

New Castle County Audit Committee Meeting
Meeting Minutes – Tuesday November 28, 2023
8:30 a.m., Red Lion Conference Room and via Zoom

- I. The 11/28/2023 Audit Committee meeting was convened at 8:32 a.m. by County Auditor, Mr. Bob Wasserbach. Audit Committee members present: Linda Bailey, Dr. Karl Brockenbrough and Steve Cordano.

Also present were Councilman George Smiley, Michael Smith (Chief Financial Officer), Rinku Banerji (Audit) and others.

- II. Mr. Wasserbach noted that the Audit Committee has not met since 2021 due to the COVID crisis and the County Auditor's Office primarily working on the Coronavirus Aid, Recovery and Economic Security (CARES) Act CRF funds (\$323 million received by the County). Instead, the County Auditor co-chaired the Audit & Compliance Committee of the CARES Act Task Force which oversaw the compliance aspects of the CARES CRF and has been meeting monthly. He informed the Committee members that the County Auditor's Office performed CARES CRF work in calendar years 2021 and 2022, while in 2023 the Office has been busy with auditing certain aspects of the New Castle County Hope Center, a homeless shelter. Going forward, the Audit Committee will start meeting more frequently.

Mr. Wasserbach asked the Committee members if there was a motion to approve the minutes from the previous meeting. Ms. Bailey made a motion to approve the minutes and Dr. Brockenbrough seconded the motion. The motion was passed unanimously.

- III. Mr. Wasserbach presented the CARES Act CRF audit report. He said that the County received \$323 million of CARES Act CRF funds. He went over the three requirements for the expenditure of the Coronavirus Relief Fund (CRF) funds. Mr. Wasserbach noted that the necessary expenditures incurred due to the health emergency requirement was a complicated requirement and a lot of the comments in the memoranda the Office issued related to lack of documentation, like canceled checks and invoices supporting expenses. Also, some of the comments in the memoranda were about whether some of the expenditures were due to COVID. Ms. Bailey asked whether entities were submitting reimbursement requests to Finance for the CRF funds. Mr. Wasserbach replied that there were various ways by which money was spent, including various grant programs, internal County expenditures and some funds were given to the State of Delaware for their programs.

Mr. Wasserbach explained that when the County received the CRF funds, six Cares Act Task Force committees were set up. Five of these committees developed grant programs whereas the sixth committee was the Audit and Compliance Committee, which developed reporting standards and oversaw the appropriate uses of fund spending. Mr. Wasserbach and Mr. Smith are co-Chairs of the Audit and Compliance Committee, which is now overseeing the American Rescue Plan Act funds.

Mr. Wasserbach noted that \$172 million of the \$323 million received by the County went to the State of Delaware, the majority of which went to cost-sharing programs like the unemployment insurance fund. Around \$26 million went to County grant programs; approximately \$20 million was used to purchase a hotel for a homeless shelter; \$20 million was given to municipalities and fire companies; over \$70 million was used for internal County expenditures (most of which was allocated to Public Safety salaries and benefits). Mr. Wasserbach informed the committee that an outside firm, Grant Thornton (later Guidehouse), was engaged to provide overall guidance on administering the County's CRF funds in accordance with the CARES Act requirements and also to provide subrecipient monitoring services.

Mr. Wasserbach briefly went over the work done by the Audit and Compliance Committee. He noted that Dr. Brockenbrough is also a member of the Audit and Compliance Committee. The committee approved a Subrecipient Monitoring Policies document to meet the requirements in the Code of Federal Regulations and an Excel workbook for documents required from grant subrecipients. The committee also oversaw efforts of Guidehouse and Apothic Revenue in subrecipient monitoring of entities receiving grant monies.

Mr. Wasserbach said that at the urging of the County Council, his Office provided advice and performed testing to help the County achieve successful Single Audits and any Treasury Office of Inspector General (OIG) audits of the CARES Act CRF. In September 2020, his Office issued a memo to the Administration on concerns in preparing for Single Audits.

Mr. Wasserbach went over the work performed by his Office on CARES Act CRF. The Office evaluated internal controls over the overall administration of CRF funds, developed the Subrecipient Monitoring Policies document, developed an Excel Workbook for subrecipients, provided input to the Administration on items to be included in the subaward agreements with the subrecipients and tested, for compliance with CRF requirements, reimbursement/pre-approval requests from municipalities and fire companies, grant requests, and internal NCC departmental requests. The Office also reviewed the work of an outside vendor contracted to perform subrecipient monitoring of entities receiving grant monies. The Office issued approximately 20 memoranda on audit concerns and worked with Finance, Law and Guidehouse to address concerns.

Mr. Wasserbach said that the CARES Act CRF program was included in the FY2020 and FY2021 Single Audits. The FY2021 Single Audit did not contain any findings and while the FY2020 Single Audit had one finding, the finding was not repeated in FY2021. Due to the positive FY2020 and FY2021 Single Audit results, the CARES Act CRF funds were not included in the FY2022 and FY2023 Single Audits. Ms. Bailey asked if other programs were picked for the FY2022 and FY2023 Single Audits. Mr. Wasserbach replied “yes”, other programs were picked for those years. Ms. Bailey commented that the results were remarkable. Dr. Brockenbrough agreed that the County had done a good job during a difficult period. Councilman Smiley added that the Office of Finance and Auditor’s Office performed due diligence while continuing to serve the citizens of New Castle County. Mr. Smith also noted that the positive results were a result of collaboration between the Office of Finance and the Auditor’s Office. The constantly evolving nature of the CRF program made its administration very complex. Mr. Smith said that the FY2021 Single Audit was the largest Single Audit in the history of New Castle County. Mr. Cordano agreed that the departments working together worked well for the County’s success in the Single Audit.

- IV. Mr. Wasserbach went over the American Rescue Plan Act (ARPA) programs. The County received \$108 million in ARPA funds in two tranches. These funds have their own set of requirements including maintaining performance metrics. Guidehouse has been engaged to provide overall guidance with administering ARPA programs as well. Mr. Wasserbach said that his Office had issued a memo on lessons learned after the CARES Act CRF, so that these lessons could be used in ARPA programs. He noted that the Audit and Compliance Committee would continue to meet and oversee ARPA programs. Mr. Wasserbach said that due to the County’s recent experience with the CARES Act CRF programs and Guidehouse’s involvement from the start, the County Auditor’s Office feels comfortable with a lesser level of involvement in monitoring ARPA funds.
- V. Mr. Wasserbach said that the County’s FY2023 Financial Statement audit should be ready for presentation to the Audit Committee in January 2024, but that the presentation might occur in a County Council meeting (to which Audit Committee members would be invited). He said that the FY2023 Financial Statement audit would not include the Single Audit report which would be issued separately either in February or March 2024.

Ms. Bailey asked whether the Cares Act CRF audit report needed to be approved by the committee. Mr. Wasserbach said “yes”, but the total dollar amount of FY2023 CARES Act expenditures in the report cover letter needed to be confirmed. Ms. Bailey made a motion to approve the CARES Act CRF audit report pending confirmation of the FY2023 CARES Act expenditure amount. Dr. Brockenbrough seconded the motion. The motion passed unanimously.

Then Mr. Wasserbach gave a background on the County’s Down Payment Settlement Assistance Loan program administered by the Community Services Department. He said that the Auditor’s office had performed an internal controls review of the program and was awaiting management’s response to its draft report.

Mr. Wasserbach said that the Office has also performed audit work on Hersha Hospitality Management’s contract with the Hope Center. This audit report will be presented to the Audit Committee for approval in a future meeting. Mr. Wasserbach mentioned that his office had been assisting Community Services by reviewing Hope Center vendor invoices, but this has now been handed over to a person in the Community Services’ Fiscal area. He noted that some problems with the collection of Hope Center revenues by HHM have been identified and these issues are being currently addressed. Dr. Brockenbrough asked about the capacity of the Hope Center. Mr. Wasserbach and Mr. Smith were not sure of the exact number, but thought it was close to about one hundred rooms. Dr. Brockenbrough then asked whether it would be a good idea for management to meet the vendor’s finance personnel periodically to get an update. Mr. Wasserbach said that the vendor has hired a new general manager for the shelter. Also, the County, not vendor, had designated an internal finance official to monitor the Hope Center activity. This person was given a four page document by the Auditor’s Office detailing the duties that needed to be performed, including some auditing.

Mr. Wasserbach informed the committee that the open Associate Auditor position would be filled soon. The new person was expected to start in December. Also, in the next meeting, Mr. Wasserbach expected to present the Audit Plan for 2024. Mr. Cordano inquired whether the CARES Act work in the past few years had created any audit backlog. Mr. Wasserbach replied that there wasn’t necessarily any backlog per se because there were no mandatory audits that weren’t performed; certainly, however, the CARES Act CRF work resulted in less regular audits being performed. Ms. Bailey said that the committee members were just trying to ensure that the County Auditor’s Office has all resources that it needs. Mr. Wasserbach said that with the new employee, the Office will be fully staffed and be ready to move forward.

VI. Mr. Wasserbach said that he would reach out to the committee members to check their availability for the next meeting when the County’s Financial Statement audit is completed. Ms. Bailey asked if there had been a meeting for the FY2022 Financial Statement audit. Mr. Wasserbach replied that a separate Audit Committee meeting had not been held but that members were given the opportunity to attend the Financial Statement audit presentation to the County Council.

VII. The meeting was adjourned at 9:34 a.m.

Respectfully submitted by Rinku Banerji, Senior Auditor.