

CITY OF YORK, PENNSYLVANIA

SINGLE AUDIT REPORT

Year Ended December 31, 2013



Certified Public Accountants and Business Consultants

CITY OF YORK, PENNSYLVANIA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2013

Page

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 <i>Government Auditing Standards</i>	1
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	3
Supplementary Information	
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9
Schedule of Prior Audit Findings	15

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, 2013, 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 September 26, 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 13-1, 13-2 and 13-3 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.

Mailie LLP

Oaks, Pennsylvania
September 26, 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, 2013. 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.

To the Members of City Council
City of York, Pennsylvania

Basis for Qualified Opinion on U.S. Department of Justice Public Safety Partnership and Community Policing Grants

As described in the accompanying schedule of findings and questioned costs, the City of York, Pennsylvania did not comply with requirements regarding CFDA 16.710 Public Safety Partnership and Community Policing Grants as described in finding 13-4 for cash management and finding 13-5 for reporting. 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 Justice Public Safety Partnership and Community Policing 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 Public Safety Partnership and Community Policing Grants for the year ended December 31, 2013.

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, 2013.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 13-4 and 13-5 to be material weaknesses.

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.

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, 2013, 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 September 26, 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
September 26, 2014

SUPPLEMENTARY INFORMATION

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs			
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-42-0018	\$ 20,787
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-42-0018	444,307
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-42-0018	680,168
Home Investment Partnerships Program	14.239	M-10-MC-42-0214	32,663
Home Investment Partnerships Program	14.239	M-12-MC-42-0214	14,072
Home Investment Partnerships Program	14.239	M-13-MC-42-0214	343,309
EDI-Special Project	14.251	B-10-SP-PA-0161	184,251
Fair Housing Assistance Program	14.401	FF203K083002	1,316
TOTAL FORWARD			<u>1,720,873</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Programs			
Bulletproof Vest Partnership Grant	16.607	N/A	3,907
COPS Technology Grant - In Car Camera	16.710	2009CKWX0045	73,581
COPS Universal Hiring	16.710	2010UMWX0271	294,501
Justice Assistance Grant	16.738	2010-DJ-BX-0904	1,994
Justice Assistance Grant	16.738	-	12,777
TOTAL FORWARD			<u>\$ 386,760</u>

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
TOTAL FORWARDED			\$ <u>1,720,873</u>
U.S. DEPARTMENT OF JUSTICE			
TOTAL FORWARDED			<u>386,760</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Pennsylvania Department of Health			
Public Health Emergency Preparedness (Formerly Bioterrorism)	93.069	SAP 4100059062	96,358
Public Health Emergency Preparedness (Formerly Bioterrorism)	93.069	-	90,491
Immunization Grants	93.268	SAP 4100057491	159,444
HIV/AIDS Prevention Projects	93.943	SAP 4100049938	142,257
Dental Sealant	93.991	-	9,447
Dental Sealant	93.991	SAP 4100058115	21,251
Injury Prevention	93.991	SAP 4100055358	157,534
OPANAC	93.991	SAP 4100055605	161,949
Maternal and Child Health Services Block Grant	93.994	SAP 4100055370	28,981
Maternal and Child Health Services Block Grant	93.994	-	28,460
Childhood Lead Poisoning Prevention	93.994	SAP 4100050700	73,459
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>969,631</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ <u>3,077,264</u></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, 2013

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	\$ 197,018
Home Investment Partnerships Program	14.239	373,132
Economic Development Initiative - Special Project	14.251	<u>184,206</u>
		<u>\$ 754,356</u>

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

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: **No**

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

Identification of major programs:

Program	CFDA
Entitlement Grants Cluster	
Community Development Block Grants/Entitlement Grants	14.218
Economic Development Initiative ("EDI") Special Project Grants	14.251
Immunization Grants Cluster	
Immunization Grants	93.268
Public Safety Partnership and Community Policing Grants	16.710
Preventative Health and Health Services Block Grant	93.991

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, 2013

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

13-1 General Ledger Management (A similar condition was noted in prior year finding 12-1.)

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 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 each year from 2007 through 2013 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 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.
- 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, 2013, the funds accumulated in the City Treasurer/Control Account have been treated as a reconciling item on the year-end cash reconciliations.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

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.

13-2 Cash Management and Interfund Receivables/Payables (A similar condition was noted in prior year finding 12-2.)

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 2013, 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, 2013

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

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, 2013, 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.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

13-3 Controls Over Employer Pension Contributions to Plans (A similar condition was noted in prior year finding 12-3.)

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 2013, 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 2013, the required minimum municipal obligation for Fire, Police and Officers and Employees was \$5,708,552, of which \$305,153 was funded by December 31, 2013. At the end of 2013, there was still a \$5,403,399 obligation remaining for the 2013 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, 2013, in the General Fund and recorded a receivable in the Pension Trust Funds for the equivalent amounts due.

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, 2013, was \$963,315. The City provided a liability for this amount in the financial statements for the year ended December 31, 2013.

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.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

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

13-4 Cash Management

Federal Agency: U.S. Department of Justice
Public Safety Partnership and Community Policing Grants
CFDA 16.710

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

Condition: Reimbursement requests could not be tied to supporting documentation for the period for which reimbursement was requested. However, reimbursement requests did not exceed cumulative expenditures for allowable costs.

Cause: The department administering the grants did not properly reconcile their actual disbursements for expense for the period for which the reimbursement request was submitted

Effect: The City's reimbursement requests were not properly completed and submitted.

Recommendation: The City should set up internal controls that will ensure that reimbursement requests are supported by documentation showing that the costs for which reimbursement was requested was paid prior to the date of the reimbursement request.

13-5 Reporting

Federal Agency: U.S. Department of Justice
Public Safety Partnership and Community Policing Grants
CFDA 16.710

Criteria: Reports for a specific period should accurately reflect the actual grant activity for that period.

Condition: The SF-425 reports did not accurately reflect the activity for the periods for which the reports were submitted.

Cause: The City does not have controls in place to ensure that the expenses reported for the period are supported and reconciled to the underlying records.

Effect: The SF-425 reports were not accurately completed.

Recommendation: The City should set up internal controls that will allow the City to properly summarize its activity for a given period and report those amounts on the SF-425 reports.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013

12-1 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, 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.

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 13-1, General Ledger Management.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013

12-2 Cash Management and Interfund Receivables/Payables

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.

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.

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. With document in hand, interfund borrowing, as well as the repayment of such borrowing, can be planned.

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 13-2, Cash Management and Interfund Receivables/Payables.

12-3 Controls Over Employer Pension Contributions to Plans

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. 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.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013

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.

Current Status: Not corrected.

See current finding 13-3, Controls Over Employer Pension Contributions to Plans.

12-4 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.

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: Corrected.

Corrections Made: The City is maintaining appropriate records for the receipt, transfer and usage of vaccines.

12-5 Cash Management

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

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.

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.

Current Status: Corrected.

Corrections Made: The City is accurately completing reimbursement request forms.