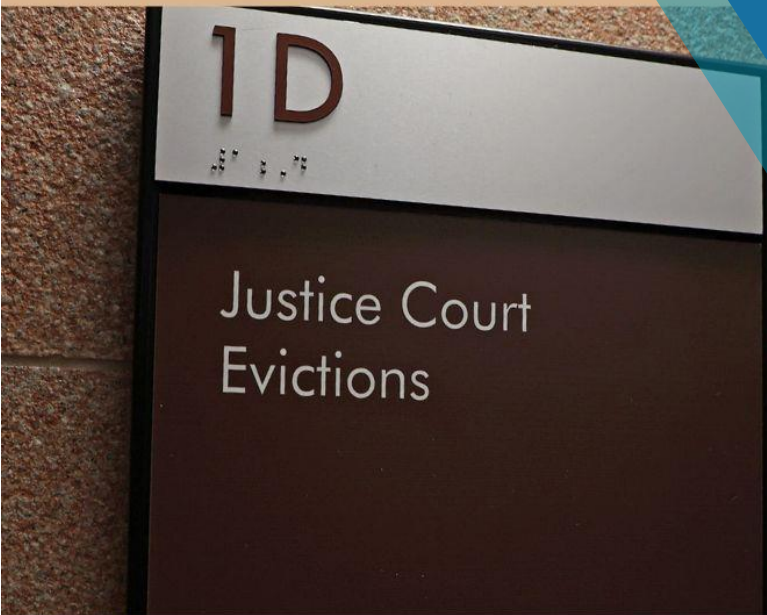


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# AUDIT REPORT



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*i* Your CARES Housing Assistance Program Application is still in progress.  
Updated October 27, 2020.

Continu

Apply for benefits

## Social Service Processed CHAP Applications in Accordance with Program Rules but Made Some Fraudulent Payments

October 2024

ANGELA DARRAGH, CPA,  
CISA, CFE  
AUDIT DIRECTOR  
CLARK COUNTY AUDIT DEPARTMENT

Clark County  
Social

# Audit Executive Summary

## Social Service Processed CHAP Applications in Accordance with Program Rules but Made Some Fraudulent Payments

October 2024

**Background** | The Clark County CARES Housing Assistance Program (CHAP) was launched in response to the COVID-19 pandemic.

The program provided rental and utility assistance to Clark County residents who faced risk of housing instability or homelessness as a result of the pandemic.

Funding for the program was provided by the federal government with additional sub-grants from cities and the State of Nevada.

The County provided this assistance during a time of critical need with an estimated \$373M in disbursements between Fiscal Year 2021 and 2023.

To meet program demand, the County partnered with a temporary staffing agency to deploy additional case processors.

**Objectives** | The objectives of our audit were to determine whether:

- The Clark County Department of Social Service developed the CHAP program in accordance with federal guidelines;
- CHAP cases met program requirements; and
- Controls were in place to minimize improper or fraudulent CHAP payments.

**Summary and Key Findings** | The Department of Social Service 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 identified \$3,196,698 in paid questionable cases, some non-renter households that received assistance and risks with direct-to-tenant payments. We also found a third-party contractor that received an improper payment.

**Recommendations** | The audit report includes 9 recommendations including the following:

- Referring questionable/fraudulent payments to the United States Treasury Office of Inspector General and local law enforcement;
- Implementing a public assistance payment integrity solution;
- Analyzing the number of non-renter households that received utility assistance;
- Developing a process to identify cases where employee and contractors applied for assistance.

Details for each of those recommendations along with others are in the body of the report.

For more information about this or other audit reports go to [clarkcountynv.gov/audit](http://clarkcountynv.gov/audit) or call (702) 455-3269.



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## About the Audit Department

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The Audit Department is an independent department of Clark County reporting directly to the County Manager. The Audit Department promotes economical, efficient, and effective operations and combats fraud, waste, and abuse by providing management with independent and objective evaluations of operations. The Department also helps keep the public informed about the quality of Clark County Management through audit reports.

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## Background

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At the onset of the COVID-19 pandemic, the federal government provided Clark County (County) with funding to assist individuals facing eviction and potential homelessness as a result of financial hardships brought on by the pandemic. This funding was provided by the Coronavirus Aid, Relief, and Economic Security Act (CARES). In May 2020, the Board of County Commissioners apportioned \$30 million for housing assistance.

Using this funding, in July 2020, the County established the CARES Housing Assistance Program (CHAP). Clark County Social Service worked with 14 non-profit community partners to process CHAP applications for housing and utility assistance. The program allowed for payment of rent, mortgage, and utility arrears back to March 1, 2020. At the program launch, the Las Vegas - Paradise Metropolitan Statistical Area had a 20.1% unemployment rate<sup>1</sup>.

Beginning in June 2020, Social Service worked with the County's Information Technology department and IBM, a software technology company, to enhance the existing Automated Case Management and Eligibility System (ACES) software application. Through a series of updates, system enhancements, expanded licenses and programming changes, the department was able to develop the online CHAP portal. This came at a cost of approximately \$1.25 million via funding from the CARES act.

In October 2020, the County formally launched the CHAP online portal, which allowed tenants the option to apply for assistance virtually, without having to appear in-person. The launch of the portal also signaled a move away from using community partners for case processing.

New applications were temporarily paused in late December 2020, while new federal eligibility requirements and funding sources were finalized.

In January 2021 the United States Department of the Treasury formally launched the Emergency Rental Assistance (ERA) Program established by the Consolidated Appropriations Act, 2021 (referred to as ERA 1 by the U.S Treasury). Funding was provided directly to state and local municipalities. The program allowed the County to continue processing CHAP applications.

<sup>1</sup> Statistic from State of Nevada Department of Employment, Training & Rehabilitation Research & Analysis Bureau. <https://nevadaworkforce.com/Area-Profiles/Las-Vegas-Paradise-MSA>

In March 2021, the CHAP portal re-opened for new applications with new eligibility requirements. Around this time, the County received additional funding through the American Rescue Plan Act of 2021 (referred to ERA 2 by the U.S Treasury)

In December 2021, the Board ratified agreements between the County and the State, City of Las Vegas, City of Henderson and City of North Las Vegas to sub-grant their ERA funds to the County. In doing so, the County became the regional lead for emergency rental assistance.

The sub-granting of funds allowed the County to serve nearly all of Southern Nevada through the CHAP portal. It also put the responsibility of administering a large volume of funds on the County.

**Sub-Granting by State and Cities Results in Centralized Rental Assistance**

The following sub-award agreement amounts were entered in December 2021:

State of Nevada	\$93,800,000
City of Las Vegas	19,406,330
City of Henderson	9,584,867
City of North Las Vegas	7,240,000
<b>Total</b>	<b>\$130,031,197</b>

**CHAP Eligibility**

To be eligible for CHAP assistance, applicants needed to be in a household obligated to pay rent on a residential dwelling and demonstrate the following:

1. **Financial Impact:** One or more individuals within the household qualified for unemployment benefits, experienced a reduction in household income, incurred significant costs, or experienced other financial hardships during or directly due to the COVID-19 pandemic;
2. **Risk of Homelessness or Housing Instability:** One or more individuals within the household demonstrated a risk of experiencing homelessness or housing instability; and
3. **Income Level:** The household had a household income at or below 80% of the area median income.

An eligible applicant received up to 18 months of assistance, comprised of 15 months of past-due rent, plus an additional 3 months of rent, if necessary, to ensure housing stability. The aggregate amount of financial assistance an eligible applicant could receive, when combining

financial assistance under ERA 1 and ERA 2, could not exceed 18 months.

The CHAP application submission and review process was performed electronically through the Social Service's Automated Case Management and Eligibility System (ACES). The program required supporting documentation from applicants and additional confirmation from the applicant's landlord.

On the applicant side, supporting documentation generally included lease agreements, paystubs, unemployment benefit statements (*if applicable*), and property management agreements (*if applicable*). Income and COVID-19 impact attestation documents were also accepted.

### U.S Treasury Emphasized Timely Payments and Reduced Eligibility Barriers

The United States Emergency Rental Assistance (ERA) program, which funded the County's CHAP program, had documentation requirements that differed from other assistance programs in several ways.

1. **Documentation Flexibility:** The ERA program allowed grantees to be flexible in the form of documentation they required. They could accept photocopies, digital photographs of documents, e-mails, or attestations from employers, landlords, caseworkers, or others with knowledge of the household's circumstances. Grantees were also required to obtain attestation from applicants indicating that all information provided was correct and complete. The United States Treasury aimed to extend emergency assistance to vulnerable populations without imposing undue documentation burden<sup>2</sup>.
2. **Self-Attestation:** Treasury guidance also encouraged ERA grantees to eliminate unnecessary documentation burdens and utilize self-attestation to document each aspect of a household's eligibility. This approach was designed to help expedite the distribution of aid to eligible households.
3. **Landlord Participation and Direct-to-Tenant Payments:** The Treasury believed that the rental assistance program was most effective and efficient when the

<sup>2</sup> United States Treasury, Emergency Rental Assistance Program, Frequently Asked Question #1 indicates that requirements provide for various means of documentation so that grantees may extend this emergency assistance to vulnerable populations without imposing undue documentation burdens. It also indicates that the Treasury strongly encourages grantees to avoid establishing documentation requirements that are likely to be barriers to participation for eligible households, including those with irregular incomes. This guidance is available at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/faqs>.

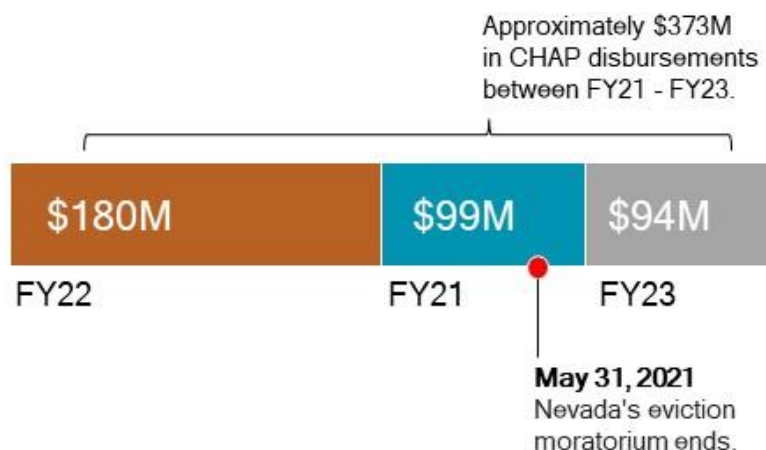
landlord participated in the program<sup>3</sup>. However, the Treasury acknowledged that there would be cases where a landlord would not participate in the program. For this reason, the Treasury allowed grantees to provide assistance directly to tenants after seeking but failing to obtain landlord participation.

In summary, the Treasury created documentation requirements aimed to allow for more benefit distribution during a critical time. However, the grantees were tasked with striking a balance between speed, verification, and fraud prevention.

### County Provided Millions of Dollars in Rental Assistance During the Pandemic

CHAP played a crucial role in supporting households during the COVID-19 pandemic. Between July 1, 2020, and June 30, 2023, the County disbursed approximately \$373 million in housing assistance through CHAP with the bulk of the payments being disbursed in Fiscal Year<sup>4</sup> 2022, as seen in Figure 1.

**Figure 1.** In three years, the County disbursed \$373M in CHAP funds.



**Source:** Auditor analysis of financial data in the County's rental and indigent support ledgers.

CHAP provided utility payments and past due rental assistance to eligible clients. Looking at the payment data between October 2020, when the CHAP portal went live, through August 11, 2022, when COVID-19 cases started to taper<sup>5</sup>, Social Service processed 42,581 rental payments (*not including utility assistance*). These payments were for cases

<sup>3</sup> The Department of Treasury addressed direct-to-tenant assistance in its Frequently Asked Questions #12 in question 12, available at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/faqs>.

<sup>4</sup> Clark County's Fiscal Year runs from July 1<sup>st</sup> to June 30<sup>th</sup>.

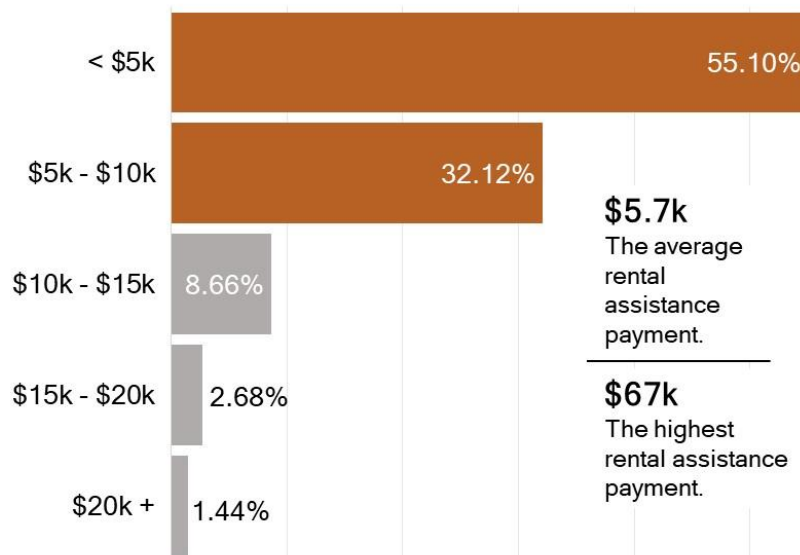
<sup>5</sup> Based on COVID-19 data reported by the Southern Nevada Health District <https://covid.southernnevadahealthdistrict.org/data/reports/>



that met eligibility requirements, with the payment generally going to the landlord<sup>6</sup>.

During this time, the average rent assistance payment was \$5,655, with most rental assistance payments falling below \$10,000, as seen in Figure 2.

**Figure 2.** The majority of rental assistance payments were less than \$10,000.



**Source:** Auditor analysis of rental payment data between October 12, 2020, and August 11, 2022. Data provided by Department of Social Service.

While the United States Treasury placed a limit on the number of months an applicant could receive assistance, it did not place a limit on the amount of the rent assistance.

Clients were able to get assistance based on submitted lease agreements and landlord verified past due amounts, which is why some payments were above the average.

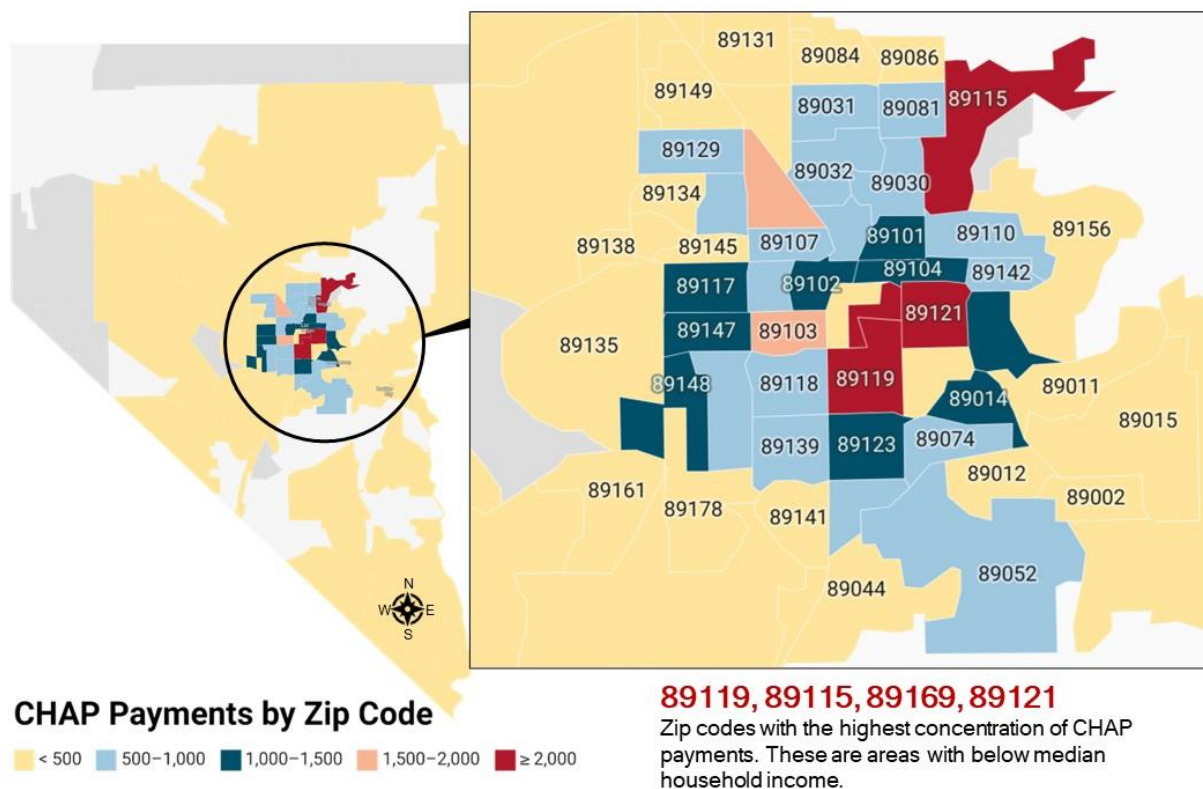
The County disbursed payments throughout the valley, including urban and rural areas.

Figure 3 breaks down total CHAP payments based on the applicant's zip code. Looking at the map, the bulk of the payments went to urban parts of the County, with the largest concentration of assistance (*based on number of payments*) going to zip codes 89119, 89115, 89169, 89121. These are

<sup>6</sup> The CHAP program aimed to provide payments directly to landlords. However, in instances where the landlord was uncooperative or would not communicate with the Department, payments were able to be sent directly to the client. The Department had a process in place before submitting payments directly to clients.

areas with below median household income based on United States Census Bureau economic data.

**Figure 3.** The highest concentration of CHAP payments was in zip codes with below median income households.



**Source:** Auditor analysis of rental payment data between October 12, 2020, and August 11, 2022. Data provided by Department of Social Service.

### Assistance from Temporary Staffing Agency

To help meet the rental assistance application demand, the County partnered with a temporary staffing agency to assist with the processing of CHAP applications. An agreement between the County and Protiviti, Inc, a subsidiary of Robert Half, was signed in September 2020 to provide these services.

Clark County Social Service provided Robert Half with CHAP training and worked closely to process CHAP applications.

At the onset of CHAP, Robert Half provided 45-55 processors, 3 team leads and 9 pod leads. This number grew as the program progressed. By late 2021, the number of Robert Half contractors expanded to 196 processors, 5 team leads and 17 pod leads, along with additional staff for the CHAP call center.

In late December 2020, as the County transitioned CHAP funding sources (*going from CARES to ERA*), there was a

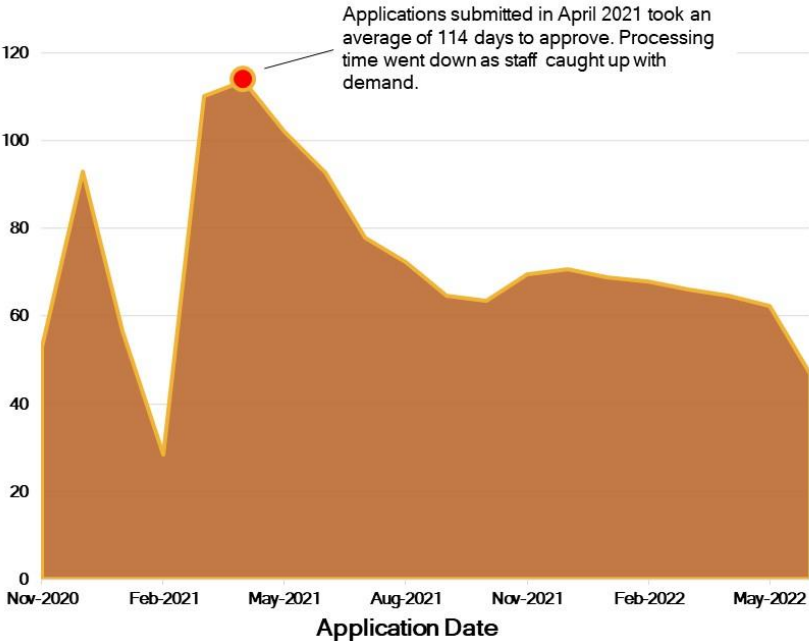
temporary pause in processing new applications. During this pause, clients were able to submit applications, but processing could not be performed as criteria rules were finalized and implemented in ACES. The CHAP portal re-opened in March 2021.

### Number of Days to Process Applications

Before the pause, CHAP Applications took generally took less than 60 days to process<sup>7</sup>. This was measured as the number of days between a client applying and the case being approved. After the portal pause, there was an uptick in the time it took to process applications. Looking at applications submitted in April 2021, it took 114 days to process and approve those applications.

Social Service worked to bring down the processing time by leveraging additional Robert Half resources. Figure 4 illustrates the trend curve for the average number of days it took to process an application based on the date the client submitted their application and the date the payment was approved.

**Figure 4.** The average number of days to process a CHAP application rose after the portal pause and then came back down after a few months.



**Source:** Auditor analysis of rental payment data between October 12, 2020, and August 11, 2022. Data provided by Department of Social Service.

<sup>7</sup> CHAP applications submitted in November 2020 took 53 days to process. CHAP applications submitted in October 2020 took 43 days to process.

## Transition to Eviction Prevention and Fixed Income CHAP

The County stopped accepting COVID-19 Pandemic CHAP applications on January 23, 2023. At that time, the department transitioned to new programs focusing on eviction prevention and housing stability for applicants with fixed income.

These programs have undergone some criteria updates, with the most recent version of the eviction prevention program going live on May 2024, and the fixed income CHAP program is expected to be updated in June 2024.

Unlike the prior CHAP program, the updated programs do not have a COVID-19 impact requirement. This is allowable under U.S Treasury guidelines<sup>8</sup>.

## Objectives

The objectives of our audit were to:

- Determine whether the Clark County Department of Social Service developed the CHAP program in accordance with federal guidelines;
- CHAP cases met program requirements; and
- Controls were in place to minimize improper or fraudulent CHAP payments.

## Conclusions

Overall, the Department of Social Service moved quickly to launch the COVID-19 housing assistance program. The Department processed CHAP applications in accordance with program rules.

Although the Department implemented some controls to minimize fraudulent disbursements, we found some questionable payments.

We also found some non-renter households that received assistance in violation of program rules, and risks with direct-to-tenant payments. Lastly, a third-party temporary staffing employee received an improper CHAP payment.

Additional findings related to the ACES application will be discussed in a separate report.

Findings are rated based on a risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal

<sup>8</sup> U.S Treasury allows ERA 2 funds to be used for other affordable rental housing and eviction prevention purposes. This is discussed in the Treasury's ERA Frequently Asked Questions portal under question #46 <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/faqs>

penalties. It also considers the impact on confidentiality, integrity, and availability of data.

## 6 Total Audit Findings

### 5 High Risk Findings



High risk findings indicate an immediate and significant threat to one or more of the impact areas.

### 1 Medium Risk Findings



Medium risk findings indicate the conditions present a less significant threat to one or more of the impact areas. They also include issues that would be considered high if one control is not working as designed.

### 0 Low Risk Findings



Low risk findings are typically departures from best business practices or areas where effectiveness, efficiency, or internal controls can be enhanced. They also include issues that would be considered high or medium risk if alternate controls were not in place.

## Findings, Recommendations, and Responses

### Cases Flagged as Potentially Fraudulent Were Approved and Paid



CHAP had a high fraud risk due to applicant's ability to self-attest to their household income and self-attest to their pandemic impact (*2 of the 3 requirements for eligibility*).

Social Service also had verification challenges with single family residential rental units. With an apartment complex, the managing entity is typically licensed through the Nevada Department of Business and is usually listed in the assessor's ownership record for the property. However, with single family residential rentals, the property can be self-managed or managed by a smaller entity. In these cases, the only means of verifying the property management arrangement would be through a property management agreement. Such agreements are not standardized and can easily be forged.

This creates an environment where an individual can use a single-family residence address and various applicants to apply for overlapping benefits and/or create forged leases to qualify for assistance. If the applicant was not applying for utility assistance, there would be limited verification options for the property management, landlord and tenant arrangement.

The U.S Treasury also did not cap the amount of rental assistance, instead providing a limit in how many months could be paid (*generally 15-18 months*). With single family residences, an individual can present a forged lease agreement with inflated rent. It was difficult for Social Service to verify the rental amount in a manner that was agreeable with the Treasury's guidelines.

The Treasury also allowed for direct payments to clients, and included provisions for when evidence of housing costs was unavailable.

Clark County Social Service mitigated some of these risks by requiring landlords to independently verify past due rent and also verifying Social Security and Taxpayer Identification numbers through the Internal Revenue Service.

As the program evolved, Social Service implemented additional fraud prevention controls. These included the following:

- Deploying a fraud review team;
- Logging cases with suspected fraud;
- Maintaining a list of suspended landlords;
- Implementing a secondary review of payments over \$15,000;
- Requiring proof of prior rent payment; and
- Programming a secondary review directly into the case management system.

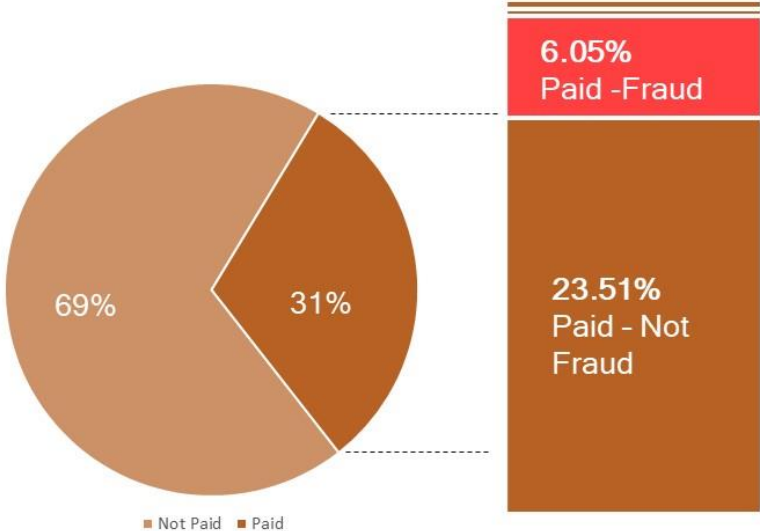
*Review of the Department's Fraud Repository Reveals \$3.2M in Questionable Payments*

We analyzed the Department's internal fraud log as of June 28, 2023. We reviewed each of the cases recorded on the log to determine whether the case was paid, and whether the fraud reviewer's notes indicated a questionable/fraudulent transaction.

There was a total of 3,752 entries in the fraud log. The bulk of the cases suspected of being fraudulent did not get paid, either because the client withdrew the application, or the case was denied because the client did not provide additional clarification. However, approximately 6% of the cases on the fraud log were paid. Figure 5 illustrates the percentages.

The amount of questionable/fraudulent paid cases totals \$3,196,697.94.

**Figure 5.** Breakdown of fraud log case disposition.



**Source:** Auditor analysis and review of the Department's fraud log.

Some fraud was discovered after a case was approved. Examples of this would be an individual that submitted a false

property management agreement that, when cross referenced to the case management system, revealed previously approved cases. These cases would then be added to the fraud log to have a record of the event. Another example would be a landlord suspended from the program who had cases previously approved by Social Service.

Some of the schemes we identified include the following:

1. **False representation:** Individuals represented themselves as property managers for single family residences but had no relationship to the actual property owner.
2. **Overlapping tenants:** 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.
3. **Tenant Farming:** Some individuals solicited others to apply for assistance at multiple properties with questionable documentation for properties not under their ownership.
4. **False representation of uncooperative landlord:** Some individuals indicated that their landlord was uncooperative and obtained direct payment to pay back rent. At eviction hearings, landlords indicated that rent was never paid.

Under Clark County Code of Ordinances, a Social Service applicant who willfully commits fraud has committed a misdemeanor:

**Clark County Code of Ordinances, Title 2, Chapter 2.48 Social Service Department:**

2.48.120 - Penalty for applicant fraud.  
Any person applying for assistance shall provide all required information. An applicant who willfully and with the intent to defraud supplies incorrect information or who willfully with the intent to defraud withholds pertinent information will be guilty of a misdemeanor.

The U.S Treasury encouraged timely processing and allowed for flexible documentation submittals and self-attestation. Some fraud schemes may never be discovered due to the nature of the program.



*Recommendation*

- 1.1 Refer all suspected fraudulent CHAP cases to the United States Treasury Office of Inspector General.
- 1.2 Consult with the Deputy District Attorney assigned to the department to determine whether suspected fraud cases warrant criminal referral.
- 1.3 Assess staff capacity and consider adding messaging on Social Service public webpage and CHAP portal indicating that suspected fraud or misappropriation of funds can be reported to the department. Referrals would then need to be investigated.
- 1.4 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. Possible solutions include SAS Payment Integrity for Social Benefits and United States Treasury, Do Not Pay (DNP) portal. This would be especially important should another large program need to be rolled out quickly.

*Management Response*

- 1.1 As part of the established fraud procedures, cases are escalated to the U.S Treasury Office of Inspector General only after a conviction of fraud has been secured, following an initial referral to the Deputy District Attorney (DDA).

Department is working with the DDA to review current fraud processes to evaluate and determine the most appropriate course of action.

- 1.2 As part of the established fraud procedures, cases are escalated to DDA based on upon recommendations of the CCSS Fraud Administration.

Department is working with DDA to evaluate and determine the best course of action for identifying and communicating suspected fraud cases that warrant criminal referral.

- 1.3 Department is assessing the feasibility and timeline for potential implementation of this recommendation. This evaluation will consider staff capacity and current and projected work volume. Additionally, the Department will research comparable programs in other jurisdictions and consult with the District Attorney.
- 1.4 The Department is currently exploring various options. As of September 6, 2024, we have reached out to the U.S Department of the Treasury's Bureau of Fiscal Service's Do Not Pay (DNP) Business Center and SAS Payment

Integrity to inquire about the respective payment integrity solutions.

The Department had an initial meeting with SAS on Thursday, September 11, 2024, to discuss services. SAS will be reaching back out to include someone from their fraud prevention team.

The DNP Working System is available only to state-administered programs that are federally funded.

Other factors influencing our decision on whether, how and when to proceed include IT compatibility, departmental approval and budget considerations.

### Cases Processed by Social Service Staff Were Not Reviewed Prior to Payment



Clark County Social Service used internal staff and a contracted vendor to process CHAP applications. Between the program launch and October 2022, cases processed by internal staff did not include a secondary review.

We used professional judgement to select 82 CHAP cases processed in Fiscal Year 2022. Of the 82 cases, 18 did not have a review performed. These were cases processed by internal staff.

A secondary review is a sound practice and is also required by federal code<sup>9</sup> for entities that receive federal funds. By not having a secondary review, errors, non-compliance with program rules, and fraud could go undetected. During this same period, we found three errors in cases that Social Service would have found with a secondary review. Those errors are listed in Table1.

**Table 1.** Some errors that would have been found with a secondary review.

Description of Error	Financial Impact
<b>Error 1:</b> The case did not have the client's rental agreement on file. The document on file is a partial lease agreement ( <i>page 1 of addendum</i> ). Although the rent in arrears is	\$3,998

<sup>9</sup> Title 2 Code of Federal Regulation, section 200.303 indicates that the internal controls required to be established by a non-federal entity receiving federal awards should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (the Green Book) or the “Internal Control Integrated Framework” (revised in 2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). A supervisor review for allowability, adherence to cost principles, accuracy and completeness is a control activity.

confirmed through the landlord verification form, the lease agreement is required by department policies. The lease agreement helps with establishing client address and rent payable, and supports amounts provided by the landlord.	
<b>Error 2:</b> The caseworker calculated the utility benefit incorrectly.	\$52
<b>Error 3:</b> The client was originally denied assistance due to being terminated for cause. Although the client provided a self-affirmation of financial hardship due to COVID, the evidence provided by the client indicated otherwise. As such, the client did not meet program eligibility. The client appealed the decision and Social Service subsequently approved the payment. We believe the approval was not appropriate based on the program rules.	\$5,210
<b>Total</b>	<b>\$9,260</b>

Source: Auditor testing.

The external auditors also identified the lack of secondary review as an issue in the County’s Single Audit (*an audit required for entities that expend \$750,000 or more of federal assistance in a fiscal year*).

Although internal staff did not perform a secondary review, the contracted third party did perform a secondary review prior to case approval. The third-party contractor processed the bulk of CHAP cases. In Fiscal Year 2022, there were 36 internal staff members processing CHAP applications. In January 2022, there were 226 Robert Half processors.

*Recommendation*

Effective October 17, 2022, management implemented a secondary review over cases processed by internal staff.

In March 2023, Social Service implemented an enhancement to ACES that added a secondary review requirement. Supervisors must now approve all CHAP cases, in ACES, prior to benefit approval.

*Management Response*

We did not request a management response for this finding.

## Non-Renter Households Received Utility Assistance Even Though They Were Not Eligible under ERA Rules



The ERA program does not allow non-renter households, e.g., property owners/mortgage holders, to receive program benefits. This includes utility assistance. *NOTE: it was briefly allowed while CHAP was funded through the CARES Act.*

For Fiscal Year 2022, we identified a total of 308 utility payments to Republic Services Waste Disposal for a total of \$84,536. We used professional judgement to select 50 cases/payments for review. Of the 50 reviewed cases, we found 30 instances (*totaling \$33,427*) where the client was a homeowner/mortgage holder and received utility assistance (*via a payment to Republic Services*).

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 (*for clients with mortgages*) was not allowed, but utility assistance was.

Two pieces of legislation authorized funding for Emergency Rental Assistance - which has been funding the CHAP program since late 2020. ERA 1 was authorized by the Consolidated Appropriations Act of 2021 and codified at 15 USC 9058a. ERA 2 was authorized by the American Rescue Plan Act (ARPA) and codified at 15 USC 9058c. Both ERA 1 and ERA 2 statutory codes define an eligible household as household obligated to pay rent:

### **15 USC 9058a: Emergency rental assistance**

(k) Definitions

In this section:

(3) Eligible household

(A) In general

The term "eligible household" means a household of 1 or more individuals who are obligated to pay rent on a residential dwelling...

**May a grantee provide ERA assistance to homeowners to cover their mortgage, utility, or energy costs?**

No. ERA assistance may be provided only to eligible households, which is defined by statute to include only households that are obligated to pay rent on a residential dwelling.

U.S Treasury ERA Frequently Asked Questions #20

**15 USC 9058c: Emergency rental assistance**

(f) Definitions

(2) Eligible household

The term "eligible household" means a household of 1 or more individuals who are obligated to pay rent on a residential dwelling...

Communications to clients indicated that case workers were under the impression that a client was eligible for utility assistance as long as they were not seeking mortgage assistance.

Prior to ERA funding, the CHAP program was funded through the CARES ACT, which did allow non-renter households to receive benefits, including payment of past due mortgages and utilities. However, under the current program, eligible households must have a rental obligation to meet eligibility criteria under ERA guidelines.

*Recommendation*

2.1 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/ ERA 2 grant. Doing so would identify whether additional analysis is needed to identify the total number of renters that received utility assistance, and any subsequent actions.

*Management Response*

2.1 The department is seeking contact information to obtain assistance in determining the existence of a recoup provision for the Emergency Rental Assistance (ERA) grants.

### Direct Payments to CHAP Clients Did Not Include a Fraud Team Referral - Some Direct-To-Tenant Payments Were Questionable



We found that when Social Service paid CHAP clients directly (*for past due rent*), the fraud log was not cross referenced. The fraud log is a central repository of referrals to the fraud team. This log contains case details and reviewer notes.

We analyzed Fiscal Year 2022 CHAP payment data and found approximately 736 instances of direct-to-tenant payments, totaling \$4,871,812. For this same period, total payments to individuals (*not companies*) totaled \$30,846,025.

We selected the 25 highest paid cases for additional review and found:

1. Five (5) cases where Social Service found information *after* approving the case that identified the case as

questionable/fraudulent. This is because the individual(s) re-applied for additional benefits, that, were referred to the fraud team. The fraud team then determined that they were questionable/fraudulent and denied the new applications (*however it was too late to cancel the 5 prior approved payments*). This illustrates how risky these types of transactions can be. These 5 cases totaled \$118,840 and are recorded on the department's fraud log.

2. We also found 2 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 \$53,865. In this case, there was a discrepancy in the landlord information. The other case totaled \$20,800. This one was flagged by the fraud review team (*as part of another case's referral where there was a relationship to this case*), and the client's check was cancelled.

The U.S Treasury acknowledges that sometimes landlords do not want to participate in the rental assistance program. For this reason, it allows grantees to provide benefits directly to the applicants, as long as the grantee takes reasonable efforts to obtain cooperation from the landlord. This is defined as a communication attempt via e-mail, at least three times, over five days. Clark County Social Services required three communication attempts before a client could request a direct payment.

Although it is not an explicit federal requirement, we believe the fraud team should review all payments made directly to clients (*should this be allowed in future iterations of the CHAP program*).

#### *Recommendation*

- 3.1 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. The Fraud team should reference the fraud repository prior to approving the case.

#### *Management Response*

- 3.1 The department no longer allows direct-to-tenant payments for any of its rental assistance programs. Recommendation will be implemented if we resume practice of paying tenants directly.

## We Found Cases Where the Payment Amount Exceeded the Average Median Rent and Discrepancies Were Not Resolved before Approval



During our fieldwork, we identified cases in Fiscal Year 2022 where the payment exceeded U.S. Department of Housing and Development (HUD) guidelines for average median rent extrapolated over 18 months.

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. Table 2 lists those cases.

**Table 2.** Some discrepancies were not resolved prior to case approval.

Description of Issue	Case Payment
<b>Case 1:</b> 18 months of arrears were paid directly to the client. The property is a single-family residence. The payment was sent directly to the tenant/client due to lack of response from landlord. Social Service attempted to contact the landlord by an e-mail provided by the client. The landlord's name on the lease agreement is different from the name on the recorded deed, and there was no mention of a property manager on the lease agreement. Case processors identified the name discrepancy but approved the case for payment before resolving the issue.	\$53,865
<b>Case 2:</b> 12 months of arrears were paid directly to a client. The property is a single-family residence. Social Service sent the payment directly to the tenant/client due to a lack of response from the landlord. Social Service attempted to contact the landlord via e-mail provided by the client. The landlord's name on the lease agreement matched the recorded deed but did not match the landlord's name provided by the client. The case processor did not identify the name discrepancy, so it was not resolved prior to approval.	\$45,125
<b>Case 3:</b> The tenant/client had an Illinois driver's license that was issued two weeks before they signed the submitted lease agreement. The submitted layoff letter had an	\$39,250

<p>address for a regional supermarket, but the name of another non-related company. The layoff letter shows the person was laid off as of 11/01/2021 but was signed by a supervisor with date underneath of 11/02/2020. We believe the case worker should have resolved this before proceeding forward. We also found similarities in the signatures for the landlord and client.</p>	
<p><b>Case 4:</b> The property is a single-family residence. This case is questionable because the property owner, from the County assessor’s record, does not match the landlord/payee. The lease agreement has no mention of the actual property owner. The presented lease agreement indicates a company with no tie to the property owner. The W9<sup>10</sup> for the payee has a California address belonging to a retail post office box. Further, the Nevada Real Estate Division has no record of the listed property management company. The represented monthly rent is grossly higher than median average for property size.</p>	<p>\$50,250</p>
<p><b>Total</b></p>	<p><b>\$ 188,490</b></p>

Source: Auditor testing.

We believe the above cases were a result of staff oversight. However, Social Service should review these cases further and add them to the Department’s fraud log for additional escalation.

*Recommendation*

- 4.1 Provide periodic communications (*at least quarterly*) on property ownership documentation requirements and tools that can be used to verify property managers and property ownership.
- 4.2 Review the above cases and add them to the Department’s fraud log, if appropriate.

*Management Response*

- 4.1 The Department is enhancing its training unit, resulting in more frequent refresher trainings and improved communication of reminders on various topics, including the verification of property documentation requirements.

Additionally, the initial implementation and subsequent refinement of the Department’s secondary review process

<sup>10</sup> Form W-9 is used to capture a taxpayer’s Identification Number (TIN) or Social Security number to file an information return with the Internal Revenue Service (IRS).



have significantly benefited on our quality assurance efforts, reducing the rate of errors and oversights:

- The Department implemented a secondary review process in October 2022.
- Automation of the secondary review was integrated into ACES in March 2023.

The employees conducting the secondary reviews are diligent in their investigations. Identified errors are communicated to the responsible individuals as constructive feedback, ensuring they have the necessary knowledge and information to perform their duties effectively.

In addition to the secondary review process, all checks for \$15,000 and above are referred for additional management review and approval. As part of this process, the manager reviewing the case verifies property managers and property ownership.

4.2 The cases listed in the audit report (Table 2, Page 22) do not include any case identifiers.

Once the County's Audit Department provides the information, the Department of Social Service will review the cases, and if appropriate they will be added to the Department's fraud log.

### A Contracted Employee Did Not Provide Income Documentation and Received a Direct Chap Payment



We identified 226 Robert Half contractors as of January 14, 2022. From this 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.

In this case, Social Service could not establish communication with the landlord. This triggered the department's unresponsive landlord policies. As discussed previously, this allows for payments directly to applicants (*after making 3 unsuccessful attempts to contact the landlord*). This is generally allowable under Treasury guidelines. In this case, the employee provided a false landlord/property management e-mail address. This prevented the case worker from actually contacting the landlord/property manager.

The employee also indicated they had zero income, even though they were employed by Robert Half prior to applying for CHAP. Overall, we believe the approval was inappropriate

and the employee used their knowledge of the program to obtain a direct payment.

The department has established policies and procedures to handle employees/contractors who apply for assistance. The employee in question separated in June 2023.

### *Recommendation*

5.1 Develop an ad-hoc database report where names of department employees or contracted vendor employees are recorded and then cross referenced against approved cases (*for all programs*). Perform this analysis periodically. If matches occur, review cases for conformance with program rules.

### *Management Response*

5.1 The Department's tech team is creating an ad-hoc report. The turnaround time is two months.

The report requirements and parameters:

- Report name: ACES Users vs Approved Products
- Frequency: Monthly
- Report run date: First day of the following month being reviewed (i.e., Report for August 2024 will be run on September 1, 2024)
- Report Recipient: S Moore, W Amaya
- Report details: Develop a database report where names of department employees or contracted vendor employees (to include ACES users) are recorded and then cross referenced against approved cases (for all programs).
  - Initial report will be cumulative from 07/01/2013 through data report is run, will then be produced monthly.
  - Include Department staff first and last name.
  - Report will need to run against all household members (not just primary) per PDC approval.

## Appendix A: Audit Scope, Methodology, and GAGAS Compliance

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### Scope

The audit covered the period from October 12, 2020, through July 1, 2023, for COVID-19 CHAP cases and July 1, 2023, through March 27, 2024, for Eviction Prevention CHAP cases. The last day of field work was June 10, 2024. This audit was performed at the request of the Audit Committee.

### Methodology

To accomplish our objectives, we performed a preliminary survey where we gathered background information, reviewed program expenditures for Fiscal Year 2022, reviewed applicable laws and regulations, and interviewed staff and management. We then identified risks relevant to our audit objective.

Based on the risks identified during our preliminary survey, we developed an audit program and then performed following procedures:

- Used professional judgement to select 82 CHAP payments in Fiscal Year 2022 (*out of 50,264*). For each payment, we retrieved the corresponding case file and determined whether the approval was warranted by confirming:
  - Applicant identification was verified;
  - Applicant and landlord signatures were captured;
  - Housing, COVID impact and income documentation was obtained, retained and correctly transposed into the case management system (*ACES*);
  - Household income was correctly calculated, and below 80% of area median income, per U.S Department of Housing and Urban Development (*HUD*);
  - Monthly rental obligation, per case processor, agreed with client provided lease agreement and past due rent agreed to the landlord verification form;
  - Late fees and utility assistance (*if any*) were supported and correctly calculated;
  - Landlord name in the case file agreed to the client provided lease agreement, property management agreement and/or ownership record per County Assessor;
  - Applicant resources were offset against benefit (*if applicable*);
  - Total months of rental assistance did not exceed program limits;
  - Total assistance was correctly calculated; and
  - A secondary review was performed.

- For each of the 82 CHAP cases we also used professional judgement to determine if the number of days between application date and case approval date was reasonable.
- Identified Fiscal Year 2022 CHAP payments that exceeded 18 months of the Las Vegas average fair market average median rent, per HUD. Then used professional judgement to select 12 of the corresponding cases (*out of 147*) to determine whether the approval was supported and appropriate.
- Identified approximately 736 Fiscal year 2022 direct-to-tenant CHAP payments. Then used professional judgement to select 25 corresponding cases to determine whether the approval was supported and appropriate.
- Generated a list of unique entities that received Fiscal Year 2022 CHAP rental payments (*4,847 entities*). From this listing, traced the corresponding client address to the County assessor to identify single family residence landlords with 3 or more overlapping payments at the same address. Then reviewed each corresponding case (*total of 8 of landlord with 42 cases*) to determine whether the approvals were supported and appropriate.
- Generated a listing of all Clark County Social Service employees for the period of March 2020 to June 2022 (*total of 282 employees*) to identify employees that received a CHAP payment in Fiscal Year 2022. The case where the employee was paid (*total of 1*) was reviewed to determine whether the approval was supported and appropriate.
- Compared the Robert Half contractor roster, as of January 14, 2022 (*total of 226 contractors*), to the Fiscal Year 2022 CHAP payment data to identify contractors that received a payment. The case where the employee was paid (*total of 1*) was reviewed to determine whether the approval was supported and appropriate.
- Analyzed Fiscal Year 2022 CHAP payment data to identify cases where applicant was a Robert Half contractor. Reviewed all five corresponding cases to determine whether the approval was supported and appropriate.
- Used professional judgement to select 25 overturned denials in Fiscal Year 2022 (*out of 227*) to determine whether the subsequent disposition was supported, and the client provided the requisite documentation to support the overturn.
- Used professional judgement to select 25 denial appeals Fiscal Year 2022 (*out of 6,613*) to determine whether:
  - Client was given the requisite amount of time to provide documentation before denial;
  - At least three communication attempts were made before denial; and
  - Denials were based on program criteria (*as applicable*);
- Reviewed the Department's fraud log (*as of June 2023*) to determine the disposition of each case listed in the log (*3,752 total cases*). Cases were categorized as being paid or not paid

and then further reviewed to determine whether fraud reviewer notes indicated a questionable/fraudulent case.

- Used professional judgement to select 50 waste management utility payments in Fiscal Year 2022 (*out of 308*). For each payment, the corresponding case was reviewed to determine if the household had a rent obligation.
- Reviewed the case history (*two cases*) for a defendant charged with embezzling rental payments for a large apartment complex. Each case was reviewed to determine the disposition and appropriateness of the case.
- Used professional judgement to select 15 CHAP Eviction/Eviction Prevention payments out of approximately 1,807 payments in Fiscal Year 2024. Then reviewed the case corresponding to the payment to determine whether the eviction CHAP case was appropriately approved based on documentation and client demonstrated program eligibility.
- Reviewed the Department's CHAP application procedures, eligibility criteria, and documentation requirements to determine if they agreed with the U.S Emergency Rental Assistance (ERA) grant requirements.
- Used professional judgement to select one ERA 1 and one ERA 2 monthly compliance report to confirm the amounts listed in the report agreed with source records and calculated correctly.
- Confirmed that the Department's administrative costs for the ERA 1 and ERA 2 programs were within the requisite threshold of 10 and 15 percent, respectively.
- Reviewed the Department's CHAP policies and procedures to determine whether they were comprehensive, in written form, available to staff and inclusive of major program criteria.
- Analyzed the Fiscal Year 2024 CHAP payment data (*as of March 14, 2024*) to identify duplicate payments based on amount, client, and payee. Then reviewed each of the corresponding cases (*total of 21*) to determine whether payments were appropriate.

While some samples selected were not statistically relevant, we believe they are sufficient to provide findings for the population as a whole.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal control are included in the detailed results.

## Standards Statement

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions

based on our audit objectives. Our department is independent per the GAGAS requirements for internal auditors.