



Clark County Audit Committee

Michael Naft
Chair
William McCurdy II
Ross Miller

MEETING MINUTES

1. CALL TO ORDER

The public meeting of the Clark County Audit Committee was called to order by Commissioner Naft on Wednesday, October 23, 2024, at 9:30am in the Pueblo Room, Clark County Government Center, 500 South Grand Central Parkway, 1st floor, Las Vegas, Nevada. Jeffrey Rogan, Deputy District Attorney presented updates to the agenda based on Open Meeting Law. Audit reports presented during this and future meetings do not need to receive a vote of acceptance from the Committee, as the reports are public record. Audit reports presented at this, and future Audit Committee Meetings will be presented “for discussion” rather than previous “for possible action” items. This public meeting was properly noticed and posted.

COMMISSIONERS PRESENT:

Michael Naft
William McCurdy II
Ross Miller

ALSO PRESENT:

Kevin Schiller, County Manager,
Abigail Frierson, Deputy County Manager
Lisa Kremer, Deputy County Manager
Les Lee Shell, Deputy County Manager
Anna Danchik, Comptroller
Margaret Le Blanc, Assistant Comptroller
Hilarie Grey, CEO, The Animal Foundation
Michael Pearse, CFO, The Animal Foundation
Jeanine D’Errico, Director of Administrative Services
Jim Andersen, Code Enforcement Administrator, Administrative Services
Jill Marano, Director of Family Services
Jamie Sorenson, Director of Social Services
Alisha Barrett, Deputy Director Social Services
Randy Reinoso, Deputy Director Social Services
Wilfredo Amaya, Assistant Manager, Social Services
Eric Greene, Manager, Social Services
Serena Moore, Assistant Manager, Social Services
James Nance, IT Manager
Jeff Rogan, Deputy DA, DA Civil
Nicole Malich, Deputy DA, DA Civil
Angela Darragh, Audit Director
Cynthia Birney, Manager, Audit/HIPAA
Felix Luna, Principal Auditor
Christopher Hui, Information Systems Auditor



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Joshua Cheney, Information Systems Auditor
Scott Routsong, Auditor
Tracy Banks (via MS Teams)
Mary Yanez (via MS Teams)
Daniel Partida (via MS Teams)
Ariana Garay (via MS Teams)

2. **Roll Call**

Commissioner Naft confirmed Audit Committee attendance in present and in surrogate.

3. **Public Comment**

This is the first opportunity for any members of the public to speak on any item on the agenda.

No Comment by the Public was made.

4. **Approval of Agenda**

It was moved by Commissioner Naft and carried unanimously that the October 23, 2024, agenda be approved.

5. **Approval of Minutes**

For possible action to approve the Final Minutes by reference of the Audit Committee of April 24, 2024.

Motion made by Commissioner Naft to Approve

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

For: Commissioner Michael Naft, Commissioner William McCurdy II, Commissioner Ross Miller.

6. **Receive a presentation from staff regarding staff regarding the Animal Foundation. (For discussion.)**

Angela Darragh, Clark County Audit Director presented the Animal Foundation Follow Up Audit results as follows:

We performed a follow up audit of The Animal Foundation contract issued the audit report on July 26, 2024.

Objectives for this audit were to determine if The Animal Foundation implemented corrective action to resolve the findings in the original audit review. We found that four out of four findings in the original audit were corrected.

Finding #1 - In the first original finding we found that the Animal Foundation shelter capacity calculations were not being accurately provided to Animal Protection services. The stated capacity reduced shelter accessibility. We found during the follow up that the Animal Foundation hired additional staff for the shelter area and created two new



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positions to enable extended hours of operation. They increased staffing hours in the shelter area. They provided a space report to communicate shelter statistics to Animal Protection Services daily. They communicated shelter information relevant to Animal Protections Services regarding the conditions in the shelter. Specifically, they provided regular updates regarding an outbreak in canine influenza virus at the shelter and actions taken by the Animal Foundation to manage the outbreak.

ANGELA DARRAGH took the time to state that individuals from the animal foundation were here, and available if they have anything to say.

ANGELA DARRAGH continued with the presentation.

Finding #2 - The Animal Foundation did not have formal service agreements with third party veterinary care providers for after-hours emergency veterinary care at the time of audit. The Animal Foundation formalized and updated their written service agreements with the third-Party veterinary care providers.

Finding#3 - The Animal Foundation annual reports were not provided to Clark County. Since that time, the animal foundation sent required financial reports, including the annual budget and the audited financial statements to Clark County personnel.

Finding#4 - The last finding during the original audit, we found that the sheltered services agreement did not have detailed requirements to address current practices at the shelter. To address this The Animal Foundation entered into a new agreement with the County and other jurisdictions in December 2023, that addressed most of the recommendations from the original report.

The new agreement provides for the creation and staffing of a call center. This should also provide that the shelter may continue to manage intake using a combination of appointed-based and walk-in access but must also be available during operating hours to take found animals from walk-in clients. They provided a public communications committee to meet regularly to discuss issues related to public outreach regarding animal welfare.

Commissioner Naft thanked Ms. Darragh for the presentation and asked if there were any questions from those attending this meeting.

HILARIE GREY said she'd just like to thank the audit team and The Animal Protection Services and everybody that worked on the amended contract that covered a lot of things. I think that it has made communication better; to get more information out to the public and at the end of the day affecting the outcome in a good way.

Commissioner Naft concluded with announcing the next agenda item for this meeting.

7. **Receive a presentation from staff regarding the Family Services Purchasing Card Report Follow Up. (For discussion.)**



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Ms. Darragh presented the Family Services Purchasing Follow Up Audit Report as follows:

Audit performed a follow-up of the Family Services Purchasing Card Audit originally issued on January 26th, 2022.

The objectives of this audit were to determine whether the Department of Family Services implemented corrective actions to resolve the findings in the original audit. Once again, we found that six out of six findings were resolved.

Finding#1 - The first original finding we found that Purchasing Card number was stored on at least one online merchant system and was often used by persons other than the listed cardholder. In response to that, the Department of Family Services established three purchasing and reloading of gift cards for in-person purchases. The purchasing cards are no longer shared, and payment information is no longer stored on the Walmart or Target online accounts.

Finding#2 - The next finding, we found that goods purchased online from Target are often shipped in separate shipments and it resulted in Family Services spending a lot of time and effort reconciling purchases and made it difficult to verify invoices. In response to that finding, the department continues to purchase inventory in-person and online from Walmart and Target. The department explored options and attempted to reduce the administrative burden. They now place orders with one item type versus multiple item types and it seems to have reduced a volume of shipments.

Finding #3 The next finding, in our original audit we found that the segregation of duties for online purchasing card orders should be revisited. In response to that, the department implemented a process to add fiscal division management in the purchasing workflow to review and approve online purchases for the Child Haven Campus.

Finding #4 - The fourth finding, during the original audit, we found that the department had a total of \$109,267 in prepaid single use gift cards in inventory. We thought that the amount was significant, and they needed to improve their policies and procedures over those gift cards. The department has since developed policies and procedures surrounding the gift card inventory management process and all of the gift cards referenced in the original audit were disbursed.

Finding #5 - The fifth finding during the original audit, we found that some of the inventory practices and controls can also be enhanced. Since that time, the department updated their policies and procedures to include inventory management and receipt of goods purchases. We believed that the practices they put in place have sufficiently resolved that item.

Finding #6 - Finally, the department should set purchasing cards with single purchase limit. Originally, there were no limits on the amount that could be spend on the purchasing card and since that time, Family Services established a transaction limit for



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each of the three purchasing cards, and when we did our testing, we found that all were within the established transaction and monthly limits.

COMMISSIONER NAFT asked if someone from Family Services would like anything to add anything. DIRECTOR OF FAMILY SERVICES JILL MARANO said that she would like to thank the audit team for helping tighten up some of their controls. COMMISSIONER NAFT asked if there was anything that you had to do in order to satisfy these recommendations that made doing your job more difficult? JILL MARANO said no I don't think so, I think it's helping us, some of the things we thought were easier weren't actually easier once we tried to do it in a different way. COMMISSIONER NAFT asked if the audit team have you extrapolated anything from this that could be applied to other departments that spent heavily on Purchasing Cards. ANGELA DARRAGH said that that every department is different and handles P Cards differently We do have an audit in our audit plan to look at county wide usage. We just started with Family Services. Within the next couple of years, we are hoping to get around to other departments and we will see once we have a better idea if there's a trend within departments, then we can make some overall conclusions, but Family Services is kind of unique in the way they use the purchasing cards. I am not sure that would necessarily relate to other departments. COMMISSIONER NAFT asked it there were any questions form the committee, if not, this is not an action item, so we'll move to the next item of the agenda.

8. Receive a presentation from staff regarding the Social Service CHAP Application. (For discussion.)

Angela Darragh, Clark County Audit Director presented the Social Service CHAP Application Audit results as follows:

The Clark County CARES Housing Assistant Program (CHAP) was launched in response to the COVID-19 pandemic. The program provided rental and utility assistance to Clark County residents who face risk of housing instability or with homelessness as a result of the pandemic. Funding for the program was provided by the federal government with additional subgrants from cities and the State of Nevada. The County provided this assistance during a time of critical need with an estimated \$373M in disbursement between Fiscal Year 2021 and 2023.

The objectives of this audit were to determine whether or not Social Services developed the CHAP program in accordance with federal guidance. Whether CHAP cases met program requirements and whether controls were in place to minimize improper or fraudulent CHAP payments.

Overall, we found social services moved quickly to launch a COVID-19 emergency rental assistance program. They processed cases in accordance with program rules, but some questionable payments were approved. We found that some non-renter households that received assistance and identified risks with direct-to-tenant payments. We also found a third-party contractor that received an improper payment. The audit report included six findings and nine recommendations.



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FINDING#1 - Cases flagged as potentially fraudulent were approved and paid. CHAP had a high risk of fraud due to the applicant's ability to self-attest to their household income and self-attest to their pandemic impact. We reviewed each of the cases recorded on the department's log to determine whether the case was paid and whether the fraud reviewers notes indicated questionable or fraudulent transaction. There was a total of 3752 entries in the fraud log. Most of the cases suspected of being fraudulent did not get paid, however approximately 6% of the cases on the fraud log were paid. The amount questionable/fraudulent paid cases totaled \$3,196,696. Some of these claims involve false representation; individuals presenting themselves as property managers for single family residences but had no relationship to the actual property owner. We also found overlapping tenants. In these cases, an individual representing a single-family residence as having more rooms leased than the home's actual capacity, with multiple tenants seeking rental assistance for the maximum number of months allowed. We also found that some individuals solicited others to apply for assistance at multiple properties with questionable documentation for properties not under their ownership. And that some individuals indicated that their landlord was uncooperative and obtained direct payment to pay back rent. At eviction hearings, landlords indicated that the rent was never paid.

We had some recommendations related to these findings; we recommended that Social Service refer all suspected fraudulent CHAP cases to the United States Treasury Office of Inspector General and consult with the Deputy District Attorney to determine whether suspected fraud cases warrant criminal referral. That they access staff capacity and consider adding messaging on the Social Service public webpage and CHAP portal indicating that suspected fraud or misappropriation of funds can be reported to the department. That they consider implementing a public assistance payment integrity solution. These solutions cross-reference various databases to identify potentially fraudulent or improper payments to need further review.

ANGELA DARRAGH added that this is really a retrospective audit; this is kind of after the fact. A lot of these recommendations will be just going forward, should something like this come up again. Although some things like payment integrity solutions could potentially have a place in the Social Service. Also, I am not going over all of the steps that were followed, it is in the appendix of the report and that really puts into context all of this, even though there's six general findings for this report, we've looked at a lot of information. We've spent a lot of time on this, so this doesn't necessarily reflect that this is a horrible report or anything like that. And we do have individuals from Social Services here, not sure if they have anything to respond on the first point.

DEPUTY COUNTY MANAGER KEVIN SCHILLER stated that as a board we are aware of the fact that there was a lot of chaos and a lot of hard work that went into getting this out the door. When you look at the error rate in terms of the fraudulent reports, I really want to compliment the staff, They were on the phone with Randy regularly, we had consistent communication while working on this in terms of reporting and talking to staff, so I was pretty satisfied with how the results look like. I also want to emphasize and



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compliment the staff, finance, and everybody who worked on this because if you look nationally on what occurred in terms of return of dollars and what those rates provide, we look pretty good. I just wanted to brag a bit.

ANGELA DARRAGH continued with presentation.

FINDING #2 - Clark County Social Service used a combination of internal staff and contracted vendor to process the CHAP applications. We found that while the cases processed by the vendor were all reviewed, those provided or those processed by internal staff did not include a secondary review. We found three errors in cases that Social Service would have found with a secondary review would have a total impact of \$9260.

ANGELA DARRAGH stated the recommendations for this report were implemented. We discussed it with Social Service. At the time, on October 17, 2022, management implemented a secondary review over the cases processed by internal staff. I am just going to go through these if you have anything you want to jump in on, just go ahead.

FINDING# 3 - Non-renter households received utility assistance even though they were not eligible under ERA rules. The ERA program does not allow non-renter households to receive program benefits including utility assistance. For Fiscal Year 2022, we identified a total of 308 utility payments to Republic Services Waste for a total of \$84,536. We also found that 30 instances where the client was a homeowner or mortgage holder and received utility assistance that totaled \$33,427. While reviewing the 30 non-renter households that received utility assistance, we also identified standard communication to clients indicating that the department's position was that mortgage assistance was not allowed, but utility assistance was.

We recommended that the department to consult with the United States Department of Treasury ERA support team to determine whether there is a claw back/recoup provision for the ERA 1 / ERA2 grant. Whether additional analysis is needed to identify the total number of renters that received utility assistance.

ANGELA DARRAGH asked if they had done that yet.

ALISHA BARRET stated that she had a conversation with Margaret about the contract as she had been working on occasion with the US Treasury Department. But, I have not actually had any contact with them yet though.

FINDING #4 - Direct payments to CHAP clients did not include a fraud team referral and some direct to tenant payments were questionable. We found that when Social Services paid CHAP clients directly, the fraud log was not cross referenced. We analyzed Fiscal Year 2022 CHAP payment data and found approximately 736 instances of direct-to-tenant payments totaling almost \$5 million for the same period.



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Total payments to individuals totaled almost \$31 million. We selected the 25 highest paid cases for additional review and found five cases where Social Services found information after approving the case that identified the case as questionable or fraudulent. That's because the individual re-applied for additional benefits that were referred to the fraud team and then the fraud team determined that they were questionable/fraudulent and denied the new applications.

We also found that two direct-to-tenant cases where Social Service should not have approved the cases at all based on the information on hand at the time of application. One case totaled just under \$54,000. In this case, there was a discrepancy in the landlord information and the other cases totaled under \$21,000 and that was flagged by the fraud review team and the client's check was canceled.

Overall, I think we found that the fraud team did a good job and they identified a lot of cases that should have not been paid. Recommendation for this was that if future CHAP programs allow direct-to-tenant payments these cases should be first referred to the fraud team for an additional review prior to approval.

Finding #4 - We found cases where the payment amount exceeded the average median rent and discrepancies were not resolved before approval. We identified 147 cases that met this condition and selected 12 for additional review with payments totaling \$531,433. We found four cases that we believe to be questionable and should be included in the department's fraud log. The total disbursement for these cases equals \$188,490.

We recommended that social services provide periodic communications on property ownership documentation requirements and tools that can be used to verify property managers and property ownership and that they review the above cases and add them to the department's fraud log.

Finding #5 - We found that a contracted employee that did not provide any documentation and received a direct check payment. There were 226 Robert Half contractors as of January 14, 2022. From that list we identified one Robert Half employee that received an improper CHAP payment. The employee was a client on a CHAP case and received direct payment of \$8,450. We recommended that the department develop an ad-hoc database report where names of department employees or contracted vendor employees are recorded and then cross referenced against approved cases.

ANGELA stated that these are all the recommendations, thank you very much.

COMMISSIONER NAFT asked if there was anything anyone wanted to add.

RANDY REINOSO stated I think Mr. Schiller said it appropriately, we need to remember we set up this program in record time with enormous challenges and pressures and in fact relatively speaking this committee doesn't like to see any dollar quarterly spent. But



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the fact that you were able to reduce that they you have it is something that we could be proud of. Personally, I thank you for your work.

Commissioner Naft concluded with announcing the next agenda item for this meeting.

9. Receive a presentation from staff regarding the Social Service ACES application. (For discussion.)

ANGELA DARRAGH stated that there was originally one audit for Social Services that included ACES, CHAP, and financial assistance. This became too large for us to report on in a timely manner. So we have split it in into three sections. The first one was CAHP. The next one is the ACES application that is this report and the next audit committee meeting we should have Non-CHAP out.

Social Service utilizes a case management system to support participant intake, eligibility, screening, client management and financial management. The objectives of this part of the audit were to evaluate the effectiveness of internal controls for ACES application and to identify any weaknesses or vulnerabilities that could comprise the confidentiality, integrity or availability of data within the system.

We have six findings with fifteen recommendations.

Finding #1 - The first finding is that Social Service does not generate and review ACES audit logs on a regular basis. Security audit logs are used as needed but the department has not developed a formal review plan or strategy. Further, there's no documentation of how the current informal review is performed. We recommended the department conduct an accurate and thorough assessment of ACES to determine the potential risks and vulnerabilities to the confidentiality, integrity, and availability of data contained in ACES. And that they create and implement policies and procedures to periodically review ACES audit logs in high-risk areas. At a minimum, this should include activities such as actions taken with administrative rights, including user creation user activation, and permission changes.

ANGELA DARRAGH stated again, as with the other audit, I'm not going to go over all the steps we did to this audit, but it's important to recognize that there is a lot of work that goes into this audit. So, again, the number of findings is not necessarily representative that they did horrible or anything.

Finding #2 - Periodic security risk assessment over the ACES software application are not being performed. Social Service is a HIPAA department for the county and the risk assessment is one that is required criteria by HIPAA. We recommended that the department determine responsibility for performance of the ACES IT Risk Assessment. And that they conduct an accurate and thorough assessment of ACES to determine the potential risks and vulnerabilities to the confidentiality, integrity and availability of data contained in ACES. Also that they research gaps identified and design mitigation procedures bases on results.



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Finding #3 - Clark County Social Services IT Administrators perform an informal quarterly review of the active accounts within the ACES software application. Although this user review is being performed, there is no documentation of the process, nor of the results of the review. We found users with rights/ roles that do not pertain to their current job duties. We tested all 210 ACES user accounts as of April 2024 and we found 45 accounts that should have been disabled. This included former employees, generic user accounts and testing accounts. We recommended that the department implement policies and procedures for granting access to ACES and maintain documentation for granting and changing user access. That they implement procedures and maintain documentation to ensure that when employees no longer need access to ACES, notification is provided to the Social Service IT department to disable accounts. And, that they conduct a user access review periodically and maintain documentation of review results. We also recommend if generic users are used, they submit an exception form to Clark County IT in accordance with Technical Directive No.1 and that they ensure testing accounts are disabled in the productive environment.

Finding #4 - ACES disaster recovery procedures do not include testing or training. We found that Social Service has an informal business contingency plan. Part of the disaster recovery process includes utilizing a backup of the ACES application. The ACES application data is routinely backed up and retained for several weeks. Although the data is backed up, there is no formal testing of the back up image. We also found that there is a lack of training and testing of the business contingency plan could result in staff not knowing their roles and responsibilities in the event of a disaster.

We recommend that Social Service finalize and document the Business Contingency Plan, and once established conduct annual reviews, testing and training of the plan.

Finding #5 - We found approval forms were completed after permissions were provided. We identified 50 privileged users for the ACES software applications of April 2024. These accounts are considered privileged accounts because they contain rights that allow users the options to perform functions that would normally be reserved system administrators and supervisory staff. Social Services IT administrators rely on a paper access to grant ACES system access based on what is indicated on the form.

We selected 26 users with privileged rights and found 11 privileged user accounts that had paper approval forms on file, but the approval dates were after roles were granted in ACES. We also found that system access did not match the access requested on the form. We also found that cases where there was no account creation form at all.

We recommended that the department provide supervisory staff and management with a periodic reminder that access forms are required when users are created, move location or require privileged rights, and that they do not grant privileged ACES system access until after a form is completed and approved. They should retain paper forms in a central location for future reference as needed.



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Finding # 6 - The final finding is ACES administrators do not change passwords every 45 days as required by County Technology Directive No.1. This is required and we recommend that they establish procedures for administrators to manually change their passwords in accordance with County Directive. Most of these findings are similar findings that we have typically with an information systems audit. There isn't really anything out of the ordinary.

ANGELA DARRAGH thanked everyone and if the department would like to add anything.

ALISHA BARRETT stated that we are in the process of completing most of these, I think three out of the six are done. The higher risk ones, those we are working on. Thank you very much.

10. Receive a presentation from staff regarding the 2024 Peer Review. (For discussion.)

ANGELA DARRAGH said we recently had our audit team undergo a Peer Review by the Association of Local Government. Once every three years they review all of our policies and procedures and assess our auditors to make sure we are compliant with Yellow Book standards. During this last peer review we passed with no conditions, however we did get a management letter that recommended that support be more clearly referenced back to specific evidence and procedures to ensure all significant statements are properly supported and reviewed.

They were able to find support for every statement in all our reports, but they wanted to have that to be a little bit clearer, so it'll be easier for them.

MICHAEL NAFT said they are tough.

ANGELA DARRAGH said I can't complain, I probably would say the same thing. In response to that we are in the process of implementing a new audit management software that will make references a bit easier. And we are also going to do something things with page numbers to make sure that the next time we have somebody review our reports they can see the page numbers, so they don't go back and forth.

MICHAEL NAFT stated it certainly give us great confidence in our Audit department.

ANGELA DARRAGH stated that they did have some good things to say, they said the qualifications and competency of the audit team are evident based on the credentials, experience, and our interactions we had with them. They also said our evidence was very thorough and the audit planning identified objectives and procedures that allowed us to obtain evidence that appeared comprehensive and detailed based on the work paper documentation. They really thought that the staff did a great job. Thank you very much there is nothing further.

11. Public Comments by the General Public

There were no comments from the general public.



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No comments were made.

12. **Adjournment**

There being no further business, the meeting was adjourned at 9:55 am

Respectfully submitted:

Angela Darragh, Director of the Audit Department

Minutes prepared by: Ariana Garay, Executive Assistant