

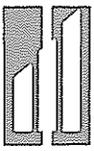
**CITY OF YORK, PENNSYLVANIA**

**SINGLE AUDIT REPORT**

*Year Ended December 31, 2003*

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	3
ADDITIONAL INFORMATION	
Schedule of Expenditures of Federal Awards .....	6
Notes to the Schedule of Expenditures of Federal Awards .....	7
Schedule of Findings and Questioned Costs .....	8
Schedule of Prior Audit Findings .....	21



**MAILLIE, FALCONIERO & COMPANY, LLP**  
***Certified Public Accountants and Business Counselors***

PO Box 680  
Oaks, PA 19456-0680  
610-935-1420

FAX NO.: 610-935-1632  
www.maillie.com

**Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

To the Members of City Council  
City of York, Pennsylvania

We have audited the financial statements of the City of York, Pennsylvania, as of and for the year ended December 31, 2003, and have issued our report thereon dated September 8, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the City of York, Pennsylvania's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the City of York, Pennsylvania's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-2 and 03-3.

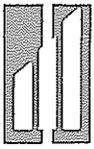
To the Members of City Council  
City of York, Pennsylvania

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of the Mayor, Members of City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mailler, Falorino & Coyne LLP*

September 8, 2004



**MAILLIE, FALCONIERO & COMPANY, LLP**  
***Certified Public Accountants and Business Counselors***

PO Box 680  
Oaks, PA 19456-0680  
610-935-1420

FAX NO.: 610-935-1632  
www.maillie.com

**Independent Auditors' Report on Compliance With Requirements Applicable to  
Each Major Program, Internal Control Over Compliance and the Schedule of  
Expenditures of Federal Awards in Accordance With OMB Circular A-133**

To the Members of City Council  
City of York, Pennsylvania

**COMPLIANCE**

We have audited the compliance of the City of York, Pennsylvania, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The City of York, Pennsylvania's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of York, Pennsylvania's management. Our responsibility is to express an opinion on the City of York, Pennsylvania's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of York, Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of York, Pennsylvania's compliance with those requirements.

To the Members of City Council  
City of York, Pennsylvania

As described in Items 03-4, 03-5, 03-6, 03-7, 03-8, 03-9 and 03-10 in the accompanying schedule of findings and questioned costs, the City of York, Pennsylvania, did not comply with requirements regarding grants management that are applicable to its Community Development Block Grants, Temporary Assistance for Needy Families Grants and Surveys, Studies, Investigations and Special Purpose Grant. In addition, the City did not comply with the tracking of level of effort and cost allocations applicable to its Community Development Block Grants. The City did not comply with the reporting requirements that are applicable to its Community Development Block Grants and Temporary Assistance for Needy Families Grants. The City did not comply with the eligibility determination requirements that apply to its Temporary Assistance for Needy Families Grants. The City did not comply with the Davis Bacon Act requirements applicable to its Surveys, Studies, Investigations and Special Purpose Grant. The City was not in compliance with the contractor debarment requirements of its Surveys, Studies, Investigations and Special Purpose Grant. Lastly, the City did not comply with subrecipient monitoring requirements applicable to its Temporary Assistance for Needy Families Grants. Compliance with such requirements is necessary, in our opinion, for the City of York, Pennsylvania, to comply with the requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the City of York, Pennsylvania, did not comply, in all material respects, with the requirements referred to above that are applicable to its Community Development Block Grants, Temporary Assistance for Needy Families Grants and Surveys, Studies, Investigations and Special Purpose Grant for the year ended December 31, 2003.

#### **INTERNAL CONTROL OVER COMPLIANCE**

The management of the City of York, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of York, Pennsylvania's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of York, Pennsylvania's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-4, 03-5, 03-6, 03-7, 03-8, 03-9, 03-10 and 03-11.

To the Members of City Council  
City of York, Pennsylvania

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described above to be material weaknesses.

#### **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the City of York, Pennsylvania, as of and for the year ended December 31, 2003, and have issued our report thereon dated September 8, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, Members of City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Muller, Falconiero & Company LLP*

September 8, 2004

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*Year Ended December 31, 2003*

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Direct Program</b>			
Community Development Block Grant	14.218	B-00-MC-42-0018	30,295
Community Development Block Grant	14.218	B-01-MC-42-0018	35
Community Development Block Grant	14.218	B-02-MC-42-0018	531,083
Community Development Block Grant	14.218	B-03-MC-42-0018	1,198,295
Home Investments Partnerships Program	14.239	M-02-MC-42-0214	145,607
Home Investments Partnerships Program	14.239	M-03-MC-42-0214	75,227
Section 108 Loan Guarantee Assistance Program	14.248	B-99-MC-42-018	287,177
Fair Housing Assistance Program	14.401	FF203K013002	35,139
Fair Housing Assistance Program	14.401	FF203K023002	83,145
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>2,386,003</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Direct Program</b>			
Local Law Enforcement Grant	16.592	2001-LB-BX-2899	109,043
Local Law Enforcement Grant	16.592	2002-LB-BX-1893	6,367
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>115,410</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
<b>Direct Program</b>			
Surveys, Studies, Investigations and Special Purpose Grant	66.606	XP-98364801	774,100
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Pass through the Pennsylvania Commission on Crime and Delinquency</b>			
Temporary Assistance for Needy Families (York City PALS)	93.558	02-TW-16-12406	209,547
Temporary Assistance for Needy Families (Juvenile Violence and Delinquency Plan)	93.558	2002-TW/WS-16/ST-13073	76,473
Temporary Assistance for Needy Families (York City PALS)	93.558	2003-TW-16-13487	54,330
<b>Pass through the Pennsylvania Department of Health</b>			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.940	ME 00-081	70,423
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.940	ME 03-017	67,304
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.977	ME 03-017	9,108
Childhood Immunization Grant	93.268	ME 00-081	42,150
Childhood Immunization Grant	93.268	ME 03-017	50,000
Preventative Health and Human Services Block Grant	93.991	ME 02-070	74,437
Maternal and Child Health Services Block Grant	93.994	ME 01-062	76,096
Medical Assistance Program			
Title XIX	93.197	ME 01-061	124,052
Bioterrorism	93.283	ME 02-015	134,886
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>988,806</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,264,319</u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF YORK, PENNSYLVANIA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Year Ended December 31, 2003*

**NOTE A BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of York, Pennsylvania (the "City") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE B SUBRECIPIENTS**

Of the federal expenditures presented in the schedule and tested as a major program, the City provided federal awards to subrecipients as follows:

	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant		
Entitlement Grant	14.218	\$ 449,846
Temporary Assistance for Needy Families	93.558	<u>342,156</u>
		<u>\$ 792,002</u>

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2003*

**A. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified: **Yes**

Reportable condition(s) identified that are not considered to be material weaknesses:  
**No**

Noncompliance material to financial statements noted: **No**

**Federal Awards**

Internal control over major programs:

Material weaknesses(es) identified: **Yes**

Reportable conditions(s) identified that are not considered to be material weaknesses:  
**No**

Type of auditors' report issued on compliance for major programs: **Adverse**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Circular: **Yes**

Identification of major programs:

<u>Program</u>	<u>CFDA</u>
Community Development Block Grants	14.218
Temporary Assistance for Needy Families Grants	93.558
Surveys, Studies, Investigations and Special Purpose Grant	66.606

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

Auditee qualified as a low-risk auditee: **No**

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2003

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Reportable Conditions**

**03-1 General Ledger Management (A similar condition was noted in prior year finding 02-2.)**

**Criteria:** Controls must be in place to ensure the City maintains an accurate self-balancing general ledger. Amounts reported for federal grants should be reconciled to the general ledger.

**Condition:** During our audit, we noted the following:

- The accounting system allows the City to post journal entries, which do not balance. Multiple City funds had trial balances that did not balance, which required adjustments by the consultant to derive the financial statements. The City also does not have the ability to produce "push button financial statements."
- The City has reported amounts on the Comprehensive Annual Performance and Evaluation Report (CAPER) for program income that cannot be reconciled to the general ledger. (See finding 03-6 "Lack of Accurate Reporting.")

**Cause:** The City does not have controls in place to ensure that the general ledger is balanced. The City's software system will allow one-sided entries to be made. The City had amounts reported on the CAPER that cannot be reconciled to the general ledger.

***Effect:***

- Trial balances for several of the funds did not balance without adjustment.
- Amounts reported to the federal government for the annual CAPER report were inaccurate.

***Recommendation:***

- The City should modify the accounting system to only allow the posting of balanced journal entries. Adjustments should be posted to the internal system to get all of the funds in balance.
- The accounting system report writer software should be utilized to develop "push button financial statements."
- The City should reconcile amounts reported for grant programs to the general ledger.

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2003

**03-2 Cash Management (A similar condition was noted in prior year finding 02-3.)**

**Criteria:** Controls must be in place to monitor and prevent large cash deficits from occurring.

**Condition:** The City maintains many of its funds in a pooled account. During 2003, the City borrowed cash from other funds to cover deficits in several of its funds.

**Cause:** The City did not have procedures in place to prevent cash deficits from occurring in multiple funds.

**Effect:** As of December 31, 2003, the City had to borrow cash from other funds to cover deficits in several of its funds.

**Recommendation:** The City should monitor cash flow within each fund, and the future funding of prior cash deficits should be addressed in the budget process.

**03-3 Recording of Loan Activity (A similar condition was noted in prior year finding 02-2.)**

**Criteria:** Controls must be in place to monitor loan activity.

**Condition:**

- The City has not adopted a formal policy requiring the Finance Department to be actively involved in the origination of loan agreements made on behalf of the City.
- The City does not calculate an allowance for loss on its loans until year end based on compilation results.

**Cause:** The City does not have a formal policy whereby the Finance Department is actively involved in the origination of the loan agreements made on behalf of the City. The City is not actively monitoring the allowances recorded on its loans.

**Effect:** The City does not have a formal policy to ensure that the Finance Department is involved in the origination of the loan agreements made on behalf of the City. The allowance for loans is not adjusted until year end based on compilation results.

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2003

***Recommendation:***

- We recommend that the City adopt a formal policy requiring the Finance Department be actively involved in the origination of all loan agreements made on behalf of the City. This policy should also indicate that copies of all loan documentation be provided to the Finance Department.
- We recommend the City institute a policy to periodically evaluate loan allowances to determine if they are sufficient. The City should not rely on the outside party performing the year-end compilation to adjust these allowances.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**Reportable Conditions**

**03-4 Grants Management (A similar condition was noted in prior year finding 02-5.)**

**Federal Agency:** U.S. Department of Housing and Urban Development  
Community Development Block Grants  
CFDA 14.218

U.S. Department of Health and Human Services  
Temporary Assistance for Needy Families Grants  
CFDA 93.558

U.S. Environmental Protection Agency  
Surveys, Studies, Investigations and Special Purpose Grant  
CFDA 66.606

**Criteria:** According to Title 24 Section 92.508 of the Code of Federal Regulations (the "CFR") applicable to Community Development Block Grant and Section 108 Loan Guarantee Assistance Program, Title 45 Section 92.42 of the CFR applicable to Temporary Assistance for Needy Families and Title 40 Section 31.20 of the CFR applicable to the Surveys, Studies, Investigations and Special Purpose Grant, the City, as a grantee, is required to maintain accurate and complete accounting records which identify the source of and application for federal funds. In addition, Titles 24, 45 and 40 of the CFR state that the City must establish reasonable control procedures, which ensure the accuracy of such records.

**Condition:** Controls were not in place to ensure that all grant records were maintained in accordance with the grant agreements as indicated in the specific findings 03-5 through 03-11.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2003*

**Cause:** The City did not have the proper oversight of the grant process to ensure that all grant requirements were met. The Grant Coordinator position was not filled from January 2004 until June 2004.

**Effect:** The City was not in compliance with multiple requirements under the various grants tested (see detailed findings 03-5 through 03-11).

**Recommendation:**

- The various department heads in charge of the grants should review their controls to ensure that all reports filed for grants are accurate and reconciled to the general ledger. The department heads should also thoroughly review each grant agreement to ensure that all of the provisions of the grant are met and that the supporting documentation is maintained as required.
- Reports prepared by department heads should be forwarded to the Grant Coordinator for a second review before filing. The City's Grant Coordinator should also monitor all grants to determine that required grant provisions are adhered to in accordance with the grant agreements. The City's Grant Coordinator should be the designated contact to maintain and organize all the City's grant information. It is important to completely centralize the oversight of all grants received by the City.

**03-5 Lack of Monthly Effort Reports (A similar condition was noted in prior year finding 02-6.)**

**Federal Agency:** U.S. Department of Housing and Urban Development  
Community Development Block Grants  
CFDA 14.218

**Criteria:** All allowable costs must be supported by appropriate documentation, such as time and attendance records, and correctly charged as to account, amount and period.

**Condition:** During 2003, the Business Administration Department did not prepare time/effort reports. Therefore, the administrative effort to support this program on behalf of the Business Administration Department could not be supported. These effort reports should have been prepared because individuals within this department spend a significant amount of time in the administration of this program.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2003*

The Bureau of Housing Services, with the aid of the Information Systems Department, created and implemented a time tracking system in late 2003. Employees retroactively entered their time into the system for 2003 and 2004. However, the summary schedules prepared by the Bureau of Housing Services could not be reconciled to the general ledger or to the costs charged to the program.

The administrative costs for the program were charged to the program based on budgeted costs and not actual costs, which resulted in questioned costs. Also note that the administrative costs were charged to the program and drawn down on the program at year end. These costs should be tracked and drawn down periodically throughout the year.

Based on our review of the costs that could be substantiated for program delivery and administrative effort, the amount charged to the program exceeded the amount of substantiated costs, which resulted in questioned costs as disclosed below. This could be attributed to the lack of tracking eligible costs within the Business Administration Department, as well as other eligible costs.

**Cause:** The Business Administration Department did not prepare time/effort reports for 2003. Although the Bureau of Housing Services created and implemented a time tracking system, the amounts were not reconciled to the general ledger, and the amounts billed were not based upon this analysis.

**Effect:** The administrative and program delivery costs were not properly tracked and charged to the program resulting in questioned costs.

**Recommendation:** We recommend the Finance Department once again begin to track time in accordance with OMB A-87. All administrative costs from this department should be supported and reconciled to the general ledger. Also, time tracked by the Bureau of Housing Services should be reconciled with salaries posted to the general ledger for this department. The cost charged to the program should be based upon actual cost and not budgeted costs, which should be tracked and drawn down periodically throughout the year. In summary, all supporting schedules tracking time and effort should be reconciled to the general ledger, to the amount charged to the program within the Integrated Disbursement and Information System (IDIS) and to the CAPER.

**Questioned Costs:**

Community Development Block Grants .....\$309,563

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2003

**03-6 Lack of Accurate Reporting (A similar condition was noted in prior year finding 02-8 and 02-11.)**

**Federal Agency:** U.S. Department of Housing and Urban Development  
Community Development Block Grants  
CFDA 14.218

U.S. Department of Housing and Urban Development  
Section 108 Loan Guarantee Assistance Program  
CFDA 14.248 (not a major program for 2003; prior year finding not corrected)

U.S. Department of Health and Human Services  
Passed through Pennsylvania Commission on Crime and Delinquency  
Temporary Assistance for Needy Families Grants (York City PALS Project)  
CFDA 93.558

**Criteria:** The City is required to file a complete and accurate CAPER with the U.S. Department of Housing and Urban Development for the Community Development Block Grant.

For the Section 108 Loan Guarantee Assistance Program, the City is required, by the 15th day of each month, to provide the U.S. Department of Housing and Urban Development with a written statement showing the balance of funds in the Loan Repayment Account and the deposits and withdrawals of all funds in such account during the preceding calendar month as well as a statement identifying the obligations and their assignments in the Loan Repayment Investment Account.

For the Temporary Assistance for Needy Families projects, the City is required to file quarterly fiscal reports, quarterly progress reports and final programmatic reports.

**Condition:**

**CAPER Report - Community Development Block Grants**

The City's CAPER filed for 2003 contained multiple errors as indicated below:

- Program income recorded on the general ledger did not match the program income recorded in the IDIS system. The amount of program income recorded on the CAPER could not be reconciled to the amounts recorded on the general ledger or the IDIS system.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2003*

- The amount of program income charged to the program from the High Risk Fund and the Rental Rehab Fund could not be reconciled to the general ledger and does not appear to be calculated correctly.
- The CAPER contained various mathematical errors.
- Amounts reported in the financial section of the CAPER did not match amounts reported in the narrative portion of the report.
- Line one of the financial summary, which indicates the unexpended portion of CDBG Funds at the end of the previous reporting period, was not reconciled to the actual grant status as of December 31, 2002.
- Planning and administrative costs as reported on the CAPER do not reconcile to the supporting documentation.

**Reporting for Section 108 Loan Guarantee Assistance Program**

The monthly reports required under the grant agreement were not filed for 2003.

**York City PALS Project Grant (TANF) (Contract #2003-TW-16-13487)**

The final quarter for 2003 fiscal report and quarterly progress report were not filed for this grant.

**Cause:** There is no formal procedure for monitoring the federal grant program reporting process. Management does not appear to be properly reviewing the CAPER and in some instances appeared to be unaware of adjustments made by the consultant. The York City PALS Project Grant reports were filed throughout the year with the exception of the final quarterly report. This may have resulted from the Grant Coordinator position not being filled from January 2004 through June 2004.

**Effect:** The City is not in compliance with the reporting requirements of OMB Circular A-133.

**Recommendation:** We recommend the City develop formal procedures for monitoring the federal grant program reporting process. Amounts reported on the CAPER should be reconciled to both the general ledger and the IDIS system. The use of a consultant can be an important tool in the administration of a program; however, management should complete a detailed review of the reports and understand where all amounts reported are derived.

**Questioned Costs:**

Community Development Block Grants ..... Unknown

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2003

**03-7 Eligibility Determinations**

**Agency:** U.S. Department of Health and Human Services  
Temporary Assistance for Needy Families  
York City PALS Project Grant and the Juvenile Violence Delinquency Project  
CFDA 93.558

**Criteria:** Temporary Assistance for Needy Families Grants require the grantee to monitor the eligibility of individuals, groups of individuals, or subrecipients to ensure that the participants qualify to receive the benefits.

**Condition:** The City does not appear to be initiating any procedures for determining the eligibility of direct beneficiaries of the program. Subrecipient eligibility is determined solely by the federal agency's approval of the application for funds.

**Cause:** There is no formal procedure for determining eligibility of beneficiaries or subrecipients.

**Effect:** We could not determine or test the eligibility of participants because the City did not monitor or document this process.

**Recommendation:** We recommend the City develop formal procedures for determining the eligibility of beneficiaries and subrecipients.

- Calculations should be performed to assist in determining who is eligible and the amount of benefits each is to receive.
- Records should be maintained to support the eligibility of each individual, group of individuals and subrecipients.
- The period of time an individual, group of individuals, or subrecipients is eligible should be tracked and benefits should be discontinued when the period of eligibility has expired.

**Questioned Costs:**

Temporary Assistance for Needy Families Grants ..... Unknown

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2003*

**03-8            Davis Bacon Act (A similar condition was noted in prior year finding 02-12.)**

**Agency:**        U.S. Environmental Protection Agency  
                  Surveys, Studies, Investigations and Special Purpose Grant  
                  CFDA 66.606

**Criteria:**        The Davis Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by federal assistance funds be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor.

**Condition:**     The City could not locate the supporting payroll certifications and other supporting documentation to support the proper monitoring required under the Davis Bacon Act. As a result, it was not possible to ensure the City monitored compliance with the Davis Bacon Act during 2003.

**Cause:**          The City did not maintain records supporting the monitoring process under the Davis Bacon Act.

**Effect:**         It is not possible to ensure the City is in compliance with the Davis Bacon Act requirements of OMB Circular A-133.

**Recommendation:** We recommend the City personnel responsible for administering federal grant programs review the grant requirements and maintain complete and accurate records to ensure compliance with the Davis Bacon Act.

**Questioned Costs:**

Surveys, Studies, Investigations and Special  
Purpose Grant.....Unknown

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2003*

**03-9            Suspension and Debarment (A similar condition was noted in prior year finding 02-13.)**

**Agency:**     U.S. Environmental Protection Agency  
                  Surveys, Studies, Investigations and Special Purpose Grant  
                  CFDA 66.606

**Criteria:** The OMB A-133 Compliance Supplement states that entities are prohibited from contracting with or making sub-awards under covered transactions involving federal funds to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all nonprocurement transactions (e.g., sub-awards to subrecipients).

In addition, contractors receiving individual federal awards of \$100,000 or more, and all subrecipients, must certify that the organization and its principals are not suspended or debarred. An entity may rely upon the certification, unless it knows that the certification is erroneous.

**Condition:** During our fieldwork, no documentation could be located to verify the City received certifications from its contractors or that it checked a list of suspended or debarred persons/contractors. Note that from the contractors sampled under this program, we reviewed the listing of suspended or debarred contractors and noted that none of the contractors used were suspended or debarred.

**Cause:** There are no internal controls over federal programs to ensure that complete and accurate records are maintained.

**Effect:** It is not possible to ensure that the City is in compliance with the suspension and debarment requirements of OMB Circular A-133.

**Recommendation:** We recommend the City personnel responsible for administering federal grant programs review the grant requirements and maintain complete and accurate records to ensure compliance with OMB Circular A-133.

**Questioned Costs:**

Surveys, Studies, Investigations and Special  
Purpose Grant.....Unknown

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
*Year Ended December 31, 2003*

**03-10 Subrecipient Monitoring** (A similar condition was noted in prior year finding 02-14.)

**Agency:** U.S. Department of Health and Human Services  
Temporary Assistance for Needy Families Grants  
York City PALS Projects and the Juvenile Violence Delinquency Project  
CFDA 93.558

**Criteria:** The City passed federal funds to various subrecipients during 2003. Per OMB A-133 Compliance Supplement, Part 3, *Compliance Requirements*, a pass-through entity is responsible for:

- Identifying to the subrecipient the federal award information (e.g., CFDA title and number, award name, name of federal agency) and applicable compliance requirements.
- Monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements.
- Ensuring required audits are performed and requiring the subrecipient to take prompt corrective action on any audit findings.
- Evaluation of the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Monitoring activities may take various forms, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, arranging for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations, reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings and the subrecipient's corrective action plan.

**Condition:** The City did not adequately monitor its subrecipients in 2003. For the subrecipients selected, the City maintained a signed contract stating the subrecipient's responsibilities under the program. However, the City did not perform any additional monitoring such as site visits, etc. to ensure compliance with program requirements. Financial statements and progress reports were not obtained from subrecipients. In addition, there are no controls in place to ensure that subrecipient monitoring is being performed in accordance with OMB A-133.

**Cause:** The City did not monitor subrecipients in 2003.

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2003

**Effect:** The City is not in compliance with OMB A-133 subrecipient monitoring compliance requirements.

**Recommendation:** We recommend the City department responsible for administering federal grants review the policies for subrecipient monitoring to ensure that these procedures are followed for all grants that have subrecipients.

**Questioned Costs:**

Temporary Assistance for Needy Families Grants.....Unknown

**03-11 Other Special Provisions (A similar condition was noted in prior year finding 02-15.)**

**Agency:** U.S. Department of Housing and Urban Development  
Section 108 Loan Guarantee Assistance Program (not a major program for 2003;  
prior year finding not corrected)  
CFDA 14.248

**Criteria:** In accordance with the loan agreement under the Section 108 Loan Guarantee Assistance Program, all funds in the Guaranteed Loan Funds Account or the Guaranteed Loan Funds Investment Account must be withdrawn and disbursed by the City for approved activities by September 20, 2002. Any funds remaining in either account after this date shall be immediately transferred to the Loan Repayment Account established according to the contract.

**Condition:** The City did not create a separate restricted Loan Repayment Account, and, therefore, the unexpended funds were not appropriately transferred to this account in accordance with the loan agreement.

**Cause:** The City established a separate Loan Repayment Account.

**Effect:** The City has not transferred the unexpended funds to this separate Loan Repayment Account in accordance with the loan agreement.

**Recommendation:** We recommend the City establish a separate Loan Repayment Account and transfer the unexpended funds to this account. The City should also review the loan agreement in detail to ensure awareness of all requirements.

**Questioned Costs:**

Section 108 Loan Guarantee Assistance Program .....Unknown

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2003

**02-1 Budget Control**

**Condition:**

- The City did not present a balanced budget in 2002, as several funds were budgeted at a deficit as follows:

General Fund	\$	657,446
Special Revenue Funds		106,831

- Actual expenditures for various budget categories exceeded the amount budgeted for that particular category.

**Recommendation:** In order for the City to be in compliance with laws and regulations, we recommend the City prepare a balanced budget, which includes transfers that balance between funds and accounting for carryover balances. The City should continue to prepare budget amendments and obtain approval for the amendments from City Council in accordance with the Third Class City Code of the Commonwealth of Pennsylvania.

During 2002, the City implemented a manual procedure to compare and track actual expenditures to budgeted amounts. During 2003, the Finance Department integrated this procedure into its internal accounting software. Management believes that the implementation of this new procedure will eliminate the deficiencies of the manual system. We recommend the City periodically review the system throughout the year to ensure that the controls in place in the system do not allow expenditures to exceed budgeted amounts.

**Current Status:** Corrected.

In 2003, the City did prepare and adopt balanced budgets, with the exception of a nominal deficit in the Liquid Fuels Fund, which we considered to be insignificant.

During 2003, the Finance Department integrated a system in the internal accounting system to track and compare actual expenditures to budgeted amounts. This procedure appeared to be effective in eliminating actual expenditures over budgeted amounts.

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
*Year Ended December 31, 2003*

**02-2 General Ledger Management**

**Condition:** During our audit, we noted the following:

- The accounting system allows the City to post journal entries which do not balance.
- Financial statement presentation is performed once a year and relies on the audit to facilitate the process.
- The City does not have an effective monthly verification process to review the interfund accounts, cash, fund balances and revenue and expenditure accounts.
- No final reconciliation is made to ensure that revenues and expenditures agree to amounts reported to the federal government for the City's grant programs.
- The communication between the Finance Department and other departments of the City is not adequate to identify all financial transactions, such as issues surrounding audit requirements of federal grants, guaranteed loans of the City, etc. Various material loan payables and loan receivables, which were not recorded in the financial statements, were found during our audit process. Journal entries were made to reflect the proper recording of these loans.

**Recommendation:**

- The City should institute a monthly closing procedure that provides more accurate interim information and makes the process more routine.
- The City should modify the accounting system to only allow the posting of balanced journal entries.
- The process should be documented with an enforced formal time line and responsibility assignments to ensure that all required information is gathered and analyzed timely.
- The accounting system report writer software should be utilized to develop "push button financial statements."
- The Controller's Office or Finance Department should perform monthly verifications of account balances for significant accounts to ensure the accuracy of the balances, including analytical review of significant account balance fluctuations. During 2002, the Finance Department instituted this procedure by running a list of variances each month for review by the Business Administrator and the Deputy Business Administrator of Finance. We recommend the City continue this process and also identify additional verification procedures for significant accounts.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
*Year Ended December 31, 2003*

- Formal lines of communication should be established to ensure that the Finance Department is aware of all transactions that affect the City's general ledger.
- Documents and agreements impacting the City's general ledger, such as debt transactions, sewer capacity sales, grant applications, etc., should be forwarded to the Finance Director by City Council for review prior to execution to determine if the City is able to meet the financial requirements/responsibilities of the agreements and to record the transactions in the general ledger. In addition, once approved by City Council, final copies of these documents and agreements should be forwarded to the Finance Department. During our audit, we noted significant loan contracts entered into by the City of which the Finance Department was unaware. It is important that the Finance Department be actively involved in the origination of any loan agreement made on behalf of the City.
- The City should reconcile amounts reported for grant programs to the general ledger.

**Current Status:** Partially corrected.

During 2003, the City performed a monthly closing process whereby cash reconciliations were reviewed and compared to the general ledger. The Finance Department also has a procedure in place to run variance reports each month for review by the Business Administrator and the Deputy Business Administrator of Finance.

During 2003, we noted no unrecorded loans.

The City made improvements in reconciling amounts reported for grant programs to the general ledger; however, there were still multiple problems noted in this area as disclosed in the current year finding.

**See current finding No. 03-1, General Ledger Management, for conditions that were not corrected in 2003.**

**02-3 Cash Management**

**Condition:**

- The City performed cash reconciliations during 2002 for all cash accounts. However, during our audit, we noted significant transactions recorded on the cash reconciliations, but the adjustments were not posted in the general ledger until year end. When we began the audit, the ending cash reconciliations also had unreconciled items that were not investigated and resolved. The Finance Department was able to locate and resolve the problems causing the differences and provide us with adjustments to correct the problems.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
*Year Ended December 31, 2003*

- Because the City maintains many of its funds in a pooled account and interfund balances are not monitored, the City had to borrow cash from other funds to cover deficits in several of its funds.

**Recommendation:** We recommend the City set a date following each month's closing by which all reconciliations are to be completed and all adjustments posted. All material differences should be resolved by this date.

**Current Status:** Partially corrected.

The City instituted a monthly closing process, whereby all of the cash accounts are reconciled to the general ledger. During our audit process, we did not note any significant unreconciled cash differences.

**See current finding No. 03-2, Cash Management, for conditions that were not corrected in 2003.**

## **02-4 Recording of Loan Activity**

**Condition:**

- During our audit, we noted significant loan receivables and loan payables not recorded in the City's financial statements. Adjustments were made to the financial statements to reflect these loan receivables and payables as of December 31, 2002. The Finance Department was unaware of several of these loans as they originated through the Bureau of Housing Services.
- The City does not have a formal policy for recording loans in the general ledger.
- The City does not calculate an allowance for loss on these loans.
- All loans and allowances are recorded at year end based on compilation results.

**Recommendation:**

- We recommend that the Finance Department be actively involved in the origination of all loan agreements made on behalf of the City. Copies of all loan documentation should be provided to the Finance Department by the Bureau of Housing Services.
- We recommend that control procedures be developed for reporting all loans in the general ledger and computing the applicable allowances on those loans.

**Current Status:** Partially corrected.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
*Year Ended December 31, 2003*

The Finance Department has verbally informed all departments that all loans should be forwarded to them. During our audit, no unrecorded loans were discovered for 2003.

In April 2004, the City established a loan committee for the purpose of reviewing and recommending approval or denial of loan applications.

**See current finding No. 03-3, Recording of Loan Activity, for conditions that were not corrected in 2003.**

**02-5 Grants Management**

***Condition:***

- Several of the City's departments that receive federal grants are responsible for all aspects of related grant administration, including the grant application process, receipt of funds, etc., resulting in an extremely decentralized grant management process.
- There is little communication between departments receiving the grants and the Finance Department. Many of these departments maintain shadow systems for grant financial monitoring.
- The City is not able to reconcile grant expenditures in the federal reports filed for various grants to the general ledger.
- The City did not reconcile the expenditures in the IDIS system to the general ledger for 2002. The City is looking into multiple problems in the setup of the IDIS system, including incorrect matrix and National Objective codes, different types of activities combined within a single activity and missing beneficiary data. The problems encountered by the City prevented it from completing a final CAPER for 2002.
- Per review of the expenses for the Section 108 Loan Guarantee Assistance Contract, we noted that not all expenses appear to be posted to the proper cost center in accordance with the approved budget.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
*Year Ended December 31, 2003*

**Recommendation:** In order to improve the grant management process, we recommend the following:

- The City's Grant Coordinator should be the designated contact to maintain and organize all the City's grant information. There was improvement over the prior year, as the Grant Coordinator did actively administer the grants with the exception of grants from the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. We recommend the Grant Coordinator also be designated to oversee the grants from the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. It is important to completely centralize the oversight of all grants received by the City.
- The City should maintain a summary of all federal funds received during the year, including important information such as CFDA numbers, federal regulations, etc. This will ensure all grant information is accurate and complete on the schedule of expenditures of federal awards and that the City is in compliance with grant regulations and requirements.
- All federal financial reporting should be completed from or reconciled to the central accounting system and forwarded to the Grant Coordinator for review and approval prior to submission.
- The City should reconcile grant expenditures per the U.S. Department of Housing and Urban Development's IDIS system to the City's general ledger to ensure that sufficient funds remain to fund program expenditures. This reconciliation should be done on a timely basis. The City is currently working with a consultant to address these issues.

**Current Status:** Partially corrected.

The City did maintain a summary of all federal funds received and expended during the year, including the CFDA numbers. Amounts on the schedule were reconciled to the general ledger.

The City designated an individual in the Finance Department to help administer the U.S. Department of Housing and Urban Development grants, thereby improving the centralization of the grants management.

The City reconciled the amounts reported on the IDIS system to the general ledger.

**See current finding No. 03-4, Grants Management, for conditions that were not corrected in 2003.**

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
*Year Ended December 31, 2003*

**02-6 Lack of Monthly Effort Reports/Allowability of Cost**

**Condition:** The Business Administration Department prepared time/effort reports throughout 2002; however, the Bureau of Housing Services did not prepare time reports in accordance with OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. The failure to document time reports results in questioned costs.

**Recommendation:** We recommend the Bureau of Housing Services follow the procedure employed by the Business Administration Department and prepare the necessary time reports in a timely manner in accordance with OMB A-87. All administrative costs from this department should be supported and reconciled to the general ledger.

**Current Status:** Partially corrected.

The Bureau of Housing Services, with the aid of the Information Systems Department, created and implemented a time tracking system in late 2003. Employees retroactively entered their time into the system in 2004 for the 2003 period. However, salaries calculated by the time tracking system could not be reconciled to salaries per the general ledger.

Although the Business Administration Department prepared time/effort reports throughout 2002, this process was stopped, and no effort reports were maintained for 2003. Therefore, the administrative effort to support this program, on behalf of the Business Administration Department, could not be supported.

**See current finding No. 03-5, Lack of Monthly Effort Reports, for conditions that were not corrected in 2003.**

**02-7 Lack of Controls Over Federal Drawdowns**

**Condition:** For approximately 84% of the sample expenditures selected from the Community Development Block Grant Program, reimbursement was requested prior to actual payment of the program costs.

The City's reconciliation of drawdowns from the IDIS system to the general ledger was not completed until October 2003. The amount was reconciled by the City with a resulting immaterial difference.

**Recommendation:** We recommend the City develop formal procedures to reconcile drawdowns, verify that federal drawdowns are requested timely and accurately and ensure that program costs are actually paid prior to requesting reimbursement.

**Current Status:** Corrected.

The City was able to reconcile the 2003 drawdowns per the IDIS system to the general ledger. All drawdowns sampled for 2003 were requested after or within a reasonable amount of time of actual payment of the program costs.

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
*Year Ended December 31, 2003*

**02-8 Lack of Accurate Reporting**

***Condition:***

- The Bureau of Housing Services filed an incomplete CAPER for 2002. Required financial data was not presented in the CAPER for 2002.
- The City did not file the required reports on the 15th day of each month for the Section 108 Loan Guarantee Assistance Program.

***Recommendation:*** We recommend the City develop formal procedures to monitor the reporting process for federal grant programs.

***Current Status:*** Partially corrected.

The Bureau of Housing Services, with help from an outside consultant, filed a complete CAPER for 2003. Required financial data was also presented. However, mathematical errors were found within the financial data section, and the narrative portion of the CAPER did not agree with the financial data. Also, multiple items on the CAPER could not be reconciled with the general ledger and other supporting documentation.

**See current finding No. 03-6, Lack of Accurate Reporting, for conditions that were not corrected in 2003.**

**02-9 Earmarking**

***Condition:*** Earmarking compliance requirements are calculated and included in the Financial Summary Report, which is required to be included in the CAPER. The Financial Summary Report was not included in the CAPER for 2002. Consequently, it was not possible to ensure that this requirement was met.

***Recommendation:*** We recommend the City develop formal procedures for monitoring the federal grant program reporting process.

***Current Status:*** Corrected.

The Bureau of Housing Services filed a CAPER for 2003, and all earmarking requirements were met.

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
*Year Ended December 31, 2003*

**02-10 Bidding Procedures**

**Condition:** The Bureau of Housing Services follows Article 137 of the Fiscal Procedures Manual of the City of York. The procedures in this manual do not include all the requirements of Title 24 of the Code of Federal Regulations, Part 85.36.

**Recommendation:** We recommend the Bureau of Housing Services follow procurement procedures in accordance with the requirements of Title 24 of the Code of Federal Regulations, Part 85.36, when federal funds are involved. On May 23, 2003, an executive order was issued for the City to follow procurement procedures in accordance with the requirements of Title 24.

**Current Status:** Corrected.

Based on the samples selected for the major programs tested, the City was in compliance with the procurement procedures in accordance with the requirements of Title 24.

**02-11 Reporting**

**Condition:** The CAPER for 2002 was still in draft form as of the date of our audit procedures and did not include the required financial information. Therefore, we could not reconcile the final financial information reported in the CAPER to the general ledger.

The required reports for the Section 108 Loan Guarantee Assistance Program were not filed during 2002.

**Recommendation:** We recommend the City develop a process to reconcile the information entered in the IDIS system to the City's general ledger on a timely basis and ensure a complete CAPER is filed by the required deadline.

We recommend the City contact the U.S. Department of Housing and Urban Development to determine what reports need to be filed to bring the Section 108 Loan Guarantee Assistance Program up to date with reporting requirements. Once the reporting requirements are up to date, we recommend the City adopt a procedure to ensure the required reports are filed by the 15th of the month, as required by the program.

**Current Status:** Partially corrected.

The Bureau of Housing Services filed a complete CAPER for 2003, although there were various problems with the CAPER as indicated in the current year finding.

**See current finding No. 03-6, Lack of Accurate Reporting, for conditions that were not corrected in 2003.**

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
*Year Ended December 31, 2003*

**02-12      Davis Bacon Act**

**Condition:** The Bureau of Housing Services did not monitor compliance with the Davis Bacon Act during 2002. In addition, the Bureau of Housing Services did not maintain a complete listing of contractors who worked on construction contracts in excess of \$2,000 financed by federal assistance funds.

**Recommendation:** We recommend the Bureau of Housing Services personnel responsible for administering federal grant programs review the grant requirements for applicability to ensure compliance with OMB A-133.

**Current Status:** Partially corrected.

**Community Development Block Grant**

From review of the contracts selected for testing, the Bureau of Housing Services personnel monitored the compliance of the Davis Bacon Act.

**Surveys, Studies, Investigations and Special Purpose Grant**

The City could not locate any of the documentation to verify that the contracts were monitored in accordance with the Davis Bacon Act.

**See current finding No. 03-8, Davis Bacon Act, for conditions that were not corrected in 2003.**

**02-13      Suspension and Debarment**

**Condition:** The Bureau of Housing Services maintains a listing of approved contractors and monitors compliance with the OMB A-133 suspension and debarment compliance requirement by reviewing the U.S. Housing and Urban Development's listing of suspended or debarred persons/contractors.

During our fieldwork, we noted multiple contractors who were not included on the City's listing of approved contractors. Upon review of the U.S. Housing and Urban Development's listing of suspended or debarred persons/contractors, we noted that none of these persons/contractors were either suspended or debarred. However, as the City's approved contractor listing is incomplete, it was not possible to ensure that the City was in compliance with the OMB A-133 suspension and debarment compliance requirement.

**Recommendation:** We recommend the Bureau of Housing Services personnel responsible for administering federal grant programs review the grant requirements and maintain complete and accurate records to ensure compliance with OMB A-133.

**Current Status:** Partially corrected.

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
*Year Ended December 31, 2003*

**Community Development Block Grant**

During our audit, we once again noted multiple persons/contractors who were not included on the City's listing of approved contractors. However, upon review of the files kept by the Bureau of Housing Services, we found contractor certifications for each one tested. Per review of OMB A-133 suspension and debarment compliance requirements, the City may rely upon these certifications provided by the persons/contractors to meet this requirement. Therefore, the Bureau of Housing Services appears to be in compliance with the suspension and debarment requirements of OMB A-133.

**Surveys, Studies, Investigations and Special Purpose Grant**

The City was unable to locate contractor certifications or a listing of approved persons/contractors for this particular grant. As a result, we could not verify that proper monitoring procedures were in place regarding suspension and debarment.

**See current finding No. 03-9, Suspension and Debarment, for conditions that were not corrected in 2003.**

**02-14 Subrecipient Monitoring**

**Condition:** The Bureau of Housing Services did not adequately monitor its subrecipients in 2002. For both the subrecipients selected, the Bureau of Housing Services maintained a signed contract stating the subrecipient's responsibilities under the program. The City also obtained a financial statement for the subrecipients. However, the Bureau of Housing Services did not perform any additional monitoring such as site visits, etc., to ensure compliance with program requirements. In addition, there are no controls in place to ensure that subrecipient monitoring is being performed in accordance with OMB A-133.

**Recommendation:** We recommend the Bureau of Housing Services personnel responsible for administering federal grant programs review the grant requirements to ensure compliance with OMB A-133.

**Current Status:** Partially corrected.

**Community Development Block Grant**

Subrecipients were appropriately monitored in 2003 for the Community Development Block Grant. Financial statements were obtained, progress reports were received and site visits were made in accordance with OMB A-133.

**CITY OF YORK, PENNSYLVANIA**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
*Year Ended December 31, 2003*

**Temporary Assistance for Needy Families Grant**

During our audit of this particular grant, we noted that subrecipient monitoring procedures were not in place.

**See current finding No. 03-10, Subrecipient Monitoring, for conditions that were not corrected in 2003.**

**02-15 Other Special Provisions**

**Condition:** The City did not create a separate restricted Loan Repayment Account, and, therefore, the unexpended funds were not appropriately transferred to this account in accordance with the loan agreement (required in accordance with the Section 108 Loan Guarantee Assistance Program).

**Recommendation:** We recommend the City establish this separate Loan Repayment Account and transfer the unexpended funds to this account. The City should review the loan agreement in detail to ensure awareness of all requirements.

**Current Status:** Not corrected.

**See current finding No. 03-11, Other Special Provisions, for conditions that were not corrected in 2003.**