

U.S. Department of Housing and Urban Development



Fraud Prevention

*Prevention is the best way to stop fraud.
When you find or suspect it, report it!*

**GUIDANCE FOR MANAGERS OF
HUD ASSISTED RENTAL HOUSING PROGRAMS**

September 2005

Fraud has a devastating effect on HUD's assisted rental housing programs. The Office of Inspector General wants to drive fraud out of HUD-assisted rental housing and is working closely with HUD management to rid our assisted rental housing programs of fraud. Working together, we can make a difference!

FRAUD

Fraud is a criminal act in which individuals, groups, or businesses steal taxpayers' monies from HUD and its programs. Fraud can also lead to acts of violent crime. When fraud occurs, residents and tenants become victims and HUD's programs are abused. Tenants who make false statements regarding their income or family size, or alter official documents, are committing fraud. HUD-assisted rental housing employees who engage in bribery, contract bid rigging, embezzlement, or who alter, forge or destroy records are committing fraud.

COMMITMENT BY MANAGEMENT

The managers of HUD-assisted rental housing programs can make a positive difference with an aggressive commitment to preventing fraud and addressing fraud when it is suspected. Increasing fraud awareness among tenants and employees may be one of the most effective fraud prevention measures available to all managers. Fraud prevention and fraud awareness are the first steps in rooting out fraud and saving taxpayer's dollars.

WHAT CAN BE DONE TO COMBAT FRAUD

To combat fraud in HUD's programs, managers should notify and educate employees and tenants as to what may constitute fraudulent activities. Managers need to emphasize that controls are in place to actively seek out information on tenant and employee fraud and that these criminal activities will not be tolerated and will be thoroughly investigated!

To accomplish this, the managers can create, adopt and implement a comprehensive Fraud Policy that can be easily understood by tenants and employees. Fraud controls do little to deter fraud if tenants and employees are not aware that controls are in place. A Fraud Policy establishes procedures for identifying, addressing and reporting fraudulent activity to the appropriate law enforcement authorities as well as to HUD's Office of Inspector General.

A FRAUD POLICY – THE FIRST STEP IN COMBATING FRAUD

A Fraud Policy highlights the importance and commitment by you, your agency, and HUD to combat fraud. A comprehensive Fraud Policy should include...

- ❑ **POLICY STATEMENT** - A written statement by management declaring the agency's commitment to preventing fraud, explaining that managers, employees, tenants are responsible for preventing, identifying, and reporting fraud. The Policy Statement should clearly identify who the appropriate official is for reporting the suspected fraud.
- ❑ **POLICY SCOPE** - A written statement defining what constitutes fraud, which may include but are not limited to such activities as:
 - False statements from tenants or employees
 - Tenant misrepresentation of income
 - Bribery or kickbacks
 - False claims or bid rigging

- Theft or embezzlement
- Forgery or alteration of documents
- Destruction or concealment of records
- Profiting from insider knowledge or a conflict of interest

The Policy Scope should also identify other possible criminal acts, which should be coordinated with local law enforcement or handled by appropriate administrative actions. Other criminal acts may include such activities as:

- Illegal drug activity
- Disturbing the peace
- Vandalism

- ▣ **CONFIDENTIALITY STATEMENT** – A written statement specifying that any investigation of fraud or other criminal activity will not be disclosed except to the appropriate law enforcement authorities. It should also state that management will not retaliate against tenants or employees who report fraud, criminal activity, or other program irregularities.
- ▣ **AUTHORIZATION FOR INVESTIGATION** – A written statement that identifies which management officials are responsible for the investigation and by what authority. The authority should also include the right of management to obtain and examine records.
- ▣ **CONSEQUENCES** – A written statement that identifies administrative, civil, and criminal penalties associated with fraud and outlines the penalties for tenants and employees.
- ▣ **DUE PROCESS** – A written statement providing assurances that management will review all recommendations for evictions, cancellations of subsidies, or the termination of an employee and that tenants and employees will be accorded full due process of law.
- ▣ **FRAUD REPORTING REQUIREMENTS** – A written statement that specifies where suspected fraud or related criminal activities should be reported. Suspected fraud or related criminal activities can be reported to:

HUD OIG Hotline, GFI
451 7th Street, SW
Washington, DC 20410

Telephone: 1-800-347-3735 or
Email: hotline@hudoig.gov

Suspected fraud or related criminal activities can also be reported to the regional Special Agent in Charge responsible for the particular state. A complete listing of OIG Investigation offices is located with the HUD OIG regional map on the reverse of this pamphlet.

DISTRIBUTION REQUIREMENTS

After adopting a Fraud Policy, managers should provide access to the Fraud Policy to all tenants, employees, and all other interested parties, including the HUD Field Office in the state, either by providing written copies, posting prominently in common areas to further ensure maximum access to tenants, or by making it available on the Internet. A copy of this Fraud Prevention pamphlet is available on the Internet at <http://www.hud.gov/offices/oig/index.cfm>.

