



The City of York
Pennsylvania
50 W. King Street PO Box 509 York, PA 17405
www.yorkcity.org

Honorable C. Kim Bracey, Mayor

September 16, 2010

U.S. Department of Housing and Urban Development

The City of York, Pennsylvania respectfully submits the attached corrective action plan for the year ended December 31, 2009.

Auditor:

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

Audit period: December 31, 2009

A handwritten signature in black ink that reads "Michael J. O'Rourke".

Michael J. O'Rourke, Esq.
Business Administrator

City of York 2009 Audit Corrective Action Plan

FINDINGS - FINANCIAL STATEMENTS AUDIT

09-1 **General Ledger Management** (A similar condition was noted in prior year finding 08-1.)

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

Recommendation:

- We recommend the 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 that 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, 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.

RESPONSE

The City is currently in the process of creating a separate company within the BBAS accounting system for the Redevelopment Authority. This will allow us to maintain the separate and complete self-balancing set of books that has been recommended. The City finance bureau will work with the Redevelopment Authority to development this system and will maintain the records. This should also reduce the number of adjustments made to the Authority's statement.

The City continues to work on ensuring that financial statements are adjusted prior to the audit and the number of audit adjustments has continued to decrease. The City works with a consultant to prepare the financial statements

As stated in the audit, in 2007 the City changed the bank used for the Control Account. The Control Account became an interest bearing account at that time. Since the Control Account was not interest bearing in the past, we did not have a procedure in place to allocate the interest. We are continuing to work on a procedure to allocate the interest.

08-2 Cash Management and Interfund Receivables/Payables (A similar condition was noted in prior year finding 08-2.)

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 a

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. Address the repayment of interfund receivables and payables and the funding of accumulated cash deficit balances in

Interfund Receivables/Payables/Cash Deficits - The City must address the repayment of interfund receivables and payables and the funding of accumulated cash deficits in the budget process. Interfund receivables and payables, as well as accumulated cash deficit balances in each fund, 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 to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

RESPONSE

The City currently maintains a cash flow projection in each fund and has taken steps to reduce the fund deficits where possible. The financial condition of the City does not allow for us to eliminate the deficits. We do not feel that it is prudent to report the loans as transfers since that would eliminate the possibility of actually receiving the loan repayments should the funds become available. Although the deficits have been carried from year to year, as long as there is a possibility of repayment, we wish to continue this practice.

09-3 Controls Over Employee Pension Contributions to plan

Criteria: Controls must be in place to ensure that minimum municipal pension obligations are paid to the Pension fund on a timely basis and in accordance with the Municipal Pension Plan Funding standards. Municipal Pension Plan funding standards require that the Minimum Municipal Obligation should be paid by the municipality prior to December 31 of the current year.

Recommendation:

We recommend that the City put procedures in place to ensure that the Minimum Municipal Obligation is funded prior to December 31 of the current respective year. In addition the City should address the funding issue of the current amount of accumulated interest due to the plan. 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.

RESPONSE

The interest on the late MMO payments for 2008 and 2009 have been paid to the pension funds in the amount of \$680,078.00 on 8/25/10. The City budgeted for the full MMO amounts in both 2008 and 2009. Economic conditions resulted in both shortfalls in revenue and increases in health care costs. As part of the 2011 budget the city will evaluate the economy and make adjustments to try to fund the MMO by December 31 of the year in which it is due.

09-4 Grants Management (A similar condition was noted in prior year finding 08-05)

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

U.S. Department of Housing and Urban Development
Home Investments Partnerships Program
CFDA 14.239

Criteria: According to the Code of Federal Regulations (the “CFR”) applicable to the above grants, 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, the CFR states that the City must establish reasonable control procedures, which ensure the accuracy of such records.

Recommendation:

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

RESPONSE

The City has taken great strides in this area. In the past there had been continuous turnover of personnel that hindered our progress. This had not been an issue over the past two year and is reflected in the progress we have made. Through experience and education we will continue to address the issues and will continue to improve our grant management and reporting.

09-5 Allowability of Costs (A similar condition was noted in prior year finding 08-6.)

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

U.S. Department of Housing and Urban Development
Home Investments Partnerships Program
CFDA 14.239

Criteria: All allowable costs must be supported by appropriate documentation. The cost allocation plan must be approved by the federal agency.

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.

RESPONSE

The City has prepared an rfp for the selection of a vendor to develop a cost allocation plan. The City will submit the plan to the Department of Housing and Urban Development for approval.

09-6 Lack of Accurate Reporting

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

U.S. Department of Housing and Urban Development
Home Investments Partnerships Program
CFDA 14.239

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

Recommendation:

The City should put controls in place to ensure that program delivery costs are tracked in accordance with HUD guidelines for rehabilitating specific structures. It was noted based on discussions with the City that they are taking action based on the information provided by HUD as to the results of their on-site evaluation to correctly categorize future costs within the IDIS system and as reported in the CAPER.

The City should put controls in place to ensure that all expenditures incurred within the respective year for the HOME program are reported in the CAPER. The amounts reported should agree to the amount as reported in the Schedule of Federal Awards.

RESPONSE

City staff has been working with HUD to gain knowledge of the proper tracking technique of program delivery costs as well as all expenditures. The knowledge gained will be used in all future reporting.

Costs that are directly associated with a project will be charged to the Program Delivery cost category. All other costs will be charged to Administration or the appropriate cost category.

Staff members track the appropriate time to charge to Program Delivery by recording the actual time spent on each project. As a rule of thumb, all work that can be directly associated with a property address is chargeable. In addition to staff time, any other overhead cost that is directly related to the address will be charged as Program Delivery.

When completing the annual CAPER all HOME Investment Partnership funds expended during the program year will be included, regardless of the year they were allocated.