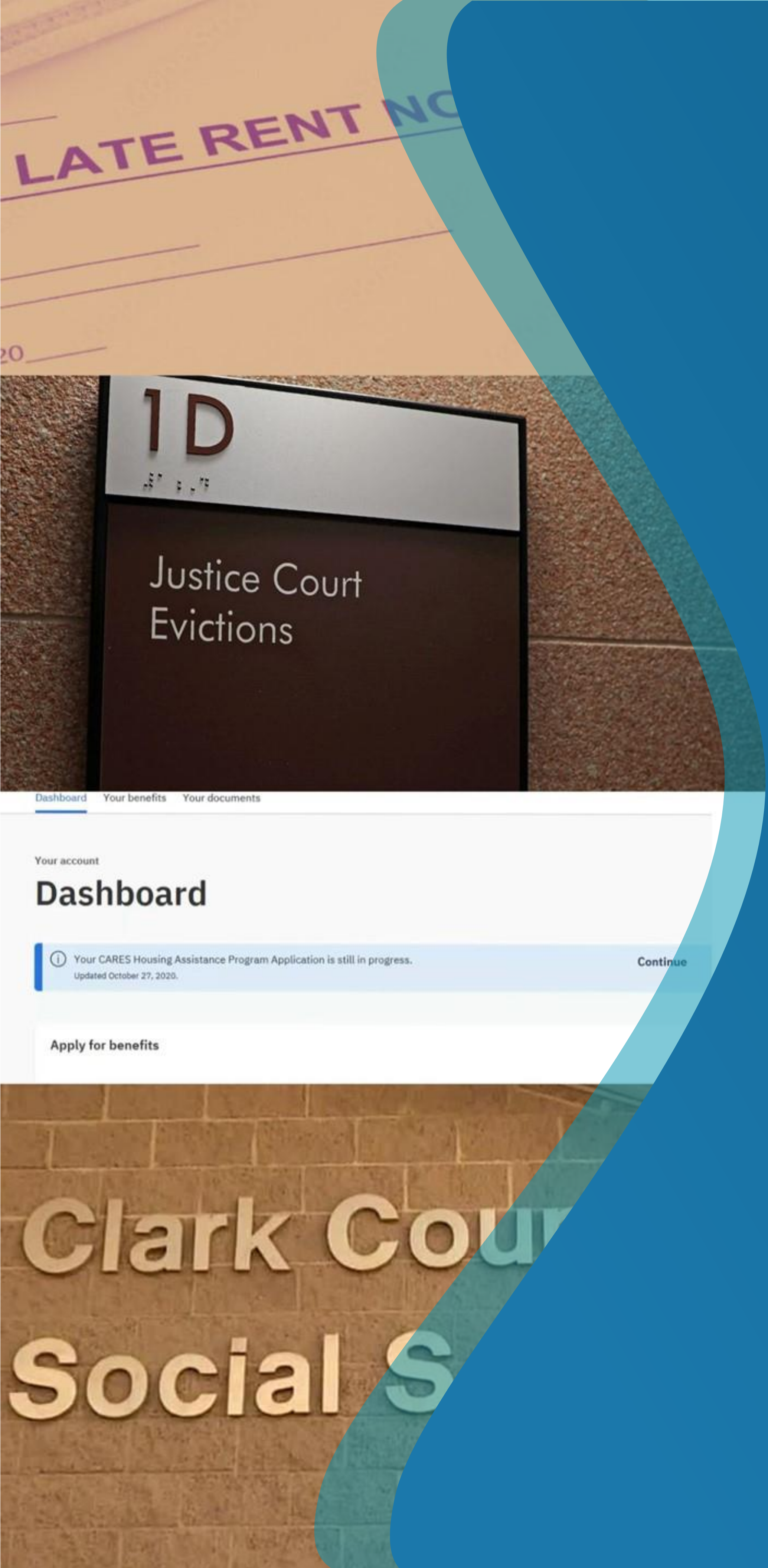

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AUDIT REPORT

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

April 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

April 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 has implemented corrective action to resolve the original audit findings.

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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:

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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:

- **Cases Flagged as Potentially Fraudulent Were Approved and Paid:** During the original audit we found questionable/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);

[1] The Clark County CARES Housing Assistance Program was developed in response to the COVID-19 pandemic. 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.

- **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 referred 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

- **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 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 fraud log.

- 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.

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.

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

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

Corrective Action Status: **Partially Resolved**

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

These questionable/fraudulent CHAP cases totaled $3,196,697.97 and were listed on the fraud log as of June 28, 2023. (This does not include items on the fraud 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 is focused 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.

If these payments are deemed fraudulent and repayment to the federal government is required but not resolved promptly, the error could potentially trigger the federal False Claims Act. The federal False Claims Act[3], *section 31 USC 3729: False claims*, can be triggered when an organization improperly avoids an obligation to pay the federal government. Penalties for violations are three times the damages plus a penalty of $14,308 to $28,619[4] per violation.

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[5], 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.

Recommendations

The recommendation to address this finding is included in the finding below.

[3] https://uscode.house.gov/view.xhtml?req=civil+cause+of+actions&f=treesort&num=409
[4] https://www.ecfr.gov/current/title-28/chapter-I/part-85/section-85.5
[5] https://www.federalregister.gov/documents/2026/02/04/2026-02234/privacy-act-systems-of-records

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

Corrective Action Status: **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 made minimal effort to contact 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 the issue to fall under the federal False Claims Act. The federal False Claims Act[6], *section 31 USC 3729: False claims*, can be triggered when an organization improperly avoids an obligation to pay the federal government. Penalties for violations are three times the damages plus a penalty of $14,308 to $28,619[7] per violation. This could mean over $1 million in penalties just for the 30 items identified during our testing.

[6] https://uscode.house.gov/view.xhtml?req=civil+cause+of+actions&f=treesort&num=409
[7] https://www.ecfr.gov/current/title-28/chapter-I/part-85/section-85.5

There is also a risk[8] [9] 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:

    1. Designation of a compliance officer responsible for overseeing grant compliance.
    2. Training for management and staff involved with grants on compliance requirements and ramifications for noncompliance.
    3. A reporting structure for suspected fraud or noncompliance.
    4. Periodic monitoring procedures for grant compliance.
    5. Policies and procedures for responding to suspected fraud and reporting to appropriate authorities.
    6. Repayment policies and procedures for erroneous grant payments.

Management Action Plan

Please see attached memorandum response received April 20, 2026 from Social Services.

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

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 fraud 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 fraud referrals.
- 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.

Appendix B: Social Services Response Memorandum

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memorandum ¶

Clark·County·Social·Services¶

TO: Angela Darragh, Audit Director – Clark County¶

FROM: J. Sorenson, Director - CCSS¶

DATE: March 31, 2026¶

SUBJECT: CCSS CHAP Audit Report (Draft) – Written Response¶

Per your 03/18/2026 request, please accept this memorandum as Clark County Social Services' written response to the CHAP Audit Report (*draft*) and respective findings/resolutions. ¶

"minimal effort" (*p. 10*) is considered "normative language". CCSS respectfully requests that the Audit Department share the professional standards or best practice models that support the use of normative language such as "minimal effort" in your audit report. It is CCSS's understanding that objective, factual, and constructive language more closely aligns with recognized audit standards and promotes a collaborative relationship between audited departments and the Audit Department. ¶

The "Background" section on p. 2 would benefit from a clear statement of the review period for the CHAP program. CCSS believes this to be FY 2022 (*07/01/2021–06/30/2022*), though this detail does not appear until p. 4. For clarity and reader accessibility, CCSS respectfully recommends that the specific review period be stated prominently at the outset of the report, rather than requiring the reader to piece it together from individual findings. Other references in the report cite only the October 2024 audit date and the December 2023 program transition to Eviction Prevention and Fixed Income Rental Assistance. The Audit report would be strengthened by stating up front the specific review period for the CHAP program. ¶

While the report briefly references that the program was "developed in response to the COVID-19 pandemic and designed to provide housing and utility assistance to eligible households," CCSS respectfully suggests that additional context regarding the extraordinary volume of community demand during that period would strengthen the accuracy and fairness of the report. The CARES Act (*Coronavirus Aid, Relief, and Economic Security*), ARPA (*American Rescue Plan Act*), and ERA (*Emergency Rental Assistance*) allocated funds to states for the delivery of emergency rental assistance to eligible households suffering unemployment or other financial hardship due to the novel coronavirus pandemic. To provide context, from March 2020 through June 30, 2022, CCSS provided assistance to a total of 43,306 households and distributed $244,647,839.65 in assistance to the community. This is extraordinary. The draft report identifies (*however, speculates more*) a total of determined fraudulent/inappropriate payments totaling $3,230,124, (*i.e. 1.3% of total funds administered*). ¶

Environmental context is paramount to a complete and fair audit review. CCSS respectfully notes that the absence of this context in the audit report represents a missed opportunity to recognize the conditions under which CCSS operated and to offer forward-looking recommendations. Specifically, preparedness

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planning policy and procedure development for times of rapidly increased service demands would have been a constructive and well-aligned recommendation from the CHAP audit, given the environmental context in which the program was administered. The department has experienced subsequent unanticipated service demand increases, most recently during the 2025 Federal Government shutdown and the stoppage of SNAP (*Supplemental Nutrition Assistance Program*), EBT (*Electronic Benefit Transfer*), etc… Such a finding, with corresponding resolution recommendations, would be well aligned with the Audit Department's stated mission to improve County operations. ¶

p.1. 2nd paragraph in "What We Found" – "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"¶

This is not accurate. All utility payments *(2,450 from 03/01/2020 through 06/30/2024)* for the relevant time frame have been reviewed. Of that total, 386 cases received utility assistance and were mortgage holders. Per federal guidance "Attestations" were used during the administration of these funds, and an additional 133 cases were found to be mortgage holders with no Attestation. Social Services has determined the number of erroneous payments and the corresponding dollar amount. That work is being finalized with Fiscal and the Comptroller. In this instance, the Comptroller is identified as the County Representative for negotiation and correspondence w/ U.S. Treasury for repayment. ¶

I conferred with Brandon Thompson, Deputy District Attorney – Clark County regarding the draft audit report. Mr. Thompson provided the following written response regarding U.S. Treasury and CHAP: ¶

> *"As a related matter, I would also note that the U.S. Treasury has provided guidance and reasonable assurances to Emergency Rental Assistance (ERA) grantees. In a 2022 Compliance Supplement1, grantees of the ERA—which is the source of CHAP funding—were advised that they are expected to implement proper policies and procedures for the verification of eligibility to receive ERA/CHAP assistance. However, this verification could include the use of, and reliance on, self-attestations by applicants for assistance. Further, and material to the matter, the guidance stated that: ¶*

¶

>> *"To the extent that a grantee has established and consistently followed its own reasonable procedures for implementing an eligibility determination process, consistent with Treasury's guidance, it is not Treasury's expectation that grantees should seek additional documentation from a beneficiary after the initial determination of eligibility has been completed, including for those determined to be eligible using self-attestation …" ¶*

¶

> *Similarly, on the U.S. Treasury's ERA FAQ page (rev. 03.27.2026)2, the department reaffirmed the above and stated that: ¶*

¶

>> *"[G]iven the challenges presented by the COVID-19 pandemic, grantees may be flexible as to the particular form of documentation they require, including by permitting photocopies or digital photographs of documents, e-mails, or attestations from*

employers, landlords, caseworkers, or others with knowledge of the household's circumstances. Treasury strongly encourages grantees to avoid establishing documentation requirements that are likely to be barriers to participation for eligible households ... "

While this guidance was presented from the perspective of "income" verification, the concept and rationale applied across the board. The pandemic presented an unprecedented situation, which required the rapid (almost instantaneous) development of new policies and procedures, as well as the temporary suspension of existing ones. Health and safety were paramount, and the goal was to provide assistance to as many people as possible, with as few "barriers to participation" as possible. Social Services implemented specific policies and procedures for the verification of eligibility for CHAP payments, and to ensure that those payments were issued to the proper persons/entities. Because (reasonable) reliance was made on self-attestations and application statements, mistakes and improperly authorized payments were always a possibility; one that we are now realizing. The U.S. Treasury also recognized that possibility, and offered assurances that such a reliance would not be viewed or treated adversely against an ERA grantee.

Social Services is and has been actively working to investigate the improper payments and address them. Those efforts fail to be recognized or accounted for in the Audit Report, and they should be.

Additionally, Randy Reinoso, Deputy Director – CCSS has been in communication with the U.S. Treasury and was provided with the following response re: utility payments for mortgage holders:

"...we consulted with our team and have determined that in order to avoid removing funding from recipients who received improper payments through no fault of their own, you have to options:

- *The grantee can identify instances in which the grantee previously used its own non-ERA funds to provide assistance that complied with ERA requirements, and recharacterize those previous payments as ERA expenditures. However, payments made with the grantee's own funds may be recharacterized in this manner only if they were made by the grantee during the period of performance of the relevant award (ERA1 or ERA2) in which the improper payment was made.*
- *The grantee can use an equivalent amount of its own non-ERA funds to return improper payments it made with its ERA1 and/ ERA2 awards to Treasury, if the options provided above are not feasible."*

This response has been reviewed with Pam Kowalski, Deputy Director – Finance, and Anna Danchik, Comptroller with a request for advisement on process for further case review and communications with Treasury. It is important that Departments such as Social Services confer closely with Finance and the

Comptroller regarding matters involving federal funds and correspondence with federal partners. This work is continuing, and the process for resolution is more complex than the current timeline allows, requiring additional time to ensure all actions are taken in full compliance with applicable requirements.
Social Services respectfully notes that the audit report may not fully convey the complexity of the reconciliation process, which involves multiple county partners, large datasets, and careful coordination — factors that affect the timeline for resolution.

p. 8 – 2nd paragraph – "the department did not follow-up with a final disposition or report the suspected fraud to law enforcement"

CCSS respectfully requests that this statement be revised to more accurately reflect the following: Margaret LaBlanc, Assistant Comptroller, conferred with LVMPD regarding fraud and learned that LVMPD would only investigate cases of fraud if the total minimum dollar amount was $250K and above. Additionally, CCSS notes that the audit report characterizes the County's internal risk-tracking document as a "fraud log," which may create an inaccurate impression. The cases are recorded as a precautionary measure so that a closer review can be conducted to rule out risk. All cases receiving assistance amounts of $15K or higher were entered on this list for secondary review. Many of the flagged cases involved minor discrepancies, such as a mismatch between the applicant's name and the landlord's name — which typically indicated that a property management company managed the property. Social Services is collaborating with Finance and the Comptroller's Office to review the Excel document. There are 3,576 rows on the document, however many of them were reviewed and cleared previously. For those cases where concerns/questions remain, Social Services will conduct a review to determine if any payments were processed for unresolved cases identified as fraudulent. This review will be completed no later than Monday, 05/18/2026 and the information will be provided to Finance and the Comptroller's Office to determine necessary pay back amount to the U.S. Treasury.

I conferred with Brandon Thompson, Deputy District Attorney – Clark County on this matter and he provided the following written information:

> *Reporting of Suspected Fraud*
> *The report also commented that Social Services failed to report suspected fraud to law enforcement. This is a bit of a misstatement and/or misrepresentation. It is my understanding that someone did reach out to Metro regarding the matter, and was advised that the situation did not meet their monetary threshold and/or some other qualifying condition. Further, as alluded to above, the investigation of this matter is ongoing and extensive. Fraud requires the detailing of specific facts and particularities; such that may not be readily available at this stage of the matter. So, even if Metro was willing to accept a report, it is quite possible that Social Services does not yet have sufficient information to make a report actionable. Should further examination into this matter indicate a strong and reasonable case for fraud, and not mistake and/or benign misinformation, then the case can be properly presented to the appropriate agency; consistent with the nature and severity of the offense.*

p. 8 – 3rd paragraph – "those procedures will include steps to refer suspected fraud cases to the Clark County District Attorney's Office and/or the US Treasury"

Only convicted cases of fraud are reported to the Treasury. Should alleged cases of fraud be sent to the Treasury, as recommended by the Audit Department, they would be referred back to the jurisdiction for review. Margaret LeBlanc explained this to Tracy Banks in her February 12, 2026, email stating "*Our requirements under the grant for reporting fraud fall under § 200.113 and 2CFR Appendix XII. Since we do not have a conviction yet, there hasn't been anything to report. The Treasury OIG link you provided is a hotline for complaints. In our experience, filing a complaint will result in OIG's office mailing us a letter to investigate the accusation, which we have done through Metro. OIG also recommends that we work with local law enforcement for issues that may be reported.*"

Procedurally, suspected cases of fraud should be reviewed with the Clark County D.A.'s Office and a decision should be made at that time regarding referral to the appropriate oversight/investigative body.

p. 8 – 4th paragraph – "The federal False Claims Act section 31 USC 3729: False Claims, can be triggered when an organization improperly avoids an obligation to pay the federal government".

CCSS respectfully requests clarification on the evidentiary basis for this reference. The inclusion of this provision appears to rest on two unestablished premises: (1) that the County owes the federal government a payment, and (2) that the County is improperly avoiding an obligation to remit that payment. CCSS is concerned that referencing this provision in a public report, without established factual support, may expose the County to unwarranted reputational and legal risk.

I conferred with Brandon Thompson, Deputy District Attorney – Clark County on this matter and he provided the following written information:

> <u>*The Federal False Claims Act (FCA)*</u>
> *The FCA, codified under 31 U.S.C. §3729 et seq., originated during the Civil War in response to concerns that suppliers to the Union Army were engaging in fraudulent activity. Naturally, the Act has evolved, but the core foundation of it is still the prevention of people or entities from "knowingly," or intentionally, defrauding the federal government—via direct claims, withholding payments, and/or conspiring to do either of these things. While I understand and appreciate the Audit Department's desire to thoroughly present the possible ramifications of the CHAP issue, I believe the inclusive of the FCA provisions—and, more importantly, the manner in which they are presented—poses concern.*
>
> *For the FCA to apply, Social Services (and thereby, Clark County) would need to demonstrate an affirmative intent to defraud the federal government. That is an extremely strong accusation to make, and one requiring quantitative data and evidence. It is highly improper for such a charge to be lodged at Social Services, in a potentially public document, without substantive support; even if made only for illustrative purposes. The optics, alone, could be devastating for Clark County. Moreover, the inclusion of the FCA provisions is contrary to the actuality of the situation.*

From the moment Social Services was made aware of the discovery of CHAP payment discrepancies, the department has worked tirelessly to investigate the matter. Staff has pulled records, consulted with other departments (including the U.S. Treasury, itself), and implemented mitigation Social Services 2026 CHAP Audit Report Page 2 March 31, 2026

policies to address the issue and prevent a repeat occurrence. Nothing of what I have been advised on presents even the slightest appearance of an intent to ignore their obligation to determine the cause of the improper CHAP payments and, if necessary, remit payment to the federal government.

p. 8, 5th paragraph "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, 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.

CCSS respectfully notes that this paragraph is forward-looking in nature and is based on the Treasury's stated "intent," rather than any established requirement or direct communication to the County regarding a renewed review of CHAP expenditures. As written, the paragraph may cause undue concern among readers. CCSS recommends that any reference to potential future requirements be clearly qualified as speculative and prospective, to avoid drawing conclusions that are not yet supported by established facts or formal guidance.

p. 9, 2nd paragraph – "We found 30 instances in the original audit (totaling $33,427 for Fiscal Year 2022) where the client was a homeowner/mortgage holder and received utility assistance for waste collection services and payment was funded by ERA grant"

See previous response to p.1. 2nd paragraph.

p. 9, 5th paragraph, "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. The federal Folse Claims Act, section 31 USC 3729: False claims can be triggered…. "

See previous response to item on p. 8 – 4th paragraph

p. 10, 1st paragraph, "There is also a risk 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"

See previous response to p. 8, 5th paragraph.

p. 10, Recommendations #1 – Determine the extent of errors or fraudulent payments in accordance with federal guidelines and repay the U.S. Treasury.

See previous response to p.1. 2nd paragraph

p. 10 – Recommendations #2 –

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a. Designation of a compliance officer responsible for overseeing grant compliance.

In January 2025, the Project Development Team (PDT) transitioned to the Operations Unit within Social Services to centralize grants management. With this transition, the department adopted a team-based approach to grant compliance. Rather than designating a single compliance officer, Social Services relies on PDT, program staff, and the Finance Department, ensuring that subject matter experts oversee compliance in their respective areas. PDT develops and maintains policies, procedures, and processes; program teams manage day-to-day compliance; and Finance oversees fiscal requirements. This approach promotes checks and balances, distributes institutional knowledge, and reduces reliance on a single point of contact, allowing for collaborative problem-solving and high-quality program implementation.

PDT is responsible for responding to funding announcements and facilitating the transition of awarded projects into the department's various teams and units. In this role, PDT maintains policies and procedures to ensure compliance with applicable funding regulations, including 2 CFR 200 and program-specific requirements. PDT also maintains the department's "Making Awards and Subawards" procedure and ensures that all pre-award requirements are completed.

Pre-award requirements include:

- Procedures for conducting suspension and debarment checks
- Guidance on determining subrecipient versus contractor classification
- Completion of pre-award risk assessments
- Requirements and timelines for FFATA reporting

In addition, PDT ensures compliance with county-specific requirements, including:

- Determination of resolution versus contract
- Insurance considerations
- Preparation of annotated agenda items

Once a project is awarded, PDT facilitates its transition to the appropriate teams within Social Services to ensure a smooth and compliant launch. This includes conducting a transition meeting with key staff, reviewing funding-specific requirements outlined in the funding announcement and grant package, and clarifying roles, responsibilities, and timelines.

PDT also provides ongoing technical assistance to support compliance and effective program implementation. Examples of this assistance include guidance on eligible costs, helping teams understand allowable expenditures and avoid unallowable charges, as well as support in establishing financial oversight processes in coordination with Social Services and Finance.

b. Training for management and staff involved with grants on compliance requirements and ramifications for noncompliance.

PDT provides training for Social Services staff as requested. In May, PDT is scheduled to present at the Management with Supervisor Meeting to review the "Making Awards and Subawards" procedure; this training will be offered to this group annually. Additionally, departments may request targeted training as needed. For example, in Fall 2025, PDT provided a HUD-specific training on allowable costs to Contract Team staff and HELP of Southern Nevada in support of the federally funded New Beginnings program.

Furthermore, Social Services sent two Managers and one Deputy Director to Grant Management training in July 2025. These staff subsequently coordinated trainings on Managing Subawards (March 5) and Grant Management (March 3–4 and April 7–8). These training opportunities were made available to the entire department, with targeted recruitment for key staff who manage federal grant awards.

The learning objectives for the one-day Managing Subawards Training include:

- Uniform Guidance Applicability to Subawards
  - Key Changes Uniform Guidance 2024 Relevant to Subawards
  - Definitions
  - Subawards vs. Contracts
- Pre-Award
  - Recurring Audit Findings
  - Pass-Through Entity Readiness
- Post Award
  - Key Compliance Requirements
  - Identifying Subrecipients
  - Pass-Through Entity Responsibilities – 2 CFR 200.332
- Subrecipient Risk Assessment
  - Risk Assessment Requirements
  - Risk Assessment Process
  - Risk Assessment Framework
- Issuing Subawards
  - Required Language for Subaward Agreements
  - Uniform Guidance Language Requirements
  - Other Language Requirements
- Subrecipient Monitoring Requirements
  - Subrecipient Requirements
  - Fiscal Responsibilities
  - Records & Documentation
  - Debarment & Suspension
  - Procurement

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   - FAFTA
   - Program Income
   - Time & Effort Certification
   - Conflict of Interest
   - Indirect Costs

The learning objectives for the two-day Grant Management Training include:

- Basics of grant management
   - Federal grant rules
   - Non-federal grants
   - Office of Management and Budget
   - Which rules and regulations have authority?
   - Uniform Guidance (2 CFR 200)
   - Uniform Guidance key changes, timeline
   - The old rules (pre-2015)
   - Administrative rules
   - Cost principles
   - A-133 audits
   - Award and subaward requirements; failure to comply; beginning the grant period
   - Common rule attachments; other 0MB documents
   - Types of federal awards
   - Records management
   - Examples of documentation for narrative reports, personnel, contracts
   - Internal controls and grant management policy and procedure manuals
   - Hiring and documenting personnel costs
   - Federal Funding Accountability and Transparency Act requirements and Data Act
   - AARC (allowable, allocable, reasonable, consistently applied), cost principal activity
   - Conflict of interest, procurement concepts
   - Advanced payments, interest, program income
   - Prior approval, amendments, inventory and disposition of equipment
   - Davis Bacon Act, prevailing wage requirements
   - Indirect costs
   - Supplanting and supplementing
   - Cost share and matching issues
   - Extensions, carry over, and closeout
   - Federal Single Audits

c. A reporting structure for suspected fraud or noncompliance.

As noted above, Social Services relies on a team-based approach to grant compliance. If non-compliance or fraud is suspected for a subrecipient or contractor, a thorough investigation is initiated as a joint effort

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between Social Services and Finance. The investigation encompasses programmatic, administrative, and financial components to ensure all aspects of the program are reviewed. Any findings of suspected fraud or significant non-compliance would be promptly reported to the District Attorney and, when appropriate, the funding agency to obtain guidance and ensure corrective actions align with federal, state, and local requirements. It is standard practice for technical assistance to follow an investigative monitor.

Social Services manages several programs internally. These programs include:

- Eviction Diversion
- Burial and Cremation
- Financial Assistance
- Transportation
- Welfare Set-Aside Program
- Fixed Income
- Rental Assistance

Social Services staff determine program eligibility and issue client benefits. A secondary review team of five full-time staff examines each benefit issuance for allowability and eligibility prior to disbursement. This review ensures that decisions made by department staff are accurate and compliant with applicable regulations and guidelines.

To promote transparency and accountability, documented evidence of the secondary review is maintained in each case file. This documentation confirms that a thorough review has been completed and that all required steps have been taken to ensure compliance with benefit disbursement requirements. Specific criteria are used to assess eligibility compliance and identify potential fraud concerns.

The Supervisor Approval Checklist and CHAP Supervisor Approval Process provide clear guidance and instructions for conducting secondary reviews. Additionally, the ACES database does not permit benefit authorization until the secondary review process is complete. This process has been in place since March 2023, regardless of funding source.

d. Periodic monitoring procedures for grant compliance.

Social Services conducts regular monitoring of grant compliance for both financial and programmatic operations. Many grant-funded programs use formal databases to track program implementation, and the data collected is used to meet funding-specific reporting requirements. For contracted programs, Social Services staff review vendor reimbursement requests and verify them against service utilization reports before Finance completes the final review. Monitoring includes both pre-award and post-award risk assessments, with vendors categorized as low- or high-risk; high-risk vendors may receive additional compliance oversight.

Please find the "Post-Award Risk Assessment" and "Reimbursement Checklist" procedures can be found here. Please note the pre-award risk assessment is within the "Making Awards and Subawards" procedure. The "Reimbursement Checklist" is a tool to standardize the review of reimbursement requests across

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Contact Compliance Team to ensure each funded subrecipient or contractor receives the same level of compliance oversight.

Within Social Services the Office of HIV administers Health Resources and Services Administration funds. To ensure compliance, there is a Forms, Policies and Manuals webpage on their website. The Office of HIV also conducts annual compliance monitoring, please find procedure here, "Office of HIV – Annual Site Monitoring Tool".

Within Social Services, the Continuum of Care (CoC) team administers U.S. Department of Housing and Urban Development funds. The CoC team facilitates the local application and manages a federal application package; however, HUD awards funds directly to the funded agencies. Social Services does contract with a third-party to conduct annual site visits and monitoring to ensure compliance with funding requirements. The 2025 monitoring plan is posted to the website.

Within Social Services, the Contract Compliance Team administers the Department of Justice's JAG Program. Provided documents include: "Appeals Procedure", "Monitoring Procedure", and "Monitor Plan FY22, FY23 and FY24" and can be found here.

These monitoring activities are supplemented with targeted technical assistance to ensure ongoing adherence to federal and program-specific requirements, strengthen accountability, and maintain effective program implementation.

For internal programs, PDT has established tracking mechanisms that allow program teams to monitor federal draw down submissions by Finance, providing built-in checks and balances. Please see the "PDT Financial Tracker – Healthy Living Distribution of Funds 10.1.2024 to 9.30.25" and "STAR PSH Financial Tracker" for examples located here. These trackers allow program staff to verify the costs included in the federal draw down are allowable and comprehensive of the billing period.

e. Policies and procedures for responding to suspected fraud and reporting to appropriate authorities.

Please find the Supervisor Approval Checklist and CHAP Supervisor Approval Process here.

If a subrecipient or contractor is suspected of fraud, a site monitor would be initiated. This review includes programmatic, administrative, and financial components to ensure a thorough investigation of the issue. Social Services is responsible for overseeing the programmatic and administrative components, while the Finance Department manages the financial components.

Annual site visits and monitoring are conducted for subrecipients of federal funds, using tools designed to ensure compliance with 2 CFR 200 and program-specific requirements. These procedures provide a structured framework for identifying and addressing potential issues, promoting accountability, and maintaining compliance with federal, state, and local regulations.

As appropriate, the Purchasing Department and the District Attorney's Office are engaged to support investigation and resolution efforts. In cases where fraud is suspected within a federally funded program,

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the grant agreement is consulted to determine the appropriate reporting authorities and required actions, collaboration with the District Attorney's Office.

To strengthen compliance oversight, Social Services has requested that Finance include a third-party vendor in the Social Service FY27 budget to conduct annual monitoring. The goal is to complete annual monitoring for all vendors who receive over $1,000,000 in local, state or federal funds from the department.

f. Repayment policies and procedures for erroneous grant payments.

As noted above, Social Services relies on a team-based approach to grant compliance. The Finance Department is responsible for submitting drawdown requests and managing the receipt and accounting of federal funds. Social Services engages Finance to address any erroneous grant payments. If a subrecipient or contractor is identified as having received funds in error, the Social Services Contracts Team works with Finance to review and determine the appropriate corrective action, which may include repayment or adjustment of funds. If necessary, the Contracts Team would also involve the District Attorney to ensure proper legal oversight and compliance. Throughout the process, Social Services coordinates with Finance and, when applicable, the funded agency to ensure that all corrections are handled in accordance with federal, state, and local regulations.