



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OIG-CA-24-023
August 14, 2024

Emergency Rental Assistance (ERA1) Program Notice of Recoupment – Thurston County, Washington

Summary

The ERA1 statute (Division N, Title V, Subtitle A, § 501, of the Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260), Dec. 27, 2020, and codified at 15 USC § 9058a) directs the Department of the Treasury (Treasury) to make allocations and payments to eligible grantees such as States and local governments, who in-turn, make funding available in the form of rental assistance to eligible households. The statute also directs the Treasury Office of Inspector General (OIG) to conduct monitoring and oversight of the receipt, disbursement, and use of funds made available to grantees. As part of this oversight authority, if OIG determines that a grantee failed to comply with the use of funds requirements in the statute, the amount equal to the amount of funds used in violation shall be booked as a debt of such entity owed to the Federal Government.

Thurston County, Washington (Thurston County) is a recipient of funds under the ERA1 statute. In August 2023, we received a report from a Thurston County internal auditor of eight cases of suspected and confirmed fraudulent ERA1 financial assistance payments made by Thurston County. We agreed with the Thurston County internal auditor's conclusions on seven of the eight cases. Based on the information provided, we determined that Thurston County's ERA1 program paid out ERA1 funds totaling \$100,150 in violation of the ERA1 statute because the funds were disbursed to ineligible households. On July 16, 2024, Treasury's Bureau of the Fiscal Service issued an invoice for \$100,150 to Thurston County establishing a debt to the Federal Government.

The following document is OIG's Notice of Recoupment (Notice) that established this debt. Thurston County was given an opportunity to provide a written response to a draft of the Notice and its written response and our evaluation of that response is also included in the Notice.

We conducted our review of this ERA case from November 2023 to July 2024. We inquired of the grantee and other relevant parties, reviewed related documentation, and performed other appropriate procedures. We believe the evidence obtained is sufficient and appropriate to provide a reasonable basis for our determination in this Notice.

In conducting our review, we followed the OIG's system of quality management for ensuring that the information in this report is accurate. We also followed the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Federal Offices of Inspector General* which require that our work adheres to its general standards for integrity to include objectivity, independence, professional judgment, and confidentiality as well as its general standard for receiving and reviewing allegations.

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Thurston County, Washington



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Notice of Recoupment

Emergency Rental Assistance

Division N, Title V, Subtitle A, § 501 of the Consolidated Appropriations Act, 2021
(Pub. L. No. 116-260), Dec. 27, 2020, and codified at 15 USC § 9058a (ERA1)

July 9, 2024

Grantee: Thurston County, Washington

Point of Contact: Thomas Webster, Program Director
Thomas.Webster@co.thurston.wa.us
(360) 280-6265

Mailing Address: 2000 Lakeridge Dr., Olympia, WA 98502

Federal Award Identification Number: ERA0124

Recoupment Amount: \$100,150

Background/Legal Authority

Under ERA1 section 501(c), Use of Funds, an eligible grantee shall only use ERA1 funds to provide financial assistance and housing stability services to eligible households. The financial assistance includes: the payment of rent; rent arrears; utilities and home energy costs; utilities and home energy costs arrears; and other expenses related to housing incurred due, directly or indirectly, to the COVID-19 outbreak, as defined by the Department of the Treasury (Treasury). Such assistance shall be provided for a period not to exceed 12 months except that grantees may provide assistance for an additional 3 months to ensure housing stability (subject to availability of funds). ERA1 allows for up to 3 months (with exceptions) for prospective rent payments within the 12/15 month total assistance limitation.

ERA1 section 501(k)(3) defines eligible household as a household of 1 or more individuals who are obligated to pay rent on a residential dwelling and that (1) 1 or more individuals within the household has qualified for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship due, directly or indirectly, to the COVID-19

outbreak, which the applicant shall attest in writing; (2) 1 or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability, which may include a past due utility or rent notice or eviction notice; unsafe or unhealthy living conditions; or any other evidence of such risk, as determined by the eligible grantee involved; and (3) the household has a household income that is not more than 80 percent of the area median income for the household. The grantee must also ensure that, to the extent feasible, any rental assistance provided to an eligible household is not duplicative of any other federally funded rental assistance provided to such household.

Pursuant to its authorities, Treasury established the last day of availability for ERA1 funds as December 29, 2022.

ERA1 section 501(i), Inspector General Oversight; Recoupment, directed that the Treasury Office of Inspector General (OIG) conduct monitoring and oversight of the receipt, disbursement, and use of funds made available under the Act. As part of this authority, if OIG determines that a grantee failed to comply with the use of funds requirements in the Act (section 501(c)), the amount equal to the amount of funds used in violation shall be booked as a debt of such entity owed to the Federal Government.

Facts and Analysis

On August 18, 2023, we received a bulk report¹ from a Thurston County internal auditor of eight cases of suspected and confirmed fraudulent ERA1 financial assistance payments made by Thurston County, Washington.² We agreed with the Thurston County internal auditor's conclusions on seven of the eight cases as follows:³

1. For application # [REDACTED] the landlord on the application was different from the property owner on Thurston County's assessor records at the time of the application. The Thurston County internal auditor spoke with the property owner on August 16, 2022, who stated that he lived in the

¹ For this Notice, Treasury OIG defines a "bulk report" as a report of multiple suspected or confirmed fraudulent ERA financial assistance payments made by a grantee or subrecipient; the bulk report may come directly from the grantee, subrecipient, or from the Treasury OIG Office of Investigations (OI). There could also be instances where, upon review of individually reported complaints, Treasury OIG determines there to be a "common source" of reporting (e.g., from a grantee or subrecipient) and decides, for purposes of efficiency, to work all the "common source" suspected or confirmed fraudulent ERA financial assistance payments as a bulk report.

² Pursuant to 2 CFR § 200.113, Mandatory disclosures, under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements, grantees must disclose, in a timely manner, in writing to the Federal awarding agency all violations of Federal criminal law involving fraud potentially affecting the Federal award.

³ While the Thurston County internal auditor identified eight cases to be suspected of fraud, we agreed with his determination on seven of them. Due to insufficient evidence, we were unable to reasonably conclude that an improper payment occurred for one case.

home and did not rent it out. The ERA1 rental arrears financial assistance paid out by Thurston County for this application totaled \$21,700.

2. For application # [REDACTED] the landlord on the application was different from the property owner on Thurston County's assessor records at the time of the application. The Thurston County internal auditor spoke with the property owner on November 4, 2022, who stated that they did not rent the property and did not know the tenant on the application. The ERA1 rental arrears financial assistance paid out by Thurston County for this application totaled \$18,000.
3. For application # [REDACTED] the landlord on the application was different from the property owner on Thurston County's assessor records at the time of the application. The Thurston County internal auditor spoke with the property owner on November 3, 2022, who stated that the tenant listed on the application was not someone who rented from him and that he did not authorize anyone else to collect rent on his behalf. The ERA1 rental arrears financial assistance paid out by Thurston County for this application totaled \$15,000.
4. For application # [REDACTED] the landlord on the application was different from the property owner on Thurston County's assessor records at the time of the application. The Thurston County internal auditor spoke with one of the members of a real estate joint venture that owned the property on December 5, 2022, who stated that the landlord on the application was actually a tenant of the property in question and not authorized to sublet it. The ERA1 rental arrears financial assistance paid out by Thurston County for this application totaled \$12,000.
5. For application # [REDACTED] the landlord on the application was different from the property owner on Thurston County's assessor records at the time of the application. The Thurston County internal auditor spoke with the property owner on September 9, 2022, who stated that he did not have any tenants that pay rent and did not authorize anyone to collect rent on his behalf. His son, the listed landlord on the application, and grandson lived at the property. The ERA1 rental arrears financial assistance paid out by Thurston County for this application totaled \$11,500.
6. For application # [REDACTED] the landlord on the application was different from the property owner on Thurston County's assessor records at the time of the application. The Thurston County internal auditor spoke with the property owner on November 4, 2022, who stated that the landlord on the application was his tenant, and assistance was provided to the tenant as the landlord. However, the property owner (the true landlord) did not authorize any third-party to accept rent on his behalf. The ERA1 rental

arrears financial assistance paid out by Thurston County for this application totaled \$11,000.

7. For application # [REDACTED] the landlord on the application was different from the property owner on Thurston County's assessor records at the time of the application. The Thurston County internal auditor spoke with the property owner on August 26, 2022, who stated that she did not have anyone renting from her at the property in question. The ERA1 rental arrears financial assistance paid out by Thurston County for this application totaled \$10,950.

These seven cases are summarized as follows:

Case	Thurston County Application No.	Ineligible ERA1 Financial Assistance Payments
1	[REDACTED]	\$21,700
2	[REDACTED]	18,000
3	[REDACTED]	15,000
4	[REDACTED]	12,000
5	[REDACTED]	11,500
6	[REDACTED]	11,000
7	[REDACTED]	10,950
Total		\$100,150

Based on the information provided, we determined that Thurston County's ERA1 program paid out ERA1 funds totaling \$100,150 in violation of the Use of Funds statute because the funds were disbursed to ineligible households. Accordingly, these funds are required to be returned to the Federal Government.

Grantee Response

We provided Thurston County an opportunity to respond to our Notice of Proposed Recoupment. On June 4, 2024, Thurston County provided its written response, which is included in the Appendix of this Notice, regarding the payments of financial assistance for the seven applications in question.⁴ In its response, Thurston County provided comments related to Treasury guidance and the challenges it faced in administering the program. Thurston County's response is summarized below.

- Thurston County discovered the seven instances of suspected fraud and reported these to Treasury. These cases were processed in accordance with state and federal guidance. The suspected fraud was discovered after the fact through subrecipient monitoring and expanded testing the

⁴ The exhibits supporting Thurston County's written response are not included as part of this Notice due to the volume of information provided. These exhibits were considered as part of our evaluation of Thurston County's response.

County conducted that identified persons involved in the application process misrepresented themselves on applications for assistance.

- Thurston County had no additional documentation to provide regarding the seven cases. The County's internal auditor reported these instances of suspected fraud to law enforcement; however, no funds have been returned to the County to date.
- Thurston County operated under the guidance provided by Treasury, which prioritized prompt delivery of assistance to those in need. While the County recognizes the importance of proper controls, fraud prevention was difficult with ERA1/ERA2 considering the measures put in place to expedite the disbursement of funds. The balance between expediency and thoroughness in verifying applications was made particularly difficult due to the allowance of self-attestation and the lowering of certain barriers for applicants. Thurston County also encountered challenges in implementing an emergency low-barrier program, which included verification of documentation and communication with both clients and landlords, many of whom had limited access to technology.
- Thurston County implemented the ERA program, in accordance with Treasury guidelines, through a local non-profit agency. The County terminated its contract with the non-profit agency after receiving an insufficient reply to a request that the agency strengthen its internal controls.
- Thurston County requested understanding and leniency in recovery given the extraordinary challenges faced in the administration of the program and the pro-active steps the County took to identify fraud and address gaps that were identified. Thurston County also asked that OIG consider that the County contributed \$372,806 in locally generated revenue to supplement rent assistance programs in 2021 that were implemented in broad alignment with ERA1 and ERA2 policies. The County continues to use state and local resources to operate rental assistance programs.

OIG Evaluation

We considered Thurston County's written response in finalizing this notice.

We acknowledge that Thurston County encountered challenges in implementing its ERA program and its request for leniency in the recovery of funds based on those challenges. We also acknowledge the County's efforts in using local and state resources to operate its rental assistance programs. However, in its response,

Thurston County neither disputed our determinations nor provided any additional evidence to demonstrate that the Federal financial assistance provided for the seven cases were to eligible households as defined in ERA1. Accordingly, pursuant to ERA1 sections 501(c) and 501(i), Thurston County is required to return these ERA1 ineligible payments to the Federal Government.

Grantee Response



BOARD OF COUNTY COMMISSIONERS

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District 2

Tye Menser
District 3

Wayne Fournier
District 4

Emily Clouse
District 5

June 4, 2024

Marla Freedman, Executive Advisor
Bob Taylor, Executive Advisor
Office of Audit
Department of the Treasury
Office of the Inspector General
Washington DC 20220

Subject: Response to Draft Notice of Proposed Recoupment for Emergency Rental Assistance Program (ERA-1)

Dear Ms. Freedman and Mr. Taylor,

This letter is Thurston County's response to the draft letter, dated May 21, 2024, regarding the cases of suspected fraud discovered in our county's administration of the Emergency Rental Assistance 1 program (ERA-1). The letter is identified as follows:

- Draft Notice of Proposed Recoupment, Emergency Rental Assistance (ERA-1). Federal Award ID: ERA0124. Recoupment Amount: \$100,150

We want to express Thurston County's commitment to upholding the integrity of the program and our dedication to swiftly addressing any instances of suspected fraud. In the seven cases you cite, the County discovered these instances of suspected fraud and reported these to Treasury. These cases were processed in accordance with state and federal guidance. The suspected fraud was discovered after the fact through subrecipient monitoring and expanded testing the County conducted that identified persons involved in the application process misrepresenting themselves on applications for assistance.

The County has no additional documentation to provide regarding any of the seven cases you identified. The County's internal auditor reported the instances of suspected fraud to law enforcement; to date, however, the funds have not been returned to the County through the criminal restitution process nor is the County aware of any pending criminal prosecutions.

While the County recognizes the importance of proper controls to protect against bad actors, fraud prevention is particularly difficult with ERA1/ERA2 considering the measures put in place to expedite the disbursement of funds under Treasury guidance. The balance between expediency and thoroughness in verifying applications has been a challenging one, which was made particularly difficult due to the allowance of self-attestation and the lowering of certain barriers for applicants.

Thurston County operated under the guidance provided by Treasury, which prioritized the prompt delivery of assistance to those in need. We ask Treasury to recognize the challenging context that local governments faced when implementing this program. The County was faced with implementing an emergency low-barrier program providing relief to vulnerable households facing

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TDD/TYY 711 or 1-800-833-6388

Grantee Response

eviction and financial instability during a pandemic when traditional ways of engaging with clients were upended. Verification of documentation and communication with both clients and landlords, many of whom had limited access to technology, was a particular challenge.

Moreover, although the program was implemented in accordance with Treasury guidelines through a local non-profit agency, Thurston County terminated its contract with this non-profit agency after receiving an insufficient reply to a request that the agency strengthen internal controls.

In light of these circumstances, we respectfully request that Treasury consider the broader context within which these suspected fraud cases occurred. While we fully support efforts to combat fraud and ensure accountability, we request understanding and leniency in recovery given the extraordinary challenges faced in the administration of the program and the pro-active steps the County took to identify fraud and address gaps that were identified.

In considering our request for leniency, we also ask that you consider that Thurston County contributed \$372,806 in locally generated revenue to supplement rent assistance programs in 2021 that were implemented in broad alignment with ERA-1 and ERA-2 policies. Even after the completion of ERA funding, Thurston County continues to use state and local resources to operate rental assistance programs that are more restrictive than ERA guidelines. Attached to this letter are supporting contract and accounting system documentation to demonstrate this contribution.

Furthermore, we are committed to implementing additional measures to strengthen our monitoring and verification processes to prevent similar occurrences in the future. We welcome any guidance or recommendations from your office to enhance the integrity of our program operations.

Thank you for your attention to this matter, and please contact Brandon Weber [REDACTED] or Tom Webster Thomas.webster@co.thurston.wa.us, if you require any further information.

Sincerely,

[REDACTED]

Leonard Hernandez
County Manager

Attachment: Supporting documentation of local contribution for rent assistance activities