



To: Carrie Casey, General Manager, Department of Community Services

From: Bob Wasserbach, New Castle County (NCC) Auditor

Subject: New Castle County Hope Center

Date: April 10, 2025

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Off and on for the last few years, the County Auditor's Office has been working with the Department of Community Services to understand, and provide feedback on, the financial-related contractual responsibilities performed by Hersha Hospitality Management (HHM) for the New Castle County Hope Center.

The County terminated its relationship with HHM in April of 2024. That same month, the County Auditor's Office issued a memorandum to you and the CAO identifying various items that we believed should be taken into consideration in making the transition away from HHM. Shortly thereafter, you created various subcommittees (e.g., Finance) to work on various tasks associated with the transition. These subcommittees worked on getting ready for the official transition date of April 19, 2024.

In making the transition of HHM's responsibilities to the County, we do have three comments and recommendations to further enhance internal controls regarding the Hope Center. See "Opportunities for Improvement" on page 2. Management's response to each of our recommendations has been included at the end of each comment.

CC: Marcus Henry, County Executive  
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Lisa Oglesby, Hope Center's Managing Director  
Nellie Hill, Clerk of Council  
New Castle County Council Members  
New Castle County Audit Committee Members

## **OPPORTUNITIES FOR IMPROVEMENT**

### **1. Further Strengthen Internal Controls over the Hope Center's Revenue Functions.**

#### **Comment**

The Community Services Department, together with the Office of Finance, has diligently worked on the transition of financial-related responsibilities from HHM to the County. Bringing these responsibilities in-house has enabled them to be subject to the County's internal control system and not HHM's. The County Auditor's Office is now comfortable with the internal controls over most of these responsibilities.

#### **Recommendations**

Regarding the revenue-related responsibilities, we do have a few items where we believe the County could improve internal controls even more. These are:

- Continue to work with the State of Delaware on ensuring County invoice numbers appear in the remittance detail provided with State payments. There are still instances where the State does not provide the invoice numbers, resulting in further work for the Community Services Fiscal Unit.
- Evaluate the internal controls surrounding the revenue-related functions performed by Hope Center staff, including:
  - Ensuring an invoice is produced in RoomMaster for every occupied room unless the occupant of the room is being "comped" (and charged \$0) for a legitimate reason.
  - Ensuring the Hope Center staff utilizing RoomMaster are providing detailed explanations for any revenue adjustments and that such revenue adjustments are timely communicated to the Community Services' Fiscal Unit. (Community Services is preparing invoices in MUNIS based upon the invoices created in RoomMaster. Therefore, it's critical that the information in RoomMaster is correct and, if an adjustment has been made, that Community Services has the opportunity to review an explanation if necessary.)
  - Upon notification from the Fiscal Unit of payments received on invoices, ensuring the Hope Center staff are timely updating the Accounts Receivable within RoomMaster so that Accounts Receivable information in RoomMaster agrees to MUNIS.
  - Working on written policies and procedures for the revenue-related functions performed by Hope Center staff. The Community Services' Fiscal Unit has already written a policy and procedures for the revenue-related functions performed by them.
- Add to the SOP (Standard Operating Procedure) titled "Accounts Receivable, General Billing, and Bad Debt for the Hope Center" a section on collection of past-due accounts receivable. This section should include the title of the person(s) responsible for collections, the collection procedures for the various aging categories (31-60 days, 61-90, 91-120, over 120), and the need to document all collection efforts. Also, since the April 2024 transition date, a staff member in the Community Services Fiscal Unit has been working diligently to confirm the correct balances owed by the entities renting rooms, and making efforts to collect past-due balances owed. It is not typical for an accounting staff member to also be responsible for collections of past-due accounts; therefore, going forward, Community Services' management needs to evaluate who should be performing the collections function.

## Management's Response

- Management has worked on these issues with the State. If a remittance is received from the State of Delaware with insufficient information pertaining to where the payment should be applied, Community Services Fiscal sends the remittance to the State and asks for the invoice that the particular voucher is for. Every payment from the state has a unique voucher number that is tied with each payment. The State will then let Community Services Fiscal know what invoice the funds should be applied to. Community Services Fiscal does not apply any payments to invoices unless it receives sufficient information from each funding agency to ensure accuracy of payments being made.
- Management is working with the Hope Center staff to create an SOP on their duties pertaining to the revenue related functions in RoomMaster.
- New Castle County Community Services will oversee the collection process of the Hope Center room rental invoices. New Castle County and Hope Center staff will work together for the collection effort in contacting vendors of their delinquent invoices. Below are the collection procedures for invoices that fall into delinquent categories by age of delinquency.
  - 31-60 Days- Send monthly statement with list of open invoices to each vendor delinquent.
  - 61-90 Days- Send monthly statement with list of open invoices to each vendor delinquent. Follow up with Bi-Weekly reminders of invoices that are delinquent to contacts that the invoices are regularly sent to. Will also send separate emails asking for an update on outstanding invoices and when New Castle County will be paid
  - 91-120 Days- Send monthly statement with list of open invoices to each vendor delinquent. Follow up with weekly reminders of invoices that are delinquent to contacts that the invoices are regularly sent to. Community Services Fiscal will discuss internally with the General Manager about delinquency with the vendor and have General Manager reach out to the vendor.
  - Over 120 Days- Send monthly statement with list of open invoices to each vendor delinquent. Follow up with weekly reminders of invoices that are delinquent to contacts that the invoices are regularly sent to. Community Services will discuss with the General Manager and Department Division Manager about future direction/partnership with that vendor.

## 2. Ensure Compliance with County's Fixed Asset Policy.

### Comment

The Office of Finance has a "Budget and Accounting Policy" manual, updated as of July 27, 2023. Chapter 7 of the manual addresses Fixed Assets.

- Section 7.2 states "All financial and classification data for capitalized and inventoried assets will be recorded and maintained on the Capital Asset Module of the Munis Financial System (MUNIS) ... The General Manager of each Department shall assign property custodian(s) and inform the Office of Finance of their selections. Each Department, through their assigned property custodian(s), is responsible for maintaining, tracking, and ensuring compliance of their fixed assets to this Fixed Asset Policy and Procedures. Each property custodian will verify that all assigned fixed assets are

properly recorded in MUNIS and that the ‘fixed asset bar-code tags’ are applied to these fixed assets.”

- Section 7.3 states “Fixed assets are defined as tangible property of significant value from which benefit will accrue to the organization over a period beyond one year ... Fixed assets that meet the requirements of the capitalization threshold of \$5,000 are considered Capitalized Assets. This capitalization threshold is applied to individual fixed assets rather than to groups/sets of fixed assets (e.g., chairs, desks, etc.). Capitalized Assets are depreciated over their estimated useful lives. Some examples of Capitalized Assets are buildings, building improvements, software, and vehicles.”

Section 3.1, Scope of Services of the HHM-NCC Property Agreement provided:

- “G. Cause all ordinary repairs and maintenance to the Property, of which Operator is aware, to be made and conducted.”
- “H. Provide project management services on Owner’s behalf in connection with capital improvements to the Property, or the renovation and refurbishment of the Property ... “

Monthly, HHM was sending NCC an invoice for various expenses (e.g., payroll and benefits, fixed fees, certain utilities). The invoice also included, when applicable, items which HHM considered to be capital-related. These were designated on the invoice as “Capex Invoice Reimbursement” because HHM has paid for these invoices with its own funds and was requesting reimbursement. The Office of Finance, until January or February of 2023, was paying the entire amount of the invoice and classifying it as Contractual Services expense in MUNIS.

We reviewed all the Capex items for fiscal years 2021, 2022, 2023, and 2024. The totals were as follows:

- FY 2021: \$67,104.02
- FY 2022: \$281,096.37
- FY 2023: \$136,474.80
- FY 2024: \$36,295.92

This totals \$520,970.51 in potential capital expenses. We say “potential” because in reviewing these items, it appears that not all of them meet the County’s policy for being a fixed asset and being capitalized. However, there are definitely some which appear to us to warrant capitalization.

Going forward, with HHM no longer paying for Hope Center expenses, all expenses will be handled through the County’s MUNIS System and will be subject to the County’s internal controls in determining whether an expense should be capitalized.

Note, in looking at the fixed assets for the Hope Center in MUNIS, that the acquisition dates are either December 2020 (when the County purchased the Hope Center) or 3/5/21 (when many Chromebooks were added).

## Recommendations

We recommend that Community Services management meet with the Office of Finance to:

- Determine if any past Capex items that were expensed should have been added to MUNIS as a fixed asset and capitalized and, if so, make any necessary adjustments. (Note that the Community Services

Department's Finance Officer did speak to the Office of Finance's Accounting Manager and the decision has been made not to make any changes to prior years' numbers.)

- Determine when an inventory needs to be performed of the contents of the Hope Center. It looks like an initial inventory was performed in December 2020 but there may be assets which were acquired since or that weren't picked up in the initial inventory.

### **Management's Response**

Management has contacted the County's Accounting Department, and it has been determined that the County will not go back and alter previous years' financial statements on fixed assets. Going forward, Community Services will follow all County policies and procedures pertaining to fixed assets.

### **3. Improve Internal Controls over Hope Center Inc. and Ensure Compliance with Corporate Bylaws.**

#### **Comment**

In November 2020, using CARES CRF funds, the County contracted with an individual to, among other items, "1. Set up and create a new 501(c)3 organization. (Develop name, mission and vision.) 2. Create Board of Directors."

As a result,

- The Hope Center, Inc. is a 501(c)3 nonprofit established on May 17, 2021 and it has a Board of Directors.
- Corporate bylaws were created.
- A Hope Center Inc. checking account was opened in January 2021.<sup>1</sup>
- The website for Hope Center Inc. has a mission but we don't see a vision.

In reviewing the corporate bylaws and per inquiries, we have the following observations:

- The bylaws require a President, Vice President, Secretary, and Treasurer. However, from the list of Board Members provided by the Board President at the time we performed our audit, there was no Vice President or Treasurer. (Note that we were informed in January 2025 that there is now a Treasurer.) The corporate bylaws have a section on the "Duties of Treasurer" including:
  - ✓ "Have charge and custody of, and be responsible for, all funds and securities of the corporation, and deposit all such funds in the name of the corporation in such banks, trust companies, or other depositories as shall be selected by the board of directors".
  - ✓ "Receive, and give receipt for, monies due and payable to the corporation from any source whatsoever."

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<sup>1</sup> This checking account is different than the one mentioned in the audit report on the County's Property Management Agreement with Hersha Hospitality Management, i.e., the one required to be established per the County's agreement with HHM.

- ✓ “Disburse, or cause to be disbursed, the funds of the corporation as may be directed by the board of directors, taking proper vouchers for such disbursements”.
- ✓ “Keep and maintain adequate and correct accounts of the corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, and losses.”
- The bylaws require bi-monthly meetings. However, as of September 2023, there had apparently been only one Board Meeting. (Note that we were informed in January 2025 that there has now been another meeting.)
- The bylaws state that checks are to be signed by the Treasurer and countersigned by the President. However, at the time of our audit, the President was the only authorized signer on the checking account and the organization had not yet named a Treasurer.
- The Board President at the time of our audit informed us that she was the one who maintained “the books” for Hope Center Inc. However, we have not been provided with any such “books.” And, according to the corporate bylaws, this is the responsibility of the Treasurer.
- Article 9 of the bylaws contains a Conflict of Interest Policy and a requirement that Board Members sign an annual statement that he/she has read and understands, and agrees to comply with, such policy. It appears that this annual statement requirement is not occurring.

## Recommendations

In late 2022, the County engaged a consulting firm to develop a strategic plan for the sustainability of the Hope Center. The Community Services Department’s General Manager informed us that the plan has ideas for expanding the fundraising outreach of Hope Center Inc. and that, in conjunction with these ideas, the County will be working with the Hope Center Inc.’s Board of Directors in “re-energizing” Hope Center Inc.

As part of this “re-energizing”, we recommend that Community Services management work with the Hope Center Inc.’s Board of Directors to:

- Expand the Board and ensure all Board of Director officer positions are filled.
- Ensure officers’ responsibilities are being fulfilled in accordance with the Board bylaws.
- Ensure Board of Director’s meetings are held at the frequency as stated in the bylaws.
- Ensure that checks are signed by individuals authorized in the bylaws.
- Continue to ensure that the annual Form 990 is timely filed.<sup>2</sup>
- Ensure that any policies in the bylaws are followed.
- Develop policies and procedures for:
  - ✓ The system to be used (e.g., QuickBooks) for recording revenues, expenses, assets, and liabilities.
  - ✓ The acceptance of contributions, and the recording and depositing of such.
  - ✓ Distributing funds from the account, i.e., who can request funds for the Hope Center’s use, who determines whether the request is a legitimate Hope Center expense, who authorizes/approves such requests, who prepares the checks, who signs the checks, who maintains the check inventory, etc.
  - ✓ The reconciliation of the monthly bank statement to Hope Center Inc.’s records. This person should be independent of anyone making deposits or writing checks.

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<sup>2</sup> We did ascertain that the annual Form 990s have been filed.

In conjunction with the above, the Board of Directors should segregate responsibilities accordingly to ensure that a single individual does not have total control of the bank account. In an ideal system, different people would perform each of four functions: authorization, custody of assets, recordkeeping, and reconciliation. In a small nonprofit, we realize that segregation of all four functions cannot be easily achieved; however, at a minimum, the person doing the bank reconciliation should be independent of the other three functions.

### **Management's Response**

Management agrees with the recommendation to re-institute the Hope Center Inc. Board. This was a recommendation in the sustainability plan and will be critical in supporting Hope Center operations. Currently, there is funding in the account with minimal expenditures due to the nonprofit not having a board and/or dedicated staff. It is important to note, even with no staff or assistance, the IRS form 990 has been submitted annually detailing revenue and expenditures.

Our plan is to hire a part-time staff person dedicated to the Hope Center Inc. operations. In the 4<sup>th</sup> quarter of 2024, the department appointed Rich Przywara as Chair of the Board of Directors and Sean Collins as Treasurer. We will be working in 2025 to expand the board, review the by-laws and institute fiscal management policies consistent with the recommendations above.