



City of Harrisburg Audit Findings

Presentation to
ICA Board

March 24, 2021

City of Harrisburg
Dr. MLK Jr. Government Center
10 North Second Street
Harrisburg, PA 17101

Description	Finding #	Finding #	Finding #	Finding #	Finding #	Finding #	Status
Financial Reporting	2014-002	2015-001	2016-001	2017-001	2018-001	2019-001	
Debt Compliance	2014-003	2015-002	2016-002	2017-002	NA	NA	
Segregation of Duties	2014-004	2015-003	2016-003	2017-003	2018-002	2019-002	Pending Resolution
Reconciling Bank Accounts	2014-005	2015-004	2016-004	2017-004	2018-003	2019-003	Pending Resolution
Schedule of Expenditure of Federal Awards (SEFA)	2014-006	NA	2016-005	2017-005	2018-004	2019-004	Resolved
Recording & Reconciliation of Shared Services Revenue & Expenses	2014-007	2015-005	NA	NA	NA	NA	
Cash Management	2014-008	2015-006	NA	NA	NA	NA	
Preparing Required Reports	2014-009	2015-007	NA	NA	NA	NA	
Subrecipient Monitoring (no evidence of monitoring)	2014-10	2015-008	NA	NA	NA	NA	
Subrecipient Monitoring (no process in place to notify subrecipients of Award information)	NA	NA	2016-008	2017-008	2018-008	NA	
Program Income (not used first)	2014-011	2015-009	2016-007	2017-007	2018-007	2019-006	Resolved
Matching (no internal controls to ensure match was being met)	2014-012	NA	NA	NA	NA	NA	
Matching (did not meet required 25% match, short by \$152,000)	NA	NA	NA	NA	2018-011	NA	
Allowability (Fire Dept)	2014-013	NA	NA	NA	NA	NA	
Allowability (LEAD – Ferguson Group Retainer – resolved in 2018)	NA	NA	NA	2017-009	NA	NA	
Allowability (CDBG – Police Vehicle – resolved in 2019)	NA	NA	NA	2017-010	2018-010	2019-008	Resolved
Reporting (Section 3 Summary)	NA	NA	2016-006	2017-006	2018-006	2019-005	Resolved
Earmarking (overspent in 2 categories)	NA	NA	2016-009	NA	NA	NA	
Requesting Appropriate Reimbursement from Grant Funding Sources	NA	NA	NA	NA	2018-005	NA	
Equipment & Real Property Management	NA	NA	NA	NA	2018-009	2019-007	Resolved
Procurement	NA	NA	NA	NA	2018-012	NA	
Special Terms and Provisions	NA	NA	NA	NA	NA	2019-009	Resolved



Finding 2019-001: Financial Reporting
Repeat Finding – See Finding 2018-001

Finding: During the audit process, various material adjustments were made to the City of Harrisburg’s (City) records throughout the course of the audit. Additionally, the City did not have adequate staffing in place to produce materially correct GAAP financial statements, including note disclosures, during the audit timeline.

Response: The City has evaluated the costs and benefits of developing the expertise internally to produce materially correct GAAP financial statements, including note disclosures, and determined that it is more beneficial to engage 3rd parties to provide this service. The City concurs with the comment regarding material adjustments and will strive to develop and implement a process for more closely reviewing complex adjustments. We do note that a majority of the adjustments occurring subsequent to initial trial balance preparation were prepared by the Accounting manager and done under his direction and understanding.



Finding 2019-002: Segregation of Duties

Repeat Finding – See Finding 2018-002

Finding: The City had segregation of duties issues noted in the Bureau of Information Technology (IT) where staff have control over multiple IT functions, In order to ensure that all transactions of the City are recorded and reported properly, the City needs to establish proper segregation of duties.

Response: The City does have limited resources that maintain the legacy mainframe systems, which does hamper the ability to achieve a good segregation of duties among all City functions. This risk will be mitigated when we move to a new vendor developed and controlled system (ERP) that will prevent us from being able to make changes to system, whether it be intentional or unintentional.



Finding 2019-003: Reconciling Bank Accounts and Properly Reporting and Remitting Amounts Due to Other Entities

Repeat Finding – See Finding 2018-003

Finding: The City’s policy is that all bank account statements are to be reviewed and reconciled by the City Treasurer’s office on a monthly basis and are to be reviewed by the Controller’s office. In addition, the City collects certain amounts on behalf of other entities and governments. During the audit, we noted the following:

- Monthly reconciliations for the year ended December 31, 2019, were prepared timely and were provided to the Controller’s office and Financial Management via a shared drive accessible by both departments. However, the monthly bank reconciliations were not reviewed by the Controller’s office.
- Although the monthly reconciliations were prepared, certain reconciliations did not reflect any adjustments related to the 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, or 2017 audits.

Response: The Accounting Manager will continue to work with the City Treasurer’s office to resolve and/or assist in eliminating the remaining reconciling items within the course of the next audit preparation work for fiscal year 2020. In addition, the Accounting Manager will develop a communication effort with the Controller’s office to inform the Controller a review of the performed reconciliations has occurred and such documentation is available for further review.



Finding 2019-004: Preparing the Schedule of Expenditures of Federal Awards (SEFA)

Repeat Finding – See Finding 2018-004

Finding: For the year ended December 31, 2019, the City provided a summary SEFA; however, the SEFA was not materially accurate. Material adjustments were made to the Community Development Block Grants, the CDBG – Disaster Recovery Grants, and the Pre-Disaster Mitigation Grant Program to accurately report expenditures of federal funds for the year ended December 31, 2019.

Response: It is noted by the Accounting Manager previous SEFA preparation issues related to properly excluding applicable debt service payments and expenditures funded with program income have been satisfactorily resolved and will continued to be focused upon in such annual preparation. Though during the course of audit fieldwork the Accounting Manager did perform some subsequent adjustments to the initially prepared SEFA for proper accuracy, the City does concur with the recommendation to completely finalize the SEFA at the time of audit preparation.



Finding 2019-006: Program Income

Repeat Finding – See Finding 2018-007

Finding: The City did not expend the program income received during portions of 2019 for eligible activities prior to drawing down additional entitlement funds. The Code of Federal Regulations (2 CFR 200.307(e)) requires program income to be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury. At the end of each program year, the aggregate amount of program income cash balances and any investment thereof that, as of the last day of the program year, exceeds one-twelfth of the most recent grant shall be remitted to HUD as soon as practicable thereafter, to be placed in the City's line of credit.

Response: The Asset Management team and the Department Director received IDIS training in June 2019, and in relation subsequent to this training, the Department successfully implemented updated procedures specific to utilizing available program income as applicable for expenditures prior to requesting additional entitlement funds. The City should continue to implement procedures to ensure that all program income received is properly reported as program income in IDIS in the proper program year and the funds received are expended for eligible activities prior to drawing down additional funds.

To date all available Program Income has been utilized and will continue to be used first as new funds are made available.



Finding 2019-008: Allowability

Repeat Finding – See Finding 2018-010

Finding: During our testing of the CDBG program, it was noted that the City did not have a process in place to review expenditures for allowability before the invoices were paid. Disbursements to vendors were made for ineligible goods and services.

Response: The Department's current Director continues to update policies and procedures applicable to allowability, and currently all payables are reviewed at multiple levels including the Program Director's review and internal controls relative to the City's Bureau of Financial Management. No payment requests are paid without passing the review at all levels. Additionally, all departmental staff are trained relative to maintaining knowledge of applicable CDBG eligibility regulations.



Finding 2019-005: Reporting

Repeat Finding – See Finding 2018-006

Finding: The City did not timely submit Form HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons, for the CDBG program, for the years ended December 31, 2018 and 2019.

Response: The City acknowledges that these forms were submitted late. However, the City's new DBHD administration is adamant about meeting required deadlines for all reports, and procedures have been put in place to ensure that timely submission is met.



Finding 2019-007: Equipment and Real Property Management
Repeat Finding – See Finding 2018-009

Finding: During the audit, it was noted that the City was not maintaining records or conducting an inventory of equipment and real property purchased with CDBG grants funds. The Code of Federal Regulations (2 CFR section 200.313(d)(1) and 200.313(d)(2)) requires equipment and real property records must be maintained that include a description of the property or equipment, a serial or identification number (if applicable), the source of funding, acquisition date, cost of the property or equipment, location, and condition. In addition, the Code of Federal Regulations requires that a physical inventory of equipment and real property must be taken, and the results reconciled with the records at least once every two years.

Response: The Department acknowledges it has not maintained records for identifying and tracking real property and equipment. The City will update the applicable policies and procedures for fiscal year 2020 as required to eliminate this finding.

All expenditures of at least \$5,000 that meet the capitalization classification criteria for a fixed asset (land, buildings, improvements, capital equipment, vehicles, office equipment, infrastructure, construction in progress) are recorded in detail to the fixed assets module of Pentamotion, the city's financial management software. Each such added asset has its own individual identifying record including a unique ID number.

On an annual basis, the City will perform a physical inventory of all capital assets, and the books and records will be reconciled to the results of the physical inventory

Grantees typically follow their own local government policy for tracking equipment purchased, provided they meet or exceed the requirements of 2CFR Part 200.313, as these do. Given the \$5,000 cut off, most grantees do not acquire much that meets the definition of "equipment" and therefore do not trigger the above policy.



Finding 2019-009: Special Terms and Provisions

Finding: During our testing of the CDBG program, it was noted that the City did not obtain certain environmental reviews prior to commencing with the work. Projects must have an environmental review unless they meet criteria specified in the regulations that would exempt or exclude them from RROF and environmental certification requirements (24 CFR sections 58.1, 58.22, 58.34, 58.35, and 570.604).

Response: The City has received training on all things regarding CDBG, HOME and ESG, and has updated the Policy and Procedure manual including the procedures for Environmental Reviews. They continue to receive training as needed regarding HUD updated regulations.

All required Environmental Reviews have been completed prior to work beginning and will to continue to be done moving forward