

AUDIT REPORT – CARES ACT – CORONAVIRUS RELIEF FUND (CRF)

To: Michael Smith, Chief Financial Officer

INTRODUCTION

The County Auditor's Office performed work in Fiscal Years 2020 through 2023 dedicated to helping the County achieve positive results on any Single Audits of CARES Act Coronavirus Relief Funds (CRF) performed by the County's external auditors, as well as any audits of such funds performed by the U.S. Treasury's Office of Inspector General. See Section on "Work Performed by County Auditor's Office."

SINGLE AUDIT RESULTS

New Castle County's (NCC's) Single Audit Report for Fiscal Year (FY) 2021, in which the only federal program included for testing was the CARES Act Coronavirus Relief Fund (CRF), received the following opinion from the County's external audit firm, CliftonLarsonAllen (CLA):

"In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021."¹

The report did not contain any material weaknesses, significant deficiencies, or any other findings.

This is very positive news for the Office of Finance, the Office of Law, the Executive Office, the County Auditor's Office, and for New Castle County Government as a whole, particularly given that the County spent over \$268 million in CRF funds during FY 2021.

Because of the positive Single Audit results from FY 2020 and FY 2021, and the lesser dollars spent in FY 2022 and FY 2023, CLA did not include CARES CRF in its Single Audits for FY 2022 and FY 2023.

Please note that we have not yet heard anything about whether the U.S. Treasury's Office of Inspector General will be performing any audits of its own. If such audits occur, there is the possibility the U.S. Treasury could have its own findings.

¹ The Single Audit Report for FY 2020 contained the same opinion. The testing for that audit included the CRF program as well as one other program not related to COVID-19.

OVERVIEW

The CARES Act established the \$150 billion Coronavirus Relief Fund (CRF). Through the CRF, the CARES Act provided for payments to State, Local, and Tribal governments navigating the impact of COVID-19. New Castle County (NCC) was eligible to receive funding as a local jurisdiction with a population over 500,000 and, as such, received approximately \$323 million from the U.S. Department of Treasury in Fiscal Year 2020.

The County Executive had to certify to the U.S. Treasury that all CRF funds would be expended in compliance with federal law which requires that payments from the CRF can only be used to cover expenses that:

1. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19);
2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020 (later amended to December 31, 2021 and then to December 31, 2022²).

The U.S. Treasury issued Guidance and Frequently Asked Questions regarding the above requirements.

The County is required to have an external audit firm perform a Single Audit of the County's Federal programs because the County expends annually \$750,000 or more in Federal awards. This audit is performed by the firm that currently performs the County's financial statement audit – CliftonLarsonAllen LLP (CLA).

Due to the high dollar amount of CARES Act CRF funds received by the County and the fact that this was a new program, the CRF program was included as part of CLA's Single Audit for FY 2020 and FY 2021. Because of the positive Single Audit results from those fiscal years, CLA did not include CARES CRF in its Single Audits for FY 2022 and FY 2023. The amounts of CRF funds expended in FY 2020 through FY 2023³ were as follows:

- FY 2020: \$29,826,253
- FY 2021: \$268,120,282
- FY 2022: \$30,690,850
- FY 2023: \$1,537,818

² Treasury has revised the guidance on CRF to provide that a cost associated with a necessary expenditure incurred due to the public health emergency shall be considered to have been incurred by December 31, 2022, if the recipient has incurred an obligation with respect to such cost by December 31, 2022.

³ Per the Schedule of Expenditures of Federal Awards.

WORK PERFORMED BY COUNTY AUDITOR'S OFFICE

Audit Review and Testing

Upon learning of the County receiving CRF funding, the County Auditor Office's objectives have been to:

- Assist the County Administration to prepare for any Single Audits in which the CARES CRF program is covered.
- Ensure that adequate internal controls exist over the administration of CRF funds to provide reasonable assurance that the County is managing the Federal award in accordance with Single Audit requirements, CARES Act requirements, U.S. Treasury Guidance, and all applicable laws.

We have worked very closely with the Office of Finance and the Office of Law on these objectives.

The County engaged another external audit firm – Guidehouse⁴ – in an advisory capacity to also assist in preparing the County for the Single Audits. Guidehouse was also engaged to perform subrecipient monitoring of certain entities to which the County distributed CRF monies.

In Fiscal Years 2020 through 2023, the County Auditor's Office performed work dedicated to providing the Administration with advice/suggestions on how to achieve favorable results for the CARES Act CRF piece of the County's Single Audits, as well as any audit reviews performed by the U.S. Treasury Office of Inspector General (OIG). We have issued approximately 20 memoranda to the County Administration and/or Guidehouse based upon our work reviewing documentation for CARES Act CRF payments made to municipalities, volunteer fire companies, and grant program recipients, as well as payments for internal County items.

Also, although not issued as a memorandum, we also provided the Administration with review comments on the grants reviewed by a vendor which was employed to perform subrecipient/beneficiary monitoring of the grant recipients for the following programs: Health Equity, Innovation, Distance Learning, Food Distribution, and Winter Ready Grant Programs. Most of the grants we reviewed were the Health Equity and Innovation grants, which were the higher dollar amount and more complex grants. Guidehouse, at a point in 2022, was assigned the responsibility of closing out the grants (and obtaining all necessary documentation) reviewed by this vendor.

Guidehouse worked with the Office of Finance and Office of Law to clear most of our concerns. Some of these concerns were part of Risk Bulletins issued by Guidehouse.

⁴ The firm engaged was actually Grant Thornton; however, Grant Thornton's Public Sector Advisory practice was acquired by Guidehouse in 2022. Most of the Grant Thornton employees who worked on this engagement are now employees of Guidehouse.

Audit & Compliance Committee of Cares Act Task Force

As a result of the County receiving funding under the CARES Act CRF, the County Executive established the New Castle County CARES Act Task Force composed of six committees. One of those committees is the Audit & Compliance Committee⁵, tasked with developing reporting standards for funding recipients to ensure appropriate use of the funds and to prepare any reports required by the County Executive. The Committee is also kept up to date on the compliance aspects of the CARES Act CRF monies. As part of its duty to develop reporting standards, the Committee:

- Approved a Subrecipient Policies document developed by the County Auditor's Office.
- Approved an Excel Workbook, created by the County Auditor's Office, to be utilized by subrecipients of CRF funds.

The County Auditor and the County CFO are the Co-Chairs of this Committee. The Committee has been meeting at least once a month since July 2020.

GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Except as discussed in the following paragraph, we conducted our audit work in accordance with Generally Accepted Government Auditing Standards (GAGAS) promulgated by the United States General Accounting Office. These 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.

We have not met the requirement of Section 3.96 of GAGAS that requires an audit organization performing audits in accordance with GAGAS to have an external review every three years. In Fiscal Year 2024, we hope to have the Association of Local Government Auditors perform a peer review of the County Auditor's Office.

RESPONSE

A response to this report is not required.

APPRECIATION OF COOPERATION

We sincerely appreciate the cooperation of the Office of Finance, the Office of Law, the County Executive Office, and Guidehouse in their willingness to work together with us in addressing our audit concerns and in achieving positive Single Audit results.

⁵ This Committee is still functioning as of the date of this report and is now staying abreast of the compliance aspects of the \$108 million the County received in the American Rescue Plan Act's State & Local Fiscal Recovery Funds. Please note that this Committee is separate from the New Castle County Audit Committee.

Cc:

Matthew Meyer, County Executive

Vanessa Phillips, Chief Administrative Officer

Aundrea Almond, Chief of Staff

Wilson Davis, County Attorney

Karen Sullivan, County Solicitor

New Castle County Council Members

New Castle County Audit Committee Members