



## **ARRA FRAUD PREVENTION, DETECTION, AND REPORTING POLICY (SECTION 1602 & TCAP PROGRAMS)**

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### **BACKGROUND**

This fraud policy is established to facilitate the detection and prevention of fraud of the American Reinvestment and Recovery Act funds administered by this agency. IFA is committed to preserving the integrity of these federal programs. This policy is also intended to clarify to management, staff, and other interested parties the agency's mechanisms to prevent, detect, and handle cases of detected fraud.

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### **SCOPE OF POLICY**

This policy applies to any fraud, or suspected fraud, involving employees, sub-recipients, contractors, consultants, vendors, or any other shareholders or businesses doing business with the agency related to the ARRA funds or awarded projects.

Any investigative activity will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the entity. Management will also follow all applicable State of Iowa laws pertaining to this activity.

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### **POLICY**

Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. The LIHTC Manager and Affordable Rental Production Director will be familiar with the types of fraud or improprieties that may occur within the TCAP and 1602 programs (ARRA programs) and the establishment of internal controls.

Any fraud that is detected by staff must be reported immediately to the Affordable Rental Production Director (ARPD) who will coordinate all investigations with the General Counsel, Human Resources, and other affected areas, both internally and externally. The employee or other complainant may remain anonymous. Should the complaint be against the ARPD, the LIHTC Manager, or the Executive Director, then the employee should contact IFA General Counsel directly.

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### **INTERNAL CONTROLS**

The following internal controls have been developed to help prevent employee fraudulent activity and to detect fraudulent activities of 1602 and TCAP recipients, vendors, contractors, consultants, etc.

(1). **Separation of Duties for Disbursements**

A team consisting of a Construction Analyst & On-site Building Inspector, a TGD Attorney, and an Underwriter, reviews each draw request for ARRA & non-ARRA funds. When reviewing ARRA draw requests, the review team will recommend a payment amount based upon program regulations and IFA policies. A member of the management team, usually the LIHTC Manager, will review and approve recommended payment amount or modify the recommended amount accordingly. Another staff person will request funds from Treasury and HUD for the 1602 and TCAP programs. The accounting department receives and disburses the funds. IFA also has a Grant Manager that monitors the 1602 and TCAP awards in addition to the LIHTC staff and management.

- **Construction Analyst & On-Site Inspector:** Reviews the draw request and compares the requested amount with the construction work that has or is being performed at the project. All change orders to the construction contract are also reviewed. Change order in excess of \$100,000 requires IFA prior approval.

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The Construction Analyst signs the draw request & payment approval form. The building inspector will sign off on the AIA form and provide a monthly inspection.

Monthly on-site construction monitoring visits will continue throughout the construction period.

- **TGD Attorney:** Reviews the lien waivers submitted with the draw requests and performs title searches to ensure that what the owners have certified to IFA has been paid to each entity.

A TGD Attorney must sign off on the draw request & payment approval form.

- **Underwriter:** Reviews all exhibits and invoices to ensure the amount requested are eligible items for the program funds and that proper documentation has been submitted. The Underwriter will either approve or modify the request and then sign the draw request & payment approval form. If modified, explanation(s) are provided on the draw request & payment approval form.
- **LIHTC Manager:** Reviews each draw request and the review team's payment recommendation to ensure the recommended payment is for eligible items. LIHTC Manager will either agree and approve the payment or modify the recommended payment amount based upon his review of the draw request.

LIHTC Manager will sign the draw request & payment approval form. In LIHTC Manager's absence, the Affordable Rental Production Director or the Executive Director will review and approve these payments.

**LIHTC Analyst:** Receives the draw request & payment approval forms from the LIHTC Manager to request funds. Submits copies of the owners' Exhibit H (requisition form) and the draw request & payment approval forms to IFA's

accounting department, including the Grant Manager, the day funds are requested from Treasury and HUD.

Notifies owners of the amounts IFA has approved for disbursement. Should IFA adjust the requested amount, the reasons for the adjustments are provided.

Compares the LIHTC – ARRA tracking spreadsheets to the weekly Grant Report to ensure that both departmental records match.

As time permits, reviews the electronic files to ensure the electronic files are being maintained in accordance with IFA policy and procedures. Any issues are reported to the LIHTC manager and LIHTC Administrative Assistant.

- **IFA Accounting:** Receives copies of the draw request & payment approval forms for disbursement, along with copies of the Exhibit H (Owner Requisition form) showing the amount requested.

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Notifies the LIHTC Manager & LIHTC Analyst upon receipt of 1602 and TCAP funds from Treasury & HUD as well as provides documentation of the electronic ACH transfer to the Ownership Entities to show compliance with the 3-day disbursement requirement.

- **Grant Manager:** Responsible for monitoring the agency's grant programs, including TCAP and 1602. Submits a weekly Grant Report to management and staff. Ensures funds requested, received, and disbursed are properly recorded.
- **LIHTC Administrative Assistant (AA):** Receives all draw requests, emails all draw request submissions to staff for review, obtains review team signatures on draw request & payment authorization forms, sends & receives deficiency notices, and receives & files the monthly inspection report and AIA sign-off form from The Building Inspectors or the Construction Analyst.

Responsible for ensuring all ARRA documents are properly scanned and filed for each project on a monthly basis in accordance with IFA policy and procedures.

## (2). Annual Audit

The agency has an annual audit conducted by the accounting firm of KPMG.

## (3). Training

Staff has been trained on ARRA policies and procedures as well as the obligation to ensure the integrity of the ARRA funds. Any new employee working in the TCAP or 1602 program will be provided a copy of this policy and trained on the policy and procedures.

All new employees are also provided an IFA employee handbook and a State of Iowa employee handbook that explains professional conduct and employee expectations in the workplace and while representing the agency.

IFA has posted the Recovery Act Fraud Hotline poster & Whistleblower poster in the agency's break-room so all employees are aware of the reporting methods and the whistleblower protections.

IFA also required all TCAP recipients to post the Recovery Act Fraud Hotline Poster & the Whistleblower poster. The Agency's construction staff or contractor verifies these are posted on-site in an area accessible to all employees.

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## **REPORTING TO FEDERAL GOVERNMENT**

Suspected fraudulent actions related to any project or program receiving Recovery Act funds will be reported. If a report is to be made by IFA, it will be reported by The Affordable Rental Production Director (ARPD); however, this doesn't eliminate an IFA employee's right to notify one of the reporting agencies listed below in addition to the ARPD. The Recovery Act provides protections for certain individuals (whistleblowers) who make specific disclosures about uses of Recovery Act funds. Employees of non-federal employers receiving recovery funds, including State and local governments, contractors, sub-contractors, grantees, or professional membership organizations acting in the interest of recovery fund recipients, are protected. These employees can't be discharged, demoted, or otherwise discriminated against as a reprisal for making a protected disclosure. However, in order to be a protected disclosure, it must be made to one of the following:

- A. Recovery Accountability and Transparency Board
- B. An Inspector General
- C. The Comptroller General
- D. Member of Congress
- E. Member of a state or federal regulatory or law enforcement agency
- F. To a supervisory authority over an employee
- G. A court or grand jury
- H. Head of a federal agency or his/her representatives

*\*Reference Section 1553 of Division A, Title XV of the American Recovery and Reinvestment Act of 2009, P.L. 111-5.*

Disclosures must involve information that is evidence of:

- Gross mismanagement of an agency contract or grant relating to recovery funds;
- Gross waste of recovery funds;
- Substantial and specific danger to public health or safety related to the implementation or use of recovery funds;
- Abuse of authority related to the implementation or use of recovery funds; or
- A violation of law, rule, or regulation related to an agency contract or grant awarded or issued relating to recovery funds.

There are several ways to report suspected fraud or abuse of ARRA funds:

**(1) Recovery Board**

- Submit a complaint form electronically from [www.recovery.gov](http://www.recovery.gov)
- Call the Recovery Board Fraud Hotline: 1-877-392-3375 (1-877-FWA-DESK)
- Fax the Recovery Board: 1-877-329-3922 (1-877-FAX-FWA2)

- Write the Recovery Board at:  
Recovery Accountability and Transparency Board  
Attention: Hotline Operators  
P.O. Box 27545  
Washington, D.C. 20038-7958

**(2) US Government Accountability Office**

- Fill out a FraudNet form ([fraudnet@gao.gov](mailto:fraudnet@gao.gov))
- Email: [Fraudnet@gao.gov](mailto:Fraudnet@gao.gov)
- Call toll free: 1-800-424-5454 (automated answering system)
- Fax: (202) 512-3086
- Write:  
GAO FraudNet  
441 G Street NW  
Mail Stop 4T21  
Washington, DC 20548

**(3) US Treasury (Jean Whaley) & cognizant Treasury Inspector General  
1602 Program – only**

- Email: [Jean.Whaley@do.treas.gov](mailto:Jean.Whaley@do.treas.gov)
- U.S. Department of the Treasury  
Office of the Fiscal Assistant Secretary  
Attn: Jean Whaley  
Room 1050  
1500 Pa Ave., NW  
Washington, DC 20220

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**ACTIONS CONSTITUTING FRAUD**

The following may be, but not limited to, fraudulent, misappropriation or fiscal wrongdoing:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account belonging to the Agency
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, reports, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions or any other reporting requirement.
- Profiteering
- Disclosing confidential and proprietary information to outside parties without following IFA/State policy.
- Accepting or seeking anything of material value from developers, owners, contractors, consultants, or any person providing services/materials to the agency or ARRA project. Exception: As a general rule, employees of the State and their immediate family members may not receive gifts (including food or beverage) that are valued at more than \$3.00 from any person, lobbyist, or entity doing business with or lobbying their employing department. If anyone attempts to influence an employee through a gift or

gratuity, their immediate supervisor must be notified. For further clarification or exceptions, see Iowa Code chapter 68B.

- Destruction, removal, or misuse of records and agency assets.
- Any similar or related inappropriate conduct

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## **OTHER INAPPROPRIATE CONDUCT**

Suspected inappropriate conduct concerning an employee's moral, ethical, or behavior conduct, should be resolved by departmental management and the Human Resource Department.

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## **INVESTIGATION RESPONSIBILITIES**

The General Counsel & Affordable Rental Production Director have the primary responsibility for the investigation of all suspected fraudulent acts as defined in this policy. If the investigation substantiates that fraudulent activities have occurred, appropriate action will be taken in accordance with State of Iowa laws and employment policies.

Decisions to prosecute or refer the results to appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and the Board of Directors, as will the final decision on disposition of the case.

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## **CONFIDENTIALITY**

All information received will be treated confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Affordable Rental Production Director immediately and should not attempt to personally conduct investigations or interview/interrogate any person related to any suspected fraudulent acts.

Investigations results will not be disclosed or discussed with anyone other than those with a legitimate need to know.

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## **AUTHORIZATION FOR INVESTINGATING SUSPECTED FRAUD**

Unless limited by applicable law, those involved with the investigation will have free and unrestricted access to all agency records and the authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities or electronic records without prior knowledge or consent of any individual who may use or have custody of the items when within the score of their investigation.

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## **REPORTING PROCEDURES**

As investigations are conducted care will be taken to avoid mistaken accusations or alerting suspected individuals that the investigation is under way.

All inquiries concerning the activity under investigation from the suspected individual, his or her attorney, or representatives, or any other inquirer should be directed to IFA General Counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation", "the crime", "the fraud", "the forgery", "the misappropriation," or any other specific reference.

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the General Counsel or IFA management.

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**MANAGEMENT**

The Affordable Rental Production Director is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed.

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**APPROVAL**

Carla B. Pope 12-22-10  
Signature of Policy Approver Date

Printed Name: Carla B. Pope Title: Director, Affordable Rental Production