



**STATE OF COLORADO
COMMUNITY DEVELOPMENT BLOCK GRANT - DISASTER
RECOVERY**

Procedures to Detect Fraud, Waste, and Abuse of Funds

OVERVIEW

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 DR-4634 Marshall Fire and Straight Line Winds such as the reconstruction and rehabilitation of residential structures; the implementation of mitigation measures for future disasters; assistance with economic recovery for households and businesses impacted by the disaster; and reconstruction of infrastructure impacted by the disaster .

In conjunction with the DOLA Accounting and Financial Services (AFS) staff, and Colorado Attorney General's Office, 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 through the CDBG-DR programs will be documented and reviewed by the CDBG-DR Grant Manager and forwarded to the Colorado Attorney General. An approved written disposition will be developed and implemented by the Colorado Attorney General's Office Staff. As indicated below, the Attorney General's Office has already established a fraud information center for disasters along with a mechanism for citizens to report fraud. Additional measures to implement this process are addressed below.

SCOPE

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

POLICY

This policy applies to any allegations or irregularities, either known or suspected, that could be considered acts of fraud, waste, abuse, or mismanagement, involving any citizen, previous, current or potential applicant, beneficiary, consultant, contractor, employee, partner, provider, subrecipient, supplier, and/or vendor under the CDBG-DR Program.



DISCUSSION

DOLA, as grantee of the 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 AND 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 Colorado's services, supplies or equipment, or causing unnecessary costs through carelessness or inefficiency.

Abuse includes activities that result in unnecessary costs to DOLA or any 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 law enforcement.

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 unintentional 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 DOLA 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

AWARENESS, PREVENTION, APPLICANT REVIEW (Vendors, Subrecipients, and Beneficiaries)

The State will verify the accuracy of information provided by its vendors. Prior to contract execution, the State's procedures include, but are not limited to, reviewing debarment lists; searching known databases for information (for example: state of Colorado tax liens and incorporation documents); conducting internet research, and obtaining information available from State and Federal agencies, such as substantiated investigative findings and audit reports. DOLA staff has established regular channels of communication with other State and local government agencies who are contracting with various entities for services relating to storm recovery efforts in order to be on guard for issues relating to contractor fraud, waste, and abuse. Findings are reported to State procurement staff.

As it does with its vendors, the State reviews debarment lists and known databases, conducts internet research, and obtains information available from State and Federal agencies, prior to executing agreements with sub-recipients. Findings are reported to State procurement staff.

The State will provide CDBG-DR beneficiaries with information that raises awareness of possible fraudulent activity, how the fraud can be avoided, and the contact information of the agencies listed here to report fraud, waste, and abuse. The State will provide the vendors, subrecipientants, and beneficiaries with this document. The State will also ask vendors, subrecipientants, and beneficiaries in their quarterly report if they believe any fraudulent activities by contractors have occurred.

For the owner-occupied rehabilitation and reconstruction program; small rental rehabilitation and reconstruction program; and the home hardening mitigation program the CDBG-DR Program Manager and Program Assistant will work with the procured application management vendor to adopt an AFWA process for each applicant receiving funds based on the policies listed in this document. This will include making sure the CDBG-DR beneficiaries are aware of the risks of contractor fraud and other potentially fraudulent activity. Program guidelines will address steps to assist CDBG-DR beneficiaries if any beneficiaries do experience contractor or other fraud related to its CDBG-DR activities, and outline steps for assistance as required.

CONFLICT OF INTEREST/ CODE OF CONDUCT POLICY



As stated [Federal Register Vol. 87, No. 100 \(Tuesday, May 24, 2022\)](#), Federal regulations require that State grantees, in the direct Grant administration and means of carrying out eligible activities, be responsible with program administrative requirements, including those established in 24 C.F.R. §570.489(h) related to conflicts of interest.

Several federal conflict of interest laws can govern CDBG-DR assisted activities. Therefore, as another tool to prevent fraud, waste, abuse or mismanagement, DOLA has enacted the Code of Conduct Policy in conformity with the following applicable federal and state regulations:

- 1. HUD conflict of interest regulations, 24 C.F.R. §570.611 and 24 C.F.R. §85.36;
- 2. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. §200 at §200.112 and §200.318 (c)(1);

The Code of Conduct Policy outlines DOLA's responsibility, in its role as grantee, to identify, evaluate, disclose and manage apparent, potential or actual conflicts of interest related to CDBG-DR funded projects, activities and/or operations. Said Policy is intended to serve as guidance for the identification of apparent, potential or actual conflicts of interest in all CDBG-DR assisted activities and/or operations. In accordance with 24 C.F.R. § 570.489, the Code of Conduct Policy also includes standards of conduct governing employees engaged in the award or administration of contracts.

As defined in the Code of Conduct Policy, a conflict of interest is a situation in which any person who is a public servant, employee, agent, CDBG-DR Program Anti-fraud, Waste, Abuse, or consultant, officer, or elected official or appointed official of the DOLA, or of any designated public agencies, or of subrecipients that are receiving funds under the CDBG-DR Program may obtain a financial or personal interest or benefit that is or could be reasonably incompatible with the public interest, either for themselves, or with those whom they have business.

DETECTION

While prevention techniques are necessary to avoid possible key events of risks of fraud, detection techniques must be put in place whenever the preventive measures failed their purpose. DOLA is fully committed to the detection of such acts or the intent to commit any fraudulent activity regarding the management and expenditure of CDBG-DR funds.

DOLA offers multiple reporting mechanisms that not only employees, but contractors, subcontractors, partners, subrecipients, vendors, suppliers, providers, and members of the public can serve as eyes and ears of the Program. All parties can access the Colorado Attorney General's Office via phone, email, postal mail, web and in person. Contact information is below.



Program specific training on what fraud is, what to look for, and how to report it also serves as an empowerment tool for DOLA employees and non-employees to speak up when they see wrongdoing by permitting them to be contributing members of the Program.

The evaluation of risk or threat of fraud, waste, abuse, or mismanagement is a collaborative effort that involves every individual inside or directly related to the CDBG-DR Program. Through the Colorado Attorney General's Office,.

VERIFYING THE ACCURACY OF THE INFORMATION

DOLA also developed internal controls throughout different program areas. Areas such as Procurement, Contract Administration, Program Management, Monitoring have created specific policies and procedures tailored to the duties and the day to day activities and responsibilities of each area and its personnel. Examples include Procurement Policies , Program Guidelines, CDBG-DR Monitoring Guide (which is being updated for this 2021 allocation), as well as numerous standard operating procedures on the matter. Among other purposes, these resources instruct on how to execute and manage a program specific area. As a result, all program areas lead to this AFWAM Policy as to where and how anybody can report on any concerns and what they can expect as follow-up action if they do so.

The policies and procedures developed by each division, and continuously updated, are designed to mitigate and monitor the risk of fraud through the establishment of measures and detailed steps in order to manage the information and documents pertaining to each area and Program.

DOLA can assure the quality and effectiveness of the processes undertaken in each division, at every level, by tracking duties and identifying duplicates, gaps, data mismatches (including inaccuracy in the information provided by applicants), among other instances, as well as develop a culture and environment of integrity and commitment.

REPORT AND INVESTIGATION

Any allegations of fraud, waste, or abuse related to CDBG-DR funds or resources must be reported to DOLA's external regulatory law enforcement bodies, Colorado State Auditor's Office, the Colorado Attorney General's Office and HUD.



RESPONSIBILITY TO REPORT

Every citizen has an ethical responsibility to report any concern, either known or suspected, of acts of fraud, waste, abuse, or mismanagement relating to the CDBG-DR funds. Moreover, reporting these types of acts deter others from committing such illegalities and protect the integrity of the CDBG-DR Programs.

While reporting acts of fraud, waste, abuse, or mismanagement, the complainant may choose to remain anonymous or request that their contact information remain confidential. However, the complainant should be able to provide the following information, to the extent known, regarding the incident:

- Who was involved? (Name(s) and phone(s) number(s), if available)
- What happened? (Summary of events, additional sources of evidence; loss to the CDBG-DR Program)
- When did it happen? (Date or range of dates, time and frequency)
- Where did it happen? (Location; city & state)
- Why? (Gain to the person who allegedly committed the fraud, waste, abuse, or mismanagement)
- How did it happen? (Narrative of complainant's description of incident or scheme) Incomplete or vague information can result in the inability to investigate the allegations reported. Although proof of an improper activity is not required at the time the incident is reported, anyone reporting fraud, waste, abuse, or mismanagement must have reasonable grounds for doing so

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.). The Colorado Department of Local Affairs is dedicated to addressing fraud in Colorado. If you think you might have come in contact with fraudulent behavior involving DOLA, please contact the Colorado Attorney General's Office.

Stop Fraud Colorado has been developed by the Consumer Protection Section of the Colorado Attorney General's Office to support its mission of protecting consumers and businesses from the unscrupulous behavior of fraudsters operating throughout our state. Their website at [stopfraudcolorado](https://stopfraudcolorado.com) is an educational and reporting tool to help individuals identify, prevent, and report fraudulent activity throughout Colorado.



DISASTER RECOVERY SPECIFIC FRAUD, WASTE, AND ABUSE

The State of Colorado will make available to HUD detailed Fraud, Waste, and Abuse Policies and Procedures on <https://www.stopfraudcolorado.gov/fraud-center/disaster-fraud.html> to demonstrate adequate procedures are in place to prevent fraud, waste, and abuse. If you suspect fraud, waste or abuse, please call the Colorado anti-fraud, waste and abuse hotline at (800) 222-4444.

Complaints regarding fraud, waste, or abuse of government funds should be forwarded to the HUD OIG Fraud Hotline (phone: 1-800-347-3735 or email: hotline@hudoig.gov).

INVESTIGATION

Upon receiving the allegations by any of the reporting means stated previously, Colorado Attorney General's Office staff and Accounting and Financial Services staff will have the primary duty of analyzing the complaint. Colorado Attorney General's Office and Accounting and Financial Services staff will report to the Deputy Director of DLG and notify the deputy 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 Colorado Office of State Auditor.

If the allegations are substantiated, the Colorado Attorney General's Office will conduct an investigation. To the extent that any substantiated actions violate Federal, State or local laws, Colorado officials shall evaluate pursuing appropriate criminal or civil penalties of the State of Colorado. The issue would be investigated immediately to avoid further damage. The Colorado Office of State Auditor 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 by DOLA to the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG) FraudHotline via phone 1-800-347-3735 or email hotline@hudoig.gov and DOLA's HUD Community Planning and Development (CPD) Representative.

MONITORING

Monitoring of program compliance will be performed by the CDBG-DR Program Manager in accordance with the DOLA's CDBG-DR Monitoring Plan, covenants and reuse requirements/limitations. CDBG DR staff will monitor the acquisition process for participants, ensure HUD program requirements are met, and maintain program files for HUD compliance including documentation for records and financial management, procurement, contracting, labor regulations, Section 3, Section 504, and environmental clearance. Monitoring of subrecipients will occur at least once during the grant life cycle.



CONFIDENTIALITY

Colorado Attorney General’s Office staff, DOLA staff, and AFS shall treat all information received confidentially. Any employee or other complainants who suspect dishonest or fraudulent activity will notify the Colorado Attorney General’s Office immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see Report and Investigation section above). 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.