NEW CASTLE COUNTY, DELAWARE

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2023

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NEW CASTLE COUNTY, DELAWARE
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YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of County Council
New Castle County, Delaware
New Castle, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Castle County, Delaware (the County), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 31, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Members of County Council
New Castle County, Delaware

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Baltimore, Maryland
January 31, 2024

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Members of County Council
New Castle County, Delaware
New Castle, Delaware

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited New Castle County (the County)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2023. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Community Block Development Grant/Entitlement Grants (CDBG Program)
In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the CDBG program for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs
In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative* Requirements*, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Matter Giving Rise to the Qualified Opinion on the Community Block Development Grant/Entitlement Grants (CDBG) Program
As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding:

Program	Assistance Listing	Noncompliance	Finding Number
Community Block Development Grant/Entitlement Grants	14.218	Reporting	2023-004

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to the programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a significant deficiency.

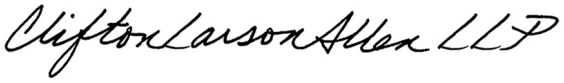
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Castle County, Delaware as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise New Castle County, Delaware's basic financial statements. We have issued our report thereon, dated January 31, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Baltimore, Maryland
March 28, 2024

NEW CASTLE COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Agency: Pass-through Entity: Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Total Subgrantee Expenditures
U.S. Department of Agriculture:				
Agricultural Marketing Service				
Farmers' Market and Local Food Promotion Program	10.175	N/A	$ 10,623	$ -
Total U.S. Department of Agriculture			10,623	-
U.S. Department of Housing & Urban Development:				
Office of Community Planning and Development				
Emergency Solutions Grant Program	14.231	N/A	1,190,931	1,164,960
HOME Investment Partnerships Program	14.239	N/A	1,290,742	1,053,435
Economic Development Initiative, Community Project Funding & Misc Grants	14.251	N/A	111,446	-
Pass-Through Program From:				
Delaware State Housing Authority (1)				
Neighborhood Stabilization Program ARRA	14.256	NSP 02-09	95,345	-
CDBG - Entitlement Grants Cluster				
Community Development Block Grant/Entitlement Grants	14.218	N/A	4,940,556	1,078,145
Pass-Through Program From:				
Delaware State Housing Authority (1)				
Community Development Block Grants/Entitlement Grants	14.218	NSP 05-08	14,930	-
Total CDBG - Entitlement Grants Cluster			4,955,486	1,078,145
CDBG - State-Administered CDBG				
Pass-Through Program From:				
Delaware State Housing Authority (1)				
Community Development Block Grants/State	14.228	NSP 02-11	123,582	-
Total CDBG - State-Administered CDBG			123,582	-
Office of Public and Indian Housing				
Housing Choice Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	N/A	14,991,499	-
Total Housing Choice Voucher Cluster			14,991,499	-
Office of Lead Hazard Control and Healthy Homes				
Lead-Based Paint Hazard Control in Privately-owned Housing	14.900	N/A	313,919	-
Lead Hazard Reduction Demonstration Grant Program	14.905	N/A	38,880	-
Healthy Homes Production Program	14.913	N/A	124,311	-
			477,110	-
Total U.S. Department of Housing & Urban Development			23,236,141	3,296,540
U.S. Department of Justice:				
Bureau of Justice Assistance				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	262,707	-
Pass-Through Programs From:				
Criminal Justice Council (1)				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019DJBX0031 FY21 BJAG 3041	14,862	-
Total Edward Byrne Memorial Justice Assistance Grant Program			277,569	-
Bureau of Justice Assistance				
Comprehensive Opioid Abuse Site-Based Program	16.838	N/A	314,147	-
Pass-Through Programs From:				
Criminal Justice Council (1)				
Comprehensive Opioid Abuse Site-Based Program	16.838	2017-AR-BXK015	5,982	-
Total Comprehensive Opioid Abuse Site-Based Program			320,129	-
Bureau of Justice Assistance				
ABH Mental Health	16.745	N/A	284,174	-
COVID-19 Coronavirus Emergency Supplement Funding Program	16.034	N/A	80,648	-
Congressionally Recommended Awards	16.753	N/A	13,104	-
Bulletproof Vest Partnership Program	16.607	N/A	15,298	-
Office for Victims of Crime				
Pass-Through Program From:				
Criminal Justice Council (1)				
Crime Victim Assistance	16.575	VF-2814, VF-2866	162,625	-
Office of Community Oriented Policing Services				
Public Safety Partnership and Community Policing Grants	16.710	N/A	93,381	-
Criminal Division				
Equitable Sharing Program	16.922	N/A	11,928	-
Total U.S. Department of Justice			1,258,856	-

(1) Pass-Through the State of Delaware.

The accompanying notes to the schedule of expenditures of federal awards are an integral part of the schedule.

NEW CASTLE COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

Federal Agency: Pass-through Entity: Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Total Subgrantee Expenditures
U.S. Department of Transportation:				
National Highway Traffic Safety Administration				
Pass-Through Programs From:				
Department of Transportation (1)				
Alcohol Open Container Requirements	20.607	Various	$ 2,721	$ -
National Highway Traffic Safety Administration				
Highway Safety Cluster				
Pass-Through Programs From:				
Department of Transportation (1)				
State and Community Highway Safety	20.600	Various	15,126	-
National Priority Safety Programs	20.616	Various	11,473	-
Total Highway Safety Cluster			26,599	-
Total U.S. Department of Transportation			29,320	-
U.S. Department of Treasury:				
COVID-19 Coronavirus Relief Fund	21.019	N/A	1,537,818	414,530
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	7,552,697	1,281,744
Pass-Through Programs From:				
Kent County				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Various	75,000	-
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			7,627,697	1,281,744
Pass-Through Programs From:				
Delaware State Housing Authority (1)				
COVID-19 Emergency Rental Assistance Program	21.023	DE-ERA2-HSS-CNP-010	169,903	-
Total U.S. Department of Treasury			9,335,418	1,696,274
Institute of Museum and Library Services				
Institute of Museum and Library Services,				
Pass-Through Programs From:				
Department of State (1)				
COVID-19 Grants to States - ARPA	45.310	Various	182,175	-
Total Institute of Museum and Library Services			182,175	-
Environmental Protection Agency:				
Office of Wastewater Management				
Clean Water State Revolving Fund Cluster				
Pass-Through Program From:				
Department of Natural Resources and Environmental Control (1)				
ARRA-CW State Revolving Fund	66.458	CW-2017-010, CW-2017-017, CW-2017-015, CW-2021-008	478,607	-
Total Clean Water State Revolving Fund Cluster			478,607	-
Total Environmental Protection Agency			478,607	-
Department of Health and Human Services:				
Centers for Disease Control and Prevention				
Pass-Through Programs From:				
Department of State(1)				
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	Various	1,982	-
Department of Health & Social Services(1)				
Public Health Emergency Response:Cooperative Agreement for Emergency Response:Public Health Crisis Response	93.354	MOU# 19-395	(32)	-
Total Department of Health and Human Services			1,950	-
Department of Homeland Security:				
Pass-Through Programs From:				
Department of Safety and Homeland Security (1)				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	Various	2,086,055	-
Emergency Management Performance Grants	97.042	EMPG 19,20, S20, 21, 22, 23)-002	300,290	-
Homeland Security Grant Program (2)	97.067	EMPG S- 20-002, 20-028	179,335	-
Presidential Residence Protection Security	97.134	EMW-2022-GR-00176-S01	738,538	-
Total Department of Homeland Security			3,304,218	-
TOTAL FEDERAL AWARDS			$ 37,837,308	$ 4,992,814

(1) Pass-Through the State of Delaware.
(2) Donated Federal Equipment - $97,746

The accompanying notes to the schedule of expenditures of federal awards are an integral part of the schedule.

NEW CASTLE COUNTY, DELAWARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes Federal grant activity of New Castle County, Delaware and is presented on the modified accrual basis of accounting. Matching funds are excluded from the schedule and the Program Income generated from Federal Grants is classified as Federal Expenditures when spent. The information on this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards, with the exception of Assistance Listing Number 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 LOANS OUTSTANDING

New Castle County, Delaware administers low-income housing loan programs under the Community Development Block Grant, Home Investment Partnership Program, and Neighborhood Stabilization Program (NSP). The County had the following loan balances outstanding at June 30, 2023:

Program Title	Federal Assistance Listing Number		Amount Outstanding
Community Development Block Grants/Entitlement Grants	14.218	$	9,543,898
HOME Investment Partnerships Program	14.239		4,045,760
NSP Grants G40400099,G40400100 and G40400101	14.218, 14.256, 14.228		623,941
		$	14,213,599

NOTE 3 INDIRECT COSTS

The County did not elect to use the 10% De Minimis cost rate for indirect costs.

NOTE 4 UNEXPENDED BALANCE OF LOANS AVAILABLE FROM CLEAN WATER STATE REVOLVING FUND

Program Title	Federal Assistance Listing Number		Amount Outstanding
ARRA Clean Water State Revolving Fund	66.458	$	9,577,856

NOTE 5 RECLASSIFICATION OF PRIOR YEAR EXPENDITURE

Disaster Grants - Public Assistance (ALN 97.036)

After a Presidential-Declared Disaster, FEMA provides a Public Assistance Grant to reimburse eligible costs. For the year ended June 30, 2023, $1,841,891 of approved eligible expenditures were incurred in a prior year and are included on the Schedule.

Presidential Residence Protection Assist Grant (PRPA) (ALN 97.134)

The PRPA Grant program reimburses extraordinary law enforcement or other emergency personnel costs for protection activities directly and demonstrably associated with any residence of the President. For the year ended June 30, 2023, $608,330 of the approved eligible expenditures were incurred in a prior year and are included on the Schedule.

NEW CASTLE COUNTY, DELAWARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section I – Summary of Independent Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? _____ yes ___x___ no
   - Significant deficiency(ies) identified? ___x___ yes _____ none reported

3. Noncompliance material to basic financial statements noted? _____ yes ___x___ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ___x___ yes _____ no
   - Significant deficiency(ies) identified? ___x___ yes _____ none reported

2. Type of auditors' report issued on compliance for major federal programs: See below

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___x___ yes _____ no

Identification of Major Federal Programs

Assistance Listing Number(s)	**Name of Federal Program or Cluster**	***Opinion***
14.218	Community Development Block Grant	Qualified
14.871	Section 8 Housing Choice Voucher Cluster	Unmodified
14.231	Emergency Solutions Grant Program	Unmodified
14.239	Home Investment Partnerships Program	Unmodified
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: $1,135,119

Auditee qualify as low-risk auditee? No

Section II – Financial Statement Findings

2023 – 001 Hope Center Internal Controls & Year-end Financial Close and Reporting

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition
The County contracts with a vendor to perform the property management of the Hope Center, including accounting, invoicing and collecting rooms revenue, and paying various expenses. The County does not have adequate controls in place to ensure that all cash receipts are properly applied to the related accounts receivable balance, revenue is properly recognized, and liabilities are properly accrued in accordance with generally accepted accounting principles.

Criteria
Governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Context
Several misstatements were identified with the financial activity of the Hope Center. The misstatements identified were as follows:

- There were $27,995 of transactions that were not properly reconciled against the related accounts receivable balance and $12,250 of transactions that were improperly included on the year-end bank reconciliation.

- Accounts receivable balances were not properly identified and reconciled as of year-end. There were variances of approximately $252,400 as a result of billing and reconciliation errors.

- Six transactions totaling $57,475 were improperly excluded from accounts payable as of year-end. Additionally, 4 of the 10 samples selected for expense testing were not approved, processed, and/or paid in a timely manner.

Effect
Several financial statement line items related to the Hope Center sub-fund of the General Fund for the year ended June 30, 2023 contained misstatements.

Section II – Financial Statement Findings (Continued)

Cause
New Castle County contracts with a vendor to perform the property management of the Hope Center, including accounting, invoicing and collecting invoice payments, and paying various expenses. The vendor is responsible for onsite monitoring as well as month-end reporting. The onsite monitoring team responsible for performing the invoicing and collection of rooms revenue, as well as the ordering of goods and services and the initiation of invoice payments, did not follow policies and procedures; thus, revenue and expense transactions were not properly identified and accrued in the correct accounting period, which caused the underlying general ledger data that is used to compile the County's year-end financial statements to be inaccurate.

Recommendation
We recommend that the County implement appropriate policies and procedures to address the deficiencies in internal controls over financial reporting as it relates to the Hope Center's cash, accounts receivable, revenue, accounts payable, and expense balances.

Views of responsible officials
Management agrees with the finding. New Castle County contracts with a vendor to perform the property management of the Hope Center, including accounting, invoicing, and collecting invoice payments, and paying various expenses. Through New Castle County oversight, the accounts receivable onsite issues were identified during the fiscal year, and proactive action has been taken including bringing an accountant from the vendor's main office, sending a notice of material breach of contract, replacing vendor onsite staff, and establishing Hope Center specific procedures on receivables. New Castle County staff meet twice weekly with onsite vendor staff to review accounts receivable, revenue, accounts payable and expenses balances. A monthly fiscal meeting is held with the vendor's regional manager and onsite staff to ensure compliance with vendor's policies and procedures.

Section II – Financial Statement Findings (Continued)

2023 – 002 Reporting – Schedule of Expenditures of Federal Awards (SEFA)

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition
The Schedule of Expenditures of Federal Awards (SEFA) contained an error related to the amount provided to subrecipients.

Criteria
2 CFR part 200.510 states that the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended. At a minimum, the schedule must:

1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs, also provide the total for the cluster.

4) Include the total amount provided to subrecipients from each Federal program.

Context
The Community Development Block Grant (CDBG) ALN#14.218 improperly reported subrecipient expenditures totaling $43,473.

Effect
The amount reported as subrecipient expenditures on the SEFA was initially misstated; however, total Federal Expenditures on the SEFA were accurately reflected.

Cause
The original amount reported for subrecipient expenditures included vendor related expenditures.

Repeat Finding
Yes

Section II – Financial Statement Findings (Continued)

Recommendation
We recommend the County review its process for identifying and reporting subrecipient activities.

Views of responsible officials:
Management agrees with the finding. The Department had previously reported Summer Camps and Ab Jones Senior Food Program grant in the pass-through grant object level as both programs apply for funding through the subrecipient grant process. Because they are internal grants, the Department enters into a Memorandum of Agreement and not a subrecipient contract for these grant awards. Moving expenses for Summer Camps and the Ab Jones Senior Food Program, as well as any other internal grants, to object code 57201 (grants) instead of 57210 (pass-thru grants) should accurately reflect this type of expense. This adjustment should streamline the reporting process, particularly concerning the SEFA, ensuring that expenses are appropriately classified and accounted for. The Department will draft a Standard Operating Procedure to ensure compliance.

Section III – Findings and Questioned Costs – Major Federal Programs

2023 – 003

Federal Agency:	U.S. Department of Housing & Urban Development
Federal Program:	Section 8 Housing Choice Voucher Cluster
Assistance Listing Number:	14.871
Award Period:	July 1, 2022 – June 30, 2023
Compliance Requirement:	Reporting – FDS Reporting
Type of Finding:	Significant Deficiency in Internal Control Over Compliance, Noncompliance

Condition:
The County did not have adequate controls over the financial reporting process and, as a result, prior period adjustments were required in Financial Data Schedule (FDS) line item 11040.

Criteria or specific requirement:
Compliance: The Uniform Financial Reporting Standards (24 CFR section 5.801) require PHAs to submit timely GAAP-based unaudited and audited financial information electronically to HUD. The Financial Assessment Subsystem (FASS-PH) system is one of HUD's main monitoring and oversight systems for the HCVP.

The accuracy of the following transfer items should be reviewed in conjunction with supporting documentation and/or HUD approvals. For FDS reporting, cash and investments in a cash pool or working capital account should be reported as such and not reflected as due to/due from. Amounts reported on these FDS Lines could represent unallowable costs.

a. FDS Line 144 – (Inter Program – Due From)
b. FDS Line 10020 – (Operating Transfer Out)
c. FDS Line 10030 – (Operating Transfers From/To Primary Government)
d. FDS Line 10040 – (Operating Transfer From/To Component Unit)
e. FDS Line 11040 – (Prior Period Adjustments, Equity Transfers, and Correction of Errors)

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Context:
The County identified prior-period errors of $700,797 while preparing the FDS report.

Questioned costs:
None.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Cause:
The County did not have the appropriate controls over the financial reporting process to prevent or detect misstatements.

Effect:
The County recorded adjustments for the corrections of errors related to the overstatement of prior year revenues totaling $700,797.

Recommendation:
We recommend the County review and enhance its internal controls, policies, and procedures to ensure that the amounts included on the FDS are accurate.

Views of responsible officials:
Management agrees with the finding. The department will modify its SOP to include a second reviewer before the final FDS figures are submitted. The first submission is due in August and the final submission is due in March.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 004

Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program:	Community Development Block Grant/Entitlement Grants
Assistance Listing Number:	14.218
Award Period:	June 23, 2009 through September 1, 2029
Compliance Requirement:	Reporting – Federal Funding Accountability and Transparency Act (FFATA)
Type of Finding:	Material Weakness in Internal Control Over Compliance, Material Noncompliance

Condition:
The County did not report required subaward information to FSRS for first-tier subawards of $30,000 or more.

Criteria or specific requirement:
Compliance: Per the Federal Funding Accountability and Transparency Act (FFATA), prime (direct) recipients of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports must be filed in FSRS by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to $30,000. If the initial award is below $30,000 but subsequent grant modifications result in a total award equal to or over $30,000, the award will be subject to the reporting requirements as of the date the award exceeds $30,000. If the initial award equals or exceeds $30,000 but funding is subsequently de-obligated such that the total award amount falls below $30,000, the award continues to be subject to FFATA reporting requirements.

The following key data elements must be reported: Subawardee Name and Data Universal Numbering System (DUNS) number; Amount of Subaward (inclusive of modifications); Subaward Obligation/Action Date; Date of Report Submission; Subaward Number; Project Description; and Names and Compensation of Highly Compensated Officers. (Names and Compensation of Highly Compensated Officers must only be reported when the entity in the preceding fiscal year received 80 percent or more of its annual gross revenues in Federal awards; and $30,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.)

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Context:
Three of five subawards selected for testing were not reported to FSRS. Total subawards tested was $801,983, and only $314,269 was reported as required by FFATA requirements.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
5	3	0	0	0
Dollar Amount of Tested Transactions	**Subaward not reported ($)**	**Report not timely ($)**	**Subaward amount incorrect ($)**	**Subaward missing key elements ($)**
$801,983	$487,714	$0	$0	$0

Questioned costs:
None noted.

Cause:
The County's policies and procedures were not sufficient to ensure that required subaward information was reported to FSRS. Internal controls did not prevent or detect the errors.

Effect:
Subawards were not reported to FSRS in accordance with FFATA requirements.

Recommendation:
We recommend that the County subsequently report the subawards not reported in FSRS. We further recommend the County strengthen controls and procedures to ensure that all required subawards are reported accurately and timely to FSRS.

Views of responsible officials: Management agrees with the finding. Community Services was made aware of the FFATA issue at the end of FY22. The Department developed and executed a Standard Operating Procedure (SOP) to ensure all awards over $30,000 were submitted to the FSRS system within the required time. In FY23 we entered the FY22 and FY23 sub-recipient awards in FSRS. In FY23 there were expenses for sub-recipient awards that were issued in FY20 and FY21, which was identified by CLA. The Department will modify our SOP to require all sub-recipient awards be entered regardless of the fiscal year they were awarded; this ensures accurate and up-to-date reporting.

MATTHEW MEYER
COUNTY EXECUTIVE

MICHAEL SMITH
CHIEF FINANCIAL OFFICER

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OFFICE OF FINANCE

NEW CASTLE COUNTY, DELAWARE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

New Castle County, Delaware respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

Audit period: July 1, 2021 – June 30, 2022

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2022 – 001
Type of Finding: Significant Deficiency in Internal Control over Reporting

Condition: During the fiscal year ended June 30, 2021, a checking account was established in the name of the County for the operation of the Hope Center. The balance in this account was not properly identified and reported in the financial statements for the year ended June 30, 2021. The balances excluded from the County's financial statements for the Hope Center for cash and accounts receivable were $632,560 and $119,700, respectively. Revenue excluded from the County's financial statements was $1,090,633.

Status: Fully Corrected.

2022 – 002
Type of Finding: Significant Deficiency in Internal Control over Reporting

Condition: The Schedule of Expenditures of Federal Awards (SEFA) contained an error related to the amount provided to subrecipients.

Status: See current year Finding 2023-002.

Reason for Finding's Recurrence: The Community Development Block Grant (CDBG) ALN#14.218 improperly reported subrecipient expenditures totaling $43,473.

MATTHEW MEYER
COUNTY EXECUTIVE

MICHAEL SMITH
CHIEF FINANCIAL OFFICER

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OFFICE OF FINANCE

NEW CASTLE COUNTY, DELAWARE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2022 – 003

Federal agency:	U.S. Department of the Treasury
Federal program title:	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
ALN Number:	21.027
Compliance Requirement:	Reporting
Type of Finding:	Material Weakness in Internal Control Over Compliance, Material Noncompliance

Condition: The supporting documentation did not agree with amounts reported for obligations, expenditures and subawards on the Project and Expenditure Reports.

Status: Fully Corrected

2022 – 004

Federal agency:	U.S. Department of Housing and Urban Development
Federal program title:	Community Development Block Grant/Entitlement Grants
ALN Number:	14.218
Compliance Requirement:	Reporting – Federal Funding Accountability and Transparency Act (FFATA)
Type of Finding:	Material Weakness in Internal Control Over Compliance, Material Noncompliance

Condition: The County did not report required subaward information to FSRS for first-tier subawards of $30,000 or more.

Status: See current year Finding 2023-004.

Matthew Meyer
County Executive

Carrie Casey
General Manager

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Department of Community Services

NEW CASTLE COUNTY, DELAWARE
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023

New Castle County, Delaware respectfully submits the following corrective action plan for the year ended June 30, 2023.

Audit period: June 30, 2023

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2023-001 Hope Center Internal Controls & Year-end Financial Close and Reporting

Recommendation: We recommend that the County implement appropriate policies and procedures to address the deficiencies in internal controls over financial reporting as it relates to the Hope Center's cash, accounts receivable, revenue, accounts payable, and expense balances.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: New Castle County contracts with a vendor to perform the property management of the Hope Center, including accounting, invoicing, and collecting invoice payments, and paying various expenses. Through New Castle County oversight, the accounts receivable onsite issues were identified during the fiscal year, and proactive action has been taken including bringing an accountant from the vendor's main office, sending a notice of material breach of contract, replacing vendor onsite staff, and establishing Hope Center specific procedures on receivables. New Castle County staff meet twice weekly with onsite vendor staff to review accounts receivable, revenue, accounts payable and expenses balances. A monthly fiscal meeting is held with the vendor's regional manager and onsite staff to ensure compliance with vendor's policies and procedures.

Name(s) of the contact person(s) responsible for corrective action: Carrie Casey

Planned completion date for corrective action plan: June 30, 2024

2023-002 Reporting – Schedule of Expenditures of Federal Awards (SEFA)

Recommendation: We recommend the County review its process for identifying and reporting subrecipient activities.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Department had previously reported Summer Camps and Ab Jones Senior Food Program grant in the pass-through grant object level as both programs apply for funding through the subrecipient grant process. Because they are internal grants, the Department enters into a Memorandum of Agreement and not a subrecipient contract for these grant awards. Moving expenses for Summer Camps and the Ab Jones Senior Food Program, as well as any other internal grants, to object code 57201 (grants) instead of 57210 (pass-thru grants) should accurately reflect this type of expense. This adjustment should streamline the reporting process, particularly concerning the SEFA, ensuring that expenses are appropriately classified and accounted for. The Department will draft a Standard Operating Procedure to ensure compliance.

Name(s) of the contact person(s) responsible for corrective action: Mike Kapa

Planned completion date for corrective action plan: June 30, 2024

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

SIGNIFICANT DEFICIENCY

2023-003 Section 8 Housing Choice Voucher Cluster – Assistance Listing No. 14.871

Recommendation: We recommend the County review and enhance its internal controls, policies, and procedures to ensure that the amounts included on the FDS are accurate.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The department will modify its SOP to include a second reviewer before the final FDS figures are submitted. The first submission is due in August and the final submission is due in March.

Name(s) of the contact person(s) responsible for corrective action: Mike Kapa

Planned completion date for corrective action plan: June 30, 2024

MATERIAL WEAKNESS

2023-004 Community Development Block Grant/Entitlement Grants – Assistance Listing No. 14.218

Recommendation: We recommend that the County subsequently report the subawards not reported in FSRS. We further recommend the County strengthen controls and procedures to ensure that all required subawards are reported accurately and timely to FSRS.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Community Services was made aware of the FFATA issue at the end of FY22. The Department developed and executed a Standard Operating Procedure (SOP) to ensure all awards over $30,000 were submitted to the FSRS system within the required time. In FY23 we entered the FY22 and FY23 sub-recipient awards in FSRS. In FY23 there were expenses for sub-recipient awards that were issued in FY20 and FY21, which was identified by CLA. The Department will modify our SOP to require all sub-recipient awards be entered regardless of the fiscal year they were awarded; this ensures accurate and up-to-date reporting.

Name(s) of the contact person(s) responsible for corrective action: Mike Kapa

Planned completion date for corrective action plan: June 30, 2024

If CLA has questions regarding this plan, please call Mike Kapa at (302) 395-5620.