

CITY OF YORK, PENNSYLVANIA

SINGLE AUDIT REPORT

Year Ended December 31, 2018

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, 2018, 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 April 15, 2021.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses: 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008 and 2018-009.

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.



Limerick, Pennsylvania
April 15, 2021

***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, 2018. 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 federal statutes, regulations, and terms and conditions of federal awards 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 qualified and unmodified opinions on compliance for major federal programs. 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 2018-010 for Standards for Program Financial Management System, and 2018-011 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, 2018.

Other Matters

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

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.

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.

To the Members of City Council
City of York, Pennsylvania

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 2018-010 Standards for Program Financial Management System and 2018-011 Subrecipient Monitoring 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, 2018, 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 April 15, 2021, 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

Limerick, Pennsylvania
April 15, 2021

SUPPLEMENTARY INFORMATION

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Community Development Block Grants - Entitlement Grants Cluster	14.218	B-14-MC-42-0018	\$ 1,228	\$ -
Community Development Block Grants - Entitlement Grants Cluster	14.218	B-15-MC-42-0018	6,624	-
Community Development Block Grants - Entitlement Grants Cluster	14.218	B-16-MC-42-0018	34,918	-
Community Development Block Grants - Entitlement Grants Cluster	14.218	B-17-MC-42-0018	456,637	95,418
Community Development Block Grants - Entitlement Grants Cluster	14.218	B-18-MC-42-0018	720,642	91,806
Total Community Development Block Grants-Enlistment Grants Cluster			<u>1,220,049</u>	<u>187,224</u>
Home Investment Partnerships Program	14.239	M-15-MC-42-0014	111,317	111,317
Home Investment Partnerships Program	14.239	M-16-MC-42-0014	186,259	116,259
Home Investment Partnerships Program	14.239	M-17-MC-42-0014	18,729	18,729
Home Investment Partnerships Program	14.239	M-18-MC-42-0014	52,442	-
Total Home Investment Partnerships Program			<u>368,747</u>	<u>246,305</u>
Fair Housing Assistance Program	14.401	FF203K073002	1,510	-
Fair Housing Assistance Program	14.401	FF203K083002	950	-
Total Fair Housing Assistance Program			<u>2,460</u>	<u>-</u>
TOTAL U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FORWARD			<u>1,591,256</u>	<u>433,529</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
Justice Assistance Grant	16.738	2016-DJ-BX-0966	3,944	-
Justice Assistance Grant	16.738	2017-DJ-BX-0397	21,123	-
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>25,067</u>	<u>-</u>
Bulletproof Vest Partnership Program	16.607	-	6,300	-
Public Safety Partnership and Community Policing Grants	16.710	2015-UM-WX-0152	312,559	-
TOTAL U.S. DEPARTMENT OF JUSTICE FORWARD			<u>343,926</u>	<u>-</u>

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Program				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	FG1400810SAF01	\$ 134,826	\$ -
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY FORWARD			<u>134,826</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Health				
Public Health Emergency Preparedness	93.069	SAP4100077897	99,535	-
Public Health Emergency Preparedness	93.069	4100080536	62,721	-
Total Public Health Emergency Preparedness			<u>162,256</u>	<u>-</u>
Preventative Health and Health Services Block Grant	93.991	4100077378	35,501	-
Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds	93.758	4100079696	26,175	-
Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds	93.758	SAP 4100077264	285,772	-
Total Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)			<u>311,947</u>	<u>-</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	SAP 4100077835	47,612	-
Maternal and Child Health Services Block Grant to the States	93.994	4100080791	93,448	-
Maternal and Child Health Services Block Grant to the States	93.994	4100065633 R1	63,656	-
Total Maternal and Child Health Services Block Grant to the States			<u>157,104</u>	<u>-</u>
Immunization Cooperative Agreements	93.268	SAP 41000077941	41,935	-
Prevention and Public Health Fund (Affordable Care Act)-Immunization Program	93.539	4100079871	55,759	-
SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES FORWARD			<u>\$ 812,114</u>	<u>\$ -</u>

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
TOTAL FORWARDED			\$ 1,591,256	\$ 433,529
U.S. DEPARTMENT OF JUSTICE				
TOTAL FORWARDED			343,926	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
TOTAL FORWARDED			134,826	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
SUBTOTAL FORWARDED			812,114	-
HIV Prevention Activities - Health Department Based	93.940	4100079928	49,580	-
HIV Prevention Activities - Health Department Based	93.940	SAP 4100070696 R1	41,210	-
Total HIV Prevention Activities - Health Department Based			90,790	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			902,904	-
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed through the Pennsylvania Department of Environmental Protection				
Local Stormwater BMP Implementation Grant	66.488	4100080719	8,809	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,981,721	\$ 433,529

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, 2018

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 2 CFR 200.414.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

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 Cluster	14.218

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, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2018-001 General Ledger Management (A similar condition was noted in prior year finding 2017-001.)

Material weakness

Criteria: Controls must be in place to ensure the Redevelopment Authority and the General Authority maintain an accurate self-balancing general ledger. Controls must be in place to transfer interest earned from the Control Account to the City's accounts and record the interest in the City's 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 Redevelopment Authority's financial statements must combine the activity from many different accounts of the Redevelopment Authority. The Redevelopment Authority does not have complete financial statements which are available on a monthly basis to review until year end once the consultant aids the Authority in pulling the information together.

The City of York General Authority did not maintain a complete and accurate general ledger throughout 2018. The consultant compiling the General Authority's financial statements had to go through the bank statements for each month to reconcile the ledger and perform cash reconciliations.

- As previously noted in prior years' reports during our audit, we noted that the City Control Account had accumulated interest earned in prior years that was not recorded in the City's general ledger and the amounts were not transferred from the Control Account to the City's cash accounts. The amounts were recorded as reconciling items in the Control account as outstanding amounts due. The aggregate amount that was not recorded in the City's ledger and not transferred to the City's accounts as of December 31, 2018 was \$271,433, of which \$164,082 was earned in 2018.

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 did not maintain an accurate general ledger with all transactions throughout the year. The consultant that aids the Redevelopment Authority and the General Authority had to record and make significant adjustments to create complete financial statements at year end.
- The City does not have a policy in place to allocate, transfer and record interest earned in the City Control Account within a timely manner.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

Effect:

- The Redevelopment Authority does not have controls in place to produce complete financial statements, throughout the year, reflecting all activities of the Redevelopment Authority. As such the complete financial statements are not available until the consultant works with the Authority to produce the year-end financial statements. The General Authority does not have controls in place to complete financial statements reflecting all activities of the Authority. The consultant that assists the General Authority had to make significant adjustments in preparing the financial statements for the General Authority.
- Interest that was earned in the City Control Account has not been transferred to the City's pooled cash account. The interest earned was not allocated or recorded in the general ledgers of the City's applicable funds. As of December 31, 2018, the funds accumulated in the City Control Account have been treated as a reconciling item on the year-end cash reconciliations in the aggregate amount of \$271,433.

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 timely track and allocate the interest earned in the City Control Account. The City 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.

2018-002 Cash Management and Interfund Receivables/Payables (A similar condition was noted in prior year finding 2017-002.)

Material weakness

Criteria:

Cash Management - Controls must be in place to monitor and prevent large cash deficits from occurring.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

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 2018, 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. Of particular note, the State Grant Health Fund and the Ice Rink have been accumulating significant cash deficits and related borrowings due to other funds.

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, 2018, 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.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

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.

2018-003 Controls Over Pension Census Data (A similar condition was noted in prior year finding 2017-003.)

Material weakness

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 noted there were various individuals with incorrect dates of birth or hire within the census data which was provided by the City to the Actuary to determine the total pension liability.

Cause: The City did not have controls in place to ensure all pension census data being utilized by the actuaries was accurate.

Effect: The census data used by the actuaries to calculate the total pension liability was not accurate in some cases for certain individuals.

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. A second review procedure from another individual that did not prepare the information should be put in place to verify the accuracy of the information provided to the Actuary.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

2018-004 Preparation of Timely and Accurate Cash Reconciliations (A similar condition was noted in prior year finding 2017-004.)

Material weakness

Criteria: Controls should be in place to ensure that timely and accurate cash reconciliations are prepared by the City and the General Authority

Condition:

City of York Cash Accounts and City Control Account – Lack of Timely Reconciliations and Transfers

When funds are receipted through the City's system the amounts are recorded in the City's general ledger and the City's respective pooled operating account. However, the initial deposit will go to the City Control Account. The Controller's office oversees and reconciles the City Control Account and makes transfers from the City Control Account to the City's pooled operating account. Essentially the City Control Account is a zero-balance account meaning that the amount in the bank statement is either due to the City or to the County and School District for which the funds are collected as an intermediary. As the City Finance Department prepares reconciliations for their pooled operating account they will review the reconciliation from the Control Account to ensure that the amounts presented as outstanding amounts due from the City Control Account agree to what the City is showing as deposits in transit due to the City pooled operating account.

During our 2018 audit and from review with management the reconciliations prepared for the City Control Account were not prepared or provided to the City Finance Department in a timely manner. There were significant delays in preparing the reconciliations for the City Control Account as well as the City's pooled operating account. The City's Finance Department informed us that they did not receive the reconciliation of the City Control Account for the month ended December 31, 2018 until March of 2019. As of the date of this report, the Finance Department also indicated that significant delays in receiving this reconciliation remain.

Further, the reconciliation prepared for the City Control Account included outstanding transfers labeled as "Open Payments." Upon requesting the detail of what made up this amount on the reconciliation, we were informed that detail had not been maintained and was no longer available.

In addition to the reconciliation process being delayed the transfers from the City Control Account to the City's accounts were not made timely. As a result, there were significant accumulations of funds in the City Control Account throughout 2018. As such the City and General Authority did not have access to the funds on a timely basis. As of the date of this report, the Finance Department also indicated that significant delays in receiving funds on a timely basis continue.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

General Authority Cash Was Not Reconciled to the General Ledger on a Timely Basis

The City of York General Authority did not maintain a complete and accurate general ledger throughout 2018 and the consultant compiling the General Authority's financial statements had to go through the bank statements for each month to reconcile the ledger and perform cash reconciliations.

Reconciliations – Resolving Older Reconciling Items

During our review of the City's bank reconciliations we noted a number of reconciling items in excess of one year old. We also noted the city has cumulative prior unresolved differences on the investment account reconciliation from prior years. In addition, the City has an older accounts payable account that it no longer utilizes with a cash balance in the bank statement. The City could not provide an updated listing of outstanding checks against this balance but has treated the balance as being completely offset by outstanding checks against the overall balance.

Cause:

City of York Cash Accounts and City Control Account – Lack of Timely Reconciliations and Transfers

There were not appropriate controls and oversight to complete cash reconciliations in a timely manner. Management informed us originally the reconciliations of the Control Account became delayed because the City changed to a new software for the receipts system in 2017. The new system did not allow the City to produce a detailed receipt report by fund as they had in the past to provide to the Controller's office. To get around the issue the City hired another firm to take data from the City's receipt system to create the report for the Controller's office, however this also contributed to delays because of the time required to get the information to the third party and then get the report back. We were informed that the City had their software system updated by their consultant to produce the report in early 2019. With this said the cash reconciliations remain significantly delayed and are not being completed timely as of the date of this report. Detail for the open payments on the reconciliation was also not maintained.

General Authority Cash Was Not Reconciled to the General Ledger on a Timely Basis

The City of York General Authority did not have controls in place to ensure that the general ledger was maintained throughout the year and that timely cash reconciliations were performed.

Reconciliations – Resolving Older Reconciling Items

The City does not have a process in place to ensure that older reconciling differences or older checks that have not cleared are researched promptly so that corrective action can be taken.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

Effect:

City of York Cash Accounts and City Control Account – Lack of Timely Reconciliations and Transfers

The City did not receive transfers from the City Control Account on a timely basis which can lead to cash flow issues. The reconciliations for the City Control Account and the City pooled operating account were not completed on a timely basis. The lack of timely reconciliations does not allow management to timely discover errors and to confirm that the book cash amounts recorded agree to a completed reconciliation. The lack of detail of open payments reported on the reconciliation does not allow management to review and determine that the listing is complete and accurate.

General Authority Cash Was Not Reconciled to the General Ledger on a Timely Basis

The consultant had to make significant adjustments to cash at year end in order to prepare the financial statements and to reconcile cash balances.

Reconciliations – Resolving Older Reconciling Items

The City has carried older unresolved reconciling differences on current reconciliations. The City has not investigated older outstanding checks that have not cleared over one year.

Recommendation:

City of York Cash Accounts and City Control Account – Lack of Timely Reconciliations and Transfers

The City's Finance Department and the City Controller's office should put controls in place to ensure that transfers are made timely from the City Control Account to the City pooled operating account and to ensure that cash reconciliations are completed timely for the City Control Account and the City pooled operating account. We recommend that the City Finance Department should meet with the Controller's office to first determine the issues that are causing delays in the completion of the reconciliations. In addition, we recommend that there should be established dates for how long it should take for deposits to be transferred from the City Control Account to the City pooled operating account. Furthermore, dates should be established for completing the cash reconciliations for the City Control Account as well as the City operating accounts. We would recommend that the reconciliations should not be completed any later than the end of the following month for the month prior, and we would encourage completing them even earlier if possible. We also recommend that for any amounts listed on the reconciliation in total, such as the open payments, that detailed listings of what makes up those totals be maintained with the reconciliation.

General Authority cash was not reconciled to the General Ledger on a timely basis

The General Authority should implement controls to ensure that all transactions are recorded in the general ledger on a timely basis and to ensure that cash reconciliations are completed on a timely basis and reconciled to the general ledger.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

Reconciliations – resolving older reconciling items

We recommend that the City review the older unreconciled differences carried on the reconciliations as well as older outstanding items and determine the necessary action to be taken. If it is determined that older amounts for checks were voided, then adjustments should be made to the ledger accordingly. The City should also ensure through the review of the reconciliations and older outstanding checks that they have appropriately reported these uncashed checks and complied with the Unclaimed Property Regulations of the Commonwealth of Pennsylvania.

2018-005 Timely Financial Reporting and Continuing Disclosure Requirements (A similar condition was noted in prior year finding 2017-005.)

Material weakness

Criteria: Controls should be in place to ensure timely Financial Reporting. The City has Continuing Disclosure requirements as stipulated in their bonds for which they need to upload the annual audit report to the Electronic Municipal Market Access System (EMMA) by a specified date based on the bond agreements.

Condition: The City had significant delays in completing Financial Statements and as such the audit was delayed. The City did not meet the time requirements to upload their audited financial statements to the (EMMA) system in compliance with their Continuing Disclosure requirements in accordance with their bond agreements.

Cause: The City works with a consultant to put the financial statements together and there were significant delays in the City getting the necessary information to the Consultant in order to complete the compiled financial statements. As such this delayed the audit and the City did not meet the time requirements as stipulated in their Continuing Disclosure Agreements within the bonds.

Effect: The City did not upload the audited financial statement to the EMMA system by the required dates as stipulated in the Bond agreements and as such they were not in compliance with their Continuing Disclosure requirements.

Recommendation: We recommend that the City should put procedures in place to ensure that financial statements are prepared and completed on a timely basis to allow the City to meet the requirements with their Continuing Disclosure Requirements.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

2018-006 Findings Noted From Pension Compliance Audit Performed by The Commonwealth of Pennsylvania Department of Auditor General (A similar condition was noted in prior year finding 2017-007.)

Material weakness

The following findings reported were noted from our review of the Compliance Audit of the City of York Pension Trust Fund conducted by the Commonwealth of Pennsylvania Department of the Auditor General (“the State Auditor”) for the period January 1, 2016 to December 31, 2017. The findings presented below are summaries or excerpts from that report. For the full details and recommendations to the findings the reader should refer to the actual Compliance Audit report as prepared by the Commonwealth of Pennsylvania Department of Auditor General.

Criteria: In administering the pension plans the City is required to follow the rules and regulations of Act 205.

Condition: The Commonwealth of Pennsylvania Department of Auditor General performed a compliance audit of the City of York Pension Trust Fund for the period January 1, 2016 to December 31, 2017. There were five findings in the report of which three still pertain to controls for 2018.

- The City Adopted an Ordinance to increase its Earned Income Tax for both residents and non-residents above the maximum rates for the purpose of defraying the additional pension cost required to be paid pursuant Act 205. The City failed to determine its level of contributions to its pension plans prior to the implementation of the special municipal tax as required under the distress provisions of Act 205 and to ensure it met its requirement of funding for 2016 and 2017.

While not noted in the compliance audit this finding will also pertain to 2018.

- The City could not provide support to the State Auditors for the approved MMOs for 2018 as the City could not locate the 2018 FRP-MMO calculations. In addition, the City was unable to provide support that the 2018 MMOs were approved via City Council Minutes.
- The State Auditors noted that the City did not fully pay the MMO for 2017 for the Firefighter’s pension plan for 2017 with an amount of underpayment of \$3,042.

Condition: During the 2018 audit, we noted that the Firefighter’s pension plan MMO was fully paid. However, the City did not fully pay the MMO for 2018 for the Police Pension plan with an amount of underpayment of \$59,017, plus interest.

Cause: The City did not have controls in place to ensure the City complied with Act 205 and the rules and regulations with respect to the special municipal tax as required under the distress provisions of Act 205.

Effect: The City did not fund their pension obligations in accordance with Act 205 and the special municipal tax requirements under the distressed provisions of Act 205.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

Recommendation: The City should ensure they follow all of the detailed recommendations noted in the Commonwealth of Pennsylvania Department of Auditor General's report. The City should implement controls to ensure they are in compliance with Act 205. The City should communicate regularly with their Actuary regarding all pension issues to ensure they are appropriately calculating and funding the required obligations to the plan in accordance with Act 205 and the special municipal tax requirements defined under the Act.

2018-007 Sewer and Refuse Accounts Receivable (A similar condition was noted in prior year finding 2017-008.)

Material weakness

Criteria: The City should have procedures in place to ensure that accounts receivable for sewer and refuse are appropriately recorded in the general ledger.

Condition: During 2017 the City implemented a new software system for Refuse and Sewer Billing. During our 2017 and 2018 audits we noted that the aging report for Refuse and Sewer Billing that was utilized to adjust the general ledger receivable balance had inactive accounts in the total balances. The inactive accounts would be accounts whereby collections could not be made, such as bankruptcy. As such the receivables and related allowances recorded in the financial statements were overstated by the inactive accounts. An audit adjustment was made to adjust the receivables by taking the total receivable per the aging report and by removing the inactive accounts as provided on an inactive listing as provided by the City.

Cause: The aged receivable report produced from the new system included inactive accounts.

Effect: The Refuse and Sewer Billing receivables and allowances recorded in the City's financial statement were overstated and an adjustment had to be made to eliminate the inactive accounts.

Recommendation: The City should verify with the software consultant if the accounts receivable aging report for Refuse or Sewer could be run without including inactive accounts. If the software program cannot be modified, the City should ensure they run a report for inactive accounts and reduce the amount recorded in the general ledger for receivables and allowances by subtracting the amounts noted on the separately run inactive reports.

2018-008 Data Collection Form

Material weakness

Criteria: An entity subject to a Single Audit is required to submit and certify its audit package and Data Collection Form within nine months of its fiscal year-end.

Condition: The City did not submit and certify its Data Collection Form to the Federal Audit Clearinghouse within nine months of the fiscal year-end.

Cause: The Single Audit was not completed and submitted in a timely manner.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

Effect: The City is not in compliance with Federal Audit Clearinghouse requirements.

Recommendation: We recommend that the City institute policies and procedures that allow for the Data Collection Form to be submitted by the required deadline

2018-009 General Authority Amounts Due to the City Under the Management Agreement

Material weakness

Criteria: There should be procedures in place to ensure that upon approval of the monthly requisition, that amounts due to the City under the Parking Facilities Management Agreement be paid in a timely manner.

Condition: While requisitions are approved on a monthly basis as part of the General Authority board meetings, payments are not made to the City on a timely basis.

Cause: Amounts due to the City under the Parking Facilities Management Agreement and approved by the Board at their monthly meetings were not subsequently paid to the City on a timely basis.

Effect: As of December 31, 2018, the Authority owed the City \$1,492,386, which included six monthly billed amounts totaling \$637,301 unpaid from 2012, three monthly billed amounts totaling \$267,609 unpaid from 2017, and five monthly billed amounts totaling \$461,612 unpaid from 2018. The remaining portion of the liability is composed of parking tax due and other amounts due, net of a credits for overpayments from prior years.

Recommendation: We recommend procedures are put in place to ensure all payments under the Parking Facilities Management Agreement that are approved as part of the monthly requisitions by the Board are paid on a timely basis, and that payments are made to the City for any past due amounts.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

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

2018-010 Standards for Program Financial Management System (A similar condition was noted in prior year finding 2017-009.)

Federal Agency: Department of Housing and Urban Development

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

Materia Weakness/Material Noncompliance

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.

Questioned Costs: There are no questioned costs associated with this finding.

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.

2018-011 Subrecipient Monitoring (A similar condition was noted in prior year finding 2017-010.)

Federal Agency: Department of Housing and Urban Development

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

Materia Weakness/Material Noncompliance

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, 2018

**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 2018, and only partial documentation of any subrecipient monitoring procedures being performed.

Questioned Costs: There are no questioned costs associated with this finding.

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.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

2017-001 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. This increases the risk of having an unrecorded transaction in the financial statements.
- We noted that the City Control Account had accumulated interest earned in prior years that was not recorded in the City's general ledger and the amounts were not transferred from the Control Account to the City's cash accounts. The amounts were recorded as reconciling items in the Control account as outstanding amounts due. The aggregate amount that was not recorded in the City's ledger and not transferred to the City's accounts as of December 31, 2017, was \$107,351, of which \$78,229 was earned in 2017.

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 Control Account. The City 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 2018-001, General Ledger Management

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

2017-002 Cash Management and Interfund Receivables/Payables

Condition:

Cash Management - The City maintains many of its funds in a pooled account. During 2017, 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. Of particular note, the State Grant Health Fund and the Ice Rink have been accumulating significant cash deficits and related borrowings due to other funds

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 2018-002, Cash Management and Interfund Receivables/Payables

2017-003 Controls Over Pension Census Data

Condition: During the audit, we noted there were various individuals with incorrect dates of birth within the Officers and Employees Retirement Fund census data which was provided by the City to the Actuary to determine on the total pension liability.

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. A second review procedure from another individual that did not prepare the information should be put in place to verify the accuracy of the information provided to the Actuary.

Current Status: Not corrected

See current finding 2018-003, Controls Over Pension Census Data

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

2017-004 Preparation of Timely and Accurate Cash Reconciliations

Condition:

City of York Cash Accounts and City Control Account – Lack of Timely Reconciliations and Transfers

When funds are receipted through the City's system the amounts are recorded in the City's general ledger and the City's respective pooled operating account. However, the initial deposit will go to the City Control Account. The Controller's office oversees and reconciles the City Control Account and makes transfers from the City Control Account to the City's pooled operating account. Essentially the City Control Account is a zero-balance account meaning that the amount in the bank statement is either due to the City or to the County and School District for which the funds are collected as an intermediary. As the City Finance Department prepares reconciliations for their pooled operating account they will review the reconciliation from the Control Account to ensure that the amounts presented as outstanding amounts due from the City Control Account agree to what the City is showing as deposits in transit due to the City pooled operating account.

During our 2017 audit and from review with management the reconciliations prepared for the City Control Account were not prepared or provided to the City Finance Department in a timely manner. There were significant delays in preparing the reconciliations for the City Control Account as well as the City's pooled operating account. The City's Finance Department informed us that they did not receive the reconciliation of the City Control Account for the month ended December 31, 2017 until July of 2018. As of the date of this report, the Finance Department also indicated that significant delays in receiving this reconciliation remain, as the last reconciliation the City's Finance Department has received was in March of 2019 for December of 2018. As such through the date of this report the City has not received any 2019 reconciliations, and as such they would not be able to fully complete their reconciliation process of the City's pooled account for the 2019 reconciliations.

In addition to the reconciliation process being delayed the transfers from the City Control Account to the City's accounts were not made timely. As a result, there were significant accumulations of funds in the City Control Account throughout 2017. As such the City and General Authority did not have access to the funds on a timely basis. Based on our review of the reconciliations as of the December 2017 Controller's account reconciliation City Control Accounts had outstanding transfers due to the City pooled operating account in the amount of \$5,305,123, the Intermunicipal Sewer Fund in the amount of \$2,572,809, and the General Authority in the amount of \$882,591.

General Authority Cash Was Not Reconciled to the General Ledger on a Timely Basis

The City of York General Authority did not maintain a complete and accurate general ledger throughout 2017 and the consultant compiling the General Authority's financial statements had to go through the bank statements for each month to reconcile the ledger and perform cash reconciliations. In addition, the consultant had to record a significant journal entry to adjust cash and to record meter revenue that was not recorded in the ledger in the amount of approximately \$467,000.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

Recommendation:

City of York Cash Accounts and City Control Account – Lack of Timely Reconciliations and Transfers

The City's Finance Department and the City Controller's office should put controls in place to ensure that transfers are made timely from the City Control Account to the City pooled operating account and to ensure that cash reconciliations are completed timely for the City Control Account and the City pooled operating account. We recommend that the City Finance Department should meet with the Controller's office to first determine the issues that are causing delays in the completion of the reconciliations. In addition, we recommend that there should be established dates for how long it should take for deposits to be transferred from the City Control Account to the City pooled operating account. Furthermore, dates should be established for completing the cash reconciliations for the City Control Account as well as the City operating accounts. We would recommend that the reconciliations should not be completed any later than the end of the following month for the month prior, and we would encourage completing them even earlier if possible.

General Authority cash was not reconciled to the General Ledger on a timely basis

The General Authority should implement controls to ensure that all transactions are recorded in the general ledger on a timely basis and to ensure that cash reconciliations are completed on a timely basis and reconciled to the general ledger.

Reconciliations – resolving older reconciling items

We recommend that the City review the older unreconciled differences carried on the reconciliations as well as older outstanding items and determine the necessary action to be taken. If it is determined that older amounts for checks were voided, then adjustments should be made to the ledger accordingly. The City should also ensure through the review of the reconciliations and older outstanding checks that they have appropriately reported these uncashed checks and complied with the Unclaimed Property Regulations of the Commonwealth of Pennsylvania.

Current Status: Not corrected. .

See current finding 2018-004, Preparation of Timely and Accurate Cash Reconciliations

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

2017-005 Timely Financial Reporting and Continuing Disclosure Requirements

Condition: The City had significant delays in completing Financial Statements and as such the audit was delayed. The City did not meet the time requirements to upload their audited financial statements to the (EMMA) system in compliance with their Continuing Disclosure requirements in accordance with their bond agreements.

Recommendation: We recommend that the City should put procedures in place to ensure that financial statements are prepared and completed on a timely basis to allow the City to meet the requirements with their Continuing Disclosure Requirements.

Current Status: Not corrected

See current finding 2018-005, Timely Financial Reporting and Continuing Disclosure Requirements

2017-006 Rate Utilized to Bill Other Participating Municipalities for Debt Services for the Sewer System

Condition: The City bills other connected municipalities for allocated percentages of debt service payments. The City also records a lease rental receivable on the Sewer Fund balance sheet, for the aggregate amount of debt services that due from the other municipalities based on established percentages.

In performing our audit, we noted that during the 2017 Bond due diligence process the City and the Sewer Authority discovered that the City was billing debt service to the connected municipalities at an incorrect rate. In addition, we noted that the City was still utilizing the rate prior to the correction to record the lease rental receivable from the other municipalities. The rate that was being utilized prior to 2017, for the total aggregate amount due from all other municipalities was 53.51; however, the revised and updated rate was 53.54. No adjustment was made to the 2017 financial statements by the City for the lease rental receivable as it was determined the adjustment to the City's balance sheet would not be material to the financial statements. In addition, per review of the change in rates we noted that the individual percentages charged to each individual participating municipality were revised as well.

Recommendation: We recommend that the correct percentages be used for recording the total lease rental receivables with-in the City's financial statement. We also recommend that the City and the Authority should review the total differences in billings to the participating municipalities and coordinate with these municipalities to resolve the issue.

Current Status: Corrected

During our audit we noted that the correct rates were used.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

2017-007 Findings Noted From Pension Compliance Audit Performed by The Commonwealth of Pennsylvania Department of Auditor General

Condition: The Commonwealth of Pennsylvania Department of Auditor General performed a compliance audit of the City of York Pension Trust Fund for the period January 1, 2016 to December 31, 2017. There were five findings in the report which we have noted below.

Finding 1 - The City had incorrect data on the Certification Form AG 385 resulting in the overpayment of State aid.

Finding 2 - The City Adopted an Ordinance to increase its Earned Income Tax for both residents and non-residents above the maximum rates for the purpose of defraying the additional pension cost required to be paid pursuant Act 205. The City failed to determine its level of contributions to its pension plans prior to the implementation of the special municipal tax as required under the distress provisions of Act 205 and to ensure it met its requirement of funding for 2016 and 2017.

Finding 3 - The City could not provide support to the State Auditors for the approved MMOs for 2018 as the City could not locate the 2018 FRP-MMO calculations. In addition, the City was unable to provide support that the 2018 MMOs were approved via City Council Minutes.

Finding 4 - The Plan's officials did not comply with the plan's governing document requirements and as such an error in calculated benefits was paid to four retirees which resulted in an overpayment of benefits as of the date of their report in the amount of \$2,234.

Finding 5 - The State Auditors noted that the City did not fully pay the MMO for 2017 for the Firefighter's pension plan for 2017 with an amount of underpayment of \$3,042.

Recommendation: The City should ensure they follow all of the detailed recommendations noted in the Commonwealth of Pennsylvania Department of Auditor General's report. The City should implement controls to ensure they are in compliance with Act 205. The City should communicate regularly with their Actuary regarding all pension issues to ensure they are appropriately calculating and funding the required obligations to the plan in accordance with Act 205 and the special municipal tax requirements defined under the Act.

Current Status: Not corrected

See current finding 2018-006, Findings Noted From Pension Compliance Audit Performed by The Commonwealth of Pennsylvania Department of Auditor General

2017-008 Sewer and Refuse Accounts Receivable

Condition: During 2017 the City implemented a new software system for Refuse and Sewer Billing. During our audit we noted that the aging report for Refuse and Sewer Billing that was utilized to adjust the general ledger receivable balance had inactive accounts in the total balances. The inactive accounts would be accounts whereby collections could not be made, such as bankruptcy. As such the receivables and related allowances recorded in the financial statements were overstated by the inactive accounts. An audit adjustment was made to adjust the receivables by taking the total receivable per the aging report and by removing the inactive accounts as provided on an inactive listing as provided by the City.

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

Recommendation: The City should verify with the software consultant if the accounts receivable aging report for Refuse or Sewer could be run without including inactive accounts. If the software program cannot be modified, the City should ensure they run a report for inactive accounts and reduce the amount recorded in the general ledger for receivables and allowances by subtracting the amounts noted on the separately run inactive reports.

Current Status: Not corrected

See current finding 2018-007, Sewer and Refuse Accounts Receivable

2017-009 Standards for Program Financial Management System

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 accurately and completely account for federally funded activities separately from non-federally funded activities in their financial management system.

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.

Current Status: Not corrected

See current finding 2018-010, Standards for Program Financial Management System

2017-010 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.

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.

Current Status: Not corrected

See current finding 2018-011 Subrecipient Monitoring

CITY OF YORK, PENNSYLVANIA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

2017-011 Cash Management

Federal Agency: Department of Housing and Urban Development

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

Condition: During our audit we noted one transaction whereby the CDBG funds were not expended until 8 business days after the receipt of the funds and as such the requirement to expend the funds within a timely manner was not met. The amount of the expenditure was \$15,100.

Recommendation: We recommend the City review the controls over the CDBG program to ensure that procedures are in place to ensure that disbursements are made in a timely manner in accordance with the federal regulations of the CDBG program.

Current Status: Corrected

We noted no transactions where funds were no expended within a timely manner.

2017-012 Lack of Internal Controls over Preparation of the Schedule of Expenditures of Federal Awards

Condition: The City failed to properly identify all federal grant expenditures and related information required by Uniform Guidance to be reported in the 2017 schedule of expenditures of federal awards.

Recommendation: The City should institute procedures to ensure that an accurate and complete schedule of expenditures of federal awards is maintained. The city should prepare and update this schedule on an ongoing basis throughout the year.

Current Status: Corrected

The City identified all federal grant expenditures and related information required in the 2018 schedule of expenditures of federal awards.

**The City of York
Pennsylvania**

Honorable Michael Helfrich, Mayor



Finance
101 South George Street
York, PA 17401
www.yorkcity.org

April 13, 2021

U. S. Department of Housing and Urban Development

The City of York, Pennsylvania respectfully submits the attached corrective action plan for the year ended December 31, 2018.

Auditor:

Maillie, LLP
500 North Lewis Road
Limerick, PA 19468

A handwritten signature in cursive script that reads "Cherie A. Alwine".

Cherie A. Alwine
Deputy Business Administrator for Finance

City of York
2018 Audit
Corrective Action Plan

FINDINGS-FINANCIAL STATEMENTS AUDIT

2018-001 General Ledger Management (A similar condition was noted in prior year finding 2017-001.)

Criteria: Controls must be in place to ensure the Redevelopment Authority and the General Authority maintain an accurate self-balancing general ledger. Controls must be in place to transfer interest earned from the Control Account to the City's accounts and record the interest in the City's 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 Redevelopment Authority's financial statements must combine the activity from many different accounts of the Redevelopment Authority. The Redevelopment Authority does not have complete financial statements which are available on a monthly basis to review until year end once the consultant aids the Authority in pulling the information together.
- The City of York General Authority did not maintain a complete and accurate general ledger throughout 2018. The consultant compiling the General Authority's financial statements had to go through the bank statements for each month to reconcile the ledger and perform cash reconciliations
- As previously noted in prior years' reports during our audit, we noted that the City Control Account had accumulated interest earned in prior years that was not recorded in the City's general ledger and the amounts were not transferred from the Control Account to the City's cash accounts. The amounts were recorded as reconciling items in the Control account as outstanding amounts due. The aggregate amount that was not recorded in the City's ledger and not transferred to the City's accounts as of December 31, 2018 was \$271,433, of which \$164,082 was earned in 2018..

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 timely track and allocate the interest earned in the City Control Account. The City 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

Corrective Action to be Taken

In 2014, the Deputy Business Administrator for Finance and the Financial Analyst met with representatives of the RDA regarding the information needed to maintain a separate set of records for the Redevelopment Authority within the City's financial management system. In August 2015, the City implemented General Ledger and Accounts Payable portion of our new financial management system, Microsoft Dynamics AX 2012. The Financial Analyst has been working with our consultants to include the Redevelopment Authority records in this new system. However, the Redevelopment Authority Board elected not to use the Dynamics AX at this time; but the Redevelopment Authority City staff implemented Quickbooks in March 2019 to maintain a complete set of self-balancing books.

In 2017, the Financial Analyst was out of work for an extended period of time and due to the lack of manpower, we were unable to shift the duties to another member of the Finance department. However, the Parking Bureau Manager has been tasked to provide the General Authority Board with a complete and accurate general ledger. In June 2019, the General Authority has contracted with an accounting firm to process Accounts Payables.

The City has the following procedure in place to allocate the interest earned in the City Control Account. The procedure is: Deputy Controller keeps spreadsheet showing daily deposits and transfers out to the various entities. This spreadsheet is given to Finance quarterly to calculate the interest due to each entity. The calculation is the average ending monthly balance divided by 365 days times the number of days in the month times the monthly interest rate.

In 2017, the City implemented a new cash receipting system. The emphasis was placed on correcting errors with the new system which impacted both the City Controller's Office and the Finance Bureau. The Finance Bureau and Controller's Office are working to resolve this matter in order that the interest earned is allocated in a timely manner. However, due to staffing issues this has not been completed on a consistent basis. The City Controller's Office and Finance Bureau will endeavor to resolve this matter by June 30, 2021.

Timetable for Correction

The interest for 2017, 2018 and 2019 will be allocated by June 30, 2021.

Monitoring to be Performed

Monitoring will be performed on a quarterly basis.

Responsible Person with Scope of Authority

The Controller's Office will be responsible to provide the necessary and appropriate spreadsheet showing daily deposits and transfers out to the various entities. This spreadsheet will be given to Finance quarterly to calculate the interest due to each entity. The calculations will be the responsibility of the assigned Staff Accountant and monitored by the Deputy Business Administrator of Finance.

2018-002 Cash Management and Interfund Receivables/Payables (A similar condition was noted in prior year finding 2017-002.)

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 2018, 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. Of particular note, the State Grant Health Fund and the Ice Rink have been accumulating significant cash deficits and related borrowings due to other funds.

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.

Corrective Action to be Taken

The City continues to maintain a cash flow projection in each fund and has taken steps to reduce the fund deficits where possible. The Administration introduced a plan to eliminate the deficit and prevent any future shortfalls by allocating more support to State Health Grants in 2016. The State Health Grants fund deficit was \$372,929.00 as of 12/31/18 down from a fund deficit of \$610,237.00 as of 12/31/14. The White Rose Community Television fund deficit was reduced in 2018 from a deficit of \$269,966 as of 12/31/15 to a deficit of \$109,696.00 as of 12/31/18. The administration remains committed to a four-year plan to eliminate the fund deficit.

Timetable for Correction

The administration is committed to eliminate the State Health Grants and White Rose Community Television fund deficits by December 31, 2020.

Monitoring to be Performed

Monitoring will be performed on an annual basis.

Responsible Person with Scope of Authority

During the budget process, the Business Administrator, Assistant Business Administrator and the Deputy Business Administrator of Finance will determine the support to each of the funds.

2018-003. Controls Over Pension Census Data (A similar condition was noted in prior year finding 2017-003)

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 noted there were various individuals with incorrect dates of birth or hire within the census data which was provided by the City to the Actuary to determine the total pension liability.

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. A second review procedure from another individual that did not prepare the information should be put in place to verify the accuracy of the information provided to the Actuary.

Corrective Action to be Taken

City staff from Human Resources and Finance departments will be reviewing all census data to be sure the information is accurate and make the necessary corrections.

Timetable for Correction

Corrections have been made to the census data and going forward, staff from Human Resources and Finance will be responsible for adding new census information.

Monitoring to be Performed

Monitoring will be performed as updated and new data is added.

Responsible Person with Scope of Authority

This information will be reviewed by the Deputy Business Administrator of Human Resources, Deputy Business Administrator for Finance and the Staff Accountant responsible for Payroll.

2018-004. Preparation of timely and accurate cash reconciliations (A similar condition was noted in prior year finding 2017-004.)

Criteria: Controls should be in place to ensure that timely and accurate cash reconciliations are prepared by the City and the General Authority

Condition:

City of York cash accounts and City Control Account – Lack of timely reconciliations and transfers

When funds are receipted through the City's system the amounts are recorded in the City's general ledger and the City's respective pooled operating account. However, the initial deposit will go to the City Control Account. The Controller's office oversees and reconciles the City Control Account and makes transfers from the City Control Account to the City's pooled operating account. Essentially the City Control Account is a zero-balance account meaning that the amount in the bank statement is either due to the City or to the County and School District for which the funds are collected as an intermediary. As the City Finance Department prepares reconciliations for their pooled operating account they will review the reconciliation from the Control Account to ensure that the amounts presented as outstanding amounts due from the City Control Account agree to what the City is showing as deposits in transit due to the City pooled operating account.

During our 2018 audit and from review with management the reconciliations prepared for the City Control Account were not prepared or provided to the City Finance Department in a timely manner. There were significant delays in preparing the reconciliations for the City Control Account as well as the City's pooled operating account. The City's Finance Department informed us that they did not receive the reconciliation of the City Control Account for the month ended December 31, 2018 until March of 2019. As of the date of this report, the Finance Department also indicated that significant delays in receiving this reconciliation remain.

In addition to the reconciliation process being delayed the transfers from the City Control Account to the City's accounts were not made timely. As a result, there were significant accumulations of funds in the City Control Account throughout 2018. As such the City and General Authority did not have access to the funds on a timely basis. As of the date of this report, the Finance Department also indicated that significant delays in receiving funds on a timely basis continue.

General Authority cash was not reconciled to the General Ledger on a timely basis

The City of York General Authority did not maintain a complete and accurate general ledger throughout 2018 and the consultant compiling the General Authority's financial statements had to go through the bank statements for each month to reconcile the ledger and perform cash reconciliations.

Reconciliations – resolving older reconciling items

During our review of the City's bank reconciliations, we noted a number of reconciling items in excess of one year old. We also noted the city has cumulative prior unresolved differences on the investment account reconciliation from prior years. In addition, the City has an older accounts payable account that it no longer utilizes with a cash balance in the bank statement. The City could not provide an updated listing of outstanding checks against this balance but has treated the balance as being completely offset by outstanding checks against the overall balance.

Recommendation:

City of York cash accounts and City Control Account – Lack of timely reconciliations and transfers

The City's Finance Department and the City Controller's office should put controls in place to ensure that transfers are made timely from the City Control Account to the City pooled operating account and to ensure that cash reconciliations are completed timely for the City Control Account and the City pooled operating account. We recommend that the City Finance Department should meet with the Controller's office to first determine the issues that are causing delays in the completion of the reconciliations. In addition, we recommend that there should be established dates for how long it should take for deposits to be transferred from the City Control Account to the City pooled operating account. Furthermore, dates should be established for completing the cash reconciliations for the City Control Account as well as the City operating accounts. We would recommend that the reconciliations should not be completed any later than the end of the following month for the month prior, and we would encourage completing them even earlier if possible.

General Authority cash was not reconciled to the General Ledger on a timely basis

The General Authority should implement controls to ensure that all transactions are recorded in the general ledger on a timely basis and to ensure that cash reconciliations are completed on a timely basis and reconciled to the general ledger.

Reconciliations – resolving older reconciling items

We recommend that the City review the older unreconciled differences carried on the reconciliations as well as older outstanding items and determine the necessary action to be taken. If it is determined that older amounts for checks were voided, then adjustments should be made to the ledger accordingly. The City should also ensure through the review of the reconciliations and older outstanding checks that they have

appropriately reported these uncashed checks and complied with the Unclaimed Property Regulations of the Commonwealth of Pennsylvania.

Corrective Action to be Taken

City of York cash accounts and City Control Account-Lack of timely reconciliations and transfers

Efforts to reconcile the transfer of funds on a regular basis continued to be a problem during 2019 and 2020. However, after a change in personnel in the Controller's Office that occurred in February 2021, positive strides have been made to transfer funds monthly and are expected to be completed for 2020 to current by the end of May 2021.

Efforts to reconcile the Control Account bank statement for 2019 to current is expected to be completed in 2021.

Timetable for Correction

On or before December 31, 2021

Monitoring to be Performed

The timing of reconciliations and transfers will be monitored on an ongoing basis by the Controller's Office and Finance Bureau

Responsible Person with Scope of Authority

Assigned staff member from Finance Bureau, the Controller and Deputy Controller

Reconciliations – resolving older reconciling items

Monitoring to be Performed

There will be an assigned staff member of the Finance Bureau to review the old unreconciled differences and older outstanding checks and make recommendations to the Deputy Business Administrator of Finance concerning the necessary action(s) to be taken.

Timetable for Correction

On or before December 31, 2021

Monitoring to be Performed

Review by assigned staff member

Responsible Person with Scope of Authority

Assigned staff member and Deputy Business Administrator of Finance

2018-005. Timely Financial Reporting and Continuing Disclosure Requirements (A similar condition was noted in prior year finding 2017-005.)

Criteria: Controls should be in place to ensure timely Financial Reporting. The City has Continuing Disclosure requirements as stipulated in their bonds for which they need to upload the annual audit report to the Electronic Municipal Market Access System (EMMA) by a specified date based on the bond agreements.

Condition: The City had significant delays in completing Financial Statements and as such the audit was delayed. The City did not meet the time requirements to upload their audited financial statements to the (EMMA) system in compliance with their Continuing Disclosure requirements in accordance with their bond agreements.

Recommendation: We recommend that the City should put procedures in place to ensure that financial statements are prepared and completed on a timely basis to allow the City to meet the requirements with their Continuing Disclosure Requirements.

Corrective Action to be Taken

The City will work with the accounting firm that compiles the financial statements and the City's financial advisor to ensure the required financial statements are completed in a timely manner for upload to the Electronic Municipal Market Access System as based on the bond requirements.

Timetable for Correction

On or before December 31, 2021

Monitoring to be Performed

City and the accounting firm compiling the financial statements and the City's auditor will develop an annual audit timeline to meet the stipulations of the bond requirements.

Responsible Person with Scope of Authority

Assistant Business Administrator, Deputy Business Administrator for Finance and the Business Administrator

2018-006 Findings noted from Pension Compliance audit performed by The Commonwealth of Pennsylvania Department of Auditor General (A similar condition was noted in prior year finding 2017-007.)

The following findings reported were noted from our review of the Compliance Audit of the City of York Pension Trust Fund conducted by the Commonwealth of Pennsylvania Department of the Auditor General ("the State Auditor") for the period January 1, 2016 to December 31, 2017. The findings presented below are summaries or excerpts from that report. For the full details and recommendations to the findings the reader should refer to the actual Compliance Audit report as prepared by the Commonwealth of Pennsylvania Department of Auditor General.

Criteria: In administering the pension plans the City is required to follow the rules and regulations of Act 205.

Condition: The Commonwealth of Pennsylvania Department of Auditor General performed a compliance audit of the City of York Pension Trust Fund for the period January 1, 2016 to December 31, 2017. There were five findings in the report of which three still pertain to controls for 2018.

- The City Adopted an Ordinance to increase its Earned Income Tax for both residents and non-residents above the maximum rates for the purpose of defraying the additional pension cost required to be paid pursuant Act 205. The City failed to determine its level of contributions to its pension plans prior to the implementation of the special municipal tax as required under the distress provisions of Act 205 and to ensure it met its requirement of funding for 2016 and 2017.

While not noted in the compliance audit this finding will also pertain to 2018.

- The City could not provide support to the State Auditors for the approved MMOs for 2018 as the City could not locate the 2018 FRP-MMO calculations. In addition, the City was unable to provide support that the 2018 MMOs were approved via City Council Minutes.
- The State Auditors noted that the City did not fully pay the MMO for 2017 for the Firefighter's pension plan for 2017 with an amount of underpayment of \$3,042.

Recommendation:

The City should ensure they follow all of the detailed recommendations noted in the Commonwealth of Pennsylvania Department of Auditor General's report. The City should implement controls to ensure they are in compliance with Act 205. The City should communicate regularly with their Actuary regarding all pension issues to ensure they are appropriately calculating and funding the required obligations to the plan in accordance with Act 205 and the special municipal tax requirements defined under the Act.

Corrective Action to be Taken

The City will develop better internal controls to address the findings of the State Auditor General and work on improving coordination of employee pension calculations, employee pension distributions, etc. between the Bureau of Finance, Office of Human Resources, and/or the City's Actuarial consultant

Timetable for Correction

December 31, 2019

Monitoring to be Performed

The City will establish a checks and balance procedure between the Finance Bureau and Office of Human Resources to ensure that pension calculations and distributions meet the requirements of the respective Pension Funds

Responsible Person with Scope of Authority

Staff members of the Finance Bureau and Office of Human Resources

2018-007. Sewer and Refuse Accounts Receivable (A similar condition was noted in prior year finding 2017-008.)

Criteria: The City should have procedures in place to ensure that accounts receivable for sewer and refuse are appropriately recorded in the general ledger.

Condition: During 2017 the City implemented a new software system for Refuse and Sewer Billing. During our 2017 and 2018 audits we noted that the aging report for Refuse and Sewer Billing that was utilized to adjust the general ledger receivable balance had inactive accounts in the total balances. The inactive accounts would be accounts whereby collections could not be made, such as bankruptcy. As such the receivables and related allowances recorded in the financial statements were overstated by the inactive accounts. An audit adjustment was made to adjust the receivables by taking the total receivable per the aging report and by removing the inactive accounts as provided on an inactive listing as provided by the City.

Recommendation: The City should verify with the software consultant if the accounts receivable aging report for Refuse or Sewer could be run without including inactive accounts. If the software program cannot be modified, the City should ensure they run a report for inactive accounts and reduce the amount recorded in the general ledger for receivables and allowances by subtracting the amounts noted on the separately run inactive reports.

Corrective Action to be Taken

The City has discussed with the software consultant about an accounts receivable report for active customer only. This will be an enhancement to the aging report. The City will request this upgrade. The City did request and receive the upgrade. However, the reconfiguration of the program to provide this information was destroyed by a physical attack on the City's information technology infrastructure on August 5 2020. The City was unable to recover this information. The City has outsourced its Sewer/Refuse billing to a third party which should be able to provide an aging report in the future.

Timetable for Correction

On or before December 31, 2020

Monitoring to be Performed

N/A

Responsible Person with Scope of Authority

The Third Party

2018-008. Data Collection Form

Criteria: An entity subject to a Single Audit is required to submit and certify its audit package and Data Collection Form within nine months of its fiscal year-end.

Condition: The City did not submit and certify its Data Collection Form to the Federal Audit Clearinghouse within nine months of the fiscal year-end.

Recommendation: We recommend that the City institute policies and procedures that allow for the Data Collection Form to be submitted by the required deadline

Corrective Action to be Taken

The City will develop a policy and procedure to ensure the data collection form is filed on or before the deadline with the Federal Audit Clearinghouse.

Timetable for Correction

June 30, 2021

Monitoring to be Performed

On a quarterly basis

Responsible Person with Scope of Authority

The Business Administrator, Assistant Business Administrator and Deputy Business Administrator for Finance

2018-009. General Authority Amounts Due to the City Under the Management Agreement

Criteria: There should be procedures in place to ensure that upon approval of the monthly requisition, that amounts due to the City under the Parking Facilities Management Agreement be paid in a timely manner.

Condition: While requisitions are approved on a monthly basis as part of the General Authority board meetings, payments are not made to the City on a timely basis.

Recommendation: We recommend procedures are put in place to ensure all payments under the Parking Facilities Management Agreement that are approved as part of the monthly requisitions by the Board are paid on a timely basis, and that payments are made to the City for any past due amounts.

Corrective Action to be Taken

The City will work with the General Authority to ensure any and all amounts due to the City under the Management Agreement is paid in a timely manner. The goal will be that such payments will be made within 15 calendar days after Authority approval.

Timetable for Correction

June 30, 2021

Monitoring to be Performed

On a monthly basis

Responsible Person with Scope of Authority

Business Administrator, Assistant Business Administrator, Deputy Business Administrator for Finance and Parking Bureau Manager

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

2018-010 Standards for Program Financial Management System (A similar condition was noted in prior year finding 2017-009.)

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

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

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.

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.

Corrective Action to be Taken

Due to implementing a new cash receipting system in 2017, the Finance Bureau was not able to implement new procedures to separate non-federally funded activities from federally funded activities in our financial management system.

We anticipate the separation of activities to be initiated in 2019 and retroactive to 2018. However, this was not accomplished. In 2021, the City purchased a new enterprise resource program that we anticipate will be able to make the differentiation between federally funded expenditures versus non-federally funded expenditures.

Timetable for Correction

On or before December 31, 2021

Monitoring to be Performed

Monitoring will be performed on monthly basis.

Responsible Person with Scope of Authority

The Grant Development and Special Projects Analyst and representatives from departments having federal grants will notify the Deputy Business Administrator of Finance of any non-federal expenditures.

2018-011 Subrecipient Monitoring (A similar condition was noted in prior year finding 2017-010.)

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.

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.

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.

Corrective Action to be Taken

Risk Assessment

The Bureau of Housing Services performs a risk assessment for all sub-recipients prior to the award of Community Development Block Grant or HOME Investment Partnership Act funds. Bureau staff has established the criteria by which to determine the level of risk. Factors/considerations which may determine the level of Risk are as follows:

1. Length of working relationship and or previous experience with entity
2. Scope of the project
3. A negative response to a previous monitoring report
4. Audit findings

The Bureau of Housing Services will determine the level of risk associated with the subrecipient and determine if there are any special conditions to be included in their project agreements.

1. LOW RISK Entities-no changes to current terms and conditions.
2. MEDIUM Risk Entities- Potential for additional items such as requiring submission of detailed supporting data for amounts invoiced and need for additional training before award.
3. HIGH Risk Entities- Potential Additional items. Subrecipient monitoring discussion with Bureau staff, detailed budget including typical cost categories, including direct and indirect costs to be included in the sub-agreement, additional training material to be reviewed, additional invoicing

backup detail to accompany invoices, periodic desk reviews by staff conducted throughout the year, and more frequent or detailed reporting to the Bureau.

It should be noted that the Bureau of Housing Services will almost never enter into a contractual agreement with a HIGH Risk entity.

The Bureau of Housing Services has a monitoring procedure in place for CDBG funded activities and programs. Activities are to be monitored during the fall of each calendar year. In recent years (last 2) it has become difficult. The Bureau currently operates with two (2) employees which makes it extremely tough to fit CDBG monitoring into their schedule of work assignments. We have gone from a staff of 7-8 employees to only 2. While the number of staff people have decreased, the workload has remained the same. We realize the importance of sub-recipient monitoring and are committed to resuming the function.

Please be aware that oversight is conducted for each sub recipient on a quarterly basis and each time an invoice is submitted. Quarterly reports are submitted by each sub recipient of CDBG funds. Reports are evaluated to determine expenditure levels and that the sub is achieving performance levels outlined in the sub recipient agreement. Each invoice submitted is reviewed to make sure that expenditures are eligible and supported by line items in the sub recipient agreement. We also get a copy of the sub recipient most recent audit report. That report is reviewed to make sure there were no audit findings that may have an effect on the subs ability to administer CDBG funds.

We realize that on site visits must take place. We will make on site sub recipient monitoring a priority in program year 2019. We intend to perform the monitoring visits in the fall and winter. In addition to our monthly evaluations of sub-recipient invoices and quarterly evaluations of quarterly reports and desk monitoring, we were able to monitor and evaluate CDBG funded activities in 2018. We completed desk monitoring reviews for the Health Departments Maternal Child Program, Permits, Planning and Zoning, Lancaster Housing Opportunity Partnership, Literacy Council, Community First and the Redevelopment Authority.

Bureaus Monitoring Procedure Community Development Block Grant
Monitoring Procedure

Community Development Block Grant recipients will sign binding agreements that enumerate program requirements. The Bureau of Housing Services will monitor its grant recipients for compliance with specific program requirements including applicable federal requirements such as fair housing, general management, performance goals, financial management, data collection and reporting, eligibility determination, nondiscrimination, program outreach, timely reporting and coordination with other programs.

Monitoring will consist of both desk and on-site reviews. On-site reviews will consist of periodic site visits which include in-depth reviews of agency, project and client files. Desk monitoring of invoice submittals include a review of contractual commitments, financial documentation, determination of cost eligibility and outcome/performance measurement review.

Primary Goals

BHS has four primary goals associated with its approach to monitoring programs and projects:

- Ensure accomplishment of service or production
- Ensure accountability of public funds
- Ensure compliance with federal requirements
- Evaluate project performance during a specific time period

CDBG Monitoring Plan:

The procedures outlined in the CDBG Monitoring Plan are designed specifically to apply to monitoring of CDBG funded projects in the City of York.

Through on site and desk monitoring, the reviewer can determine whether the program participant's performance meets program requirements and improve program participant performance by providing guidance and recommendations. The specific purposes of monitoring are to:

- Validate the accuracy of information presented by the program participants
- Follow up on problems identified during the monitoring visit
- Determine compliance for those activities where there is sufficient information to make eligibility and/or national objective determinations
- Evaluate the reasonableness of judgements made for those activities that necessarily involve high levels of program participant judgement
- Ascertain the Sponsor's ability to ensure that activities carried out meet compliance requirements
- Verify the accuracy of the program participant's records, and
- Identify apparent causes of any problem(s) and offer recommendations for corrective action

Eligibility and National Objective Compliance Criteria

The specific categories of eligible activities under which an activity may be carried out by a program participant using CDBG funds are found at 24 CFR 570.201 through 24 CFR 570.206. The criteria for determining whether an activity addresses one or more of the three national objectives are found at 24 CFR 570.208.

The specific categories of eligible activities under which a homeless services activity may be carried out by a program participant ESG funds are found at 24 CFR Part 576. The City of York currently does not receive ESG funding.

Documentation

As described in the CDBG regulations at 24CFR 570.200(a), each sponsor is required to maintain records that fully describe the assisted activity, including related financial and eligibility information, typically to show that the project funded with CDBG funding is benefiting low- and moderate-income individuals. The required documentation that must be maintained by the program participant is described at 24 CFR 570.506(a) and (c) for eligibility and at 24 CFR 570.506 (b) for national objectives.

Audit Responsibilities

All sub-recipients that expend \$750,000 or more in federal funds in a year must meet the audit requirements as specified in OMB Circular A-133. Additionally, all financial transactions with CDBG monies are subject to federal audit. Each sub-recipient is required to permit independent auditors' access to the records and financial statements at least once per year, or not less frequently than every two (2) years. Sub-recipients must be prepared to explain how transactions were made, why, and be able to account for any funds expended. Compliance is audited on a yearly basis separate from the project monitoring outlined above. Sub recipients are required to provide a copy of their audit reports annually for review by the BHS.

Timetable for Correction

We realize that on site visits must take place. We will make sub recipient monitoring a priority in program year 2019.

Monitoring to be Performed

BHS staff views monitoring not as a once-a-year or periodic exercise, but as an ongoing process involving continuous communication with the Sponsor and evaluation of financial records. Such a process involves frequent telephone calls and e-mails and periodic meetings if deemed necessary. It is the responsibility of BHS staff to keep fully informed concerning the sub-recipients' compliance with program requirements and the extent to which technical assistance is needed.

The overriding goal of monitoring is to determine compliance, prevent/identify deficiencies and design corrective action to improve or reinforce sub-recipient performance. As part of this process, BHS staff must be alert of fraud, waste and mismanagement or situations with potential for such abuse. Where possible, any identified deficiencies in need of corrective action should be handled through discussion, negotiation, or technical assistance in a manner that maximizes local discretion. Monitoring also provides opportunities to identify program participant accomplishments as well as successful management, implementation, and evaluation techniques that might be replicated by other sub-recipients.

BHS will conduct monitoring in the fall, with a few exceptions. BHS staff will evaluate the Monitoring Checklist annually to determine which activities are to be monitored. The Deputy Director will develop the monitoring schedule. Past practice has been to monitor all the CDBG funded activities that have expended funds in the previous year, but in years where there may be too many activities to monitor, staff will use their discretion to implement a method to calculate those projects that may be more vulnerable and require monitoring more often than others.

Because it is not always possible that BHS staff will be able to monitor all program participant's activities, projects and/or functions, or even review activities in a specific area spanning a participant's entire program year, random sampling is generally expected to form the basis for drawing conclusions about the program participant performance. Staff may choose to take a sufficient sample of projects to be monitored, based on a "risk" calculation to determine a sampling of activities to be monitored. In certain instances, however, non-random sampling will be the more efficient method to use. Such cases include activities with that have a few projects to review, any activities with unresolved problems remaining from previous monitoring visits, any new activities being undertaken and/or activities considered high risk. Note that any sample review or spot-check of program participant records that raises questions concerning the accuracy of the data indicates the need for further follow-up.

Responsible Person with Scope of Authority

The Deputy Director of Housing Services will be responsible for the monitoring procedures.