

ECONOMIC DEVELOPMENT FINANCE AUTHORITY

PRIOR AUDIT FINDING AND RECOMMENDATION

State Audit Finding:

Finding No. 04001200701:

Controls were not adequate to ensure the accuracy of amounts reported in the financial statements including the identification and correction of reporting errors and omissions.

Auditee's Corrective Action Plan:

See Current Audit Finding No. 04001200802

CURRENT AUDIT FINDING AND RECOMMENDATIONS

State Audit Finding:

Finding No. 04001200802:

Controls were not adequate to ensure the accuracy of amounts reported in the financial statements including the identification and correction of reporting errors and omissions.

Analysis:

During fiscal year 2008, the Economic Development Finance Authority (Authority) did not have adequate controls to ensure that the financial statements for the Authority were prepared accurately. Adjustments were posted by the auditor to the financial statements correcting the errors and omissions noted during the audit. Our audit identified significant adjustments in the following accounts:

- Cash and Cash Equivalents
- Loans Receivable
- Due to Other Governments
- Interest Income on Loans
- Investment Income
- Bond Proceeds
- Interest Expense
- Contractual Services

Although adjustments were posted to the financial statements correcting the errors and omissions noted during the audit, auditor involvement was required to determine the adjustments necessary to properly report the financial statements of the Authority. As a result of the Authority not having adequate controls to ensure the accuracy of amounts reported on the financial statements, there existed an increased exposure to inaccurate financial reporting.

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RECOMMENDATION:

1. We recommend the Authority implement internal control procedures to identify and correct reporting errors and omissions and ensure the accuracy of amounts reported in the financial statements.

Auditee's Corrective Action Plan:

GOED has contracted a CPA firm to provide accounting services. The accountant and GOED are also developing a monthly process to verify accuracy of financial statements. This should lead to a more reliable, accurate and timely process for year-end accounting.

Federal Compliance Audit Finding:

Finding No. 04001200803:

Controls in place were not adequate to ensure that the information contained in Federal reports was accurate.

CFDA Title: Intermediary Relending Program

CFDA Number: 10.767

Federal Award Number: 47-033-0521498816

Federal Award Year: 2007-2008

Federal Agency: Rural Business & Cooperative Development Service

Type of Finding: Significant Deficiency

Category of Finding: Reporting

Analysis:

During fiscal year 2008, the Economic Development Finance Authority (Authority) did not have adequate controls to ensure that the Schedule of Expenditures of Federal Awards (SEFA) was accurately prepared. Multiple errors were noted by the auditor. The amount of Loans Payable was incorrectly calculated, which is used to calculate Loan Loss Reserve, therefore causing both accounts to be inaccurate. Also the Loans portion of the SEFA was incorrectly calculated and not updated properly. The SEFA was adjusted for the correct amounts.

RECOMMENDATION:

2. We recommend the Authority implement internal control procedures to ensure the accuracy of amounts reported in the Federal reports.

Auditee's Corrective Action Plan:

GOED was able to purchase in April 2008 a new Financial Accounting Loan Portfolio System (FAS) to address the accuracy of accounting for Loan Receivables as well as Loans Payable. Prior to FY2009, the only source documents accounting for the loans in the APEX portfolio were provided to GOED and the auditor was by the loan servicing

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provider's system. Currently, GOED is building the FAS loan portfolio system to track this information and provide a "check" to the information provided by the loan servicing provider. The system is being built using information as of July 1, 2008 and is expected to be completed by December 31, 2008.

In addition, GOED has contracted a CPA firm to provide accounting services. The accountant and GOED are also developing a monthly process to verify accuracy of financial statements. This should lead to a more reliable, accurate and timely process for year-end accounting.