

Portsmouth Metropolitan Housing Authority

Fraud Policy

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APPENDIX I

A. **PURPOSE**

This policy is intended to provide guidelines for the detection, reporting, handling, reduction and prevention of internal fraud with the goal of preserving integrity and promoting public confidence in Portsmouth Metropolitan Housing Authority. The policy sets forth acts that could, if not prohibited, be injurious to this housing authority.

B. **SCOPE**

This policy addresses internal fraud and other actions that are inappropriate at Portsmouth Metropolitan Housing Authority. It applies to employees, board members, contractors, vendors and others doing business with PMHA.

This policy does *not apply* to applicants or a tenant's act of fraud.

This fraud policy is not intended to cover administrative matters such as time and attendance problems or minor acts of insubordination. These matters will be resolved by management.

C. **DEFINITION OF FRAUD**

Fraud is defined by the office of the Inspector General, U. S. Department of Housing and Urban Development as, "*the intentional false representation or concealment of material fact for the purpose of inducing another to act upon it to his or her injury.*" PMHA further defines fraud as any individual's dishonest act, misrepresentation or concealment of material fact to serve one's personal interests.

D. **PROHIBITED ACTIONS THAT CONSTITUTE FRAUD**

- Bribery or kickbacks
- False claims or bid-rigging
- Theft, embezzlement or other misapplication of funds or assets
- Forgery or alteration of documents
- Impropriety with respect to reporting financial transactions
- Profiting on inside knowledge
- Destruction or concealment of records or assets
- Misapplication of funds or assets
- Any dishonest fraudulent act, misrepresentation or related irregularity or concealment of material information

E. **OTHER IRREGULARITIES/PROHIBITED CONDUCT**

PMHA recognizes that employees, board members, contractors, vendors or others seeking to do business with the housing authority are, at times, in a position to make or influence decisions that could directly affect their personal interests. In order to preserve its integrity PMHA prohibits the following acts:

PROHIBITED CONDUCT

1. Misuse of official position
 - a. by authorizing use of one's position to benefit himself/herself or others in circumstances that create a conflict of interest where his/her objectivity could be impaired;
 - b. by making promises or giving anything of value that would create a substantial or improper influence upon an individual or official in his/her public duties;
 - c. by offering, soliciting, requesting or accepting special favors that would create a substantial or improper influence upon an individual or official in his or her public duty.
2. Accepting gifts or gratuities such as cash, consulting fees, tickets, entertainment or anything of value from a party that is interested in, regulated by, or seeking to do business with PMHA. EXCEPTIONS: 1). Business meals, 2). Advertising articles such as pens, pencils, coffee mugs, calendars, etc. distributed for the purpose of advertising a vendor's goods or services are not considered gifts for the purposes of this policy, 3). From time to time (especially at the Christmas holidays) unsolicited gifts of food or flowers are sent to the housing authority by public housing residents or vendors as an expression of thanks or congratulations. Although this practice is discouraged, it is not efficient to the daily operations of the organization to return the items. Employees are discouraged from receiving similar gifts at their personal residences.
3. Authorizing, voting or otherwise influencing the housing authority to secure approval a public contract or investment in which oneself, a friend or family member or a business associate has a financial or fiduciary interest.
4. Breach of confidentiality. The Ohio Ethics Law prohibits present and former public employees and officials from disclosing or using any information appropriately designated by law as confidential as long as the information is confidential.
5. Soliciting or improperly receiving additional compensation, in addition to that paid by PMHA, for performing official duties. Also a PMHA employee or board member is prohibited from giving any supplemental compensation to another to perform his/her duties.
6. Use or give permission to use PMHA-owned buildings, vehicles or equipment, materials or other property for the convenience or profit of himself/herself or any other person.
7. Act individually (outside one's official capacity) to bind or obligate the housing authority by any action or verbal representation.

F. NONFRAUD IRREGULARITIES

Allegations of personal or departmental improprieties, errors and omissions or acts not necessarily constituting fraud will be resolved by management.

G. RESPONSIBILITY

All persons – board members, employees, contractors, vendors, and others doing business with PMHA – will adhere to this policy. PMHA management will be responsible for providing oversight and enforcement of this policy.

H. REPORTING SUSPECTED FRAUD

Individuals suspecting fraud should report it and not attempt an investigation. Both PMHA management and individuals reporting suspected fraud will refrain from discussing the allegations with anyone other than those with a legitimate need to know.

A board member, employee or other complainant who suspects fraudulent activity or other irregularities will immediately report his/her suspicions to the executive director.

If the executive director is suspected of fraud, the complainant will report his/her suspicion to a board member.

The reporting individual will be informed as follows:

1. Do not contact the suspected individual(s) in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically authorized to do so by the executive director or by the board of commissioners.

I. INVESTIGATIVE RESPONSIBILITIES

The executive director will investigate reports of suspected fraud. In the event the executive director is the individual suspected of fraud the PMHA Board of Commissioners will investigate the complaint. In making an investigation, the executive director or board of commissioners may refer matters to special counsel, law enforcement, or call upon PMHA department heads and employees for assistance. Individuals who are called upon to assist in an investigation will be given written authorization to make inquiries, take control of and examine records. Any investigation of suspected fraud or other irregularities will not be disclosed to outsiders, except to the appropriate law enforcement or special counsel. PMHA will not retaliate against employees, board members or other complainants who report fraudulent or non-fraudulent irregularities, provided the individual doing the reporting has reasonable cause.

J. PENALTIES

Persons known to have committed acts of fraud or other irregularities against Portsmouth Metropolitan Housing Authority will be disciplined leading to possible termination and/or prosecution. If an investigation results in a recommendation to terminate an individual, the

recommendation will be reviewed for approval by legal counsel and, if necessary, by outside special counsel, before any such action is taken. The decision to terminate an employee under this policy is made by the executive director.

K. CONFIDENTIALITY

The investigation process and results will not be disclosed or discussed with any one other than those who have a legitimate need to know.

This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the housing authority from potential civil liability.

L. FRAUD DETECTION

Proactive Audits: PMHA will aggressively seek out possible fraudulent conduct instead of waiting for instances to come to its attention.

Increased use of analytical review: There will be regular and frequent monitoring of financial statements looking for trends such as:

- Increasing expenses
- Increasing receivables/ decreasing cash
- Increasing purchases/decreasing inventory

Fraud assessment questioning: A non-accusatory interview technique used by management and auditors as an indicator of a potential problem, based on the theory that an effective way to detect and deal with fraud is to ask about it.

Enforcement of vacations and job rotation: Some frauds are detected during absences of the perpetrator, because they require continuous manual intervention.

Surprise audits: An unexpected review can eliminate time and opportunity for altering, destroying or misplacing records or other evidence.

M. PREVENTION/INTERNAL CONTROLS

The executive director will prescribe written internal controls and practices designed as checks and balances to prevent fraudulent activities.

Internal controls are listed herein as APPENDIX I of this policy and may be amended from time to time, as necessary.

N. ADMINISTRATION

The executive director is responsible for the administration, revision, interpretation, and application of this policy.

At a minimum, this fraud policy will be reviewed annually and revised as needed.

O. COMMUNICATING THIS POLICY

All PMHA employees, board members, new hires, contractors and vendors will be provided a copy of this policy.

All independent auditors will be provided a copy of this fraud policy

A notice or memorandum from the executive director announcing the fraud policy will be distributed via pay envelopes. The notice should concentrate on the positive aspects of working for an ethical employer.

FRAUD POLICY
APPENDIX I
Internal Controls

1. Check writing and signature stamp policy outlining segregation of duties.
2. Requirement for regular investment and cash flow reports.
3. Requirement for a clear explanation for all purchases.
4. Requirement for an itemized disclosure of all travel reimbursement expenses.
5. Policy addressing the use of credit cards.
6. Discouraging payment in cash/ encouraging payment via checks or money orders.
7. Requirement for writing receipts for all payments received.
8. System for cross-referencing payments received through the mail.
9. Segregation of duties in reconciliation of bank statements.
10. A system for monitoring and accounting for all inventories.
11. Petty cash policy and procedures.
12. Requirement for making criminal background and reference checks on new hires.
13. Requirement for a workable purchase order system with appropriate reviews and approvals of transactions, accounting entries, and system output.
14. System for safeguarding assets from loss damage or misappropriations.
15. Establishment of level of control of consciousness within the organization.
16. Provisions in independent audit contracts that auditors identify and report and/or make recommendations on correcting any weaknesses within PMHA's internal systems.
17. The Director of Housing Management (or designee) makes monthly checks on all rent adjustments originally calculated by area housing managers.
18. The area housing managers must balance monthly with finance department on all collections and adjustments.
19. Adherence to investment policy consistent with applicable laws and regulations for public fund management.