



September 15, 2020

Rick L. Clayton, Partner
Maloney, Reed, Scarpitti & Company, LLP
113 Meadville Street
Edinboro, Pennsylvania 16412

Dear Mr. Clayton:

Attached is the quality control review (QCR) of the audit of the Northwest Pennsylvania Regional Planning & Development Commission as of and for the year ended June 30, 2018. The single audit was performed by your firm, Maloney, Reed, Scarpitti & Company, LLP. On our behalf, McBride, Lock & Associates, LLC performed this QCR to determine whether the audit report performed by your firm complied with the reporting requirements of the Single Audit Act of 1984, as amended in 1996. The single audit was performed using generally accepted auditing standards published by the American Institute of Certified Public Accountants and generally accepted government auditing standards issued by the U.S. Government Accountability Office.

Please see the attached review performed by McBride, Lock & Associates, LLC for further details on the QCR's scope and methodology.

The QCR concluded that, after correction of the item discussed below, the single audit met audit standards.

The QCR identified that the Economic Adjustment Assistance award document was not included in the audit workpapers and was not available for the audit. Therefore, there was no assurance that all direct and material compliance requirements were considered by the audit or met by the grantee. The audit did not mention the missing grant award documents. In addition, the audit provided an appropriate analysis on the loan portfolio summary activity pertaining to the compliance summary; however, the grant budget and grant agreement specify the purpose or use of funds more specifically than the compliance supplement. Furthermore, the QCR noted that the documentation of the internal control review, risk assessment, and compliance testing of the loan processes and loan portfolio could be improved. Your office reviewed and provided responses to the McBride, Lock & Associates, LLC review for the issues identified in the report. Your office agreed with the review, and while it believes the original review of the grant award was sufficient for the audit engagement, it was able to obtain the original award documents and better document the review of the loan portfolios.

We are sending this letter and the accompanying McBride, Lock & Associates, LLC QCR to officials at the other federal agencies with direct expenditures on the Schedule of Expenditures of Federal Awards to inform them of the results of this review.

This letter, as well as the McBride, Lock & Associates, LLC QCR, will appear on the Office of Inspector General website pursuant to section 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., § 8M).

We appreciate the cooperation and courtesies your staff extended to McBride, Lock and Associates, LLC during the QCR. Please direct any inquiries regarding this report to me at (202) 482-2877 or Belinda Riley, Supervisory Auditor, at (202) 527-0544.

Sincerely,



Richard Bachman
Assistant Inspector General for Audit and Evaluation

Attachment

cc: Israel Power, Chief Financial Officer, Northwest Pennsylvania Regional Planning & Development Commission
Office of the Assistant Inspector General for Audit Policy and Oversight, Office of Inspector General, U.S. Department of Defense
Barry Berkowitz, Senior Procurement Executive and Director of the Office of Acquisition Management, Department of Commerce
John Geisen, Director, Financial Assistance Policy and Oversight Division, Department of Commerce
Linda Cruz-Carnall, Regional Director, Philadelphia Regional Office, EDA
Deborah Haynes, Audit Liaison, EDA
MaryAnn Mausser, Audit Liaison, Office of the Secretary
Albert Moesle, Director of Enterprise Risk Management and Chief Risk Officer, Office of the Secretary
Rehana Mwalimu, Risk Management Officer and Primary Alternate Department GAO/OIG Liaison, Office of the Secretary

**QUALITY CONTROL REVIEW
Of
MALONEY, REED, SCARPITTI & COMPANY, LLP**

**On the Audit of
Northwest Pennsylvania Regional Planning & Development Commission
for the year ended June 30, 2018**

McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY

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McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

December 13, 2019

Mr. Rick Clayton
Maloney, Reed, Scarpitti & Company, LLP
113 Meadville Street
Edinboro, Pennsylvania 16412

Subject: Quality Control Review of the Northwest Pennsylvania Regional Planning & Development Commission for the year ended June 30, 2018

Dear Mr. Clayton,

The purpose of this letter is to confirm discussions with you on November 25, 2019 regarding the major issues identified during our quality control review. Our Quality Control Review (QCR) was performed on of the audit of Northwest Pennsylvania Regional Planning & Development Commission as of and for the year ended June 30, 2018 performed by Maloney, Reed, Scarpitti & Company, LLP in accordance with generally accepted auditing standards published by the American Institute of Certified Public Accountants and generally accepted government auditing standards issued by the Government Accountability Office.

Scope of Services

The objective of our review was to perform a QCR:

1. To determine whether the financial statement audit work, compliance audit work, and the associated review of internal controls over both financial reporting and compliance were conducted in accordance with applicable standards, including GAGAS and the published guidance of the OIG, the American Institute of Certified Public Accountants standards as well as Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and including its Compliance Supplement.
2. To identify any issues that may require additional attention or any additional audit work by the Independent Public Accountant who performed the audit.

Methodology

We performed our review using the *Guide for Quality Control Reviews of Single Audits* (the “Guide”) issued by the Council of Inspectors General on Integrity and Efficiency (2016 Edition). In performing the review we met with the engagement partner and obtained supporting audit workpapers. Prior to initiating efforts, the Commerce-OIG provided the audit report to be reviewed.

Overview of Procedures Performed and Related Findings

We reviewed the audit report issued on Northwest Pennsylvania Regional Planning & Development Commission as of and for the year ended June 30, 2018. We reviewed the audit report, using the Guide, to ensure that it included and met the requirements of Government Auditing Standards, the standards for financial audits issued by the AICPA, and Uniform Guidance. We reviewed the audit workpapers using the Guide and the evidence documented in the audit workpapers. In each area, we evaluated whether or not the testing performed, results documented, financial statements presented, and findings reported were consistent with and supported the independent accountants report identified in the first paragraph of this report.

Results

Documentation and Review of Grant Agreement

The grant award document for the Economic Adjustment Assistance grant was not included in the audit workpapers. The auditor noted it was not available. The audit used the Compliance Supplement to determine direct and material compliance however any specific terms that were named in the grant would not have been known in conducting the audit. The auditor, in response, stated that a request of the original grant agreement was made to the Chief Financial Officer and loan manager, but neither could provide the original agreement nor could they provide the auditor with a formal contact person. The auditor further stated that the semi-annual reports were submitted to the granting agency on a regular basis which would indicate that activity regarding the grant was implicitly accepted by the granting agency. We recommend that the auditor obtain the grant document and any amendments to provide the grant terms and conditions which would better ensure that all direct and material compliance requirements are considered by the grant recipient and reviewed by the auditor.

Review of the Loan Portfolio

The audit provided an appropriate analysis on the loan portfolio summary activity pertaining to the Economic Adjustment Assistance Grant. Per the Compliance Supplement however “The grant budget and grant agreement will specify the purpose or use of funds, which include Construction grants.... Establishment or recapitalization of RLF...usually for business lending.... Market or industry research...or subgrant to another eligible recipient... RLF capital may not be used to...acquire an equity position in a private business...subsidize interest payments...provide the equity contribution required of borrowers....provide RLF loans to a borrower for the purpose of investing in interest-bearing accounts...refinance existing debt”. The grant may be more specific on these items. The loan policy established would appear to be consistent with these items,

however it was difficult, to determine how the auditor's workpaper efforts documented assurance that these requirements were met. The design of the testing doesn't document a risk assessment, control review or testing for these items. The audit workpapers includes an attribute that states "Meets all Compliance Testing". The general nature of the attribute does not adequately ensure that all loan policy and administrative expense requirements are met. We recommend improved documentation of the internal control review, risk assessment and compliance testing of the loan processes and loan portfolio.

Based upon our review, we believe that the audit currently meets the standards set forth by generally accepted auditing standards, Government Auditing Standards and the requirements of Uniform Guidance and its Compliance Supplement, except as noted.

Very truly yours,

A handwritten signature in blue ink that reads "McBride, Lock & Associates, LLC". The signature is written in a cursive, flowing style.

McBride, Lock & Associates, LLC

RESPONSE BY CPA

and

CORRECTIVE ACTION EFFORTS

Note - This section contains the CPAs response to the initial audit report (dated December 19, 2019) along with a second response (dated July 27, 2020) detailing corrective action efforts in resolving review concerns.



MALONEY, REED, SCARPITTI & COMPANY, LLP

Certified Public Accountants and Business Advisors
ERIE • EDINBORO • CORRY

Joseph P. Maloney, CPA, CFE
James R. Scarpitti, CPA
Rick L. Clayton, CPA

Christopher A. Elwell, CPA
Ryan D. Garofalo, CPA
Michael J. Reed, Retired

December 19, 2019

Mr. Robert J. Lock, CPA
McBride, Lock & Associates, LLC
4151 N. Mulberry Drive, Suite 275
Kansas City, MO 64116

Dear Mr. Lock,

Please see our responses below related to corrective actions we have undertaken in response to your Quality Control Review of the Northwest Pennsylvania Regional Planning & Development Commission for the year ended June 30, 2018.

Documentation and Review of the Grant Agreement

The original grant agreement was initiated and approved by the Economic Development Administration in July of 2010. Funds were received by the Northwest Pennsylvania Regional Planning & Development Commission and matched accordingly to create a revolving loan fund in 2010. We verified this activity from our review of the EDA required annual reporting summaries. We were not the engaged audit firm during the time period these funds were originally received and distributed.

During the audit period for the year ended June 30, 2018, we reviewed and reconciled the semi-annual reporting documents submitted by the auditee to the EDA and found no inconsistencies or communications from the EDA indicating any compliance exceptions. While we made attempts to obtain the original grant documentation, we ultimately decided the semi-annual reports submitted and accepted by the EDA were sufficient for our June 30, 2018 engagement.

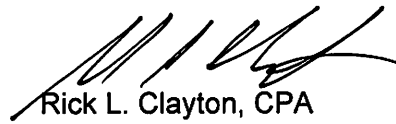
We concur with your recommendation that obtaining the original grant agreements and any potential grant amendments prior to our retention as auditors would ensure that our compliance testing could be designed for any specific compliance requirements that this grant may have required that we may have not been aware of. When conducting future engagements of this type, we will be more diligent in obtaining the original grant information or receive a formal response from the providing federal agency on the status of on-going agreements/amendments.

Review of Loan Portfolio

Our review of this identified loan portfolio included a 100% examination of all new loan distributions during the audit period and their compliance with the auditee's loan committee's written procedures. These written loan policies were designed to comply with the Economic Adjustment Assistance Grant. While reviewing these documents and activities we also used the applicable compliance supplements as guidance which are included in our workpapers. We also performed an internal control review and risk assessment of the client in totality since they use one accounting system for all funding streams.

Based upon your review and our discussions, we believe we could provide a better documentation trail in this area of the specific compliance attributes we reviewed and how they were applied within our tests. Although we performed the requisite testing as stipulated within the supplement, our documentation can be stronger and should include more specific language versus the general statements we had used. We will be adding specific language and additional references with our testing workpapers to identify the various and unique compliance attributes we are testing for in these types of federal programs. We have already held internal audit staff meetings to review documentation procedures to make these connections better for all federal programs we work with.

Sincerely,



Rick L. Clayton, CPA
Partner

Maloney, Reed, Scarpitti & Co. LLP



MALONEY, REED, SCARPITTI & COMPANY, LLP

Certified Public Accountants and Business Advisors
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James R. Scarpitti, CPA
Rick L. Clayton, CPA

Christopher A. Elwell, CPA
Ryan D. Garofalo, CPA
Michael J. Reed, Retired

July 27, 2020

Mr. Robert J. Lock, CPA
McBride, Lock & Associates, LLC
4151 N. Mulberry Drive, Suite 275
Kansas City, MO 64116

Dear Mr. Lock,

Please see our responses below related to the additional actions we have undertaken in response to your Quality Control Review of the Northwest Pennsylvania Regional Planning & Development Commission for the year ended June 30, 2018.

Documentation and Review of the Grant Agreement

After making aggressive inquiries and requests of the United States Department of Commerce, Economic Development Administration offices and the Northwest Pennsylvania Regional Planning & Development Commission, we were able to obtain the original Economic Development Administration's grant documents and all subsequent grant amendments.

The original grant was issued in September of 1982 and subsequently amended in 1988, 1992, 1995 and then consolidated with a final amendment in 2010. Each of these documents have been attached.

The auditee's loan committees have been using the 2010 document as the basis for lending since that time and have designed their lending protocols accordingly. We had previously provided you these lending protocols.

We have reviewed the original agreement and the subsequent amendments and have included these documents with our original workpapers. We believe these additional corrective action procedures will satisfy your recommendation related to the grant documents.

Review of Loan Portfolio

Based on your recommendations, we have prepared an additional workpaper related to the documentation of testing we performed in relation to the Economic Adjustment Assistance Grant Revolving Loan Fund program under CFDA #11.307.

While we believe we had adequately performed these tests during our initial field work, the documentation of our work could have been more defined. Additionally, we had based our original testing only on the Federal Compliance Supplement since the prior grant agreements were not made available to us. We had used the federal ED-209 report filed with the EDA to reconcile the financial reporting but any specific compliance requirements of the signed agreements may have been missed if an item was in the agreement but not in the Compliance Supplement. Accordingly, the additional workpaper provides more definitive documentation of the tests performed.

Conclusion

We believe these additional procedures provide an appropriate corrective action to your recommendation.

We do not feel the auditor's opinions need to be modified or re-dated since there is no additional disclosures necessary and the subsequent audit work did not change our original opinions on this engagement.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick L. Clayton', with a long horizontal flourish extending to the left.

Rick L. Clayton, CPA
Partner
Maloney, Reed, Scarpitti & Co. LLP

CONCLUSION

CONCLUSION

The conclusion is based on our review of the auditor's workpapers provided, the exit conference held on December 13, 2019 as well as the auditor's response and additional audit efforts performed in response to the matters included in the results section of this report. This additional documentation was submitted on July 27, 2020.

Documentation and Review of Grant Agreement

The auditor concurs that obtaining the grant agreement and any amendments would ensure appropriate compliance testing and agrees to be more diligent regarding obtaining and reviewing for this in future engagements. As part of the response to the review concerns, the auditor obtained and provided the grant agreements along with the amendments for the major program audited for this grant and used that grant agreement to ensure the appropriate compliance matters were reviewed as part of this audit.

This additional effort resolves the concern expressed by the finding and is responsive to the review recommendation.

Review of the Loan Portfolio

The auditor concurs that the loan portfolio review efforts were not adequately documented. As part of the response to the review concerns, the auditor provided a more detailed audit test to ensure that the loan policy requirements were met. The additional efforts did not include specific resolution to the concern regarding administrative expense requirements. The testing of the loan requirements along with obtaining the grant agreements ensures that an appropriate understanding of the compliance requirements along with assessment of the controls in ensuring compliance with those requirements is achieved.

This additional documentation resolves the concerns pertaining to documentation of assurance that loan policy requirements are adequately reviewed. The recommendation pertaining to the internal control review, risk assessment and compliance testing of the loan processes is resolved. The additional efforts are responsive to the review recommendation.

Conclusion

We conclude that the audit of the Northwest Pennsylvania Regional Planning & Development Commission for the year ended June 30, 2018 met the standards set forth by generally accepted auditing standards, *Government Auditing Standards*, and the requirements of Uniform Guidance.