



Procedures to Detect Fraud, Waste, and Abuse of CDBG-DR Funds

City of Detroit

Housing & Revitalization Department

Division(s)	Department Wide
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Other COD Depts Affected (include contact name)	ODG, OCP, Controller, Law
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Overview

The City of Detroit Housing & Revitalization Department (HRD), as grantee, is committed to the responsible management of the Community Development Block Grant Disaster Recovery (CDBG-DR) funds. The U.S. Department of Housing and Urban Development (HUD) allocated these funds to address Detroit's long-term recovery needs associated with the 2021 floods. In doing so, HRD is dedicated to being a good steward of the resources while maintaining a comprehensive policy for preventing, detecting, reporting, and rectifying fraud, waste, or abuse.

To that end, HRD encourages any individual who is aware or suspects any kind of conduct or activity that may be considered an act of fraud, waste, or abuse, regarding the CDBG-DR Program, to report such acts to The City's Internal Auditor, the City of Detroit Office of Inspector General (OIG), directly to the Office of Inspector General (OIG) at HUD, or any local or federal law enforcement agency.

Scope

This policy applies to all City of Detroit employees, providers, vendors, contractors, consultants, subrecipients, partners, citizens, applicants, external departments, and agencies doing business with the City of Detroit, as well as beneficiaries and others associated with, working for, accessing, or attempting to access benefits under the CDBG-DR programs.

Discussion

HRD, as administrator of the City of Detroit CDBG-DR Program, is responsible for preventing, detecting, reporting, and rectifying incidents of fraud, waste, or abuse, among other irregularities related to the program. The purpose of this policy is to encourage any individual to raise any concern, known or suspected, of acts of fraud, waste, or abuse by anyone involved with the CDBG-DR Program. The process is for concerns to be raised, investigated, and, where appropriate, acted upon.

Definitions & Examples

Fraud is the intentional (willful or purposeful) deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to him/herself or some other person. There are many forms of fraud.

Waste includes over-utilizing the City of Detroit's services, supplies or equipment, or causing unnecessary costs through carelessness or inefficiency.

Abuse includes activities that result in unnecessary costs to the City of Detroit or any of its subrecipients. Note that this is financial abuse, not physical or emotional abuse of a person. Physical and emotional abuse of a person should be reported to the police.

Examples of fraud include, but are not limited to, misrepresentation of:

- Income (Unreported or under-reported)
- Household composition
- Financial resources (transferred or hidden resources)
- Residency
- Citizenship status

Other types of fraud include, but are not limited to:

- Using another person's identification
- Forging signatures or documents
- Concealing access to duplicate funding
- Misrepresenting a medical condition to obtain additional benefit
- Misusing funds (diverting them for an unintended use)

Other actions constituting fraud, waste, and abuse include, but are not limited to:

- Any dishonest or fraudulent act
- Misappropriation of funds, supplies, or assets
- Impropriety in handling or reporting money or financial transactions
- Profiting as a result of insider knowledge
- Unauthorized disclosure of confidential or private information
- Accepting or seeking anything of material value from contractors, vendors, or any person that seeks a beneficial decision, contract, or action from HRD or any subrecipient
- Accepting or seeking anything of material value from contractors, vendors, or any person that is providing services for CDBG-DR activities
- Unnecessary cost or expenditures
- Diversion of program resources

HRD will alert CDBG-DR Program's staff, partners, and subrecipients to fraud related training when it is offered by the HUD OIG.

Detection

The City of Detroit is fully committed to the detection of such acts or the intent to commit any fraudulent acts related to the management and expenditure of CDBG-DR funds.

Verify the Accuracy of the Information

The City of Detroit has developed procedures to verify the accuracy of information provided throughout the specific program guidelines. Program policies establish standards for the management of information and documents, including standards for verifying the accuracy of information provided by applicants.

Subrecipient Capacity and Monitoring

The criteria used to evaluate the capacity of potential subrecipients will be outlined during the programs Notice of Funding Availability Process. Prior to the finalization of any written agreement with a subrecipient, program staff will conduct a risk assessment to evaluate the capacity of potential subrecipients.

The frequency with which the grantee will monitor and how it will monitor subrecipients is outline in the subrecipient monitoring procedure. Monitoring may result in documenting subrecipient risk related deficiencies, required risk mitigation and corrective actions, and recommendations. The monitoring will document the areas for financial, performance, and reporting.

Report & Investigation

Any allegations of fraud, waste, or abuse related to CDBG-DR funds or resources must be reported to the City's Internal Auditor, the Office of the Inspector General (OIG) for the City of Detroit, directly to the OIG at HUD, or any local or federal law enforcement agency.

Prior to implementation of the CDBG-DR award, The City of Detroit will create procedures that address the steps it will take to assist a CDBG-DR beneficiary if the beneficiary experiences contractor or other fraud. The City anticipates that it will include actions such as reporting contractors to the Licensing and Regulatory Affairs (LARA) for the State of Michigan, to the City's OIG for debarment, to the City of Detroit Law department to enforce law provisions included in the professional services contract or subrecipient agreements, and to HUD OIG.

How to Report Fraud, Waste, or Abuse

Any person, including any employee of the CDBG-DR Program, who suspects, witnessed, or discovered any fraud, waste, or abuse, relating to the CDBG-DR Program, should report it immediately by any of the means listed below. It is possible that a citizen may disclose acts of fraud, waste, or abuse of CDBG-DR funds to any CDBG-DR Program staff (e.g., at intake centers, field/regional offices, events, etc.). Therefore, any information received must be treated with extreme confidentiality and must be shared with the City of Detroit OIG by following established procedure. The goal is to establish that all information disclosed to any employee will not be rejected.

City Internal Auditor:

The City of Detroit anticipates that the role of CDBG-DR Internal Auditor will be procured and contracted with a third-party firm by October 2024, prior to the implementation of the Disaster Recovery programs. The City also anticipates that the following paths for submission of suspected fraud, waste and abuse will be available: Online/Anonymous Email, Phone, Postal Mail, and In person.

To the City of Detroit Office of the Inspector General:

- Online/Anonymous Email: Fill out the Complaint Form, available at <https://detroitmi.gov/government/office-inspector-general> or email at Suggestions@DETOIG.org
- Phone: 313-628-2517
- Postal Mail: Office of Inspector General, 615 Griswold, Suite 1230, Detroit, MI 48226
- In person: 615 Griswold, Suite 1230, Detroit, MI 48226

Contact HUD's OIG Fraud Hotline via phone 1-800-347-3735 or via email at hotline@hudoig.gov.

Verify the Accuracy of the Information

Procedures to verify the accuracy of information provided by applicantes will be established in program specific guidelines

Investigation

Upon receiving the allegations by any of the reporting means stated previously, the City's Internal Auditor will have the primary duty of analyzing the complaint. The Internal Auditor will report to the Agency CFO and will notify those supervisors of any active investigations. If the allegations have no grounds or are not supported by any documentation, the file must be closed. Such determination must be made in writing and included in the file, with the consent of the City of Detroit OIG.

If the allegations are substantiated, HRD's Internal Auditor will conduct an investigation, in which they can seek advice from Human Resources and/or Legal Division, if necessary. To the extent that any substantiated actions violate Federal, state, or local laws, Detroit officials shall evaluate pursuing appropriate criminal or civil penalties. Any inquiries received by the Internal Auditor would also be communicated to the Deputy Director of Operations/ Chief Legal Counsel. The issue would be investigated immediately to avoid further damage. The City of Detroit OIG has the authority to investigate any complaints or suspicions of fraud directly if that office determines such an investigation to be necessary.

All substantiated cases of fraud, waste, or abuse of government funds shall be forwarded to the

U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG) Fraud Hotline via phone 1-800-347-3735 or email hotline@hudoig.gov and Detroit's HUD Community Planning and Development (CPD) Representative.

Confidentiality

All allegations or complaints received will be treated with extreme confidentiality. The complainant's contact information will be kept confidential unless the complainant authorizes otherwise. The complainant may choose to remain anonymous, in which case, they will not have to provide their contact information (i.e., name, address, telephone, and/or email) to report the alleged act or suspected act of fraud, waste, or abuse.

Attachments:

APPENDIX A: Update Summary

APPENDIX B: Distribution & Training Plan

APPENDIX A

Update Summary

The following lists the changes to this policy/procedure since the last approval:

Policy/Procedure Section	Change
Detection Section	Added Verify the Accuracy of the Information and Subrecipient Capacity and Monitoring sections

☐ No changes – this is a new policy/procedure

APPENDIX B

Distribution & Training Plan

The following lists the Distribution & Training Plan for this policy/procedure:

Item	Description	
Implementation Leader	<i>Individual responsible for distribution and training of the P&P (likely the P&P Author).</i>	Gordon Pearson
Audience	<i>List of teams/roles/entities for which P&P applies; this includes HRD, OCFO, and other COD staff (e.g. Law), as well as external partners (e.g. subrecipients and contractors).</i>	OCFO; Law; HRD: PSRP; Public Facility Rehab; Affordable Housing Development Program; DWSD; Public Housing Commission
Training Plan	<i>Distribution Method (likely Email):</i>	Email
	<i>Anticipated Distribution Date:</i>	The policy will be sent annually by email to existing employees who work CDBG-DR funding within 7 business days of the new approval date. New employees will receive the policy, and any related training, within 90 days of their start date.
	<i>Distribution Recipients:</i>	New and Existing Program Staff, subrecipients
	<i>Training Required (Yes/No):</i>	No
	<i>Training Method (Virtual, In-Person, All-Staff Meeting):</i>	
	<i>Anticipated Training Date:</i>	
	<i>Training Recipients:</i>	