



## **TDHCA Recommended Practice on Fraud, Waste, and Abuse**

**Distributed October 19, 2010**

### **1.0. Guideline.**

The Fraud, Waste, and Abuse Guideline was established to provide guidance to TDHCA Subrecipient employees that observe, have knowledge of, or suspect that fraud, waste, or abuse of public funds is occurring or has occurred. It is the intent of this guideline to promote awareness of the potential for fraud, waste, and abuse and to provide guidelines for Subrecipient employees to follow that will help ensure incidents of this nature are handled in an appropriate manner.

### **2.0. Definitions.**

- 2.1. **Fraud** – Any intentional act or omission designed to deceive, resulting in a loss to an individual or entity and a gain for the perpetrator.

General Examples:

- Theft or misuse of money, equipment, supplies and/or other materials
- Falsifying financial records to conceal the theft of money or property
- Intentionally misrepresenting goods provided or services rendered or the cost of goods and services
- Soliciting or accepting a bribe or kickback
- Falsifying payroll information

Specific Examples:

- Billing for goods or services not rendered
- Billing for unnecessary goods or services
- Duplicate billing
- Intentionally performing inadequate inspection of properties to allow a contractor to get away with shoddy workmanship or non-performance
- Removing or using surplus construction supplies for personal use or other construction jobs
- Maintaining fictitious clients, jobs, vendors, or employees
- Bid rigging, where a contract is promised to one party even though, for the sake of appearance, several other parties are invited to present a bid
- Underbidding a contract, where a contractor bids less than the amount the contract will actually cost to perform. Contractors often find ways to recover the money that was lost in the underbid (e.g., scope creep).
- Businesses posing as a Historically Underutilized Businesses (HUB), defined as businesses owned by women, minorities, and service disabled veterans, to increase

their chances of being awarded a contract.

- Contractor paying a bribe to a Subrecipient or an employee of a Subrecipient in exchange for preferential treatment such as a contract award or an inadequate inspection.

2.2. **Waste** – The intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of resources. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls.

General Examples:

- Purchasing unnecessary supplies, materials, and equipment
- Purchasing supplies without regard for cost
- Using supplies, materials, and equipment carelessly resulting in unnecessary waste and replacement
- Failure to reuse or recycle major resources or reduce waste generation

2.3. **Abuse** – Intentional destruction, diversion, manipulation, misapplication, maltreatment, or misuse of resources. Extravagant or excessive use as to abuse one's position or authority. Abuse can occur in financial or non-financial settings.

General Examples:

- Making procurement or vendor selections that are contrary to existing policies or are unnecessarily extravagant or expensive.
- Receiving favor for awarding contracts to certain vendors.
- Using one's position for personal gain or to gain an advantage over another.
- Failure to report damage to equipment or property.
- Creating unneeded overtime.
- Requesting staff to perform personal errands or work tasks for a supervisor or manager.
- Travel choices that are contrary to existing travel policies or are unnecessarily extravagant or expensive.

Additional Example Specific to Community Affairs:

- Using State or Federal funds or equipment for non-State or Federal purposes

### 3.0. Suggested Procedures.

3.1 A Subrecipient employee who observes, has knowledge of, or suspects that fraud, waste, or abuse is occurring or has occurred, and **does not desire anonymity**, should:

a) Immediately report the incident to the appropriate TDHCA Program Manager (Energy Assistance or Community Services) in person or by phone. The Program Manager will be responsible for notifying the Director of Community Affairs, the Deputy Executive Director for Community Based Programs, and the TDHCA Director of Internal Audit, or his/her designee, in person or by phone of the suspected activity.

b) The employee should be prepared to provide the following information verbally or in writing, to the extent known, regarding the incident:

- i. Who was involved? (Names and phone numbers, if available)

- ii. What happened? (Summary of events, additional sources of evidence)
  - iii. When did it happen? (Date, time, frequency)
  - iv. Where did it happen? (Location, city, state)
  - v. Why was it done? (Estimated loss to the government, gain to violator)
  - vi. How did it happen? (What scheme was used)
  - vii. Who else is aware of the incident, to your knowledge? (Names and phone numbers, if available)
  - viii. What is the source of the information? (Personal observation, employee compliant, monitoring results)
- c) Follow any instructions provided by TDHCA management and the TDHCA Director of Internal Audit, or his/her designee, regarding "Next Steps" in the investigation.
- 3.2. A Subrecipient employee who observes, has knowledge of, or suspects that fraud, waste, or abuse is occurring or has occurred, and **wishes to remain anonymous**, should:
- a) Immediately report the incident to TDHCA's Fraud \* Waste \* Abuse Hotline, which can be accessed via TDHCA's website (lower left side) **-OR-** contact the State Auditor's Office via TDHCA's website (lower left side) or call their Hotline at 1-800-TX-AUDIT (892-8348).
  - b) The employee, though anonymous, must be willing to share specific information regarding the incident. The employee should be prepared to provide the following information, to the extent known, regarding the incident:
    - i. Who was involved? (Names, addresses, phone numbers, if available)
    - ii. What happened? (Summary of events, additional sources of evidence)
    - iii. When did it happen? (Date, time, frequency)
    - iv. Where did it happen? (Location, city, state)
    - v. Why was it done? (Estimated loss to the government, gain to violator)
    - vi. How did it happen? (What scheme was used)
    - vii. Who else is aware of the incident, to your knowledge? (Names and phone numbers, if available)
    - ix. What is the source of the information? (Personal observation, employee compliant, monitoring results)

#### **4.0. Confidentiality.**

- 4.1 Subrecipient employees that are aware of a fraud, waste, or abuse incident are discouraged from discussing the case, facts, suspicions, or allegations with anyone outside the organization **-OR-** with anyone within the organization that does not have a legitimate need to know.
- 4.2 Until an incident is fully investigated and resolved, it is critical to refrain from discussing it with the suspected individual(s) or anyone not directly involved in the investigation to avoid alerting the individual(s) that an investigation is under way and to minimize the impact of any mistaken accusations.
- 4.3 Any inquiries from the suspected individual(s) or their attorneys or representatives should be directed to TDHCA Management or TDHCA Internal Audit.
- a) The proper response to such an inquiry is: "I am not at liberty to discuss this matter."

- b) Under no circumstances should any reference be made to what a person is known or suspected of doing.
  - c) No promises of any kind should be made.
- 4 No Subrecipient employee should contact the suspected individual(s) in an effort to determine facts or demand restitution.