

Tourism Promotion Assistance
Grant Contract No. C000049620
PA Dutch Convention & Visitors Bureau

Period July 1, 2010 through June 30, 2011

**Tourism Promotion Assistance
Grant Contract No. C000049620
PA Dutch Convention & Visitors Bureau**

Financial Statements with Supplementary Information

Period July 1, 2010 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 statement of contract revenues, expenditures, and fund balance - budget to actual, for the period July 1, 2010 through June 30, 2011, for the **Tourism Promotion Assistance Grant Contract No. C000049620 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 statement of contract revenues, expenditures, and fund balance - budget to actual 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 statement of contract revenues, expenditures, and fund balance - budget to actual for the **Tourism Promotion Assistance Grant Contract No. C000049620**. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements were prepared for the purpose of complying with Department of Community and Economic Development of the Commonwealth of Pennsylvania reporting requirements for the **Tourism Promotion Assistance Grant Contract No. C000049620** 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 the **Tourism Promotion Assistance Grant Contract No. C000049620** 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 **Tourism Promotion Assistance Grant Contract No. C000049620**.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Tourism Promotion Assistance Grant Contract No. C000049620 of PA Dutch Convention & Visitors Bureau** as of June 30, 2011, and the results of its operations for the period July 1, 2010 through June 30, 2011, 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.

Trout, Ebersole & Groff, LLP

October 26, 2011
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

**Tourism Promotion Assistance
Grant Contract No. C000049620
PA Dutch Convention & Visitors Bureau**

BALANCE SHEET
June 30, 2011

ASSETS	<u>\$ -0-</u>
LIABILITIES	-0-
FUND BALANCE	
Unrestricted	<u>-0-</u>
TOTAL LIABILITIES and FUND BALANCE	<u>\$ -0-</u>

See notes to financial statements.

**Tourism Promotion Assistance
Grant Contract No. C000049620**

PA Dutch Convention & Visitors Bureau

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

Period July 1, 2010 Through June 30, 2011

	Actual	Budget	Variance	
			Amount	Percent
CONTRACT REVENUES				
Pennsylvania Department of Community and Economic Development Contract	\$ 160,270	\$ 160,270	\$ -0-	0
EXPENDITURES				
Broadcast Media - Vendor Harmelin Media	<u>160,270</u>	<u>160,270</u>	\$ -0-	0
CHANGES in FUND BALANCE	<u>\$ -0-</u>	<u>\$ -0-</u>		
FUND BALANCE				
Beginning - July 1, 2010	-0-	-0-		
Ending - June 30, 2011	-0-	-0-		

See notes to financial statements.

Tourism Promotion Assistance
Grant Contract No. C000049620
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 **Tourism Promotion Assistance Grant Contract No. C000049620 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 **Tourism Promotion Assistance Grant Contract No. C000049620** from the DCED to encourage, stimulate, and increase volume of tourist, visitor, and vacation business in Lancaster County.

NOTE 3 - INVESTMENT of GRANT FUNDS

PA Dutch Convention & Visitors Bureau received grant funds after program costs had already been obligated and paid, and therefore did not earn any interest that must be returned to the DCED on grant funds.

NOTE 4 - AUDIT PERIOD

The contract activity period per the grant agreement was July 1, 2010 through June 30, 2013. The audit period ends June 30, 2011 because **PA Dutch Convention & Visitors Bureau** completed project activities by June 30, 2011.

**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 statement of contract revenues, expenditures, and fund balance - budget to actual under the **Tourism Promotion Assistance Grant Contract No. C000049620 of PA Dutch Convention & Visitors Bureau** as of and for the period July 1, 2010 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 another deficiency that we consider to be a significant deficiency.

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 **Tourism Promotion Assistance Grant Contract No. C000049620 of PA Dutch Convention & Visitors Bureau** in conformity with accounting principles generally accepted in the United States of America.

PA Dutch Convention & Visitors Bureau's 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 deficiency in the Bureau's internal control to be a significant deficiency:

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 unaware of this grant requirement and therefore did not check the list of suspended or debarred contractors.

PA Dutch Convention & Visitors Bureau's 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.

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 C000049620 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, 2010 – 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.

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.





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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,

A handwritten signature in black ink, appearing to read "Chris Barrett".

Christopher S. Barrett
President & CEO

