Appendix C: Fraud, Waste, and Abuse Prevention - Internal Controls

HCD is committed to a systematic and comprehensive approach to managing fraud risks as part of its strategy development and implementation. The management of fraud, waste, and abuse risks is incorporated into HCD and the ESG program's planning and operations through layered internal controls, which support consistent prevention, early detection, and timely response to potential risks across all program levels.

I. Defining Fraud, Waste and Abuse

- **Fraud** in the ESG program is any intentional act or omission designed to deceive, mislead, or conceal facts to obtain a financial or other benefit, or to cause HCD, the State of California, HUD, or the federal government to incur a loss.
- **Abuse** is the improper, unreasonable, or excessive use of ESG authority, processes, or resources, even when the behavior does not involve intentional deception. Abuse occurs when actions violate the spirit of federal requirements, sound grant management practices, or HCD standards, even when they technically comply with the letter of the rules. Abuse may also indicate weaknesses in oversight or training, even when no malicious intent is present.
- **Waste** is the careless, excessive, or inefficient use of ESG resources that results in avoidable costs, lost time, or diminished value to program beneficiaries. Waste does not require intent, misconduct, or rule violations. It often results from poor management, weak controls, or inefficient practices. Strong internal controls and effective monitoring can significantly reduce occurrences of waste.

II. Systemic Anti-Fraud, Waste, and Abuse Internal Controls

HCD and the ESG program use a comprehensive and layered system of internal controls to maintain a strong framework for preventing fraud, waste, and abuse. Each level of control contributes to a layered defense model that aligns with federal expectations and best practices for fraud risk management.

- Enterprise-Wide Controls

- Subdivision-Level Controls
- Program-Level Controls
- Subrecipient Controls
- Project/Program-Level Controls
- Transaction-Level Controls
- Monitoring, Audit, and Corrective Action

A. Transparent Fraud Reporting Process

Each tier of control contributes to a layered defense model that aligns with federal expectations and best practices for fraud risk management.

B. Enterprise-Wide Controls

At the enterprise level, HCD maintains a comprehensive and systematic internal control framework for preventing and detecting fraud, waste, and abuse. This framework is outlined in HCD's enterprise and fraud risk management policies and is consistent with the Green Book's five components of internal control published by the federal General Accountability Office (GAO). These enterprise-level controls establish consistent expectations that guide all program-and subdivision-level practices.

C. Enterprise Governance Structure for Fraud Risk Management

The following bodies and leadership roles form the backbone of the enterprise-wide internal control system:

D. Executive Leadership Team (ELT)

The ELT is the highest governing body responsible for establishing and maintaining an ethical control environment. The ELT's leadership sets the tone for promoting proactive fraud risk awareness throughout the Department.
Responsibilities include:

- Defining expectations for integrity, ethical values, and transparency.
- Providing oversight for the Fraud Risk Management (FRM) Program.
- Ensuring accountability in fraud risk response, monitoring, and reporting activities.

E. Executive Risk Oversight Committee (EROC)

EROC serves as HCD's central governance body for fraud risk oversight and is comprised of the ELT and supported by the Enterprise Risk Management (ERM) Office within the Organizational Development Division. EROC ensures that emerging risks are addressed promptly and consistently by:

- Reviewing the HCD Potential Error-Loss Tracker.
- Acknowledging fraud risks for inclusion in the biennial State Leadership Accountability Act report.
- Making resource allocation decisions that address high-risk areas.
- Ensuring that fraud prevention and mitigation strategies are implemented and monitored.
- Promoting HCD's fraud-risk culture and Fraud Risk Management principles.

Fraud Risk Subcommittee

The Fraud Risk Subcommittee supports EROC and provides program-area insight. The subcommittee ensures that operational-level perspectives are incorporated into enterprise-level risk mitigation efforts. Its roles include:

- Reviewing the HCD Potential Error-Loss Tracker.
- Identifying opportunities and challenges in high-risk fraud areas.
- Recommending mitigation strategies to EROC.

Enterprise Risk Management (ERM) Unit

The ERM Unit is the operational backbone of the Fraud Risk Management Program and acts as the liaison between program operations and executive oversight to ensure continuity in fraud risk management. The ERM Unit is responsible for:

- Developing, coordinating, and overseeing the implementation of the FRM framework.
- Providing fraud-risk management tools, trainings, and technical assistance.
- Facilitating EROC and Fraud Risk Subcommittee meetings.
- Monitoring internal control systems and documenting new or emerging fraud risks.

- Preparing and submitting the State Leadership Accountability Act report and fraud-incident reporting on a biennial basis.

Policy and Internal Control Framework

HCD integrates fraud-risk management into all enterprise-level planning and operations through its enterprise and fraud risk management policies, which establish:

- A department-wide fraud-risk management program.
- A structured approach to identifying, preventing, detecting, and responding to fraud.
- Common terminology, expectations, and processes across all divisions and programs.
- A mandate for fraud mitigation as an integral component of strategic decision-making and reporting.

The policy applies to *all* HCD divisions, branches, units, and employees. This universal applicability ensures consistency in internal controls and reinforces shared responsibility for fraud risk management across the organization.

Culture, Ethical Expectations, and Training

HCD's enterprise-level control environment emphasizes integrity, ethical values, and a culture that is aware of fraud risks. Strengthening staff understanding of fraud indicators supports earlier detection and reduces vulnerabilities in program operations.

This includes:

- Embedding fraud risk awareness into organizational culture and decision-making.
- Requiring the application of fraud risk management principles at all levels of the organization.
- Providing mandatory fraud risk management policies and training for all new hires and refresher training every two years for all staff.
- Encouraging accountability, transparency, and early identification of fraud risk indicators.

Fraud-Risk Assessment Infrastructure

HCD maintains a comprehensive department-wide process to identify, assess, monitor, and report fraud risks. The report enhances cross-departmental visibility into evolving risk trends and informs prioritization of mitigation activities.

HCD Potential Error-Loss Tracker

The HCD Potential Error-Loss Tracker is the primary internal enterprise-level tool used to document, assess, and score fraud risks across all HCD operations, and is:

- Compiled by the Fraud Risk Subcommittee.
- Reviewed by EROC and executive risk sponsors.
- Used to support State Leadership Accountability Act reporting.

IMPORTANCE OF MONITORING – Government Code Section 13401(a)(1) states that active oversight processes, including regular and ongoing monitoring processes for the prevention and early detection of fraud and errors in program administration are vital to public confidence and the appropriate and efficient use of public resources. Monitoring heightens awareness of the potential breakdown of control activities that serve to protect public resources, allows for the timely correction of identified weaknesses, and facilitates transparency and accountability of an organizations operations.

MONITORING REQUIREMENTS – All state entities shall develop a system to track and monitor incidents of loss and error by December 31, 2025. The system should capture incident information including, but not limited to, the date and description of the incident, the monetary value or the loss or error, and the incident status. Finance may audit state entities' compliance with this monitoring requirement.

REPORTING REQUIREMENTS – Beginning with the 2025 State Leadership Accountability Act reporting cycle, all state entities are required to report the total number of incidents and dollar impact in conjunction with the submittal of the State Leadership Accountability Act report.

Subdivision-Level Controls

Subdivision-level internal controls translate HCD's enterprise governance, fraud-risk culture, and internal-control expectations into operational, program-specific mechanisms that prevent, identify, and mitigate fraud, waste, and abuse within the ESG program. These controls ensure that every program operates with consistency, compliance, and transparency, and that fraud-risk management is embedded in daily program administration.

Subdivision-level governance is carried out by the Assistant Deputy Director, Branch Chiefs, Section Chiefs, and Program Managers who serve as the first line of defense for internal control implementation and ensure that:

- The Fraud Risk Management framework is incorporated into program planning, policy development, and operational decisions.
- Staffing levels, staff expertise, and the segregation of duties support the effective prevention and detection of fraud, waste, and abuse.
- Expectations for ethical conduct and internal control adherence are clearly communicated to all staff, supervisors, and consultants.
- Internal-control policies are fully operationalized within program procedures, workflows, and eligibility determinations to support consistent application and compliance.
- Staff receive and complete required Fraud Risk Management training and program-specific compliance training to reinforce their understanding of risk indicators and internal-control procedures.
- Monitoring findings, risks, and red flags are addressed promptly through corrective action to prevent recurrence and strengthen overall control effectiveness.

Program-Level Controls

Program-level controls integrate Federal requirements, HCD's enterprise governance, fraud-risk culture, and internal-control expectations into program-specific mechanisms that prevent, identify, and mitigate fraud, waste, and abuse within the ESG program. These controls ensure that program activities align with HUD requirements and HCD's internal risk-management standards.

Program Design Controls

Action plans, policies and procedures, standard operating procedures, and policy memos provide clear objectives and eligibility structures for each program. These may include program eligibility requirements, application-review procedures, documentation standards, prohibited activities, and National Objective mapping to reduce the likelihood of inconsistent decision-making, manipulation of program criteria, or potential favoritism.

Risk Assessment and Mitigation Framework

Risk-assessment and mitigation strategies are integrated into policies and procedures, standard operating procedures, and policy memos to enable staff to identify vulnerabilities and implement preventive measures to address:

- The risk of fraudulent activities.
- Prevention of duplicative benefits.
- Inappropriate procurement.

- Environmental review risks.
- Subrecipient staff capacity risks.

Program-Specific Training

Program-specific training reinforces staff understanding of unique operational risks and ensures they can identify and escalate potential fraud, waste, and abuse concerns. Training may include program-specific invoice-review and activity-report review strategies, common monitoring findings, examples of red flags, common compliance failures, and program-specific control requirements.

Subrecipient-Level Controls

Subrecipient-level controls apply to cities, counties, tribes, nonprofits, and other implementing partners.

Pre-Award Subrecipient Due Diligence

Before receiving ESG funds, subrecipients are evaluated based on factors such as past performance, procurement capacity, staffing capacity, and financial-control practices. This due-diligence process ensures that only organizations with sufficient administrative and financial capacity receive program funds and allows HCD to provide targeted technical assistance to address identified areas of weakness.

Grant Agreement Controls

Standard Agreements include federal, state, and grant requirements that establish minimum standards of accountability and ensure subrecipients comply with applicable rules. Examples include:

- Required subrecipient internal controls.
- Duplication-of-benefits responsibilities.
- Conflict-of-interest requirements.
- HUD and HCD access to records.
- Procurement requirements.
- Fraud, Waste, and Abuse clauses requiring compliance with the federal False Claims Act, 31 U.S.C. 3729–3733.

C. Technical Assistance and Capacity Building

Throughout their engagement with the HCD ESG program, subrecipients receive program-specific training, ongoing guidance materials, periodic training to strengthen staff capacity, and focused technical assistance to address identified weaknesses.

The ESG staff will work with the Subrecipient to develop anti-fraud, waste and abuse (AFWA) processes for the organization receiving ESG funds and their Service Providers. Subrecipient program, policies, and procedures must address steps to assist ESG beneficiaries if any beneficiaries do experience fraud related to ESG activities and outline steps for assistance as required.

False Claims

HCD also requires its subrecipients to behave in a fair and honest way, and to ensure that funds are used in accordance with all federal and state rules, statutes, regulations and guidance. HCD's subrecipients must have policies in place that require reasonable due diligence in detecting fraud, abuse and waste of resources in their process of providing assistance to beneficiaries. All HCD ESG recipients must adhere to the requirements listed in the False Claim Act, located in the California Government Code Section 12650-12656, which states that any person who commits any of the acts listed below shall be liable to the state or political subdivision because the act of that person:

- Knowingly presents or causes to be presented a false or fraudulent claim for payment or approval.
- Knowingly makes, uses, or caused to be made or used a false record or statement material to a false or fraudulent claim.
- Conspires to commit a violation of the False Claims Act.
- Has possession, custody, or control of public property or money used or to be used by the state or by any political subdivision and knowingly delivers or causes to be delivered less than all of that property.
- Is authorized to make or deliver a document certifying receipt of property used or to be used by the state or by any political subdivision and knowingly makes or delivers a receipt that falsely represents the property to be used.
- Knowingly buys, or receives as a pledge of an obligation or debt, public property from any person who lawfully may not sell or pledge the property.
- Knowingly makes, uses, or causes to be made or used a false record or statement material to an obligation to pay or transmit money or property to the state or to any political subdivision, or knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the state or to any political subdivision.
- Is a beneficiary of an inadvertent submission of a false claim, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the state or the political subdivision within a reasonable time after discovery of the false claim.

- False claims include false claims for undocumented, unnecessary goods or services that are outside the scope of the project as awarded by HCD.

Program-Level Controls

These are controls applied to each awarded ESG Subrecipient and, depending on Program/Activity type, may include:

A. Contracting and Procurement Controls

- Competitive procurement requirements.
- Cost-reasonableness reviews.
- Prohibited sole-source procurement without justification.
- Conflict-of-interest certifications.

B. Financial Controls

- Request for Funds (RFF) support documentation.
- Segregation of duties for:
  - Invoice verification.
  - Draw requests.
  - Payment approvals.

C. Documentation and Recordkeeping Controls

- Required retention of:
  - Eligibility documents.
  - Environmental review records.
  - Procurement files.
  - Invoices, supporting documentation, and proof of payment.

D. Verification and Inspection Controls

- Housing and Shelter inspections.
- Environmental review verification.
- Duplication-of-benefits check. (Applicable to ESG-RUSH only)

Grant Closeout Controls

Grant closeout is a key project-level internal control that prevents and detects fraud, waste, and abuse by ensuring that all ESG activities are fully verified before final payment or completion. Closeout acts as both a preventive measure, requiring complete and compliant records before an ESG grants closed, and a detective measure by identifying irregularities, unsupported costs, or discrepancies that may indicate potential fraud, waste, or abuse.

Key program-level fraud, waste, and abuse controls embedded in closeout include:

- Verification that costs were allowable, reasonable, and supported.
- Confirmation that the ESG activities and expenses were eligible per the 24 CFR 576 and ESG State Guidelines.
- Reconciliation of payments, invoices, and program milestones.
- Identification of anomalies requiring corrective action or repayment before closure.

Transaction-Level Controls

Transaction-level controls are direct controls that detect and prevent fraud, waste, and abuse within individual transactions. These controls include:

A. Preventive Controls

Access to financial and reporting software systems is limited to authorized personnel and requires password protection in IDIS, FI$Cal, and Grants Network.

- Subrecipients receive clear instructions regarding the supporting documentation required with reimbursement requests.

Financial reports follow a linear workflow and approval process that enforces strict separation of duties among the program reviewer, program manager, fiscal staff who create the IDIS draw vouchers, accounting staff who create the FI$Cal payment vouchers, and accounting staff who approve the IDIS vouchers.

B. Detection Controls

Program and managerial review of financial reports occur prior to payment to ensure that:

- Supporting documentation demonstrates that costs are eligible, allowable, and reasonable.

- Payroll supporting documentation for payroll and fringe benefit costs being attributed to the ESG program meet federal requirements (2 CFR 200.430-43).
- Financial reports and activity reports align, ensuring consistency between accomplishments reported and costs reimbursed.
- Routine reconciliation between IDIS and FI$Cal is performed to detect expenditures that were not properly reviewed or approved.
- A documented process is followed for addressing improper or ineligible payments when such payments are identified.
- Mini-Monitoring is conducted on all Request for Funds (invoices) prior to payment. Refer to the ESG Monitoring Policies and Procedures document.

C. Physical and IT Controls

HCD follows State Administrative Manual Section 5300 (SAM 5300) requirements to ensure safeguards that support fraud, waste, and abuse prevention. These controls include:

- Personally Identifiable Information (PII) is stored using security safeguards consistent with NIST information security standards (SAM 5300.6), supporting AFWA by preventing improper handling or concealment of data.
- Access to PII is limited to authorized personnel only, following least-privilege and identity-management practices (SAM 5360), reducing opportunities for fraud or inappropriate use.
- Systems require strong authentication, including password policies and multifactor authentication, in alignment with state security requirements (SAM 5360), helping to prevent unauthorized system entry that could facilitate fraudulent activity.
- Audit trails of system activity (SAM 5335) ensure transparency, detect unusual behavior, and support AFWA investigations when misuse is suspected.

Monitoring, Audit, and Corrective Action

Monitoring and auditing the ESG program and its subrecipients are critical components of HCD's fraud, waste, and abuse framework.

A. Annual Subrecipient Risk Assessments and Subrecipient Monitoring

Within the ESG program, Monitoring strengthens and complements the Fraud Risk Management framework. For details, see the A Subrecipient's Guide for Monitoring Sub-Subrecipients

The ESG Unit

- Conducts annual Subrecipient Risk Assessments to determine the current risk profile of program subrecipients.
- Performs onsite or remote monitoring of high-risk subrecipients, which may include:
    - Review of subrecipient financial-management practices and internal controls.
    - Procurement review.
    - In-depth independent review of a sampling of previously submitted financial reports for eligibility, allowability, reasonableness, and proper supporting documentation.
    - Review for compliance with state and federal of environmental, fair housing, and labor requirements.
- Initiates corrective actions when deficiencies are found, including:
    - Subrecipient submission of a Corrective Action Plan (CAP) with a plan and timeline for correcting the deficiency.
    - Recoupment of improper payments.
    - Coordinating with Program to impose additional sanctions as appropriate.

B. Internal Audit Controls

HCD's Internal Audit Unit conducts regular audits of program operations, internal-control structures, and service contracts to ensure compliance with state and federal requirements and to detect fraud, waste, and abuse.

CHCD Single Audits

- HCD complies with the Single Audit Act and 2 CFR 200 Single Audit requirements, submitting results to the Federal Audit Clearinghouse and State Controller's Office (SCO).
- When follow-up is required, HCD develops a corrective-action plan and addresses all findings.
- HCD prepares annual financial statements consistent with Uniform Administrative Requirements under 2 CFR 200.500-521.

Contracts involving the expenditure of public funds greater than $10,000 are subject to an audit by the California State Auditor's Office (State Auditor) for a period of three years after final contract payment per California Government Code, Section 8546.7.

State entities must report material incidents of loss or error, including fraud-related matters, in their annual Single Audit management representation letters in accordance with SAM 20020, Single Audit Coordination.

All HCD employees are obligated to disclose and report any irregularities, possible violations of fiduciary responsibility or possible violations of state and federal statutes, rules or regulations, or serious wrongdoing or gross mismanagement to a person with authority to investigate, discover, or correct the possible violation or noncompliance.

The California Office of State Audits and Evaluation (OSAE)

The California Office of State Audits and Evaluation (OSAE) provide independent, objective evaluations of government programs to promote accountability and transparency.

The California OSAE promotes the efficient and effective management of public funds and programs by providing to citizens and the state independent, objective, accurate, and timely evaluations of state and local government's activities. The purpose of the State Auditor is to improve California government by assuring the performance, accountability, and transparency that its citizens deserve. The State Auditor's staff conduct their reviews in a nonpartisan manner, free from outside influence, including that of the Legislature, Governor, and the subjects of their audits and investigations.

Subrecipient Single Audits

Subrecipients that expend at least $1,000,000 in federal funds during a fiscal year must undergo an audit conducted under 2 CFR 200.501. When a subrecipient fails to submit a timely audit or receives findings, the DFFA Single Audit Coordination Team assists in developing a Corrective Action Plan, provides technical assistance, and monitors progress toward resolution.

HUD Chief Financial Officer (CFO) Grant Accrual Samplings

HCD also incorporates the HUD CFO's grant accrual voucher sampling process as part of its fraud-risk framework. The HUD CFO's Office performs a statistical sampling of IDIS draws and requires HCD to submit supporting documentation packages for each draw for their review. This independent, methodical sampling reinforces HCD's internal controls by ensuring that reported accruals are supported by documentation that verifies that the transactions meet federal and grant requirements.

HUD Monitoring

HCD leverages HUD's monitoring of the ESG program as a critical, independent oversight mechanism that strengthens the Department's ability to prevent, identify, and respond to fraud, waste, and abuse across all ESG and other federal programs. HUD monitoring provides an external layer of review that complements HCD's internal control environment and supports continuous improvement of HCD's Fraud Risk Management framework.

Office of the Inspector General Audits

HCD uses audit reports issued by the U.S. Department of Housing and Urban Development's Office of Inspector General (HUD OIG), both those focused directly on HCD's ESG programs and those published nationally as an essential component of its fraud, waste, and abuse prevention strategy. These reports serve as an external, independent source of oversight that reinforces HCD's internal control framework and strengthens HCD's ability to identify vulnerabilities, improve controls, and enhance program integrity.

Transparent Fraud Reporting Process

A transparent reporting process is essential to effective Anti-Fraud, Waste, and Abuse efforts because it enables concerns to be raised early, ensures allegations are handled consistently, and promotes accountability throughout the organization. Clear reporting channels and strong whistleblower protections create an environment where employees and stakeholders can safely report concerns, helping HCD detect, address, and prevent fraud, waste, or abuse before program integrity or public trust is compromised.

HCD Reporting Process

Per the State Administrative Manual (SAM), Section 20080, the Department of Finance (Finance) requires all state entities to track and monitor incidents of loss or error. For the purposes of this section and to align with the Penal Code section 487, an incident, or collection of incidents, exceeding $950 should be monitored and tracked by state entities. Although an incident, or a collection of incidents, totaling less than $950 does not need to be tracked, an entity should evaluate the cause for the loss or error and take appropriate measures to safeguard public resources.

The updated SAM section 20080 shifts the emphasis from reporting to actively monitoring state entities' losses and errors. HCD is dedicated to proactively identifying and analyzing external and internal fraud risks to reduce the significant impact the Department's finances, reputation, and creating exposure to criminal or civil liability.
If an incident of fraud, waste, error, loss, or abuse is suspected, HCD employees should follow the steps below:

- Notify your management of the potential incident immediately.
- Division Management (Division Branch Chief, Assistant Deputy Director, and/or Deputy Director) notify HCD's Enterprise Risk Management (ERM) Unit by sending an email to ERM@hcd.ca.gov
- ERM may conduct a risk consultation with appropriate parties.
- ERM may provide management with findings and recommendations.

If deemed necessary, ERM may conduct a formal risk assessment with appropriate parties. If appropriate, the incident will be added to the HCD Potential Error & Loss Tracker and will continue to be monitored by the designated risk owner(s) in coordination with ERM in compliance with Government Code Section 13401 (a)(1).

HCD Whistleblower Protections

HCD protects employees, contractors, and subrecipients who report suspected fraud, waste, or abuse. Retaliation against any individual making a good-faith report is strictly prohibited. Whistleblower protections extend to all individuals who report concerns through the Audit and Evaluation Branch, the HCD Whistleblower Hotline, or the California State Auditor's Whistleblower Program.

California Labor Code Section 1102.5 is California's general whistleblower statute, and provides Whistleblower Protection for employees, former employees, or members of an organization who report suspected misconduct to people or entities that have the power to take corrective action.

These protections help maintain a safe and transparent reporting environment.

HCD Monitoring and Tracking

HCD maintains dynamic, objective, and ongoing monitoring systems as part of its internal control framework (Gov. Code § 13401). These processes are designed to facilitate early detection and correction of fraud, waste, abuse, and errors.

HCD tracks all incidents of loss, error, fraud, waste, or abuse, regardless of amount, documenting date, description, and monetary impact. Governed by Gov. Code § 13401 and CA State Administration Manual policy, this includes detailed tracking of incidents above $950. Centralized tracking supports trend analysis and informs continuous improvement of internal controls.

Subrecipient Reporting Requirements

A. Reporting Suspected Fraud

Subrecipients must promptly notify HCD in writing when they become aware of any suspicion of fraud, waste, or abuse or of criminal conduct involving ESG funds, regardless of whether the matter is fully corroborated. This includes irregularities in documentation, anomalous transactions, or credible third-party allegations.

B. Preliminary Investigation and Communication.

Upon making such a report, the Subrecipient shall:

- Conduct a preliminary review to assess the situation and determine whether further investigation is warranted.
- Provide HCD with updates regarding developments or additional findings.
- Cooperate fully with inquiries from HCD or HUD OIG, including providing requested documents and access to personnel.

When an HCD employee receives notification from their subrecipient of suspected fraud, they should:

- Notify their management of the potential incident immediately.
- Management will determine if there is credible evidence of the suspected fraud and, if so:
- Notify HCD's Enterprise Risk Management (ERM) Unit by sending an email to ERM@hcd.ca.gov

ERM will conduct a risk consultation with appropriate parties. ERM will provide management with findings and recommendations. If deemed necessary, ERM will conduct a formal risk assessment with appropriate parties.

If appropriate, the incident will be added to the *HCD Potential Error & Loss Tracker* and will continue to be monitored by the designated risk owner(s) in coordination with ERM in compliance with Government Code Section 13401 (a)(1).

In addition to reporting potential incidents to HCD's internal ERM Unit, Whistleblower protection applies to all HCD Activity, including ESG interagency, subrecipient or contractor's actions associated with the funding awarded for eligible activities and administration costs. Reports of suspected or questionable activities must be made to:

Investigations
California State Auditor
P.O. Box 1019
Sacramento, CA 95812
www.auditor.ca.gov/hotline
800-952-5665
916-322-3360
916-322-2603 (fax)

The State Auditor will review complaints regarding fraud, waste, or abuse of government funds and forward to the HUD Office of Inspector General (OIG) as appropriate via the HUD OIG Fraud Hotline (phone: 1-800-347-3735 or email: hotline@hudoig.gov

Formal Reporting Triggered by Credible Evidence.

If, during their internal review, the Subrecipient uncovers credible evidence of violations covered under 2 CFR 200.113, such as fraud, bribery, gratuity violations, or False Claims Act issues, the Subrecipient must:

- Disclose such evidence promptly and in writing to HUD-OIG, and HCD, in accordance with 2 CFR 200.113.
- Continue cooperation with any official investigations or audits.

Preservation of Evidence

The Subrecipient must preserve all related records, communications, and evidence concerning suspected or confirmed fraud until HCD, HUD, or HUD-OIG determines further retention is no longer required.

Mandatory Federal Reporting

HUD relies on HCD, subrecipients, sponsors, applicants, individuals receiving HUD benefits, and community members served by HUD-funded programs to help maintain program integrity by reporting mismanagement or violations of law.

Any applicant, recipient, or subrecipient of ESG funds must promptly inform HUD, the HUD Office of Inspector General, and for subrecipients, HCD in writing when there is credible evidence of violations of federal criminal law involving fraud, bribery, or gratuities or a violation of the civil False Claims Act that could potentially affect the federal award (2 CFR 200.113).

Additional instructions regarding what information should be reported can be found in the Contractor Disclosure Form | Office of Inspector General, Department of Housing and Urban Development.

Fraud, Waste, and Abuse in the ESG Program and its operation may be reported federally in one of the following five (5) ways:

- Online, using the Contractor Disclosure Form | Office of Inspector General, Department of Housing and Urban Development
- By Phone: Call toll free: 1-800-347-3735
- By e-mail to: hotline@hudoig.gov
- By fax: 202-708-4829
- By mail to:

  HUD OIG, Office of Investigation
  Room 1200
  Field Office
  One Sansome Street
  San Francisco, CA 94104
  (213) 534-2518
  or
  HUD OIG, Office of Investigation
  Suite 4070
  Regional Office
  300 North Los Angeles Street
  Los Angeles, CA 90012
  (213) 534-2518

The Whistleblower Protections described previously extend to employees of federal grantees, contractors, and their subgrantees or subcontractors who disclose waste, fraud, abuse, or other violations to the Office of Inspector General.