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September 20, 2010

John Eastman
Self Help Inc.
Healthy Homes Program
142 Crescent Street
Brockton, MA 02302

Dear Mr. Eastman:

Thank you for the opportunity to review your draft anti-fraud policy. As you know, the American Recovery and Reinvestment Act (ARRA) requires a renewed emphasis on the prevention and detection of fraud, waste, and abuse. Having a strong fraud policy in place to address this potential threat to publicly funded programs is an important first step in meeting ARRA requirements.

The following are our specific comments regarding the draft:

- 1) We agree with your consultant's recommended "next steps" for your agency including "adopting the Fraud Prevention Policy," conducting an "internal audit" to identify fraud risks [and we suggest conducting such a review periodically thereafter], forming an "Audit Committee," and conducting anti-fraud training on an "annual basis."
- 2) Upon adoption and for future new hires, employees should sign a written acknowledgment that they have received and understood the policy.
- 3) The policy should define the terms "fraud" and "abuse"¹ and identify how actions constituting fraud or abuse may violate law, regulation, or organizational policies, employment agreements, contracts, etc.

¹ For example: **Fraud** is an intentional act or omission by a person designed to deceive or mislead resulting in an unauthorized benefit to the deceiver. **Abuse** is the intentional, wrongful, or improper use or destruction of resources, seriously improper practice, or misuse of position.

- 4) The policy should be tailored to reflect the agency's specific needs and resources. For example, when the policy addresses fraudulent actions perhaps cases of potential fraud that might impact the agency should be used to illustrate the point such as "an employee taking a cash gift from an applicant for the low income heating assistance program in exchange for accepting false information from the applicant and/or approving an ineligible applicant for the program."
- 5) Since the agency receives a significant amount of public funding, the policy should reference this public funding and the programs associated with this funding that the agency has a contractual and fiduciary responsibility to manage appropriately. The policy should admonish employees that they have a custodial responsibility for these public funds and have a responsibility to ensure that these funds are used to achieve intended goals and be protected from fraud, waste, or abuse.
- 6) The policy should include specific reporting information such as the name and title of contacts (including outside agency and government oversight agency contact information), telephone numbers (and hotline numbers), addresses. The policy should cite and explain federal and state whistleblower protections and should cite and explain both ARRA and other federal requirements for mandatory reporting of false claims and fraudulent activity.
- 7) The policy should discuss in greater detail the "investigative procedures" that may be undertaken, should reiterate that investigations will be conducted fairly and objectively, and should provide an alternative reporting mechanism if the parties identified in the policy as the recipients of reports of fraudulent activity or as the investigators of fraudulent activity are they themselves the subject of complaints or allegations.
- 8) The policy does not address consequences for committing fraudulent acts other than that legal counsel will be consulted. You could consider addressing disciplinary action, termination, and the potential for referring matters to law enforcement.
- 9) Consideration should be given to having all complaints/allegations discussed or disclosed to the Board or a designated Audit Committee in addition to just findings of fraud. This will help to ensure accountability in the process.
- 10) The "internal audit questionnaire" attached to the fraud prevention policy, although extensive, focuses primarily on financial matters. This checklist may be used for some of the agency's functional areas. However, similar checklists should be created for programmatic level reviews and non-financial areas such as data and system integrity and perhaps employee and workplace safety and security. Programmatic level control reviews will serve to identify and detect

risks not often identified through single audits or other financial reviews. For example, employee ability to collude with recipients/clients, weak supervisory level oversight for transactions, inventory/asset control etc.

In addition to the draft fraud policy, you also provided a document regarding data security. We did not review the content of this document. However, we advise that data and computer system security and integrity always be considered as part of any fraud risk assessment or other internal review. Data is an asset often overlooked by organizations when considering vulnerability to fraud, waste, and abuse, and computer system security should be considered equally important to protect. Computer systems are a gateway into your organization that should be controlled, monitored and protected.

Again, thank you for the opportunity to review the draft policy. We hope these comments are useful. Please do not hesitate to contact us if we may be of further assistance.

Sincerely,

Neil Cohen
Deputy Inspector General

cc: Jon Carlson, Executive Director, Self Help Inc.