

## LIMITED-SCOPE AUDIT PROPOSAL

### Evaluating SOFTwarfare, LLC's Use of Building a Stronger Economy (BASE) 1.0 Grant Funding

#### SOURCE

This audit proposal was requested by Representative Tory Marie Blew.

#### BACKGROUND

The Building a Stronger Economy (BASE) grant program used federal pandemic funds (ARPA funds) to address infrastructure and economic development projects that were delayed or slowed due to the COVID-19 pandemic. Local governments, economic development organizations, community foundations, certain nonprofit organizations, and private developers and commercial property owners were eligible to apply for the funding. The funding could be used for economic development projects such as developing new business parks or renovating existing business parks; signage and parking facilities; industrial office and residential space; and infrastructure to support business development and expansion such as railroad, water, wastewater, and other utilities as well as cybersecurity investments.

The Department of Commerce was responsible for administering and allocating awards for the grant program. As of September 2024, the department oversaw 2 rounds of funding. The first round of funding, called the BASE 1.0 grant, closed in February 2022. It distributed about \$100 million in funding to 35 recipients. Recipients were required to provide at least a 25% funding match and to complete construction of BASE grant funded project components within 2 years of the award.

SOFTwarfare, LLC was one recipient of BASE 1.0 grant funding. It is a cybersecurity company headquartered in Prairie Village, Kansas. It received \$3 million in grant funding to help develop the first phase of a micro-modular edge data center in Great Bend. Company officials said the facility would provide Kansas companies solutions for adhering to government compliance requirements for cybersecurity authentication and integration.

Legislators have expressed concerns about the timeliness of SOFTwarfare, LLC's application and whether it's spent the funding on the Great Bend project in alignment with the grant award.

#### AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

*The audit objective listed below is the question we would answer through our audit work. The steps listed for the objective convey the type of work we would do. These may change as we learn more about the audit issues.*

**Objective 1: Did SOFTwarfare, LLC spend BASE 1.0 grant funding in alignment with its grant award?** Our tentative methodology would include the following:

- Work with Department of Commerce staff and review BASE grant documentation to understand the timelines and processes for applying, scoring, and awarding BASE 1.0

grant funding.

- Review SOFTwarfare, LLC's application, scoring rubric, and other BASE grant documentation as needed to determine when it applied for and Commerce awarded BASE 1.0 grant funding. Also determine what score Commerce staff gave the application and what they approved the company to use funding for.
- Review SOFTwarfare, LLC's spending documentation to determine how it has spent the grant funding, to date. Compare the company's spending to the uses described in its grant award to identify if the funding was spent in alignment with the award and if it was supported with adequate documentation.
- Talk to Commerce staff and SOFTwarfare, LLC officials as needed to understand the cause of any issues with the application, scoring rubric, or spending documentation.

### **ESTIMATED RESOURCES**

We estimate this audit would require **100 staff hours** to complete.