

*Intergovernmental Cooperation Authority for Harrisburg
Minutes of the Governing Board Special Meeting
March 24, 2021
Via Teleconference on the Zoom Meeting Platform
hbgica.org*

Members Present	Ms. Audry Carter, Mr. Douglas Hill, Ms. Kathy Speaker MacNett, and Mr. H. Ralph Vartan	
Ex-Officio Members Present	Mr. Mark Ryan, Office of the Secretary of the Budget, and Mr. Dan Connelly, City of Harrisburg	
Staff Present	Mr. Jeffrey Stonehill, Authority Manager, and Anna Marie Sossong, Independent General Counsel	
Welcome by the Board Chair	Mr. Stonehill noted that the meeting was being recorded and would be placed on the Authority YouTube page afterwards. Ms. Carter welcomed everyone.	
Approval of February 24, 2021 Minutes	Ms. Carter presented the minutes from two meetings, which had been reviewed by her and Ms. MacNett; on a motion to approve by Mr. Hill, seconded by Ms. MacNett.	Minutes; approved 4-0
Approval of the March 5, 2021 Minutes	On a motion to approve by Mr. Hill, seconded by Ms. MacNett.	Minutes; approved 4-0
Review of Bills Paid	Mr. Stonehill reviewed the bills paid since the last regular meeting of the Authority stating that as of March 24, 2021 the Authority has a fund balance of \$65,858.70. Mr. Stonehill noted that the second half of the Year Three allocation from the Pennsylvania Department of Community and Economic Development was forthcoming and that would complete the revenue anticipated for Year Three. Mr. Stonehill also indicated that the legal address change for the Authority was underway, and that soon items such as the checking account should be switching to St@rtUp Harrisburg's address.	
Report of the Chairperson	Ms. Carter, acknowledging a very short report, shared the City's distribution of the 2019 Consolidated Annual Financial Report with the Authority board. She encouraged everyone make time to read it as it is full of all the facts and figures one would need.	

<p>Update of City's Effort to Address Single Audit Findings</p>	<p>Ms. Carter welcomed Mr. Woolley and thanked him for agreeing to join the meeting and to share an updated presentation on the findings of the 2019 Single Audit. He had made a similar presentation in November 2019 regarding the City's efforts to address some of the auditor's findings.</p> <p>Mr. Woolley stated that he looked at all the audit findings from 2014 forward to give the Authority an idea of where the City stands on all of them.</p> <p>He added, "all of the ones from 2019 except for three have been resolved." He added that he would just focus on those because he thinks they would be most interesting.</p> <p>He began with the segregation of duties item because it is going to be resolved hopefully sometime this year. The City is currently interviewing Enterprise Resource Planning software vendors having received seven submissions to the Request for Proposals. The City is looking to migrate away from its antiquated Pentamation system and HR system, and "this will enable us to have those segregation of duties once we implement those software changes." The hope is that the City will begin implementation of that probably beginning of third quarter once the City settles on a vendor."</p> <p>He observed that the reconciliation of bank accounts is really more of an issue for Treasury. Finance personnel will going to sit down with the Treasurer's office shortly to reconcile these accounts.</p> <p>With respect to the schedule of expenditures of federal awards, he noted:</p> <p>"This was a case of first impressions, where a municipality used FEMA funds and expertise to remedy a situation like this project [sinkhole project]. Because it was case of first impressions, I think there were times that we were searching and on the Federal level to make sure that we were</p>	
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recording things accurately. Once we understood what we were facing that with, we were able to resolve that. Since the sinkhole issue is no more, this issue should not come up again.”

In explaining the finding on financial reporting, Mr. Woolley explained that it does not make sense, in his opinion, in an organization the size of the City, to have financial transactions recorded in GASB generally accounting standards before the transactions are transmitted to the auditors. The auditors can restate them at the end of the fiscal year, in correct format. He added that the City was not the only municipality that used this process. The City and the auditors are comfortable with it this a business decision of the City.

He concluded by saying that those are the main findings he wanted to focus on today. He added that addressing the findings remains a priority.

Mr. Hill followed up on, financial reporting, asking if as the City migrates to the new accounting system, will that ultimately make the transition to GAAP reporting possible.

Mr. Woolley indicated that it is a hope, a goal, but he does not want to over-promise and under-deliver.

Ms. MacNett asked, “I read Act 124 as saying you, as the municipality, do not make the decision; that the legislature has said that they want GASB reporting.” She suggested a period of time where the parties could work towards this goal. She suggested it might not be worthwhile to have the auditors restate the financial transactions during the audit.

Mr. Woolley replied that the underlying GASB requirements are met by what is done by the auditors. Further, the return on investment makes more sense to have the auditors restate transactions at the end of the fiscal year. The City is looking forward to the installation of the new financial management software. Finally, he

	<p>concluded by adding that there is not one third-class city in Pennsylvania that currently calls itself GASB compliant.</p> <p>He asked where the “un-comfort level” for the Authority board was with respect to saying the City is not GASB-compliant. He added that with respect to the auditors, the City is fully compliant by the work that they do at the end of the year.</p> <p>He noted there is a difference between GASB-compliant and GAAP-compliant and wants to work this issue out.</p> <p>He suggested that the auditors talk with the Authority board on this subject to assure the Board that the City is following the appropriate guidelines. He affirmed that the City is handling business accordingly; this will not have an impact the City’s ability to refinance debt.</p> <p>Mr. Hill agreed it would be helpful to meet with the auditors.</p> <p>Mr. Vartan wanted to make sure credit is given to the City is a small but mighty accounting operation. There are extraordinary employees who are able to complete an audit shorthanded.</p> <p>He went on to state that, “when the auditors say that the City has the inability to produce materially correct GASB financial statements that implies that there could be misstatements and there could be fraud that would go undetected.” Mr. Woolley categorically disagreed that this finding indicated the possibility of fraud.</p> <p>Mr. Vartan said that having insufficient staffing would prevent the City from being able to do internal financial analysis. Mr. Woolley said that the City is ramping up their hiring. He said the City does financial analysis.</p> <p>Mr. Woolley added that he takes the relationship with the Authority board seriously.</p>	
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	<p>Mr. Vartan asked about the single-audit status; and, whether the next single-audit may obtain an unqualified opinion. Mr. Woolley said talks are ongoing with the auditors and he would be taking on leadership with the 2020 audit process. Finally, he said he would let the Authority board know once a schedule for the 2020 audit is completed.</p> <p>Ms. Carter followed up on a few items. She asked, “do you think there was enough improvement that when the auditors go back, they’ll see marked improvement in these areas?” Therefore, for the 2020 audit, Mr. Woolley stated he was not sure what areas the auditors would look at. He concluded by saying where the auditors find issues, the City tries to address them quickly.</p> <p>Mr. Woolley stated that audits are a tool for the City to improve what is done and how it is done.</p> <p>Ms. MacNett added that the board very much appreciates the efforts of City staff and the accomplishments have been noted.</p> <p>Ms. Carter added that everyone is excited for what the American Rescue Plan Act funds might mean for the City.</p> <p>Mr. Vartan added that the single audit requirement is unique for municipal use of federal funds and asked if there were any consequences for the qualified opinion in the single audit. Mr. Woolley does not know of any impact.</p> <p>Mr. Connelly added that he was not aware of any impact.</p> <p>Ms. Carter said Mr. Woolley is always welcome back at future board meetings.</p>	
<p>Update on Presentation of 2021 Mayor’s Five-Year Financial Plan</p>	<p>Ms. Carter stated that Mr. Connelly and Mr. Stonehill have been working closely on collaboration.</p> <p>Mr. Connelly stated, “Frankly, we never stopped working on the plan and we are using the comments that were provided after the March 19th submission as a guide; and, making sure that</p>	

	<p>those will all be addressed. All those items will be addressed and already having had discussions about particular issues and ways to address those.”</p> <p>Mr. Connelly said that a draft will be ready by April 30, 2021.</p> <p>He added that the next plan will push out the forecast another year.</p> <p>He cannot confirm that the American Rescue Act will be understood or reflected in the plan adequately by April 30.</p> <p>Ms. Carter offered to Mr. Connelly and Mr. Stonehill that any member of the board can be called upon for any clarification on any comments previously provided.</p> <p>Mr. Stonehill thanked Mr. Connelly for his collaboration and communication.</p> <p>Mr. Stonehill concluded that the GASB and GAAP issue from the audit discussion is also reflected in the Five-Year Plan so that it would be good to get everyone comfortable with definitions and goals on that issue.</p>	
Other Business	There was none.	
Public Comments	There was none.	
Adjourn	At 4:45 p.m., on a motion by Mr. Vartan, with a second by Mr. Hill, the Authority adjourned.	Adjournment approved 4-0

Respectfully submitted:



Jeffrey Stonehill, Authority Manager
ICA for Harrisburg

APPENDIX DOCUMENTS

Summary of Bills Paid – Intergovernmental Cooperation Authority for Harrisburg

Report – March 24, 2021

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| • Digital Ocean
<i>Website software licenses</i> | \$10.60 | March 1, 2021 |
| • Digital Ocean
<i>Web Host</i> | \$5.72 | March 1, 2021 |
| • Pietragallo Gordon Alfano Bosick and Raspanti
<i>Ongoing Litigation</i> | \$8,013.50 | March 24, 2021 |
| • Johnson & Duffie
<i>Independent General Counsel</i> | \$4,357.50 | March 24, 2021 |
| • MESH PA LLC
<i>Authority Manager</i> | \$4,200.00 | March 24, 2021 |

Starting balance: \$82,446.02

Ending balance: \$65,858.70

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|---------------------------|--------|
| • Interest earnings Y-T-D | \$2.86 |
| • Fees Y-T-D | \$0 |



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