



REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS

A COMPONENT UNIT OF THE COUNTY OF BERKS

SINGLE AUDIT REPORT

DECEMBER 31, 2008

*Fresh thinking.
Solid solutions.*



Reinsel Kuntz Lesher^{LLP}
Certified Public Accountants and Consultants

CONTENTS

	Page
REPORT DISTRIBUTION LIST	1
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	2 and 3
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	4-6
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	8
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	9 and 10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	11-13
CORRECTIVE ACTION PLAN	

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**REPORT DISTRIBUTION LIST
December 31, 2008**

Board of Directors
Redevelopment Authority of the County of Berks
633 Court Street, 14th Floor
Reading, PA 19601-3540

Single Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

U. S. Department of Housing and
Urban Development
Section 108 Loan Guarantee Program
Office of Community Planning and Development
451 Seventh Street, SW
Room 7206
Washington, DC 20410

U. S. Department of Housing and
Urban Development
Pennsylvania State Office
The Wanamaker Building
100 Penn Square East
Philadelphia, PA 19107-3380

**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
Redevelopment Authority of the County of Berks
Berks County, Pennsylvania**

We have audited the financial statements of the Redevelopment Authority of the County of Berks, a component unit of the County of Berks, as of and for the year ended December 31, 2008, and have issued our report thereon dated August 17, 2009. 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 the Redevelopment Authority of the County of Berks' 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 the Redevelopment Authority of the County of Berks' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Redevelopment Authority of the County of Berks' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.



Internal Control Over Financial Reporting (Continued):

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, identified as Findings 08-1 and 08-2, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Redevelopment Authority of the County of Berks' 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*.

The Redevelopment Authority of the County of Berks' response to the Findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Redevelopment Authority of the County of Berks' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Reinsel Kuntz Lesher LLP

**Wyomissing, Pennsylvania
August 17, 2009**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors
Redevelopment Authority of the County of Berks
Berks County, Pennsylvania**

Compliance:

We have audited the compliance of the Redevelopment Authority of the County of Berks, a component unit of the County of Berks, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. The Redevelopment Authority of the County of Berks' major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Redevelopment Authority of the County of Berks' management. Our responsibility is to express an opinion on the Redevelopment Authority of the County of Berks' compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Redevelopment Authority of the County of Berks' 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 opinion. Our audit does not provide a legal determination on the Redevelopment Authority of the County of Berks' compliance with those requirements.



Compliance (Continued):

In our opinion, the Redevelopment Authority of the County of Berks complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance:

The management of the Redevelopment Authority of the County of Berks is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Redevelopment Authority of the County of Berks' internal control over compliance with the requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Redevelopment Authority of the County of Berks' internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program, such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Redevelopment Authority of the County of Berks as of and for the year ended December 31, 2008 and have issued our report thereon dated August 17, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Redevelopment Authority of the County of Berks' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.



This report is intended solely for the information and use of the Board of Directors, management and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

Reinsel Kuntz Lesher LLP

**Wyomissing, Pennsylvania
August 17, 2009**

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U. S. Department of Housing and Urban Development:			
Community Development Block Grants - Section 108 Loan Guarantees Program	14.248	034-44804	<u>\$ 1,007,361</u> *
Total Federal Awards Expended			<u>\$ 1,007,361</u>

* Denotes a major program as defined by OMB Circular A-133.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Redevelopment Authority of the County of Berks and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2. Section 108 Loan Guarantee Program

The U. S. Department of Housing and Urban Development provided the Redevelopment Authority of the County of Berks with loan guarantees in the amount of \$ 1,000,000 under CFDA Number 14.248. The loan was refinanced during 2008 and the refinanced loan is not guaranteed by the U. S. Department of Housing and Urban Development. Expenditures for this Program on the Schedule of Expenditures of Federal Awards represents the greatest outstanding loan balance during the audit period; the loan balance immediately before the refinancing.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2008

		Questioned Costs
<i>Finding 07-1:</i>	Significant Deficiency and Material Weakness	
	Inadequate segregation of duties.	N/A
	<u>Condition:</u>	
	Adequate segregation of duties does not presently exist.	
	<u>Criteria:</u>	
	An effective system of internal accounting control necessitates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.	
	<u>Cause:</u>	
	The Redevelopment Authority of the County of Berks' staff is not large enough to permit such segregation in all respects.	
	<u>Effect:</u>	
	The internal control system is more susceptible to errors and other irregularities, either intentional or unintentional, not being discovered.	
	<u>Recommendation:</u>	
	Management's review of staff responsibilities should include an analysis of where segregation of duties can be further effectively implemented.	

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended December 31, 2008**

	Questioned Costs
<i>Finding 07-2:</i>	
Significant Deficiency and Material Weakness	
Inability to prepare GAAP financial statements.	N/A
<u>Condition:</u>	
The Redevelopment Authority of the County of Berks keeps its books primarily on the cash basis of accounting and relies on its external auditor to record all significant accruals.	
<u>Criteria:</u>	
An effective system of financial reporting necessitates the recording of accruals.	
<u>Cause:</u>	
The Redevelopment Authority of the County of Berks does not record accounts receivable and accounts payable.	
<u>Effect:</u>	
The financial reporting system does not capture all activity necessary for accurate financial reporting.	
<u>Recommendation:</u>	
Management's review of staff responsibilities should include an analysis of where duties can be assigned for the recording of all significant accruals.	

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008**

Section I - Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be (a) material weakness(es)? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be (a) material weakness(es)? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
14.248	Community Development Block Grant - Section 108 Loan Guarantees	\$ 1,007,361

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2008**

Section II - Financial Statement Findings:

	Questioned Costs
<i>Finding 08-1:</i>	
Significant Deficiency and Material Weakness	
Inadequate segregation of duties.	N/A
<u>Condition:</u>	
Adequate segregation of duties does not presently exist.	
<u>Criteria:</u>	
An effective system of internal accounting control necessitates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.	
<u>Cause:</u>	
The Redevelopment Authority of the County of Berks' staff is not large enough to permit such segregation in all respects.	
<u>Effect:</u>	
The internal control system is more susceptible to errors and other irregularities, either intentional or unintentional, not being discovered.	
<u>Recommendation:</u>	
Management's review of staff responsibilities should include an analysis of where segregation of duties can be further effectively implemented.	

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2008**

Section II - Financial Statement Findings (Continued):

	Questioned Costs
<i>Finding 08-2:</i>	
Significant Deficiency and Material Weakness	
Inability to prepare GAAP financial statements.	N/A
<u>Condition:</u>	
The Redevelopment Authority of the County of Berks keeps its books primarily on the cash basis of accounting and relies on its external auditor to record all significant accruals.	
<u>Criteria:</u>	
An effective system of financial reporting necessitates the recording of accruals.	
<u>Cause:</u>	
The Redevelopment Authority of the County of Berks does not record accounts receivable and accounts payable.	
<u>Effect:</u>	
The financial reporting system does not capture all activity necessary for accurate financial reporting.	
<u>Recommendation:</u>	
Management's review of staff responsibilities should include an analysis of where duties can be assigned for the recording of all significant accruals.	