

**CITY OF HARRISBURG,
PENNSYLVANIA**

SINGLE AUDIT REPORT

DECEMBER 31, 2020

CONTENTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3 - 6
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8 - 9
Schedule of Findings and Questioned Costs	10 - 14
Schedule of Prior Year's Findings and Questioned Costs	15 - 18
Corrective Action Plan	19 - 21

INDEPENDENT AUDITOR'S 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 Honorable Eric Papenfuse, Mayor,
Honorable Members of City Council, and
Citizens of the City of Harrisburg, Pennsylvania

We have audited, in accordance with the 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 Harrisburg, Pennsylvania (City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2021. Our report includes a reference to other auditors who audited the financial statements of the Harrisburg Parking Authority, the Harrisburg Downtown Improvement District, Inc., the Redevelopment Authority of the City of Harrisburg, and the Police Pension Trust Fund, as described in our report on the City's financial statements. The financial statements of the Harrisburg Parking Authority, the Harrisburg Downtown Improvement District, Inc., the Redevelopment Authority of the City of Harrisburg, and the Police Pension Trust Fund were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with those entities or that are reported on separately by those auditors who audited the financial statements of the Harrisburg Parking Authority, the Harrisburg Downtown Improvement District, Inc., the Redevelopment Authority of the City of Harrisburg, and the Police Pension Trust Fund.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying, schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying described in the accompanying schedule of findings and questioned costs as Findings 2020-002, and 2020-003, to be material weaknesses.

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. We consider the deficiencies described in the accompanying described in the accompanying schedule of findings and questioned costs as Findings 2020-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is positioned in the lower right quadrant of the page.

Camp Hill, Pennsylvania
December 28, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Eric Papenfuse, Mayor,
Honorable Members of City Council, and
Citizens of the City of Harrisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the City of Harrisburg, Pennsylvania's (City) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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'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 opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2020-004	14.218	Community Development Block Grants/ Entitlement Grants Cluster	Equipment and Real Property Management

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Major Federal Programs paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Community Development Block Grants/Entitlement Grants Cluster, and the Coronavirus Relief Fund Grant programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-004. Our opinion on each major federal program is not modified with respect to these matters.

The City’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City’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 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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'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 have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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, as described in the accompanying schedule of findings and questioned costs as Finding 2020-004 that we consider to be a material weakness.

The City'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's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the 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 City of Harrisburg as of and for the year ended December 31, 2020, and have issued our report thereon dated December 28, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink, reading "Boyer & Ritter". The signature is written in a cursive style with a large, sweeping initial 'B' and 'R'.

Camp Hill, Pennsylvania
December 28, 2021

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantor's Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants Cluster	D	14.218	B-20-MC-42-0007	\$ 779,749	\$ 73,187
Emergency Solutions Grant Program	D	14.231	E-20-MC-42-0007	140,749	100,481
Home Investment Partnerships Program	D	14.239	M-20-MC-42-0201	124,818	-
Lead Hazard Reduction Demonstration Grant Program	D	14.905	PALHD0427-19	434,870	-
Passed through Pennsylvania Department of Health:					
Lead-Based Paint Hazard Control in Privately-Owned Housing	I	14.900	4100085742	72,841	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	I	14.900	4100082204	13,566	-
				<u>86,407</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>1,566,593</u>	<u>173,668</u>
U.S. Department of Justice					
Alcohol, Tobacco, and Firearms - Training Assistance	D	16.012	N/A	14,948	-
Edward Byrne Memorial Justice Assistance Grant	D	16.738	N/A	16,037	-
Equitable Sharing Program	D	16.922	N/A	27,344	-
Total U.S. Department of Justice				<u>58,329</u>	<u>-</u>
U.S. Department of Treasury					
Passed through the Pennsylvania Emergency Management Agency:					
Coronavirus Relief Fund	I	21.019	C950001829	25,342	-
Passed through the County of Dauphin					
Coronavirus Relief Fund	I	21.019	N/A	2,831,271	-
Total U.S. Department of Transportation				<u>2,856,613</u>	<u>-</u>
U.S. Department of Health and Human Services					
Food and Drug Administration Research	D	93.103	1U18FD007033-01	2,878	-
Total Expenditures of Federal Awards				<u>\$ 4,484,413</u>	<u>\$ 173,668</u>

See Notes to the Schedule of Expenditures of Federal Awards.

CITY OF HARRISBURG, PENNSYLVANIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the primary government of the City of Harrisburg (City), Pennsylvania for the year ended December 31, 2020. The City's reporting entity is defined in Note 1(a) to the City's basic financial statements. Federal awards expended directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

Note 2. Basis of Accounting

Generally, expenditures are recognized in the Schedule on the modified accrual basis of accounting. Federal expenditures under loan programs consist of loans disbursed during the year ended December 31, 2020.

Note 3. Relationship to Basic Financial Statements

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the City's basic financial statements.

Such expenditures are recognized following, as applicable, either the cost principles in the U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Section 108 Loans

The City entered into various promissory notes under Section 108 of the Housing and Community Development Act of 1974 (Public Law 93-383), as amended. The proceeds from the notes were to administer acquisition, relocation, clearance, rehabilitation, and disposition of City properties. These notes do not have continuing compliance requirements.

CITY OF HARRISBURG, PENNSYLVANIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 4. Section 108 Loans (Continued)

As collateral, the City pledged all grants approved or for which the City may become eligible under Title I of the Housing and Community Development Act of 1974, as amended, and program income derived from disposition by sale or lease of any real property to the extent acquired or rehabilitated with the guaranteed loan funds, including any interest earned on such disposition proceeds.

Interest payments are required to be made to the Federal Financing Bank on the daily unpaid principal balances.

The composition of promissory notes outstanding under Section 108 at December 31, 2020, is as follows:

Original Date of Note	Amount of Note	Interest Rate	Required Interest Payment	Principal Balance 12/31/2020	2020 Principal Payments
September 14, 2006 refinanced to 2019A	\$ 3,795,000	2.55% - 2.86%	Semi-Annual Feb 1 & Aug 1	1,275,000	210,000
				<u>\$ 1,275,000</u>	<u>\$ 210,000</u>

Section 108 loans changed during the year as follows:

Beginning of Year	Additions	Payments	End of Year
\$ 1,485,000	\$ -	\$ (210,000)	\$ 1,275,000

CITY OF HARRISBURG, PENNSYLVANIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020**

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles
2. Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?
 yes no
3. Noncompliance material to financial statements noted? yes no
4. Internal control over major programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?
 yes no
5. Type of auditor's report issued on compliance for major programs: Qualified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no
7. Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grants/Entitlement Grants Cluster
21.019	Coronavirus Relief Fund

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? yes no

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2020

II - Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2020-001: Financial Reporting

Repeat Finding - See Finding 2019-001

Condition: The City did not have adequate staffing in place to produce materially correct GAAP financial statements, including note disclosures, during the audit timeline.

Criteria: The City should have the ability to produce its financial statements, and related notes, in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities (GAAP).

Cause: The City did not have adequate staffing in place to produce materially correct GAAP financial statements, including note disclosures, during a reasonable audit timeline.

Effect: If the entity relies upon its auditors to assist them in producing GAAP financial statements, the auditor is required to communicate a significant deficiency or material weakness related to financial reporting.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: We recommend that management evaluate whether measures can be taken by management to ensure that it can eliminate the financial reporting deficiencies as noted above.

Views of Responsible Officials: The City continues to evaluate the costs and benefits of developing the expertise internally, including expanding capacity at the management level, for being more efficient in producing materially correct GAAP financial statements, including related note disclosures and has still determined the necessity for utilizing its audit firm to provide assistance for this capacity. The City also currently notes some progress in this area continues to be put forth in adding more completed work product during the expected audit timeline.

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended December 31, 2020

Finding 2020-002: Segregation of Duties

Repeat Finding - See Finding 2019-002

Condition: The City had segregation of duties issues noted in the Bureau of Information Technology (IT) where staff have control over multiple IT functions.

Criteria: In order to ensure that all transactions of the City are recorded and reported properly, the City needs to establish proper segregation of duties.

Cause: The City does not have adequate staffing involved in each of the IT processes.

Effect: Opportunities exist for undetected intentional or unintentional errors in the City's processes.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: We recommend that the IT operations, librarian, systems analyst, programming, network, and administrative functions be performed by separate employees.

Views of Responsible Officials: 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. The IT Department continues to put forth efforts of identifying its functions and duties just known to one individual; subsequent related cross-training among other IT staff members can then continue to be performed for expanding the involved working knowledge and improving the applicable internal controls. Documentation of such expanded procedures and controls will continue to be created and/or updated so as to preserve the availability of the applicable understanding and processes.

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2020

Finding 2020-003: Reconciling Bank Accounts and Properly Reporting and Remitting Amounts Due to Other Entities

Repeat Finding - See Finding 2019-003

Condition: 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, 2020, were prepared timely and were made available to the Accounting and Controller's offices via a shared drive accessible by both departments. However, a monthly bank reconciliation review communication was not forwarded to a supervisory level above the Accounting Manager, e.g., Finance Director or Business Administrator.
- 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.

Criteria: In order to ensure that the City's cash balances are accurately reported, the City should review the bank reconciliations for each bank account on a timely basis and ensure that the reconciliations reflect only those transactions that have occurred as of December 31, 2020.

Cause: The City did not follow its policy for the review of the bank reconciliations.

Effect: The bank reconciliations were not reviewed on a timely basis and the City's bank reconciliations did not reflect all adjustments from previous years' audits.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: We recommend that the City, including Administration, the Controller's, and the Treasurer's offices, follow its policies regarding review of bank reconciliations and timely transfer of amounts due to other governments and other entities.

Views of Responsible Officials: The Accounting Manager will work with the City Treasurer's office to resolve and/or assist in eliminating the remaining mostly offsetting reconciling items within the course of the next audit preparation work for fiscal year 2021. In addition, the Accounting Manager will develop procedures with the new Staff Accountant relative to informing both supervisory management and the Controller's office a review of the performed monthly reconciliations has occurred and such information is available for further review.

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended December 31, 2020

III - Findings and questioned costs for federal awards.

Control Deficiency: Material Weakness

Finding 2020-004: Equipment and Real Property Management

Repeat Finding - See Finding 2019-007

U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants Cluster (CFDA #14.218)

Condition: During the audit, it was noted that the City was not conducting an inventory of equipment and real property purchased with CDBG grants funds.

Criteria: 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.

Cause: The City does not have controls in place to ensure that an inventory of equipment and real property purchased with grant funds is being conducted and maintained.

Effect: The City is not in compliance with the Equipment and Real Property federal requirements. Failure to comply with grant award requirements could jeopardize future funding.

Questioned Costs: This finding does not result in questioned costs.

Recommendations: We recommend that the City implement procedures to ensure that all federal equipment and real property requirements are followed, including maintaining an accurate and complete listing of equipment and real property purchased with grant funds and conducting an inventory on those items at least every two years.

Views of Responsible Officials: Expenditures of CDBG grant funding for capital outlays on equipment and real property are readily identifiable within the City's fixed assets module of the accounting system, including subsequent retirements of any such capital assets. The Department acknowledges related physical inventory observations to identify these assets have not been performed. The Department will work to formalize such inventory procedures working off of an available assets listing generated from within the fixed assets system.

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2019

Prior Year Findings

II - Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2019-001: Financial Reporting

Condition: 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.

Recommendation: We recommend that management review these transactions and evaluate whether measures can be taken by management to ensure that it can eliminate the financial reporting deficiencies as noted above.

Current Status: Corrective action has been taken in some areas but is not yet completed. See current year Finding 2020-001.

Finding 2019-002: Segregation of Duties

Condition: The City had segregation of duties issues noted in the Bureau of Information Technology (IT) where staff have control over multiple IT functions.

Recommendation: We recommend that the IT operations, librarian, systems analyst, programming, network, and administrative functions be performed by separate employees.

Current Status: Corrective action has been taken in some areas but is not yet completed. See current year Finding 2020-002.

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

Condition: 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.

Recommendation: We recommend that the City, including Administration, the Controller's, and the Treasurer's offices, follow its policies regarding review of bank reconciliations and timely transfer of amounts due to other governments and other entities.

Current Status: Corrective action has been taken in some areas but is not yet completed. See current year Finding 2020-003.

CITY OF HARRISBURG, PENNSYLVANIA

**SCHEDULE OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019**

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

Condition: 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.

Recommendation: We recommend that the City implement procedures to ensure that all federal expenditures are included on the SEFA at their proper amounts.

Current Status: Corrective action has been completed.

III - Findings and Questioned Costs for Federal Awards

Control Deficiency: Material Weakness

Finding 2019-005: Reporting

U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants Cluster (CFDA #14.218); U.S. Department of Housing and Urban Development - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants/ CDBG Disaster Recovery Grants Cluster (CFDA #14.269)

Condition: 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.

Recommendation: The City should implement procedures to ensure that all required reports are completed and filed by the applicable reporting deadline.

Current Status: Corrective action has been completed.

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

Finding 2019-006: Program Income

U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants Cluster (CFDA #14.218)

Condition: The City did not expend the program income received during portions of 2019 for eligible activities prior to drawing down additional entitlement funds.

Recommendation: 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.

Current Status: Corrective action has been completed.

Finding 2019-007: Equipment and Real Property Management

U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants Cluster (CFDA #14.218)

Condition: 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.

Recommendations: We recommend that the City implement procedures to ensure that all federal equipment and real property requirements are followed, including maintaining a detailed listing of equipment and real property purchased with grant funds and conducting an inventory on those items at least every two years.

Current Status: Corrective action has not been completed. See current year Finding 2020-004.

Finding 2019-008: Allowability

U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grant Clusters (CFDA #14.218)

Condition: 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.

Recommendations: We recommend that the City continue to modify their procedures to ensure that all invoices are reviewed and that expenditures are deemed to be allowable before being paid.

Current Status: Corrective action has been completed.

CITY OF HARRISBURG, PENNSYLVANIA

**SCHEDULE OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019**

Finding 2019-009: Special Terms and Provisions

U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grant Clusters (CFDA #14.218)

Condition: 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.

Recommendations: We recommend that the City continue to modify their procedures to ensure that all environmental reviews are completed at the appropriate time.

Current Status: Corrective action has been completed.



**Office of the Business Administrator
The City of Harrisburg**

MLK Government Center
10 N. Second St.
Harrisburg, PA 17101

December 28, 2021

To Whom it May Concern:

The City of Harrisburg, Pennsylvania respectfully submits the following summarized corrective action plan for the Fiscal year ending December 31, 2020.

The Audit Report was prepared by Boyer & Ritter LLC, Certified Public Accountants and Consultants, 211 House Avenue Camp Hill, PA 17011.

Related findings are described in detail as contained within the City's Single Audit Report, schedule of findings and questioned costs, and such are numbered in the corrective action plan in accordance with that assigned in the schedule.

Any questions regarding this plan can be directed to Bryan McCutcheon, Accounting Manager at bmcutcheon@harrisburgpa.gov.

Bryan McCutcheon, Accounting Manager
City of Harrisburg

**CITY OF HARRISBURG
Corrective Action Plan
Year Ended December 31, 2020**

<u>Finding</u>	<u>Department or Bureau</u>	<u>Contact Person/ Title</u>	<u>Finding Title/Corrective Action</u>	<u>Anticipated Completion Date</u>
2020-001	Financial Management	Bryan McCutcheon, Accounting Manager	<p>Financial Reporting:</p> <p>The City continues to evaluate the costs and benefits of developing the expertise internally, including expanding capacity at the management level, for being more efficient in producing materially correct GAAP financial statements, including related note disclosures and has still determined the necessity for utilizing its audit firm to provide assistance for this capacity. The City also currently notes some progress in this area continues to be put forth in adding more completed work product during the expected audit timeline.</p>	September 2022
2020-002	Information Technology	Steven Bortner Director	<p>Segregation of Duties:</p> <p>The City does have limited resources maintaining the legacy mainframe systems, which does hamper the ability to achieve a good segregation of duties among all City functions. The IT Department continues to put forth efforts of identifying its functions and duties just known to one individual; subsequent related cross-training among other IT staff members can then continue to be performed for expanding the involved working knowledge and improving the applicable internal controls. Documentation of such expanded procedures and controls will continue to be created and/or updated so as to preserve the availability of the applicable understanding and processes.</p>	September 2022

CITY OF HARRISBURG, PENNSYLVANIA

CORRECTIVE ACTION PLAN (Continued)

2020-003	Financial Management	Bryan McCutcheon, Accounting Manager	Reconciling Bank Accounts and Properly Reporting and Remitting Amounts Due to Other Entities: The Accounting Manager will work with the City Treasurer’s office to resolve and/or assist in eliminating the remaining mostly offsetting reconciling items within the course of the next audit preparation work for fiscal year 2021. In addition, the Accounting Manager will develop procedures with the new Staff Accountant relative to informing the Controller’s office a review of the performed monthly reconciliations has occurred and such information is available for further review.	January 2022
2020-004	Building and Housing Development	Dennise Hill Director and Project Director	Equipment and Real Property Management: Expenditures of CDBG grant funding for capital outlays on equipment and real property are readily identifiable within the City’s fixed assets module of the accounting system, including subsequent retirements of any such capital assets. The Department acknowledges related physical inventory observations to identify these assets have not been performed. The Department will work to formalize such inventory procedures working off of an available assets listing generated from within the fixed assets system.	December 2021