CVR ASSOCIATES INC

❖ **National Firm Employing More Than 350 Team Members**

❖ **Serving the Affordable Housing Industry *Exclusively* for 17 Years**

❖ **Core Areas of Expertise and Focus Include:**
  ✓ Housing Choice Voucher Programs & HQS Inspections
  ✓ Program & Agency Management & Operations
  ✓ Technology Solutions
  ✓ Operational Assessments
  ✓ Mixed-Finance Program Management & Development Consulting
  ✓ Strategic Planning & Financial Advising
  ✓ Training

NYSPHADA

UNIQUE APPROACH TO QUALITY ASSURANCE

Take ACTION Methodology

Detecting and Preventing Tenant Fraud and Abuse

FRAUD

❖ Wastes public funds, thereby increasing the overall cost of the Program.

❖ Takes funding away from the Program that could have been used to serve another family.

❖ Can create negative publicity for the agency.

FRAUD

Staffing Factors that Affect Fraud

- ❖ Management's expectations of staff.
- ❖ Level of staff's professionalism and motivation.
- ❖ Staff's commitment to serving low income families.
- ❖ Staff's knowledge of program rules and regulations.
- ❖ Quality of staff training.

PREVENTION

Policy Factors that Affect Fraud

❖ Are policies reasonable and practical?

❖ Do policies address common areas of fraud and abuse?

❖ Are policies followed in practice and uniformly applied?

❖ Are polices periodically updated?

Fraud

- Prevention through Education/Training
- Red Flags
- Terminology
- Types of Program Violations
- Discovering Potential Fraud
- How to Proceed if Fraud is Suspected
- Determining the Course of Action
- Recap

FRAUD

Prevention through Education & Training

❖ Much fraud and abuse can be prevented by improving the quality of the processes and procedures relating to regular tenant interactions.

❖ But ultimately, the staff must be properly trained on the processes and procedures.

FRAUD

Prevention through Education & Training

Increasing the staffs' knowledge base decreases the likelihood of fraud.

Train staff to become experts in:

- ❖ How to *prevent* fraud and program abuse.
- ❖ How to *detect* fraud and program abuse.
- ❖ How to *identify* fraud and program abuse.
- ❖ How to *respond* to suspected fraud and program abuse.

Prevention through Education & Training

❖ Training helps to ensure that staff have a sound understanding of operational procedures.

❖ When staff follow procedures and are thorough with each file, the agency can:

✓ Prevent errors and potential audit findings.
✓ Avoid potential financial accountability from HUD Audits.

FRAUD

Prevention through Education & Training

❖ Keep current on changes in rules and regulations.

❖ Stay abreast of new and revised tools (EIV).

❖ Keep applicants and participants informed of their obligations from the first day of application intake.

❖ Use every interaction with a participant as an opportunity to reinforce cooperation and compliance with program obligations.

Fraud

Prevention through Education & Training

Tools and practices that affect fraud and abuse:

❖ Are forms adequate and comprehensive? *(Application, Recertification, Verification)*

❖ Do staff use the Zero Income Questionnaire?

❖ Are files reviewed for Quality Control?

❖ Are materials provided to participants regarding program rules sufficient?

❖ Are reasonable accommodations granted when appropriate?

*F*RAUD

Prevention through Education & Training

❖ Display signs and warnings regarding fraud, program abuse, and its consequences.

❖ Use newsletters, bulletins, OIG reports, and other publications to reinforce fraud awareness.

❖ HUD brochure "Things You Should Know."

❖ Develop a relationship with the OIG Investigators and other local Law Enforcement Agencies.

FRAUD

Prevention through Education & Training

- ❖ Review and sign forms outlining family obligations at briefings, recertification appointments, etc.

- ❖ Use both tenant and owner briefings as opportunities to discuss the most common types of fraud and how it can be avoided.

- ❖ Provide fraud and abuse prevention materials in briefing packages to both participants and owners.

- ❖ Use fraud detection software to learn associated addresses and potential income.

Prevention through Education & Training

Interview Process

❖ Interviewers can make it easy for a participant to omit relevant information, particularly with regard to income and assets by not asking the correct questions or by not asking the questions in the correct manner.

❖ It is always important to review the tenant file and the previous certification, so that any inconsistencies can be noted during the interview.

Prevention through Education & Training

Interview Process – *Yes* and *No* Questions

❖ Examples:

  ✓ Do you work?

  ✓ Are you married?

  ✓ Do you earn money from any other sources?

❖ Best suited when a specific response is required.

❖ Often times they let the participant off the hook.

FRAUD

Prevention through Education & Training

Interview Process – Open Ended Questions

❖ Provide more detailed answers.

❖ Give the participant an opportunity to think about the answers.

❖ Examples:

✓ Who is living in your apartment these days?

✓ Tell me about your bank account?

✓ Where are your children in school?

✓ What income are you currently earning?

FRAUD

Prevention through Education & Training

Ultimately, regardless of what specific tools you have in place to detect and prevent fraud – they all work together to ensure the integrity of the file.

1. Institute appropriate procedures.
2. Train staff on the use of the procedures.
3. Follow those procedures diligently and consistently.
4. Be thorough and detail oriented throughout the process.

This comprehensive process serves as Quality Assurance.

Fraud

Prevention through Education/Training

Red Flags

Terminology

Types of Program Violations

Discovering Potential Fraud

How to Proceed if Fraud is Suspected

Determining the Course of Action

Recap

FOUNDED on Experience BUILT on Performance

NYSPHADA

Red Flags

❖ Indications of possible false statements or omissions can be found by evaluating the information supplied by the applicant or participant and observing their behavior.

❖ Any single discrepancy may have a logical and innocent explanation and should be looked at in the overall context of the interview.

Red Flags

❖ Lack of identification or social security numbers for all household members.

❖ Documents have erasures, white outs, overwriting, crossed out information, or otherwise appear altered.

❖ Multiple forms or documents that appear to be prepared by the same typewriter or printer.

Fraud

Red Flags

❖ Expired documents.

❖ Sole source of income is loans from family or friends with no recent work history.

❖ There is no indication of receiving or applying for benefits such as TANF or SSI for which the participant appears to be entitled.

❖ Reported expenses substantially exceed income.

FRAUD

Red Flags

❖ TANF, SSI, or other reported benefits that are not at maximum allowable amounts may indicate other income.

❖ Credit reports indicate levels of loans, credit cards, etc., that are not consistent with reported income.

❖ Deposits and Withdrawals from banks accounts are inconsistent with reported income.

❖ Failure to supply complete bank statement with list of monthly transactions. Careful review of any bank statement is critical.

FRAUD

Red Flags

❖ Applicant reports marital status as separated and has custody of children from this spouse, but does not report child support.

❖ Tenant and Landlord have same last name.

❖ Participant has trouble recalling information that they should know easily such as age of children.

FRAUD

Red Flags

❖ Unemployed persons who are difficult to reach at home.

❖ Signs at inspection that indicate a higher than approved occupancy or a life style inconsistent with reported income.

❖ Inconsistencies between the previous year questionnaire and any current statements or declarations.

FRAUD

Red Flags

- ❖ Returned mail.

- ❖ Documents with different addresses or address omissions.

- ❖ Expired picture identification or picture id doesn't look like the person in the interview.

FRAUD

Terminology

Fraud

❖ Deceit or trickery used to gain an advantage in a dishonest manner.

❖ Willful and intentional deception.

❖ An intentional misrepresentation of the truth or concealing of material fact to induce another to act to his or her detriment.

❖ Fraud cannot be committed accidentally.

Terminology

Violation

When an applicant, participant, or owner, either by action or in action, breaches a contract, policy, or procedure.

Terminology

Proof

To prove fraud, it must be demonstrated that:

- ❖ The actions were intentional.

- ❖ The person knew what he/she did or failed to do was wrong.

- ❖ The law, rule, or policy was willfully violated.

  - ✓ Was violation one time or repeated?

  - ✓ Has staff taken any prior action for this matter?

Terminology

Examples of "Proof"

- ❖ A false name or social security number was used.

- ❖ Documents are falsified, forged, or altered.

- ❖ The person omitted material facts, such as income or other household members, that he/she knew to be necessary.

- ❖ Confessions of illegal actions or omissions.

Fraud

Prevention through Education/Training

Red Flags

Terminology

✓ Types of Program Violations

Discovering Potential Fraud

How to Proceed if Fraud is Suspected

Determining the Course of Action

Recap

NYSPHADA

Types of Program Violations

Administrative

❖ **Due to oversight or unintentional minor program violation.**

❖ **Generally result in:**

- ✓Warning
- ✓Termination
- ✓Repayment Agreement

Fraud

Types of Program Violations

Administrative

Examples include:

- ❖ Failing to submit a requested verification.

- ❖ Failing to appear for recertification appointment.

- ❖ Failure to pay rent or other charges.

- ❖ Failure to report changes of income or household composition in a timely manner.

- ❖ Vacating unit without proper notice.

Types of Program Violations

Criminal

❖ Due to a substantial overpayment of subsidy.

❖ Result in:

✓ termination and repayment

✓ use of judgments

✓ collection agencies

✓ action to pursue criminal charges should be considered

Types of Program Violations

Criminal Violations

❖ *Examples Involving Income and Assets*

✓ Knowingly omitting income or assets of a member of the household.

✓ Knowingly under-reporting income.

✓ Transferring income or assets to falsely retain eligibility.

✓ Overstating deductions, allowances, or expenses.

Types of Program Violations

Criminal Violations

❖ ***Violations Involving Household Members***

- ✓ Using false identification or Social Security number.
- ✓ Using false birth certificates or marriage license.
- ✓ Adding household members who do not actually reside in the unit for the purpose of increasing unit size eligibility.
- ✓ Omitting household members with income.

Types of Program Violations

Criminal Violations

❖ ***Violations Involving Unit***

  ✓ Family owns or has interest in unit.

  ✓ Family sublets unit or has multiple subsidized units from various programs.

  ✓ Owner and tenant cohabitate.

  ✓ Family uses unit for illegal activity.

Types of Program Violations

Criminal Violations

❖ ***Owner Violations***

✓ Accepting side payments of additional rent.

✓ Knowingly accepting HAP for a vacant unit.

Fraud

- Prevention through Education/Training
- Red Flags
- Terminology
- Types of Program Violations
- ✓ Discovering Potential Fraud
- How to Proceed if Fraud is Suspected
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- Recap

Agenda

Fraud

Discovering Potential Fraud

❖ Do not confront a family with an allegation of fraud or program abuse unless there is a material reason to do so.

❖ Only research information necessary to prove or disprove the allegation of fraud.

❖ Do not feel rushed to prove fraud or jump to conclusions with limited facts.

FRAUD

Discovering Potential Fraud

❖ Any information and concerns received regarding alleged potential fraud should be properly verified and/or investigated.

❖ Remember, sometimes indications of fraud are incorrect or unsubstantiated.

Discovering Potential Fraud

Via Information from External Sources

❖ Newspaper articles.

❖ Police reports.

❖ Letters from concerned neighbors.

❖ Marriage announcements.

❖ Birth announcements.

❖ Social Media and other online sources.

Discovering Potential Fraud

Via Incoming Telephone Call

❖ Do not acknowledge to the caller that the person they are reporting is a program participant.

❖ Do not provide any information to the caller.

❖ Maintain the participant's confidentiality at all times.

❖ Advise caller that the allegation will be researched.

❖ Advise caller that you cannot provide feedback regarding any investigation and subsequent actions taken or not taken.

Discovering Potential Fraud

Via Neighbors and Other Witnesses

❖ Try to get written statements.

❖ Otherwise take detailed notes of witness statements.

❖ Keep chronology of dates.

Discovering Potential Fraud

Via Internal Means

❖ Discrepancies noted during recertification or quality control review.

❖ Secondary information on a credit report that conflicts with tenant provided information.

❖ Observations, such as work uniforms or expensive clothing and jewelry when tenant reports having no income.

Discovering Potential Fraud

Via EIV System Detection Tools

❖ Discrepancies between reported income and employment history and information in database.

❖ EIV "New hires" database which allows access to the dates participants start new employment. This tool can disclose unreported new jobs.

❖ Income report (look for discrepancies that are greater than $2400 annually).

Discovering Potential Fraud

Obtain Records from Various Sources to Verify Facts

❖ Employment Verifications and Wage Records

❖ Social Security Administration

❖ Financial Institutions

❖ Utility Companies

❖ Post Office

❖ School Records

Discovering Potential Fraud

Obtain Records from Various Sources to Verify Facts

❖ Public Records at City Clerk's Office:

- ✓ Birth
- ✓ Marriage
- ✓ Divorce
- ✓ Tax rolls

- ✓ Deeds
- ✓ Vehicle registrations
- ✓ Voter registration records

Discovering Potential Fraud

Obtain Records from Various Sources to Verify Facts

- ❖ <u>Court and Police Records:</u>

    - ✓ Arrest records
    - ✓ Judgments and bankruptcies
    - ✓ Court docket information

Discovering Potential Fraud

Unauthorized Household Members

❖ A common form of fraud and Program abuse is the presence of unapproved household members.

❖ It is important to obtain the identity of the alleged unauthorized person.

❖ Verify facts with the same sources as previously discussed.

Discovering Potential Fraud

Unauthorized Household Members

❖ Identify unauthorized household members via similar means previously discussed:

- ✓ Vehicle Registration records
- ✓ Birth Certificates in tenant file
- ✓ Post Office information
- ✓ Credit Reports
- ✓ Crisscross directory
- ✓ Police records
- ✓ Utility company records

Fraud

- Prevention through Education/Training
- Red Flags
- Terminology
- Types of Program Violations
- Discovering Potential Fraud
- ✓ How to Proceed if Fraud is Suspected
- Determining the Course of Action
- Recap

How to Proceed if Fraud is Suspected

Meet with accused person(s) to:

❖ Allow the family to examine the allegation, facts, and documents.

❖ Allow the family to respond.

❖ Help clarify or mitigate findings.

❖ Help determine the most appropriate course of action.

FRAUD

How to Proceed if Fraud is Suspected

How to conduct yourself during the meeting:

- ❖ Explain that information that conflicts with the tenant's file has been obtained.

- ❖ Explain that no action has yet been taken or proposed.

- ❖ Discuss the information gathered and give an opportunity for explanation.

FRAUD

How to Proceed if Fraud is Suspected

How to conclude the meeting:

❖ If explanation indicates that no violation exists, thank the person for his/her time.

❖ If explanation is not satisfactory or the person admits fraud, inform person that agency will contact them regarding next steps.

Determining the Course of Action

An investigation of alleged fraud has 1 of 3 results:

1. A violation has occurred and appropriate action is required.

2. No violation has occurred; therefore, no action is taken.

3. The investigation is inconclusive and may be revisited at a later date.

Determining the Course of Action

Categories of Violations

- ❖ Minor

- ❖ Monies owed but eligibility *retained*

- ❖ Monies owed and eligibility *lost*

- ❖ Serious violations

Determining the Course of Action

4 Categories of Violations

1) **Minor:** Issue warning to family/owner and document file.

2) **Monies owed but eligibility retained:**

✓ <u>*Family*</u>**:** Issue warning, document file, and enter into repayment agreement.

✓ <u>*Owner*</u>**:** If violations result in HAP overpayments, recoup from subsequent payments payable to ANY tenant.

See HUD PIH Notice 2010-19 for guidance on repayment agreements (cannot make tenant pay more than 40% of income to rent and repayment combined).

Determining the Course of Action

4 Categories of Violations

3) Monies Owed and Eligibility Lost: Terminate family and pursue collections via repayment agreement, collection agency, or civil court.

4) Serious Violations: Terminate assistance and refer matter to local prosecutor or Office of Inspector General as deemed appropriate.

Determining the Course of Action

Factors to Consider

- ❖ Willingness of person to accept responsibility.
- ❖ Person's ability to understand rules.
- ❖ Do facts establish willful intent.
- ❖ Duration of violation.
- ❖ Amount of money involved.

Determining the Course of Action

Notice of Action to Family Must Reference

❖ The action being taken.

❖ The specific violation that is cause for the action.

❖ The effective date of the proposed action.

❖ The right to further explanation of the action.

Determining the Course of Action

Notice of Action to Family Must Reference

❖ Their right to an informal hearing, including:

✓ The manner in which the hearing must be requested.

✓ The date by which the hearing must be requested.

Fraud

Prevention through Education/Training

Red Flags

Terminology

Types of Program Violations

Discovering Potential Fraud

How to Proceed if Fraud is Suspected

Determining the Course of Action

Recap

FRAUD

Recap

HUD's Objective

**To ensure the correct amount
of assistance goes to
eligible people who need it.**

FRAUD

Recap

Even though Housing Authorities are not provided significant resources to investigate fraud,

HUD expects the Agencies to put their best efforts forward to prevent fraud.

FRAUD

Recap

- ❖ **Critical to Fraud Prevention**
  - ✓ Staff Training
  - ✓ Fraud Policies
  - ✓ Fraud Procedures

- ❖ **Positive Residual Effects**
  - ✓ Continuous training and revision of policies and procedures assure the quality of program administration
  - ✓ Good Fraud Prevention is Good Quality Assurance

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FRAUD

How Does HUD Accomplish its Objective?

❖ **Developing a Review System**
- ✓ RHIIP
- ✓ RIM (component of RHIIP)
- ✓ SEMAP

The future of HUD

FUTURE OF HUD

❖ Glaring issues reflected by an OIG Audit of SEMAP and continuing Quality Control Studies pave the road for HUD improvements.

❖ Enhanced IT systems will lead to further transparency between HUD and PHAs.

❖ Increased functionality and data will allow HUD to further automate its oversight and audit functions with limited manpower.

FUTURE OF HUD

Enhanced Value of Data Shared between HUD and HAs

Next Generation Management System (NGMS)

Envisioned as a way to change the existing data paradigm and how data is used.

Major difference between NGMS and prior IT solutions:

Program offices have been involved throughout the development process.

FUTURE OF HUD

Enhanced Value of Data Shared between HUD and HAs

Next Generation Management System (NGMS)

Integrates the functions of:

- ✓ Voucher Management System (VMS)
- ✓ PIH Information Center (PIC)
- ✓ Enterprise Income Verification (EIV)
- ✓ HUD's Central Accounting and Program System (HUDCAPS)
- ✓ Other systems

FUTURE OF HUD

Enhanced Value of Data Shared between HUD and HAs

❖ As data sharing between HUD and Housing Authorities expands so will expectation that data is used analytically.

❖ The more data becomes available the more transparent Program administration becomes.

HUD's Vision

❖ A single system that Has can use to manage their business and more efficiently and effectively use their budget authority.

❖ This vision is:
  ✓ Essentially IT based.
  ✓ Also about *Change Management* and changing the way that both housing authorities and HUD operate.

Risk Based Analysis

Use Your Data Before HUD Uses it Against You

- ❖ HUD doesn't have any data that a Housing Authority does not.

- ❖ Use your data wisely…to review areas of potential risk.

Beating HUD to the Punch

Before HUD's new tools are up and running, PHAs can get a head start by:

❖ Utilize agency data to enhance the efficiency of QC reviews.

❖ Focus QC reviews on files more likely to have errors based on findings in *HUD's 2009 QC Study*.

❖ Error findings and risk factors identified in *HUD's 2009 QC Study* are same as those driving RIM Reviews.

Beating HUD to the Punch

Use 50058 or PIC data to identify files in the following categories:

- ✓ High medical and disability expense deductions as a % of income.
- ✓ High child care deductions.
- ✓ Live-in Aides.
- ✓ Minimum rent errors.
- ✓ Exception Rents
- ✓ Enhanced Vouchers.

RISK-BASED ANALYSIS

Beating HUD to the Punch

Use 50058 or PIC data to identify files in the following categories:

- ✓ Assets with high anticipated income as a % of asset value.
- ✓ Decrease in income via interim re-exam shortly after annual re-exam (fraud indicator).
- ✓ Zero HAP more than 6 months.

RISK-BASED ANALYSIS

Beating HUD to the Punch

Use 50058 or PIC data to identify files in the following categories (continued):

✓ Zero income for extended periods of time.

✓ "Overhoused" families.

✓ Other risk areas as identified by other outside reviews or audits.

Beating HUD to the Punch

❖ Focus on reviewing files most likely to have errors:

✓ Start with findings from the QC study above and then tailor the reviews to what you find at your Housing Authority.

❖ Perform *random* QC on remainder of portfolio.

❖ HUD's *Quality Assurance Division (RHIIP)* is analyzing PIC data and aforementioned risk factors to determine whether or not RIM Review is required.

PUT YOUR QUALITY CONTROL TO WORK

Getting Value out of the File Review

❖ So often we review and correct files, but fail to take the cumulative results of file review into consideration:

- ✓ Staff performance
- ✓ Revision of Procedures and Forms
- ✓ Identify common errors

Questions?

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