



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OIG-CA-24-024  
August 14, 2024

## **Emergency Rental Assistance (ERA1) Program Notice of Recoupment – State of 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.

The State of Washington is a recipient of funds under the ERA1 statute. In August 2023, we received a report from a Thurston County internal auditor of 10 cases of suspected and confirmed fraudulent ERA1 financial assistance payments made by Thurston County Public Health and Social Services, a subrecipient of the State of Washington. We agreed with the Thurston County internal auditor's conclusions on 9 of the 10 cases. Based on the information provided, we determined that the State of Washington, through its subrecipient, Thurston County Public Health and Social Services' ERA1 program, paid out ERA1 funds totaling \$151,685.49 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 \$151,685.49 to the State of Washington establishing a debt to the Federal Government.

The following document is OIG's Notice of Recoupment (Notice) that established this debt. The State of Washington 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.

### Distribution

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#### State of 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: State of Washington

Points of Contact: Kathryn Dodge, Program Manager  
[Kathryn.Dodge@commerce.wa.gov](mailto:Kathryn.Dodge@commerce.wa.gov)

Jean Denslow, Managing Director – Accounting Services  
[Jean.Denslow@commerce.wa.gov](mailto:Jean.Denslow@commerce.wa.gov)  
(360) 725-2739

Mailing Address: PO Box 42525, Olympia, WA 98504 or  
1011 Plum Street, Olympia, WA 98504

Federal Award Identification Number: ERA0023

Recoupment Amount: \$151,685.49

#### 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 report<sup>1</sup> from a Thurston County internal auditor of 10 cases of suspected and confirmed fraudulent ERA1 financial assistance payments made by Thurston County Public Health and Social Services, a

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<sup>1</sup> 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.

subrecipient of the State of Washington.<sup>2</sup> We agreed with the Thurston County internal auditor's conclusions on 9 of the 10 cases as follows:<sup>3</sup>

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 sent a survey to the property owner on record for tenant information. The property owner returned the survey confirming that she owned the property, and stating that she did not have any renters and was not aware of any rental assistance. The rental arrears financial assistance paid out of Thurston County Public Health and Social Services' ERA1 program for this application totaled \$26,400.
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 August 15, 2022, who stated that she lived in the home with her family, and she did not rent it out. The rental arrears financial assistance paid out of Thurston County Public Health and Social Services' ERA1 program for this application totaled \$21,000.
3. For application # [REDACTED] the Thurston County internal auditor spoke with the property owner on October 13, 2022, who stated that he purchased the home in January 2021, and he did not rent it out at the time of application. In addition, the property owner stated that the email and payment address associated with his name on the application were not known to him. The rental arrears financial assistance paid out of Thurston County Public Health and Social Services' ERA1 program for this application totaled \$18,450.
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 sent a survey to the property owner on record for tenant information. The property owner's estate executor responded to the survey on September 28, 2022,

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<sup>2</sup> 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.

<sup>3</sup> While the Thurston County internal auditor identified 10 cases to be suspected of fraud, we agreed with his determination on 9 of them. Due to insufficient evidence, we were unable to reasonably conclude that an improper payment occurred for 1 case.

stating that the property was vacant and had not been rented since 2018. The rental arrears financial assistance paid out of Thurston County Public Health and Social Services' ERA1 program for this application totaled \$18,000.

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 August 17, 2022, who stated that he had tenants in this property, but none of them matched the tenant information on the application. Also, the landlord did not authorize any third-party to accept rent on his behalf. The rental arrears financial assistance paid out of Thurston County Public Health and Social Services' ERA1 program for this application totaled \$18,000.
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 September 21, 2022, who stated that the landlord on the application was a former tenant who moved out a year prior. The property owner did not authorize a third-party to accept rent on his behalf and the applicant on the application was not a current tenant. The rental arrears financial assistance paid out of Thurston County Public Health and Social Services' ERA1 program for this application totaled \$15,400.
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 manager on November 28, 2022, who stated that the landlord on the application was actually the property tenant. The rental arrears financial assistance paid out of Thurston County Public Health and Social Services' ERA1 program for this application totaled \$13,500.
8. 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 sent a survey to the property owner on record for tenant information. The property owner responded to the survey stating that there were no renters, and the property was vacant land. The rental arrears financial assistance paid out of Thurston County Public Health and Social Services' ERA1 program for this application totaled \$10,935.49.

9. 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 7, 2022, who stated that the landlord on the application was a former tenant. The rental arrears financial assistance paid out of Thurston County Public Health and Social Services’ ERA1 program for this application totaled \$10,000.

These nine cases are summarized as follows:

Case	Thurston County Public Health and Social Services Application No.	Ineligible ERA1 Financial Assistance Payments
1	[REDACTED]	\$26,400.00
2	[REDACTED]	21,000.00
3	[REDACTED]	18,450.00
4	[REDACTED]	18,000.00
5	[REDACTED]	18,000.00
6	[REDACTED]	15,400.00
7	[REDACTED]	13,500.00
8	[REDACTED]	10,935.49
9	[REDACTED]	10,000.00
<b>Total</b>		<b>\$151,685.49</b>

Based on the information provided, we determined that the State of Washington, through its subrecipient, Thurston County Public Health and Social Services’ ERA1 program, paid out ERA1 funds totaling \$151,685.49 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 the State of Washington an opportunity to respond to our Notice of Proposed Recoupment. On June 5, 2024, the State of Washington provided its written response, which is included in the Appendix of this Notice, regarding the payments of financial assistance for the nine applications in question.

In its response, the State of Washington provided comments related to the disbursement of ERA1 funds through its subrecipient, Thurston County. The State of Washington stated that (1) its subrecipients used self-attestations as a tool to assist in expedient delivery of services during the health crises as Treasury’s program guidance allowed self-attestation to confirm eligibility; and (2) the State had to comply with spending deadlines to ensure all federal funds available to Washington State residents were utilized. Furthermore, the State did not fully

deploy its subrecipient monitoring process until after spending deadlines were met, due to the urgent need of timely assistance.

The State of Washington also stated that it did not dispute Thurston County's findings or the actions it took regarding the findings. The State's planned resolution for the ERA1 recoupment amount of \$151,685.49 is to seek recovery of the funds directly from its subrecipient, Thurston County, and provide it to Treasury.

### OIG Evaluation

We considered the State of Washington's response in finalizing this notice.

The State of Washington did not provide any additional evidence to demonstrate that the financial assistance provided for the subject applications were eligible households. As the grantee, the State of Washington is responsible for ensuring the eligible use of ERA1 funds. Accordingly, it is also responsible for returning the ineligible ERA1 assistance payments of \$151,685.49 to the Federal Government; this debt is not contingent on any recovery of funds from its subrecipient.

The State of Washington's statement that Treasury's program guidance allowed self-attestation to confirm eligibility is not contextually accurate. Among other things, Treasury's guidance states:

When housing stability services represent the only ERA1 assistance a household will receive (i.e., no payments using ERA1 funds will be made either to the household, to the landlord, or to a utility provider), grantees are encouraged to rely on a household's self-attestations for purposes of confirming eligibility...

In all cases, grantees must document their policies and procedures for determining a household's eligibility to include policies and procedures for determining the prioritization of households in compliance with the statute and maintain records of their determinations. Grantees must also have controls in place to ensure compliance with their policies and procedures and prevent fraud. Grantees must specify in their policies and procedures under what circumstances they will accept written attestations from the applicant without further documentation to determine any aspect of eligibility or the amount of assistance, and



in such cases, grantees must have in place reasonable validation or fraud-prevention procedures to prevent abuse.<sup>4</sup>

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<sup>4</sup> A full discussion of Treasury's ERA guidance on self-attestation is found in its ERA Frequently Asked Questions (FAQs), Question 1, available at [FAQs | U.S. Department of the Treasury \(https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/faqs\)](https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/faqs).

## Grantee Response



STATE OF WASHINGTON  
DEPARTMENT OF COMMERCE  
1011 Plum Street SE • PO Box 42525 • Olympia, Washington 98504-2525 • 360-725-4000  
[www.commerce.wa.gov](http://www.commerce.wa.gov)

June 5, 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 Notice of Proposed Recoupment and Questioned Cost Findings for  
Emergency Rental Assistance Programs

Dear Ms. Freedman and Mr. Taylor,

Thank you for contacting us regarding Washington State's Emergency Rent Assistance (ERA)  
programs. We confirm receipt of the following two letters:

- Notice of Proposed Recoupment, Emergency Rental Assistance (ERA1). Federal Award ID: ERA0023. Recoupment Amount: \$151,685.49
- Draft Questioned Cost Findings, Emergency Rental Assistance (ERA2). Federal Award ID: ERAE0485. Questioned Cost Amount: \$74,160

We understand that our ERA subrecipient, Thurston County Public Health and Social Services Department (Thurston County), received separate letters of the same nature regarding their ERA1 and ERA2 direct award from the U.S. Department of Treasury (Treasury).

As the lead administrator of homeless housing and prevention funding for Washington State, the Department of Commerce (Commerce) awarded ERA funds from Treasury to local governments across the state. Commerce provided these awards during a state of emergency in which program guidance from Treasury allowed the use of self-attestation to confirm eligibility. Self-attestations were used by our subrecipients as a tool to assist in expedient delivery of services during the health crisis. We also had to comply with spending deadlines to ensure all federal funds available to Washington State residents were utilized. In addition, our subrecipient monitoring process was not fully deployed in a detailed manner until after the spending deadlines were met, due to the urgent need of timely assistance.

We understand that Thurston County conducted subrecipient monitoring activities on their subrecipients in an effort to ensure program compliance. Thurston County communicated their

Grantee Response

results with us and we do not dispute their findings or the actions they took regarding the findings.

Our resolution for the ERA1 Recoupment Amount of \$151,685.49 will be to seek recovery of these funds directly from Thurston County in order to provide them to Treasury.

Our resolution for the ERA2 Questioned Cost Amount of \$74,160 is to await further instructions from Treasury on next steps.

Sincerely,

**Dodge,**

**Kathryn ((CO  
COM)**

Kathryn Dodge, Temporary Federal Programs Manager  
Department of Commerce

**Allen, Gena (**  
**COM)**

Gena Allen, Internal Control Officer  
Department of Commerce

cc:

Corina Grigoras, Assistance Director of Housing Division, Department of Commerce

Kathy Kinard, Homelessness Assistance Unit Managing Director, Department of Commerce

Pam Kelly, Acting Accounting Director, Department of Commerce

Britni Kennedy, Program Accounting Manager, Department of Commerce