

Tourist Product Development Grant
Contract No. C000018906
PA Dutch Convention & Visitors Bureau

Period July 1, 2005 through June 30, 2011



TROUT, EBERSOLE & GROFF_{LLP}

CPAs | BUSINESS ADVISORS

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**Tourist Product Development Grant Contract No. C000018906
PA Dutch Convention & Visitors Bureau**

Financial Statements with Supplementary Information

Period July 1, 2005 Through June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
PA Dutch Convention & Visitors Bureau
Lancaster, Pennsylvania

We have audited the accompanying balance sheet as of June 30, 2011, and the related statements of contract revenues, expenditures, and fund balance - budget to actual and cash flows and the schedule of accounts payable for the period July 1, 2005 through June 30, 2011, for the **Tourist Product Development Grant Contract No. C000018906 of PA Dutch Convention & Visitors Bureau**. These financial statements are the responsibility of **PA Dutch Convention & Visitors Bureau's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet and statements of contract revenues, expenditures, and fund balance - budget to actual and cash flows and the schedule of accounts payable are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the balance sheet and statements of contract revenues, expenditures, and fund balance - budget to actual and cash flows and the schedule of accounts payable for the **Tourist Product Development Grant Contract No. C000018906**. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements were prepared for the purpose of complying with the Department of Community and Economic Development of the State of Pennsylvania reporting requirements for **Tourist Product Development Grant Contract No. C000018906** as described in Note 1 and are not intended to be a complete presentation of all grant revenues, expenditures, and related balance sheet items of **PA Dutch Convention & Visitors Bureau**.

The accompanying financial statements required by **Tourist Product Development Grant Contract No. C000018906** are intended to present the financial position and results of operations of only that portion of the general operating fund of **PA Dutch Convention & Visitors Bureau** that is attributable to transactions under **Tourist Product Development Grant Contract No. C000018906**.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of **PA Dutch Convention & Visitors Bureau** as of June 30, 2011, and the results of its operations and its cash flows for the period July 1, 2005 through June 30, 2011, under **Tourist Product Development Grant Contract No. C000018906** in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2011, on our consideration of **PA Dutch Convention & Visitors Bureau's** internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for information and use of the board of directors and management of **PA Dutch Convention & Visitors Bureau** and the Department of Community and Economic Development of the Commonwealth of Pennsylvania and should not be used for any other purpose.

October 26, 2011
Lancaster, Pennsylvania

Trout, Ebersole & Groff, LLP

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

Tourist Product Development Grant Contract No. C000018906

PA Dutch Convention & Visitors Bureau

BALANCE SHEET

June 30, 2011

ASSETS

Cash	<u>\$ 6,327</u>
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LIABILITIES

Accounts Payable	5,000
Interest Due to Pennsylvania Department of Community and Economic Development	1,277
Interest Due to PA Dutch Convention & Visitors Bureau	<u>50</u>

TOTAL LIABILITIES	6,327
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FUND BALANCE

Unrestricted	<u>-0-</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,327</u>
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See notes to financial statements.

Tourist Product Development Grant Contract No. C000018906

PA Dutch Convention & Visitors Bureau

STATEMENT of CONTRACT REVENUES, EXPENDITURES, and FUND BALANCE -
BUDGET to ACTUAL

Period July 1, 2005 Through June 30, 2011

	Actual	Budget	Variance	
			Amount	Percent
CONTRACT REVENUES				
Pennsylvania Department of Community and Economic Development Contract	\$ 138,000	\$ 138,000	\$ -0-	.0
EXPENDITURES				
Promotion/Public Relations and Advertising	56,081	56,081	-0-	.0
Consultant/Professional Services	31,707	31,707	-0-	.0
Re-Grants	28,762	28,762	-0-	.0
Website Hosting and Migration	16,450	16,450	-0-	.0
Audit	<u>5,000</u>	<u>5,000</u>	-0-	.0
Total Expenditures	<u>138,000</u>	<u>138,000</u>	-0-	-0-
NET CONTRACT REVENUE over EXPENDITURES	-0-	-0-	-0-	-0-
NON-PROGRAM REVENUE (EXPENSE)				
Interest Earnings	1,327	-0-	1,327	100.0
Interest Remitted to Pennsylvania Department of Community and Economic Development	(1,277)	-0-	(1,277)	(100.0)
Interest Remitted to PA Dutch Convention & Visitors Bureau	<u>(50)</u>	<u>-0-</u>	(50)	(100.0)
Net Non-Program Expense	<u>-0-</u>	<u>-0-</u>	\$ -0-	100.0
CHANGES in FUND BALANCE	-0-	-0-		
FUND BALANCE				
Beginning - July 1, 2005	<u>-0-</u>	<u>-0-</u>		
Ending - June 30, 2011	<u>\$ -0-</u>	<u>\$ -0-</u>		

See notes to financial statements.

Tourist Product Development Grant Contract No. C000018906

PA Dutch Convention & Visitors Bureau

STATEMENT of CASH FLOWS

Period July 1, 2005 through June 30, 2011

CASH FLOWS from OPERATING ACTIVITIES

Changes in Fund Balance	\$ -0-
Adjustments to Reconcile Changes in Fund Balance to Net Cash Provided by Operating Activities:	
Increase (Decrease) in:	
Accounts Payable	5,000
Interest Due to Pennsylvania Department of Community and Economic Development	1,277
Interest Due to PA Dutch Convention & Visitors Bureau	<u>50</u>
Net Cash Provided by Operating Activities	6,327

CASH FLOWS from INVESTING ACTIVITIES

-0-

CASH FLOWS from FINANCING ACTIVITIES

-0-

INCREASE in CASH and CASH EQUIVALENTS

6,327

CASH and CASH EQUIVALENTS

Beginning	<u>-0-</u>
Ending	<u>\$ 6,327</u>

See notes to financial statements.

Tourist Product Development Grant Contract No. C000018906

PA Dutch Convention & Visitors Bureau

SCHEDULE of ACCOUNTS PAYABLE

June 30, 2011

Payee	Amount	Description	Invoice Date	Date Paid
Trout, Ebersole & Groff, LLP	\$ 5,000	Program audit fee	*	*

* Information not required per Pennsylvania Department of Community and Economic Development.

See notes to financial statements.

Tourist Product Development Grant Contract No. C000018906

PA Dutch Convention & Visitors Bureau

NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements include only the activity of the **Tourist Product Development Grant Contract No. C000018906 of PA Dutch Convention & Visitors Bureau**. No other activity of the Bureau has been presented in these financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all appropriate receivables and payables.

Department of Community and Economic Development Reporting Requirements

The financial statements have been prepared in accordance with reporting requirements set forth by the Department of Community and Economic Development (DCED) of the Commonwealth of Pennsylvania.

NOTE 2 - GRANT FUNDS

PA Dutch Convention & Visitors Bureau was awarded the **Tourist Product Development Grant Contract No. C000018906** from the DCED to promote the Quest for Freedom Underground Railroad project.

NOTE 3 - INVESTMENT of GRANT FUNDS

Prior to January 2009, **PA Dutch Convention & Visitors Bureau** did not maintain grant funds in a separate interest-bearing account. Once the Bureau became aware of this requirement, a separate interest-bearing account was opened and used for state funds.

NOTE 4 - DELIVERABLES

The deliverables as outlined in the grant contract were provided as specified.

**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**

To the Board of Directors
PA Dutch Convention & Visitors Bureau
Lancaster, Pennsylvania

We have audited the balance sheet and statements of contract revenues, expenditures, and fund balance - budget to actual and cash flows and the schedule of accounts payable for **Tourist Product Development Grant Contract No. C000018906 of PA Dutch Convention & Visitors Bureau** (the Bureau) as of and for the period July 1, 2005 through June 30, 2011, and have issued our report thereon dated October 26, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **PA Dutch Convention & Visitors Bureau's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **PA Dutch Convention & Visitors Bureau's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **PA Dutch Convention & Visitors Bureau's** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiency in the Bureau's internal control to be a material weakness:

Preparation of Financial Statements

PA Dutch Convention & Visitors Bureau has designated an employee responsible to oversee Trout, Ebersole & Groff, LLP's preparation of the financial statements. The Bureau has assumed responsibility for evaluating the adequacy and results of the financial statements and accepted responsibility for them. However, the Bureau's staff does not possess the expertise to prepare the financial statements and the notes to the financial statements for the **Tourist Product Development Grant Contract No. C000018906 of PA Dutch Convention & Visitors Bureau** in conformity with accounting principles generally accepted in the United States of America.

PA Dutch Convention & Visitors Bureau Response: The staff at PA Dutch CVB is competent and has the knowledge to prepare basic financial statements in accordance with good accounting practices and business purposes. We also understand the importance of the internal accounting and management controls as described above and, as such, have outsourced this responsibility to an accounting firm that is competent and knowledgeable with these generally accepted accounting principles.

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. We consider the following deficiencies in the Bureau's internal control to be significant deficiencies:

Bank Account

The Bureau was originally unaware that they were required to set up a separate and special expenditures account at a bank or other financial institution to handle all funds paid under the contract. During this time, the Bureau maintained separate accounting records for transactions under this grant. The Bureau began depositing funds into a separate interest-bearing bank account for this contract in January 2009, after they became aware of this requirement.

PA Dutch Convention & Visitors Bureau Response: The PA Dutch CVB now has a separate account in which grant funds coming from the Commonwealth can be held separately.

Fidelity Bonding

Under the terms of the grant agreement, the Bureau was required to obtain fidelity bonding for anyone authorized to sign checks, certify vouchers and/or handle or control funds, checks, securities or property. The agreement also requires the amount of this bond to be adequate to insure the security of all funds received under the grant. The Bureau did maintain a fidelity bond during the period of the grant; however management was unaware of this grant requirement and as a result, until July 2007, the amount of the bond was not in an amount sufficient to ensure the security of grant funds.

PA Dutch Convention & Visitors Bureau Response: The PA Dutch CVB has increased the limits on the fidelity bonding.

Suspended and Debarred Parties

The grant agreement prohibits the grantee from contracting with or making subawards from grant funds to parties that have been suspended or debarred by the Commonwealth. The Bureau was under the impression that this verification check was not necessary because its contractors also had contracts with the Commonwealth of Pennsylvania, and the Department of Community and Economic Development knew of the Bureau's selection of these contractors.

PA Dutch Convention & Visitors Bureau Response: PA Dutch CVB will research all vendors on the state's list of suspended or debarred contractors, and retain the search results for future audits. Systems have been put in place to monitor that the state's list of suspended or debarred contractors is reviewed for the contractors used by PA Dutch CVB.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **PA Dutch Convention & Visitors Bureau's** financial statements are free of 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*.

PA Dutch Convention & Visitors Bureau's responses to the findings identified in our audit are described above. We did not audit **PA Dutch Convention & Visitors Bureau's** responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of the board of directors and management of **PA Dutch Convention & Visitors Bureau** and the Department of Community and Economic Development of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

Trout, Ebersole & Groff, LLP

October 26, 2011
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants



October 26, 2011

Dept. of Community & Economic Development
Commonwealth of Pennsylvania
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120

RE: Corrective Action Plan for Contract C000018906 for the contract period ending June 30, 2011.

The PA Dutch Convention & Visitors Bureau (PA Dutch CVB) respectfully submits the following corrective action plan for the contract period ended June 30, 2011.

Name/Address of the independent public accounting firm:
Trout, Ebersole & Groff, LLP
1705 Oregon Pike
Lancaster, PA 17601

Audit Period
July 1, 2005 – June 30, 2011

The findings/significant deficiencies from the October 26, 2011 management letter are discussed below.

Preparation of Financial Statements

PA Dutch CVB staff does not possess the expertise to prepare financial statements and notes to the financial statements in conformity with the accounting principles generally accepted in the United States of America.

PA Dutch CVB Response: The staff at PA Dutch CVB is competent and has the knowledge to prepare basic financial statements in accordance with good accounting practices and business purposes. We also understand the importance of the internal accounting and management controls as described above and, as such, have outsourced this responsibility to an accounting firm that is competent and knowledgeable with these generally accepted accounting principles.

Bank Account

PA Dutch CVB was originally unaware that a separate and special expenditures account was required to handle all funds paid under this contract.

PA Dutch CVB Response: The PA Dutch CVB now has a separate account in which grant funds coming from the Commonwealth can be held separately.





Fidelity Bonding

PA Dutch CVB was unaware that the fidelity bonding insurance coverage for anyone authorized to sign checks, certify vouchers and/or handle or control funds, checks, securities, or property was less than required.

PA Dutch CVB Response: The PA Dutch CVB has increased the limits on the fidelity bonding.

Suspended and Debarred Parties

PA Dutch CVB was originally unaware that they must look for all vendors on the list of suspended or debarred contractors, and the search results retained for future audit purposes.

PA Dutch CVB Response: PA Dutch CVB will research all vendors on the state's list of suspended or debarred contractors, and retain the search results for future audits. Systems have been put in place to monitor that the state's list of suspended or debarred contractors is reviewed for the contractors used by PA Dutch.

We appreciate these issues being brought to our attention and are committed to ensuring the appropriate corrective actions are taken. Please let me know if you have any additional questions or comments.

Sincerely,

Christopher S. Barrett
President & CEO

