

**CITY OF YORK, PENNSYLVANIA**

**SINGLE AUDIT REPORT**

*Year Ended December 31, 2016*



*Certified Public Accountants and Business Consultants*

# CITY OF YORK, PENNSYLVANIA

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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, 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, 2016, 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 November 20, 2017.

***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 2016-001, 2016-002, 2016-003 and 2016-004 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  
November 20, 2017

***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, 2016. 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

***Basis for Qualified Opinion on Community Development Block Grants/Entitlement Grants CFDA #14.218***

As described in the accompanying schedule of findings and questioned costs, the City of York, Pennsylvania did not comply with requirements regarding CFDA 14.218 Community Development Block Grants/Entitlement Grants as described in finding numbers 2016-005 for Standards for Program Financial Management System, and 2016-006 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the City of York, Pennsylvania to comply with the requirements applicable to that program.

***Qualified Opinion on Community Development Block Grants/Entitlement Grants CFDA #14.218***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 14.218 Community Development Block Grants/Entitlement Grants for the year ended December 31, 2016.

***Basis for Qualified Opinion on Public Safety Partnership and Community Policing Grants CFDA #16.710***

As described in the accompanying schedule of findings and questioned costs, the City of York, Pennsylvania did not comply with requirements regarding CFDA 16.710 Public Safety Partnership and Community Policing Grants as described in finding numbers 2016-005 for Standards for Program Financial Management System, and 2016-007 for Allowable Costs, Cash Management and Reporting. Compliance with such requirements is necessary, in our opinion, for the City of York, Pennsylvania to comply with the requirements applicable to that program.

***Qualified Opinion on Community Development Block Grants/Entitlement Grants CFDA #14.218***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 16.710 Public Safety Partnership and Community Policing Grants for the year ended December 31, 2016.

***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.

To the Members of City Council  
City of York, Pennsylvania

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2016-005 Standards for Program Financial Management System, 2016-006 Subrecipient Monitoring, and 2016-007 for Unallowable Costs, Cash Management and Reporting to be material weaknesses.

The City of York's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of York's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

***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, 2016, 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 November 20, 2017, 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.

To the Members of City Council  
City of York, Pennsylvania

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  
November 20, 2017



## **SUPPLEMENTARY INFORMATION**

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

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-14-MC-42-0018	\$ 101,349	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-42-0018	496,241	10,056
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-42-0018	737,891	91,298
Total Community Development Block Grants/Enlistment Grants			<u>1,335,481</u>	<u>101,354</u>
Home Investment Partnerships Program	14.239	M-14-MC-42-0014	19,712	19,712
Home Investment Partnerships Program	14.239	M-15-MC-42-0014	65,483	65,483
Home Investment Partnerships Program	14.239	M-16-MC-42-0014	43,296	5,880
Total Home Investment Partnerships Program			<u>128,491</u>	<u>91,075</u>
TOTAL U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FORWARD			<u>1,463,972</u>	<u>192,429</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<b>Direct Programs</b>				
Justice Assistance Grant	16.738	2013-DJ-BX-1026	231	-
Justice Assistance Grant	16.738	2015-DJ-BX-0659	38,717	-
Justice Assistance Grant	16.738	2016-DJ-BX-0966	4,993	-
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>43,941</u>	<u>-</u>
Public Safety Partnership and Community Policing Grants	16.710	2015-UM-WX-0152	293,879	-
TOTAL U.S. DEPARTMENT OF JUSTICE FORWARD			<u>337,820</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	177,535	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION FORWARD			<u>\$ 177,535</u>	<u>\$ -</u>

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

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>				
Disaster Grants - Public Assistance	97.036	4267-DR-PA-133-87048-00	\$ 64,105	\$ -
Disaster Grants - Public Assistance	97.036	4267-DR-PA-133-87048-00	16,416	-
Total Disaster Grants - Public Assistance			<u>80,521</u>	<u>-</u>
Assistance to Firefighters Grant	97.044	EMW-2014-FH-00810	51,217	-
SAFER Grant	97.083	FG1400810SAF01	314,815	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY FORWARD			<u>446,553</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	SAP4100073278	68,366	-
Public Health Emergency Preparedness (Formerly Bioterrorism)	93.069	4100069891	94,340	-
Total Public Health Emergency Preparedness			<u>162,706</u>	<u>-</u>
Hospital Preparedness Program and Public Emergency Preparedness	93.074	SAP4100073278	16,047	-
Hospital Preparedness Program and Public Emergency Preparedness	93.074	4100069891	47,526	-
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			<u>63,573</u>	<u>-</u>
Dental Sealant	93.991	4100066637 R-1	44,975	-
Safe and Healthy Communities (OPANAC)	93.991	SAP 4100067123	262,053	-
Total Preventative Health and Health Services Block Grant			<u>307,028</u>	<u>-</u>
Safe and Healthy Communities (OPANAC)	93.758	SAP 410067123 SAF3	47,666	-
Safe and Healthy Communities (OPANAC)	93.758	SAP 410067123 SAF4	66,097	-
Total Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)			<u>113,763</u>	<u>-</u>
SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES FORWARD			<u>\$ 647,070</u>	<u>\$ -</u>

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

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			\$ 1,463,972	\$ 192,429
<b>U.S. DEPARTMENT OF JUSTICE</b>				
TOTAL FORWARDED			337,820	-
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
TOTAL FORWARDED			177,535	-
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
TOTAL FORWARDED			446,553	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
SUBTOTAL FORWARDED			647,070	-
Project Grants and Cooperative Agreements for Tuberculosis Control	93.116	SAP 4100071805	3,436	-
Maternal and Child Health Services Block Grant to the States	93.994	4100065633 A1	85,979	-
Immunization Cooperative Agreements	93.268	4100070651	146,490	-
HIV Prevention Activities	93.940	SAP 4100070696	82,419	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			965,394	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,391,274	\$ 192,429

*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, 2016

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**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 - 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, 2016**

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**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: **Qualified**

Internal control over major programs:

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

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: **Yes**

Identification of major programs:

Program	CFDA
Community Development Block Grants/Entitlement Grants	14.218
Public Safety Partnership and Community Policing Grants	16.710

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, 2016**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2016-001 General Ledger Management (A similar condition was noted in prior year finding 2015-001.)**

**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 2016 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, 2016**

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**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, 2016, 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.

**2016-002 Cash Management and Interfund Receivables/Payables (A similar condition was noted in prior year finding 2015-002.)**

***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 2016, 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, 2016**

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**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, 2016, 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.

**2016-003      Controls Over Pension Census Data (A similar condition was noted in prior year finding 2015-004.)**

**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.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

**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.

**2016-004 Internal Controls Over Ice Rink**

**Criteria:** Controls should be in place to ensure proper financial oversight of the Ice Rink by the City finance department.

**Condition:** The City utilizes an outside Company to manage the Ice Rink operations. The Management Company handles operations as well as accounting matters for the Ice Rink on behalf of the City. During our audit, we noted that various issues with respect to general internal controls in place for the Ice Rink. First, we noted was lack of segregation of duties and daily checks and balances over the receipt process. Second, we noted instances of unrecorded transactions with respect to a contract entered into whereby an asset and corresponding deferred revenue liability was not recorded. Third, we noted a need for improvement over the tracking of deferred revenue for contract ice time. Lastly, we noted a need for improvement over the City oversight over the controls and financial reporting.

**Cause:** There were not appropriate controls and oversight in place for the Ice Rink.

**Effect:** The City did not have proper oversight over the controls for the Ice Rink and errors were noted in recording transactions as well as multiple areas noted for necessary improvements.

**Recommendation:** We recommend that the City should first meet with the outside Management Company to review internal controls over the Ice Rink. The City should design procedures to ensure adequate segregation of duties as well as putting procedures in for checks and balances over the receipt process including daily proofs. The City should ensure that procedures are put in place to track Deferred liabilities over Contract Ice Time. At any point in time the City should be able to generate a report of Deferred Revenue by customer that will tie out to the general ledger. The City should also receive the financial reports, general ledger detail, and supporting sub-ledgers, on a monthly basis, and these reports should be reviewed by the Finance department accuracy.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

**2016-005 Standards for Program Financial Management System**

**Federal Agency:** Department of Housing and Urban Development  
Department of Justice

**Federal Program:** Community Development Block Grants/Entitlement  
Grants – CFDA 14.218  
Public Safety Partnership and Community Policing  
Grants – CFDA 16.710

**Condition:** The City does not have policies and procedures in place to accurately and completely account for federally funded activities separately from non-federally funded activities in their financial management system.

**Criteria:** Section 2 CFR 200.302 of the Uniform Guidance states that the financial management system must provide for identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification and year, name of the Federal agency, and the name of the pass-through entity, if any.

**Effect:** Inaccurate accounting of grant expenditures in the City's financial management system.

**Cause:** The City did not consistently segregate and identify federal grant expenditures separately from their non-federal expenditures.

**Recommendation:** We recommend the City implement procedures to ensure consistent and accurate accounting for federal grant expenditures in accordance with 2 CFR 200.302 of the Uniform Guidance.

**2016-006 Subrecipient Monitoring**

**Federal Agency:** Department of Housing and Urban Development

**Federal Program:** Community Development Block Grants/Entitlement  
Grants – CFDA 14.218

**Condition:** The City does not have policies and procedures in place to perform the required risk assessment of subrecipients to determine the extent of monitoring procedures, and then perform and document the monitoring procedures performed.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

**Criteria:** Section 2 CFR 200.331 of the Uniform Guidance states that pass-thru entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. This evaluation may include, but is not limited to, (1) The subrecipient's prior experience with the same or similar subawards; (2) The results of previous audits including whether or not the subrecipient receives a Single Audit and the extent to which the same or similar subaward has been audited as a major program; and (3) Whether the subrecipient has new personnel or new or substantially changed systems. Based on the results of the evaluation, the City would then have to consider the extent to which monitoring procedures are required. At a minimum, the City must, (1) Review financial and performance reports required by the City, (2) Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the City detected through audits, on-site reviews, and other means, and (3) Issue a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the City as required by §200.521 of the Uniform Guidance. Additionally, the City must perform monitoring visits as stipulated in the contracts between the City and the subrecipients

**Effect:** Subrecipient monitoring procedures were not properly performed and documented by the City.

**Cause:** There is no documentation of any subrecipient risk assessment being performed for grants provided to subrecipients for 2016, nor is there any documentation of any subrecipient monitoring procedures being performed.

**Recommendation:** We recommend the City implement procedures to ensure risk assessment of subrecipients prior to each subaward is performed in accordance with the Uniform Guidance requirements and thoroughly documented. We further recommend that the required subrecipient monitoring be performed and documented for each subaward.

**2016-007 Allowable Costs, Cash Management and Reporting**

**Federal Agency: Department of Justice**

**Federal Program: Public Safety Partnership and Community Policing  
Grants – CFDA 16.710**

**Condition:** The City does not have policies and procedures in place to accurately track all expenditures. This contributes to inaccuracies during completion of the reimbursement requests for grant expenditures and the annual financial report.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

**Criteria:** Benefit expenses charged to the program must be based on actual expenditures incurred for each employee. During 2016, benefit expenditures reported on the supporting schedules for the quarterly reimbursement requests was in excess of the actual expenditures incurred. Reimbursement requests also must be based on actual expenditures paid during the period. In addition to the misstatement of benefit expenditures, there was also a mathematical error on the schedules supporting the reimbursement request in which some eligible costs were excluded from the total, resulting in a misstatement of the amount being requested for reimbursement. These errors also resulted in the annual financial report being misstated.

**Effect:** Unallowable costs were included in the reimbursement request, and reimbursement requests and the annual financial report were not accurate. Although unallowable benefit costs in excess of actual costs were included in the reimbursement requests, the mathematical error noted above resulted in an understatement of expenditures on the reimbursement request. The understatement from the mathematical error exceeds the overstatement of unallowable costs, thus there is no questioned costs.

**Cause:** The City did not accurately track and report actual expenditures for the grant.

**Recommendation:** We recommend the City implement procedures to ensure consistent and accurate accounting for federal grant expenditures in accordance with the Uniform Guidance.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2016**

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**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2015-001      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 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.

**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 2016-001, General Ledger Management.**

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2016**

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**2015-002 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 2016-002, Cash Management and Interfund Receivables/Payables.**

**2015-003 Controls Over Employer Pension Contributions to Plans**

***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.

**CITY OF YORK, PENNSYLVANIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2016**

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**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:** Corrected.

**Corrections Made:** During 2016 the City funded all minimum municipal obligations by year-end.

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

**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.

**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.

**Current Status:** Not corrected.

**See current finding 2016-003, Controls Over Pension Census Data**