expenditures beyond the family's reported income.
3. Request a credit report to review financial activities.
4. Conduct public records' search for additional income sources such as business licenses, fishing and hunting licenses, real estate ownership, and vehicle registrations. Public records may also show other persons sharing the same address.
5. Examine documents for alterations or additions.
6. Examine verifications or statements submitted by the family that appear to have signatures or handwriting similar to family member's handwriting.
7. Examine documents that appear to be expired or are unsigned.
8. Note difficulties in contacting family during business hours, especially if family reports no work/no income situation.
9. Look for signs of unauthorized household members or signs of employment such as uniforms or vehicles during home inspections.
10. Review identifications of family members for possible tampering or alterations.
11. Review birth certificates for parents' name and alterations.
12. Request school or vaccination records to establish minors in the household.
13. Call AHFC maintenance personnel for information regarding household members and/or possible employment of any household members.
14. Interview neighbors ONLY IF the neighbor has initiated contact with AHFC staff or otherwise made a complaint.
15. Obtain supervisory permission prior to making "drive-bys" or after-hours observations.

### **3. Documentation**

Supporting documentation should establish:

- a. The person knew that what she/he did, or failed to do, was wrong.
- b. The person willfully violated the law. The strongest proof of willfulness is a confession. Other indicators are the violation was done repeatedly, or there was prior administrative action or conviction.
- c. A false name(s) or Social Security number(s) was used.
- d. The person falsified, forged, or altered documents under his/her control.
- e. The person omitted material facts that she/he knew.
- f. There were admissions to others of illegal actions or omissions.
- g. File audit documentation must establish any debt the family may owe AHFC.

### **4. Family Interview**

Once all supporting documentation has been gathered, staff must set an appointment to discuss the documentation and allegation(s) with the family.

### **5. Filing**

If a complaint cannot be investigated due to a lack of information, it should be kept in a separate file. Do not file unsubstantiated or uninvestigated complaints in the family's file. Staff should shred these complaints if 12 months have passed, and no further information comes to AHFC.

If staff investigates a complaint and has a meeting with the family to discuss it, all documentation should be kept together in the file. Any results of conversations with the family should be included with the documentation.