

**DAUPHIN COUNTY ECONOMIC
DEVELOPMENT CORPORATION
(COMPONENT UNIT OF DAUPHIN COUNTY)
HARRISBURG, PENNSYLVANIA**

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2018

DAUPHIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
(COMPONENT UNIT OF DAUPHIN COUNTY)
SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2018

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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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dauphin County Economic Development Corporation
Harrisburg, Pennsylvania

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 Dauphin County Economic Development Corporation (the "Corporation"), a non-profit organization and a component unit of Dauphin County, as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated May 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 determination of financial statement amounts. 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*.



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Dauphin County Economic Development Corporation
Harrisburg, Pennsylvania

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
May 31, 2019



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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dauphin County Economic Development Corporation
Harrisburg, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited the Dauphin County Economic Development Corporation's (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended December 31, 2018. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Basis for Qualified Opinion on the Major Federal Program

As described in the accompanying schedule of findings and questioned costs, the Corporation did not comply with the requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2018-001	14.218	CDBG Entitlement Grants Cluster	Reporting
2018-002	14.218	CDBG Entitlement Grants Cluster	Special Tests – Required Certifications and HUD Approvals



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Harrisburg, Pennsylvania

Compliance with such requirements is necessary, in our opinion, for the Corporation to comply with the requirements applicable to that program.

Qualified Opinion on the Major Federal Program Listed in the Table Above

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program listed in the table above for the year ended December 31, 2018.

Other Matters

The Corporation's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Corporation's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiency.

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 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 Finding 2018-002 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 schedule of findings and questioned costs as Finding 2018-001 to be a significant deficiency.



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Harrisburg, Pennsylvania

The Corporation's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Corporation's responses were not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the responses.

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 Corporation as of and for the year ended December 31, 2018, and have issued our report thereon dated May 31, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD, LLC

Harrisburg, Pennsylvania
September 26, 2019

DAUPHIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Entity	Pass-Through Grantor's Number	Subrecipient Expenditures	Federal CFDA Number	(Accrued)/ Deferred Revenue at December 31, 2017	Federal Grant Receipts	Federal Grant Expenditures	Accrued/ (Deferred) Revenue at December 31, 2018
U.S. Department of Housing and Urban Development								
Community Development Block Grant/Entitlement Grants	Dauphin County	B-14-UC-42-0009	\$ 17,396	14.218	\$ (375)	\$ 17,771	\$ 17,396	\$ -
Community Development Block Grant/Entitlement Grants	Dauphin County	B-15-UC-42-0009	170,809	14.218	(379)	171,188	170,809	-
Community Development Block Grant/Entitlement Grants	Dauphin County	B-16-UC-42-0009	92,789	14.218	(166,937)	416,468	250,467	936
Community Development Block Grant/Entitlement Grants	Dauphin County	B-17-UC-42-0009	234,195	14.218	7,224	338,815	617,735	271,696
Community Development Block Grant/Entitlement Grants - Disaster Recovery	Dauphin County	B-12-JT-42-0001	899,072	14.218	(2,159)	889,518	899,072	11,713
Total CDBG Entitlement Grant Cluster			1,414,261		(162,826)	1,833,760	1,955,479	284,345
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii								
HOME Investment Partnerships Program	Dauphin County	C000056517	366,344	14.228	(283,766)	650,110	366,344	-
HOME Investment Partnerships Program	Dauphin County	M11-UC420214	-	14.239	-	6,216	6,216	-
HOME Investment Partnerships Program	Dauphin County	M14-UC420214	-	14.239	-	117,140	117,140	-
HOME Investment Partnerships Program	Dauphin County	M16-UC420214	-	14.239	-	19,305	19,305	-
HOME Investment Partnerships Program	Dauphin County	M17-UC420214	-	14.239	(139,695)	192,261	95,771	43,205
HOME Investment Partnerships Program	Dauphin County	M18-UC420214	-	14.239	-	-	158,978	158,978
Total CFDA #14.239			-		(139,695)	334,922	397,410	202,183
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (CDBG - Disaster Recovery Grants Pub. L. No. 113-2 Cluster)								
Total U.S. Department of Housing and Urban Development	Dauphin County	B-13-US-42-0001	465,378	14.269	(225,108)	690,486	465,378	-
			2,245,983		(811,195)	3,509,278	3,184,611	486,528
TOTAL FEDERAL AWARDS			\$ 2,245,983		\$ (611,195)	\$ 3,509,278	\$ 3,184,611	\$ 486,528

* Denotes major program

DAUPHIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2018

NOTE 1: REPORTING ENTITY

The Dauphin County Economic Development Corporation is the reporting entity for financial reporting purposes as defined in Note 1A to the Dauphin County Economic Development Corporation's financial statements.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the Dauphin County Economic Development Corporation and is presented on the accrual basis of accounting as described in Note 1B to the Dauphin County Economic Development Corporation's financial statements. The Corporation did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2018 threshold for determining Type A and Type B Programs is \$750,000. The following Type A program was audited as major:

<u>CFDA</u>	<u>Program</u>
14.218	Community Development Block Grant – Entitlement Grants

The amount expended under programs audited as major federal programs for the year ended December 31, 2018, totaled \$1,955,479 or 61.40% of total federal awards.

NOTE 4: PROGRAM CLUSTERS

The following program clusters, as defined by Uniform Guidance, were treated as a single program for determining major programs:

	<u>CFDA #</u>	<u>Expenditures</u>
<u>CDBG - Entitlement Grants Cluster</u>		
Community Development Block Grants / Entitlement Grants	14.218	\$ 1,955,479
Total CDBG - Entitlement Grants Cluster		\$ 1,955,479
 <u>CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster</u>		
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	\$ 465,378
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster		\$ 465,378

DAUPHIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weaknesses identified?	<u>No</u>
• Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	<u>Yes</u>
• Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>No</u>

Identification of Major Program

<u>CFDA Number</u>	<u>Name of Program (Cluster)</u>
14.218	Community Development Block Grant – Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs using risk-based approach:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

DAUPHIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2018-001

Reporting

CDBG Entitlement Grant Cluster – CFDA #14.218
U.S. Department of Housing and Urban Development (HUD)

Criteria: Federal regulations (24 CFR Section 135) require that each recipient that administers covered housing and community development assistance in excess of \$200,000 in a program year, submit the HUD-60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*.

Condition: The Corporation did not complete the HUD-60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, in the required timeframe.

Cause: The Corporation did not follow its internal control procedures to ensure compliance with the Reporting requirements of the CDBG program.

Effect: Internal control over this requirement were not operating effectively and the Corporation was not in compliance with federal reporting requirements.

Questioned Costs: No known questioned costs.

Recommendation: We recommend that the Corporation complete the HUD-60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, by the required deadline.

Management's Response: Management agrees with this finding. Duties have been re-assigned to regain internal controls ensuring the HUD-60002, *Section 3 Summary Report*, will be submitted annually at the same time as the CAPER is completed. Also, both reports are completed in an online submission process whereas before it was all hard copy and submitted together to HUD.

DAUPHIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

Section III – Federal Award Findings and Questioned Costs (Continued)

<u>Finding 2018-002</u>	<u>Special Tests – Required Certifications and HUD Approvals</u>
	CDBG Entitlement Grant Cluster – CFDA #14.218 U.S. Department of Housing and Urban Development (HUD)
Criteria:	Federal regulations state that CDBG funds cannot be obligated or expended prior to receipt of HUD's approval of a Request for Release of Funds (RROF).
Condition:	For one of three projects selected for testing, the Corporation did not receive the HUD approved Request for the Release of Funds prior to expending the CDBG funds.
Cause:	The Corporation did not follow its internal control procedures to ensure compliance with the Special Tests – Required Certifications and HUD Approvals requirements of the CDBG program.
Effect:	Internal control over this requirement were not operating effectively and the Corporation was not in compliance with federal requirements.
Questioned Costs:	No known questioned costs.
Recommendation:	We recommend that the Corporation ensure the receipt of the HUD approved Request for Release of Funds prior to expending the CDBG grant funds.
Management's Response:	Management agrees with this finding. The Request for Release of Funds is now submitted and approved in an online format. This will allow internal controls to track the process at all times and ensure CDBG funds are expended appropriately and timely.

DAUPHIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

The following summary indicates the current year status of findings identified in the prior year Single Audit report:

<u>Corporation Program</u>	<u>Prior Year Finding</u>	<u>Description of Finding</u>	<u>Current Year Status</u>
None			