

KANKAKEE COUNTY HOUSING AUTHORITY  
185 N. ST JOSEPH  
KANKAKEE, IL 60901

*Fraud Control Policy*



*Adopted: 6/28/05  
Resolution # 05 - 49  
Effective Date: June 1, 2005*

*Supercedes Resolution # 01 - 94*

**Kankakee County Housing Authority  
Fraud Control Policy**

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## PURPOSE

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The United States Housing Act of 1937, as amended, calls for federally financed public housing, which is to be administered locally by a Public Housing Agency (PHA). A PHA can be any state, county, municipality or other governmental entity or public body or agency or instrumentality thereof which is authorized to engage in or assist in the development or operation of housing. The PHA also administers the Section 8 Housing Voucher Programs, which were authorized under Section 8 of the U.S. Housing Act of 1937, as amended. Kankakee County Housing Authority administers these housing programs through its Public Housing Division and Section 8 Housing Divisions. While KCHA believes that there are a small percentage of program participants who commit housing program fraud, this policy is written to address those few who do, and to discourage others.

### **Housing Program Fraud and Its Impact**

Various housing programs rely on the applicant's or tenant/participant's mandatory disclosures to determine eligibility and level of benefit. These disclosures are required for participation in the programs. However, there are applicants and tenants who deliberately try to cheat. These intentional frauds have a wide-ranging impact on the housing programs and the people who need help. Many truly needy people who are eligible for assistance are denied safe, decent, affordable housing. As a result, tens of thousands of families reside on waiting lists instead of in housing units. And while they wait, housing assistance is going to the wrong people; people who have the income or the resources to be self-sufficient, but receive housing assistance through dishonesty and deceit.

Owners/landlords may commit fraud to receive Section 8 rental assistance payments of which they are not entitled. Examples of owner fraud include billing for vacant units, charging more rent for an assisted unit than unassisted units in the same building, and receiving under-the-table payments from assisted families.

It is the duty of the tenants and participants to abide by program rules and obligations. This duty includes disclosure of their household composition and income. For various reasons, often individuals not listed on the dwelling lease are allowed by the tenant/participant to adverse actions which may include repayment of benefits falsely received, termination from assisted housing programs, and/or prosecution for fraud. They have become a party to theft and fraud. When KCHA determines that individuals participating in any of its assisted housing programs have committed fraud, KCHA will aggressively pursue actions to terminate the participation of these individuals. Further, when tenants/participants are involved, the overpayment of benefits which they will be required to repay will include the calculated amount of income received by all adults residing in the dwelling unit for the entire period of the violation, including the income of the adult not listed on the lease.

## **POLICY STATEMENT**

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It is the policy of the Kankakee County Housing Authority to actively seek to prevent, uncover and eliminate fraud and abuse in its housing programs by its housing applicants, participants, and/or vendors doing business with KCHA.

All suspected cases of fraud identified by KCHA involving KCHA Personnel, housing applicants, housing participants, and/or vendors doing business with KCHA will be subject to the policies and procedures contained herein.

## STATUTORY AND REGULATORY AUTHORITY

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Many of HUD's subsidized multifamily housing assistance programs were authorized under Sections 3, 5, and 8 of the U.S. Housing Act of 1937, as amended; Section 7(d) of the Department of HUD Act; Section 235 of the National Housing Act of 1934, as amended; Section 236 of the National Housing Act and Section 101(g) of the HUD Act of 1965.

Section 325(d)(1) of the Housing and Community Development Act Amendments of 1981 authorized housing authorities to retain a portion of fraud amounts recovered—by a court order or settlement of a claim—through litigation initiated by the housing authority. Under the statute, a housing agency could retain the greater of: (a) 50 percent of the fraud recovery amount actually collected less any HUD expenses related to the fraud recovery litigation; or (b) the actual, reasonable, and necessary legal fees and expenses related to the fraud recovery litigation less any HUD expenses related to the litigation.

Section 129 of the Housing and Community Development (HCD) Act of 1992 expanded the conditions under which housing agencies may retain a portion of Section 8 fraud recoveries to include amounts recovered through administrative repayment agreements. Housing agencies are now authorized to retain a portion of Section 8 fraud recoveries obtained through administrative repayment agreements executed on or after October 28, 1992, in addition to fraud recoveries resulting from housing agency initiated litigation (including settlement of a lawsuit) and court-ordered restitutions. Section 129 of the HCD Act of 1992 also provided that the housing agencies' recovery must be used in support of the affected program or project in accordance with HUD regulations. The Department published a final rule implementing Section 129 of the HCD Act of 1992 in the Federal Register on February 28, 1994, at 224 CFR Part 792. This notice applies to the administration of Section 8 certificate, voucher, and moderate rehabilitation programs. These procedures apply to tenant and owner fraud recoveries.

### **Definition of Fraud for Action**

- 1 - False statement or omission of material fact**
- 2 - Knowledge that statement is false or incomplete when made**
- 3 - Intent to deceive KCHA**
- 4 - Justifiable reliance by KCHA**
- 5 - Damages proximately caused by the misrepresentation**

## DEFINITIONS

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*Definitions that pertain to KCHA's program of prevention, detection, and prosecution for housing program fraud.*

**AFDC (TANF)** – Aid to Dependent Children. This government welfare program has been replaced by the program “Temporary Assistance for Needy Families.”

**CFR** – Code of Federal Regulations – The regulations which govern the housing programs referenced herein are found in Title 24 of the Code of Federal Regulations.

**Confession of Judgment** – an acknowledgment of a debt by a person, which is then filed with the court. It allows the court to issue a judgment without a trial.

**Fraud and Abuse** – a single act or pattern of actions: (1) That constitutes false statement, omission, or concealment of a substantive fact, made with intent to deceive or mislead; and (2) That results in payment of program funds in violation of program requirements.

**Housing Agency (HA)** – any state, county, municipality, or other governmental entity or public body, including any Indian Housing Authority, acting as a contract administrator under an annual contributions contract with HUD.

**HUD** – United States Department of Housing and Urban Development – The federal agency that governs and funds the assisted housing programs referenced in this document.

**Judgment** – a court order for recovery of program funds obtained through fraud and abuse obtained by litigation or by a settlement of a claim in litigation, whether or not stated in a court order.

**Landlord** – a person who owns and rents land, buildings, or dwelling units or their representative.

**Litigation** – a lawsuit brought by a HA to recover program funds obtained as a result of fraud and abuse.

**Live-in/household member** – a person who utilized the tenant/participant's dwelling unit as their place of residence.

**Participants** – individuals or families who receive housing assistance from KCHA. They may include persons or families who receive subsidies through the Public Housing or Section 8 housing programs.

***Principal party in initiating or sustaining an action to recover*** – principal party in initiating or sustaining an action to recover means the party that incurs more than half the costs incurred in: (1) re-certifying tenants who fraudulently obtained rental assistance; (2) re-computing the correct amounts owed by tenants; and (3) taking needed actions to recoup the excess benefits received, such as initiating litigation. Costs incurred to detect potential excessive benefits in the routine day-to-day operations of the program are excluded in determining the principal party in initiating or sustaining an action to recover. For example, the cost of income verification during an annual re-certification would not be counted in determining the principal party in initiating or sustaining an action to recover.

***Program violation*** – Violations can be programmatic or fraudulent. A program violation occurs when an applicant/participant or owner, either by action or inaction, breaches a contract, policy, or procedural requirement of the HA.

***Promissory Note*** – any written promise to pay a certain sum of money at a future time, unconditionally.

***Repayment Agreement*** – a formal document signed by a tenant or owner and provided to an HA in which a tenant or owner acknowledges a debt, in a specific amount, and agrees to repay the amount due at a specific time period(s).

***Tenants*** – individuals or families who directly rent housing units from KCHA with KCHA as the landlord.

***Vendor*** – one who sells a service or commodity; a party to a contract who sells something, i.e. landlord.

## **GENERAL PROCEDURES**

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Investigation and/or referral for prosecution of persons suspected of committing fraud in connection with any KCHA housing program will be conducted in a manner consistent with KCHA policies and procedures (as set out in this document), state and federal law.

KCHA's Public Housing and Section 8 Housing Office are the focal points for investigating, and referring for prosecution, fraud within KCHA's assisted housing programs. Under the direction of the Manager of Section 8 or the Manager of Public Housing, direction, administration and oversight of the detection, investigation and prosecution of fraud as well as recovery of funds is initiated.

## **FRAUD PROTECTION**

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Prevention is the primary focus of KCHA's Fraud Control Program. Detection and prosecution serve to deter fraudulent, wasteful, or abusive practices; however, the key element of this program is preventing the loss of resources and denial of qualified low-income families from obtaining needed housing. The most effective means of controlling fraud is prevention. There are steps that may be taken by staff to prevent fraud from occurring or decrease its occurrence.

Program integrity begins with the integrity of housing agency management and staff. Opportunities for abuse of power and position are present in all organizations, but are especially damaging in organizations that serve the public. Cases of abuse, theft, and fraud are seen regularly in HUD's Inspector General's semiannual report to Congress.

KCHA management and staff are not only accountable to HUD in administering its federally assisted housing programs, but to program clients and the public as well. The expectation is that public servants act with integrity, impartiality and honesty.

### **Situations for Staff to Avoid**

Knowingly engaging in:

- conflict of interest, especially in the Section 8 program
- improper relationships with program clients (participants or landlords/owners)
- collusion with program clients or owners (going along with or knowingly participating in program abuse)
- approving rents which exceed the comparable value of the unit
- disregarding known income sources of program participants or otherwise manipulating file information

## Indicators of Possible Programs Fraud

The following are “**red flags**” which may indicate potential fraud by applicant or participants. Alone they may easily be explained. However, they should alert you to pay closer attention, ask additional questions, or look further.

- Applicant cannot produce acceptable identification for all household members, or their past history is sketchy.
- Documents submitted appear altered or unusual in appearance. This includes documents that have erasures, whiteouts, overwriting, or crossed out information. Office documents that have not been signed or have expired, if applicable. Watch for forged documents; signatures that may be similar to the applicant’s or tenant’s or forms that appear to be done by the same typewriters.
- Only income comes from loans or support from friends or relatives with no recent work history.
- Family has not applied for or is not receiving benefits for which they are entitled. VA, SSI, or SSA or other sources of such payments do not correspond to known payment schedules. Benefits such as VA, SSA, SSI, etc., reported by family do not correspond with maximum entitlement and known schedules.
- If family appears to be eligible for income from another governmental or private agency or other source, i.e., trust fund, VA, child support, or worker’s compensation, obtain a signed authorization for release of information and send it to the source.
- Family’s expenses substantially exceed reported income.
- Credit report indicates level of loans or financial activity not consistent with income data in files.
- Reports marital status as separated, receives no child support, and has not filed for child support, and has not filed for child support enforcement; has additional children by absent parent.
- Has difficulty furnishing information that should be automatic, i.e.; name of child’s school and age.
- Note when it is consistently difficult to contact unemployed residents. If a person is not home most of the time, this may be an indication of an unreported job. Watch for clients who ask for interviews during lunch hours, before or after normal work hours.
- During home visits, be alert for signs of income in excess of that reported, such as company uniforms or vehicles, and signs of household inconsistent with that being reported.

# **INVESTIGATION, PROSECUTION AND RECOVERY**

## **HOUSING PROGRAMS ADMINISTERED BY KCHA**

### **Participant, Tenant and Landlord Investigations**

24 CFR§ 792.103 defines fraud as stated below.

“Fraud and abuse means a single act or pattern of actions: (1) That constitutes false statement, omission, or concealment of a substantive fact, made with intent to deceive or mislead; and (2) That results in payment of Section 8 program funds in violation of Section 8 program requirements.”

This commission of housing program fraud may lead to criminal prosecution. Examples of fraudulent acts which can be prosecuted by state and federal authorities may include but are not limited to:

- Theft, Grand Theft, or Theft by Deception
- Obtaining Property/Goods by False Pretenses
- Forgery
- Scheme to Defraud
- Deliberately omitted income or family composition information or information pertaining to program eligibility

Program fraud is intentionally false or incomplete statements or documents submitted to:

- Avoid disclosure of employment or income;

In order to be eligible for housing assistance, a tenant must meet HUD income limits for the area. The tenant pays a percentage of income, as adjusted by various allowances. Understating and failing to disclose income or assets causes the tenant to pay less rent than is proper.

- Under report disclosed income or assets;

One of the more common ways of under reporting income includes omitting the income of a spouse or adult child. Another is to omit the income from a first or second job.

- Avoid disclosing all persons who will be living in the household; or

When tenants do not report the presence of a working adult as required, they pay less rent than they should. This is because the unreported person’s income should be included in the eligibility calculations. The most common problem is a live-in boyfriend/girlfriend, or husband/wife from whom the tenant supposedly is separated or divorced.

- Overstating certain allowances that are deducted from income.

When tenants overstate the number of children living with them, too large of an allowance is deducted from their income. They are also given a larger unit and a higher subsidy than they are entitled to receive.

## **LANDLORD/OWNER FRAUD --- SECTION 8 EXISTING**

**Program fraud includes an owner's breach of the Housing Assistance Program (HAP) contract.** 24 CFR § 982.453 provides that owner breaches includes fraud, bribery or any other corrupt or criminal act in connection with any federal housing program. This rule also provides that violation of "any other" Section 8 assistance contract is a breach of the particular tenant-based HAP contract.

Consequently, KCHA may terminate a tenant-based Section 8 HAP contract because the owner has breached a tenant-based or project-based Section 8 HAP contract (between the owner and KCHA or another HA, or between the owner and HUD). This provision was made by HUD in order to strengthen the housing agency's authority and leverage to induce owners to comply with Section 8 program requirements.

Remedies for owner breach may include reduction of housing assistance payments. They may also include an "abatement or other reduction: of housing assistance payments." §982.453 (b)

When fraud is suspected, owner breach will be investigated and appropriate action recommended. Disposition of owner breach cases will be applied on a case-by-case basis. Use Form LE#002.

Owner fraud may include, but is not limited to knowingly:

- Requiring tenants to pay for utilities which are already factored into the rent
- Billing for vacant units
- Accepting HAP payments for vacant units
- Charging more rent for assisted unit than unassisted units in the same building
- Receiving under-the-table payments from assisted families

## INVESTIGATIVE PROCEDURES

### What Should Trigger an Investigation?

It is KCHA's expectation that assisted families will comply with HUD requirements and program rules, and the staff will make every effort to orient and educate all assisted families in order to avoid unintentional violations. However, it is the Public Housing/Section 8 Housing Division's responsibility to monitor program participants for compliance, and when indicators of possible abuse come to their attention, to investigate such claims.

The Divisions will investigate a program participant in the event of one or more of the following circumstances:

- a. **Referrals, Complaints, or Tips.** The Divisions will follow up on referrals from other agencies, companies or persons which are received by mail, by telephone, or in person, which allege that an assisted family is in non-compliance with, or otherwise violating, program rules. Such follow-up will be made provided that the referral contains at least one source of information that is independently verifiable.
- b. **Internal File Review.** A follow-up will be made if the Division discovers (as a function of a certification/re-certification, an interim reevaluation, or an audit), information or facts that conflict with previous file data, the Division's knowledge of the family, or is discrepant with statements made by the family.
- c. **Verification or Documentation.** A follow-up will be made if the Division receives independent verification or documentation that conflicts with representations in the tenant file (such as public records information or credit bureau reports).
- d. **Personal Observation.** A follow-up will be made if the Division staff obtain personal knowledge of information which may indicate that an assisted family is in non-compliance with, or otherwise violating, program rules.
- e. **Other Records or Media.** The Division will also follow-up with information obtained through sources such as newspapers or other forms of the media which indicates that an assisted family is in non-compliance with, or otherwise violating, program rules. This could include reading about a member of the family in the newspaper or watching them on television.

### Requesting an Investigation

Any employee of KCHA may request an investigation when fraud is suspected, and there is evidence to support the suspicion.

The form entitled "FRAUD INVESTIGATION REQUEST" must be used for each request where the subject of the investigation is a tenant, participant or landlord (vendor).

The requestor shall initially, at a minimum, supply the following information as listed on the form: *Request by, program, tenant/vendor name, client/vendor number, project number, address, and summary of issue to be investigated.*

After initial supervisory approval to proceed and prior to the request being forwarded to the Executive Director, the following shall be added to the request package:

Documentation listed as required documents (application, re-exam forms, verification forms, tenant lease). Additional documents may include court documents, KCHA reports, audit report, statements from witnesses, welfare reports, and file notes.

The person making the request will also indicate if there is a time limitation requirement on the investigation, i.e. the participant is leaving the state, moving to another unit, an eviction action is pending, etc. The section titled “Summary of *Issue to be Investigated*” shall contain a brief description of what the requester believes the tenant/participant had done which constitutes fraud. It should contain enough information to give the Division director an idea of what issues to focus on.

Auditing of the tenant/participant file shall be the responsibility of the Public Housing/Section 8 Occupancy Specialist or his/her supervisor. Every effort shall be made for the audit to be performed prior to the request for investigation being forwarded to Legal and the report made a part of the request documents when the suspected violation is unreported income. When someone other than the Occupancy Specialist requests an investigation on a participant, the Supervisor will perform any necessary audit.

Necessary verifications, such as those that may be sent out as part of a re-exam, shall be sent out by the Occupancy Specialist and the results made a part of the request for investigation package. In order to speed the case along as quickly as possible, all documentation which pertains to the suspected violation shall be included with the package, including a list of any witnesses with addresses and phone numbers where possible.

Investigations arising from information received through outside complaints may be requested by the employee taking the complaint. The request must go through the Manager of Public Housing/Manager of Section 8 for initial approval to proceed. A copy of the request shall be forwarded to the Executive Director.

### **Investigative Chain**

When housing program fraud is suspected, the ***Fraud Investigation Request*** shall be completed and sent to the Manager of Section 8/Manager of Public Housing. The investigation begins with the Occupancy Specialist, as they are most familiar with the individual circumstances. The investigation request and all documentation pertaining to it must be sent to the Manager of Section 8/Manager of Public Housing.

The request must be reviewed and a determination made to whether or not it will continue. Each Manager reviewing the request must sign off on the request form. If it is cancelled at any point,

it must be so noted on the form and the form, along with all attachments, forwarded to the Executive Director.

If the request is disapproved by the Manager of Section 8/Manager of Public Housing, they will notify the Executive Director and the request initiator. If the Executive Director does not agree, the Managers will work with the initiator to resolve the differences.

## **Documentation Required to Support Allegations**

Evidence, which shows that:

- *the person knew that what they did, or failed to do, was wrong;*

If an investigation is underway and it is time for participant re-certification, the re-certification shall be conducted in the normal manner. The KCHA employee conducting the interview will ask the participant to sign their statement verifying that the information given by them is true and correct to the best knowledge as with any other re-certification.

This interview should be handled carefully so as not to jeopardize the case.

- *the person intended to deceive KCHA;*

The strongest proof of this intent is a confession. Other indicators are: the violation was done repeatedly (it was not a one-time or accidental occurrence), or there were prior administrative action(s) or conviction(s) for the violation(s).

## **Allegations Reported by General Public**

The vast majority of allegations of fraud reported to KCHA are received by telephone. These calls must be handled in a manner that does not violate the subject's right to privacy or put an innocent person at risk. The callers may have credible information, or they may be trying to get information from you.

Under no circumstances should KCHA staff verify with the callers information, which the callers are providing.

The first source of verification of information received is the tenant record. Either the tenant file or the tenant database may be able to verify income or family size information or show that there could be a problem.

If it appears that discrepancies exist, the next step is a public records search.

## HOW TO HANDLE TELEPHONE ALLEGATIONS

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- Thank the caller for their assistance and concern and assure them that you will research the matter thoroughly.
- If the “subject” is a participant, do not discuss what type of housing program they may be participating in or verify that they are in fact a participant.
- Do not make any statements, or divulge information of any kind, to anyone who does not have a legal right to know.
- Do not discuss the progress of a case at any time. Let the caller know that you appreciate the information; however, you may do nothing other than take in the information and let the caller know that you will look into it.
- Ask the caller if they are willing to provide you with their name and telephone number. Don’t push. Let them know that they may remain anonymous if they are not comfortable giving their name.
- Ask the caller if they would be willing to sign an affidavit of the circumstances they have observed.
- Ask the caller if they would be willing to testify in an administrative or court action.
- Assure the caller they are welcome to call back with any additional information they think may be helpful.

**KANKAKEE COUNTY HOUSING AUTHORITY  
Telephone Allegation Form**

Subject of Call \_\_\_\_\_ Date \_\_\_\_\_

Address of Subject \_\_\_\_\_ Caller Name & Ph. # \_\_\_\_\_

Information Reported \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Additional Questions to ask Caller (depending on information reported):**

Is subject employed? \_\_\_\_\_ Where? \_\_\_\_\_ How long? \_\_\_\_\_

Does subject receive any other type of income? \_\_\_\_\_

Who lives in the household (in addition to subject)? \_\_\_\_\_

\_\_\_\_\_

Name of possible unauthorized live-in? \_\_\_\_\_ How long? \_\_\_\_\_

Employment of Live-in? \_\_\_\_\_

Other Income of Live-in? \_\_\_\_\_

Does live-in have a car? \_\_\_\_\_ Tag No. \_\_\_\_\_ Color \_\_\_\_\_ Year \_\_\_\_\_

Does subject have a car? \_\_\_\_\_ Tag No. \_\_\_\_\_ Color \_\_\_\_\_ Year \_\_\_\_\_

What time does live-in leave for work? \_\_\_\_\_ Return home? \_\_\_\_\_

Is there any other information that you think would be helpful? \_\_\_\_\_

\_\_\_\_\_

Is there anyone other than you who has knowledge of this situation? \_\_\_\_\_

- May be called for additional information?
- Willing to sign statement about this information?
- Willing to testify in administrative or court action

**Caution:** Sometimes a caller may be trying to get information from KCHA regarding a participant or applicant. Do not divulge any information regarding a participant or applicant including acknowledging that the subject is a participant or applicant. Don't rush to judgment. A complaint is not an indictment. Use rules of confidentiality.

### ***Investigation Files***

Documents and other evidence obtained by staff during the course of an investigation will be considered “work product” and will be kept in a separate file until a course of action is to be taken against the participant has been proposed.

After a course of action has been proposed, the complaint and supporting documentation will be placed in the participant file.

When a case has been submitted to legal counsel for legal action, the attorney will submit copies of all relevant case/court documentation to the KCHA’s files.

When a case has been referred to Collections and Accounting for action as a result of receiving a monetary judgment, copies of all documentation relevant to collection and distribution of funds shall be submitted to KCHA’s files.

### ***Conducting the Investigation***

All fraud and abuse investigation requests will be submitted, through proper channels for processing.

During the course of the investigation, Public Housing/Section 8 Management may run investigative checks to obtain information pertinent to each individual case. This report may include, but not be limited to, vehicle registration, persons listed at a particular address, business licenses held, civil and criminal court actions.

### ***Sources for Verifying Violations***

Listed below are a few possible sources of information. The information obtained may be used in order to prove that a violation constituting fraud has been committed. All court records, which are classified as public information, may be accessed and used. Public records are kept in the courthouse and can be an excellent resource. There are also organizations and agencies that may be utilized.

***Marriage Records*** – Marriage records are alphabetized by year. Call the appropriate office where you suspect the application was made. When you explain who you are and that you are conducting an investigation, clerks may cooperate. Once a previously undisclosed marriage is verified, a hard copy should be requested. Information such as “usual” residence, occupation, and employment will be listed on it.

***Divorce Records*** – Divorce records are court records which may contain child custody information, child support and property settlement. If the decree states that the support is to be paid through the court, Child Support Enforcement Division (CSED), a record of payment will be kept at the appropriate office.

***Judgments and Bankruptcies*** – Judgments and bankruptcies can indicate a possible connection between a resident and an alleged absent spouse.

**Court Dockets** – Access to court docket information can be helpful in cases involving criminal activity of an assisted resident or possible unauthorized live-in.

**Voter Registration Records** – These records contain the name, address, SSN, and date of registration of the voter.

**Recorders office [Real Estate Tax Roll]** – The tax is the record of taxes paid and contains the following: who the owner of record is, homestead exemption, acquisition deed, assessed value of the property, deed mortgage and note.

**Vehicle Registrations** – Many unauthorized live-ins register their vehicle to the assisted address. This information may be obtained from DMV. It is also available to KCHA through the Police Department.

**Employers/Ex-Employers** – A Wage Verification form is used to document previously unreported wages. Also available is the Social Security Administration’s “Request for Earnings and Benefits Estimate Statement.” While this form is mainly for recipient use, the SSA will provide information to a third party (owner/management agent) when a release form signed by the recipient is attached. Department of Labor verification form should also be used for verification of employment.

**Financial Institutions** – With an appropriate release, valuable information can be obtained from financial institutions regarding account and loan information.

**Post Office** – The post office can be helpful in locating a former resident, as well as identifying the owner of a post office box.

**Federal Income Tax Return** – These may be required from the participant if there is a reason to question the file data. If copies are not available, the manager can use IRS Form 4506 with the resident’s approval to obtain a copy of past tax returns.

**Directories** – City directory, cross-reference directory (listed by address and telephone number), telephone company directory.

**Interviews** – It may be necessary to interview neighbors, family members, current and past employers, mail carriers, and landlords for information regarding suspected violators. These interviews should be viewed as leads and noted in the investigative notes. KCHA’s legal counsel and legal liaison may be utilized for guidelines and assistance.

**Networking** – Establishing a cooperative working relationship with other state and federal agencies is essential.

**Other** - Permanent Fund Dividend records, business licenses, vehicle registration, court case listings, mailing addresses, etc.

**Computer Matching Program** – For purposes in this section, a program set up by HUD to match and compare applicant and tenant provided income information with data from the SSA and the IRS.

## **COMPUTER MATCHING PROGRAM**

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Pursuant to the Computer Matching and Privacy Protection Act of 1988, as amended, and the Office of Management and Budget's Guidance on the statute, HUD has revised a matching program involving comparisons between income data provided by applicants or participants in HUD's assisted housing programs and independent sources of income information.

This program provides for the verification of the matching results and the initiation of appropriate administrative or legal actions. It:

- ✓ adds Social Security Administration (SSA) and Internal Revenue Service (IRS) data concerning earned and unearned income to the matching program as independent sources for computer matching.
- ✓ describes verification processes for the SSA and IRS matching that differ from processes previously used;
- ✓ expands the matching to cover social security and supplemental social security income data maintained by the SSA; and
- ✓ recognizes the transfer of computer matching/tenant income verification functions from HUD's Office of Inspector General to offices that administer the assisted housing programs. Those offices include the Office of the Assistant Secretary for Public and Indian Housing and the Office of the Assistant Secretary for Housing – Federal Housing Commissioner.

HUD's primary objective in implementing the computer matching program is to increase the availability of housing assistance to individuals who meet the requirements of the housing assistance programs. Other objectives include identifying and recouping excessive housing assistance received by tenants and deterring future abuses of assisted housing programs.

### **Administrative or Legal Actions**

KCHA maintains policies and procedures for each of its assisted housing programs. Administrative and legal actions will be governed by the procedures outlined in these various policies & procedures manuals. These manuals set out the procedures to be used for termination of assistance and other remedies as appropriate. They are incorporated herein by reference.

## **RECOVERY OF FUNDS**

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Kankakee County Housing Authority is committed to identifying and recovering funds fraudulently received. It is also committed to recovering debts owed as a result of financial enrichment due to the commission of fraud in any of its housing programs.

Illinois State law allows KCHA the right to bring legal actions against housing program violators within six (6) years of the time the violation is discovered by KCHA when it involves fraud. If the violator is of the State of Illinois or is concealed within the state, KCHA may bring legal actions against them within six (6) years of the violator returning to the state or coming out of concealment.

This means that the clock does not start ticking on the six (6) year statute of limitations until the person returns to the state or comes out of hiding. (When fraud is involved, there is a six-year statute of limitations in which to initiate collection of a debt owed to a state agency.)

Depending upon the housing program involved, federal regulations allow KCHA to retain substantial amounts of fraud recoveries to aid in providing housing assistance to needy families. This HUD policy of allowing housing agencies to retain all or a substantial portion of tenant fraud recoveries recognizes that:

- ✓ significant resources must be used in pursuing abuses,
- ✓ some excessive housing assistance will be un-collectible,
- ✓ integrity needs to be maintained in assisted housing programs, and
- ✓ deterrent effects result from pursuing abuses.

### **SECTION 8 FUNDS**

KCHA is permitted by federal regulations to retain, the greater of: (1) fifty percent of the amount it actually collects from judgment, litigation (including settlement of lawsuit) or administrative repayment agreement pursuant to, or (2) reasonable and necessary costs that it incurs related to the collection from a judgment, litigation (including settlement of lawsuit) or an administrative repayment agreement. Reasonable and necessary costs include the costs on behalf of KCHA in obtaining the judgment, these costs must be deducted from the amount to be retained by KCHA, 24 CFR 792.202 (a) & (b)

KCHA may only use the amount of the recovery it is authorized to retain in support of the Section 8 program in which the fraud occurred. The remaining balance of the recovery proceeds must be applied as directed by HUD, 24 CFR 792.203

## **PUBLIC HOUSING FUNDS**

HUD allows housing authorities to retain 100 percent of tenant fraud recoveries under the Low Rent Public Housing program. These recoveries are not included in the calculation of the Performance Funding System eligibility and, therefore, have no effect on the amount of operating subsidy KCHA receives from HUD. Tenant accounts receivable from tenant fraud do not negatively affect KCHA's Public Housing Assessment System (PHMAP) ratings.

### **Punitive Damages**

Any fraud action successfully prosecuted in court may also result in an award of punitive damages. Punitive damages are awards, which are in addition to actual damages resulting from program fraud. The reason courts award punitive damages are twofold: to punish the wrongdoer and to deter other persons from engaging in similar conduct.

## **PENALTIES ASSOCIATED WITH THE COMMISSION OF FRAUD**

### **Tenants/Participants**

Tenants/Participants who have engaged in fraud against housing programs administered with federal funds may be subjected to the following: (1) zero tolerance and denial of participation in KCHA's assisted housing programs and/or (2) debarment from all federal housing programs and criminal prosecution.

#### **ADMINISTRATIVE vs. FRAUDULENT VIOLATIONS**

##### **Examples of administrative violations**

- ✓ **Failure to submit verification requested by KCHA**
- ✓ **Failure to appear for a scheduled appointment or complete re-certification**
- ✓ **Failure to pay rent or other charges**
- ✓ **Negligent failure to report changes in income, assets or household members in a timely manner**
- ✓ **Vacating unit in violation of Public Housing Lease**
- ✓ **Vacating unit without notifying KCHA**

##### **Examples of fraudulent violations (involving income and assets)**

- ✓ **Knowingly omitting income or assets of self or household member**
- ✓ **Knowingly under-reporting income or assets of household member**
- ✓ **Transferring income or assets with intent to obtain or retain false eligibility**
- ✓ **Knowingly overstating deductions, allowances, or expenses**

Upon receipt of KCHA of a judgment against a participant for fraud, a copy of the judgment, along with cover letter which lists the name of the program and the dollar amount of the judgment, must be sent to the local HUD office's *State Program Director, HUD Secretary in Washington (Secretary's Representative), and Special Agent in Charge, Office of Inspector General.*

## **VENDOR NON-COMPLIANCE**

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Vendors are subject to the same level of scrutiny as program applicants and participants. Under the Section 8 Housing Voucher Program KCHA must not approve a housing unit if KCHA has been informed (by HUD or otherwise) that the owner is debarred, suspended, or subject to a limited denial of participation. (24 CFR 982.306)

Also, under the Section 8 Voucher Program, KCHA may deny approval to lease a unit from an owner if the owner has committed fraud, bribery or any other corrupt or criminal act in connection with any federal housing program.

## **KCHA PERSONNEL ACTIONS**

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Unethical conduct by any KCHA employee is prohibited by law as well as KCHA's Personnel Policy. Each employee of KCHA must maintain high moral and ethical standards so as to assure the people of the State of Illinois that each public employee is acting in the best interests of those he or she serves. It is only by maintaining such high standards that those who serve the public can promote and strengthen the faith and confidence of the people of this state in its public officers and employees.

Unethical conduct includes any act which tends to bring into question the integrity of the employee or KCHA, or because it violates or appears to violate a specific federal, state or other rule of law, the appearance of which places the employee or KCHA in an unfavorable light in the eyes of the public that the employee serves. Committing or aiding another person in committing fraud against KCHA or any of its housing programs is considered to be unethical conduct.

Personnel disciplinary actions are in accordance with KCHA's Personnel Policy.

**Kankakee County Housing Authority  
Fraud Control Policy**

**June 1, 2005**

**User Agreement**

I have received a copy of the Fraud Control Policy. As an employee of the KCHA, I understand that this policy applies to me. I have read KCHA's Fraud Control Policy and agree to follow all of its provisions, for the duration of my employment with the KCHA.

I am aware that any violation of this policy may subject me to disciplinary action, up to and including discharge from employment. If I have any questions regarding this policy, I will request clarification from my Supervisor or the Human Resource Administrator.

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Employee Signature

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Date

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Employee Printed Name