

**CITY OF YORK, PENNSYLVANIA
COMPREHENSIVE TOBACCO CONTROL PROGRAM
PENNSYLVANIA DEPARTMENT OF HEALTH
GRANT AGREEMENT CONTRACT
SAP 4000007486**

**FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION**

*Fiscal Grant Periods from July 1, 2006 to June 30, 2007
and from July 1, 2007 to September 30, 2007*

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Independent Auditors' Report

To the Members of City Council
City of York, Pennsylvania

We have audited the accompanying schedules of contractual performance--contract basis for the Comprehensive Tobacco Control Program, Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486 of the City of York, Pennsylvania, for the fiscal grant periods from July 1, 2006 to June 30, 2007 and from July 1, 2007 to September 30, 2007. These financial statements are the responsibility of the City of York, Pennsylvania's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying schedules of contractual performance--contract basis were prepared for the purpose of complying with the requirements of the Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486, as described in Note A, and are not intended to be a presentation in conformity with U.S. generally accepted accounting principles. The Comprehensive Tobacco Control Program of the City of York, Pennsylvania, presents contractual performance with the Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486 for the periods from July 1, 2006 to June 30, 2007 and from July 1, 2007 to September 30, 2007, on the basis of accounting described in Note A.

In our opinion, the financial statements referred to above present fairly, in all material respects, the contractual performance of the Comprehensive Tobacco Control Program, Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486 of the City of York, Pennsylvania, for the periods from July 1, 2006 to June 30, 2007 and from July 1, 2007 to September 30, 2007, on the basis of accounting described in Note A.

To the Members of City Council
City of York, Pennsylvania

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2008, on our consideration of the City of York, Pennsylvania's internal control over financial reporting for the Comprehensive Tobacco Control Program contained in the Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486 and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

This report is intended solely for the information and use of the City Council and management of the City of York, Pennsylvania, and the Pennsylvania Department of Health and is not intended to be and should not be used by anyone other than these specified parties.

Maille, Falconiero & Conroy, LLP

February 28, 2008

CITY OF YORK, PENNSYLVANIA
COMPREHENSIVE TOBACCO CONTROL PROGRAM
PENNSYLVANIA DEPARTMENT OF HEALTH
GRANT AGREEMENT CONTRACT SAP 4000007486
SCHEDULE OF CONTRACTUAL PERFORMANCE--CONTRACT BASIS
From July 1, 2006 to June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	Actual Expenses to Date per June 2007 Invoice	<u>Over (Under) Budget</u>
ADMINISTRATIVE AND PROGRAM (DIRECT) COSTS				
Administrative costs				
Personnel services				
Staff wages	\$ 59,906	\$ 49,738	\$ 48,031	\$ (1,707)
Fringe benefits	26,958	22,382	19,200	(3,182)
Equipment	2,000	500	442	(58)
Supplies	3,650	1,150	1,135	(15)
Travel	6,400	1,800	1,980	180
Other costs	47,685	29,361	29,141	(220)
TOTAL ADMINISTRATIVE COSTS	<u>146,599</u>	<u>104,931</u>	<u>99,929</u>	<u>(5,002)</u>
Program (direct) costs				
Personnel services				
Staff wages	15,611	18,746	15,261	(3,485)
Fringe benefits	7,025	8,436	7,070	(1,366)
Subcontract services	786,416	583,470	596,305	12,835
Patient services	200	-	-	-
Equipment	1,800	1,333	357	(976)
Supplies	16,500	4,294	3,621	(673)
Travel	2,800	2,800	1,977	(823)
Other costs	1,000	1,500	990	(510)
TOTAL PROGRAM (DIRECT) COSTS	<u>831,352</u>	<u>620,579</u>	<u>625,581</u>	<u>5,002</u>
TOTAL ADMINISTRATIVE AND PROGRAM (DIRECT) COSTS	<u>\$ 977,951</u>	<u>\$ 725,510</u>	<u>\$ 725,510</u>	<u>\$ -</u>

See accompanying note.

CITY OF YORK, PENNSYLVANIA
COMPREHENSIVE TOBACCO CONTROL PROGRAM
PENNSYLVANIA DEPARTMENT OF HEALTH
GRANT AGREEMENT CONTRACT SAP 4000007486
SCHEDULE OF CONTRACTUAL PERFORMANCE--CONTRACT BASIS
From July 1, 2007 to September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses to Date per September 2007 Invoice</u>	<u>Over (Under) Budget</u>
ADMINISTRATIVE AND PROGRAM (DIRECT) COSTS				
Administrative costs				
Personnel services				
Staff wages	\$ 13,581	\$ 13,581	\$ 10,701	\$ (2,880)
Fringe benefits	6,111	6,111	4,756	(1,355)
Supplies	289	289	-	(289)
Travel	197	197	77	(120)
Other costs	4,306	4,306	4,723	417
TOTAL ADMINISTRATIVE COSTS	<u>24,484</u>	<u>24,484</u>	<u>20,257</u>	<u>(4,227)</u>
Program (direct) costs				
Personnel services				
Staff wages	4,857	4,857	1,749	(3,108)
Fringe benefits	2,186	2,186	1,417	(769)
Subcontract services	126,917	126,917	126,917	-
Supplies	1,000	1,000	647	(353)
Travel	600	600	14	(586)
Other costs	500	500	90	(410)
TOTAL PROGRAM (DIRECT) COSTS	<u>136,060</u>	<u>136,060</u>	<u>130,834</u>	<u>(5,226)</u>
 TOTAL ADMINISTRATIVE AND PROGRAM (DIRECT) COSTS	 <u>\$ 160,544</u>	 <u>\$ 160,544</u>	 <u>\$ 151,091</u>	 <u>\$ (9,453)</u>

See accompanying note.

**CITY OF YORK, PENNSYLVANIA
COMPREHENSIVE TOBACCO CONTROL PROGRAM
PENNSYLVANIA DEPARTMENT OF HEALTH
GRANT AGREEMENT CONTRACT SAP 4000007486**

NOTE TO FINANCIAL STATEMENTS

From July 1, 2006 to June 30, 2007 and from July 1, 2007 to September 30, 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of York, Pennsylvania (the "City") was founded in 1741 and chartered as a city in 1787. The City is a Third Class City operating under the Third Class City/Optional Charter Law of Pennsylvania. The City's core services are public works, housing programs, recreation, economic development, public safety, health and environmental services, sewer maintenance and wastewater treatment.

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable. Accordingly, this report reflects only the results of operations of the Comprehensive Tobacco Control Program, Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486 and is not intended to be a complete presentation of all grant revenues and expenditures of the City as a whole.

Basis of Accounting

The schedules of contractual performance--contract basis of the City of York, Pennsylvania, Comprehensive Tobacco Control Program, Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486 were prepared on a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The schedules are prepared on a contract basis that demonstrates compliance with the Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486.

Basis of Presentation

The schedules of contractual performance--contract basis presentation follow the Pennsylvania Department of Health reporting requirements for Comprehensive Tobacco Control Program Grant Contracts and are not intended to be a complete presentation of all grant revenues and expenditures.

Compliance With Grantor Restrictions

Financial assistance from the Pennsylvania Department of Health is subject to provisions outlined in individual grant agreements. Failure to comply with these provisions could result in claims against the City for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities as of September 30, 2007.



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

To the Members of City Council
City of York, Pennsylvania

We have audited the schedules of contractual performance--contract basis for the Comprehensive Tobacco Control Program, Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486 of the City of York, Pennsylvania, for the fiscal grant periods from July 1, 2006 to June 30, 2007 and from July 1, 2007 to September 30, 2007, and have issued our report thereon dated February 28, 2008. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the City of York, Pennsylvania's internal control over financial reporting as it relates to the Comprehensive Tobacco Control Program, Pennsylvania Department of Health Grant Agreement Contract SAP 4000007486, as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of York, Pennsylvania's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of York, Pennsylvania's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of York, Pennsylvania's financial statements that is more than inconsequential will not be prevented or detected by the City of York, Pennsylvania's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of York, Pennsylvania's internal control.

To the Members of City Council
City of York, Pennsylvania

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Comprehensive Tobacco Control Program, Pennsylvania Department of Health Grant Agreement Contract SAP 400007486's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2007-01, 2007-02 and 2007-03.

This report is intended solely for the information and use of the City Council and management of the City of York, Pennsylvania, and the Pennsylvania Department of Health and is not intended to be and should not be used by anyone other than these specified parties.

Maille, Falconiero & Company, LLP

February 28, 2008

ADDITIONAL INFORMATION

**CITY OF YORK, PENNSYLVANIA
COMPREHENSIVE TOBACCO CONTROL PROGRAM
PENNSYLVANIA DEPARTMENT OF HEALTH
GRANT AGREEMENT CONTRACT SAP 4000007486**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

From July 1, 2006 to June 30, 2007 and from July 1, 2007 to September 30, 2007

Criteria: The Comprehensive Tobacco Control Program Grant has a budget for the fiscal period under the grant. Various positions are defined in the contract with an approved allocation of hours by position. Timesheets should be maintained to support the allocation of salaries charged to the program.

Effect: The City is charging wages to the program based on hours approved in the contract; however, employees are not maintaining timesheets to support the hours charged to the program. We noted no instances in which the total hours charged to the program exceeded the approved budget.

Cause: The City did not have a policy in place to require employees to maintain timesheets to support the total time charged to the program.

Recommendation: We recommend the City institute a policy whereby employees charged to the program maintain timesheets to support the total time charged to the program. This is particularly important for employees who do not exclusively work on this program. The allocation of salary charged to the program should be based on these timesheets; however, the amount should not exceed the approved allocation of hours in the contract budget.

2007-02 Charge of Fringe Benefits to Program

Finding in Grant Period: July 1, 2007 to September 30, 2007 (SAP 4000007486)

Condition: During our audit, we noted instances where a position was vacant for a limited period during the grant contract. The City appropriately excluded salary charges during this period; however, it did not exclude fringe benefit allocations for the time period in which this position was vacant. These instances were limited, and the total time overcharged to the program was estimated to be \$1,345.

Effect: Fringe benefits were overcharged to the program as a result of charging benefit allocations during a time period in which the position was vacant.

Cause: The City did not have a policy in place to ensure that fringe benefits were not charged to the program during a period in which a particular eligible position was vacant.

Recommendation: We recommend the City institute a policy to ensure that no charges are made to the program for fringe benefits during a time period in which an eligible position is vacant.

Questioned Costs: \$1,345.

**CITY OF YORK, PENNSYLVANIA
COMPREHENSIVE TOBACCO CONTROL PROGRAM
PENNSYLVANIA DEPARTMENT OF HEALTH
GRANT AGREEMENT CONTRACT SAP 4000007486**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

From July 1, 2006 to June 30, 2007 and from July 1, 2007 to September 30, 2007

2007-03 Program-Specific Audit Requirements - Subcontractors

Finding in Grant Period: July 1, 2006 to June 30, 2007 (SAP 4000007486)

Condition: During our audit, we noted one subcontractor who received reimbursement in excess of \$100,000 for expenditures during the grant period from July 1, 2006 to June 30, 2007. The grant contract stipulates that contractors shall have subcontractors obtain program-specific audits of their contracts when the subcontractor expends \$100,000 or more in a 12-month period. The City (the "Contractor") did not obtain a program-specific audit from a subcontractor who had \$135,885 of total reimbursed expenditures during the period.

Effect: The City did not comply with audit provisions as stipulated under the grant agreement, which requires the Contractor to obtain program-specific audits of individual subcontractors who had \$100,000 or more of program expenditures in a 12-month period.

Cause: The City did not have a monitoring policy in place to ensure that program-specific audits were performed for subcontractors who expended \$100,000 or more during a 12-month period.

Recommendation: We recommend that the City of York institute a monitoring policy to ensure that subcontractors that expend \$100,000 or more in a 12-month period are required to have a separate program-specific audit completed. The City may want to consider putting this provision in the subcontract agreement. Once the report is completed, the City of York should ensure that a copy of this report is sent to the Pennsylvania Department of Health. The report should also be reviewed by the Contractor to ensure that all findings noted are being corrected.

**CITY OF YORK, PENNSYLVANIA
COMPREHENSIVE TOBACCO CONTROL PROGRAM
PENNSYLVANIA DEPARTMENT OF HEALTH
GRANT AGREEMENT CONTRACT SAP 4000007486**

SCHEDULE OF PRIOR AUDIT FINDINGS

From July 1, 2006 to June 30, 2007 and from July 1, 2007 to September 30, 2007

2006-01 Fringe Benefit Allocations (A similar condition was noted in prior year finding 2005-01.)

Finding in Grant Period: July 1, 2005 to June 30, 2006 (SAP 4000007486)

Condition: During the prior fiscal period (July 1, 2004 to June 30, 2005), it was determined that the City charged an allocation for fringe benefits to the program that included general insurance and public officials' insurance, which are not eligible costs under the fringe benefits category. The City partially corrected the prior year finding by excluding the general insurance in the allocation charged to fringe benefits; however, we noted the City is still charging an allocation to fringe benefits that includes public officials' insurance.

Recommendation: We recommend the City change the method of charging fringe benefits to the Comprehensive Tobacco Control Program to exclude public officials' insurance.

Current Status: This finding was corrected as the City of York excluded public officials' insurance from the fringe benefit allocation.

2006-02 Maintaining Timesheets to Support Time Charged to Program

Finding in Grant Period: July 1, 2005 to June 30, 2006 (SAP 4000007486)

Condition: Employees who are charged to the program are not maintaining timesheets to support the time worked on the program. Multiple positions are defined in the contract budget, and the hours approved per position are presented in the budget. The City is charging wages to the program based upon the approved hours in the contract. We noted no instances in which the total hours charged to the program exceeded the approved budget; however, employees are not maintaining timesheets to support the hours worked on the program.

Recommendation: We recommend the City institute a policy whereby employees charged to the program maintain timesheets to support the total time charged to the program. This is particularly important for employees who do not exclusively work on this program. The allocation of salary charged to the program should be based on these timesheets; however, the amount should not exceed the approved allocation of hours in the contract budget.

Current Status: Not corrected. See finding 2007-01.



The City of York Pennsylvania

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Corrective Action Plan

February 28, 2008

Department of Health:

The City of York, Pennsylvania, Pennsylvania Comprehensive Tobacco Control Program Grant Contract # SAP 4000007486 submits the following corrective action plan for the periods July 1, 2006 to June 30, 2007 and July 1, 2007 to September 30, 2007.

Independent public accounting firm: Maillie, Falconiero & Company, LLP
PO Box 680
Oaks, PA 19456-0680

Audit Periods covered: July 1, 2006 to June 30, 2007
July 1, 2007 to September 30, 2007

The findings from the schedule of findings and questioned costs are discussed below:

Finding compliance:

2007-01 Maintaining Timesheets to Support Time Charged to Program

**Finding in Grant Period: July 1, 2006 to June 30, 2007 [SAP 4000007486]
July 1, 2007 to September 30, 2007 [SAP 4000007486]**

Recommendation: We recommend that the City institute a policy whereby employees charged to the program maintain timesheets to support the total time charged to the program. This is particularly important for employees who do not exclusively work on this program. The allocation of salary charged to the program should be based on these timesheets; however, the amount should not exceed the approved allocation of hours in the contract budget.

Action Taken: The Health Bureau will develop a policy for employees charged part-time to the Tobacco Program to maintain timesheets to support staff time charged to the program.

2007-02 Charge of Fringe Benefits to Program

Finding in Grant Period: July 1, 2007 to September 30, 2007 [SAP 4000007486]

Recommendation: We recommend that the City institute a policy to ensure that no charges are made to the program for fringe benefits, during a time period in which an eligible position is vacant.

Action Taken: The Health Bureau will institute a policy that ensures that fringe benefits (insurance allocations) are not made to the program for a vacant position.

2007-03 Program-Specific Audit Requirements - Subcontractors

Finding in Grant Period: July 1, 2006 to June 30, 2007 [SAP 4000007486]

Recommendation: We recommend that the City institute a monitoring policy to ensure that subcontractors that expend \$100,000 or more in a 12-month period are required to have a separate program-specific audit completed. The City may want to consider putting this provision in the subcontract agreement. Once the report is completed, the City of York should ensure that a copy of this report is sent to the Pennsylvania Department of Health. The report should also be reviewed by the City of York (the Contractor) to ensure that all findings noted are being corrected.

Action Taken: The Health Bureau will include the Department of Health's audit provision requiring a separate program-specific audit in all subcontractor agreements. The Bureau will develop a policy to monitor applicable subcontractor agreements for adherence to this audit requirement and forward a copy of the completed audit report to the Department of Health.

If the Pennsylvania Department of Health has questions regarding this plan, please call Barbara Kovacs, Deputy Director of the Health Bureau at 717-854-7724.

Sincerely,

Barbara Kovacs, MPA
Deputy Director
Bureau of Health