

# CHELSEA HOUSING AUTHORITY

## FRAUD POLICY

January 23, 2013

### Introduction

The Board of Commissioners of the Chelsea Housing Authority has established an anti-fraud policy to enforce controls and to aid the prevention and detection of fraud, theft, waste, or abuse against the Authority. This policy applies to any fraud, theft, waste, or abuse or suspected fraud, theft, waste, or abuse involving any employee (including management), consultant, vendor, contractor, or outside agency doing business with the Authority or in any other relationship with the Agency. This policy is supported and supplemented by a variety of existing policies and procedures including the Code of Conduct, Consolidated Annual Contributions Contract(s), EIV, Administrative Plans and various accounting and reporting procedures. These policies and procedures further provide a framework to support compliance with this policy.

The Board of Commissioners does not tolerate any type of fraud, waste or abuse. The Agency's policy is to promote consistent, legal and ethical organizational behavior by:

- Assigning responsibility for reporting fraud, theft or abuse;
- Providing guidelines to conduct investigations of suspected fraudulent behavior; and
- Requiring each employee to attend annual fraud awareness training.

Failure to comply with this policy subjects an employee (including management) to disciplinary action, including immediate termination. Failure to comply by a consultant, vendor, contractor, outside agency, or person doing business with the CHA or in any other relationship with the CHA could result in cancellation of the business or other relationship between the entity and the CHA.

The Board of Commissioners will pursue prosecution if the results of an investigation indicate the possibility of criminal activity.

For purposes of this policy only the term *fraud* or *fraudulent* includes theft, waste, and abuse as defined below.

The term *employee* includes employees in management process positions. The term management includes, Commissioners, Executive Director, administrative personnel and supervisors.

### Creating a Culture of Honest and High Ethics

Chelsea Housing Authority has a culture of honesty, integrity and high ethics.

Contributing to this are:

- A commitment from the Board of Commissioners to tolerate only the highest levels of honesty, integrity and ethics

- A positive workplace environment supported by adequate compensation, benefits and protections.
- Hiring the best qualified persons and promoting existing employees based on merit.
- Making adequate training opportunities available.
- Issuing discipline in a fair and consistent manner.

## **Definitions and Examples of Fraud, Waste, and Abuse**

*Fraud* is defined as an intentional deception designated to obtain a benefit or advantage or to cause some benefit that is due to be denied. Examples of fraud include:

- Forgery or alteration of a check, bank draft, or any other financial document;
- Theft of a check or other diversion of a client payment;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of CHA operations; and
- An employee with access to confidential client information who sells this information or uses it in the conduct of an outside business activity.

*Waste* is the loss or misuse of the CHA resources that results from deficient practices, system controls, or decisions.

*Abuse* is the intentional, wrongful, or improper use of resources or misuse of rank, position, or authority that causes the loss or misuse of resources such as tools, vehicles, computers, copy, machines, etc. Examples of abuse include:

- Using CHA equipment or supplies to conduct personal business; and
- An employee using non-confidential client information to get new customers for his/her outside business.

*Theft* is defined as the act of taking something from someone unlawfully. An example of theft is taking home a tool or other piece of equipment belonging to the CHA and keeping it for personal use.

## **Responsibility to Report Suspected Fraud**

Each employee is required to report any suspected fraud, theft, waste, or abuse or other dishonest conduct to the Executive Director, Board Chairperson, or Massachusetts Department of Housing and Community Development (DHCD) and/or the U.S. Department of Housing and Urban Development (HUD)..

Management is required to report suspected fraud, theft, waste, or abuse or other dishonest conduct including reports from employees or other individuals to the Executive Director.

Each employee is required to report any suspected fraud, theft, waste, or abuse or other dishonest conduct of the Executive Director to the Board Chairperson.

Each employee is required to report any suspected fraud, theft, waste, or abuse or other dishonest conduct of the Board Chairperson or any Commissioner to the DHCD and/or HUD

The Executive Director has the authority to determine the merits of a report of suspected fraud including obtaining, if necessary, the assistance of the CHA Attorney.

The identity of an employee or complainant who reports suspected fraud will be protected to the full extent allowed by law.

Suspected improprieties and /or misconduct concerning an employee's ethical conduct should be reported in the same manner and to the same reporting entity as fraud, theft, waste, abuse or other dishonest conduct. Note that there are many instances of prohibited actions that do not rise to the level of fraud, such as an improper relationship with a vendor.

### **Guidelines for Handling a Report of Suspected Fraud, Theft, Waste, or Abuse**

Whether the initial report is made to the Executive Director, Board Chairperson or DHCD/HUD, the reporting individual should receive the following instruction and information:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Allow the investigative body to conduct the investigation. Do not further investigate the allegations.
- Observe strict confidentiality. Do not discuss the case, facts, suspicions, or allegations with anyone else unless specifically asked to do so by the investigative body, police, CHA Attorney, or the Office of the Inspector General.
- Retaliation will not be tolerated. The CHA will not tolerate any form of retaliation against individuals providing information concerning fraud or suspected fraud.
- Every effort will be made to protect the rights and the reputations of everyone involved including the individual who in good faith alleges perceived misconduct as well as the alleged violator(s). (See: *Disciplinary Action* for the consequences of making a report of fraud in bad faith.)
- The identity of an employee or other individual who reports a suspected act of fraud will be protected as provided by this policy. (See: *Responsibility to Report Suspected Fraud*.)

### **Responsibility of the Executive Director**

The Executive Director, in consultation with HUD and Fiscal Auditor, shall evaluate the risks of fraud and implement processes, procedures and controls to mitigate those risks. Neither fraudulent financial reporting nor misappropriation of assets can occur without a perceived opportunity to commit and conceal the act. The Executive Director will be proactive in reducing fraud opportunities by:

- Identifying and measuring fraud risks;
- Taking steps to mitigate identified risks; and
- Implementing and monitoring appropriate preventative and detective internal controls and other deterrent measures.

The Executive Director shall serve as the primary Ethics Officer for the CHA. On receiving a report of fraud, the Executive Director shall document the contact and conduct a preliminary investigation to determine the credibility of the report. If the report is credible, the Executive Director shall follow the investigation guidelines provided in this policy. (See: *Guidelines for Investigation of Suspected Fraud.*)

The Executive Director shall make every effort to protect the rights and the reputations of everyone involved in the report of suspected fraud, including the individual who in good faith alleges perceived misconduct as well as the alleged violator(s). The Executive Director also shall make every effort to protect the identity of a person who in good faith reported the suspected fraud.

The Executive Director may find it necessary to involve outside agencies to assist the investigation and may refer questions as to whether the action constitutes fraud to the Agency's Auditor or Attorney, as appropriate.

On determining that a report is not credible or is not a report of fraud, the Executive Director shall document this determination. The Executive Director's documentation shall include support for the determination.

The Executive Director is responsible for the administration, interpretation, and application of this policy. The Board of Commissioners is responsible for policy adoptions and revisions.

### **Guidelines for the Investigation of Suspected Fraud**

The Executive Director is responsible for the investigation of reported wrongdoing and all suspected fraud and for coordinating investigative activities. Each employee involved in an investigation of suspected fraud shall keep the content of the investigation strictly confidential to the full extent provided by law. Investigation results shall not be disclosed or discussed with anyone other than those who have a legitimate need to know.

Any required investigative activity shall be conducted without regard to the suspected wrongdoer's length of service, position/title, relationship to the CHA, or any other perceived mitigating circumstance.

The Executive Director shall maintain appropriate documentation regarding incidents of fraud. The Executive Director shall develop and maintain guidelines for access to and security of this documentation, until a determination is filed.

If an investigation substantiates fraudulent activities, the Executive Director will prepare an incident report to the Board of Commissioners. The Executive Director shall prepare the report as soon as possible after the fraud is confirmed and shall document the content of the investigation, the findings, and any disciplinary action taken as a result of the finding.

If an investigation substantiated fraudulent activities of a possible criminal nature, the Executive Director shall determine, in consultation with the Board of Commissioners, HUD, DHCD, CHA's Attorney and/or the Office of the Attorney General, whether to refer the matter to law enforcement and/or at what level.

Any inquiries from the suspected individual, his or her attorney/representative, or any other inquirer shall be directed to the Executive Director. If necessary, the Executive Director will refer these inquiries to the CHA Attorney.

The Board Chairperson is responsible for the investigation of any reported wrongdoing by the Executive Director. The Board Chairperson shall follow the same procedures that have been established for the Executive Director to follow when investigating and addressing possible wrongdoing. The Board Chairperson shall advise the other members of the Board of Commissioners about the allegations and provide them with periodic updates on the status of the investigation. The Board Chairperson may also choose to appoint one or more Commissioners to assist with the investigation. Each Commissioner is bound by the same requirements for strict confidentiality. Should an initial allegation of fraud, other than by the Executive Director, be directed to the Board Chairperson, the Board Chairperson shall determine whether the Executive Director or the Board Chairperson shall conduct the investigation.

Any reported wrongdoing by a member(s) of the Board of Commissioners shall be reported to the Department of Housing and Community Development (DHCD) and/or the Department of Housing and Urban Development (HUD).

### **Disciplinary Action**

Failure to comply with any part of this policy is grounds for disciplinary actions, including immediate termination. Including,:

An employee who:

- Has engaged in any form of fraud, waste, or abuse;
- Suspects or discovers fraudulent activity and fails to report his or her suspicions as required by this policy (See: Responsibility to Report Suspected Fraud); or
- Intentionally reports false or misleading information.

Any member of management who does not pass on to the Executive Director each every report of suspected fraud made by an employee or other person is subject to disciplinary action, including immediate termination.

Any losses from fraud will be recovered, if necessary, through civil action.

### **Client Fraud within the Assisted Housing Programs**

The CHA has developed very specific procedures and guidelines for dealing with fraud by clients of its assisted housing programs. These standards are contained in the Admissions and *Continued Occupancy Policy* for the Public Housing Program and *Section 8 Administrative Plan* for the Housing Choice Voucher Program. The CHA will take one or more of the following actions whenever it reaches a positive determination:

- Enter into a repayment agreement;
- Terminate assistance (Housing Choice Voucher Program);
- Terminate tenancy and evict (Public housing Program);
- Seek recovery of any excess subsidies including damages & legal costs through the civil courts; and or

- Refer the matter to the Office of the Inspector General.

### **Fraud Awareness Training**

From time to time, training programs regarding fraud awareness become available to the CHA through various means. As these programs become available, applicable staff will be asked to attend such trainings. After attending the training, the participating employees must sign a form indicating that they have attended the training and understood its content.

### **Report**

Incidents of suspected fraud determined by the Executive Director to have merit shall be reported to the Board of Commissioners at the next Board meeting after the conclusion of the investigation. The report shall include; whether the report was from an employee; the determination of merit; whether a full investigation was conducted and if so, the results of the investigation; the disciplinary action, if any resulting from the investigation; whether the report was referred to an outside entity and if so, the current status or final results of the referral.

Approved 1/23/13