

# Single Audit or Program-Specific Audit Reporting Package Checklist

Subrecipient Name:

Fiscal Year End:  Format: MM/DD/YYYY

Address:

Contact Name:

Contact Title:

Contact Number:  Format: (XXX)XXX-XXXX

The subrecipient who qualifies to submit a complete **Single Audit Reporting Package** must include the following essential elements:

- Independent Auditor's Report on the financial statements
- Financial statements and notes to the financial statements
- Independent Auditor's Report on the Schedule of Expenditures of Federal Awards (SEFA)
- Schedule of Expenditures of Federal Awards (SEFA)
- A report on compliance & internal control at the financial statement level in accordance with Government Auditing Standards
- A report on compliance & internal control at the federal level in accordance with OMB Circular A-133
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings (if applicable)
- Corrective Action Plan (if applicable)
- Data Collection Form
- Management Letter (if applicable)

The subrecipient who qualifies to submit a complete **Program-Specific Audit Reporting Package** must include the following essential elements:

- Independent Auditor's Report on the federal program's financial statements or the federal program's SEFA
- Financial statements or SEFA of the federal program and notes to the program's financial statements or SEFA
- A report on compliance & internal control related to the federal program
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings (if applicable)
- Corrective Action Plan (if applicable)
- Data Collection Form
- Management Letter (if applicable)

**COVER PAGE**



CITY OF JOHNSTOWN, PENNSYLVANIA

JOHNSTOWN, PENNSYLVANIA

Single Audit Reporting Package

December 31, 2016

**CITY OF JOHNSTOWN, PENNSYLVANIA  
SINGLE AUDIT REPORTING PACKAGE  
DECEMBER 31, 2016**

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**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**

July 31, 2017

City Council  
City of Johnstown  
Johnstown, 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, each major fund, and the aggregate remaining fund information of the City of Johnstown, Pennsylvania, (City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2017.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-004 to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as 2016-001.

### ***City of Johnstown, Pennsylvania's Response to Findings***

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. 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 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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



WESSEL & COMPANY  
Certified Public Accountants

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

July 31, 2017

City Council  
City of Johnstown  
Johnstown, Pennsylvania

***Report on Compliance for Each Major Federal Program***

We have audited the City of Johnstown, Pennsylvania's (City) 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's major federal programs for the year ended December 31, 2016. 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, 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 each of its major federal programs for the year ended December 31, 2016.

## ***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 audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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.

## ***Report 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, each major fund and the aggregate fund information for the City of Johnstown, Pennsylvania, (City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated July 31, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, Schedule I, is presented for purposes of additional analysis as required by 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 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.

***Restricted Use***

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.



WESSEL & COMPANY  
Certified Public Accountants



**CITY OF JOHNSTOWN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Grantor Program Title	Federal CFDA Number	Direct/ Indirect D/I	Pass Through Grantor's Number	Grant Period Beginning/ Ending Dates	Total Received For the Year	Accrued or (Deferred) Revenue at 12/31/2015	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 12/31/2016	Expenditures to Subrecipients
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>										
<b>CDBG Entitlement Cluster</b>										
CDBG Entitlement Cluster	14.218	D	B-14-MC-42-0102	1/1/14 - 12/31/14	\$ 97,924	\$ 18,121	\$ 81,915	\$ 81,915	\$ 2,112	\$ -
CDBG Entitlement Cluster	14.218	D	B-15-MC-42-0102	1/1/15 - 12/31/15	820,491	48,239	772,252	772,252	-	-
CDBG Entitlement Cluster	14.218	D	B-16-MC-42-0102	1/1/16 - 12/31/16	178,361	-	193,717	193,717	15,356	15,000
<b>Total CDBG Entitlement Cluster</b>					<b>1,096,776</b>	<b>66,360</b>	<b>1,047,884</b>	<b>1,047,884</b>	<b>17,468</b>	<b>15,000</b>
Home Investment Partnership Program	14.239	D	M-14-MC-42-0508	1/1/13 - 12/31/13	80,697	-	80,697	80,697	-	-
Home Investment Partnership Program	14.239	D	M-15-MC-42-0508	1/1/15 - 12/31/15	101,394	-	101,394	101,394	-	-
Home Investment Partnership Program	14.239	D	M-16-MC-42-0508	1/1/16 - 12/31/16	1,891	-	1,891	1,891	-	-
Passed through Commonwealth of Pennsylvania Department of Health:										
Lead Based Paint Hazard Control in Privately Owned Housing	14.900	I	410059495	N/A	5,947	-	22,185	22,185	16,238	-
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					<b>1,286,705</b>	<b>66,360</b>	<b>1,254,051</b>	<b>1,254,051</b>	<b>33,706</b>	<b>15,000</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>										
Passed through Commonwealth of Pennsylvania, Department of Transportation										
Highway Planning and Construction	20.205	I	098909	7/1/10 - 6/30/13	478,459	439,569	38,890	38,890	-	-
Highway Planning and Construction	20.205	I	098789	7/1/13 - 6/30/16	71,138	8,729	62,409	62,409	-	-
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>					<b>549,597</b>	<b>448,298</b>	<b>101,299</b>	<b>101,299</b>	<b>-</b>	<b>-</b>
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>										
Passed through Pennsylvania Infrastructure Investment Authority										
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	79372	7/1/2011	6,775	-	6,775	6,775	-	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	71390	7/1/2012	1,161,724	201,949	1,022,706	1,022,706	62,931	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	71397	7/1/2013	795,263	427,228	527,192	527,192	159,157	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	71406	7/1/2014	1,195,563	457,015	743,674	743,674	5,126	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	71412	7/1/2014	335,842	335,842	-	-	-	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	71417	7/1/2014	5,902,120	1,703,713	4,235,852	4,235,852	37,445	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	27874	7/1/2015	650,782	29,787	685,390	685,390	64,395	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	27880	7/1/2016	6,858,083	-	7,815,972	7,815,972	957,889	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	I	75314	7/1/2016	-	-	190,062	190,062	190,062	-
<b>TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>					<b>16,906,152</b>	<b>3,155,534</b>	<b>15,227,623</b>	<b>15,227,623</b>	<b>1,477,005</b>	<b>-</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>										
Bulletproof Vest Partnership Program	16.607	D	N/A	N/A	14,324	-	14,324	14,324	-	-
Public Safety Partnership and Community Policing Grant	16.710	D	2014JMMWX0148	9/1/14 - 8/31/17	131,047	-	184,116	184,116	53,069	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>					<b>145,371</b>	<b>-</b>	<b>198,440</b>	<b>198,440</b>	<b>53,069</b>	<b>-</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>										
Assistance to Firefighters Grant	97.044	D	EMW-2014-FO-02689	7/1/15 - 7/31/16	77,490	-	77,490	77,490	-	-
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>					<b>77,490</b>	<b>-</b>	<b>77,490</b>	<b>77,490</b>	<b>-</b>	<b>-</b>
<b>Total Federal Awards</b>					<b>\$ 18,965,315</b>	<b>\$ 3,670,192</b>	<b>\$ 16,858,903</b>	<b>\$ 16,858,903</b>	<b>\$ 1,563,780</b>	<b>\$ 15,000</b>

N/A = Information not available  
D = Direct Federal Funding  
I = Indirect Federal Funding

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards

CITY OF JOHNSTOWN, PENNSYLVANIA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 DECEMBER 31, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Johnstown under programs of the federal government for the year ended December 31, 2016. 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). Because the Schedule presents only a selected portion of the operations of City of Johnstown, it is not intended to and does not present the financial position, changes in net assets or cash flows of The City of Johnstown.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Johnstown has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - SUBRECIPIENTS

The City of Johnstown provided federal awards to certain subrecipients that administer the programs on behalf of the City, as follows:

<u>Subrecipient/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
<b>Catholic Charities:</b>		
Community Development Block Grant	14.218	\$15,000

NOTE 4 – FEDERAL LOAN PROGRAMS

The federal loan programs listed below are administered directly by The City of Johnstown and balances and transactions relating to these programs are included in The City of Johnstown's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the Schedule of Expenditures Federal Awards. The balance of loans outstanding at December 31, 2016, consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>December 31, 2016</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ 1,343,815
66.458	Capitalization Grants for Clean Water State Revolving Funds	7,774,622
66.458	Capitalization Grants for Clean Water State Revolving Funds	9,015,763
66.458	Capitalization Grants for Clean Water State Revolving Funds	8,363,052
66.458	Capitalization Grants for Clean Water State Revolving Funds	9,792,877
66.458	Capitalization Grants for Clean Water State Revolving Funds	9,005,146
66.458	Capitalization Grants for Clean Water State Revolving Funds	741,200
66.458	Capitalization Grants for Clean Water State Revolving Fund	7,815,972
66.458	Capitalization Grants for Clean Water State Revolving Fund	<u>190,062</u>
		\$ <u>54,042,509</u>

NOTE 5 – MAJOR PROGRAM DETERMINATION

The major federal award programs selected for testing as determined by the auditor on a risk-based approach are as follows:

<u>Programs</u>	<u>CFDA #</u>	<u>Expenditures</u>
Community Development Block Grant	14.218	\$ 1,047,884
Capitalization Grant for Clean Water State Revolving Funds	66.458	<u>15,227,623</u>
Total federal awards selected for testing		\$ <u>16,275,507</u>
Total federal program awards		<u>16,858,903</u>
Percent of total federal expenditures tested		<u>96.5%</u>
Percent of total federal expenditures required to be tested		<u>40.0%</u>

CITY OF JOHNSTOWN, PENNSYLVANIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 DECEMBER 31, 2016

**Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                     Yes     No
- Significant deficiency(ies) identified?             Yes     None reported

Noncompliance material to financial statements noted?

Yes     No

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified?                     Yes     No
- Significant deficiency(ies) identified?             Yes     None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes     No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grant for Clean Water State Revolving Funds

14.218

Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes     No

CITY OF JOHNSTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2016

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**INTERNAL CONTROL –MATERIAL WEAKNESS AND NONCOMPLIANCE**

**2016-001 - Budget Administration (Payments in excess of Budget, Reduction of Appropriations and Budget Transfers)**

***Criteria:***

In accordance with the Pennsylvania Code, 311 Pa. Code Chapter 11, City of Johnstown, Home Rule Charter, Administrative Code Ordinance No. 4564 § 911 Administration of the Budget.

(b) “No payment of any funds of the City shall be made unless provided for in the budget, provided, however, that payroll and utility expenditures may be made at the direction of the Manager where based upon a prior ordinance or contract.”

(c) “If at any time during the fiscal year it appears probable that the revenues to be available will be insufficient to meet the amount appropriated, the City Manager shall report to the Council without delay, indicating the estimated amount of the deficit, any remedial action taken and a recommendation as to any other steps to be taken.”

(d) “At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department office or agency and, upon written request by the City Manager, the Council may by resolution transfer part or all of the unencumbered appropriation balance from one department, office, or agency to another.”

***Condition:***

Certain City funds had expenditures exceeding budgeted amounts for the year ending December 31, 2016. The most significant excess of expenditures over the amount budgeted occurred within the General Fund.

***Effect:***

Due to actual expenditures exceeding budgeted amounts this led to noncompliance with the Pa. Code as well as the City’s Administrative Code.

***Recommendation:***

We recommend that the internal control procedures and approach to the budgetary preparation and monitoring process be reviewed to ensure that these issues are addressed in future budgets.

## INTERNAL CONTROL – MATERIAL WEAKNESS

### 2016-002 - Material Year End Journal Entries – City of Johnstown

**Criteria:**

Financial statements, presented for audit, should not be materially misstated and should be stated in accordance with “Generally Accepted Accounting Principles.”

**Condition:**

Material journal entries were required during the year end audit to adjust the financial statements to be in accordance with “Generally Accepted Accounting Principles.”

**Effect:**

Material journal entries were required for the financial statements to be free of material misstatement.

**Recommendation:**

We recommend the City Finance Department continue to become more familiar with the preparation and presentation of the City’s financial statements in accordance with Generally Accepted Accounting Principles.

## INTERNAL CONTROL – MATERIAL WEAKNESS

### 2016-003 – Financial Statement Preparation – City of Johnstown

**Criteria:**

The financial statements of the City of Johnstown are required to be prepared by the City and to be the responsibility of the City of Johnstown. The auditors are precluded from being part of the internal control system for financial statement preparation.

**Condition:**

The financial statements of the City of Johnstown are prepared during the conduct of the audit, by the auditors and coordinated with the Director of Finance.

**Effect:**

The City currently has no mechanism to generate the audited financial statements including the disclosures.

**Recommendation:**

We recommend the City develop year-end financial statement preparation procedures in order to provide the financial statement presented for audit, including appropriate disclosures.

## INTERNAL CONTROL – MATERIAL WEAKNESS

### 2016-004 – Reconciliation of Cash Accounts – City of Johnstown

**Criteria:**

The City is responsible for establishing and maintaining internal controls for the monthly reconciliation and closing procedures to provide for accurate financial reporting and budget monitoring.

***Condition:***

The City did not reconcile the general fund operating cash account from July 2016 through December 2016. With assistance from the Finance Department, the auditors determined the correct balance as of December 31, 2016 and proposed several journal entries to adjust the cash accounts to the reconciled balance.

***Effect:***

Since the reconciliations were not performed timely, the operating cash balance was materially misstated in the City's general ledger and preliminary financial statements.

***Recommendation:***

We recommend that all City cash accounts be reconciled on a monthly basis to avoid potential misstatements.

**FINDINGS – MAJOR FEDERAL AWARDS PROGRAM**

NONE

**CITY OF JOHNSTOWN, PENNSYLVANIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**INTERNAL CONTROL – MATERIAL WEAKNESS AND NONCOMPLIANCE**

**2015-001 – Budget Administration (Payments in Excess of Budget, Reduction of Appropriations and Budget Transfers)**

***Condition:***

Certain City funds had expenditures exceeding budgeted amounts for the year ended December 31, 2015. The most significant excess of expenditures over the amount budgeted occurred within the General Fund.

***Current Status:***

See current year finding 2016-001.

**INTERNAL CONTROL – MATERIAL WEAKNESS**

**2015-002 – Material Year End Journal Entries – City of Johnstown**

***Condition:***

Material journal entries were required during the year end audit to adjust the financial statements to be in accordance with “Generally Accepted Accounting Principles.”

***Current Status:***

See current year finding 2016-002.

**INTERNAL CONTROL – MATERIAL WEAKNESS**

**2015-003 – Financial Statement Preparation – City of Johnstown**

***Condition:***

The financial statements of the City of Johnstown are prepared during the conduct of the audit, by the auditors and coordinated with the Director of Finance.

***Current Status:***

See current year finding 2016-003.

**INTERNAL CONTROL – MATERIAL WEAKNESS**

**2015-004 – Material Year End Journal Entries – Department of Community and Economic Development**

***Condition:***

During our audit procedures, we noted that interfund reconciliations were not occurring. This matter contributed to the need for material journal entries; these entries were required during the year-end audit to adjust the financial statements to be in accordance with “Generally Accepted Accounting Principles.”

***Current Status:***

This finding was resolved during the current year.



**CITY OF JOHNSTOWN, PENNSYLVANIA**

**CORRECTIVE ACTION PLAN**

**DECEMBER 31, 2016**



## CORRECTIVE ACTION PLAN

### US Department of Housing and Urban Development:

The City of Johnstown, Pennsylvania, respectfully submits the following corrective action plan for the year ended December 31, 2016.

Name and address of independent public accounting firm: Wessel & Company, 215 Main Street, Johnstown, PA 15901

Audit period: Fiscal Year Ending December 31, 2016

The findings from the December 31, 2016, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS – FINANCIAL STATEMENT AUDIT

#### INTERNAL CONTROL – MATERIAL WEAKNESS AND NONCOMPLIANCE

##### **2016-001 - Budget Administration (Payments in excess of Budget, Reduction of Appropriations and Budget Transfers)**

**Contact Person: Finance Director**  
**Date for completion: December 2016**

**Recommendation:**

We recommend that the internal control procedures and approach to the budgetary preparation and monitoring process be reviewed to ensure that these issues are addressed in future budgets.

**Action Taken or Planned:**

*The Finance Department and City Manager are working with all department heads to implement internal control processes that will alert departments of spending in excess of budget. The existing accounting software possesses these controls to a certain degree. The City is also utilizing purchase orders to maintain expenditure budget appropriations throughout 2017. Training and continued education will lead to better expense management on all levels.*

#### INTERNAL CONTROL – MATERIAL WEAKNESS

##### **2016-002 - Material Year End Journal Entries – City of Johnstown**

**Contact Person: Finance Director**  
**Date for completion: December 2016**

**Recommendation:**

We recommend the City Finance Department continue to become more familiar with the preparation and presentation of the City's financial statements in accordance with Generally Accepted Accounting Principles.

**Action Taken or Planned:**

*The City is working to implement closing procedures that follow GAAP standards thus simplifying the closing process.*

**INTERNAL CONTROL – MATERIAL WEAKNESS**

**2016-003 – Financial Statement Preparation – City of Johnstown**

**Contact Person: Finance Director**  
**Date for completion: December 2016**

**Recommendation:**

We recommend the City develop year-end financial statement preparation procedures in order to provide the financial statement presented for audit, including appropriate disclosures.

**Action Taken or Planned:**

*The Finance Department is seeking a new accounting system that will allow for the production of comprehensive financial statements according to GAAP and GASB standards.*

**INTERNAL CONTROL – MATERIAL WEAKNESS**

**2016-004 – Reconciliation of Cash Accounts – City of Johnstown**

**Contact Person: Finance Director**  
**Date for completion: December 2016**

**Recommendation:**

We recommend that all City cash accounts be reconciled on a monthly basis to avoid potential misstatements.

**Action Taken or Planned:**

Due to the unforeseen events that took place at year end of 2015 ultimately leading to a significant turnover ratio within the Finance Department in 2016, the Finance Department was extremely under staffed. As a result of that, cash was not able to be reconciled as needed. The Finance Department is aware of the significance of reconciling cash and is working diligently to reconcile cash on a monthly basis throughout 2017 and years following.

If the U.S. Department of Housing and Urban Development has any questions regarding this plan, please contact Arch Liston, City Manager, at (814) 533-2034.

**Sincerely yours,**



Arch Liston  
City Manager