VILLAGE OF OAK PARK

IMPROPER PAYMENT POLICY

I. PURPOSE

The purpose of this policy is to establish guidelines and procedures to identify, prevent, and manage improper payments in alignment with the regulations set forth by the U.S. Department of Housing and Urban Development (HUD) and 2 CFR Part 200. This policy applies to all departments and employees involved in the administration of U.S Department of Housing and Urban Development (HUD) Funds. The Village of Oak Park ("Village") is committed to ensuring the proper use of federal funds by establishing robust internal controls to prevent, detect, and address improper payments. The Village will adhere to all applicable federal, state, and local regulations regarding financial management and accountability.

II. SCOPE

Improper Payment is defined as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. This includes:

- Overpayments.
- Underpayments.
- Payments to ineligible recipients.
- Payments for ineligible goods or services.
- Duplicate payments.
- Payments for goods or services not received.

III. IMPLEMENTATION

Implementing the Improper Payment Policy involves the work of two key teams: Programmatic staff and the Financial management team. These two teams are defined as follows.

Programmatic staff

- Oversee the implementation of internal controls within their respective departments.
- Ensure that staff are aware of and comply with this policy.
- Report any suspected or actual improper payments to the Financial Management Team.
- Comply with procedures and controls designed to prevent improper payments.
- Report any discrepancies or suspicions of improper payments immediately to their supervisor or the Financial Management Team.

Financial management team

- Ensure compliance with federal regulations concerning improper payments.
- Develop and implement internal controls to identify and prevent improper payments.
- Conduct regular reviews and audits to detect improper payments.
- Provide training and guidance to staff on the prevention and management of improper payments.

IV. PROCEDURES

As these teams implement the policy, they will follow the following principles.

Pre-Payment Controls:

- **Authorization Procedures:** Ensure all payments are approved by authorized personnel. Establish clear approval hierarchies.
- **Vendor Verification:** Verify the legitimacy and eligibility of vendors before processing payments. Maintain updated vendor records.
- **Budgetary Controls:** Ensure payments align with the approved budget and are within authorized limits.

Payment Processing:

- **Documentation:** Require adequate supporting documentation for all payments, including invoices, contracts, and delivery receipts.
- **Segregation of Duties:** Implement checks and balances by separating roles involved in authorizing, processing, and reviewing payments.

Monitoring and Detection:

- **Regular Audits:** Conduct periodic internal and external audits to identify and address improper payments.
- **Transaction Review:** Implement automated systems to flag unusual or high-risk transactions for further review.

Reporting and Accountability:

- **Whistleblower Protections:** Establish and promote a secure and confidential process for employees and stakeholders to report suspected improper payments.
- **Corrective Actions:** Develop a process for addressing identified improper payments, including recovery actions and corrective measures.

    A. Written loan agreements that clearly describe the repayment terms

B. Collection procedures that provide for the recognition of all current amounts due, payments received, notification to borrower when payments are overdue, a process for taking further action on defaulted loans, and criteria for writing off bad debts

Training and Awareness:

- **Employee Training:** Provide regular training on financial policies, procedures, and best practices to all employees involved in financial transactions.
- **Policy Updates:** Regularly update the policy to reflect changes in laws, regulations, and best practices.

Technology and Tools:

- **Automated Systems:** Utilize financial management systems with built-in controls to prevent and detect improper payments.
- **Data Analytics:** Leverage data analytics tools to monitor payment patterns and identify potential risks.

V. COMPLIANCE

Non-compliance with this policy may result in disciplinary actions, including termination of employment. Continuous failure to comply may also result in legal consequences and the loss of federal funding.

VI. ANNUAL REVIEW & AMENDMENTS

On an annual basis, or as deemed necessary, the Village Board of Trustees shall review the Improper Payment Policy and shall approve policy revisions, if any, by formal resolution.

ADOPTED: