

### **Fraud Waste and Abuse Documentation**

Instances of Fraud, Waste and Abuse will be encouraged to be reported to the HUD fraud hotline at 1-800-347-3735 or via email to [Hotline@HUDOIG.Gov](mailto:Hotline@HUDOIG.Gov). This information will be posted on the website as well as on information given to the clients receiving assistance. The hotline information will also appear on information packets given to clients and will be posted in subrecipients' offices. MEDC will assist the HUD OIG in investigating and taking action against fraud. The Internal Auditor will be monitoring the web site and will be looking for potential instances of fraud, waste and abuse. When such instances are reported to the MEDC, the HUD office of OIG will be contacted immediately, and a report of the situation shall be made. The subrecipient shall be made aware of a potential situation and will ask that a contractor stop work on a particular project. If the fraud is related to an application of benefits, a stop work order will be made until it can be determined what corrective action should be taken.

### **Verification of accuracy of Information provided by applicants**

FEMA funding will be determined and verified by the FEMA database. If MEDC's subrecipients are unable to verify the FEMA amount through the FEMA database, MEDC's subrecipients will utilize the payment amount provided by the applicant at the time of application. If an applicant is able to provide documentation demonstrating that the FEMA amount provided by the FEMA database includes amounts not paid to cover structural loss, MEDC's subrecipients will use the documentation provided to adjust the FEMA payout amount. The documentation provided by the applicant must come from FEMA.

MEDC's subrecipients will check all applicants for National Flood Insurance Program (NFIP) to verify whether they maintain NFIP flood insurance. Any payments for loss to dwelling units under NFIP insurance policies are deducted from the amount an applicant is eligible to receive. The payment to applicants under NFIP policies will be determined and verified through the FEMA database and cross referenced with other applicable data. If MEDC's subrecipients are unable to verify the NFIP insurance proceeds through the NFIP database, MEDC's subrecipients will use documentation supplied by the applicant. If an applicant is able to provide documentation demonstrating that the insurance proceeds amount provided by the FEMA database includes items not covered in the home evaluation or not paid to cover structural loss, MEDC's subrecipients will utilize the documentation provided by the applicant to adjust the insurance payout. The documentation must come from the insurance company that issued the payouts.

Private insurance settlement amounts may reduce the amount of assistance for which an applicant may be eligible. Private insurance payments for anything other than damaged structures are not deducted from the applicant's award. Applicants must submit the following:

Validated external source information

Insurance policy declarations page

Insurance award or claims letter

Insurance benefit certification

Insurance proceeds are verified and determined by contacting the insurance company. If unable to obtain a response from an insurance company within two weeks, MEDC's subrecipients will use the amount provided by the applicant on the insurance/benefit certification.

Small Business Administration Disaster Assistance funds are deducted from the amount the applicant is eligible to receive. Payments for contents are not deducted from the applicant's award. The following documentation will be needed for verification:

SBA 3<sup>rd</sup> party data set

SBA Award letter if Applicable

SBA awards will be determined and verified by the program through the SBA database. If unable to verify using the SBA database the program will use the qualified loan amount provided at the time of application.

If the applicant was offered an SBA award and declined that award, documentation of the amount of the declined award and circumstances that caused the applicant to decline the award must be verified in file.

Note that MEDC and subrecipients shall utilize the most recent available data from FEMA, the Small Business Administration(SBA), insurers and any other sources of local, state and Federal sources of funding to prevent the duplication of benefits and potential fraud.

#### **Contract Fraud**

If an applicant was a victim of contract fraud, the amount paid to the contractor will not be counted as a deduction of benefit. The following documentation shall be required to allow any amount paid to a contractor can be excluded:

Police report or complaint before the date of application

Proof of cancelled check, or

Bank statement reflecting payment, or

Contract between applicant and contractor

Reported contractor fraud will be verified through review of a police report/complaint.

#### **Beneficiary Fraud**

In order to prevent fraud waste and abuse, MEDC and subrecipients will require beneficiaries to enter into a signed agreement to repay any duplicative assistance if they later receive additional assistance for the same purpose for which the CDBG-DR award was provided.

Additionally, the recapture agreements shall contain the following wording:

Warning: Any person who knowingly makes a false claim or statement to HUD or causes another to do so may be subject to civil or criminal penalties under 18 U.S.C.2,287, 1001 and 31 U.S.C.3729.

### **Infrastructure Funding**

For infrastructure funding MEDC will utilize licensed engineers to verify costs and determine cost reasonableness on a project\_by project basis. On infrastructure projects, Davis Bacon will be enforced as well as Section 3 requirements. The following Davis Bacon process will be utilized which matches the process utilized in MEDC's CDBG Program.

A labor standards officer will be determined

An applicable wage decision will be obtained

Wage decision will be included in bid documents

Ensure wage rate is current before bid opening

Confirm Construction contractor's eligibility status on SAM

Award construction contract

Hold a Preconstruction conference

Submit the Labor Standards record

Review project payrolls during construction

On-Site interviews are conducted

Submit construction completion reports.

Note that all of the documentation mentioned above will reside in a file maintained by the Subrecipients as well as with MEDC linked with payout requests.

### **Monitoring to ensure Program Integrity**

When monitoring subrecipients monitors will examine 1 out of every 5 files that have been designated eligible and 1 out of every 5 files designated as non-eligible. It is anticipated that an on-site review will be conducted at least every six months and a desk audit of subrecipient files will be completed on a quarterly basis, however, monitoring will occur on a monthly basis, as programs are started to be implemented. Note that monitoring of payout requests will occur as payouts are received.

Contractor performance and compliance will be maintained through review and approval of monthly project performance reports, financial status reports and documentation requests for reimbursement.