

Blight Elimination Program Compliance Manual

**Mississippi Home Corporation
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1. OVERVIEW

The Blight Elimination Program (BEP) was developed by Mississippi Home Corporation (MHC) to help municipalities and counties remove blighted properties, prevent abandonment of neighboring properties, reduce foreclosures among neighboring houses, and strengthen neighborhood property values. Blighted, vacant and abandoned homes are a serious issue for Mississippi homeowners, neighborhoods and communities. Blighted and abandoned homes negatively impact Mississippi homeowners and neighborhoods by reducing property values. Blighted properties also drain municipal resources. Regardless of size, Mississippi communities need additional resources to address this problem.

2. TERMS USED IN THIS MANUAL

- A. Project – An award of funds to demolish residential housing carried out by recipient of Blight Elimination Program (BEP) Funds.
- B. Applicant or Grantee – A city or county government that has applied for or been awarded BEP funds.
- C. Administrator – a staff person employed by the Grantee or a grant administrator contracted by the Grantee that manages a Project.
- D. Blight Partner (BP) – An organization legally structured to own and hold title to residential property during the demolition and compliance period. A Blight Partner may carry out various tasks associated with the Project depending on the capabilities and interests of the Applicant and Blight Partner.
- E. Demolition Contractor – firm chosen to demolish property.
- F. Field Compliance Services Contractor or Compliance Monitor – Firm(s) employed by MHC to monitor activities performed by Grantee and Blight Partner.

3. THE NEED FOR IDENTIFIED PROCEDURES

A. Selecting Eligible Areas

U.S. Treasury requires that states using Hardest Hit Funds to address blight establish a method for targeting the funds to areas where homeownership is at risk from presence of blighted property. This is necessary because the primary legislative purpose of the Hardest Hit Fund Program was to preserve homeownership.

This document discusses the Blight Potential Index MHC used to identify locations that would benefit from eliminating blighted property. The document also describes how MHC will monitor the impact of the Blight Elimination Program.

B. Risk Control Procedures

The Special Inspector General for the Troubled Asset Relief Program (SIGTARP) was established by U.S. Congress to monitor operations of the Hardest Hit Fund. SIGTARP has identified seven areas of potential risk when expending federal Hardest Hit Funds.

1. Identify vulnerabilities to fraud in the HHF demolition programs
 - a) Vulnerabilities: Grantee staff knowledge of program requirements and documentation required, document management, procedures to manage supporting documentation and expend funds, and separation of staff roles to mitigate risk of fraudulent expenditure.
 - b) MHC control procedures: Section 6A, p5; Section 10, p10; Section 14, p13
2. Identify possible fraud by contractors, city or state agencies, or other local partners
 - a) Vulnerabilities: process for soliciting demolition bids; valuation and purchase of property from Secretary of State and from city or county; selection of blight partners by city or county.
 - b) MHC control procedures: Section 6A, p 5; Section 6C, p8
3. Identify waste by demolition contractors, city or state agencies, or other local partners
 - a) MHC control procedures: Section 6B, p6; Section 6C, p8
4. Identify wasteful spending by state agencies paid with HHF dollars or their contractors
 - a) MHC control procedures: Section 6, pp 5-8; Section 10, p10
5. Identify abuse by city or state agencies, or other local partners
 - a) Vulnerabilities: process of selecting individual properties; is property eligible for demolition; clear explanation of how removing properties selected for demolition contribute to preserving existing homeowner properties; how sales prices are set when properties sold to other parties for reuse
 - b) MHC control procedures: Section 4, pp 3-4; Section 6, p 5
6. Identify mismanagement or inefficiency by state agencies paid with TARP dollars

- a) Vulnerabilities: state agency control procedures; amounts spent per property for demolition; administrative costs of state agency billed to TARP
 - b) MHC control procedures: Section 6B, p6; Section 8, pp8-10; Section 9, p10
7. Identify potential cost savings and make recommendations
- a) Vulnerabilities: methods to track and compile costs for analysis, processes to review cost data periodically for implications for operations
 - b) MHC control procedures: Section 6, p 5; Section 7, p8; Section 12, pp 12

This Compliance Manual establishes procedures intended to address these areas of risk. The Manual describes the financial controls, documentation requirements, on-site monitoring procedures and other policies for controlling and releasing funds to grant recipients under the Blight Elimination Program.

4. IDENTIFYING LOCATIONS WHERE OWNER OCCUPIED HOUSING IS AT RISK FROM BLIGHT

This section discusses 1) how geographies were selected where risk to owner occupied housing is greater and 2) the impact of removing blighted property on home ownership will be measured.

A. MHC retained the services of a qualified university-affiliated research institute through a request for qualifications solicitation. The University of Mississippi Social Science Research Lab (SSRL) was selected to develop a Blight Potential Index and the methodology to monitor the impact of eliminating blight on neighboring owner occupied and single-family for sale housing.¹

B. Blight Potential Index:

How eligible areas were identified

1. The block group census geography is used because it is the smallest geography for which the indicators are available across the state.
2. Four indicators are used
 - a) Mean Home Value
 - b) Vacancy Rate
 - c) Single Family Unit Density

¹ “An Assessment of the Blight Potential Indicators: Report prepared for Mississippi Home Corporation”, University of Mississippi, Social Science Research Laboratory, March 2017, <https://archivemhc.com/hhf/07-GIS/0703%20Methodology%20Report%20Blight%20Potential%20Index.pdf>

- d) Homeownership percentage
- 3. Census data for each indicator was converted to a standard score and the scores summed to create a composite score for each block group. The resulting Blight Potential Index ranges from 0 to 6, with higher numbers indicating greater risk of existing owner occupied property being at risk due to vacant and low value property.
- 4. A cut-off of 3.4 or higher was used to identify block groups eligible for the Blight Elimination Program. A total of 1,023 block groups were so identified, 51% of the 2,022 block groups in the state.
- 5. Using a cutoff of 3.4 or better for the Blight Potential Index identified block groups with the following characteristics:
 - a) Mean home value: \$91,000 or less. Statewide average: \$103,347
 - b) Vacancy Rate: 14.16% or higher. Statewide average: 11.96%
 - c) Single family unit density: 278.3 units/sq mi. Statewide average: 288.69 units/sq mi.
 - d) Homeownership percentage: 72.2% or higher. Statewide average: 68.4%

5. MONITORING THE IMPACT OF BLIGHT ELIMINATION ACTIVITIES ON NEIGHBORING OWNER-OCCUPIED PROPERTY

- A. SSRL will provide quarterly and annual reports on communities that have received demolition funds. The report will present measures of the impact of removing blighted properties in targeted geographies on the following indicators:
 - 1. Homeownership retention;
 - 2. Property values;
 - 3. Change in percentages of rental versus owner-occupied units;
 - 4. Number or percentages of properties with notices of foreclosure pending;
 - 5. Number of incidents of crime; and
 - 6. Other indicators of homeownership and mortgage stability as may be appropriate.
- B. SSRL will be responsible for the following tasks necessary to report on all funded projects
 - 1. Develop information sources and aggregation level to be used (neighborhood, block group, census tract, or other);

2. Provide metrics to show the effectiveness of BEP activities on the surrounding residential properties as reflected in the chosen indicators;
3. If necessary, develop alternate indicators or measurement strategies as needed to best accomplish the intent to measure the impact of BEP on stability of residential owner-occupied properties; and
4. Provide maps as appropriate identifying change in indicators taking place in BEP project areas.
5. Measure the effects of the above metrics at the neighborhood or higher level to show the direct connection between demolition and other positive outcomes, e.g., redevelopment, population growth, economic investment, and new construction.
6. Reports will be filed for each project location once a calendar quarter for 36 months after demolition is complete.

6. MONITORING PROJECT ADMINISTRATORS, CONTRACTORS AND BLIGHT PARTNERS FOR VULNERABILITIES, FRAUD AND WASTE

This section discusses how MHC identifies vulnerabilities to fraud in the HHF demolition programs, including possible fraud by contractors, city or state agencies, or other local partners, and waste by demolition contractors, city or state agencies, or other local partners

A. Project Administrators

MHC will use the services of qualified Field Compliance Inspectors to make site visits to the demolition site to ensure each property has been demolished according to rules and regulations of BEP Program and MDES. MHC will notify BEP Compliance Inspectors when services should begin for each grantee.

1. Initial Inspection
 - a. Complete Form 0803 Field Compliance Site Visit Report.
 - b. Compliance inspectors will meet with project staff designated by the applicant to assess management capacity, discuss local procedures for managing contractors, assess capacity of blight partner for its assigned responsibility, record keeping and reporting system.
 - c. Before work begins, BEP Compliance Inspectors will physically visit each property proposed for demolition to confirm condition of the property matches photographs and information submitted in the application.
 - d. Before work begins, BEP Compliance Inspectors will physically visit each property proposed for demolition. Inspectors will verify the following:
 - 1) Address of each unit

- 2) Site conditions information affecting demolition process or risk to neighboring properties
 - 3) Condition of public sidewalks or curbing
 - 4) Corrective Actions to be taken by project manager to mitigate risk, including risk from hazardous materials like asbestos if necessary.
 - 5) Take picture of the property and nearby homes and/or lots to document information presented in the applicant's project narrative.
2. Post-Demolition Inspection

Compliance Inspectors to confirm the following:

 - a. Visit each address to confirm the blighted structure is removed and the land graded and prepped to mitigate erosion.
 - b. Verify surrounding property was not affected by demolition process.
 - c. Recommend corrective action needed if any before acceptance of work.
 - d. Photograph each cleared lot to document condition immediately following demolition.
 3. Monitoring Property during Compliance period
 - a. MHC will require the applicant to submit a maintenance schedule
 - b. Compliance Monitor will drive by each property once per year.
 - c. Ensure that the lots have remained 'green' and remain free of debris (if not built upon).
 - d. Ensure the grass has been mowed and trees and shrubs are trimmed.
 - 1) Year 1 Inspection
 - 2) Year 2 Inspection
 - 3) Year 3 Inspection
 4. Corrective Action: Possible Actions
 - a. Notice to Grantee requiring corrective action be taken
 - b. MHC contract with 3rd party to mow or clean lots
 - c. Suspension of new project activity until items corrected; requires MHC senior management approval

B. Demolition Contractors

1. Limit TARP reimbursement to demolition costs that are necessary and reasonable as exist in similar HUD and state-funded programs. Require full and open competition, adherence to procurement procedures that exist in similar HUD program(s)².
2. Control Procedures
 - a) Verify competitive bidding used to select winning bidder,
 - b) Verify notices published in general circulation press or by other means for projects over \$50,000 or other procedure as allowed by state law. (MS Code § 31-7-1 ff),³

² Reference document: 0203 Contractor Procurement Process, Mississippi Home Corporation, <https://archivemhc.com/hhf/02-Forms/0203%20Contractor%20Procurement%20Process.pdf>

³ Purchase Law summary, State of Mississippi, Office of the State Auditor, June, 2016", http://www.osa.ms.gov/downloads/Purchase_Law_Update.pdf

- c) For projects under \$50,000, document that bids were solicited as allowed by state law, if not advertised.
- d) Grant managers will submit copies of bid notices to MHC at the time it is published locally. MHC will post notices of bid opportunities on MHC web site.
- e) If published notice required, verify that notice published 10 business days before date bids are due.
- f) Verify that two bids were submitted on each property,
- g) If less than two bids are received after first solicitation, verify that bids were solicited a second time,
- h) Verify that awarded bid is lowest bid;
- i) Review justification if not awarded to low bid.
- j) Collect information on bids won by contractors
 - a. Contractor name, address, bid, completed cost
 - b. Prepare Monthly Report on Winning Bidders to cover:
 - i. Project
 - ii. Units
 - iii. Revenue by project and across all projects
 - iv. Average Cost per unit
 - v. Share of demolition reimbursement received by contractor as share of total across all projects, by jurisdiction, and by project.
- k) Building materials with salvage value.
 - a. Field Compliance Inspector will indicate on the inspection form for each property whether there are materials with potential salvage value.
 - b. For housing units containing material with possible salvage, requests for demolition bids must require bidders to indicate if they intend to salvage the materials, whether the intention is to donate or sell them, and if sold, the demolition bid must be reduced by the expected sale value of the materials. Donation of materials must be documented by letter on letterhead from receiving nonprofit verifying items received.
 - c. Blight Partner that is a nonprofit
 - i. may retain material for reuse in activities that support its nonprofit mission without financial penalty or repayment,
 - ii. may donate material to another nonprofit organizations,
 - iii. may sell materials to cover operating costs that have not been reimbursed by HHF,
 - iv. may let the demolition contractor retain materials for resale. If retained by demolition contractor, the value of the materials must be deducted from the cost of the demolition.
 - d. Blight Partner that is a for-profit business
 - i. may donate salvage materials to a nonprofit for use in furthering its nonprofit mission.
 - ii. May sell the materials, but must document revenue received and must transfer it to a community nonprofit serving the area where housing has been demolished.

- l) Executive Management receive Report on Winning Bidders monthly, review MHC policy quarterly for first year of BEP. Purpose: to consider if goal of fair and open competition is being met and demolition costs are reasonable based on conditions across Mississippi. Evaluate BEP procurement policy, program guidance, and implement changes if necessary to increase competition and lower cost.

C. Property Acquisition

- a. Property can be acquired from any seller, including property owned by the State of Mississippi, local unit of government, or private individual or business owner.
- b. Prior to purchase, an estimate of value must be obtained based on an independent appraisal or an assessment of true market value obtained from the county Tax Assessor.
- c. HHF used for purchase cannot exceed \$6,500 or appraised value, whichever is less.

7. MONITORING DEMOLITION PROCESS AND RELEASE OF FUNDS

This section discusses processes to identify abuse by city or state agencies, or other local partners; identify potential cost savings and make recommendations.

MHC will use Form 0402 Property Demolition Checklist Review Sheet to track activities on each project for compliance with requirements of Mississippi's BEP program⁴. The sheet captures information on costs, stage of demolition, draw requests, project budget and spending per budget item, post demolition review, and completion of required documentation.

The VP of Federal Programs will complete a review and sign the required documents. VP of Commercial Lending and Asset Management will enter the request for payment information into MITAS for revolving loan fund, handle the disbursement request, and complete a second review of the required documentation.

8. INTERNAL CONTROLS

MHC maintains a separate budget for the HHF Program and all Treasury funds provided to implement the Blight Elimination Program will be used solely to fund the Blight Elimination Program and related expenses.

- A.** MHC will implement actions to ensure accountability, transparency, and compliance with Blight Elimination Program rules and regulations.

B. Procedure

1. Evaluate policies, procedures and internal controls annually for compliance with program requirements; and

⁴ Form 0402 Review Sheets Property Demolition Checklist.pdf, <https://archivemhc.com/hhf/04-MHC%20Review%20Sheets/0402%20Property%20Demolition%20Checklist%20&%20Review%20Sheet.pdf>

2. Operate programs in compliance with applicable Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (“Uniform Guidance”);
3. Provides MHC Annual Financial Statement and/or MHC Report on Compliance in Accordance with The Uniform Guidance (Single Audit that includes the Federal Expenditure Schedule and any findings) annually to the Mississippi Department of Finance.
4. External auditors will review BEP transactions on a sample basis as part of the HHF annual Uniform Guidance audit.

MHC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state and federal programs. Internal Control is designed to provide a reasonable assurance regarding the achievement of objectives relating to operation, reporting and compliance.

C. Internal Audit

MHC’s Internal Audit staff will conduct in-house quarterly reviews of BEP processes to ensure that internal controls outlined are being implemented and documented adequately. To minimize the risk of fraud, MHC’s Internal Audit staff will review reimbursement files, documented expenses, reimbursement procedures, documentation requirements, and interviews with program applicant(s), and program procedures for decision errors or control weaknesses.

BEP Management staff will use the results in training, to modify procedures, and to take other actions to improve compliance with Blight Elimination Program requirements. Furthermore, MHC’s financial records and internal controls related to the program will be audited by external auditors annually.

D. Review Process

The Internal Control Review Report and its narrative are provided to the Chief Financial Officer upon completion and is reviewed by the MHC Board Audit Committee. During each review any findings, inconsistencies, deficiencies and discrepancies are discussed with the appropriate manager with the objective of prompt corrective action. Any areas of non-compliance are identified and described in the quarterly report along with the response provided by the manager and the corrective action taken.

E. Control Testing

The controls are tested each quarter. Processes, procedures, and staff practice tested include:

1. Determining eligibility of Applicant and Project for BEP funds
2. Review and approval of requests and supporting documentation for cost reimbursement filed by Grantee.

3. Document that Grantees use competitive bidding or other accepted method for selecting Demolition Contractor
4. Review address-level documentation required to be submitted to MHC before demolition of a property is approved to proceed.
5. Preparation and dissemination of required reports and analyses of BEP expenditures take place on schedule
6. Accounts Payable Disbursements
7. Payroll Disbursements
8. Treasury Fund Receipts
9. Cash Management
10. Availability of Funds
11. Program Income
12. Reporting
13. Publicity

9. FISCAL CONTROLS

MHC will comply with all of the requirements of the Blight Elimination Program. MHC will accomplish compliance oversight, internal controls and fraud prevention through means identical to the methods currently used to accomplish the tasks for all of the Corporation's programs. Policies, procedures and internal controls required to implement the BEP program will be modeled on processes that are already in place for HHF activity and operating as intended.

10. RISK MANAGEMENT and FRAUD PREVENTION STRATEGIES

MHC will process reimbursement requests using processes that are designed to control risk of fraud or misuse of funds.

1. MHC's accounting procedures incorporate the following:
 - a. Cash management
 - b. Receivables
 - c. Servicing
 - d. Accounts payable
 - e. Operations
 - f. Grants management
2. MHC reviews these processes annually to make sure proper policies, procedures and segregation of duties are in place to minimize the possibility of fraud, illegal acts and violation of the provisions of contracts, and to ensure compliance with grant agreements.
3. MHC's accounting system tracks programs by source of funds, allocations, commitments, awards and disbursements of funds by cycle and operates like a budget system, comparing allocated to awarded to actual, which prevents disbursements in excess of an award. The system allows MHC's flexibility to identify potential

wasteful spending, cost savings, and make recommendations. The system allows MHC's flexibility in the tracking and reporting of grants to meet the needs of federal agencies, the Mississippi Department of Finance and Administration, Independent Auditors, sub-recipients and vendors. MHC will use this system to provide detail or summary information to Treasury on the HHF Program.

11. ACCOUNTING

It shall be the policy of the MHC to create and maintain accounting, billing, and cash control policies, procedures and records which are consistent with Generally Accepted Accounting Principles (GAAP) and which meet the requirements of state and federal statutes and regulations.

1. MHC's Accounting systems track programs by:
 - a. Source of funds;
 - b. Allocations
 - c. Commitments
 - d. Awards, and;
 - e. Disbursements of funds by cycle

2. These accounting, audit, and financial management policies are designed to:
 - a. Protect and secure the grants and contracts assets.
 - b. Ensure the maintenance of accurate records of MHC's financial activities with regard to grants and contracts.
 - c. Generate reports to ensure compliance with governmental and private funder reporting requirements
 - d. Provide audit trails and documentation for MHC's annual audits and for the funders' financial and performance audits.
 - e. Provide performance measures for assessing economic and societal impacts of the programs.
 - f. Accumulate chronological, historical data in a format that is easily accessible for managerial functions, including research and for planning.

The fiscal year of MHC's Grants and Contracts Accounting System runs from July 1 through June 30, the same time frame as MHC's fiscal year.

MHC's Accounting Department has custody of all bank accounts related to grants and contracts, and the Accounting Department opens and reconciles all bank statements. Accounts are maintained only as needed or required to meet funding requirements. Checks written from grants and contract accounts require two signatures. Persons responsible for administering the programs should not be solely authorized to sign checks for grants and contracts expenditures. The person responsible for accounting and reconciling bank accounts should not be a person authorized to sign checks.

MHC utilizes the accrual method, recognizing revenue at the time it is obligated to MHC and expenses at the time they are incurred. For programs that reimburse MHC for legitimate program

expenses, MHC generates separate invoices for each draw requested submitted to the funder. MHC recognizes and accrues program expenditures as payable by the funder and receivable by MHC only after MHC writes checks for the expenditures.

12. REPORTING – MONTHLY, QUARTERLY, ANNUALLY, POST PERFORMANCE

MHC is required to submit electronically its annual Report on Compliance in Accordance with the Uniform Guidance which includes the schedule of Expenditures of Federal Awards, along with a Data Collection Form to the Single Audit Clearinghouse. This information is required to be submitted to the Federal Clearinghouse within nine months after the close of the fiscal year.

MHC will submit monthly and quarterly reports to Treasury.

The Monthly Progress Report will be prepared and submitted directly to Treasury by the fourth business day in each month of the following month for which the report is due or at Treasury's request. The Monthly Progress Report will contain Grantee and Project data, program progress, and marketing updates.

Quarterly Performance Reporting (QPR) will be completed and submitted along with the Quarterly Financial Report (QFR) to Treasury no later than 45 days after the end of the quarter for which the report is due or at Treasury's request. A template will be created for quarterly reporting which will contain quarterly data, cumulative numbers, and demographics. The Quarterly Financial Report will contain administrative and program expenditures incurred and committed. The Quarterly Performance Report and the Quarterly Financial Report will both be submitted to the United States Department of Treasury.

BEP Grantee will be required to submit a final report to MHC certifying completion of demolition and to guarantee that greening is complete and property maintenance is ongoing per the requirements of the contract. An annual performance report will be created by MHC and submitted to Treasury no later than 45 days after the end of each calendar year. MHC will submit a post-performance report to Treasury no later than 90 days after the close of the HHF Program.

13. APPLICANT COMPLAINTS AND DISPUTE RESOLUTION

MHC will accept complaints about the program, grantees, or other parties in written form by email or written correspondence to MHC's Executive Director. The complaint process will be managed by the VP of the Executive Division. MHC staff will investigate complaints and provide a response to the complaint within 30 days. MHC will determine the nature of the complaint and strive to resolve all concerns at that time. A record of all complaints, findings, and action taken will be maintained in a common file under the control of the MHC Executive Director.

Depending on the nature of the complaint, MHC will decide how to proceed which may include contacting Grantee, BEP Partner, BEP Field Compliance Inspector, or other appropriate party. MHC will work primarily with Grantee staff to resolve complaints, but may work directly with any party to the project if necessary. Complaints are discussed along with suggestions and possible solutions being offered. Actions can include up to reducing in the number of units allowed for demolition, delay or permanent block on accepting new applications from the Grantee, barring BEP Partner, Contractor or other party from participating in the program.

14. CASES of FRAUD

In the process of documenting the files and reviewing grant management activities, MHC or its Compliance Monitors may identify actions that appear to be intentional fraud. Parties to a project, the public, or other interested parties may alert MHC to possible fraud. Notices, whether internally or externally generated, are to be directed to MHC's Executive Director.

How allegations of fraud are to be handled

1. In the event that MHC becomes aware, or is made aware of potential fraudulent activities by contractors on behalf of the BEP Grantee, BEP Partner or other party to a project, MHC will investigate claims, compile documentation, and develop a plan of action.
2. Entities identified in allegations of fraud will be notified of potential fraudulent activities and asked for a written explanation of facts of the case.
3. Information compiled by staff will be brought before a committee consisting of MHC Executive Director, Senior VP level staff, and MHC corporate legal counsel. The investigation will review the nature of the fraudulent activity, the process by which it took place, parties that contributed to it, and the dollar amount of funds involved.
4. After documenting the case, if the allegations are determined to have merit, MHC will notify Treasury of the fraudulent activity and identify the parties involved.
5. If it is determined that fraud has been committed, the parties at fault will be terminated from the program if the project is still underway and banned from applying for additional funding.
6. MHC will attempt to recapture the funds unless the cost of recapture is likely to exceed the amount of funds involved.

15. CAPITAL DRAW REQUESTS

MHC will submit capital draw requests to the United States Treasury in accordance with their published guidelines and timelines. The Controller will prepare the request documents and supporting workpapers for review by the Chief Strategy Officer. The Chief Strategy Officer will obtain approval and signature from MHC's Executive Director. The Chief Strategy Officer will submit the signed draw request as a pdf document to the United States Treasury.

16. LIEN SATISFACTION PROCESS

MHC will release the lien on a property that received assistance from the Blight Elimination Program for the following reasons:

1. The three (3) year deed restriction has been met
2. Property has been sold
3. The indebtedness has been satisfied for other reasons

The BEP staff will notify MHC's legal counsel when they need to record a document with an appropriate chancery clerk in order to release a lien on a property. The BEP staff will notify the Accounting Department when a property has satisfied the forgivable term period. MHC will use HHF/BEP Form 0902 to determine amount of funds to be recaptured.

Upon receipt of the payoff check, the Accounting department will mail the check to MHC's Fiscal Agent for deposit into the HHF account. The Accounting Department will then send an e-mail to the Fiscal Agent for deposit instructions to notify them that the check has been mailed. Once all the information has been received the lien of record will be released. MHC will conduct a review of the Lien Release forms at least once per year.

17. CODE of STANDARDS

The Code of Standards governs performance of the Grantee, the Grantee's Blight Partner(s), and MHC's employees in the award and administration of procurement contracts, including standards for addressing conflicts of interest. The successful business operation and reputation of MHC is built upon principles of fair dealing and ethical conduct of employees. Maintaining our reputation for integrity and excellence requires a careful observance of the spirit and letter of all applicable laws and regulations, a scrupulous regard for the highest standards of conduct, and fierce devotion to personal integrity.

MHC will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

Compliance with MHC's business ethics policy is the responsibility of every employee. Disregarding or failing to comply with MHC's standards of conduct could lead to disciplinary action, up to and including termination of employment.

The MHC Employee Handbook includes company policy that touches on how staff carries out their responsibilities that may impact operation of BEP the HHF program:

1. Ethics
2. Conflicts of Interest
3. Fraud

4. Protection of Personal Information

The Human Resources Department requires all new staff members to sign a document as evidence that they have received a copy of the MHC employee handbook. If a new employee handbook is issued, all employees are required to sign a new document as evidence that they have received a copy.

MHC maintains a conflict of interest policy for its staff. MHC will require Grantees and BEP Partners to disclose potential conflicts of interests involving the BEP program and the methods for mitigating those conflicts. The standard of conflict is found in Mississippi Code, Section 25-4-101 et seq, Miss. Code of 1972.

MHC will monitor and evaluate the BEP Partners, city/municipality, and properties through periodic reviews of their processes and procedures. If conflicts of interest are discovered, MHC will take appropriate action including and up to termination of a contract with a BEP Partner and city/municipality.

Potential conflicts of interests include but are not limited to: Family relationship to Applicant, Grantee BEP Partner, contractors or other parties to BEP activity. or employee;

All employees and officers have a duty to report concerns they have or information provided to them about the possible fraudulent or corrupt activity of any officer, employee, vendor or any other party with any association with MHC. Any person who has a reasonable basis for believing fraudulent or corrupt acts have occurred has a responsibility to report the suspected act immediately. Concerns will be reported internally for an investigation to:

1. The Executive Director
2. EVP level or Senior Management
3. General Counsel