

CITY OF YORK, PENNSYLVANIA

SINGLE AUDIT REPORT

Year Ended December 31, 2007

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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 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, 2007, which collectively comprise the City of York, Pennsylvania's basic financial statements and have issued our report thereon dated October 3, 2008. We conducted our audit 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of York, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Members of City Council
City of York, Pennsylvania

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 07-1, 07-2 and 07-3.

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.

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. However, of the significant deficiencies described above, we consider items 07-1, 07-2 and 07-3 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of York, Pennsylvania'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Members of City Council
City of York, Pennsylvania

The City of York, Pennsylvania's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of York, Pennsylvania's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, members of City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maille, Falconiero & Company, LLP

Oaks, Pennsylvania
October 3, 2008



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Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program, Internal Control Over Compliance and the Schedule of Expenditures of Federal Awards in Accordance With OMB Circular A-133

To the Members of City Council
City of York, Pennsylvania

COMPLIANCE

We have audited the compliance of the City of York, Pennsylvania with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of York, Pennsylvania's management. Our responsibility is to express an opinion on the City of York, Pennsylvania's compliance based on our audit.

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. Our audit does not provide a legal determination of the City of York, Pennsylvania's compliance with those requirements.

To the Members of City Council
City of York, Pennsylvania

As described in items 07-4, 07-5 and 07-6 in the accompanying schedule of findings and questioned costs, the City of York, Pennsylvania did not comply with requirements regarding grants management and allowable costs applicable to its Community Development Block Grant, Home Investments Partnerships Program and Highway Planning and Construction Grant. In addition, the City of York, Pennsylvania did not comply with the reporting requirements that apply to its Community Development Block Grant and Home Investments Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the City of York, Pennsylvania to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of York, Pennsylvania complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City of York, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of York, Pennsylvania's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-4, 07-5 and 07-6 to be significant deficiencies.

To the Members of City Council
City of York, Pennsylvania

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 07-4, 07-5 and 07-6 to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2007, and have issued our report thereon dated October 3, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of York, Pennsylvania's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City of York, Pennsylvania's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of York, Pennsylvania's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, members of City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maillie, Falconiero & Company LLP

Oaks, Pennsylvania
October 3, 2008

CITY OF YORK, PENNSYLVANIA**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***Year Ended December 31, 2007*

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Program			
Community Development Block Grant/Entitlement Grants	14.218	B-02-MC-42-0018	\$ 23,195
Community Development Block Grant/Entitlement Grants	14.218	B-03-MC-42-0018	22,777
Community Development Block Grant/Entitlement Grants	14.218	B-04-MC-42-0018	102,245
Community Development Block Grant/Entitlement Grants	14.218	B-05-MC-42-0018	194,701
Community Development Block Grant/Entitlement Grants	14.218	B-06-MC-42-0018	501,118
Community Development Block Grant/Entitlement Grants	14.218	B-07-MC-42-0018	1,724,061
Home Investments Partnerships Program	14.239	M-04-MC-42-0214	147,714
Home Investments Partnerships Program	14.239	M-05-MC-42-0214	27,866
Home Investments Partnerships Program	14.239	M-06-MC-42-0214	118,998
Home Investments Partnerships Program	14.239	M-07-MC-42-0214	497,297
Fair Housing Assistance Program	14.401	FF203K043002	15,879
Fair Housing Assistance Program	14.401	FF203K053002	10,918
Fair Housing Assistance Program	14.401	FF203K063002	19,244
Community Development Block Grant/Brownfields Economic Development Initiative	14.246	B-06-SP-PA-0859	148,500
Lead Based Paint Hazard Control Program	14.900	ME-03210	67,514
TOTAL FORWARD			<u>3,622,027</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Program			
COPS Universal Hiring Program	16.710	2003-UM-WX-0267	60,224
COPS Technology Grant	16.710	2003-CK-WX-0173	119,291
COPS Technology Grant	16.710	2005-CK-WX-0124	246,661
COPS Technology Grant	16.710	2006-CK-WX-0361	125,535
COPS in School	16.710	2004-SH-WX-0089	55,379
Bullet Proof Vest Partnership Grant	16.607	FY2003BVP	3,215
TOTAL FORWARD			<u>\$ 610,305</u>

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
TOTAL FORWARDED			\$ <u>3,622,027</u>
U.S. DEPARTMENT OF JUSTICE			
TOTAL FORWARDED			<u>610,305</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Pennsylvania Department of Health			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.940	SAP 4100032147	73,506
Childhood Immunization Grant	93.268	SAP 4100032438	150,452
Preventative Health and Human Services Block Grant - Injury Prevention	93.991	SAP 4100025693	17,767
Preventative Health and Human Services Block Grant - Cardiovascular Disease	93.991	SAP 4100032695	51,279
Maternal and Child Health Services Block Grant	93.994	SAP 4100022397	47,055
Maternal and Child Health Services Block Grant	93.994	SAP 4100040505	14,532
Medical Assistance Program, Title XIX	93.197	SAP 4100019657	48,927
Medical Assistance Program, Title XIX	93.197	SAP 4100034846	62,653
Bioterrorism	93.283	SAP 4100019328	235,507
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>701,678</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the Pennsylvania Department of Transportation			
Highway Planning and Construction Grant	20.205	88639	<u>985,749</u>
U.S. DEPARTMENT OF THE INTERIOR			
Passed through the Pennsylvania Historical and Museum Commission			
Historic Preservation Fund Grants-In-Aid	15.904	42-06-21542	<u>41,602</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>5,961,361</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, 2007

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 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 Grant/ Entitlement Grant	14.218	\$ 209,351
Home Investments Partnerships Program	14.239	50,310
COPS	16.710	-
Highway Planning and Construction Grant	20.205	-
		<u>\$ 259,661</u>

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

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

Internal control over major programs:

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

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

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

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>
Community Development Block Grants	14.218
Home Investments Partnerships Program	14.239
COPS	16.710
Highway Planning and Construction Grant	20.205

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, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

07-1 General Ledger Management (A similar condition was noted in prior year finding 06-1.)

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 Authority. The consultant compiling the City's financial statements must still combine all the activity from many different accounts of the 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 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.
- 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 and the City's Accounts Payable Control Account had accumulated interest earned in 2007 and not recorded in the City's general ledger. The amounts were recorded as reconciling items on the cash reconciliations for these accounts.

Cause:

- The Authority does not maintain a separate self-balancing set of books that includes all the transactions of the Authority.
- The City did not have a procedure in place to ensure that 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 and the City's Accounts Payable Control Account.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Effect:

- The Authority cannot produce complete financial statements reflecting all activities of the Authority. The consultant that assists the City prepare the financial statements combines activity from multiple ledgers and sources to prepare a complete set of financial statements for the Authority.
- Significant adjustments were identified during our audit process, and these adjustments were made to the financial statements.
- Interest funds that were earned in the City Treasurer/Control Account and the City's Accounts Payable Control Account have not been transferred to the City's investment account. The interest earned was not allocated or recorded in the general ledgers of the applicable City's funds. As of December 31, 2007, the funds have been accumulated in the City Treasurer/Control Account and the City's Accounts Payable Control Account and have been treated as a reconciling items on the year-end cash reconciliations.

Recommendation:

- We recommend the Authority maintain a separate and complete self-balancing set of books. The ending trial balance should be sent to the Finance Department at year-end so the City can include this information in its financial statements.
- 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 and the City's Accounts Payable Control Account. The City Treasurer/Control Account is used to collect monies for the City, County and School District. The City's Accounts Payable Control Account is used to disburse funds for the City's many Governmental and Proprietary Funds. 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.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

07-2 Cash Management and Interfund Receivables/Payables (A similar condition was noted in prior year finding 06-2.)

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 2007, 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/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. The City has not addressed the issue of paying down these interfund payables or funding the cash deficits in the budget process.

Cause:

Cash Management - The City did not have procedures in place to prevent cash deficits from occurring in multiple 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. The budget process has not addressed paying down several of these significant interfund payables and receivables or funding the accumulated cash deficits.

Effect:

Cash Management - As of December 31, 2007, the City borrowed cash from other funds to cover deficits in several of its funds.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

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 monitor cash flow in each fund, and the future funding of prior cash deficits should be addressed in the budget process.

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, 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.

07-3 Controls Over Permits (A similar condition was noted in prior year finding 06-3.)

Criteria: Controls must be in place to monitor the proper use of the sequential numbering system for the collection of permit fees.

Condition: Permit fees are collected by the Bureau of Permits. A summary daily revenue report is maintained, which is broken down by the type of permit collected such as building permits, zoning permits, etc. The following morning, the receipts and the daily revenue report are taken to City Hall to be processed through the cash receipts terminal system. The finding noted in the prior year report indicated that the receipts support in the cash receipts terminal system did not give a breakdown of all permits by issuance number but rather grouped permits together as to the type of permit. The Finance Department and the Controller's Department could not identify the permit numbers included in the daily receipts batch processed from the Bureau of Permits.

During our current year audit, we noted that in August 2007, the Bureau of Permits started sending a detailed list of permits with the summary daily revenue report; however, upon review of various reports, we noted the detailed permit reports were not totaled on the worksheet and amounts did not agree to the summary daily revenue report. We also noted the Bureau of Permits is not sending a monthly recap report to the Finance Department or the Controller's Department.

Cause: The supporting detailed schedule that accompanies the summary daily revenue report is not being reviewed to ensure that it agrees to the totals on the summary sheet.

Effect: The Finance Department and Controller's Department do not have the necessary information included with the processed permit receipt batches to ensure that all permits issued by the Bureau of Permits were processed through the terminal cash receipts system.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Recommendation: We recommend the Bureau of Permits review the process for the preparation of the detailed permit schedule that accompanies the summary daily revenue report. Procedures should be put in place to ensure that the detailed report is totaled and agrees to the daily revenue report. The Bureau of Permits should maintain this report and create a cumulative monthly report by permit number and type broken down by day processed. The monthly report should be forwarded to the Controller's Department and Finance Department at the end of each month for reconciliation purposes.

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

07-4 Grants Management (A similar condition was noted in prior year finding 06-4.)

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

U.S. Department of Transportation
Highway Planning and Construction Grant
CFDA 20.205 (Finding with respect to the prior year program audited [contract 88475]. No findings were noted on the current year grant that was audited as a major program [contract 88639].)

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.

Condition: Controls were not in place to ensure that all grant records were maintained in accordance with the grant agreements as indicated in the specific findings 07-5 and 07-6.

Cause: The City did not have the proper oversight of the grant process to ensure that all grant requirements were met.

Effect: The City was not in compliance with multiple requirements under the various grants tested (see detailed findings 07-5 and 07-6).

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

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.

07-5 Allowability of Costs (A similar condition was noted in prior year finding 06-5.)

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

U.S. Department of Transportation
Highway Planning and Construction Grant
CFDA 20.205 (Finding with respect to the prior year program audited [contract 88475]. No findings were noted on the current year grant that was audited as a major program [contract 88639].)

Criteria: All allowable costs must be supported by appropriate documentation, such as invoices or time and attendance records, and correctly charged as to account, amount and period. All cost allocation plans must be approved by the federal agency.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Condition:

Community Development Block Grants (CDBG) and Home Investments Partnerships Program (HOME)

Similar to 2006, draw downs of administrative costs were not completed on a quarterly basis during the year. The draw downs for administrative costs were not started until July 2006 in the previous year as reported. This delay was more significant in 2007 as the drawdowns for 2007 did not start until January 2008. These costs should be tracked and drawn down quarterly throughout the year to aid in cash flow related to the program.

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.

The City has the opportunity to charge eligible costs up to 20% of the total grant amount for planning and administrative costs under the CDBG program. For 2007, the percentage of program costs charged for planning and administrative was 18.6%. During the current year, we noted that various individuals involved in the administration of the program did not have time charged to the program, which may have resulted in the lost opportunity cost for additional reimbursement. However, it is important to note that the City did increase its reimbursements for planning and administration relative to the total program. For 2006 and 2005, the percentage of the program costs charged for planning and administration was approximately 9% and 11%, respectively.

Highway Planning and Construction Grant (Prior year contract [88475] audited; finding not resolved. There were no findings on the current year grant contract [88639] audited, as presented in the schedule of expenditures of federal awards.)

During 2005 and 2006, the City of York incurred costs for the Broad Street Greenway project. The City planned to be reimbursed for this project by various sources, including a Highway Planning and Construction Grant and through CDBG funds.

During 2005, we noted that under the Highway Planning and Construction Grant, the City submitted a request for reimbursement for contractor costs and did not reduce the request for the amount of those costs charged to the CDBG program. This resulted in costs in the amount of \$117,278 being reimbursed under the Highway Planning and Construction Grant that were also reimbursed under the CDBG program.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

During 2006, we noted that under the Highway Planning and Construction Grant, the City submitted a request for reimbursement for contractor costs and did not reduce the request for the amount of these costs charged to the CDBG program. This resulted in costs in the amount of \$57,365 being reimbursed under the Highway Planning and Construction Grant that were also reimbursed under the CDBG program.

Total cumulative questioned costs resulting from this duplicate reimbursement in 2005 and 2006 were \$174,643.

The Commonwealth of Pennsylvania Department of Transportation is currently in the process of conducting an audit of this program with respect to this finding. Note that per review with the City, there are other eligible costs not submitted under this grant that may offset some of these duplicate reimbursements; however, the City's ability to utilize these costs to offset the duplicate payments is unknown. As the date of the report, this issue has not been resolved and therefore is reported under the current year findings.

Cause:

Community Development Block Grants and Home Investments Partnerships Program

The City does not have an approved cost allocation plan which allows the allocation of indirect costs to the CDBG and HOME programs. Not all individuals involved in the program are maintaining timesheets and therefore additional potential eligible costs are not being charged to the program. The City has not put a procedure in place to draw down administrative costs on a quarterly basis under the CDBG and HOME programs.

Highway Planning and Construction Grant (Prior year contract [88475] audited; finding not resolved. There were no findings on the current year grant contract [88639] audited, as presented in the schedule of expenditures of federal awards.)

Different parties were submitting for reimbursement under this grant, and there was a lack of communication between these parties. The monitoring and administration of this grant was not centralized.

Effect:

Community Development Block Grants and Home Investments Partnerships Program

The City is currently using a cost allocation plan that has not been approved by HUD. The City is under the maximum for eligible planning and administrative costs and may not be capturing all eligible costs.

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Year Ended December 31, 2007

Highway Planning and Construction Grant (Prior year contract [88475] audited; finding not resolved. There were no findings on the current year grant contract [88639] audited, as presented in the schedule of expenditures of federal awards.)

Costs reimbursed under the CDBG program were also reimbursed under the Highway Planning and Construction Grant resulting in duplicate reimbursement for the same costs.

Recommendation:

Community Development Block Grants and Home Investments Partnerships Program

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. All individuals who are actively involved in the administration of the CDBG program and HOME program should maintain time/effort reports and submit them to the Bureau of Housing Services on a timely basis. The City should also ensure that all sources of eligible planning and administrative expenses are captured for reimbursement. The City should put controls in place to ensure that administrative costs are drawn down on a timely basis.

Highway Planning and Construction Grant (Prior year contract [88475] audited; finding not resolved. There were no findings on the current year grant contract [88639] audited, as presented in the schedule of expenditures of federal awards.)

The grant administration process should be centralized. For projects funded by multiple grants, the Grant Coordinator should maintain a schedule of costs incurred detailing how these costs will be allocated to each grant. Reimbursement requests should be approved by the Grant Coordinator before they are sent to the grantor agency to ensure there are no duplicate reimbursement requests.

The Commonwealth of Pennsylvania Department of Transportation is currently in the process of conducting an audit of this program with respect to this finding. Note that per review with the City, there are other eligible costs not submitted under this grant that may offset some of these duplicate reimbursements; however, the City's ability to utilize these costs to offset the duplicate payments is unknown.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Questioned Costs:

Community Development Block Grants	Unknown
Home Investments Partnerships Program	Unknown
Highway Planning and Construction Grant	\$57,365 (2006)
Highway Planning and Construction Grant	\$117,278 (2005)
Highway Planning and Construction Grant	\$174,643 (cumulative)*

*Cumulative amount reported as questioned costs is from the prior year single audit performed on contract 88475. This finding has been carried forward to the current year because the issue is unresolved as of the report date. The current year audit of the 2007 expenditures with respect to contract number 88639 resulted in no findings or questioned costs.

07-6 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.

Condition:

- The City did not have documentation to support the amount on Line 1 of the CAPER financial summary, which indicates the unexpended portion of CDBG funds at the end of the previous period. The City should request the support from HUD at a cutoff date of December 31 to verify that the amount reported agrees.
- Budgeted numbers were reported for the HOME program in the narrative section of the CAPER. Actual HOME expenditures for 2007 should have been reported in this section.
- During our audit, we noted that in some instances budgeted amounts reported on the CAPER did not agree to the amended Action Plan or the BBAS general ledger system.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Cause: Although there were improvements made, management must more thoroughly review the CAPER prior to filing it with the Department of Housing and Urban Development.

Effect: The City is not in compliance with the reporting requirements of OMB Circular A-133.

Recommendation: We recommend the City develop formal procedures for monitoring the federal grant program reporting process. Amounts reported on the CAPER should be thoroughly reviewed for accuracy. The City needs to put a process in place to ensure that the correct amount is included in the CAPER financial summary for the unexpended CDBG funds at the end of the previous program year. The City should contact HUD each year to ensure that the correct amount is reported in the CAPER. The City should also put procedures in place to ensure that if budgeted amounts are revised on the Action Plan, these changes are reflected in the BBAS general ledger system as well as the CAPER that is filed. A periodic review of these amounts should be done throughout the year to ensure that the budgets are up to date and agree.

Questioned Costs:

Community Development Block Grants	Unknown
Home Investments Partnerships Program	Unknown

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2007

06-1 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 Authority. The consultant compiling the City's financial statements must still combine all the activity from many different accounts of the 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 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.

Recommendation:

- We recommend the Authority maintain a separate and complete self-balancing set of books. The ending trial balance should be sent to the Finance Department at year-end so the City can include this information in its financial statements.
- We recommend the City establish controls to ensure that all significant adjustments are made to the financial statements.

Current Status: Not corrected.

See current finding 07-1, General Ledger Management.

06-2 Cash Management and Interfund Receivables/Payables

Condition:

Cash Management - The City maintains many of its funds in a pooled account. During 2006, the City borrowed cash from other funds to cover deficits in several of its funds.

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.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2007

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 07-2, Cash Management and Interfund Receivables/Payables.

06-3 Controls Over Permits

Condition: Although the City has corrected one component of the prior year finding with respect to the documentation of deleted permits, controls were not put in place with respect to the following finding noted in the prior year report.

In the current system, permit fees are collected by the Bureau of Permits. A summary daily revenue report is maintained, which is broken down by the type of permit collected such as building permits, zoning permits, etc. The following morning, the receipts and the daily revenue report are taken to City Hall to be processed through the cash receipts terminal system. The problem with the current cash receipts terminal system is that the receipts support does not give a breakdown of all permits by issuance number but rather groups permits together as to the type of permit. The Finance Department and the Controller's Department cannot identify the permit numbers included in the daily receipts batch processed from the Bureau of Permits.

Recommendation: The City should require the Bureau of Permits to provide a daily report listing by permit number, type and amount accompanying the current daily revenue report broken out by permit type totals. The Bureau of Permits should maintain this report and create a cumulative monthly report by permit number and type broken down by day processed. The monthly report should be forwarded to the Controller's Department following the end of each month for monthly reconciliation purposes.

Current Status: Partially corrected.

Corrections Made: In August 2007, the Bureau of Permits added a detailed permit schedule to accompany the summary daily revenue report; however, there were still problems with the report as noted in the current year finding.

See current finding 07-3, Controls Over Permits.

CITY OF YORK, PENNSYLVANIA
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06-4 Grants Management

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

U.S. Department of Transportation
Highway Planning and Construction Grant
CFDA 20.205

Condition: Controls were not in place to ensure that all grant records were maintained in accordance with the grant agreements as indicated in the specific findings 06-5 through 06-7 noted in the 2006 audit.

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.

Current Status: Not corrected.

See current finding 07-4, Grants Management.

CITY OF YORK, PENNSYLVANIA
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Year Ended December 31, 2007

06-5 Allowability of Costs (A similar condition was noted in prior year finding 05-6.)

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

U.S. Department of Transportation
Highway Planning and Construction Grant
CFDA 20.205

Condition:

Community Development Block Grants (CDBG) and Home Investments Partnerships Program (HOME)

Similar to 2005, draw downs of administrative costs were not completed on a quarterly basis during the year. The draw downs for administrative costs were not started until July 2006; however, this is an improvement from the prior year when the draw downs did not start until September. These costs should be tracked and drawn down quarterly throughout the year to aid in cash flow related to the program.

Individuals that have time charged to the grant maintain time sheets to support the hours charged to the program. In reviewing this support, two exceptions were noted with respect to time charged to the CDBG program. One individual had a time sheet that did not match the total time charged to the program; another individual had time charged to a program for which a time sheet could not be located.

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.

The City has the opportunity to charge eligible costs up to 20% of the total grant amount for planning and administrative costs under the CDBG program. For 2006 and 2005, the percentage of the program costs charged for planning and administration was approximately 9% and 11%, respectively.

CITY OF YORK, PENNSYLVANIA
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Highway Planning and Construction Grant

During 2005 and 2006, the City of York incurred costs for the Broad Street Greenway project. The City planned to be reimbursed for this project by various sources, including a Highway Planning and Construction Grant and through CDBG funds.

During the prior year audit, we noted that under the Highway Planning and Construction Grant, the City submitted a request for reimbursement for contractor costs and did not reduce the request for the amount of those costs charged to the CDBG program. This resulted in costs in the amount of \$117,278 being reimbursed under the Highway Planning and Construction Grant that were also reimbursed under the CDBG program.

During the current year, we noted that under the Highway Planning and Construction Grant, the City submitted a request for reimbursement for contractor costs and did not reduce the request for the amount of those costs charged to the CDBG program. This resulted in costs in the amount of \$57,365 being reimbursed under the Highway Planning and Construction Grant that were also reimbursed under the CDBG program.

Total cumulative questioned costs resulting from this duplicate reimbursement in 2005 and 2006 were \$174,643.

Recommendation:

Community Development Block Grants and Home Investments Partnerships Program

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. All individuals who are actively involved in the administration of the CDBG program and HOME program should maintain time/effort reports and submit them to the Bureau of Housing Services on a timely basis. Time sheets should be maintained on file to support all charges to the program. The City should also ensure that all sources of eligible planning and administrative expenses are captured for reimbursement.

Highway Planning and Construction Grant

The grant administration process should be centralized. For projects funded by multiple grants, the Grant Coordinator should maintain a schedule of costs incurred detailing how those costs will be allocated to each grant. Reimbursement requests should be approved by the Grant Coordinator before they are sent to the grantor agency to ensure there are no duplicate reimbursement requests.

The City should address the duplicate payments reimbursed under the grant by contacting the grantor agency and reviewing the problem with them. Note that per review with the City, there are other eligible costs not submitted under this grant that may offset some of these duplicate reimbursements; however, the City's ability to utilize these costs to offset the duplicate payments is unknown.

CITY OF YORK, PENNSYLVANIA
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Current Status: Partially corrected.

Corrections Made: Community Development Block Grants (CDBG) and Home Investments Partnerships Program (HOME)

Individuals that have time charged to the grant maintain time sheets to support the hours charged to the program. In the prior year, two exceptions were noted where time was charged to the program and could not be supported by an applicable timesheet. In reviewing time charged to the programs and supporting time sheets in the current year, no instances were noted where time was charged to the program and could not be supported by a timesheet.

See current finding 07-5, Allowability of Costs, for conditions that were not corrected.

06-6 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

Condition:

- The City did not have documentation to support the amount on Line 1 of the CAPER financial summary, which indicates the unexpended portion of CDBG funds at the end of the previous period. The City should request the support from HUD at a cutoff date of December 31 to verify that the amount reported agrees.
- An amount for program delivery was included in the Planning and Administration cap analysis in the CAPER, resulting in a misstatement of planning and administration costs and the computation of the percentage of planning and administration relative to the program.

Recommendation: We recommend the City develop formal procedures for monitoring the federal grant program reporting process. Amounts reported on the CAPER should be thoroughly reviewed for accuracy. The City needs to put a process in place to ensure that the correct amount is included in the CAPER financial summary for the unexpended CDBG funds at the end of the previous program year. The City should contact HUD each year to ensure that the correct amount is reported in the CAPER.

Current Status: Partially corrected.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2007

Corrections Made: In the prior year, an amount for program delivery was included in the Planning and Administration cap analysis in the CAPER, resulting in a misstatement of planning and administrative costs and the computation of the percentage of planning and administration relative to the program. Upon review of the CAPER in the current year, planning and administrative costs appeared to be properly reported on the CAPER.

See current finding 07-6, Lack of Accurate Reporting, for conditions that were not corrected.

06-7 Subrecipient Monitoring/Pass-Through Entity Monitoring Responsibilities

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

Condition:

- A schedule should be maintained in subrecipient files to compare the cumulative cost of invoices submitted for reimbursement to the individual line items stated on the agreed-upon project budget. This schedule was not present in the subrecipient files selected under the HOME program. Per review with management, this process was implemented in the HOME program in 2007.
- The City was receiving audited financial statements and maintaining a file for the subrecipients tested; however, there was not adequate documentation in the file to indicate that the financial statements were reviewed under the HOME program. Per review with management, this process was implemented in the HOME program in 2007.
- The City does not maintain a monitoring file with respect to the funds passed through the City to the Authority. The Authority does maintain project files; however, the City's Bureau of Housing does not maintain adequate support to demonstrate that the City has monitored the projects to determine that all grant standards have been met.

Current Status: Corrected.

Corrections Made: During our review of subrecipient files, we noted that files for the HOME program included a schedule to compare the cumulative costs of invoices submitted for reimbursements to the individual line items stated on the agreed-upon project budget. In the files reviewed, we noted the files contained an audited financial statement for the subrecipient and also documentation that the financial statement was reviewed.