

## Chapter 14

### PROGRAM INTEGRITY

#### INTRODUCTION

Charleston-Kanawha Housing Authority (CKHA) is committed to ensuring that subsidy funds made available to CKHA are spent in accordance with HUD requirements.

This chapter covers HUD and CKHA policies designed to prevent, detect, investigate and resolve instances of program abuse or fraud. It also describes the actions that will be taken in the case of unintentional errors and omissions.

Part I: Preventing, Detecting, and Investigating Errors and Program Abuse. This part presents CKHA policies related to preventing, detecting, and investigating errors and program abuse.

Part II: Corrective Measures and Penalties. This part describes the corrective measures CKHA must and may take when errors or program abuses are found.

## **PART I: PREVENTING, DETECTING, AND INVESTIGATING ERRORS AND PROGRAM ABUSE**

### **14-I.A. PREVENTING ERRORS AND PROGRAM ABUSE**

HUD created the Enterprise Income Verification (EIV) system to provide CKHA with a powerful tool for preventing errors and detecting program abuse. CKHA is required to use the EIV system in its entirety in accordance with HUD administrative guidance [24 CFR 5.233]. CKHA is further required to:

- Provide applicants and participants with form HUD-52675, “Debts Owed to PHAs and Terminations”
- Require all adult members of an applicant or participant family to acknowledge receipt of form HUD-52675 by signing a copy of the form for retention in the family file

#### CKHA Policy

To ensure that CKHA’s HCV program is administered according to the highest ethical and legal standards, CKHA will employ a variety of techniques to ensure that both errors and intentional program abuse are rare.

- CKHA will discuss program compliance and integrity issues during the voucher briefing sessions described in Chapter 5.
- CKHA will provide each applicant and participant with a copy of “Is Fraud Worth It?” (form HUD-1141-OIG), which explains the types of actions a family must avoid and the penalties for program abuse.
- CKHA will provide each applicant and participant with a copy of “What You Should Know about EIV,” a guide to the Enterprise Income Verification (EIV) system published by HUD as an attachment to Notice PIH 2010-19. In addition, CKHA will require the head of each household to acknowledge receipt of the guide by signing a copy for retention in the family file.
- CKHA will place a warning statement about the penalties for fraud (as described in, 18 U.S.C. 1001 and 1010) on key CKHA forms and form letters that request information from a family or owner.
- CKHA staff will be required to review and explain the contents of all HUD- and CKHA-required forms prior to requesting family member signatures.
- At every regular reexamination, CKHA staff will explain any changes in HUD regulations or CKHA policy that affect program participants.
- CKHA will require first-time owners (or their agents) to participate in a briefing session on HAP contract requirements.
- CKHA will provide owners with ongoing information about the program, with an emphasis on actions and situations to avoid.
- CKHA will provide each CKHA employee with the necessary training on program rules and the organization’s standards of conduct and ethics.

For purposes of this chapter the term *error* refers to an unintentional error or omission. *Program abuse or fraud* refers to a single act or pattern of actions that constitute a false statement, omission, or concealment of a substantial fact, made with the intent to deceive or mislead.

## **14-I.B. DETECTING ERRORS AND PROGRAM ABUSE**

In addition to taking steps to prevent errors and program abuse, CKHA will use a variety of activities to detect errors and program abuse.

### **Quality Control and Analysis of Data**

Under the Section 8 Management Assessment Program (SEMAP), HUD requires CKHA to review a random sample of tenant records annually to determine if the records conform to program requirements and to conduct quality control inspections of a sample of units to ensure HQS compliance [24 CFR, Part 985]. (See Chapter 16 for additional information about SEMAP requirements.)

#### CKHA Policy

In addition to the SEMAP quality control requirements, CKHA will employ a variety of methods to detect errors and program abuse.

- CKHA routinely will use HUD and other non-HUD sources of up-front income verification. This includes The Work Number and any other private or public databases available to CKHA.
- At each 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.
- CKHA will compare family-reported income and expenditures to detect possible unreported income.

### **Independent Audits and HUD Monitoring**

OMB Circular A-133 requires Public Housing Authority (PHA)s that expend \$500,000 or more in federal awards annually to have an independent audit (IPA). In addition, HUD conducts periodic on-site and automated monitoring of PHA activities and notifies PHA of errors and potential cases of program abuse.

#### CKHA Policy

CKHA will use the results reported in any IPA or HUD monitoring reports to identify potential program abuses as well as to assess the effectiveness of CKHA's error detection and abuse prevention efforts.

### **Individual Reporting of Possible Errors and Program Abuse**

#### CKHA Policy

CKHA will encourage staff, program participants, and the public to report possible program abuse.

## **14-I.C. INVESTIGATING ERRORS AND PROGRAM ABUSE**

### **When CKHA Will Investigate**

#### CKHA Policy

CKHA will review all referrals, specific allegations, complaints, and tips from any source including other agencies, companies, and individuals, to determine if they warrant investigation. In order for CKHA to investigate, the allegation must contain at least one independently verifiable item of information, such as the name of an employer or the name of an unauthorized household member.

CKHA will investigate when inconsistent or contradictory information is detected through file reviews and the verification process.

### **Consent to Release of Information [24 CFR 982.516]**

CKHA may investigate possible instances of error or abuse using all available CKHA and public records. If necessary, CKHA will require HCV families to sign consent forms for the release of additional information.

### **Analysis and Findings**

#### CKHA Policy

CKHA will base its evaluation on a preponderance of the evidence collected during its investigation.

*Preponderance of the evidence* is defined as evidence which is of greater weight or more convincing than the evidence which is offered in opposition to it; that is, evidence that as a whole shows that the fact sought to be proved is more probable than not. Preponderance of evidence may not be determined by the number of witnesses, but by the greater weight of all evidence.

For each investigation CKHA will determine (1) whether an error or program abuse has occurred, (2) whether any amount of money is owed to CKHA, and (3) what corrective measures or penalties will be assessed.

## **Consideration of Remedies**

All errors and instances of program abuse must be corrected prospectively. Whether CKHA will enforce other corrective actions and penalties depends upon the nature of the error or program abuse.

### CKHA Policy

In the case of family-caused errors or program abuse, CKHA will take into consideration (1) the seriousness of the offense and the extent of participation or culpability of individual family members, (2) any special circumstances surrounding the case, (3) any mitigating circumstances related to the disability of a family member, (4) the effects of a particular remedy on family members who were not involved in the offense.

In the case of owner-caused errors or program abuse, CKHA will take into consideration (1) the seriousness of the offense, (2) the length of time since the violation has occurred, and (3) the effects of a particular remedy on family members who were not involved in the offense.

## **Notice and Appeals**

### CKHA Policy

CKHA will inform the relevant party in writing of its findings and remedies within 10 business days of the conclusion of the investigation. The notice will include (1) a description of the error or program abuse, (2) the basis on which CKHA determined the error or program abuses, (3) the remedies to be employed, and (4) the family's right to appeal the results through the informal review or hearing process, if applicable (see Chapter 16).

## **PART II: CORRECTIVE MEASURES AND PENALTIES**

### **14-II.A. SUBSIDY UNDER- OR OVERPAYMENTS**

A subsidy under- or overpayment includes (1) an incorrect housing assistance payment to the owner, (2) an incorrect family share established for the family, and (3) an incorrect utility reimbursement to a family.

#### **Corrections**

Whether the incorrect subsidy determination is an overpayment or underpayment of subsidy, CKHA must promptly correct the HAP, family share, and any utility reimbursement prospectively.

##### CKHA Policy

Increases in the family share will be implemented on the first of the month following a written 30-day notice.

Any decreases in family share will become effective the first of the month following the discovery of the error.

#### **Reimbursement**

Whether the family or owner is required to reimburse CKHA or CKHA is required to make retroactive subsidy payments to the owner or family depends upon which party is responsible for the incorrect subsidy payment and whether the action taken was an error or program abuse. Policies regarding reimbursement are discussed in the three sections that follow.

## **14-II.B. FAMILY-CAUSED ERRORS AND PROGRAM ABUSE**

Family obligations and general administrative requirements for participating in the program are discussed throughout this plan. This section deals specifically with errors and program abuse by family members.

An incorrect subsidy determination caused by a family generally would be the result of incorrect reporting of family composition, income, assets, or expenses, but also would include instances in which the family knowingly allows CKHA to use incorrect information provided by a third party.

### **Family Reimbursement to CKHA [HCV GB, p. 22-12 - 22-13]**

#### CKHA Policy

In the case of family-caused errors or program abuse, the family will be required to repay any excess subsidy received. CKHA may, but is not required to, offer the family a repayment agreement in accordance with Chapter 16. If the family fails to repay the excess subsidy, CKHA will terminate the family's assistance in accordance with the policies in Chapter 12.

### **CKHA Reimbursement to Family [HCV GB, p. 22-12]**

#### CKHA Policy

CKHA will not reimburse the family for any underpayment of assistance when the family clearly is caused by the family.

### **Prohibited Actions**

An applicant or participant in the HCV program must not knowingly:

- Make a false statement to CKHA [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 982.552(c)(iv)].

#### CKHA Policy

Any of the following will be considered evidence of family program abuse:

- Payment to the owner in excess of amounts authorized by CKHA for rent, security deposit, and additional services
- Offering bribes or illegal gratuities to CKHA Board of Commissioners, employees, contractors, or other CKHA representatives
- Offering payments or other incentives to the owner or a third party as an inducement for the third party to make false or misleading statements to CKHA on the family's behalf
- Use of a false name or the use of falsified, forged, or altered documents
- Intentional misreporting of family information or circumstances (e.g. income, family composition)

- Omitted facts that were obviously known by a family member (e.g., not reporting employment income)
- Admission of program abuse by an adult family member

CKHA may determine other actions to be program abuse based upon a preponderance of the evidence, as defined earlier in this chapter.

### **Penalties for Program Abuse**

In the case of program abuse caused by a family CKHA may, at its discretion, impose any of the following remedies.

- CKHA may require the family to repay excess subsidy amounts paid by CKHA, as described earlier in this section.
- CKHA may require, as a condition of receiving or continuing assistance, that a culpable family member not reside in the unit. See policies in Chapter 3 (for applicants) and Chapter 12 (for participants).
- CKHA may deny or terminate the family's assistance following the policies set forth in Chapter 3 and Chapter 12 respectively.
- CKHA may refer the family for state or federal criminal prosecution as described in section 14-II.E.

## **14-II.C. OWNER-CAUSED ERROR OR PROGRAM ABUSE**

Owner requirements that are part of the regular process of offering, leasing, and maintaining a unit (e.g., HQS compliance, fair housing) are addressed in the appropriate chapters of this plan. This section focuses on errors and program abuse by owners.

An incorrect subsidy determination caused by an owner generally would be the result of an incorrect owner statement about the characteristics of the assisted unit (e.g., the number of bedrooms, which utilities are paid by the family). It also includes accepting duplicate housing assistance payments for the same unit in the same month, or after a family no longer resides in the unit.

### **Owner Reimbursement to CKHA**

In all cases of overpayment of subsidy caused by the owner, the owner must repay to CKHA any excess subsidy received. CKHA may recover overpaid amounts by withholding housing assistance payments due for subsequent months, or if the debt is large, CKHA may allow the owner to pay in installments over a period of time [HCV GB, p. 22-13].

#### CKHA Policy

In cases where the owner has received excess subsidy, CKHA will require the owner to repay the amount owed in accordance with the policies in Section 16-IV.B.

### **Prohibited Owner Actions**

An owner participating in the HCV program must not:

- Make any false statement to CKHA [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:

#### CKHA Policy

Any of the following will be considered evidence of owner program abuse:

- Charging the family rent above or below the amount specified by CKHA
- Charging a security deposit other than that specified in the family's lease
- Charging the family for services that are provided to unassisted tenants at no extra charge
- Knowingly accepting housing assistance payments for any month(s) after the family has vacated the unit
- Knowingly accepting incorrect or excess housing assistance payments
- Offering bribes or illegal gratuities to CKHA Board of Commissioners, employees, contractors, or other CKHA representatives
- Offering payments or other incentives to an HCV family as an inducement for the family to make false or misleading statements to CKHA
- Residing in the unit with an assisted family

## **Remedies and Penalties**

When CKHA determines that the owner has committed program abuse, CKHA may take any of the following actions:

- Require the owner to repay excess housing assistance payments, as discussed earlier in this section and in accordance with the policies in Chapter 16.
- Terminate the HAP contract (See Chapter 13).
- Bar the owner from future participation in any CKHA programs.
- Refer the case to state or federal officials for criminal prosecution as described in section 14-II.E.

#### **14-II.D. CKHA-CAUSED ERRORS OR PROGRAM ABUSE**

The responsibilities and expectations of CKHA staff with respect to normal program administration are discussed throughout this plan. This section specifically addresses actions of a CKHA staff member that are considered errors or program abuse related to the HCV program. Additional standards of conduct may be provided in CKHA personnel policy.

CKHA-caused incorrect subsidy determinations include (1) failing to correctly apply HCV rules regarding family composition, income, assets, and expenses, (2) assigning the incorrect voucher size to a family, and (3) errors in calculation.

##### **Repayment to CKHA**

Neither a family nor an owner is required to repay an overpayment of subsidy if the error or program abuse is caused by CKHA staff [HCV GB, p. 22-12].

##### **CKHA Reimbursement to Family or Owner**

CKHA must reimburse a family for any underpayment of subsidy, regardless of whether the underpayment was the result of staff-caused error or staff or owner program abuse. Funds for this reimbursement must come from CKHA's administrative fee reserves [HCV GB, p. 22-12].

##### **Prohibited Activities**

###### CKHA Policy

Any of the following will be considered evidence of program abuse by CKHA staff:

- Failing to comply with any HCV program requirements for personal gain
- Failing to comply with any HCV program requirements as a result of a conflict of interest relationship with any applicant, participant, or owner
- Seeking or accepting anything of material value from applicants, participating families, vendors, owners, contractors, or other persons who provide services or materials to CKHA.
- Disclosing confidential or proprietary information to outside parties
- Gaining profit as a result of insider knowledge of CKHA activities, policies, or practices
- Misappropriating or misusing HCV funds
- Destroying, concealing, removing, or inappropriately using any records related to the HCV program
- Committing any other corrupt or criminal act in connection with any federal housing program

## **14-II.E. CRIMINAL PROSECUTION**

### CKHA Policy

When CKHA determines that program abuse by an owner, family, or CKHA staff member has occurred and the amount of overpaid subsidy meets or exceeds the threshold for prosecution under local or state law, CKHA will refer the matter to the appropriate entity for prosecution. When the amount of overpaid assistance meets or exceeds the federal threshold, the case will also be referred to the HUD Office of Inspector General (OIG).

Other criminal violations related to the HCV program will be referred to the appropriate local, state, or federal entity.

## **14-II.F. FRAUD AND PROGRAM ABUSE RECOVERIES**

CKHA may retain a portion of program fraud losses that CKHA recovers from a family or owner through litigation, court order, or a repayment agreement [24 CFR 982.163].

CKHA must be the principal party initiating or sustaining the action to recover amounts due from tenants that are due as a result of fraud and abuse. 24 CFR 792.202 permits CKHA to retain the greater of:

- Fifty percent of the amount it actually collects from a judgment, litigation (including settlement of a lawsuit) or an administrative repayment agreement, or
- Reasonable and necessary costs that CKHA incurs related to the collection including costs of investigation, legal fees, and agency collection fees.

The family must be afforded the opportunity for an informal hearing in accordance with requirements in 24 CFR 982.555.

If HUD incurs costs on behalf of CKHA related to the collection, these costs must be deducted from the amount retained by CKHA.