

UNITED STATES VIRGIN ISLANDS HOUSING FINANCE AUTHORITY

FRAUD, WASTE AND ABUSE

Policies And Procedures

VERSION: 3.0


October 28, 2022

Prepared by:

Virgin Islands Housing Finance Authority



The policies stated in this manual are current as of October 28, 2022. This manual represents the current version of the Virgin Islands Housing Finance Authority's (VIHFA) policies which shall provide general guidance for VIHFA Fraud, Waste and Abuse Policies and Procedures. All manuals will be reviewed periodically and will be updated.

SUBJECT: VIHFA Fraud, Waste and Abuse Policies and Procedures	
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APPROVALS:	
 _____ Dayna Clendinen Chief Disaster Recovery Officer	<input type="text" value="10/31/2022"/> Date

VERSION NUMBER	DATE REVISED	DESCRIPTION
VERSION 1	07/22/2019	<ul style="list-style-type: none"> • Fraud Waste and Abuse Policy
VERSION 2.0	02/25/2021	<ul style="list-style-type: none"> • Updated the Overview to reflect all federal programs affected by this policy. • Updated the role of the Internal Auditor. • Incorporated the roles and responsibilities of the CDBG-DR Compliance and Monitoring Division, as it relates, to managing federal funds. • Incorporated CDBG-DR and CDBG-MIT Subrecipient Selection and Review • Incorporated procedures for Internal Audit as it related to CDBG-MIT. • Incorporated Subrecipient Monitoring procedures for CDBG-DR and CDBG-MIT. • Incorporated mandatory fraud Training for all staff and subrecipients.
Version 3.0	10/19/22	<ul style="list-style-type: none"> • Expanded applicant verification procedures. • Included verbiage for potential subrecipients in regard to capacity assessment

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POLICY STATEMENT

This policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, contractors, sub-recipients, sub-grantees, applicants or outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the Virgin Islands Housing Finance Authority (VIHFA).

VIHFA's fraud, waste and abuse policy complies with the False Claims Act and the United States Code (U.S.C.) by defining fraud, waste and abuse and providing a reporting mechanism, in compliance with 18 U.S.C. 287, 1001 and 31 U.S.C. 3729. These regulations refer to the False Claims Act, which places liability upon federal grantees who defraud the government in executing federal funds.

It is required that all departments administering federal resources including, but not limited to federal reconstruction resources, CDBG, Community Development Block Grant Mitigation (CDBG-MIT), Community Development Block Grant Disaster Recovery (CDBG-DR), HOME Investment Partnership Program (HOME), Emergency Solutions Grants Program (ESG), HOUSING TRUST FUND, and local funds, follow a framework that will provide comprehensive and stringent safeguards to ensure that all federal resources are utilized through an ethical and transparent process.

DEFINITION

Fraud is an intentional, wrongful act to obtain either money or some other advantage or benefit from government programs. Fraud includes theft, embezzlement, false statements, illegal commissions, kickbacks, conspiracies, obtaining contracts through collusive arrangements, and similar devices.

Waste is an appropriate action or omission by those with controls over government resources that results in taxpayers not receiving reasonable value for money in connection with any government-funded activities. Waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

Abuse is an administrative violation of judiciary, court unit, or organization regulation that impairs effective and efficient operations. The violation may result in federal losses, or denial or reduction of lawfully authorized federal benefits to participants.

ACTIONS THAT CONSTITUTE FRAUD, WASTE AND ABUSE

This Fraud, Waste, and Abuse Prevention Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Authority in the administration of all VIHFA programs and the Authority's internal procurement. Some actions constituting fraud are as follows:

- Any dishonest or fraudulent act;
- 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 the Authority's activities;

- Disclosing confidential and proprietary information to outside parties;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Authority.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related irregularity.

It is the intent of the Authority to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Authority.

MANAGEMENT RESPONSIBILITY

Federal Register Vol. 83, No. 28 dated February 9, 2018 requires adequate procedures to detect and prevent fraud, waste and abuse. Management is responsible for the effectiveness and efficiency of operations, including the protection of Authority assets from fraud, waste, and abuse. Management has the responsibility for the implementation of internal controls to deter and detect fraud and is also responsible to assist the deterrence and detection of fraud, waste, and abuse by examining and evaluating the adequacy and the effectiveness of the Authority's systems of internal control, commensurate with the extent of the potential risk in the various segments of the organization. Management has primary responsibility for acting upon the request for investigation of fraudulent acts committed by or against the Authority.

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility and will be on alert for any indication of irregularity.

ROLE OF THE INTERNAL AUDITOR

The Virgin Islands Housing Finance Authority has designated the Internal Auditor to serve as the Authority's Accountability Officer. The Internal Auditor will serve as the entity aimed at aiding VIHFA with accomplishing its Federal objectives including its HUD CDBG-DR and CDBG-MIT objectives, as described in Title 24 of the Code of Federal Regulations, Part 570 governing U.S. Housing and Urban Development regulations concerning Community Development Block Grants. The Internal Auditor will accomplish this by providing a systematic, disciplined approach to evaluating the effectiveness of risk management, control and governance processes for the organization as a whole, with an emphasis on its Federal projects and funds.

Any irregularity that is detected or suspected must be reported immediately to the Internal Auditor who coordinates all investigations with the Legal Department, and other affected areas both

internal and external. The Internal Auditor has a specific role in detecting fraud, waste and abuse, which is itemized as follows:

- To support management in its effort to establish a culture that emphasizes and encourages sound moral ethics, honesty, objectivity and integrity;
- To assist management with the evaluation of internal controls used to detect and mitigate fraud and to make recommendations to strengthen internal controls;
- To evaluate the organizational risk for fraud and pursue fraud investigations;
- To assess the effectiveness of the control environment and its processes and procedures that mitigate the occurrence of fraud on an ongoing and continuous basis;
- To make recommendations to management for improvement of the areas that represent a risk for fraud;
- To maintain an open line of communication with the Executive Director and the Board of Directors to facilitate the reporting of any and all fraudulent activities or areas that present a risk of fraud;
- To investigate incidences of fraud, embezzlement, theft, waste, etc. and to report such occurrences to the Executive Director and the Board of Directors;

- To assess and evaluate financial and programmatic documentation for accuracy and compliance with applicable local, territory and federal laws in addition to contractual obligations;
- To identify accounting and financial record-keeping processes which may be improved;

- Verify the existence of assets in addition to recommending proper safeguards for their protection;

- To hire additional staff for the internal audit function to enhance its capacity to audit all federal projects including CDBG-MIT projects.

Additionally, VIHFA plans to seek additional staff for the internal audit function to enhance its capacity to audit all federal projects including CDBG-MIT projects. Hiring of said personnel will include four (4) full-time positions to assist the Internal Auditor.

FRAUD RISK MANAGEMENT

To establish an effective system of internal control, program audit and evaluation processes that provide assurances and safeguards concerning disbursement of all VIHFA's funds, the VIHFA's Audit Division, in conjunction with other departmental personnel, will conduct a thorough and comprehensive enterprise-wide risk assessment. The risk-assessment will serve as the basis for the audit and compliance plans which will address the following:

1. Audit of paper application files for anomalies through risk-based sampling;
2. Evaluate and test selected internal controls, including any IT-related controls;
3. Deliver training to all staff responsible for monitoring or administering all funds that will focus on identification of risk factors, identification of fraud indicators, and the implementation a system of internal control that provides reasonable assurances that funds are being administered in accordance with law, code and policy. The training sessions will emphasize that sound internal controls require the efforts of all departmental personnel, not only auditors and compliance staff;
4. Ensure that anti-fraud brochures and posters that include a fraud tip-line to the Authority are distributed and prominently displayed throughout the agency's offices in the Territory, satellite offices and construction sites;
5. Liaise with applicable Federal and Territorial law enforcement authorities concerning the disbursement of federal and local funds;
6. Implement a comprehensive and effective compliance program that includes investigative protocols, whistleblower procedures, and a process to refer matters to local authorities;
7. Ensure that the Authority's auditing, monitoring and evaluation process effectively mitigates the risk of fraud, waste and abuse and the disbursement of funds is transparent to all stakeholders;
8. Establish a Quality Assurance mechanism to ensure all federal and local reporting of funds are accurate and timely;
9. Develop and implement policies and procedures to assist in ensuring that program requirements are met, including preventing a duplication of benefits, and measures to detect and prevent fraud, waste abuse and mismanagement of funds; and
10. Comply with Federal Territorial laws, and Disaster Recovery Grant Reporting (DRGR) requirements.

COMPLIANCE AND MONITORING SECTION OF ALL FEDERAL FUNDS

Pursuant to 21 VIC Ch. 2 Section 103, the Virgin Islands Housing Finance Authority is a body corporate and politic constituting a public corporation and autonomous governmental instrumentality of the Government of the Virgin Islands (the "Authority").

- Each program shall submit all potential procurements involving expenditure of federal reconstruction resources to the CDBG-DR procurement division for review prior to the commencement of the procurement process. The CDBG-DR and CDBG-MIT procurement officer shall determine whether the proposed procurement process complies with applicable public contracting laws, rules and regulations.
- Procurement of goods and services for which local funds will be utilized must fully comply with the Authority's Procurement Policy.

Due to the amount of funding received under these awards, CDBG-DR and CDBG-MIT is monitored by the Compliance and Monitoring Unit within VIHFA. CDBG-DR Division has the ongoing responsibility to monitor all disaster related programs funded by the Community Development Block Grant - Disaster Recovery (CDBG-DR) and Community Development Block Grant – Mitigation (CDBG-MIT) Programs. The CDBG-DR and CDBG-MIT Compliance & Monitoring Unit is structured to allow for coordination between, and monitoring of, all CDBG-DR and CDBG-MIT programs and internal operations.

The primary purpose of CDBG-DR and CDBG-MIT Monitoring & Compliance Unit is to ensure that all programs and contractors administering these programs, departments, and sub-recipients comply with applicable State and federal regulations. It also serves as a layer of oversight to mitigate any potential risks, proactively detect and identify areas to prevent and minimize fraud, waste and abuse, and effectively fulfill the goals set forth in the Action Plan.

The CDBG-DR and CDBG-MIT Compliance and Monitoring Section will report in writing, any suspected instance of fraud, waste and abuse to the VIHFA Internal Auditor. The VIHFA Internal Auditor will review received reports for further investigation. Should there be substantial concern, the VIHFA Internal Auditor will ensure that the VIHFA Board of Directors are updated on all reports of fraud, waste and abuse through a monthly report.

VIHFA follows a comprehensive fraud-waste-abuse prevention program which consists of integrity monitoring, internal controls assessments, and investigations in order to create a series of “check and balances” to mitigate risks and ensure compliance with Federal and State regulations.

Areas that may require additional oversight or have been identified as problematic areas including duplication of benefits, contracting and procurement, monitoring and fraud reporting, will be subjected to additional monitoring, impromptu visits and inspections. Follow up of these areas and the staff involved will be routinely scheduled. A status of these visits will be appropriately reported with recommendations made for corrective action.

CDBG-DR and CDBG-MIT Subrecipient Selection and Review

Potential and existing subrecipient wishing to and/or receiving CDBG-DR and CDBG-MIT funds will be preliminarily assessed to determine their level of capacity prior to award. When a subrecipient submits a pre-application for funding, they are provided with an invitation for VIHFA CDBG-DR unit to conduct a capacity assessment. The purpose of a capacity assessment is for VIHFA CDBG-DR unit to gather a status on subrecipients' proposed projects, staffing capacity,

federal grants administration experience, procurement procedures, among other items.

During the capacity assessment process, VIHFA CDBG-DR unit will assess the overall capacity of the subrecipient's organization based on past experience in managing federal grants, financial performance and condition, organizational structure, policies and procedures who play a valuable role in the financial management and grant management process, and who may play a key role as it relates to CDBG-DR and CDBG-MIT funding. The intent of this process is to help strengthen practices and procedures be in compliance with federal law, regulations and HUD policies, and to reduce the risk that HUD will take any grant funding back for non-compliance.

On a high level, a capacity assessment measures the degree of subrecipient programmatic, personnel and financial risks for the purposes of determining the appropriate level of subrecipient management of HUD CDBG-DR and/or CDBG-MIT funds.

- Programmatic risks include the failure to achieve the intended program goals; follow laws or regulations or organizational policies and procedures; adequately monitor the organization's programs; provide reliable information for decision-making; prevent violations of safety regulations; and prevent the mishandling of sensitive or classified information.
- Personnel risks include the failure to staff positions with employees with the appropriate experience; effectively recruit employees; and meet the training demands required.
- Financial risks include the failure to prevent price fixing, fraud, bribes, and other forms of corruption, such as kickbacks from consultants, contractors, and employees. VIHFA will avoid improper payments, such as overpayment, duplicate payments, payments for services not received, and payments to ineligible recipients. Financial risk awareness also includes prevention or minimization of waste, as well as effective project and resource management.

Subrecipient Monitoring

All grant terms and conditions placed upon VIHFA will also be adhered to by subrecipients. Refer to the Monitoring Manual and the Subrecipient Monitoring Plan for detailed information on monitoring of subrecipients.

VIHFA will implement the following when managing subrecipient awards to both verify the accuracy of information provided by applicants, and to continue to guide them throughout project implementation (note this list is not exhaustive):

- Advise subrecipients of applicable federal laws and regulations, in addition to appropriate provisions from the grantee-HUD agreement
- Periodic review of fiscal and progress reports
- Routine review of expenses to approved budget
- Periodic monitoring to include on-site visits or desk reviews, as necessary
- Consideration of sanctions in cases of continued inability/unwillingness to correct non-compliant actions

Note, the internal auditor function will assist in verifying subrecipient accuracy periodically throughout scheduled audits regarding HUD CDBG-DR and CDBG-MIT projects.

To verify the accuracy of information provided by applicants, VIHFA program managers will review information. Applicants must provide true and complete information to VIHFA whenever information is requested to process an application for CDBG- DR and CDBG-MIT funds. The Program’s verification requirements are designed to maintain program integrity, and are also designed to reduce fraud, waste, and abuse.

- Applicants will be expected to provide supporting documentation for review
- Staff will also use third party data sources for verification
- Oral interview by VIHFA staff
- Or a signed affidavit by applicant that all information provided is true.

FRAUD TRAINING AND AWARENESS

Comprehensive fraud training for all employees and subrecipients (person(s) or individual(s)) will occur on a regular schedule through training seminars, online webinars, conference calls, or other means and will be repeated periodically to keep employees and subrecipients alert to the potential for fraud. Fraud, waste, and abuse training is designed to meet the following objectives:

- To help establish a sound anti-fraud culture.
- To educate individuals about fraud, what to look for, and how to report it.
- To heighten awareness, which increases the likelihood that fraud, waste, and abuse will be reported.
- To send a message that the Authority is proactively looking for fraud, that dishonest acts will be detected, and that perpetrators will be held accountable and punished. Specifically, VIHFA and subrecipients will undergo mandatory U.S Department of Housing and Urban Development, Office of Inspector General (HUD OIG) trainings as required. It is anticipated that at the conclusion of said trainings, attendees will attest to their awareness that grantees, subgrantees, and contractors must adhere to the controls, standards, processes, corrective actions, in addition to procedures as described in Title 24 of the Code of Federal Regulations, Part 570 governing U.S. Housing and Urban Development regulations concerning Community Development Block Grants.

COMMITMENT TO CONFIDENTIALITY AND ANONYMITY

The Authority will attempt to ensure that anonymity of the reporter is maintained. When you report, please remember the following concerning confidentiality and anonymity:

- Even if you report anonymously, once the report has been made and the investigation begins, your coworkers or others who are familiar with the situation you are reporting may still be able to guess your identity.
- Whether you report anonymously or not, the Authority will treat your report confidentially.
- It is not possible to guarantee absolute confidentiality in all circumstances. In certain cases,

disclosure to others inside or outside the Authority may be required by law.

Please do not let these possibilities discourage you from reporting an incident.

WHISTLEBLOWER PROTECTION

Retaliation against an employee or subrecipient who in good faith filed a report of alleged fraud, waste, or abuse or who participated in an investigation, is a violation of this Policy.

PROCEDURES FOR REPORTING

Internal Reporting

Any employee or subrecipient who has knowledge of fraud, waste, or abuse, or who has good reason to suspect that such conduct has occurred, shall adhere to the procedures outlined below.

When suspected fraudulent activity, waste, or abuse is observed by, or made known to, an employee or subrecipient, that person shall immediately report the activity to the Internal Auditor. An individual may also report fraudulent activity, waste, or abuse via the Fraud Hotline. The person shall not make any attempt to investigate the suspected activity prior to reporting it. An individual shall not destroy, or allow to be destroyed, any document or record of any kind that the employee knows may be relevant to a past, present, or future investigation. An employee or subrecipient must be able to provide adequate information to support an investigation. Mere speculation does not suffice. The report must be made in good faith. An individual who knowingly makes a false or bad faith complaint will be subject to disciplinary and/or legal action.

External Reporting

The Authority cannot compel citizens and customers (non-employees or non-subrecipients) to report suspected instances of fraud, waste, or abuse. However, the Authority strongly encourages them to do so by calling the VIHFA's Fraud Hotline @ (340) 777-4656 via VIHFA website or the complaint form available online or at the VIHFA office (See Appendix A for sample complaint form).

The Internal Auditor is able to access the VIHFA's Fraud Hotline and follow through on complaints and tips received. The Internal Auditor is exposed to key processes throughout the organization and as such maintains an open line of communication with the Executive Director and the Board of Directors of the VIHFA to facilitate the reporting of any and all fraudulent activities and/or areas that present a risk for fraud. Decisions will be made on a case by case basis for incidences of fraud, waste and abuse that may need referral to VIHFA's Legal Counsel and/or the Office of the Inspector General (OIG) for further action. The Internal Auditor shall recommend whether the matter should be considered fraud, waste, or abuse and if so, the matter should be referred to the OIG on the decision of the Executive Director and Board of Directors. Matters to be reported to the OIG shall be directed at 1-800-347-3735 or via email at hotline@hudoig.gov.

APPENDIX A – Sample Fraud Complaint Form (For Informational Purposes Only)

Filing Status

Confidentiality and Anonymity is not requested. If necessary, you may contact me for additional information, and I do not place any restrictions on the release of my contact information. Please fill out the contact form below.

I wish to remain Confidential. You may contact me for additional information, but please keep my name confidential and do not share it outside of the Office of the Internal Auditor. Our policy is to honor requests for confidentiality and not to release any data that would identify such individuals unless required to do so by order of law (e.g., court order/subpoena). Please fill out the contact form below.

I wish to remain Anonymous. If you choose to remain anonymous, it is not necessary to fill out the contact information. It is important to note that we will not be able to contact you if we need additional information about your complaint.

Using the following list, please choose your filing status: *

- Confidentiality and Anonymity is not requested.
- Wish to remain Confidential
- Wish to remain Anonymous

*required field

Section I Person or Business Reporting Fraud (Optional)

Are you filing as a Private Individual or on behalf of a Business?

- Private Individual
- Business

Section I-A Personal Contact Information

E-mail address for an acknowledgement of your complaint

First Name

Middle Name/Initial

Last Name

Address

City

State

Select a State

Zip Code

Home Phone (digits only)

Cell Phone (digits only)

Work Phone (digits only)

Extension

Are you a victim of the alleged violation/fraud? Yes No

Section I-B Your Business Information

(Skip this section if you completed Section I-A)

Business name
Employer Identification Number
Business Address
City
State
Zip Code
Business Phone (digits only)
Business Cell Phone (digits only)

Section II Person Committing Fraud

Are you reporting a Private Individual or a Business? Private Individual Business

Section II-A Reporting a PRIVATE INDIVIDUAL

If you are reporting more than one individual, please add your information in the Summary Section below.

First Name
Middle Name/Initial
Last Name
Alias
Address
City
State
Zip Code
Home Phone (digits only)
Cell Phone (digits only)

Work Phone (digits only)

Extension

Sex

Race

State of Birth

Section II-B Reporting a BUSINESS

(Skip this section if you completed Section II-A)

If you are reporting more than one business, please add your information in the Summary Section below.

Business Name

Employer Identification Number

Business Address

City

State

Zip Code

Business Phone (digits only)

Business Cell Phone (digits only)

Section III Primary Victim Information

If you are reporting more than one victim, please add your information in the Summary Section below.

First Name

Middle Name/Initial

Last Name

Address

City

State

Zip Code

Home Phone (digits only)

Cell Phone (digits only)

Work Phone (digits only)

Extension

Section IV Summary

Description* - Please furnish the facts of the alleged fraud. Include who, what, when, where, how and why.