



***The City of York***  
***Pennsylvania***  
50 W. King Street PO Box 509 York, PA 17405  
[www.yorkcity.org](http://www.yorkcity.org)

**Honorable John S. Brenner, Mayor**

**September 21, 2004**

**U.S. Department of Housing and Urban Development  
U.S. Department of Health and Human Services  
U.S. Environmental Protection Agency**

**The City of York, Pennsylvania respectfully submits the attached corrective action plan  
for the year ended December 31, 2003.**

**Auditor:**

**Maillie, Falconiero & Company LLP.  
P.O. Box 680  
Oaks, PA 19456-0680**

**Audit period: December 31, 2003**

**City of York  
2003 Audit  
Corrective Action Plan**

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**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.

**RESPONSE**

A monthly closing process was implemented in 2003. All journal entries have proper supporting documents. The Financial Analyst prepares monthly reports and reviews them for accuracy. All questions are then reviewed with the Deputy Business Administrator of Finance and the Business Administrator if necessary.

The process of monitoring federal grants was established in 2004. We are currently in the process of reconciling all grants with the general ledger. We are also developing a system which will easily identify the grants within our Budget Based Accounting System enabling us to perform this task on demand.

### **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.

#### **RESPONSE**

Controls are currently in place to prevent new cash deficits from occurring. We are developing a plan to correct the existing deficits. Given the financial condition of the City and the extremely tight budgets we are dealing with, the elimination of fund deficits will take place over several years.

**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.

**RESPONSE**

The City has implemented a policy requiring all departments to notify the Bureau of Finance of all loan activity. We are considering requiring all loans to require the Bureau of Finance approval prior to settlement. We are currently developing a module for the Budget Based Accounting System that will allow all departments to enter loan information which will then be available to the Bureau of Finance. The system is not yet complete. We anticipate the system to be operable in late 2004.

All loans that we are aware of are currently recorded in the general ledger. There were no unrecorded loans in 2003.

## FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

### 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 Grant  
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 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.

### **RESPONSE**

The Grant Coordinator position was vacant from January, 2004 until June, 2004. The position was filled in June, however, it is currently vacant. We are in the process of interviewing several candidates. The previous Grant Coordinator developed a central file of all grants and maintained a summary of all federal funds received during the year.

We are working with our Information Services Department to develop a method by which all grants will be tracked through our Budget Based Accounting System in a way that will allow the necessary information to be pulled from the general ledger to meet the reporting requirements.

We are also in the process of creating a formal procedure for completing and filing the necessary reports. The policy will require the associated department head to thoroughly review the grant agreement to ensure that all of the provisions of the grant are met and that the supporting documentation is maintained. The reports will then be forwarded to the Grant Coordinator for a second review prior to filing. The Finance Office must then reconcile the reported amounts with the general ledger to assure the proper information is filed.

This process is new to the City. It is expected to be completely in place by the end of 2004.

**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 Grant  
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.

**RESPONSE**

The City's Information Services staff worked with the Bureau of Housing Services to develop a system for the Monthly Effort Reports. The Bureau of Housing Services staff began using this system in 2003. At that time the City was working with a consultant to develop processes that would meet all the required HUD regulations. The consultant advised the Department of Business Administration that it was not necessary to keep the Monthly Effort Reports. The Department of Business Administration had previously maintained such reports. At the advice of the consultant, this practice ceased.

Following the recommendation of this audit, the Department of Business Administration will again begin to track the time spent on Community Development Block Grant projects.

**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 Grant  
CFDA 14.218

U.S. Department of Housing and Urban Development  
Section 108 Loan Guarantee Assistance Program  
CFDA 14.248

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 Comprehensive Annual Performance and Evaluation Report (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.

**RESPONSE**

The City will develop formal procedures for monitoring the federal grant program report process. The CAPER will be reviewed by the Finance Department to verify all reported amount reconcile to the general ledger as well as the IDIS system.

The City will continue to use the consultant to ensure that all regulations are being met.

This process will be in place by the end of 2004.

## 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.

### **RESPONSE**

The City will begin developing formal procedures for determining the eligibility of beneficiaries and subrecipients. A database will be created to determine who is eligible and the amount of benefits they are to receive.

We were unaware of this requirement, therefore, no corrective action has taken place. We anticipate this process will be in place by the end of 2004.



**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 to 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.

**RESPONSE**

Beginning in 2003, the Bureau of Housing Services met the requirements and complied with the Davis Bacon Act. We will make this a standard City policy where federal grant programs are administered. This policy will be distributed to all departments immediately.

**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 subawards 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., subawards 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.

**RESPONSE**

Although it is the City's practice to comply with OMB Circular A-133, all departments have not maintained proof of compliance. The City will train all personnel responsible for administering federal grant programs to maintain complete and accurate records to ensure compliance.

### **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  
York City PALS Project Grant 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.

#### **RESPONSE**

During 2003 procedures were put in place in the Bureau of Housing Services and the problems were corrected. Similar procedures will be implemented in the Health Bureau to ensure that proper monitoring is taking place.

**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  
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.

**RESPONSE**

The City created a separate Loan Repayment Account in 2004 and transferred unexpended funds. The City was unaware of this requirement until the completion of the 2002 audit.

**If the U.S. Department of Housing and Urban Development, U.S. Department of Health and Human Services or the U.S. Environmental Protection Agency has questions regarding this plan please call Carol Brown at (717) 849-2321.**

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Michael J. O'Rourke  
*Business Administrator*

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Carol S. Brown  
*Deputy BA of Finance*