



# County of Allegheny

## Office of the Controller

ALLEGHENY COUNTY  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
COMPLIANCE EXAMINATION REPORT ON  
GAMING ECONOMIC DEVELOPMENT FUND  
FOR THE PERIOD JANUARY 1, 2010  
THROUGH DECEMBER 31, 2013

October 31, 2014

**Chelsa Wagner**  
Controller

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CHELSA WAGNER  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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### INDEPENDENT ACCOUNTANT'S REPORT

October 31, 2014

Mr. Dennis Davin  
Director  
Economic Development  
One Chatham Center, Suite 900  
112 Washington Place  
Pittsburgh, PA 15219

Mr. William Brooks  
Board Chairman  
Redevelopment Authority of Allegheny County  
One Chatham Center, Suite 900  
112 Washington Place  
Pittsburgh, PA 15219

Dear Mr. Davin and Mr. Brooks:

We have examined the Allegheny County Department of Economic Development's (ACED) and the Redevelopment Authority of Allegheny County's (RAAC) (collectively referred to as Economic Development) compliance with the Program Guidelines for the Gaming Economic Development Fund for the period January 1, 2010 through December 31, 2013. Management is responsible for Economic Development's compliance with those requirements. Our responsibility is to express an opinion on Economic Development's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence about Economic Development's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Economic Development's compliance with specified requirements.

Our examination disclosed the following material noncompliance with the Program Guidelines for the Gaming Economic Development Fund (GEDF) applicable to Economic Development during the period January 1, 2010 through December 31, 2013 which is described in the accompanying Schedule of Findings and Responses:

## Material Noncompliance

- Finding #1: No Evidence of the Methodology used to Analyze Program Applications
- Finding #4: Audit Requirement Criteria Not Being Adhered to
- Finding #5: Lack of Adherence to the Prevailing Wage Policy Criteria

In our opinion, except for the material noncompliance described in the third paragraph, Economic Development complied, in all other material respects, with the aforementioned requirements for the period January 1, 2010 through December 31, 2013.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on Economic Development's compliance with the Program Guidelines for the Gaming Economic Development Fund; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on compliance with the GEDF Program Guidelines. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether Economic Development has complied in all material respects with the Program Guidelines for the Gaming Economic Development Fund for the period January 1, 2010 through December 31, 2013 and not for the purpose of expressing an opinion on the internal control over compliance with the Program Guidelines for the Gaming Economic Development Fund or on compliance (except for compliance with the GEDF Program Guidelines) and other matters; accordingly, we express no such opinions. Our examination disclosed the following significant deficiencies in internal control that are required to be reported under *Government Auditing Standards* which, along with the views of responsible officials, are described in the attached Schedule of Findings and Responses:

## Significant Deficiencies in Internal Control

- Finding #1: No Evidence of the Methodology used to Analyze Program Applications
- Finding #2: Information Regarding All Applications is Not Being Submitted to the CFA and RAAC Board
- Finding #3: Procedures are Needed to Ensure Photographs are Maintained Documenting Completion of Project
- Finding #4: Audit Requirement Criteria Not Being Adhered to
- Finding #5: Lack of Adherence to the Prevailing Wage Policy Criteria
- Finding #6: Economic Development Needs to Develop a Written Policies and Procedures Manual to Establish Strong Internal Controls

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, noncompliance with the GEDF Program Guidelines on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control

Mr. Davin and Mr. Brooks  
October 31, 2014

such that there is a reasonable possibility that noncompliance with the GEDF Program Guidelines will not be prevented, or detected and corrected on a timely basis. 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.

Kind regards,



Chelsa Wagner  
Controller



Lori A. Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council  
Honorable Nicholas Futules, Vice-President, County Council  
Honorable Rich Fitzgerald, Allegheny County Executive  
Mr. William McKain, County Manager, Allegheny County  
Ms. Jennifer Liptak, Chief of Staff, County Executive  
Mr. Warren Finkel, Budget Director, Allegheny County  
Mr. Joseph Catanese, Director of Constituent Services, County Council  
Mr. Walter Szymanski, Budget Director, County Council  
Mr. Robert Hurley, Senior Deputy Director, Economic Development  
Mr. Jack Exler, Deputy Director, Economic Development

## **I. Description of the Gaming Economic Development Fund**

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The Allegheny County Gaming Economic Development Fund (GEDF) is administered by the Redevelopment Authority of Allegheny County (RAAC). This fund is intended to provide financial assistance to entities to facilitate economic development projects in Allegheny County.

The GEDF is funded by the Commonwealth of Pennsylvania under the Act of July 5, 2004 (P.L. 572, No. 71), known as the Pennsylvania Race Horse Development and Gaming Act. Certain funds are appropriated from gaming revenues and are deposited with the Commonwealth Financing Authority (CFA) for community and economic development projects in Allegheny County. Originally, the allocation totaled \$44 million, with \$10 million having been previously disbursed to the Sports and Exhibition Authority (SEA), and \$34 million to be disbursed to the CFA over a ten year period for the Allegheny County GEDF. Payments to RAAC for the GEDF actually began in 2012.

As of December 31, 2013, RAAC has entered into four separate grant contracts with the CFA, totaling \$12,861,500, to fund the GEDF projects that have been submitted to and approved by the CFA as outlined in the contract appendices. During our examination period, RAAC awarded \$12.3 million in grants consisting of 31 projects. It received \$4.2 million from the CFA, and paid out \$3.9 million.

The GEDF provides grants and loans to allow municipalities, authorities, councils of government, non-profit organizations, for-profit businesses (eligible for loans only), and others, to carry out important infrastructure related projects. All projects receiving GEDF funding must be located within Allegheny County.

Eligible Activities include:

- Economic Development Projects: Projects that promote local economic activity and create and/or retain jobs.
- Infrastructure Development Projects: Projects that improve or create infrastructure.
- Job Training: Workforce development projects.
- Community Improvement Projects: Projects that improve or create civic, cultural, or recreational activities or facilities.
- Public Safety Projects: Projects that promote the safety of affected communities.
- Public Interest Projects: Projects that improve the quality of life in the affected communities.
- Projects with a \$500,000 project budget or greater.

Ineligible Activities include:

- Fees for securing other financing.
- Interest charges on borrowed funds.
- Costs incurred prior to the approval of grant or loan (unless the applicant has received a *non-prejudicial approval* to commence work).
- Distribution or payments to the owners, partners, shareholders or beneficiaries of the applicant, or members of their families as defined by the Ethics Act of the Commonwealth of Pennsylvania.
- Refinancing existing debt.
- Municipal vehicles and structures.

## **I. Description of the Gaming Economic Development Fund**

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- Projects currently under consideration for a Community Infrastructure & Tourism Fund (CITF) grant are not eligible for GEDF funding.
- Projects with less than a \$500,000 project budget.

GEDF grant funds are used for projects with a total project budget of \$500,000 or greater, and funding per application submission will not exceed \$500,000. RAAC and the CFA approve the grant applications and then RAAC has the approved applicant sign a grant contract for execution. Once the contract has been executed and all preconditions therein are satisfied, the grantee can proceed with the procurement process. Upon satisfactory completion of the procurement process, the grantee can submit requests for the reimbursement of funds spent, pursuant to the terms of the contract. The Program Guidelines also contain provisions for loans. However, RAAC and CFA did not approve any loans during our examination period.

## **II. Schedule of Findings and Responses**

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### **Finding #1: No Evidence of the Methodology used to Analyze Program Applications**

Criteria: The Allegheny County Gaming Economic Development Fund (GEDF) Program Guidelines (Program Guidelines) are used by the Allegheny County Department of Economic Development (ACED) and the Redevelopment Authority of Allegheny County (RAAC) (collectively referred to as Economic Development) to administer the GEDF. According to the Program Guidelines, GEDF applications are reviewed for eligibility and evaluated using a number of criteria. Because there may be insufficient funds to approve all eligible applications, priority is given to those applications showing a significant public benefit. Following competitive evaluations and subsequent recommendations from RAAC, eligible requests will be forwarded to the Commonwealth Financing Authority (CFA) for final consideration. In general, the following criteria are utilized to assist in the evaluation:

1. Projects with a regional impact to include, but not limited to, brownfield sites, airport area development, and distressed areas.
2. Job creation/retention over a three year period.
3. Amount of GEDF funding invested per permanent full time job.
4. Site control status at project location.
5. Projects that demonstrate a significant percentage of matching funds may be given higher priority consideration for funding.
6. Consistency with the comprehensive plans of either the municipality and/or Allegheny County, as applicable.
7. Overall public benefit.

Condition: For the first two years of GEDF contracts (three contracts), ACED senior management reviewed the summaries and applications, met to discuss which projects should receive funding, and decided which projects would be presented to the CFA and RAAC Board for funding. For the most recent GEDF contract, all applications were provided to the CFA, and the CFA provided feedback as to which projects they would like to see receive funding.

Our procedures found that for the first two years of GEDF funding, there is no evidence of the methodology used to analyze the applications received. Consequently, during our review of eight project files that were funded during the first two years and the applications for 16 unfunded projects from the first two years, we could not determine if ACED management selected these projects for presentation to the CFA and RAAC Board based on the criteria stated in the Program Guidelines. This is a result of having inadequate internal controls in place to ensure that the evaluation of project applications, based on criteria identified in the Program Guidelines, is properly completed and documented.

## **II. Schedule of Findings and Responses**

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- Cause: The project applications are reviewed by the project manager to determine if the applicant is an eligible applicant and if the requested use of the funds is an eligible activity under the guidelines. However, Economic Development did not provide documentation to show the criteria listed above were reviewed or evaluated during the selection process for the first two years. According to senior management, meetings were held to discuss which projects would be recommended for funding.
- Effect: Although projects that received funding may be eligible under the Program Guidelines, without documentation of management's evaluation of the guideline criteria, we cannot determine if the funded projects met the required criteria. The lack of documentation may also lead to the perception that the evaluation and selection process is not impartial.
- Recommendation: We recommend that Economic Development determine if the CFA would like it to evaluate the eligible applications based on the GEDF Program Guideline criteria. If Economic Development is to evaluate the GEDF applications, it should involve a rating system using pre-established point values. Each application should be graded for each of the criteria listed in the Program Guidelines. If certain criteria are more important than others, the scores can be weighted accordingly. Applications should be ranked by final score. If the highest ranked applications are not selected, the reason why an alternate project was selected should be thoroughly documented. This documentation should then be maintained in the project files.
- Management's Response: The Redevelopment Authority of Allegheny County (RAAC) will continue to utilize the current manner of project selection. This process entails sending the Commonwealth Finance Authority (CFA) project summaries of each application received. The CFA subsequently notifies RAAC staff as to which projects they recommend the RAAC Board submit for approval to the CFA.

## **II. Schedule of Findings and Responses**

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### **Finding #2: Information Regarding All Applications is Not Being Submitted to the CFA and RAAC Board**

- Criteria: The RAAC Board approves the project applications for Gaming Economic Development Fund (GEDF) funding. However, the projects approved by the RAAC Board are submitted to the Commonwealth Financing Authority (CFA) who must ultimately approve which projects receive funding. Therefore, the CFA and RAAC Board should be provided information on all eligible applications received for the bid period.
- Condition: Our procedures found that there were insufficient internal controls in place to ensure that all eligible project applications are provided to the CFA and RAAC Board. Applications for GEDF funding are received by the Assistant Director of the Development Division, and forwarded to division managers who then assign them to a project manager. The project manager reviews the application, determines whether the applicant and project are eligible under the GEDF Program Guidelines, and completes a Project Summary with their determination.
- For the first two years of GEDF contracts, ACED senior management reviewed the summaries and applications, met to discuss which projects should receive funding, and decided which projects would be presented to the CFA and RAAC Board for funding. Although the Board and CFA are required to approve funding for all approved recipients, ACED management did not provide the CFA and RAAC Board with any information or evaluations for the projects that were not selected for presentation. For the most recent GEDF contract, all applications were provided to the CFA.
- Cause: ACED management did not provide the CFA and RAAC Board with a list of applications that they did not select for presentation for the first two years of GEDF contracts.
- Effect: There may be the perception that the selection and evaluation process used by ACED management is not open and transparent, and is not a fair and impartial evaluation of the GEDF applications. By providing this information to the CFA and the Board, it will make them more knowledgeable and effective as a governing board.
- Recommendation: We recommend that ACED management continue to provide the CFA and RAAC Board applications for all eligible applications received in order to provide assurance that the organization is operating in a highly ethical and accountable manner. This information should include all applications received noting applications recommended for funding and applications not recommended funding and the reason for this determination (when applicable).

## **II. Schedule of Findings and Responses**

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**Management's**

**Response:**

RAAC will continue to provide the CFA with project summary sheets of each application received. The CFA subsequently notifies RAAC staff as to which projects they recommend the RAAC Board submit for approval to the CFA. The implication that RAAC may not be operating in a highly ethical and accountable manner is insulting to the staff and management.

## **II. Schedule of Findings and Responses**

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### **Finding #3: Lack of Documentation for Program Checklist**

Criteria: As part of the project management, project managers use a checklist to ensure that the project files are properly completed. This checklist requires photographs to be taken of the completed project. These photographs provide evidence that the project is complete.

Condition: Our procedures found that there are insufficient internal controls in place to ensure that the project files contain documentation evidencing compliance with the checklist. Of the 15 funded GEDF projects that we reviewed, the final GEDF disbursement had not been issued for 11 projects. For the four remaining projects:

- For two projects (50%): Economic Development could not provide a photograph evidencing that the GEDF portion of the contract had been properly completed.
- For one project (25%): The final disbursement occurred after our examination period, and the overall project will be completed in the next few weeks. The project manager is waiting until the overall project is completed to conduct the final site visit and photograph the project.
- For one project (25%): A photograph was not required since the project was for professional services.

We also noted that the Program Guidelines do not contain written definitions for the key terms used throughout the Guidelines.

Cause: The Assistant Director of the Development Division stated that project managers had photographed the two projects and saved the photos to the ACED network. However, the network drive was inadvertently cleared to create space.

Effect: Without proper documentation, there is no audit trail to support the work done by the project manager. Accordingly, Economic Development is not in compliance with the checklist requirements described above.

Recommendation: We recommend that project managers retain documentation of site visits which include photographs of the completed project. Economic Development should revise the Program Guidelines to include definitions of key terms, and have the revised Guidelines approved by the RAAC Board and the CFA.

Management's Response: GEDF project managers document compliance with GEDF guidelines. The suggestion that the guidelines be updated to include definitions of key terms is ambiguous.

## **II. Schedule of Findings and Responses**

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Controller's

Office

Comments:

The two projects that we identified with missing photographs were for 1) site prep and infrastructure improvements to the former LTV Coke and Eliza Works Coke Plant Brownfield, and 2) Infrastructure for development of the Eden Hall campus. Both of these projects required a photograph.

A definition is a statement of the meaning of a term. Terms may have different senses and multiple meanings. By defining key terms, there is less room for ambiguity.

## **II. Schedule of Findings and Responses**

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### **Finding #4: Audit Requirement Criteria Not Being Adhered To**

Criteria: Article XIV of the grant contract with the Commonwealth Financing Authority (CFA) requires a final audit of the entire Grant (project audit) within 120 days after the termination of project activities but not later than 120 days after the grant termination date for all grants of \$100,000 or more.

Section XII of the GEDF Program Guidelines reinforces this requirement by requiring that a close-out audit be conducted upon complete draw-down of funds. These audits are required to be completed 60 days from the end of the grant contract or 90 days after the final disbursement is issued, whichever is sooner. We also noted that the audit requirement is included in the contract that RAAC executes with the grantee.

Although the recipient of the funds is required to obtain the audit, the project managers should ensure that audits are returned to ACED within the required timeframe.

Condition: Our procedures found that the internal controls surrounding follow-up with grantees to ensure that required audits are completed on a timely basis are ineffective. We reviewed 15 GEDF project files to determine whether the grantee completed the audit requirements in accordance with GEDF Guidelines and whether corrective action was taken to resolve any findings. We noted that four of the 15 projects tested required an audit at the time of our testing. Of the four applicable projects, we found the following:

- One (25%) audit was not completed.
- Three (75%) audits were completed in accordance with the GEDF Guidelines.

Cause: The Assistant Director of the Development Division indicated that project managers may wait for the audit until a project is completed, even though the grant agreement has expired and the last GEDF grant funds have been disbursed.

Effect: Grantees and Economic Development are not in compliance with the GEDF Program Guidelines. RAAC's grant contract with the CFA also contains specific time frames for the audits that must be adhered to.

Recommendation: We recommend that Economic Development clarify if they want the audit to be completed 60 days from the end of the grant contract / 90 days after the final disbursement is issued, or within a certain time period after the entire project is completed. If any changes are made, they cannot conflict with the CFA grant contract requirements. In addition, the guidelines need to be revised and any changes need to be properly approved by the RAAC Board and the CFA.

## **II. Schedule of Findings and Responses**

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We also recommend that Economic Development establish procedures and develop internal controls to ensure that project managers follow up with grantees in obtaining an external audit and maintain contact with the Operations division to ensure they are completing internal audits timely.

**Management's  
Response:**

As noted in your audit, one audit was not completed. This project, the Sampson Family YMCA Expansion and Renovation Project in Plum Borough, is still under construction. The GEDF portion was drawn in February, 2014. However, the total project cost is \$11,744,500 and is not complete. The contract expiration date is January 2015. Therefore, this project will be audited when the project is complete.

RAAC will amend the GEDF Program Guidelines to correspond with the grant agreement with the Commonwealth Financing Authority requiring a final audit of the entire Grant (Program Audit) within 120 days after the entire project is completed for all grants of \$100,000 or more. When the guidelines are updated and approved by the RAAC Board, with a copy sent to the CFA, the project managers will be advised along with receiving an updated project checklist.

## **II. Schedule of Findings and Responses**

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### **Finding #5: Lack of Adherence to the Prevailing Wage Policy Criteria**

Criteria: Section XI, “Procurement of Goods and Services” of the GEDF Program Guidelines states that all GEDF recipients are required to adhere to the Pennsylvania Prevailing Wage Act (this applies to for-profit, non-profit, and local government) unless superseded by federal, Davis Bacon Wages Rates. PA-Prevailing Wage requires prevailing minimum wages for all project workers. The rates are provided by Economic Development compliance staff. Project contractors and subcontracts must sign and submit certified payrolls to the grantee. The grantee must submit the certified weekly payrolls to the Project Manager, which are to be reviewed by compliance staff, and kept on file for periodic monitoring from the Department of Labor & Industry, Division of Labor Law Compliance.

Condition: There is no evidence that Economic Development verifies grantees are in compliance with the PA-Prevailing Wage (prevailing wage) requirement. The project manager receives the certified payrolls from the grantees, keeps a copy in the project file, and forwards the certified payroll to the compliance staff for determination of compliance with the prevailing wage requirements. We tested the project file for 15 projects and found that the prevailing wage requirement was applicable for three of the projects. During our testing, we found that certified payrolls submitted by the grantees were maintained in the three project files. However, we found that there are ineffective internal controls in place, and noted that there was no documentation in the files to indicate that the certified payrolls submitted by the grantees were in compliance with the prevailing wage requirements. According to the Assistant Director of the Development Division, the compliance staff does not notify the project managers if the grantee is in compliance.

Therefore, we reviewed a different set of files maintained by the compliance staff to determine whether the grantees were in compliance with the requirements. According to the Assistant Manager of Compliance, the compliance staff also does not maintain any documentation that the grantee is compliant. If there is an issue with a grantee’s payroll, the compliance staff would notify the fiscal department to halt the payment process.

Since Economic Development could not provide documentation that the grantees were in compliance with the prevailing wage requirement, we tested the certified weekly payrolls submitted by grantees against the required wages for the three applicable projects. Our testing found that none of the grantees for the three projects were compliant with the prevailing wage requirement. The certified payrolls (including wages and fringe benefits) that we tested totaled \$746,107 while the required wages and fringe benefits totaled \$747,465 resulting in an underpayment to the project workers in the amount of \$1,358. After we brought this to Economic Development’s attention, they contacted the three grantees for additional information.

## **II. Schedule of Findings and Responses**

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- One of the grantees had five subcontractors with compliance concerns. Three of the contractors were able to provide the grantee with documentation to show that they had previously corrected the problem and were compliant. As of October 24, 2014, the grantee is still waiting on information from the other two subcontractors.
- As of October 24, 2014, the second grantee has not provided any additional support for the two subcontractors with compliance concerns.
- For the third grantee, Economic Development indicated that the work performed was exempt. However, as of October 24, 2014, Economic Development has not provided documentation to substantiate this.

After we reviewed the additional information provided by the grantees, the underpayment totaled \$323.

**Cause:** The compliance staff does not document their review of the certified payrolls or notify the project managers that the payrolls submitted by grantees complied with the prevailing wage requirements because the payment process would be stopped if there is a problem. Furthermore, the compliance staff do not test 100% of the weekly payrolls submitted by the grantees, and they do not test every individual on the sampled payrolls. The compliance staff only perform a ‘spot check’ of the certified payrolls.

**Effect:** There is no audit trail to document that the compliance staff reviewed the certified payrolls and determined that the wages were in compliance with prevailing wage requirements. Therefore, prevailing wages issues are going undetected.

**Recommendation:** We recommend that the compliance staff document their review of the weekly payrolls and indicate if the grantee is in compliance with the prevailing wage requirement. Written notification that the grantee is compliant or not should be provided to the fiscal section of the operations division and the project manager and retained in the project file folder. If the grantee is not compliant, documentation of the action taken by Economic Development to remedy the deficiency should be maintained in the project file.

**Management's Response:** Of the total \$747,465.00 of certified payrolls reviewed by the Controller's Office, \$1,358.00 - 0.1% - was found to be underpaid. The GEDF Audit identified three projects where employees were underpaid: LTV Hazelwood, Eden Hall, and Carrie Furnace.

In an email from the Controller's Office dated 10/24/14 it stated, “We have completed our analysis of the documentation you sent in the email

## **II. Schedule of Findings and Responses**

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messages this morning. As far as we are concerned, all of the issues are resolved with the following exceptions:"

**LTV Hazelwood Redevelopment Project**

**Allegheny Fence - \$49.68 no additional data provided.**

*Response:*

Documentation was sent to the Controller's Office on Monday, October 27, 2014 for their review. Once this is resolved, this amount will be reduced to zero.

**Gray Waste Management - \$88.55 no additional data provided.**

*Response:*

Gray Waste Management has indicated they will make back payments to the affected employees. Additionally, the grantee has pledged to make payments to the employees in the event the contractor fails to make payment. The grantee is gathering the necessary verification documentation, which will be forwarded to ACED. Once this is resolved, this amount will be reduced to zero.

**Eden Hall Campus**

**Genesis Concrete Structures - \$72.45 no additional data provided.**

*Response:*

The Controller's Office identified three employees that were underpaid a total of \$72.45. All three did receive payment to correct the underpayments. The grantee provided both payment verification and a confirmation letter stating the payments have been made. It should be noted that the variances identified for I. Moreno & M. Fitzroy as having occurred on Payroll No. 10 actually occurred on Payroll No. 9. In a meeting with the Controller's Auditors on October 23, 2014, there was a disagreement over which payrolls were incorrect. RAAC is investigating further.

**McGowan Staufer - \$73.40 [per email dated 10/16 from McGowan Staufer Controller – she is still trying to get info on employees].**

*Response:*

We have been in contact with the Controller from McGowan Staufer and are currently waiting for the documentation. As soon as it is received, it will be forwarded to the Controller's Office. Once this is resolved, this amount will be reduced to zero.

## **II. Schedule of Findings and Responses**

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### **Carrie Furnace Redevelopment**

Independence Excavating - \$38.96 no additional data provided [waiting documentation to prove trucker's hours were de minimis and DB did not apply].

#### *Response:*

The Controller's Office identified one issue with one employee. Specifically it was stated that a truck driver was not paid the correct wage creating an underpayment of \$38.96. It should be noted that this project is not subject to PA Prevailing Wage but Davis-Bacon Wage rates. The Federal wage rate for truck drivers is \$26.02 per hour and the employee in question was paid \$24.55 per hour. In speaking with the project manager, it was stated that the function of the trucking company was to deliver and unload fill material making numerous trips per day. Based upon a 1991 court case (Building Construction Trades v. Midway), material delivery truck drivers, who come onto the site of the work merely to drop off construction materials, are not covered by the Davis-Bacon Act. Therefore, given the nature of the work performed, the above-referenced driver is not covered by Davis-Bacon wages.

The GEDF Audit identified three projects where employees were underpaid a total of \$1,358.00. The Controller's Office October 24, 2014 email stated: "Total GEDF outstanding at this time - \$323.04." When all documentation is received this amount will be reduced to zero.

The Compliance staff currently documents any deficiencies discovered when reviewing weekly payrolls. When a discrepancy is discovered, the project manager is notified, who, in turn, notifies the grantee. If the situation is not resolved, RAAC pursues the grantee and/or contractor for restitution. It is also important to note that wage rates are posted at the project site and site visits are made by the compliance staff. Since the inception of the GEDF program, the RAAC Compliance staff has never been contacted by an employee on any GEDF project claiming underpayment. If such a compliant is received, it is thoroughly researched and, if deemed necessary, restitution is pursued.

Controller's  
Office  
Comments:

During our fieldwork, Economic Development did not provide proper documentation to substantiate compliance with the prevailing wage requirement. After these concerns were identified by the Controller's Office, Economic Development pursued additional information from the grantees. Additionally, our recommendation addressed the concern that the compliance staff do not document their review of the certified payrolls. Therefore, no audit trail exists.

## **II. Schedule of Findings and Responses**

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### **Finding #6: Economic Development Needs to Develop a Written Policies and Procedures Manual to Establish Strong Internal Controls**

- Criteria: Written policies and procedures define the entity's expectations, plans and work routines. Procedures in general serve as training material and ensure consistency. Procedures are designed to reduce variation within a given process. Clearly stating the purpose for your procedures helps gain employee compliance and a sense of direction.
- Condition: Economic Development does not have a formal written policies and procedures manual to establish internal controls and ensure projects are completed in compliance with the GEDF guidelines. Instead, the project managers use a GEDF project checklist and a procurement compliance package checklist to ensure all required information is maintained in the project files. The project managers are not required to sign off on the checklist; they only use it as a guide. However, we did note that Economic Development maintains written procedures for cash receipts and disbursements, transfers, and bank reconciliations. They also follow applicable County policies, such as the County's record retention policy. By utilizing specific checklists instead of a comprehensive manual, internal controls and policies are not adequately defined for all program areas. For example, the Program Guidelines stipulate that specific criteria should be used to evaluate applications. The checklists do not address this. The noncompliance issues identified in our report are a result of poorly designed internal controls.
- Cause: Economic Development uses checklists in lieu of a written policies and procedures manual.
- Effect: When information is not maintained in a central location, it is more difficult to update or make any necessary changes, and ensure that the information is disseminated timely to all employees. Policies and procedures reduce issues that result from insufficient understanding or inconsistent approaches. Without up to date written policies and procedures, it is more difficult to hold employees accountable when they do not perform job functions in the prescribed manner.
- Recommendation: We recommend that Economic Development create a written policies and procedures manual that incorporates the checklists and then take steps to ensure that the updated policies and procedures are properly implemented. A copy of these written policies and procedures should be made available to all employees.
- Management's Response: RAAC has and will continue to administer strong internal controls. The GEDF checklist is a detailed procedural list that provides project

## **II. Schedule of Findings and Responses**

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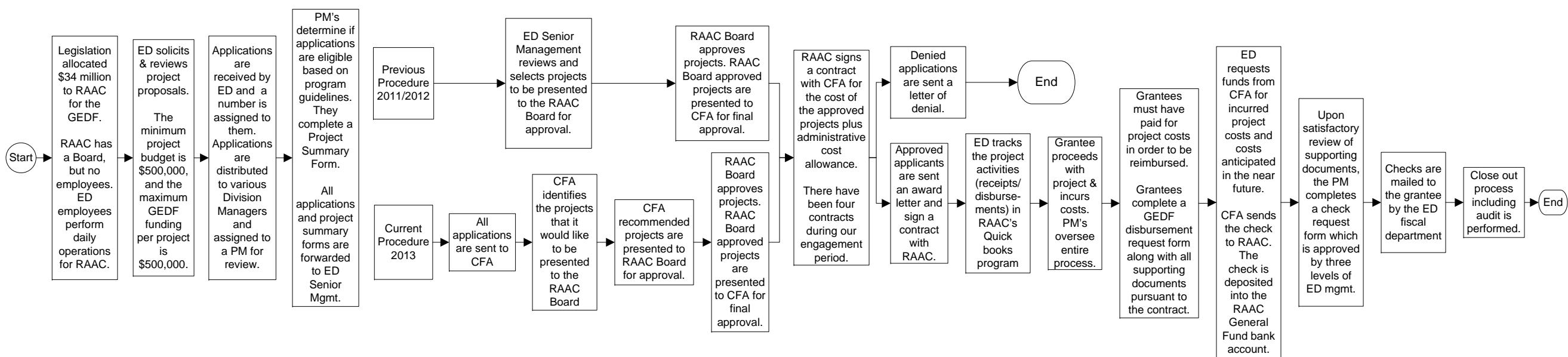
managers with the necessary direction to see a project through to completion. Project managers document compliance with GEDF guidelines and all GEDF policies and procedures utilizing the checklist currently in place. As noted earlier, RAAC continues to review the GEDF guidelines and revise them as necessary. A signature line will be added to the checklist to ensure that the file is completed and all required documentation is included in the file.

Controller's  
Office  
Comments:

Written policies and procedures provide the framework for an organization's entire operation. They provide clear directions for employees as well as insights into company philosophies, values, and ethical standards. Procedures are distinct from policies in that they provide a sequential or step-by-step guide on how to perform a certain task or operation in a business. This assists employees in developing consistency in performing work activities. Policies and procedures strengthen internal controls by assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable reporting and compliance with laws, regulations, and policies. It is a means by which an organization's resources are directed, monitored, and measured.

## Schedule I

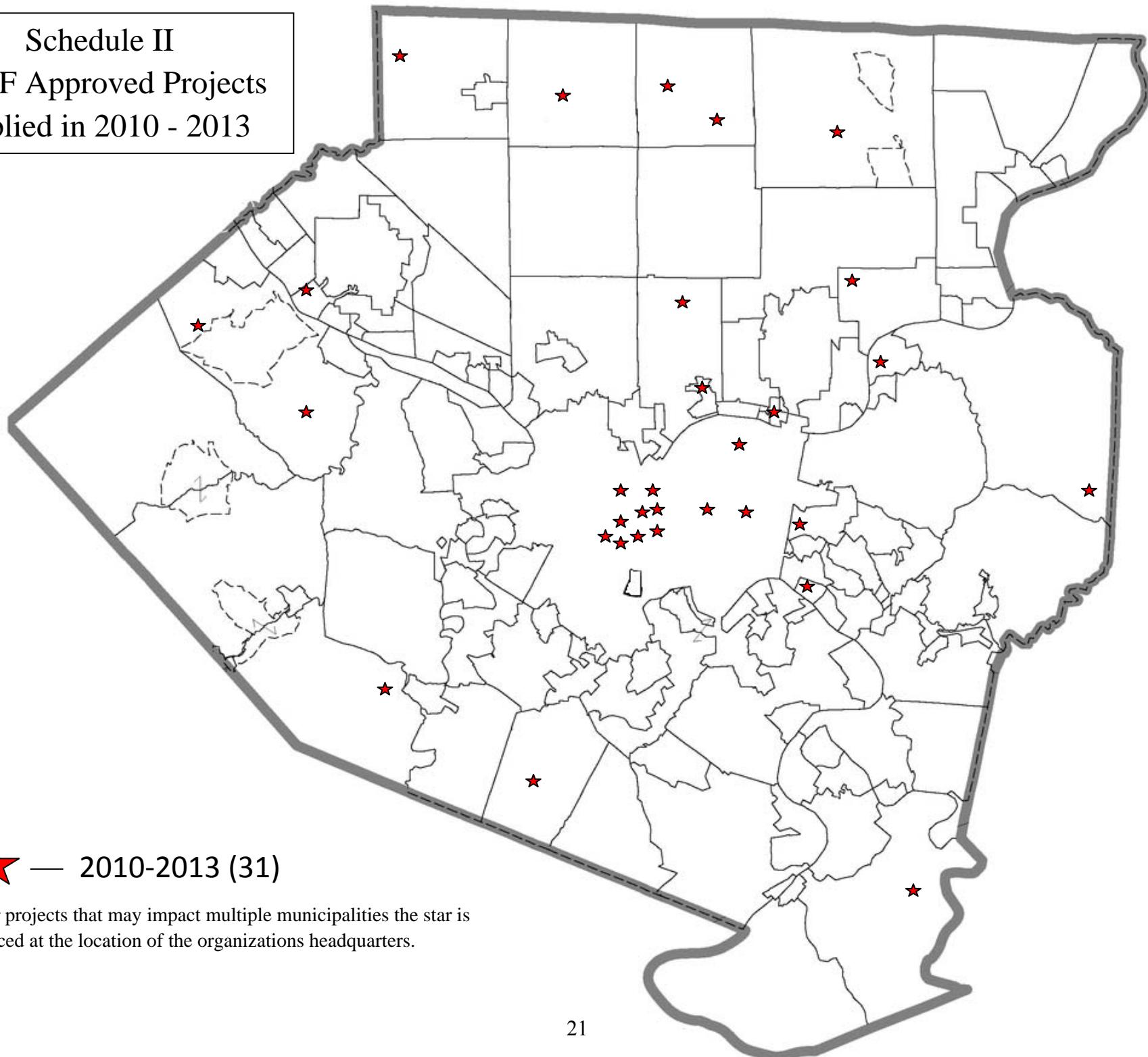
### Flowchart of the GEDF Funding Process



#### Definitions

RAAC – Redevelopment Authority of Allegheny County  
 GEDF – Gaming Economic Development Fund  
 ED – Economic Development  
 PM – Project Manager  
 CFA – Commonwealth Financing Authority

Schedule II  
GEDF Approved Projects  
Applied in 2010 - 2013



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<b>GRANT APPLICATIONS</b>							
10/21/11	12/16/11	Sports & Exhibition Authority	City of Pittsburgh	Lower Hill Infrastructure Design Project Phase 1 & 2	Funding will go towards design of a 4 street grid to reconnect the Hill District to the central business district, including design of streets and corresponding infrastructure.	\$500,000	\$500,000
10/24/11	12/16/11	South Fayette Township	Bridgeville Borough	Newbury	Road improvements to facilitate development of Newbury brown field site.	\$500,000	\$500,000
10/26/11	12/16/11	RIDC Southwestern Pennsylvania Growth Fund	City of Pittsburgh	LTV Hazelwood Redevelopment	Site prep and infrastructure improvements to former LTV Coke and Eliza Works Coke Plant Brownfield.	\$500,000	\$500,000
10/26/11	12/16/11	Allegheny Valley North COG	Harmar Township	Rich Hill Road Realignment	Realignment of Rich Hill Road along with new sewer lines/street lighting.	\$500,000	\$500,000
10/27/11	-	Indiana Township	Indiana Township	Indiana Township Town Hall Community Center	Renovations to a community center	\$50,000	\$0
10/27/11	12/16/11	Chatham University	Richland Township	Eden Hall Campus - Phase 1A	Infrastructure for development of Eden Hall campus	\$500,000	\$500,000
10/27/11	12/16/11	Urban Redevelopment Authority	City of Pittsburgh	Bakery Square 2.0	Site preparation to begin office development on 3 acres of land at Bakery Square	\$500,000	\$500,000
10/28/11	-	Upper Allegheny Joint Sanitary Authority	Tarentum/Brackenridge Borough & East Deer/Fawn/Frazier/Harrison Township	UAJSA Mandated Sewer Investigation	CCTV of all Upper Allegheny Joint Sanitary Authority interceptors and trunk lines on River Avenue, Little Bull Creek.	\$500,000	\$0
10/28/11	-	Collier Township Municipal Authority	Collier Township	Hilltop Road Sewer Extension	Extension of sanitary sewer service to 16 residences in the Oakdale area of Hilltop Road.	\$385,050	\$0
10/28/11	-	Tarentum Borough	Tarentum Borough	Tarentum Borough Consent Order Compliance	Restoration of structurally deficient manholes associated with a consent order.	\$500,000	\$0
10/28/11	-	Zoological Society of Pittsburgh	City of Pittsburgh	Animal Health and Education Center	Creation of a new zoo hospital to care for the animals and aid in expansion.	\$500,000	\$0
10/28/11	-	Turtle Creek Valley COG	Swissvale Borough	Municipal Building Rehabilitation	Renovation of a municipal building.	\$500,000	\$0
10/28/11	-	Heidelberg Borough	Heidelberg and Carnegie Boroughs, Township of Scott	Tri-Community Revitalization Project	This project will complete a multi-municipal street scape improvement with the construction of 35,000 sq ft of sidewalk.	\$517,500	\$0
10/28/11	-	Collier Township	Collier Township	Collier Township Municipal Park - Phase 1A	Phase 1 of transforming the former Charles E. Kelly support Facility into a large regional park.	\$500,000	\$0
10/28/11	-	Penn Hills Municipality	Penn Hills, Wilkinsburg, and the City of Pittsburgh	Eastgate Commerce Center Redevelopment	Funding would help continue the work of Allegheny County towards redeveloping the Eastgate Commerce property.	\$1,000,000	\$0
10/28/11	-	Carnegie Institute	City of Pittsburgh	Science Landing	Renovation of outside area at Carnegie Science Center.	\$500,000	\$0

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10/28/11	-	Western Pennsylvania School for Blind Children	City of Pittsburgh	Urban Trail	Development of education outdoor trail	\$100,000	\$0
10/28/11	-	Bellevue Borough	Bellevue Borough	Streetscape Project Construction Phase 1A	First phase of streetscape improvements including sidewalk, painting, curb ramps, new signage and lighting improvements.	\$500,000	\$0
10/28/11	-	Allegheny County Housing Authority	East Pittsburgh	Prospect Terrace - Street Improvements	Funding will go towards street revitalization.	\$270,000	\$0
10/28/11	-	YMCA of Greater Pittsburgh - East Suburban	Plum Borough	East Suburban YMCA Expansion and Renovation	Renovation to expand the YMCA facility from 22,000 sq feet to over 50,000 sq ft.	\$500,000	\$0
10/28/11	-	Western Pennsylvania Conservancy	Ross Township	Pine Creek Watershed Tree Vitalize Project	Effort to reduce storm water system runoff into Pine Creek watershed.	\$548,525	\$0
10/28/11	-	Tarentum Borough	Tarentum Borough	Water System Renovations	Renovations at the Tarentum Borough Water Treatment Plant	\$500,000	\$0
10/28/11	-	Urban Redevelopment Authority	City of Pittsburgh	1601 Broadway Avenue Redevelopment	Revitalization of 1601 Broadway Ave, a cornerstone building on Beechview's commercial corridor.	\$361,033	\$0
10/28/11	-	Pittsburgh Ballet Theatre, Inc.	City of Pittsburgh	Facility Expansion - Portions of Phase III	Addition of 3 new studios and storage space and parking lot improvements.	\$500,000	\$0
10/28/11	-	Jefferson Hills Borough	Jefferson Hills Borough	Beedle Park Development	Phase 1 site work in Beedle Park Development	\$500,000	\$0
10/28/11	-	Bridgeville Borough	Bridgeville Borough	Central Business District Enhancement - Partial Phase 1	Sidewalk improvements meant to remedy safety issues.	\$634,500	\$0
10/28/11	-	Mon Valley Initiative	North Braddock Borough	Mon Valley micro Farms	Acquisition of 44 parcels of land for renovation/demolition	\$500,000	\$0
10/28/11	-	Western Allegheny Community Library	North Fayette Township	Western Allegheny Community Library Expansion/Relocation	Building Acquisition	\$425,000	\$0
10/28/11	-	Urban Redevelopment Authority	City of Pittsburgh	The Gardens at Market Square	Remove existing utilities and site prep work for larger phase of project.	\$500,000	\$0
10/28/11	-	Allegheny Valley North COG	Springdale Borough	Lincoln Avenue & Butler Street Storm Sewer Project	Replacement of approximately 350 feet of storm sewer along Lincoln Ave and Butler Street in Springdale.	\$500,000	\$0
10/28/11	-	Pittsburgh Community Services, Inc.	City of Pittsburgh	Pittsburgh Community Services, Inc.	Building Acquisition	\$500,000	\$0
10/28/11	-	Pittsburgh Parks Conservancy	City of Pittsburgh	Mellon Square Restoration Project	Continued renovation for Mellon Square.	\$500,000	\$0
10/28/11	-	Catalyst Connection	City of Pittsburgh	Allegheny Regional Innovation Consortium (A-RIC)	Develop, launch, and maintain a 2 year initiative which will provide to Marcellus Shale market resources in Pennsylvania developed specifically for small manufacturers	\$500,000	\$0
10/28/11	-	Braddock Redux	Braddock Borough	Ohringer Building Tenant Ready Project	Rehabilitate of Ohringer building to make it ready for use as a mixed-use commercial/residential space	\$500,000	\$0
10/28/11	-	Upper St. Clair Township	Upper St. Clair Township	Boyce Mayview Park ADA Playgrounds @ Miracle Field & Pavilion	Purchase and Installation of 2 fully ADA compliant playground structures.	\$500,000	\$0

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10/28/11	-	Bellevue Initiative for Growth and Revitalization	Bellevue/Avalon/Ben Avon	CDC Bellevue Initiative for Growth and Revitalization	None given	\$50,000	\$0
10/28/11	-	North Fayette Township	North Fayette Township	Hans Road and Gormley Ave Bridge Replacements	Restoration of two bridges in a state of severe disrepair. The bridge on Hans road is currently closed and the two bridges provide the only exit for those who live in between them	\$542,340	\$0
10/28/11	-	Presbyterian Senior Care (PSC)	Oakmont Borough	Westminster Place of Oakmont	Renovations and upgrades including installation of new windows and HVAC system.	\$500,000	\$0
10/28/11	-	North Hills COG	Millvale Borough	Lincoln Avenue Revitalization	Roadway, sidewalk and accessibility improvements on mixed use corridor.	\$500,000	\$0
10/28/11	-	North Hills COG	Sharpsburg Borough	Ravine Street Stream Removal	Removal of a stream and storm water influence originating from O'Hara, Shaler and Etna.	\$750,000	\$0
10/28/11	-	Carlow University	City of Pittsburgh	Grace Hall Renovation Project	Exterior renovation of Grace Hall in the first of 5 phases to turn it into a student center with social and collaborative work areas.	\$500,000	\$0
10/28/11	-	Robert Morris University	Moon Township	School of Nursing and Health Sciences Building	Construction of a new 15-20,000 sq ft School of Nursing and Health Sciences/Simulation Center building.	\$500,000	\$0
10/28/11	-	Urban Redevelopment Authority	City of Pittsburgh	Schenley Place	Development of a 7 story class A office building in Oakland.	\$500,000	\$0
10/28/11	-	Etna Borough	Etna Borough	Etna Green Streetscape Lighting & Phase II Storm water Detention	Reconstruction of borough streetscapes to remove storm water from their combined sewer system, reduce storm water runoff, and improve the appeal of the existing streetscape.	\$734,800	\$0
10/28/11	-	Coraopolis Borough	Coraopolis Borough	Coraopolis Combined Sewer Regulator Structure Improvements	Rehabilitation of 4 combined sewer regulator structures that are not currently operating correctly.	\$500,000	\$0
10/28/11	-	Sewickley Borough	Sewickley Borough	Hoey's Run Stream Restoration	Installation of natural in-stream rock vanes and riffles to reduce velocities and prevent erosion.	\$1,063,750	\$0
10/28/11	-	Mount Oliver Borough	Mount Oliver Borough	Brownsville Road Phase 1A Streetscape Upgrades	Visual streetscape improvements including welcome sign, trees, benches and light poles.	\$500,000	\$0
10/28/11	-	River Industries Corporation	City of Pittsburgh	Marcellus Shale Career Center	Basic expenses for staffing, coordinating information sessions, and financing training opportunities at a new Marcellus Shale Career Center.	\$500,000	\$0
10/28/11	-	Shanahan Housing Associates, LP	City of Pittsburgh	Shanahan Apartments	Conversion of abandoned warehouse into 43 unit supportive housing community.	\$500,000	\$0
10/31/11	-	Elizabeth Township Sanitary Authority	Elizabeth Township	Buena Vista Force Main	Construction of 10 miles of sanitary force mains along the Youghiogheny River Trail to the Municipal Authority of the City of McKeesport Sewage Treatment Plant.	\$500,000	\$0
10/31/11	-	Elizabeth Borough Municipal Authority	Elizabeth Borough	Bayard Street Sewer Separation Phase 2 & 3	Sewer separation of combined sewer system which has occasional CSO's discharging raw sewage to the Monongahela River.	\$500,000	\$0

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2/16/12	-	Zoological Society of Pittsburgh	City of Pittsburgh	Animal Health & Education Center	Creation of a new medical center to replace the current outdated veterinary clinic.	\$500,000	\$0
2/22/12	-	Young Men & Women's Hebrew Association	City of Pittsburgh	Renovation of the Early Childhood Wing	Renovation of the Early Childhood Development Center.	\$500,000	\$0
2/27/12	-	Robert Morris University	Moon Township	School of Nursing and Health Sciences Building	Construction of a new nursing/health sciences building.	\$500,000	\$0
3/2/12	-	The Residence at Weinberg Village	City of Pittsburgh	Weinberg Village Renovation	Renovation of personal care facility to provide private bathrooms for all occupants.	\$500,000	\$0
3/5/12	-	Collier Township Municipal Authority	Collier Township	Hilltop Road Sewer Extension	Extension of existing sanitary sewer line to 16 new residences	\$385,050	\$0
3/6/12	-	Upper St. Clair Township	Upper St. Clair Township	Boyce Mayview Park ADA Playgrounds @ Miracle Field & Pavilion	Installation of ADA equipment	\$500,000	\$0
3/12/12	-	North Hills COG	Sharpsburg Borough	Ravine Street Stream Removal	Removal of a stream and storm water influence originating from O'Hara, Shaler and Etna.	\$750,000	\$0
3/13/12	6/1/12	Sports & Exhibition Authority of Pittsburgh and Allegheny County	City of Pittsburgh	Lower Hill Infrastructure Design Project	Funding will go towards design of a 4 street grid to reconnect the Hill District to the central business district, including design of streets and corresponding infrastructure.	\$500,000	\$500,000
3/14/12	-	Family Hospice and Palliative Care	Mt. Lebanon	TeleHospice: A component of Empowering Caregivers	Equipment and training purchase to allow hospice patients to spend time in home instead of making costly emergency room visits	\$547,740	\$0
3/14/12	-	Carnegie Institute	City of Pittsburgh	Science Landing (Phase 1: Riverview Café/Trail Improvement Project)	Renovations to Carnegie Science Center along Allegheny River.	\$500,000	\$0
3/14/12	-	The Mattress Factory, Ltd.	City of Pittsburgh	Mattress Factory Building Improvements	Renovations/Repairs at the Mattress Factory Locations	\$250,000	\$0
3/14/12	-	Presbyterian SeniorCare (PSC)	Oakmont Borough	Westminster Place of Oakmont	Renovations and repairs to Oakmont campus	\$500,000	\$0
3/14/12	6/29/12	The Elmhurst Group	City of Pittsburgh	Schenley Place	Development of a 7 story class A office building in Oakland.	\$500,000	\$500,000
3/14/12	-	Regional Development Funding Corporation	Allegheny County	RDFC Community Advantage Loan Program	GEDF funds will go towards capitalization of the RDFC Community Advantage Loan Program	\$500,000	\$0
3/14/12	-	Heidelberg Borough	Heidelberg and Carnegie Boroughs, Township of Scott	Tri-Community Revitalization Project	This project will complete a multi-municipal street scape improvement with the construction of 35,000 sq ft of sidewalk.	\$517,500	\$0
3/14/12	-	Collier Township	Collier Township	Collier Township Park Multi-Purpose Field	Construction of a field at Collier Township Park	\$500,000	\$0

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3/14/12	6/29/12	Urban Redevelopment Authority	City of Pittsburgh	The Gardens at Market Square	Removal of existing utilities to existing buildings and provide upgraded connections sufficient to support increased supply demands	\$500,000	\$500,000
3/15/12	-	Elizabeth Borough Municipal Authority	Elizabeth Borough	Bayard Street Sewer Separation Phase 2 & 3	Sewer separation of combined sewer system which has occasional CSO's discharging raw sewage to the Monongahela River.	\$500,000	\$0
3/15/12	-	Elizabeth Township Sanitary Authority	Elizabeth Township	Buena Vista Force Main	Construction of 10 miles of sanitary force mains along the Youghiogheny River Trail to the Municipal Authority of the City of McKeesport Sewage Treatment Plant.	\$500,000	\$0
3/15/12	-	ACHIEVA Support	Bridgeville Borough	Bridgeville Pallet Plant Machinery and Equipment	Purchase of equipment for pallet factory	\$472,500	\$0
3/15/12	-	Upper Allegheny Joint Sanitary Authority	Tarentum/Brackenridge Borough & East Deer/Fawn/Frazier/Harrison Township	UAJSA Mandated Sewer Investigation	CCTV of all Upper Allegheny Joint Sanitary Authority interceptors and trunk lines on River Avenue, Little Bull Creek.	\$500,000	\$0
3/15/12	-	Catalyst Connection	City of Pittsburgh	Allegheny Regional Innovation Consortium (A-RIC)	Develop, launch, and maintain a 2 year initiative which will provide to Marcellus Shale market resources in Pennsylvania developed specifically for small manufacturers	\$500,000	\$0
3/15/12	-	Pittsburgh Symphony Inc.	City of Pittsburgh	Heinz Hall Renovations - Fire/Safety Upgrades	Upgrades to fire and life safety systems. Phase III of a multi phase \$24 million project.	\$500,000	\$0
3/15/12	6/29/12	Landmarks Development Corporation	Wilkinsburg Borough	Penn & Center Development Phase 1	Environmental remediation of vacant property in Wilkinsburg	\$500,000	\$500,000
3/15/12	-	Amani Christian Community Development Corp.	Allegheny County	Milwaukee-Clarissa Street Community Housing Project	Site prep/Infrastructure costs in building low income housing.	\$250,000	\$0
3/15/12	-	a.m. Rodriguez Associates, Inc.	City of Pittsburgh	The Lofts of Mt. Washington - Fitness Facility	Rehab of the Prospect Middle School to house 67 apartments and a community fitness center	\$500,000	\$0
3/15/12	-	Mount Oliver Borough	Mount Oliver Borough	Mount Oliver Safe Streets Program	Joint operation to curb gang activity in Mount Oliver.	\$249,885	\$0
3/15/12	-	Start Uptown, Inc.	City of Pittsburgh	Make-It Space	Equipment purchase for entrepreneurial campus	\$500,000	\$0
3/15/12	-	Historical Society of Western Pennsylvania	City of Pittsburgh	Museum Conservation Center	Purchase of space to be used for museum-quality storage.	\$500,000	\$0
3/15/12	-	Brentwood Borough	Brentwood Borough	Municipal Business Complex	Demolition and rebuilding of municipal complex.	\$500,000	\$0
3/15/12	-	Mount Oliver Borough	Mount Oliver Borough	Brownsville Road Phase 1A Streetscape Upgrades	Visual streetscape improvements including welcome sign, trees, benches and light poles.	\$500,000	\$0

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3/15/12	6/29/12	Allegheny County Airport Authority (ACAA)	Moon Township	PIT Airside Business Park Infrastructure Expansion 2012	Removal of former building foundations, relocation and expansion of storm and sanitary sewer, and infrastructure as needed.	\$500,000	\$500,000
3/19/12	6/29/12	Redevelopment Authority of Allegheny County	Swissvale, Rankin, Munhall, Whitaker	Carrie Furnace Redevelopment - Eastern Site Grading II	Phase II consists of earthwork on approximately 25 acres on the eastern and central side of the site.	\$500,000	\$500,000
10/1/12	6/21/13	Young Men & Women's Hebrew Association	City of Pittsburgh	Renovation of the Early Childhood Wing	Renovation of the Early Childhood Development Center.	\$500,000	\$200,000
10/9/12	6/21/13	YMCA of Greater Pittsburgh	Plum Borough	Sampson Family YMCA Expansion and Renovation Project	Renovation and expansion of the current YMCA facility	\$500,000	\$200,000
10/9/12	-	Collier Township Municipal Authority	Collier Township	Hilltop Road Sewer Extension	Extension of existing sanitary sewer line to 16 new residences	\$385,050	\$0
10/11/12	-	Penn Hills Municipality	Penn Hills, Wilkinsburg, and the City of Pittsburgh	Eastgate Commerce Center Redevelopment	Funding would help continue the work towards redeveloping the Eastgate Commerce property.	\$1,000,000	\$0
10/17/12	-	The Mattress Factory, Ltd.	City of Pittsburgh	Mattress Factory Building Improvements	Interior and exterior improvements to three Mattress Factory locations	\$250,000	\$0
10/22/12	6/21/13	Carnegie Institute	City of Pittsburgh	Science Landing (Phase 1: Riverview Café/Trail Improvement Project)	Renovations to Carnegie Science Center along Allegheny River.	\$500,000	\$200,000
10/23/12	-	Coraopolis Water and Sewer Authority	Coraopolis Borough	Coraopolis Combined Sewer Regulator Structure Improvements	Rehabilitation of four combined sewer structures	\$500,000	\$0
10/23/12	-	Regional Industrial Development Corporation of Southwest PA	East Pittsburgh Borough	Keystone Commons-East Shop Portal 8 Entrance Construction	Site preparation for direct access portal to the new facility on the Brownfield redevelopment	\$500,000	\$0
10/25/12	-	Upper Allegheny Joint Sanitary Authority	Tarentum, Brackenridge, East Deer, Fawn, Frazier, Harrison	UAJSA Mandated Sewer Investigation	CCTV of all Upper Allegheny Joint Sanitary Authority interceptors and trunk lines on River Avenue, Little Bull Creek.	\$500,000	\$0
10/25/12	-	Allegheny County Housing Authority	City of Duquesne	Orchard Park	Replacement of all electric/phone/cable conduit, sewer lines, water lines for 52 families below area income	\$500,000	\$0
10/25/12	-	Amani Christian Community Development Corp.	City of Pittsburgh	Milwaukee-Clarissa Street Community Housing Project	Site prep/Infrastructure costs in building low income housing.	\$250,000	\$0
10/26/12	-	West Elizabeth Sanitary Authority	West Elizabeth Borough	Regional Sewage Project	Upgrade and expansion of the wastewater treatment plant for the proper treatment of existing and future wastewater flow and loads	\$500,000	\$0
10/26/12	-	Family Hospice and Palliative Care	Mt. Lebanon	TeleHospice	Equipment and training purchase to allow hospice patients to spend time in home instead of making costly emergency room visits	\$547,740	\$0

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10/26/12	-	Crescent Township	Crescent Township	Former Phillips Power Station Brownfield Redevelopment	Site development, engineering and site inspection, market feasibility/conceptual plan for the former power station	\$500,000	\$0
10/26/12	6/21/13	Presbyterian SeniorCare (PSC)	Oakmont Borough	Westminster Place of Oakmont	Renovations and repairs to Oakmont campus	\$350,000	\$200,000
10/26/12	-	Turtle Creek Valley COG	Swissvale Borough	Municipal Building Rehabilitation	Renovation and rehabilitation of the municipal building to house the Police and Public Safety Departments	\$500,000	\$0
10/26/12	-	North Hills COG	Sharpsburg Borough	Ravine Street Stream Removal	Removal of a stream and storm water influence originating from O'Hara, Shaler and Etna.	\$750,000	\$0
10/26/12	-	Collier Township	Collier Township	Community Center LED Lighting Clean Energy Enhancement Project	Demolition, renovation, and redevelopment of property to construct a community center and park/playgrounds	\$169,337	\$0
10/26/12	-	Allegheny Valley Volunteer Fire Company	Township of Harmer/Springdale	AVVFC Rescue Vehicle	Purchase of a new rescue truck	\$500,000	\$0
10/26/12	6/21/13	Pittsburgh Symphony, Inc.	City of Pittsburgh	Heinz Hall Renovations-Fire/Safety Upgrades	Upgrades to fire and life safety systems. Phase III of a multi phase \$24 million project.	\$500,000	\$500,000
10/26/12	-	Mount Oliver Borough	Mount Oliver Borough	Mount Oliver Borough Parking and Security Upgrades	Rehabilitation of a parking lot, replacement of parking meters, and security upgrades to the Mount Oliver business district	\$511,723	\$0
10/26/12	-	Hotel d2 Services Group, LLC	City of Pittsburgh	Homewood Suites Hotel	Construction of a 132 room hotel with restaurant/bar in the Strip District	\$500,000	\$0
10/26/12	-	Youth Places, Inc.	City of Pittsburgh	YouthPlaces & Gwen's Girls Capital Improvements	Renovations to the courtyard to create parking, comprehensive building energy audit with upgrades, lighting upgrades	\$500,000	\$0
10/26/12	-	Allegheny County Airport Authority	West Mifflin Borough	West Roadway Access Improvements at County Airport	Improvements to the access to the west hanger at the County airport	\$500,000	\$0
10/26/12	-	Allegheny County Airport Authority	Moon Township	Site 7-Site Improvements	Construction of a roadway, grading, and extension of utilities for Site 7	\$500,000	\$0
10/29/12	-	Regional Industrial Development Corporation of Southwest PA	City of Pittsburgh	Lawrenceville Technology Center-Tech Commons Manor	Site grading and preparation and on-site infrastructure of land for future commercial use	\$500,000	\$0
10/29/12	-	Allegheny County Airport Authority	West Mifflin Borough	Allegheny County Airport Hangar Construction at VJC	Construction of a new, state of the art, LEED gold, aviation hangar for Voyager Jet Center	\$700,000	\$0
5/28/13	6/21/13	Allegheny Land Trust	Richland Township	Redevelopment of the former Pittsburgh Cut Flower Property	Acquisition of the 180 acre former Pittsburgh Cut Flower for the commercial/retail development	\$500,000	\$500,000
5/29/13	6/21/13	Sarah Heinz House Association	City of Pittsburgh (23rd Ward)	Sarah Heinz House Capital Improvement Project	Bathroom remodeling, air conditioning installation, building painting and plastering, window replacement, and vehicle replacement	\$500,000	\$200,000

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6/5/13	6/21/13	Regional Industrial Development Corp. of Southwestern PA	Township of Marshall	Innovation Ridge	Site grading, relocation/installation of infrastructure, installation of storm water BMPs, construction of parking lot	\$500,000	\$400,000
6/10/13	6/21/13	Hampton Shaler Water Authority	Borough of Etna	Etna Borough Water Meter Replacement Project	Replacement of 1,641 water meters in customer homes and businesses within the Borough of Etna	\$557,294	\$400,000
6/10/13	-	AHI Development	City of Pittsburgh (14th Ward)	Forward Murray Gateway Project	Acquisition of a former movie theater, office building, and restaurant at the corner of Murray & Forward Avenues for mix-used development	\$500,000	\$0
6/10/13	6/21/13	Pittsburgh Ballet Theatre, Inc.	City of Pittsburgh (6th Ward)	Facility Expansion	Building expansion to include performance space, dressing rooms, storage, offices, art gallery, and reception area	\$500,000	\$200,000
6/10/13	-	Township of Indiana	Township of Indiana	Township of Indiana Public Works Garage	Construction of a 15,000 sq. foot garage for the township's Public Works Dept.	\$200,000	\$0
6/10/13	6/21/13	West Deer Township	West Deer Township	Nike Site/Senior Center Master Plan Construction Project	Site prep and infrastructure, new sewer lines for the former U.S. Army Nike Missile Site	\$500,000	\$200,000
6/11/2013	6/21/2013	Township of Pine	Township of Pine	Baur Drive Sanitary Sewer Extension	Install new sewer lines and manholes	\$250,000	\$250,000
6/11/13	6/21/13	Municipality of Bethel Park	Municipality of Bethel Park	Industrial Park Improvement	Milling and paving approx. 23,405 S.Y. of roads, repairs or replacement of 87 inlets, repair driveway approaches, and repair curbs	\$700,000	\$500,000
6/11/13	6/21/13	Elizabeth Township	Elizabeth Township	Public Infrastructure Upgrades	Repair a retaining wall, reconstruct Patterson Bridge, and replacement of a retaining wall	\$610,300	\$500,000
6/12/13	6/21/13	Village Theater Company	Sewickley Borough	Village Theater	Construction and equipment purchases for a new movie theater to promote education and public appreciation of the arts	\$500,000	\$350,000
6/12/13	-	Township of Marshall	Township of Marshall	Thorn Hill Road Right Turn Lane	The widening of the westbound approach of Thorn Hill Road to provide 300 ft. long right turn lane into RIDC Thorn Hill Industrial Park	\$395,645	\$0
6/12/13	-	Pittsburgh Symphony, Inc.	City of Pittsburgh (2nd Ward)	Heinz Hall Renovations-Fire/Safety Upgrades	Upgrades to fire and life safety systems. Phase III of a multi phase \$24 million project.	\$500,000	\$0
6/12/13	6/21/13	Shaler Township	Shaler Township	Fall Run Road Reconstruction-Phase 2	Fix eroding road slide	\$413,715	\$410,000
6/12/13	-	Regional Industrial Development Corporation of Southwest PA	Borough East Pittsburgh	Keystone Commons-East Shop Portal 7 Entrance Construction	Site preparation for direct access portal to the new facility on the Brownfield redevelopment	\$500,000	\$0
6/12/13	-	Regional Industrial Development Corporation of Southwest PA	City of Pittsburgh (9th Ward)	Lawrenceville Technology Center-Sewer Separation	Site preparation, utilities and roadway infrastructure work to allow for current and future redevelopment	\$500,000	\$0
6/12/13	-	Township of Harrison	Township of Harrison	Complete Replacement of the Pumps in the Waste Water Lift Station	The purchase and installation of pumps and equipment in the waste water lift station	\$229,000	\$0
6/12/13	-	Borough of Tarentum	Borough of Tarentum	4th Avenue Bridge Replacement	Replacement of deteriorating bridge that is a vital link for Tarentum.	\$500,000	\$0

**GEDF APPLICATIONS RECEIVED  
JANUARY 1, 2010-DECEMBER 31, 2013**

Schedule III

<b>Application Date</b>	<b>Date RAAC Approved</b>	<b>Applicant</b>	<b>Municipality</b>	<b>Project Name</b>	<b>Project Description</b>	<b>Amount Requested</b>	<b>Amount Awarded</b>
6/12/13	6/21/13	Borough of Aspinwall	Borough of Aspinwall	Brilliant Avenue Intersection Improvement	Realignment of a Riverfront Park to Brilliant Ave and replacing traffic signals, constructing a new lane, and installing a crossing arm	\$500,000	\$500,000
6/12/13	-	Township of O'Hara	Township of O'Hara	Sewers for Saxonburg	Replacement of septic tanks with public sewer service to the residents along Saxonburg Blvd.	\$600,000	\$0
6/12/13	-	Allegheny Valley North COG	Borough of Brackenridge	Water Filtration Plant Water Tank Aeration Project	Installation of an aeration system within existing water storage tanks	\$500,000	\$0
6/12/13	-	Allegheny Valley North COG	Borough of Springdale	James Street Waterline Replacement Project	Replacement of waterline, residential connections, road crossings and fire hydrants	\$500,000	\$0
6/12/13	-	Allegheny Valley North COG	Borough of Springdale	Water Treatment Plant Improvements	Upgrade of the Borough Water Treatment Plant	\$250,000	\$0
6/12/13	-	Elizabeth Township Sanitary Authority	Elizabeth Township & Liberty Borough	Buena Vista Force Main Project	Construction of sanitary force mains along the Youghiogheny River Tail	\$487,300	\$0
6/12/13	-	Millvale Borough	Millvale Borough	North Avenue & Grant Avenue Improvements	Replacement of sidewalks, curbs, pavement, and road	\$500,000	\$0
6/12/13	6/21/13	Phipps Conservatory and Botanical Gardens	City of Pittsburgh (14th Ward)	Phipps Exhibit Staging Center Rehab: "Living" Campus Emerges	Construction of a 24,000 sq. ft. Center with adjoining garden	\$500,000	\$200,000
6/12/13	-	Steel Valley COG	Homestead, West Homestead, and Munhall	Hazel-Boon Way Rehabilitation and Stormwater Management Project	Reconstruction of Hazel Way and Boon Way including the base and surface road	\$2,500,000	\$0
6/12/13	-	North Hills COG	Sharpsburg Borough	Ravine Street Stream Removal	Removal of a stream and storm water influence originating from O'Hara, Shaler and Etna.	\$750,000	\$0
6/12/13	-	The Bradley Center	Township of Robinson	The Bradley Center Renovation Project	Facility renovations including energy efficiency upgrades, new roof, safety improvements	\$500,000	\$0
6/12/13	-	Industrial Scientific Corporation	Township of Robinson	Industrial Scientific Corporation Global Headquarters Expansion	Remediation, site development, and public infrastructure for new headquarters	\$500,000	\$0
6/12/13	6/21/13	Pittsburgh Airport Area Chamber of Commerce	Township of Moon	PAACC Business Resource Center	Construction of a new business resource center	\$750,000	\$350,000
6/12/13	-	Frick Art & Historical Center, Inc.	City of Pittsburgh (14th Ward)	Education Center, Carriage Gallery	Relocation and expansion of Frick's Education Center, construction of a new Carriage Gallery and community room	\$500,000	\$0
6/12/13	-	Deer Creek Drainage Basin Authority	West Deer & Indiana Townships	2009 Sewer Line Refurbishment Project	Refurbishment of sewer lines and manholes in various locations	\$500,000	\$0
6/12/13	-	City of Pittsburgh	City of Pittsburgh (2nd & 6th Wards)	Strip Transit Revitalization Investment District	Creation of a detailed financial and infrastructure phasing plan	\$500,000	\$0
<b>LOAN APPLICATIONS</b>							
6/12/13	-	Oxford Development Company	City of Pittsburgh (16th Ward)	Hot Metal Crossing	Development of a 170 apartment building and retail and parking on the ground level	\$750,000	\$0

**GEDF APPLICATIONS RECEIVED  
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6/12/13	-	Oxford Development Company	City of Pittsburgh (2nd Ward)	350 Fifth Avenue	Redevelopment of 441 Smithfield into a Class A office building and retail space	\$750,000	\$0
6/12/13	-	Dufftown Real Estate II Limited Partnership	Shaler Township	Revitalization of Glass Furnace	Renovations and upgrades to a large manufacturing facility	\$500,000	\$0
6/12/13	-	Odeon Partners, LP	City of Pittsburgh (12th Ward)	The Odeon Building	Development of a mixed used building in East Liberty including a movie theater	\$500,000	\$0

**Total for Funded Projects**

**\$12,260,000**

*Source: Allegheny County Department of Economic Development*



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Administered by  
Allegheny County  
Department of Economic Development

October 31, 2014

The Honorable Chelsa Wagner  
Allegheny County Controller  
Allegheny County Courthouse  
436 Grant Street, Room 104  
Pittsburgh, PA 15219

2014 OCT 31 P 12:50

Re: GEDF Audit

Dear Controller Wagner:

We are in receipt of your Draft Independent Accountant's Report dated October 2014 on the Gaming Economic Development Fund (GEDF) for the period January 1, 2010 through December 31, 2013 and offer the following responses to the schedule of findings:

#### **1. No Evidence of the Methodology used to Analyze Program Applications**

***Recommendation:*** We recommend that Economic Development determine if the CFA would like it to evaluate the eligible applications based on the GEDF Program Guideline criteria. If Economic Development is to evaluate the GEDF applications, it should involve a rating system using pre-established point values. Each application should be graded for each of the criteria listed in the Program Guidelines. If certain criteria are more important than others, the scores can be weighted accordingly. Applications should be ranked by final score. If the highest ranked applications are not selected, the reason why an alternate project was selected should be thoroughly documented. This documentation should then be maintained in the project files.

*Management's Response:* The Redevelopment Authority of Allegheny County (RAAC) will continue to utilize the current manner of project selection. This process entails sending the Commonwealth Finance Authority (CFA) project summaries of each application received. The CFA subsequently notifies RAAC staff as to which projects they recommend the RAAC Board submit for approval to the CFA.

2. Information regarding all applications not being submitted to the CFA and RAAC Board

*Recommendation:* We recommend that ACED management continue to provide the CFA and RAAC Board applications for all eligible applications received in order to provide assurance that the organization is operating in a highly ethical and accountable manner. This information should include all applications received noting applications recommended for funding and applications not recommended for funding and the reason for this determination (when applicable).

*Management's Response:* RAAC will continue to provide the CFA with project summary sheets of each application received. The CFA subsequently notifies RAAC staff as to which projects they recommend the RAAC Board submit for approval to the CFA. The implication that RAAC may not be operating in a highly ethical and accountable manner is insulting to the staff and management.

3. Lack of documentation for program guideline criteria

*Recommendation:* We recommend that project managers retain documentation of site visits, which include photographs of the completed project. Economic Development should revise the Program Guidelines to include definitions of key terms and have the revised Guidelines approved by the RAAC Board and the CFA.

*Management's Response:* GEDF project managers document compliance with GEDF guidelines. The suggestion that the guidelines be updated to include definitions of key terms is ambiguous.

4. Audit requirement criteria not being adhered to

*Recommendation:* We recommend that Economic Development clarify if they want the audit to be completed 60 days from the end of the grant contract / 90 days after the final disbursement is issued, or within a certain time period after the entire project is completed. If any changes are made, they cannot conflict with the CFA grant contract requirements. In addition, the guidelines need to be revised and any changes need to be properly approved by the RAAC Board and the CFA.

*Management's Response:* As noted in your audit, one audit was not completed. This project, the Sampson Family YMCA Expansion and Renovation Project in Plum Borough, is still under construction. The GEDF portion was drawn in February, 2014. However, the total project cost is \$11,744,500 and is not complete. The contract expiration date is January 2015. Therefore, this project will be audited when the project is complete.

RAAC will amend the GEDF Program Guidelines to correspond with the grant agreement with the Commonwealth Financing Authority requiring a final audit of the entire Grant (Program Audit) within 120 days after the entire project is completed for all grants of \$100,000 or more. When the guidelines are updated and approved by the RAAC Board, with a copy sent to the CFA, the project managers will be advised along with receiving an updated project checklist.

5. Lack of adherence to the prevailing wage policy criteria

*Recommendation:* We recommend that the compliance staff document their review of the weekly payrolls and indicate if the grantee is in compliance with the prevailing wage requirement. Written notification that the grantee is compliant or not should be provided to the fiscal section of the Operations Division and the project manager and retained in the project file folder. If the grantee is not compliant, documentation of the action taken by Economic Development to remedy the deficiency should be maintained in the project file.

*Management's Response:* Of the total \$747,465.00 of certified payrolls reviewed by the Controller's Office, \$1,358.00 - 0.1% - was found to be underpaid. The GEDF Audit identified three projects where employees were underpaid: LTV Hazelwood, Eden Hall, and Carrie Furnace.

In an email from the Controller's Office dated 10/24/14 it stated, "We have completed our analysis of the documentation you sent in the email messages this morning. As far as we are concerned, all of the issues are resolved with the following exceptions:"

LTV Hazelwood Redevelopment Project

Allegheny Fence - \$49.68 no additional data provided.

*Response:*

Documentation was sent to the Controller's Office on Monday, October 27, 2014 for their review. Once this is resolved, this amount will be reduced to zero.

Gray Waste Management - \$88.55 no additional data provided.

*Response:*

Gray Waste Management has indicated they will make back payments to the affected employees. Additionally, the grantee has pledged to make payments to the employees in the event the contractor fails to make payment. The grantee is gathering the necessary verification documentation, which will be forwarded to ACED. Once this is resolved, this amount will be reduced to zero.

Eden Hall Campus

Genesis Concrete Structures - \$72.45 no additional data provided.

*Response:*

The Controller's Office identified three employees that were underpaid a total of \$72.45. All three did receive payment to correct the underpayments. The grantee provided both payment verification and a confirmation letter stating the payments have been made. It should be noted that the variances identified for I. Moreno & M. Fitzroy as having occurred on Payroll No. 10 actually occurred on Payroll No. 9. In a meeting with the Controller's Auditors on October 23, 2014, there was disagreement over which payrolls were incorrect. RAAC is investigating further.

McGowan Staufer - \$73.40 [per email dated 10/16 from McGowan Staufer Controller - she is still trying to get info on employees].

*Response:*

We have been in contact with the Controller from McGowan Staufer and are currently waiting for the documentation. As soon as it is received, it will be forwarded to the Controller's Office. Once this is resolved, this amount will be reduced to zero.

6. Lack of adherence to the prevailing wage policy criteria (cont'd.)

Carrie Furnace Redevelopment

Independence Excavating - \$38.96 no additional data provided [waiting documentation to prove trucker's hours were de minimis and DB did not apply].

*Response:*

The Controller's Office identified one issue with one employee. Specifically it was stated that a truck driver was not paid the correct wage creating an underpayment of \$38.96. It should be noted that this project is not subject to PA Prevailing Wage but Davis-Bacon Wage rates. The Federal wage rate for truck drivers is \$26.02 per hour and the employee in question was paid \$24.55 per hour. In speaking with the project manager, it was stated that the function of the trucking company was to deliver and unload fill material making numerous trips per day. Based upon a 1991 court case (Building Construction Trades v. Midway), material delivery truck drivers, who come onto the site of the work merely to drop off construction materials, are not covered by the Davis-Bacon Act. Therefore, given the nature of the work performed, the above-referenced driver is not covered by Davis-Bacon wages.

The GEDF Audit identified three projects where employees were underpaid a total of \$1,358.00. The Controller's Office October 24, 2014 email stated: "Total GEDF outstanding at this time - \$323.04". When all documentation is received this amount will be reduced to zero.

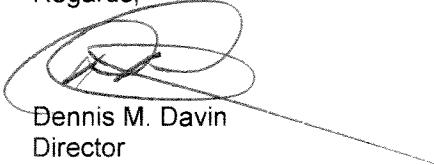
The Compliance staff currently documents any deficiencies discovered when reviewing weekly payrolls. When a discrepancy is discovered, the project manager is notified who, in turn, notifies the grantee. If the situation is not resolved, RAAC pursues the grantee and/or contractor for restitution. It is also important to note that wage rates are posted at the project site and site visits are made by the compliance staff. Since the inception of the GEDF program, the RAAC Compliance staff has never been contacted by an employee on any GEDF project claiming underpayment. If such a complaint is received, it is thoroughly researched and, if deemed necessary, restitution is pursued.

7. Economic Development needs to develop a written policies and procedures manual to establish strong internal controls

*Recommendation:* We recommend that Economic Development create a written policies and procedures manual that incorporates the checklists and then take steps to ensure that the updated policies and procedures are properly implemented. A copy of these written policies and procedures should be made available to all employees.

*Management's Response:* RAAC has and will continue to administer strong internal controls. The GEDF checklist is a detailed procedural list that provides project managers with the necessary direction to see a project through to completion. Project managers document compliance with GEDF guidelines and all GEDF policies and procedures utilizing the checklist currently in place. As noted earlier, RAAC continues to review the GEDF guidelines and revise them as necessary. A signature line will be added to the checklist to ensure that the file is completed and all required documentation is included in the file.

Regards,



Dennis M. Davin  
Director

/mac

c:    Redevelopment Authority of Allegheny County Board Members  
         Lori Churilla, Controller's Office  
         Bethany Neal, Controller's Office