

Chapter 15: Procedures to Detect Fraud, Waste, and Abuse

15-A Introduction

The responsible management of Community Development Block Grant Disaster Recovery (CDBG-DR) funds is of utmost importance to DLG. DLG has established procedures to detect fraud, waste, and abuse in accordance with the regulator requirements established by HUD for CDBG-DR.

DLG must ensure that its staff as well as its subrecipients have the ability to detect and respond to fraud, waste, and abuse if it should occur in the administration of CDBG-DR Funds.

15- B Definitions

Fraud is the willful intent to mislead or misrepresent information for benefit or gain for themselves or some other person. Examples of fraud include, but are not limited to the following:

- Misrepresentation of information on applications such as income, household composition, financial assets, citizenship status, or residency
- Forgery of signatures on various documents including applications, timesheets, checks, contracts, or purchase orders

Waste is the careless mismanagement, consumption, or use of resources that cause unnecessary costs or detriment. Examples of waste may include, but are not limited to the following:

- Unnecessary use of supplies causing increased replacement

Abuse is the excessive or improper use of a thing which in a manner contrary to the natural or legal rules for its use. This can include intentional destruction, misapplication, or misuse of resources. This does not include physical or emotional abuse of a person. Examples of abuse may include, but are not limited to the following:

- Making purchasing decisions contrary to existing policies
- Receiving some form of benefit or favor for awarding a contract to a particular vendor
- Creating unnecessary overtime
- Requiring staff to perform personal errands
- Purposefully destroying property to increase the possible grant amount

15 - C Procedures to Detect and Prevent Fraud, Waste, or Abuse

As subrecipients you must have adequate procedures to detect and prevent fraud, waste, and abuse. Therefore, as part of your evidentiary material required before starting your grant will be to submit to DLG your internal policies to prevent, detect, and respond to Fraud, Waste, and Abuse. The policy and procedure must indicate:

- a. How the subrecipient will verify the accuracy of information provided by applicants;

- b. Criteria to be used to evaluate the staff capacity and the capacity of sub-grantees and contractors;
- c. Frequency with which the subrecipient will monitor other agencies, sub-grantees, and contractors and which items will be monitored;
- d. A written standard of conduct and conflicts of interest policy that complies with 24 CFR 570.611 and 2 CFR 200.318, as applicable, and includes the process for promptly identifying and addressing such conflicts;
- e. It assists in investigating and taking action when fraud occurs within the subrecipients CDBG-DR activities and/or programs.

See Consolidated Notice (87 FR 31636) Section III, Grant Administration

Note: All subrecipients receiving CDBG-DR funds for the first time shall attend fraud related training provided by HUD OIG, when offered.

15 -D Reporting

All investigations of suspected fraud, waste, or abuse are conducted by the Department of Criminal Investigations specifically the public Integrity/Special Investigations Branch located in the Attorney General's office. The branch investigates numerous areas of corruption including executive, judicial, legislative, vendor contract, regulatory, election fraud, social security fraud, and systemic law enforcement corruption. The branch also conducts investigations and provides support for other state agencies as requested. DLG staff administering the CDBG-DR grant will work with the Attorney General's office to assist in the investigation and take the prescribed action when fraud occurs.

The process for reporting suspected fraud, waste, and abuse starts by first contacting the Public Integrity/Special Investigations Branch. They will take the report and begin an investigation.

Any person who suspects, witnesses, or discovers any instances of fraud, waste, or abuse relating to CDBG-DR funds should immediately report the information by utilizing any of the following means:

- Phone: 866-524-3672
- Postal Mail: 700 Capital Avenue, Suite 118, Frankfort, Kentucky 40601
- Email: DCIForce@ky.gov.
- Website: <https://ag.ky.gov/about/Office-Divisions/DCI/Pages/public-integrity.aspx>

Reports may be made anonymously. The Department of Criminal Investigations will report all notifications of fraud, waste, and abuse to the HUD OIG Fraud Hotline (phone: 1-800-347-3735) or email (hotline@hudoig.gov). Members of the public can also contact the HUD OIG directly.

15 -E Applicable Laws and Regulations

The following is a list of federal laws, Executive Orders, and State statutes applicable, in whole or in part, to the CDBG-DR programs. This list may not be all-inclusive as there are many laws, regulations, and other requirements that may apply. To obtain copies of most of the federal publications, see the website address provided in the box to the right.

For copies of HUD laws and regulations
https://www.hud.gov/program_offices/comm_planning/cdbg-dr/regulations

General Statutes and Regulations

- ✓ [Title I of the Housing and Community Development Act of 1974](#), as amended
- ✓ [24 CFR Part 570, Subpart I, Community Development Block Grant: State Program Regulations; Subpart C, Eligible Activities](#)
- ✓ Kentucky Revised Statutes available at <https://legislature.ky.gov/Law/Statutes/Pages/default.aspx>

Federal Register Notices for CDBG-DR

- ✓ *Allocations for Community Development Block Grant Disaster Recovery and Implementation of the CDBG-DR Consolidated Waivers and Alternative Requirements Notices*
 - 87 FR 31636, May 24, 2022 – https://www.hud.gov/sites/dfiles/CPD/documents/CDBG-DR/87_FR_31636.pdf
 - 87 FR 7859, January 18, 2023 – <https://www.govinfo.gov/content/pkg/FR-2023-01-18/pdf/2023-00721.pdf>