

**CITY OF YORK, PENNSYLVANIA**

**SINGLE AUDIT REPORT**

*Year Ended December 31, 2012*



*Certified Public Accountants and Business Consultants*

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

To the Members of City Council  
City of York, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of York, Pennsylvania's basic financial statements, and have issued our report thereon dated April 11, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of York, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of York, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of York, Pennsylvania's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-1, 12-2 and 12-3 to be material weaknesses.

To the Members of City Council  
City of York, Pennsylvania

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

### ***City of York, Pennsylvania's Response to Findings***

The City of York, Pennsylvania's responses to the findings identified in our audit are described in the corrective action plan. The City of York, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

*Maillie LLP*

Oaks, Pennsylvania  
April 11, 2014

***Independent Auditors' Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards Required by OMB Circular A-133***

To the Members of City Council  
City of York, Pennsylvania

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the City of York, Pennsylvania's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of York, Pennsylvania's major federal programs for the year ended December 31, 2012. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of York, Pennsylvania's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of York, Pennsylvania's compliance.

***Basis for Qualified Opinion on U.S. Department of Health and Human Services Immunization Grants***

As described in the accompanying schedule of findings and questioned costs as item 12-4, the City of York, Pennsylvania did not comply with requirements regarding special tests and provisions over the control, accountability and safeguarding of vaccine that are applicable to its Immunization Grants. Compliance with such requirements is necessary, in our opinion, for the City of York, Pennsylvania to comply with the requirements applicable to that program.

***Qualified Opinion on U.S. Department of Health and Human Services Immunization Grants***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of York, Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Immunization Grants for the year ended December 31, 2012.

***Basis for Qualified Opinion on U.S. Department of Housing and Urban Development EDI Special Projects Grant***

As described in the accompanying schedule of findings and questioned costs as item 12-5, the City of York, Pennsylvania did not comply with requirements regarding cash management that are applicable to its EDI Special Project Grant. Compliance with such requirements is necessary, in our opinion, for the City of York, Pennsylvania to comply with the requirements applicable to that program.

***Qualified Opinion on U.S. Department of Housing and Urban Development EDI Special Projects Grant***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of York, Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the EDI Special Projects Grant for the year ended December 31, 2012.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the City of York, Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

***Other Matters***

The City of York, Pennsylvania's response to the noncompliance findings identified in our audit is described in the corrective action plan. The City of York, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City of York, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of York, Pennsylvania's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of York, Pennsylvania's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

To the Members of City Council  
City of York, Pennsylvania

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-4 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-5 to be a significant deficiency.

The City of York, Pennsylvania's response to the internal control over compliance findings identified in our audit is described in the corrective action plan. The City of York, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of York, Pennsylvania's basic financial statements. We issued our report thereon dated April 11, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maillie LLP

Oaks, Pennsylvania  
April 11, 2014

## **SUPPLEMENTARY INFORMATION**



**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*Year Ended December 31, 2012*

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Direct Programs</b>			
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-42-0018	\$ 44,118
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-42-0018	35,808
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-42-0018	460,007
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-42-0018	558,012
Home Investment Partnerships Program	14.239	M-09-MC-42-0214	232,964
Home Investment Partnerships Program	14.239	M-10-MC-42-0214	224,038
Home Investment Partnerships Program	14.239	M-11-MC-42-0214	379,307
Home Investment Partnerships Program	14.239	M-12-MC-42-0214	341,001
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	S-09-MY-42-0010	17,058
Section 108 Program - Rebuild York	14.248	B-08-MC-42-0018	1,046
EDI-Special Project	14.251	B-10-SP-PA-0161	348,894
Fair Housing Assistance Program	14.401	FF203K083002	7,104
TOTAL FORWARD			<u>2,649,357</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Direct Programs</b>			
Bulletproof Vest Partnership Grant	16.607	N/A	3,500
COPS Technology Grant - In Car Camera	16.710	2009CKWX0045	37,096
COPS Universal Hiring	16.710	2010UMWX0271	208,324
Justice Assistance Grant	16.738	2010-DJ-BX-0904	17,369
Justice Assistance Grant	16.738	2011-DJ-BX-2432	36,719
Weed and Seed	16.595	2010-WS-QX-0091	18,853
TOTAL FORWARD			<u>321,861</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Direct Program</b>			
Assistance to Firefighters Grant	97.044	EMW-2011-FO-00825	106,020
<b>Passed through the Pennsylvania Emergency Management Agency</b>			
Disaster Grants - Public Assistance	97.036	4030-DR-PA-133-87048-00	111,309
TOTAL FORWARD			<u>\$ 217,329</u>

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*Year Ended December 31, 2012*

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
TOTAL FORWARDED			\$ <u>2,649,357</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
TOTAL FORWARDED			<u>321,861</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
TOTAL FORWARDED			<u>217,329</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through the Pennsylvania Department of Transportation			
Highway Planning and Construction	20.205	MPMS75027	<u>10,366</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the Pennsylvania Department of Health			
Public Health Emergency Preparedness (Formerly Bioterrorism)	93.069	SAP 4100055377	101,894
Public Health Emergency Preparedness (Formerly Bioterrorism)	93.069	SAP 4100059062	77,686
Immunization Grants	93.268	SAP 4100047093	68,476
Immunization Grants	93.268	SAP 4100057491	76,433
HIV/AIDS Prevention Projects	93.943	SAP 4100049938	144,274
Dental Sealant	93.991	SAP 4100050780	35,210
Dental Sealant	93.991	SAP 4100058115	12,340
Injury Prevention	93.991	SAP 4100055358	115,298
OPANAC	93.991	SAP 4100055605	98,453
Maternal and Child Health Services Block Grant	93.994	SAP 4100055370	62,287
Childhood Lead Poisoning Prevention	93.994	SAP 4100050700	76,507
Childhood Lead Poisoning Prevention	93.994	SAP 4100050700	71,251
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>940,109</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,139,022</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, 2012*

**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 modified accrual basis of accounting. Federal expenditures do not include amounts funded by program income. 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 Grants/ Entitlement Grants	14.218	\$ 231,155
Home Investment Partnerships Program	14.239	61,319
Economic Development Initiative - Special Project	14.251	<u>348,894</u>
		<u>\$ 641,368</u>

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2012*

**A. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

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

Significant deficiencies identified that are not considered to be material weaknesses: **No**

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

**Federal Awards**

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

Internal control over major programs:

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

Significant deficiencies identified that are not considered to be material weaknesses: **Yes**

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>
Entitlement Grants Cluster	
Community Development Block Grants/Entitlement Grants	14.218
Home Investment Partnerships Program	14.239
Economic Development Initiative ("EDI") Special Project Grants	14.251
Immunization Grants Cluster	
Immunization Grants	93.268

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, 2012*

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**12-1 General Ledger Management (A similar condition was noted in prior year finding 11-1.)**

**Criteria:** Controls must be in place to ensure the City and the Redevelopment Authority maintain an accurate self-balancing general ledger.

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

- The City of York Redevelopment Authority does not have a complete self-balancing set of books that includes all transactions of the Redevelopment Authority. The consultant compiling the City's financial statements must still combine all the activity from many different accounts of the Redevelopment Authority to prepare complete financial statements. The inherent risk of having an unrecorded transaction in the financial statements is greatly increased by the practice of not having one general ledger where all transactions of the Redevelopment Authority are recorded.
- During our audit, we proposed multiple adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the City's financial reporting process. The City continues to make improvement in this area.
- During 2007, the City changed banks for multiple accounts, and some accounts changed from noninterest bearing to interest bearing. During our audit, we noted that the City Treasurer/Control Account had accumulated interest earned in 2007, 2008, 2009, 2010, 2011 and 2012 that was not recorded in the City's general ledger. The amounts were recorded as reconciling items on the cash reconciliations for these accounts.

**Cause:**

- The Redevelopment Authority does not maintain a separate self-balancing set of books that includes all transactions of the Redevelopment Authority.
- The City does not have a procedure in place to ensure all significant adjustments were made in the financial statements.
- The City does not have a policy in place to allocate and record interest earned in the City Treasurer/Control Account.

**Effect:**

- The Redevelopment Authority cannot produce complete financial statements reflecting all activities of the Redevelopment Authority. The consultant that assists the City in preparing the financial statements combines activity from multiple ledgers and sources to prepare a complete set of financial statements for the Redevelopment Authority.
- Significant adjustments were identified during our audit process, and these adjustments were made to the financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2012*

- Interest that was earned in the City Treasurer/Control Account has not been transferred to the City's investment account. The interest earned was not allocated or recorded in the general ledgers of the City's applicable funds. As of December 31, 2012, the funds accumulated in the City Treasurer/Control Account have been treated as a reconciling item on the year-end cash reconciliations.

***Recommendation:***

- We recommend the Redevelopment Authority maintain a separate and complete self-balancing set of books. The books should include all balance sheet and income statement accounts and reflect all transactions incurred by the Redevelopment Authority. The end-of-year trial balance should be sent to the Finance Department so the City can include this information in the financial statements.
- We recommend the City create a policy to track and allocate the interest earned in the City Treasurer/Control Account. The City Treasurer/Control Account is used to collect monies for the City, County and School District. The policy should address the equitable allocation of interest between the County and the School District and between the City's Governmental and Proprietary Funds.

We further recommend transferring the interest earned in these accounts to the School District, County and City's investment account on a monthly basis. The City's interest should be recorded in the general ledgers of the various funds based upon a monthly allocation calculation.

**12-2 Cash Management and Interfund Receivables/Payables (A similar condition was noted in prior year finding 11-2.)**

***Criteria:***

**Cash Management** - Controls must be in place to monitor and prevent large cash deficits from occurring.

**Interfund Receivables/Payables/Cash Deficits** - The City must review the balances of the interfund receivables, payables and accumulated cash deficits on an annual basis to determine if repayment can be expected. Governmental accounting standards stipulate that if repayment is not expected within a reasonable time period, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

***Condition:***

**Cash Management** - The City maintains many of its funds in a pooled account. During 2012, the City borrowed cash from other funds to cover deficits in several of its funds. Multiple funds have accumulated large cash deficits as a result of current year borrowings and accumulated borrowings from prior years.

**Interfund Receivables/Payables/Cash Deficits** - When a particular fund has a cash deficit and borrows funds from another fund, an interfund payable results in the fund that borrowed the funds and an interfund receivable results in the fund that paid out the funds. Over time, these interfund receivables and payables can grow as a result of the fund deficits.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2012*

**Cause:**

**Cash Management** - The City did not have procedures in place to prevent cash deficits from occurring in multiple funds. The City's budget process has not resulted in the funding of these accumulated cash deficits within various funds.

**Interfund Receivables/Payables/Cash Deficits** - During the current year and in prior years, the City did not have procedures in place to prevent cash deficits from occurring in multiple funds, which resulted in interfund receivables and payables and accumulated cash deficits.

**Effect:**

**Cash Management** - As of December 31, 2012, the City borrowed cash from other funds to cover deficits in several of its funds. Significant cash deficits have accumulated in various funds.

**Interfund Receivables/Payables/Cash Deficits** - Significant interfund balances have accumulated over the years from having large cash deficits in certain funds.

**Recommendation:**

**Cash Management** - The City should consider, as part of the budget process, preparing separate cash flow projections by fund. With document in hand, interfund borrowing, as well as the repayment of such borrowing, can be planned.

**Interfund Receivables/Payables/Cash Deficits** - The City should, as part of the budget process, address the repayment of interfund receivables and payables. The balances of receivables and payables should be reviewed by management on an annual basis to determine if repayment is expected in a reasonable time period. If repayment cannot be expected, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

**12-3 Controls Over Employer Pension Contributions to Plans (A similar condition was noted in prior year finding 11-3.)**

**Criteria:** Controls must be in place to ensure that minimum municipal pension obligations are paid to the pension funds on a timely basis and in accordance with the Municipal Pension Plan Funding Standards. Municipal Pension Plan Funding Standards require the minimum municipal obligation be paid by the municipality prior to December 31 of the current year.

**Condition:** For 2012, the City did not fund the entire required minimum municipal pension obligation to the Pension Trust Funds by December 31 of the respective year. For 2012, the required minimum municipal obligation for Fire, Police and Officers and Employees was \$6,028,300, of which \$10,243 was funded by December 31, 2012. At the end of 2012, there was still a \$6,018,057 obligation remaining for the 2012 minimum municipal obligation excluding significant interest charges, and this obligation continued to accumulate interest. The City recorded a liability for the unfunded minimum municipal pension obligation as well as the calculated interest charges as of December 31, 2012, in the General Fund and recorded a receivable in the Pension Trust Funds for the equivalent amounts due.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2012*

The Municipal Pension Plan Funding Standards require that any amount of minimum obligation of the municipality which remains unpaid as of December 31 shall have interest charged from January 1 of the year in which the minimum obligation was first due until the date of payment. The rate of interest charged shall be paid at the greater amount of the interest rate utilized for the actuarial valuation report or the discount rate applicable to Treasury bills issued by the Department of Treasury of the United States with a six-month maturity as of the last business day in December of the plan year in which the obligation is due. The total calculated accumulated interest due as of December 31, 2012, was \$951,910. The City provided a liability for this amount in the financial statements for the year ended December 31, 2012.

**Cause:** The City did not have controls in place to ensure pension contributions were remitted to the Pension Trust Funds on a timely basis and in accordance with the Municipal Pension Plan Funding Standards.

**Effect:** The City did not fund the entire minimum municipal obligation by December 31 and, therefore, did not comply with the Municipal Pension Plan Funding Standards. The time lag for funding pension has significantly increased within the last two years. This results in additional interest charges which add to the unfunded balance. The City continues to get further behind in funding pension obligations by pushing obligations forward to future budget periods.

**Recommendation:** We recommend the City institute procedures to ensure the minimum municipal obligation is funded prior to December 31 of the same year. In order to fund the pension timely, the City must review the budget process in order to meet the cash flow needs to fund the minimum municipal obligation by year-end.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**12-4 Special Tests and Provisions - Control, Accountability and Safeguarding of Vaccine (A similar condition was noted in prior year finding 11-6.)**

**Federal Agency:** U.S. Department of Health and Human Services  
Immunization Grants  
CFDA 93.268

**Criteria:** Effective control and accountability must be maintained for all vaccine.

**Condition:** Inventory records ensuring the proper recording of the receipt, transfer and usage of vaccines were not available for a portion of the year.

**Cause:** The department administering the grants indicated that vaccine inventory records were only available for a portion of the year. Records for the first half of the calendar year were discarded.

**Effect:** The City's procedures over the control, accountability and safeguarding of vaccine cannot be fully tested and verified.

**Recommendation:** The City should ensure that records are kept for a reasonable amount of time and in accordance with program requirements. We recommend these records be kept for no less than seven years.



**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year Ended December 31, 2012*

**12-5 Cash Management**

**Federal Agency:** U.S. Department of Housing and Urban Development  
Economic Development Initiative Special Project Grants  
CFDA 14.251

**Criteria:** Requests for reimbursement must be supported by appropriate documentation and only requested for expenditures incurred.

**Condition:** For two of the reimbursements requested, the City requested funding in excess of the expenditures incurred in the aggregate amount of \$1,746. The excess funds have not been utilized as of the date of this report.

**Cause:** The City does not have controls in place to ensure that amounts requested for reimbursement do not exceed the actual costs incurred.

**Effect:** The City is not in compliance with the requirements of the U.S. Department of Housing and Urban Development guidelines for EDI Special Projects.

**Recommendation:** The City should contact the grantor agency to determine if the remaining funds can be utilized towards eligible projects or if the funds should be returned to the agency. The City should develop procedures to ensure amounts requested for reimbursement do not exceed actual expenditures incurred.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
*Year Ended December 31, 2012*

**11-1 General Ledger Management**

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

- The City of York Redevelopment Authority does not have a complete self-balancing set of books that includes all transactions of the Redevelopment Authority. The consultant compiling the City's financial statements must still combine all the activity from many different accounts of the Redevelopment Authority to prepare complete financial statements. The inherent risk of having an unrecorded transaction in the financial statements is greatly increased by the practice of not having one general ledger where all transactions of the Redevelopment Authority are recorded.
- During our audit, we proposed multiple adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the City's financial reporting process. The City continues to make improvement in this area as the number of audit adjustments required continues to decrease.
- During 2007, the City changed banks for multiple accounts, and some accounts changed from noninterest bearing to interest bearing. During our audit, we noted the City Treasurer/Control Account had accumulated interest earned in 2007, 2008, 2009, 2010, and 2011 that was not recorded in the City's general ledger. The amounts were recorded as reconciling items on the cash reconciliations for these accounts.

**Recommendation:**

- We recommend the Redevelopment Authority maintain a separate and complete self-balancing set of books.
- We recommend the City establish controls to ensure that all significant adjustments are made to the financial statements.
- We recommend the City create a policy to track and allocate the interest earned in the City Treasurer/Control Account. The City Treasurer/Control Account is used to collect monies for the City, County and School District. The policy should address the equitable allocation of interest between the County and the School District and between the City's Governmental and Proprietary Funds.

We further recommend transferring the interest earned in these accounts to the School District, County and City's investment account on a monthly basis. The City's interest should be recorded in the general ledgers of the various funds based upon a monthly allocation calculation.

**Current Status:** Not corrected.

**See current finding 12-1, General Ledger Management.**

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
*Year Ended December 31, 2012*

**11-2 Cash Management and Interfund Receivables/Payables**

***Condition:***

**Cash Management** - The City maintains many of its funds in a pooled account. During 2011, the City borrowed cash from other funds to cover deficits in several of its funds. Multiple funds have accumulated large cash deficits.

**Interfund Receivables/Payables** - When a particular fund has a cash deficit and borrows funds from another fund, an interfund payable results in the fund that borrowed the funds and an interfund receivable results in the fund that paid out the funds. Over time, these interfund receivables and payables can grow as a result of the fund deficits. The City has not addressed the issue of paying down these interfund payables in the budget process.

***Recommendation:***

**Cash Management** - The City should monitor cash flow in each fund, and the future funding of prior cash deficits should be addressed in the budget process.

**Interfund Receivables/Payables** - The City must address the repayment of interfund receivables and payables in the budget process. Receivable and payable balances should be reviewed by management on an annual basis to determine if repayment is expected in a reasonable time period. If repayment cannot be expected, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

***Current Status:*** Not corrected.

**See current finding 12-2, Cash Management and Interfund Receivables/Payables.**

**11-3 Controls Over Employer Pension Contributions to Plans**

***Condition:*** For 2008, 2009, 2010 and 2011, the City did not fund the entire required minimum municipal pension obligation to the Pension Trust Funds by December 31 of the respective year. For 2008, the residual required minimum municipal obligation funded after December 31, 2008, was \$3,069,057, which was funded in January 2009. For 2009, the total required minimum municipal obligation for Fire and Police was \$4,905,420, of which \$655,912 was funded by the year ended December 31, 2009. The remaining balance of \$4,249,508 was not funded until February 2010. For 2010, the required minimum municipal obligation for Fire and Police was \$5,050,214, of which \$623,316 was funded by December 31, 2010. The remaining balance of \$4,426,898 was not fully funded until May 2011. For 2011, the required minimum municipal obligation for Fire, Police and Officers and Employees was \$5,859,262, none of which was funded by December 31, 2011. In 2012, a portion of the 2011 minimum municipal obligation was funded in the amount of \$5,393,014. At the end of 2012, there was still a \$466,248 obligation remaining for the 2011 minimum municipal obligation excluding significant interest charges, and this obligation continued to accrue interest. The City recorded a liability for these amounts for the respective years in the General Fund and recorded a receivable in the Pension Trust Funds for the equivalent amounts due.

***Recommendation:*** We recommend the City institute procedures to ensure the minimum municipal obligation is funded prior to December 31 of the same year. In order to fund the pension timely, the City must review the budget process in order to meet the cash flow needs to fund the minimum municipal obligation by year-end.

**CITY OF YORK, PENNSYLVANIA**  
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**Current Status:** Not corrected.

**See current finding 12-3, Controls Over Employer Pension Contributions to Plans.**

**11-4 Controls over State Grants - Redevelopment Assistance Capital Program Renovation - Northwest Triangle Project**

**Condition:**

- As of the report date, the last reimbursement request that the Redevelopment Authority submitted was request number five, which included costs through July 2011. The Redevelopment Authority has incurred significant costs since that date; however, no reimbursement requests have been submitted for these costs as of the report date of June 18, 2013.
- The Redevelopment Authority has utilized a line of credit to fund a significant portion of the project's expenses, as well as unpaid accumulated interest on the line. The Redevelopment Authority has the intention of utilizing the grant funds received from the RACP grant to pay down the outstanding balance on the line of credit. As of December 31, 2011, the amount outstanding on the line of credit was \$3,424,135. The Redevelopment Authority did refinance the line of credit in October 2012 and was able to reduce the interest rate. Interest costs incurred on the financing of this project are well above the original budgeted amounts, and the delays in receiving reimbursements under this project cause the interest charge to continue to increase. As indicated above, the Redevelopment Authority is delayed in submitting reimbursement requests which will compound this effect. As interest accumulates beyond the anticipated charges, there will most likely be cash shortages that have to be funded at the end of this project. The Redevelopment Authority does not have a current cash flow projection in order to determine the expected cash flows and projected shortages for this project.

**Recommendation:**

- We recommend that the Redevelopment Authority complete the payment request reimbursement forms with accumulated costs to date as soon as possible and submit these to the Commonwealth for approval.
- In addition, we recommend the Redevelopment Authority complete an updated cost projection and cash flow needs analysis and plan for this project. As a result of the above facts and circumstances, these issues can significantly impact the overall project costs and the ability of the Redevelopment Authority to meet cash flow demands of the project and provide funds required to repay the line of credit. The project's cost projections and plans and analysis developed by the Redevelopment Authority should address the funding issues related to the project. First, the plan and analysis should address the Redevelopment Authority's ability to timely meet all of the matching requirements required under the grant. Second, the plan and analysis should address the Redevelopment Authority's ability to meet cash flow needs with respect to the line of credit and minimize additional interest incurred. Additionally, the plan and analysis should address the Redevelopment Authority's ability to meet the other cash flow demands with respect to the project and enable the Redevelopment Authority to complete the project as timely as possible.

**CITY OF YORK, PENNSYLVANIA**  
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*Year Ended December 31, 2012*

Due to the significant scale and complexity of this project, we further recommend the City's Finance Department and Grant Coordinator provide additional oversight over this program. The City should monitor the status of this grant program to ensure all grant requirements are being met and the funding sources and cash flow needs of the project are adequate.

**Current Status:** Corrected.

**Corrections Made:** Since our last report, the City has submitted the final billing request and is currently awaiting approval from the state.

**11-5 Allowability of Costs**

**Federal Agency:** U.S. Department of Housing and Urban Development  
Community Development Block Grants/Entitlement Grants (CDBG)  
CFDA 14.218

ARRA - Community Development Block Grants/Entitlement Grants (CDBG)  
CFDA 14.253

U.S. Department of Housing and Urban Development  
Home Investment Partnerships Program (HOME)  
CFDA 14.239

U.S. Department of Housing and Urban Development  
ARRA - Homelessness Prevention and Rapid Re-Housing Program  
CFDA 14.257

**Condition:** The cost allocation plan used by the City to allocate indirect costs to its federal programs has not been approved by the Department of Housing and Urban Development. The City is in the process of preparing an RFP for an outside contractor to complete a federally approved cost allocation plan for City-wide use.

**Recommendation:** The City should develop a cost allocation plan in accordance with OMB-87 and have it approved by the Department of Housing and Urban Development.

**Current Status:** Not warranting further action.

**11-6 Special Tests and Provisions - Control, Accountability and Safeguarding of Vaccine**

**Federal Agency:** U.S. Department of Health and Human Services  
Immunization Grants  
CFDA 93.268

ARRA - Immunization Grants  
CFDA 93.712

**Condition:** Inventory records ensuring the proper recording of the receipt, transfer and usage of vaccines were not available.

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**Recommendation:** The City should ensure that records are kept for a reasonable amount of time and in accordance with program requirements. We recommend that these records should be kept for no less than seven years.

**Current Status:** Partially corrected.

**Corrections Made:** Since our last report, the City has begun maintaining appropriate records for the receipt, transfer and usage of vaccines.

**See current finding 12-4, Special Tests and Provisions - Control, Accountability and Safeguarding of Vaccine**