togetherforbetter

AUDIT REPORT

Social Services Resolved 4 of the 6 Findings from the Original CHAP Audit

July 2026

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

The Social Services Department Resolved 4 of the 6 Findings from the Original CHAP Audit

Audit Executive Summary
July 2026

Background

In October 2024, we audited Clark County Social Services' CHAP Rental Assistance program. The CARES Housing Assistance Program (CHAP) was developed in response to the COVID-19 pandemic and designed to provide housing and utility assistance to eligible households. The program transitioned to Eviction Prevention and Fixed Income Rental Assistance in December of 2023 and has completed its allocation of available dollars and is no longer accepting applications. We identified the following six findings in the original audit:

- Cases flagged as potentially fraudulent were approved and paid (High Risk);
- Cases processed by Social Services staff were not reviewed prior to payment (High Risk);
- Non-renter households received utility assistance even though they were not eligible under applicable grants (High Risk);
- Direct payments to CHAP clients did not include a fraud team referral – some direct-to-tenant payments were questionable (High Risk);
- Cases where the payment amount exceeded the average median rent and discrepancies were not resolved before approval (High Risk); and
- A contracted employee did not provide income documentation and received a direct CHAP payment (Medium Risk).

Why We Did This Audit

We conducted this audit to determine whether Social Services implemented corrective action to resolve the original audit findings.

What We Found

We found that 4 of 6 original audit findings were resolved.

Two high risk findings were not sufficiently resolved. Social Services did not conduct an in-depth analysis of erroneous payments identified during the original audit or repay the federal government for those payments. They also referred very few suspected fraud cases to the authorities.

Implemented corrective actions to resolve the findings included the following:

- The Department formed a Risk Mitigation Team.
- Policies & procedures were updated to indicate utilities may only be paid on behalf of renters.
- The Eviction Prevention Training manual was updated indicating payments must be made directly to landlords.
- Social Services created a monthly report that compares employee names to approved case names. Management reviews any matches to confirm compliance with program criteria.

See the audit report for additional details. For more information about this or other audit reports go to clarkcountynv.gov/audit or call (702) 455-3269.

Audit Team

Angela Darragh, Director
Cynthia Birney, Audit Manager
Felix Luna, Principal Auditor
Tracy Banks, Internal Auditor

Audit Committee

Commissioner Michael Naft
Commissioner April Becker
Commissioner William McCurdy II

About the Audit Department

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.

You can obtain copies of this report by contacting:

Clark County Audit Department
PO Box 551120
Las Vegas, NV 89155-1120
(702) 455-3269

CountyAuditor@ClarkCountyNV.gov

Or download and view an electronic copy by visiting our website at:

https://www.clarkcountynv.gov/audit/Pages/AuditReports.aspx

Table of Contents

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.

The Department of Social Services moved quickly to launch a COVID-19 emergency rental assistance program. In October 2024, we audited the CHAP Rental Assistance program administered by Social Services[1]. The department processed cases in accordance with program rules, but some questionable payments were approved. We identified the following six findings in the original audit:

- Cases Flagged as Potentially Fraudulent Were Approved and Paid: During the original audit we found questionable/potentially fraudulent paid CHAP cases in the total of $3,196,697.97 on Social Services fraud log (as of June 28, 2023) (High Risk);

- Cases Processed by Social Services Staff Were Not Reviewed Prior to Payment: Social Services used internal staff and a contractor vendor to process CHAP applications. Between program launch and October 2022, cases processed by internal staff did not include a secondary review (High Risk). *NOTE: This issue was fixed before issuance of the original audit report*;

- Non-Renter Households Received Utility Assistance Even Though They Were Not Eligible Under Applicable Grant Rules: Thirty (30) instances (*totaling $33,427*) where the client was a homeowner/mortgage holder and received utility assistance (High Risk);

- Direct Payments to Chap Clients Did Not Include a Fraud Team Referral: Some direct-to-tenant payments were questionable and the fraud log was not referenced prior to case approval (High Risk);

- Cases Where the Payment Amount Exceeded the Average Median Rent and Discrepancies Were Not Resolved Before Approval: Four (4) cases that were questionable and had unresolved discrepancies prior to approval. The total payments for these cases were $188,490 (High Risk); and

The program was designed to provide housing and utility assistance to eligible households. The program transitioned to Eviction Prevention and Fixed Income Rental Assistance in December of 2023. The Clark County Eviction Prevention and Fixed Income Rent Assistance programs have completed its allocation of available dollars and is no longer accepting applications.

- A Contracted Employee Did Not Provide Income Documentation and Received a Direct Chap Payment: A contracted employee received an improper, direct CHAP payment in the amount of $8,450 by purposely using a wrong landlord email address (Medium Risk).

Objective

The objective of this audit was to determine whether corrective actions were implemented to address the finding conditions identified in the original audit.

Conclusions

We found that 2 high risk findings were not sufficiently resolved. Social Services did not refer most suspected fraud cases to law enforcement. Further, they did not conduct an in-depth analysis of erroneous payments identified during the original audit or repay the federal government for those payments.

The other 4 original audit findings were resolved. To resolve the findings, Social Services implemented the following corrective actions:

- The Department formed a Risk Mitigation Team.
- Social Services researched the US Treasury's Do Not Pay Center and found it is only available to state-administered programs. Social Services additionally sought input from SAS (*a vendor who provides a payment integrity solution*) and Clark County Information Technology and was advised that a payment integrity solution would only need to be pursued if there was another large-scale assistance program similar to CHAP.
- Policies and procedures were updated to indicate utilities may only be paid on behalf of renters.
- The Eviction Prevention Training manual was updated indicating payments must be made directly to landlords and not directly to clients.
- Four CHAP cases identified in the original audit as questionable were added to the department's internal log of questionable applications/payments.
- A custom monthly report was created to compare Social Services and contracted vendor employee names to approved cases in ACES[2]. When applicable, these cases are reviewed for conformance with program rules.

[2] ACES is the department's automated case management system.

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 penalties. It also considers the impact.

See Appendix A for additional details on work performed.

4 of 6 Original Audit Findings Were Fully Resolved

3 of 5 High Risk Findings Fully Resolved

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

1 of 1 Medium Risk Findings Fully Resolved

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.

Outstanding Findings

Cases Flagged as Potentially Fraudulent Were Approved and Paid - Partially Resolved

In the original audit, we found cases that were flagged as questionable/ potentially fraudulent in the department's internal log of cases requiring additional review that were approved and paid.

These questionable/potentially fraudulent CHAP cases totaled $3,196,697.97 and were listed on the department's log as of June 28, 2023. (This does not include items on the log that were not paid or determined to be valid.) However, except for a small number of cases (3), the department did not follow up with a final disposition or report the suspected fraud to law enforcement.

To address the audit findings, the department formed a Risk Mitigation Team. This team focuses on fraud identification and prevention and is currently in the process of drafting Standard Operation Procedures.

Those procedures will include steps to refer suspected fraud cases to the Clark County District Attorney's office and/or the US Treasury.

Not pursuing charges in these types of cases could result in the federal government reducing grant funds for the County.

Although CHAP program funding has been exhausted, a newly proposed federal reporting requirement may prompt renewed review of the program's expenditures. On February 4, 2026[3], the U.S. Department of the Treasury announced its intent to establish a separate reporting system for Treasury-administered financial assistance programs, including the Emergency Rental Assistance (ERA) program, which funded a significant portion of CHAP.

Non-Renter Households Received Utility Assistance Even Though They Were Not Eligible Under ERA Rules – Not Resolved

In the original audit, we found that non-renters received utility assistance even though they were not eligible under applicable grant rules. The Emergency Rental Assistance (ERA) grant legislation only authorized funding for assistance to rental households.

We found 30 instances in the original audit (*totaling $33,427 for Fiscal Year 2022*) based on a judgmentally selected sample where the client was a homeowner/mortgage holder and received utility assistance for waste collection services and payment was funded by the ERA grant. We also found standard communication between case workers and clients indicating that mortgage assistance could not be processed but utility assistance was possible.

We were unable to determine how long this misinterpretation was in place; the 30 exceptions were paid between July 2021 and June 2022. In the original audit, we recommended that Social Services contact the U.S Department of the Treasury for information on repayment requirements. Until our follow-up work, Social Services was unsuccessful in contacting Treasury and did not conduct any additional analysis of payments to determine the full extent of the error.

As part of our follow-up work, we reviewed the 30 previously identified cases for payments made to additional utility providers. We identified an additional $49,843 for those 30 cases.

While the original finding was an error during a time of high-volume activity, failing to correctly address the issue in a timely manner compounded the problem. If issues like this are not resolved promptly, there is the potential for County liability under federal law, which may include penalties and interest and limits to future grants.

[3] https://www.federalregister.gov/documents/2026/02/04/2026-02234/privacy-act-systems-of-records

There is also a risk[4] [5] of future retroactive compliance consequences if the U.S Treasury uses cross-program data aggregations as part of the newly proposed reporting system discussed above.

Recommendations

1. Determine the extent of the errors or fraudulent payments in accordance with federal guidelines and repay the U.S. Treasury.

2. Implement a comprehensive compliance program within the department. This should include the following:

   a. Designation of a compliance officer responsible for overseeing grant compliance.
   b. Training for management and staff involved with grants on compliance requirements and ramifications for noncompliance.
   c. A reporting structure for suspected fraud or noncompliance.
   d. Periodic monitoring procedures for grant compliance.
   e. Policies and procedures for responding to suspected fraud and reporting to appropriate authorities.
   f. Repayment policies and procedures for erroneous grant payments.

Management Action Plan

(Social Services)

1. **Determine the extent of the errors or fraudulent payments in accordance with federal guidelines and repay the U.S. Treasury.**
   Clark County Social Services (CCSS), Finance Department, and Comptroller's Office are in the active process of calculating errors and coordinating with the U.S. Treasury to submit repayment. It is projected this will be completed in July 2026. Additionally, Audit is coordinating with CCSS and the Attorney General to determine whether any cases can be pursued for those involving alleged fraud.

2. **Implement a comprehensive compliance program within the department. This should include the following:**

   a. **Designation of a compliance officer responsible for overseeing grant compliance.**
   In January 2025, The Project Development Team (PDT) was integrated into Social Service's Operations Unit to centralize Grant Management. The roles and responsibilities of "compliance officer" align with the Operations Unit Manager position. Additionally, PDT program staff, Finance staff, and CCSS program subject matter experts collaboratively manage day-to-day compliance. This approach reduces reliance on a single point of contact, allowing for collaborative problem-solving and high-quality program implementation.

[4] https://www.gfoa.org/materials/gfoa-submits-comments-on-treasurys-privacy-act-notice
[5] https://www.naco.org/news/treasury-proposes-new-privacy-act-records-system-slfrf-and-other-federal-assistance-program

b. **Training for management and staff involved with grants on compliance requirements and ramifications of compliance.**
Two managers and one Deputy Director attended external Grant Management training July 2025. These staff subsequently coordinated trainings on Managing Subawards (03/05/2026) and Grant Management (03/3-4/2026 and 04/7-8/2026). These training opportunities were made available to the entire department, with a targeted focus on key staff assigned to manage federal grant awards.

CCSS contracts with Nevada Grant Lab and have a Fiscal Year 2027 training planning meeting scheduled for 07/14/2026. Through this contracted agreement, specific training curriculum and credible training vendors will be identified to develop CCSS leadership and staff knowledge and skills competencies in grant compliance requirements and ramifications of compliance.

c. **A reporting structure for suspected fraud or noncompliance.**
By no later than 12/31/2026, CCSS will coordinate with assigned Department Deputy D.A., Finance Department, and the Comptroller to establish a policy and corresponding procedure for reporting suspected fraud and/or noncompliance.

d. **Periodic monitoring procedures for grant compliance.**
Policies and procedures for making awards to vendors and subrecipients guide this unit in their grant administration work. PDT maintains policies, procedures, and pre-award requirements (including department checks, risk assessments, and FFATA reporting). Finance manages fiscal compliance and drawdown submissions with built-in checks and balances. CCSS received $50,000 in the Fiscal Year 2027 budget for a vendor for annual monitoring of vendors receiving over $1M in funds.

e. **Policies and procedures for responding to suspected fraud and reporting to appropriate authorities.**
By no later than 12/31/2026, CCSS will coordinate with assigned Department Deputy D.A., Finance Department, and the Comptroller to establish a policy and corresponding procedure for responding to suspected fraud and reporting to appropriate authorities.

f. **Repayment policies and procedures for erroneous grant payments.**
By no later than 12/31/2026, CCSS will coordinate with assigned Department Deputy D.A., Finance Department, and the Comptroller to establish a policy and corresponding procedure for repayment for erroneous grant payments.

(Finance)

In an effort to exercise additional due diligence over the rental assistance program, the Department compiled a log of applications that required additional review of applications that could indicate errors and/or suspected fraudulent activity. Internally the Department titled the log “fraud log”; however, this should not be misinterpreted to indicate all applications included in the log indicated suspected fraudulent activity. We agree with the Auditor's finding in that suspected fraudulent activity should have been forwarded to an investigatory agency timely and the staff assigned was not fully aware of this requirement and did not take adequate action. The Comptroller's Office is in the process of providing additional oversight, guidance and training to departments receiving federal funding. To address this specific risk, the Comptroller will contact each department with direction to forward any suspicious activity related to federal funding to determine if follow up action is necessary.

Appendix A: Audit Scope, Methodology, and GAGAS Compliance

Scope

The follow up audit covered the period from July 1, 2025, through September 30, 2025. We considered processes in place as of September 30, 2025. The last day of field work was February 12, 2026.

Methodology

To accomplish our objectives, we interviewed staff and management from Social Services to obtain the status of the findings included in the original audit. We then performed the following procedures:

- Reviewed Social Services' current webpage to determine whether there was messaging related to reporting suspected rental/utility assistance fraud to the department.

- Obtained and reviewed the most recent internal suspicious transaction log to determine if the cases noted in the original audit were added to the log.

- Obtained and reviewed Social Services updated Standard Operating Procedures to determine the inclusion of new procedures related to secondary reviews and referrals for potential fraud.

- Reviewed the updated policies and procedures for the Eviction Prevention Program, to confirm they state utility payment assistance is only available to renters.

- Used professional judgement to select 15 rental payments (out of approximately 2,032 payments for rent) and 10 utility payments (out of 78 payments for water, sewer and waste) for Fiscal Year 2025 and 2026 (period 1-3) to confirm the client who received assistance were renters and not property owners.

- Performed expanded utility payments testing using the 30 exceptions noted in the original finding (*non-renters that received utility assistance via a waste services bill payment*) to quantify any additional utility assistance provided such as payments to Nevada Energy, Southwest Gas, water companies etc.

- Identified 195 rental assistance payments to individuals (*not a business*) in Fiscal Year 2025 and Fiscal Year 2026 and then cross referenced their name to the corresponding case's client name to confirm the client did not get paid directly.

- Used professional judgement to select a sample of 5 CHAP housing payments (*out of 2,052*) to determine whether rental assistance was paid to the correct party and property ownership was verified by both the case worker and case reviewer.

- Obtained evidence that the department has created a report and process to identify employees who have received assistance through one of the department's programs and then reviews the application for appropriateness.

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.