



CARES Act Task Force Audit & Compliance Committee Meeting
Meeting Minutes – Wednesday, June 23, 2021
11:00 a.m. Virtual Zoom Webinar

Attendance:

Committee Members Present: Co-Chair Bob Wasserbach (County Auditor), Co-Chair Michael Smith (NCC Chief Financial Officer), County Councilwoman Janet Kilpatrick, NCC Audit Committee Chair Martin Taylor, NCC Audit Committee member Dr. Karl Brockenbrough and Tarik Haskins (Morris, Nichols, Arsht & Tunnell, LLP).

Committee Members Absent: NCC Housing Management Analyst Nicole Waters.

Others in Attendance: NCC Chief of Staff Aundrea Almond, Assistant County Attorney Nicholas Brannick, Susan Moore (NCC Executive Office), Joe Simon (Grant Thornton), Dustin Hinkel (Grant Thornton), Dave Barth (Grant Thornton), John Eldridge (Apothic Revenue), Debbie Ament (Apothic Revenue) and 2 other NCC staff members/members of public.

Proceedings:

- Co-Chair Bob Wasserbach started the meeting by briefly introducing new committee member Dr. Karl Brockenbrough. Dr. Karl Brockenbrough then gave a general overview of his background and experience. Co-Chair Wasserbach also gave a brief introduction for the second new committee member, Nicole Waters, who was unable to join the meeting.
- Councilwoman Janet Kilpatrick made a motion to approve the minutes from the last meeting. The motion was seconded by Co-Chair Michael Smith. The minutes were approved unanimously.
- Co-Chair Wasserbach invited John Eldridge and Debbie Ament from Apothic Revenues to provide the committee with an update on their subrecipient monitoring of the grant programs. Mr. Eldridge told the committee that there are many grants that have received extensions.
 - Innovation grants: 46% are closed or in review to be closed, 53% are on extension, and there is 1 grant (not on extension) that has not provided documentation.
 - Health Equity grants: 73% are closed or in review to be closed, 25% are on extension, and there are 2 grants that still need to provide satisfactory documents.
 - Food grants: 98% are closed or in review to be closed. One grant is on extension and one needs to provide documentation.

- The Winter Ready Restaurant grants: This has been more challenging because many assumed that they had till December 2021 to close. 67% are closed or in review to be closed, 7% are on extension and 8 (not on extension) that need to provide documentation. Regarding the 8 grants that have not provided documentation, Apothic has emailed and/or called the entities and, starting next week, Apothic plans to visit them.
- Distance Learning grants: Nothing has changed since last month – about 30% are closed or in review to be closed. In consultation with CFO Michael Smith, Apothic is giving the schools through the end of summer to provide documentation, with one school district having an extension until the end of October.

Co-Chair Wasserbach asked how many of the Innovation grants had received an extension. Mr. Eldridge replied that there were 6 such grants amounting to about \$3.3 million, with 1 alone being \$2.2 million. Mr. Eldridge added that Apothic is going over every expenditure in detail looking for reasonability and eligibility. For example, in one case, Apothic found questionable liquor purchases.

Tarik Haskins asked, for Distance Learning grants, whether there is any concern that after the end of summer, more time might be needed to get complete information from the schools. Mr. Eldridge said he didn't think it will be a problem because it is only a matter of completing the paperwork which is a straightforward process.

Co-Chair Wasserbach explained, for the committee's newest member Dr. Brockenbrough, the roles performed by Apothic Revenues and Grant Thornton in the monitoring of CARES Act grants. Dr. Brockenbrough inquired whether all the organizations had received guidelines on what the funds could be spent on. Co-Chair Wasserbach replied that the organizations had to sign a certification agreement before they could get funds and the certification agreements gave all the spending guidelines. Co-Chair Smith added that for municipalities and fire companies, it has been more of a reimbursement process; for the other grant programs, organizations had to provide documentation on what they planned to spend the money on before the grants were approved. Co-Chair Wasserbach said that he would send Dr. Brockenbrough the subrecipient policies document approved by the committee.

Councilwoman Kilpatrick asked Apothic (1) Whether any of the organizations that have not submitted documents are High Risk, (2) How does Apothic feel about the organizations that have not yet submitted adequate documentation, and (3) What is the plan for recouping funds not spent per CARES Act requirements? Mr. Eldridge replied that there is probably only one organization deemed High Risk that has not submitted documentation. Also, most of the organizations that have not provided documentation received smaller grants and do not account for a significant \$ portion of the grants given. Regarding the possible recouping of funds, Apothic is working with the CFO and

County Auditor's office on strategizing how to approach this. He feels there may be a couple of cases where money may need to be recouped, either by converting the grant to a loan or another way deemed appropriate by the County Auditor and CFO. Co-Chair Smith explained how the process would work: first there would be a notice sent to the organization that its funds usage was not permissible and a request would be made for the return of the funds with a reminder that the organization is obligated to spend funds per the certification agreement. If the funds are returned within the covered period, the funds could be repurposed. If the funds are returned after the period, the funds would be returned to the Federal government.

Co-Chair Wasserbach asked Mr. Eldridge whether there are any instances where no contact has been made with the grantee. Mr. Eldridge replied that there were a couple of restaurants that had not responded to Apothic's requests. He said if he didn't hear back from these restaurants, he would pay them a visit.

- Joe Simon from Grant Thornton (GT) provided the committee with an update on subrecipient monitoring and other compliance related activities performed by GT:
 - Policies and Procedures manual – is out of Grant Thornton's internal review and is now with the County for review.
 - Internal Audit concerns – GT has documented all Internal Audit concerns in a document and is working on clearing these concerns.
 - State transfers – GT is waiting to hear back from the State's Office of Management and Budget on the survey for cursory risk assessment. Co-Chair Wasserbach said that he and Co-Chair Smith should get together to discuss this.
 - FEMA – GT has submitted \$2.8 million in eligible expenses (cost of PPEs and COVID testing) to FEMA on behalf of the County. The only pushback from FEMA has been on epidemiology wastewater studies performed by the County to identify areas where the virus was present. GT will continue to seek reimbursement for those costs. Co-Chair Wasserbach explained to Dr. Brockenbrough that GT was seeking reimbursement from FEMA on money spent by the County on FEMA eligible expenses. This would free up CARES funds for other items.
 - Delaware State University testing lab – was flagged High Risk initially. But except for some delays, there haven't been any problems. There is only one proof of payment pending.
 - Donors Choose program – provided teachers CARES Act funding for microprojects across the County. Councilwoman Kilpatrick added that there was a cap on each of these grants. GT has finished testing the sample it drew and will be analyzing the results next.
 - Paid Administrative Leave – GT has asked the County for some clarifications.
 - Internal transactions – Dustin Hinkel said that GT is identifying the population for testing.

- Municipal and fire company reimbursements – GT has completed reviews of more than 50% of municipal and fire company requests. The biggest hurdle has been getting responses back from the subrecipients. GT is stepping up the frequency of touches with the subrecipients.

Co-Chair Wasserbach added that GT has been acting as an overall consultant to the County and has been doing a lot of support work to help the County get a positive Single Audit result. Also, the Office of the Inspector General could do its own audit and GT has been helping the County prepare for such an audit.

Dr. Brockenbrough asked whether 100% of the money received by organizations must go towards COVID related activities, or do the organizations get to take a percentage of the money received for their administrative and overhead costs. Co-Chair Wasserbach responded that he believed 100% of the money received must go towards COVID-related activities. But internally, NCC has been able to charge an administration cost. Co-Chair Smith added that organizations cannot charge indirect costs for projects. But they can identify payroll and other direct costs needed to achieve their goal upfront in the grant request. These line items are reimbursable. Dustin Hinkel added that GT has seen a few fire companies that had to take on costs for technical support for presenting their finances to the County for the grant. In such cases, GT has had to make sure that it was directly related to the grant. Joe Simon added that in the case of FEMA, allowable management costs were capped at 5%. There were no more questions for GT.

- Co-Chair Smith went over the presentation he had given to County Council on CARES Act expenditures that have been encumbered/obligated and to be spent by the end of 2021, the covered period under the CARES Act. NCC received about \$323 million in CARES Act funding, of which about \$276 million has already been expensed as of June 11, 2021 and another \$46 million is encumbered/obligated. Co-Chair Smith went over each of eleven line items in detail. Grants and Fixed Charges is the biggest line item with more than \$190 million having been expensed and only about \$23 million remaining to be encumbered/obligated. Co-Chair Wasserbach inquired whether the County is going to spend \$15 million on Housing Assistance and \$1.9 million on Non-Profit Support. Co-Chair Smith confirmed that is still the plan but the Housing Assistance money will not be given to the State. He explained that the amount of cost share initially agreed to with the State (\$20 million for rental and mortgage assistance) is no longer needed by the State because the State has received additional stimulus money (for housing assistance) from the Federal government. So, NCC has allocated \$5 million of that \$20 million amount to the Hope Center. Additionally, the NCC Community Services Department is looking into other housing assistance needs within NCC for the remaining \$15 million. Co-Chair Smith then went over the Contingencies line item. He said that most of it would be allocated to Salaries and Benefits by the end of the covered period as there is not much left in the Salaries and Benefits line item. Overall, over the 22-month covered period for the CARES Act funding, about \$323 million

received will have gone to the State (\$152 million), NCC Salaries and Benefits (\$56 million), internal NCC costs (\$26 million), Housing Assistance (\$15 million), NCC grants (\$48.5 million) and property acquisition for Hope Center (\$25 million).

- Co-Chair Wasserbach gave a brief introductory PowerPoint presentation on the American Rescue Plan Act (ARPA). He said that the County was receiving \$108 million in two tranches under ARPA. The funds must be incurred and obligated by December 31st, 2024 and must be expended by December 31st, 2026. Funds may be spent under four categories – to respond to the public health emergency, to respond to workers performing essential work during the public health emergency, for the provision of government services to the extent of the reduction in revenue, and to make infrastructure investments in water, sewer and broadband. The County Executive has formed 5 ARPA taskforce committees – Audit & Compliance, Intergovernmental Collaboration, Community and Economic Development, Workforce Development and Early Childhood Learning. Also, County Council is holding a series of workshops asking for public input on how to spend the ARPA funds. If the money goes to subrecipients, there would be a need for subrecipient monitoring, same as for the CARES Act. The committees (except for the A & C Committee) have until August 31st to come up with recommendations for how to spend the funds. Tarik Haskins asked whether infrastructure expenditures under ARPA needed to be tied to COVID. Co-Chair Wasserbach said he believed that infrastructure expenditures do not have to be tied to COVID, and Aundrea Almond agreed. Dr. Brockenbrough asked whether organizations that received CARES funds could also receive ARPA funds. Co-Chair Wasserbach said that if the County sets up grant programs under ARPA, it will need to do a risk assessment of organizations seeking ARPA funds; for organizations that had received CARES funds earlier, their CARES performance would become a factor in their risk assessment. Aundrea Almond added that a clear set of priorities for ARPA funds have not yet been determined. But CARES experience would inform what is done with ARPA funds. She also noted that some initial thoughts on areas of focus for ARPA funds have to be shared with the Treasury by the end of August. With the ARPA funds, there is also an emphasis on data-based outcomes.
- Co-Chair Wasserbach suggested continuing to meet once a month for now. The next meeting was set for Wednesday, July 21st 2021 at 11:00 a.m. The meeting ended at 12:12 p.m.