

NEWS *from Middletown, Pa.*

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State DCED lifts flag on Borough grants

The flag on state grants to the Borough has been lifted by the Pennsylvania Department of Community and Economic Development following the satisfactory filing of the Borough's audit of a \$135,000 grant to the Greater Middletown Economic Development Corporation (GMEDC).

The overdue audit, which had been delayed due to the Borough's difficulty in obtaining needed receipts and other documentation from GMEDC, was completed and filed last week after weeks of painstaking efforts by the Borough's current financial staff.

The Borough's financial staff credited current GMEDC head Jack Raudenbush for his efforts to help retrieve the missing documents. The Borough had received little cooperation from previous GMEDC leadership in resolving the matter.

While the flag, which had delayed a \$250,000 grant to the Middletown Volunteer Fire Company and threatened grants intended to boost economic revitalization efforts in the Borough, was lifted, DCED has ruled the Borough will have to repay \$17,192 of the original \$135,000.

That amount stems from audit findings that GMEDC spent \$3,245 improperly because it was spent prior to the start of the grant program. The other \$13,947 of the repayment amount is due to GMEDC's lack of records showing those funds were spent in compliance with the grant program's guidelines.

The Borough has not decided if it will seek repayment of the misused funds from GMEDC, though Borough finance department staff has indicated such an effort is unlikely to be fruitful due to GMEDC's lack of assets.

In addition to the misused funds, the audit also found other deficiencies with the way both the Borough and GMEDC administered the grant. According to the auditors, the Borough failed to execute a signed subcontract with GMEDC in 2008 when it passed the funding through to GMEDC to administer the grant.

The audit also faults the Borough and GMEDC for failing to properly maintain all required records for three years following the close out of the grant. The Borough's management should have put in place a process to ensure the records were provided by GMEDC in a timely manner, the audit found.

This is the second time the Borough has had to pay penalties due to problems with an audit of a grant passed through to GMEDC. In 2010, the failure of GMEDC to provide documentation to support expenditures of grant funds resulted in the Borough being assessed \$9,000 in penalties and interest by

the state.

Records from that audit show the Borough promised then to put into place a system which would ensure GMEDC would provide timely reports of expenditures, rather than waiting until the end of the grant program. That system, however, was never executed by the Borough's staff and administration at that time, or by GMEDC.

The deficiencies in both audits occurred prior to 2012, and prior to present Borough management team being employed by the Borough, the audit points out. The operations of the Borough's finance department were overhauled in 2012 following recommendations by the Borough's financial consultant. The present administration will review the audit findings with its consultant to determine if additional safeguards are needed.