



CARES Act Task Force Audit & Compliance Committee Meeting
Meeting Minutes – Wednesday, December 1, 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 member Dr. Karl Brockenbrough, NCC Audit Committee Chair Martin Taylor, Tarik Haskins (Morris, Nichols, Arsht & Tunnell, LLP) and NCC Housing Management Analyst Nicole Waters.

Committee Members Absent: None.

Others in Attendance: NCC Chief of Staff Aundrea Almond, Ben Morris-Levenson (NCC ARPA Coordinator), NCC Deputy Chief Administrative Officer Erik Raser-Schramm, Assistant County Attorney Nicholas Brannick, Susan Moore, Dustin Hinkel (Grant Thornton), Dave Barth (Grant Thornton), John Eldridge (Apothic Revenue), Debbie Ament (Apothic Revenue) and 4 other NCC staff members/members of public.

Proceedings:

- Co-Chair Wasserbach started the meeting at 11:04 a.m.
- Councilwoman Kilpatrick made a motion to approve the previous meeting's minutes, which was seconded by Mr. Taylor and Dr. Brockenbrough. The minutes were passed unanimously. Based on the minutes, Co-Chair Wasserbach asked Mr. Hinkel whether the Bill proposing greater flexibility in the use of American Rescue Plan Act funds and discussed in the previous meeting had been passed. Mr. Hinkel said that he would need to check.
- Co-Chair Wasserbach invited John Eldridge and Debbie Ament from Apothic Revenue to provide an update on the subrecipient monitoring of grants by them. Mr. Eldridge shared his screen to show charts with new information requested by committee members on the progress made by Apothic Revenue. Mr. Eldridge said that there hadn't been significant movement in November; Distance Learning saw the biggest movement. Overall, about \$5.5 million in grants have been "closed."
 - Distance Learning grants: By amount, nearly half of the DL grants are closed. 33 of these grants have been closed, 18 are in review, and 20 are on extension. No documents have been received from 3 applicants representing \$69,000 in total, and Apothic is trying to get in contact with them. Apothic has been unable to upload one application to the dashboard due to technical difficulties

and there was nothing to upload for another 2 which, even though closed, did not use the funds (used district funds instead).

Co-Chair Wasserbach inquired how much time was being given to the DL grants in extension. Mr. Eldridge said that they had till the end of the year to close. Co-Chair Wasserbach asked what would happen if a problem with such extension applications was discovered after the 12/31 deadline and the entity had to return money to the County. Would NCC still have a chance to spend the money? Co-Chair Smith responded that yes, such funds could be used for the County's internal expenditures. He said that no employee salary expenses have been booked in CARES for FY2022 yet.

Co-Chair Smith explained that the school districts have been given extensions due to the supply chain issues being faced by them. Councilwoman Kilpatrick asked if the school districts would face any issue with expensive items that were ordered from CARES funds but came in later. Co-Chair Smith said that such expenditures would be subject to the reasonability test. If an entity placed an order well in advance of 12/31/21 but delivery did not occur by 12/31/21, this would be considered reasonable; if the entity placed an order on 12/31/21 or one or two days before, this may not be considered reasonable (because the entity by placing an order so close to 12/31 could not have reasonably expected delivery by that date). Mr. Hinkel agreed with Co-Chair Smith and said that there is language in the CARES Act guidance that allows for reasonability.

- Innovation grants: There has not been much change since last time (12% closed in amount). There are 2 grants (for \$863,000) that are on extension. Based on feedback from Co-Chair Wasserbach's office, Apothic has been going back and forth with the grants in review for more detailed information. Also, 2 organizations have not provided any documents at all. Mr. Eldridge pointed out that one organization has gone silent. Mr. Eldridge plans to consult with Co-Chair Smith and the Office of Law to see what should be done going forward.
- Health Equity (HE) grants: By amount, 31% of these are closed. Mr. Eldridge said that, similar to the Innovation grants, Apothic is having to repeatedly go back to the organizations. All HE grant organizations have provided at least some documentation and there are 3 (totaling \$401,000) that are in extension.
- Food grants: Mr. Eldridge said that 21% of these grants have been closed (by dollar amount), with 10 being uploaded to the dashboard. There are none of these grants on extension. One organization has not provided significant information as they did not keep their receipts. Apothic is seeking guidance from the County on how to proceed on this one.
- Winter Ready Restaurant (WRR) grants: These are close to being completed as 88% are closed (in dollar amount). Apothic does not have the ability to upload these grants to the dashboard and is

working on figuring that out. Four (totaling \$17,500) of the WRR grants have not provided any documentation at all. There is only one WRR grant on extension.

Co-Chair Smith noted that a shared folder is being created where Apothic can start uploading WRR grant documents. Also, a meeting will be set up between Apothic, Office of Law and Co-Chair Smith to discuss a path forward for some of the problem applicants. Co-Chair Smith also offered to help if Apothic ran into any issues with the school districts. Mr. Eldridge added that Apothic is sending reminders to those under extension.

Councilwoman Kilpatrick asked whether a list of the most problematic CARES Act applicants was being maintained, so that ARPA funds are not given to them. Co-Chair Smith said that the Office of Finance is maintaining a list of the problematic organizations which tend to be smaller and not used to receiving federal funds. He pointed out that since the nature of the CARES programs was different from the likely ARPA programs, some of the CARES applicants might not be eligible for the ARPA programs.

Councilwoman Kilpatrick wondered if larger organizations like Delaware Community Foundation would be distributing ARPA funds to the smaller problematic applicants. She asked whether it would be possible to give money incrementally only after the organization proved that they were able to meet reporting requirements. Co-Chair Smith said that since the ARPA timeline is longer than that of CARES CRF, funds will be released either in tranches or it will be reimbursements. The ARPA requirements are stricter and more detailed. So, organizations will likely be required to meet reporting deadlines before the next funds are released. Mr. Morris-Levenson added that with ARPA, reporting outlines will be laid out in the beginning and recourses will be built in. He said that the goal was to spend the ARPA money as effectively as possible. Councilwoman Kilpatrick noted that there is a learning curve for managing federal money and giving it incrementally would help the organizations learn.

Co-Chair Smith also added that Grant Thornton would be running an on-boarding process for the ARPA applicants. Dr. Brockenbrough asked whether it would help to alert the applicable County Council Members about the problematic organizations. Co-Chair Wasserbach said that maybe when Apothic Revenues, Co-Chair Smith and Mr. Brannick meet, they could discuss that idea. Councilwoman Kilpatrick said that traditionally Council Members work with the Executive side on individual decisions, so if a Council Member is approached by a problematic organization, they will probably be referred to Co-Chair Smith. She explained that the Council approves general funding programs and, for CARES, provided guidance to where the funds should be spent (i.e., by Council Members being on different public committees formed by the County Executive). Co-Chair Wasserbach asked whether the CARES committees had any Council members. Co-Chair Smith replied

that there were two Council Members in each of the public CARES Taskforce committees. Mr. Morris-Levenson added that all organizations have to meet the compliance criteria. No one will get money if they fail the compliance process vetted by Grant Thornton.

Mr. Eldridge pointed out that Apothic had contacted and explained the documentation needs to each organization in the beginning. So, for an organization to say that they did not keep receipts is not due to their lack of understanding. Councilwoman Kilpatrick said that this is why it is important to maintain a list so that NCC does not see a reduction in its federal funding due to a bad audit caused by non-compliant recipient organizations. Co-Chair Smith agreed and said a lot of time had been spent informing all recipients of the CARES expectations. Councilwoman Kilpatrick thought it might help to also give all Council members a background on problematic organizations so that, if contacted, they can explain why certain organizations did not get funding.

There were no additional questions for Apothic.

- Co-Chair Wasserbach invited Dustin Hinkel from Grant Thornton (GT) to provide an update on the work being done by GT. Mr. Hinkel began by saying that November was marked by slow but sure progress.
 - Fire Companies and Municipalities – GT has completed reviews of 82% of municipal and fire company requests. 38 applications are in “RFI sent” status. GT has finished the development of the close-out packages for each of the municipalities and these will be uploaded to the dashboard soon. About 4-5 applications come in every couple weeks from the volunteer fire companies for the second round of funding. For this phase of funding to the fire companies, reviews of about 50% of the applicants have been completed. Another 20% are in QA/QC review.
 - State Transfers – GT has been able to get a better understanding of how the State has used the County money. GT is now trying to get into the financial data of the State to interpret how funds were used. GT is testing for accuracy of reports.
 - Internal Transactions – 256 eligibility reviews have been completed, with 49 still outstanding. Some of the outstanding reviews are being escalated through risk bulletins. 28 risk bulletins have been issued so far. Co-Chair Wasserbach inquired whether GT was contacting the Office of Law for the internal applications that were originally sent to Law for review. Mr. Hinkel replied that either the Office of Law or the departmental stakeholders are being asked to respond to the risk bulletins to document the County’s interpretation of how the expenditures are related to CARES. Many of the risk bulletins are for the Hope Center.
 - Paid Administrative Leave – Since a lot of the administrative leave cost came with the closure of facilities, GT is trying to get the timeline for the closures from the County.
 - Donors Choose – GT has almost completed the first phase of testing which validates that the County was invoiced accurately. The next phase will test that substitutions did not materially change the scope of the project. Dr. Brockenbrough asked whether there was any approval

required from the County for substitutions. Mr. Hinkel replied that there is language in the MOU with Donors Choose that gives them the ability to substitute when there are changes in the supply chain. But there is also language in the MOU that gives the County the right to approve the projects.

- FEMA – Mr. Hinkel said that 2 of the projects have been obligated, while many others are in various phases of review by FEMA. One project was denied by FEMA and GT is currently reviewing to see if the denial can be appealed.
- There were no additional questions for GT.

- Co-Chair Wasserbach invited Ms. Almond and Mr. Morris-Levenson to provide an update on the ARPA compliance process. Mr. Morris-Levenson said that the County will be partnering with Grant Thornton for compliance of ARPA expenditures. He outlined the compliance process which would be followed for all ARPA expenditures: i. the project lead completes the project form; ii. GT reviews project for ARPA eligibility and compliance (this would include a risk assessment); iii. Office of Law reviews; iv. Office of Finance reviews; v. recipients sign legal agreements with compliance requirements. Co-Chair Wasserbach asked who would do the subrecipient monitoring of ARPA funds. Mr. Morris-Levenson said that they are still finalizing policies and procedures for how this is going to work.

There were no additional questions for Mr. Morris-Levenson.

- Co-Chair Wasserbach provided a brief update on the Single Audit. He said that the County's external auditors, CliftonLarsonAllen (CLA), are waiting for the Schedule of Expenditures of Federal Awards (SEFA) from the Office of Finance. It was expected to be provided by the end of the week. There were no questions on the Single Audit.

- It was decided that the next meeting would take place on Wednesday, January 12th, 2022 at 11 a.m.

- The meeting ended at 12:05 p.m.