

**CITY OF YORK, PENNSYLVANIA**

**SINGLE AUDIT REPORT**

***Year Ended December 31, 2015***



*Certified Public Accountants and Business Consultants*

# CITY OF YORK, PENNSYLVANIA

## TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2015

---

	<b>Page</b>
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	1
<b>Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance</b>	3
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10
Schedule of Prior Audit Findings	16

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

To the Members of City Council  
City of York, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of York, Pennsylvania's basic financial statements, and have issued our report thereon dated October 3, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of York, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of York, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of York, Pennsylvania's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-003 and 2015-004 to be material weaknesses.

To the Members of City Council  
City of York, Pennsylvania

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***City of York, Pennsylvania's Response to Findings***

The City of York, Pennsylvania's responses to the findings identified in our audit are described in the corrective action plan. The City of York, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maillie LLP*

Oaks, Pennsylvania  
October 3, 2016

***Independent Auditors' Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards in Accordance With the Uniform Guidance***

To the Members of City Council  
City of York, Pennsylvania

***Report on Compliance for Each Major Federal Program***

We have audited the City of York, Pennsylvania's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of York, Pennsylvania's major federal programs for the year ended December 31, 2015. The City of York, Pennsylvania's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of York, Pennsylvania's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of York, Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of York, Pennsylvania's compliance.

To the Members of City Council  
City of York, Pennsylvania

### ***Opinion on Each Major Federal Programs***

In our opinion, the City of York, Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2015.

### ***Report on Internal Control Over Compliance***

Management of the City of York, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of York, Pennsylvania's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

To the Members of City Council  
City of York, Pennsylvania

***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

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, 2015, and the related notes to the financial statements, which collectively comprise the City of York, Pennsylvania's basic financial statements. We issued our report thereon dated October 3, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maillie LLP*

Oaks, Pennsylvania  
October 3, 2016

## **SUPPLEMENTARY INFORMATION**



**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<b>Direct Programs</b>				
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-42-0018	\$ 212,440	\$ 81,201
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-42-0018	663,857	55,739
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-42-0018	562,609	79,685
Total Community Development Block Grants/Enlistment Grants			<u>1,438,906</u>	<u>216,625</u>
Home Investment Partnerships Program	14.239	M-13-MC-42-0014	7,012	7,012
Home Investment Partnerships Program	14.239	M-14-MC-42-0014	158,725	160,016
Home Investment Partnerships Program	14.239	M-15-MC-42-0014	112,399	76,826
Total Home Investment Partnerships Program			<u>278,136</u>	<u>243,854</u>
Economic Development Initiative-Special Project	14.251	B-10-SP-PA-0161	75,688	-
Fair Housing Assistance Program	14.401	FF203K083002	1,221	-
TOTAL U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FORWARD			<u>1,793,951</u>	<u>460,479</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<b>Direct Programs</b>				
Justice Assistance Grant	16.738	2012-DJ-BX-0101	364	-
Justice Assistance Grant	16.738	2013-DJ-BX-1026	29,250	-
Justice Assistance Grant	16.738	2014-DJ-BX-0992	53,200	-
Justice Assistance Grant	16.738	2015-DJ-BX-0659	19,767	-
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>102,581</u>	<u>-</u>
Bulletproof Vest Partnership Grant	16.607	2014BUBX14075317	1,048	-
TOTAL U.S. DEPARTMENT OF JUSTICE FORWARD			<u>103,629</u>	<u>-</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>Passed through the Pennsylvania Department of Transportation</b>				
Highway Planning and Construction Grant	20.205	08A313	2,400,736	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION FORWARD			<u>\$ 2,400,736</u>	<u>\$ -</u>

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<b>Direct Program</b>				
SAFER Grant	97.083	FG1400810SAF01	\$ 67,311	\$ -
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY FORWARD			<u>67,311</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed through the Pennsylvania Department of Health</b>				
Public Health Emergency Preparedness (Formerly Bioterrorism)	93.069	4100062885-R1	82,188	-
Public Health Emergency Preparedness (Formerly Bioterrorism)	93.069	4100069891	64,783	-
Total Public Health Emergency Preparedness			<u>146,971</u>	<u>-</u>
Hospital Preparedness Program and Public Emergency Preparedness	93.074	410062885 SAF1	983	-
Hospital Preparedness Program and Public Emergency Preparedness	93.074	4100069891	10,560	-
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			<u>11,543</u>	<u>-</u>
Dental Sealant	93.991	4100066637	27,025	-
Dental Sealant	93.991	4100066637	6,366	-
Safe and Healthy Communities (OPANAC)	93.991	SAP 4100067123	232,258	-
Total Preventative Health and Health Services Block Grant			<u>265,649</u>	<u>-</u>
Safe and Healthy Communities (OPANAC)	93.758	SAP 410067123 SAF1	55,848	-
Safe and Healthy Communities (OPANAC)	93.758	SAP 410067123 SAF2	39,955	-
Safe and Healthy Communities (OPANAC)	93.758	SAP 410067123 SAF3	12,301	-
Total Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)			<u>108,104</u>	<u>-</u>
SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES FORWARD			<u>\$ 532,267</u>	<u>\$ -</u>

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
TOTAL FORWARDED			\$ 1,793,951	\$ 460,479
<b>U.S. DEPARTMENT OF JUSTICE</b>				
TOTAL FORWARDED			103,629	-
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
TOTAL FORWARDED			2,400,736	-
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
TOTAL FORWARDED			67,311	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
SUBTOTAL FORWARDED			532,267	-
Project Grants and Cooperative Agreements for Tuberculosis Control	93.116	4100065367	4,693	-
Project Grants and Cooperative Agreements for Tuberculosis Control	93.116	4100065367 SAF2	2,362	-
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs			7,055	-
Maternal and Child Health Services Block Grant to the States	93.994	4100065633 A1	68,170	-
Immunization Cooperative Agreements	93.268	4100067489	157,875	-
HIV Prevention Activities	93.940	4100060806-R1	152,791	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			918,158	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,283,785	\$ 460,479

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, 2015**

---

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of York, Pennsylvania (the "City") and is presented on the modified accrual basis of accounting. Federal expenditures do not include amounts funded by program income. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

**NOTE B - SUBRECIPIENTS**

Of the federal expenditures presented in the schedule and tested as a major program, the City provided federal awards to subrecipients as follows:

	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 216,625
Home Investment Partnerships Program	14.239	<u>243,854</u>
		<u>\$ 460,479</u>

**NOTE C - INDIRECT COST RATES**

The City has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, section 414.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2015**

---

**A. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

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

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

Noncompliance material to financial statements noted: **No**

**Federal Awards**

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

Internal control over major programs:

Material weaknesses(es) identified: **No**

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

Any audit findings disclosed that are required to be reported in accordance with Section 516 of the Uniform Guidance: **No**

Identification of major programs:

Program	CFDA
Highway Planning and Construction Cluster	
Highway Planning and Construction	20.205

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

Auditee qualified as a low-risk auditee: **No**

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2015**

---

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2015-001 General Ledger Management (A similar condition was noted in prior year finding 2014-001.)**

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

**Condition:** During our audit, we noted the following:

- The City of York Redevelopment Authority and the City of York General Authority do not each have a complete self-balancing set of books that includes all of the transactions of each Authority. The consultant compiling the City's financial statements must still combine all the activity from many different accounts of the Redevelopment Authority and the General Authority to prepare complete financial statements. The inherent risk of having an unrecorded transaction in the financial statements is greatly increased by the practice of not having one general ledger where all transactions of the Redevelopment Authority are recorded and one general ledger where all transactions of the General Authority are recorded
- During 2007, the City changed banks for multiple accounts, and some accounts changed from noninterest bearing to interest bearing. During our audit, we noted that the City Treasurer/Control Account had accumulated interest earned in each year from 2007 through 2015 that was not recorded in the City's general ledger. The amounts were recorded as reconciling items on the cash reconciliations for these accounts.

**Cause:**

- The Redevelopment Authority does not maintain a separate self-balancing set of books that includes all transactions of the Redevelopment Authority and the General Authority does not maintain a separate self-balancing set of books that includes all transactions of the General Authority.
- The City does not have a policy in place to allocate and record interest earned in the City Treasurer/Control Account.

**Effect:**

- The Redevelopment Authority cannot produce complete financial statements reflecting all activities of the Redevelopment Authority and the General Authority cannot produce complete financial statements reflecting all activities of the General Authority. The consultant that assists the City in preparing the financial statements combines activity from multiple ledgers and sources to prepare a complete set of financial statements for both the Redevelopment Authority and the General Authority.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2015**

---

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

- Interest that was earned in the City Treasurer/Control Account has not been transferred to the City's investment account. The interest earned was not allocated or recorded in the general ledgers of the City's applicable funds. As of December 31, 2015, the funds accumulated in the City Treasurer/Control Account have been treated as a reconciling item on the year-end cash reconciliations.

***Recommendation:***

- We recommend both the Redevelopment Authority and General Authority maintain a separate and complete self-balancing set of books. The books should include all balance sheet and income statement accounts and reflect all transactions incurred by each Authority. The end-of-year trial balances should be sent to the Finance Department so the City can include this information in the financial statements.
- We recommend the City create a policy to track and allocate the interest earned in the City Treasurer/Control Account. The City Treasurer/Control Account is used to collect monies for the City, County and School District. The policy should address the equitable allocation of interest between the County and the School District and between the City's Governmental and Proprietary Funds.

We further recommend transferring the interest earned in these accounts to the School District, County and City's investment account on a monthly basis. The City's interest should be recorded in the general ledgers of the various funds based upon a monthly allocation calculation.

**2015-002 Cash Management and Interfund Receivables/Payables (A similar condition was noted in prior year finding 2014-002.)**

***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 2015, the City borrowed cash from other funds to cover deficits in several of its funds. Multiple funds have accumulated large cash deficits as a result of current year borrowings and accumulated borrowings from prior years.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2015**

---

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**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.

**Cause:**

**Cash Management** - The City did not have procedures in place to prevent cash deficits from occurring in multiple funds. The City's budget process has not resulted in the funding of these accumulated cash deficits within various funds.

**Interfund Receivables/Payables/Cash Deficits** - During the current year and in prior years, the City did not have procedures in place to prevent cash deficits from occurring in multiple funds, which resulted in interfund receivables and payables and accumulated cash deficits.

**Effect:**

**Cash Management** - As of December 31, 2015, the City borrowed cash from other funds to cover deficits in several of its funds. Significant cash deficits have accumulated in various funds.

**Interfund Receivables/Payables/Cash Deficits** - Significant interfund balances have accumulated over the years from having large cash deficits in certain funds.

**Recommendation:**

**Cash Management** - The City should consider, as part of the budget process, preparing separate cash flow projections by fund. With document in hand, interfund borrowing, as well as the repayment of such borrowing, can be planned.

**Interfund Receivables/Payables/Cash Deficits** - The City should, as part of the budget process, address the repayment of interfund receivables and payables. The balances of receivables and payables should be reviewed by management on an annual basis to determine if repayment is expected in a reasonable time period. If repayment cannot be expected, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.



**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2015**

---

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2015-003 Controls Over Employer Pension Contributions to Plans (A similar condition was noted in prior year finding 2014-003.)**

**Criteria:** Controls must be in place to ensure that minimum municipal pension obligations are paid to the pension funds on a timely basis and in accordance with the Municipal Pension Plan Funding Standards. Municipal Pension Plan Funding Standards require the minimum municipal obligation be paid by the municipality prior to December 31 of the current year.

**Condition:** For 2015, the City funded the entire required minimum municipal pension obligation to the Pension Trust Funds by December 31 of the respective year. For 2015, the required minimum municipal obligation for Fire and the Officers and Employees was \$3,421,997, all of which was funded by December 31, 2015. There was no minimum municipal obligation due for the Police for the 2015 year. However, for the Police, at the end of 2015, there was still a \$1,279,716 obligation remaining for the 2014 minimum municipal obligation excluding significant interest charges, and this obligation continued to accumulate interest. The City recorded a liability for the unfunded minimum municipal pension obligation, as well as the calculated interest charges as of December 31, 2015, in the General Fund and recorded a receivable in the Pension Trust Funds for the equivalent amounts due.

The Municipal Pension Plan Funding Standards require that any amount of minimum obligation of the municipality which remains unpaid as of December 31 shall have interest charged from January 1 of the year in which the minimum obligation was first due until the date of payment. The rate of interest charged shall be paid at the greater amount of the interest rate utilized for the actuarial valuation report or the discount rate applicable to Treasury bills issued by the Department of Treasury of the United States with a six-month maturity as of the last business day in December of the plan year in which the obligation is due. The total calculated accumulated interest due as of December 31, 2015, was \$558,208. The City provided a liability for this amount in the financial statements for the year ended December 31, 2014.

**Cause:** The City did not have controls in place to ensure pension contributions were remitted to the Pension Trust Funds on a timely basis and in accordance with the Municipal Pension Plan Funding Standards.

**Effect:** The City did not fund the entire minimum municipal obligation by December 31 and, therefore, did not comply with the Municipal Pension Plan Funding Standards. This results in additional interest charges which add to the unfunded balance.

**Recommendation:** We recommend the City institute procedures to ensure the minimum municipal obligation is funded prior to December 31 of the same year. In order to fund the pension timely, the City must review the budget process in order to meet the cash flow needs to fund the minimum municipal obligation by year-end.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2015**

---

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2015-004 Controls Over Pension Census Data**

**Criteria:** Controls must be in place to ensure that the actuaries receive accurate census data in order to properly calculate the total pension liability of the pension plan.

**Condition:** During the audit, we audited the employee information provided to the pension plan actuaries that is used as part of the calculation of the total pension liability. During our audit, we identified errors in the employee information, including incorrect birth dates, hire dates and retirement dates. We also identified individuals where records of their birth date, hire date, termination date, retirement date, and survivor birth date could not be located to verify the dates being utilized by the actuaries.

**Cause:** The City did not have controls in place to ensure all pension census data being utilized by the actuaries was accurate. The City also did not have controls in place to ensure that all documents needed to support the census data were maintained.

**Effect:** The census data used by the actuaries to calculate the total pension liability was not accurate in some cases, and in other cases the accuracy of the census data could not be verified.

**Recommendation:** We recommend the City institute procedures to review the census data annually and check the census data against the City's internal records to ensure that the data is accurate and complete. Any corrections should be provided to the actuaries to ensure the total pension liability is calculated as accurately as possible.

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

None noted.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2015**

---

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2014-001 General Ledger Management**

**Condition:** During our audit, we noted the following:

- The City of York Redevelopment Authority and the City of York General Authority do not each have a complete self-balancing set of books that includes all of the transactions of each Authority. The consultant compiling the City's financial statements must still combine all the activity from many different accounts of the Redevelopment Authority and the General Authority to prepare complete financial statements. The inherent risk of having an unrecorded transaction in the financial statements is greatly increased by the practice of not having one general ledger where all transactions of the Redevelopment Authority are recorded and one general ledger where all transactions of the General Authority are recorded
- During 2007, the City changed banks for multiple accounts, and some accounts changed from noninterest bearing to interest bearing. During our audit, we noted that the City Treasurer/Control Account had accumulated interest earned in each year from 2007 through 2014 that was not recorded in the City's general ledger. The amounts were recorded as reconciling items on the cash reconciliations for these accounts.

**Recommendation:**

- We recommend both the Redevelopment Authority and General Authority maintain a separate and complete self-balancing set of books. The books should include all balance sheet and income statement accounts and reflect all transactions incurred by each Authority. The end-of-year trial balances should be sent to the Finance Department so the City can include this information in the financial statements.
- We recommend the City create a policy to track and allocate the interest earned in the City Treasurer/Control Account. The City Treasurer/Control Account is used to collect monies for the City, County and School District. The policy should address the equitable allocation of interest between the County and the School District and between the City's Governmental and Proprietary Funds.

We further recommend transferring the interest earned in these accounts to the School District, County and City's investment account on a monthly basis. The City's interest should be recorded in the general ledgers of the various funds based upon a monthly allocation calculation.

**Current Status:** Not corrected.

**See current finding 2015-001, General Ledger Management.**

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2015**

---

**2014-002 Cash Management and Interfund Receivables/Payables**

***Condition:***

**Cash Management** - The City maintains many of its funds in a pooled account. During 2015, the City borrowed cash from other funds to cover deficits in several of its funds. Multiple funds have accumulated large cash deficits as a result of current year borrowings and accumulated borrowings from prior years.

**Interfund Receivables/Payables/Cash Deficits** - When a particular fund has a cash deficit and borrows funds from another fund, an interfund payable results in the fund that borrowed the funds and an interfund receivable results in the fund that paid out the funds. Over time, these interfund receivables and payables can grow as a result of the fund deficits.

***Recommendation:***

**Cash Management** - The City should consider, as part of the budget process, preparing separate cash flow projections by fund. With document in hand, interfund borrowing, as well as the repayment of such borrowing, can be planned.

**Interfund Receivables/Payables/Cash Deficits** - The City should, as part of the budget process, address the repayment of interfund receivables and payables. The balances of receivables and payables should be reviewed by management on an annual basis to determine if repayment is expected in a reasonable time period. If repayment cannot be expected, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

***Current Status:*** Not corrected.

**See current finding 2015-002, Cash Management and Interfund Receivables/Payables.**

**2014-003 Controls Over Employer Pension Contributions to Plans**

***Condition:*** For 2014, the City did not fund the entire required minimum municipal pension obligation to the Pension Trust Funds by December 31 of the respective year. For 2014, the required minimum municipal obligation for Fire, Police and Officers and Employees was \$5,753,071, of which \$1,632,433 was funded by December 31, 2014. At the end of 2014, there was still a \$1,145,796 obligation remaining for the 2013 minimum municipal obligation excluding significant interest charges, and this obligation continued to accumulate interest. The City recorded a liability for the unfunded minimum municipal pension obligation, as well as the calculated interest charges as of December 31, 2014, in the General Fund and recorded a receivable in the Pension Trust Funds for the equivalent amounts due. The Municipal Pension Plan Funding Standards require that any amount of minimum obligation of the municipality which remains unpaid as of December 31 shall have interest charged from January 1 of the year in which the minimum obligation was first due until the date of payment. The rate of interest charged shall be paid at the greater amount of the interest rate utilized for the actuarial valuation report or the discount rate applicable to Treasury bills issued by the Department of Treasury of the United States with a six-month maturity as of the last business day in December of the plan year in which the obligation is due. The total calculated accumulated interest due as of December 31, 2014, was \$882,213. The City provided a liability for this amount in the financial statements for the year ended December 31, 2014.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2015**

---

**Recommendation:** We recommend the City institute procedures to ensure the minimum municipal obligation is funded prior to December 31 of the same year. In order to fund the pension timely, the City must review the budget process in order to meet the cash flow needs to fund the minimum municipal obligation by year-end.

**Current Status:** Not corrected.

**See current finding 2015-003, Controls Over Employer Pension Contributions to Plans.**

**2014-004 Controls Over Recording of Pension Plan Activity**

**Condition:** For 2014, the City transferred \$2,798,740 from a pre-existing pension investment account to a new investment account. This new investment account was not recorded as an asset, and the activity of the account was not recorded.

**Recommendation:** We recommend the City institute procedures to ensure that any transfers to new investment accounts are tracked and statements are received for the new investment account. Those statements should then be utilized to ensure that all investment accounts are reflected in the activities of the pension fund.

**Current Status:** Corrected.

**Corrections Made:** The City is maintaining accurate and complete records of pension plan activity.