

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a component unit of Ulster County, New York)
EIN 14-1598275

Reports of Independent Auditors Required by Office
Of Management and Budget Uniform Guidance
December 31, 2022

DRAFT

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a component unit of Ulster County, New York)
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Board of
Ulster County Economic Development Alliance, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ulster County Economic Development Alliance, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ulster County Economic Development Alliance, Inc.'s major federal programs for the year ended December 31, 2022. Ulster County Economic Development Alliance, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ulster County Economic Development Alliance, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Ulster County Economic Development Alliance, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Ulster County Economic Development Alliance, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations rules and provisions of contracts or grant agreements applicable to Ulster County Economic Development Alliance, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ulster County Economic Development Alliance, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ulster County Economic Development Alliance, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ulster County Economic Development Alliance, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ulster County Economic Development Alliance, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ulster County Economic Development Alliance, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Ulster County Economic Development Alliance, Inc. as of and for the year ended December 31, 2022 and have issued our report thereon dated September __, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting procedures and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Kingston, New York
September __, 2023

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

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Board of
Ulster County Economic Development Alliance, Inc.

We have audited, 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, the financial statements of Ulster County Economic Development Alliance, Inc. as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements, and have issued our report thereon dated September __, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ulster County Economic Development Alliance, Inc.'s internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ulster County Economic Development Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Ulster County Economic Development Alliance, Inc.'s internal control.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses or schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2022-01 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2022-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ulster County Economic Development Alliance, Inc.'s financial statements are free from 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 financial statements. 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*.

Ulster County Economic Development Alliance, Inc.'s Response to Findings

Ulster County Economic Development Alliance, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Ulster County Economic Development Alliance, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kingston, New York
September __, 2023

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a component unit of Ulster County, New York)
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Program Title/Pass Through Entity	Program	Award #	Federal Expenditures	Federal Assistance Listing/CFDA Number
Department of Housing and Urban Development				
<i>Pass through - County of Ulster, New York</i>				
	Community Development Block Grant	2021-00000412	\$ 947,057	14.228
	Total Department of Housing and Urban Development		<u>947,057</u>	
Total Expenditures of Federal Awards			<u><u>\$ 947,057</u></u>	

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ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a component unit of Ulster County, New York)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared as required under the Office of Management and Budget (OMB) Uniform Guidance. The purpose of the schedule is to present a summary of those activities of Ulster County Economic Development Alliance, Inc. for the year ended December 31, 2022 using the accrual basis of accounting. For purposes of this schedule, federal awards include any assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, direct appropriations, loans and loan guarantees, and other noncash assistance. Because the schedule presents only a selected portion of the activities of the Organization, it is not intended to, and does not, present either the financial position, or statement of activities and other changes in net assets of the Organization.

NOTE 2 – INDIRECT COSTS

Indirect costs are charged to federal grants and contracts when applicable at a predetermined rate and the Organization has elected to use the 10 percent de-minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – SUB-RECIPIENTS

None of the federal awards presented in the accompanying schedule of expenditures of federal awards were provided to sub-recipients for the year ended December 31, 2022.

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ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a component unit of Ulster County, New York)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND VIEWS OF RESPONSIBLE OFFICIAL
December 31, 2022

A. Summary of Audit Results

Financial Statements:

Type of auditors' report issued	Unmodified
Basis of accounting	GAAP
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings required to be reported in accordance with Uniform Guidance Section 200.516(a)?	No

Major Programs:

Grant Title	Federal Assistance Listing / CFDA number	Federal Expenditures
Department of Housing and Urban Development – Community Development Block Grant	14.228	\$947,057

Auditee qualified as a low-risk auditee? No

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND VIEWS OF RESPONSIBLE OFFICIAL
December 31, 2022

B. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*

1. Finding 2022-01: Material Weakness in Internal Control over Financial Reporting – Accrual Basis Adjustments

Criteria:

The Alliance's financial statements are to be presented on the accrual basis in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Condition:

Certain material adjustments were necessary to properly record transactions related to the Alliance's related party transactions with Ulster County for the sale of "Tech City" properties. In addition, other adjustments were necessary to properly record activity related to the Alliance's CARES act grant in which the Alliance acted as an administrator for Ulster County.

Cause:

Management's review procedures are not sufficient to ensure all adjustments at year-end have been recorded completely and accurately.

Effect or Potential Effect:

The Alliance's financial statements could be presented with errors related to the accounting for the "Tech City" transactions and CARES act grant.

Recommendation:

Management should implement a procedure to ensure all necessary adjustments are made at year end to be compliant with the accrual basis of accounting prior to the start of the audit. This procedure should include a review by management for completion and accuracy.

Responsible Official's Response

Management will implement a procedure to ensure all accounts are reconciled and adjusted at year end in accordance with GAAP in 2023.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a component unit of Ulster County, New York)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND VIEWS OF RESPONSIBLE
OFFICIAL
December 31, 2022

2. Finding 2022-02: Significant Deficiency in Internal Control over Financial Reporting – Journal Entries

Criteria:

The Alliance does not have a procedure that requires journal entries be reviewed by an individual of management.

Condition:

The Alliance does not require journal entries be reviewed prior to posting by another member of management.

Cause:

The Alliance does not have a procedure requiring journal entries be reviewed.

Effect or Potential Effect:

An erroneous or fraudulent journal entry could be recorded and not detected.

Recommendation:

The Alliance should implement a procedure requiring review of journal entries by another member of management other than the individual proposing the journal entry. Evidence of such review should be maintained.

Responsible Official's Response:

Management will implement a procedure requiring journal entry review in 2023.

C. Findings and Questioned Costs Relating to the Compliance Audit of Major Programs that are Required to be Reported by Uniform Guidance Section 516(a)

None

D. Status of Prior Year Findings

None