



**COLORADO**

**Department of Local Affairs**

Community Development Block Grant –  
Disaster Recovery

## **Colorado CDBG-DR Program Anti-Fraud Waste and Abuse Policy**

### **BACKGROUND**

The Colorado Department of Local Affairs (DOLA) is in receipt of Community Development Block Grant Disaster Recovery (CDBG-DR) funds from the Department of Housing and Urban Development (HUD). DOLA will use these funds to carry out activities to address the long-term recovery needs resulting from the flood in September of 2013 and Wildfires of 2012. Activities include repair, reconstruction, and new construction of public infrastructure, housing, public facilities; and planning studies.

In conjunction with the DOLA Accounting and Financial Services staff, the DOLA CDBG-DR Anti-fraud, Waste and Abuse (AFWA) policy is established for creation and administration of procedures and processes that will aid in the detection and prevention of potential fraud, waste, and abuse in the CDBG-DR grant program. It is the intent of the DOLA CDBG-DR program to promote consistent organizational behavior by providing guidelines and assigning responsibility for the management of the AFWA function.

Any fraud, waste or abuse that is suspected, discovered or reported within the CDBG-DR programs will be documented and reviewed. An approved written disposition will be developed and implemented by the CDBG-DR Financial Compliance Officer. Additional measures to implement this process are addressed below.

### **SCOPE OF DOLA CDBG-DR POLICY**

This policy applies to any irregularity, or suspected irregularity, involving employees, as well as sub-grantees, sub-recipients, applicants, consultants, vendors, contractors, partners, beneficiaries, outside agencies doing business with employees of such agencies, and/or any other parties engaged in a business relationship with the DOLA CDBG-DR program.

### **POLICY**

The DOLA CDBG-DR Financial Compliance Officer is responsible for the detection, prevention and reporting of fraud, waste, and abuse, misappropriations, and other irregularities that occur at the State level and to ensure that each Sub-grantee agency is properly monitoring its' program responsibilities for fraud, waste, and abuse,





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misappropriations, and other irregularities that could occur at the sub-recipient and beneficiary level.

The DOLA CDBG-DR Compliance Monitoring Specialist and the partnering agency's grant monitoring personnel shall be familiar with the types of improprieties that might occur within their area of responsibility, and be alert for any indication of irregularity.

Irregularities that are detected or suspected must be reported immediately to the DOLA-CDBG-DR Financial Compliance Officer, who in consultation with the DOLA Accounting and Financial services staff will oversee the AFWA function for the CDBG-DR program. The duties and responsibilities of the DOLA CDBG-DR Financial Compliance Officer include coordinating all reviews of suspected irregularity with the DOLA CDBG-DR Program Director and referral to DOLA's Executive Deputy Director. The DOLA CDBG-DR Financial Compliance Officer is also responsible for the coordination with both internal and external regulatory and law enforcement bodies which includes- the Colorado State Auditor's Office, the Colorado Attorney General's Office, and HUD.

### **ACTIONS CONSTITUTING FRAUD WASTE and ABUSE**

The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act
- Misappropriation of funds, , supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of state or local activities
- Disclosing confidential and proprietary information to outside parties
- Unauthorized disclosure of private information.
- Accepting or seeking anything of material value from contractors vendors or persons providing services/materials to CDBG-DR activities
- Receipt of gifts not permitted by Amendment 41
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related irregularity
- Squandering or unnecessary uses of resources potentially detrimental to the program
- Improper use or the intentional destruction, diversion or manipulation of program resources





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## **OTHER IRREGULARITIES**

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be referred to and resolved by the DOLA CDBG-DR Program Director in consultation with the DOLA Human Resources Director.

## **DUE DILIGENCE and REVIEW RESPONSIBILITIES**

The DOLA CDBG- DR Financial Compliance Officer, in consultation with the DOLA CDBG-DR Compliance and Monitoring Specialist and/ or the DOLA Accounting and Financial Services staff, has the primary responsibility for the inquiry into all suspected fraud waste and abuse acts as defined in the policy. Upon substantiation of a claim of irregularity, the DOLA CDBG-DR Financial Compliance Officer will be responsible for final recommendation and disposition reports to the DOLA CDBG-DR Program Director and the DOLA Executive Deputy Director.

Decisions to refer the examination results to the appropriate outside agencies identified above for independent investigation will be made in conjunction with the DOLA Executive Deputy Director and the DOLA CDBG-DR Program Director.

The DOLA CDBG-DR Financial Compliance Officer should be contacted if there is a question as to whether an action constitutes fraud, waste or abuse.

## **CONFIDENTIALITY**

The DOLA CDBG-DR Financial Compliance Officer shall treat all information received confidentially. Any employee or other complainants who suspect dishonest or fraudulent activity will notify the DOLA CDBG-DR Financial Compliance Officer immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see Reporting Procedure section below). All employees or other complainants shall also treat all obtained information confidentially.

Due Diligence and Review results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. Confidentiality is important to avoid damaging the reputations of persons/entities suspected but subsequently found innocent of wrongful conduct.

## **AUTHORIZATION FOR CONDUCTING DUE DILIGENCE and REVIEW of SUSPECTED FRAUD WASTE and ABUSE**





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The DOLA CDBG-DR Financial Compliance Officer, in the conduct of AFWA responsibilities, will have:

- Free and unrestricted access to all DOLA and Sub-grantee partner agency disaster program financial records and premises; and
- The authority to interview individuals, as well as, audit, review, examine, copy, and/or remove all or any portion of the contents of files, desk, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of such items or facilities when approved by the DOLA CDBG-DR Program Director or the DOLA Executive Director.

### REPORTING PROCEDURES

Great care must be taken in the inquiry into suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

A person who discovers or suspects fraud waste or abuse activity should contact the DOLA CDBG-DR Financial Compliance Officer immediately. The employee or other complainant may remain anonymous.

All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the DOLA CDBG-DR Financial Compliance Officer. Unless authorized by the DOLA Executive Director or Executive Deputy Director, no information concerning the status of the investigation will be shared. Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual shall be instructed by the CDBG-DR Financial Compliance Officer to:

- Not contact the suspected individual in an effort to determine facts or demand restitution.
- Not discuss the case, facts, suspicions, or allegations with anyone unless specifically authorized by the DOLA Financial Compliance Officer and/or DOLA Executive Deputy Director.

### REPORTING PROCEDURES FOR CDBG DISASTER RECOVERY

The DOLA Accounting and Financial Services staff has displayed and distributed anti-





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fraud materials throughout the department and regional offices as required by the State Auditor's Office. In addition, a CDBG-DR Fraud Hotline has been established to take calls from concerned residents, DOLA CDBG-DR residents, DOLA CDBG-DR employees, CDBG-DR Sub-grantee partner agencies, or others regarding potential waste, fraud, and/or abuse of CDBG-DR funds.

The CDBG-DR Financial Compliance Officer shall be responsible for the management of the Hotline which includes the tracking of all calls received, the referral and/or response to all calls as appropriate.

The complaints, together with the latest version of the Complaint Logs and summary of disposition will be saved electronically. These items, along with a paper copy, will be secured and accessible only by the CDBG-DR Financial Compliance Officer, the CDBG-DR Compliance and Monitoring Specialist and the DOLA CDBG-DR Program Director for control and confidentially purposes.

CDBG-Disaster Recovery Program staff will respond to all complaints within seven business days following receipt (unless the call is anonymous).

In instances of proven fraud, the CDBG-DR Financial Compliance Officer shall formally report the findings to the CDBG-DR Program Director and the Executive Deputy Director of DOLA and refer the matter to HUD OIG.

In instances of suspected fraud, waste or abuse, the CDBG-DR Financial Compliance Officer shall review files and other program information, conduct interviews and formally report the findings to the CDBG-DR Program Director and the Executive Deputy Director of DOLA and refer to HUD OIG.

In instances that need further investigation, the CDBG-DR Financial Compliance Officer may consult with the CDBG-DR Compliance Monitoring Specialist, jointly review files and other program information, and conduct interviews. Where irregularities are found, the CDBG-DR Financial Compliance Officer shall then formally report these findings to the CDBG-DR Program Director and the Executive Deputy Director of DOLA and refer the matter to HUD OIG.

Information reviewed and found not to be fraud, waste, or abuse shall be reported to the CDBG-DR Director and the CDBG-DR Compliance Monitoring Specialist for resolution at the program level and closed out by the program.

#### **EMPLOYEE DISCIPLINE**

In cases where an inquiry reveals a possible actionable AFWA finding against an





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employee of the State, the recommendation will be reviewed by the CDBG-DR Financial Compliance Officer and referred to the DOLA CDBG-DR Program Director and the employee's designated appointing authority. Any corrective or disciplinary action will be carried out in accordance with Colorado State Statute and Personnel Rules and Procedures, as applicable.

### ADMINISTRATION

The DOLA CDBG-DR Program Director is responsible for the administration, revision, interpretation, and application of this policy. This AFWA policy will be reviewed annually and revised as needed to address State and Federal requirements.

Approval:  Date: 2/26/2016

