
The City of

City Government Center



Harrisburg

Office of the Controller

September 25, 2014

Dear Bruce,

After reviewing the period 13/2013 journal entries, there are some areas of concern that I would like to share with you and the Bureau of Financial Management. As you are aware, the city utilizes an accounting system with twelve monthly periods which correspond to the calendar fiscal year and an additional period thirteen which is utilized for year-end adjusting entries.

Periods one through twelve is maintained on a modified accrual basis of accounting and also corresponds to the city's adopted budget. With regard to expenditures, it is City Council's appropriation, passed by ordinance, which allows the administration the ability to spend current resources. All cash expenditures should be applied against this appropriation and therefore a period one through twelve accounting period.

Period thirteen is used by the Bureau of Financial Management to record year-end adjusting entries to bring the period twelve account balances into conformity with full accrual accounting. There is no budget appropriation in period thirteen and no cash expenditures should be recorded in this period unless they were originally recognized against an appropriation and the transaction is being adjusted to bring the account balance into conformity with Generally Accepted Accounting Principles (GAAP).

A review of the period 13/2013 journal entries indicates there were several large cash expenditures paid during calendar year 2014 which were recorded back to period thirteen of 2013 (see attached). As mentioned above, these transactions were never recorded on the city's budget basis books (periods 1-12) and offset against the legally adopted appropriation. Given that the budget basis books were not closed until mid-February 2014, there should have been ample time to record these expenditures in the proper accounting period.

Additionally, the majority of expenditures on the attached analysis are all routine and reoccurring items such as capital lease funding, capital lease payment, Pennsylvania Infrastructure Bank (PIB) loan funding, and Pension State Aid payment. Each of the above items also had sufficient appropriation. As part of the monthly close process and especially during the year-end close process, the Accounting and Budget staff should carefully review the budget to actual reports for each budgeted fund to look for revenue and expenditure items that have not been properly recorded.

If in the future, you determine that current year expenditure was correctly budgeted in the prior year, you should consider a proposed budget amendment to increase the current year

expenditure appropriation along with a corresponding appropriation of prior year fund balance.

It's worth mentioning that during our analysis of the period 13/2013 transactions, we encountered some difficulty reviewing transactions. This was due to an inordinate amount of journal entries representing corrections of other journal entries posted to different fiscal years and periods and also the lack of supporting documentation attached to the entries. These entries do not appear to be routine year-end entries related to adjusting account balances for the audit, but instead appear to be moving large (material) amounts of daily revenue into the proper fiscal year. For example, the first thirteen days of 2013 city revenue were posted to the fiscal year 2012 books. These transactions were subsequently reversed, and the revenue recorded in period 13/2013. Consequently, these amounts were never recorded on the budget basis (periods 1-12) accounts for 2013. During 2014, the first twelve days of revenue were posted to the period 13/2013 accounts and subsequently reversed back to period 1/2014.

In an effort to strengthen internal controls and reduce the number of incorrectly recorded transactions, the supervisor who is approving journal entries should carefully review each entry for its intended purpose, the inclusion of supporting documentation, and the effect of the entry on both the budget basis books and the year-end audited financial statements. The journal entries should also be considered within the context of the timing of the year-end close process.

If you would like to discuss this matter in further detail, please feel free to contact me at your convenience.

Thank you,

Charlie DeBrunner

cc: Eric Papenfuse, Mayor
Ben Allatt, City Council, Budget & Finance Committee Chair
Brian Ostella, Audit Committee Chair
Tracey Rash, Maher Duessel

**Rev. Dr. Martin Luther King, Jr. City Government Center
10 North Second Street, Suite 403, Harrisburg, PA 17101
Tel: (717) 255-3070 Fax: (717) 255-3073**

CITY OF HARRISBURG
Period 13/2013 Journal Entries Posted by Accounting Office

Budget		Period 12/2013					Description
Unit	Account	Title	Adjusted Budget	Period 12 YTD	Pd 13 Debit	Pd 13 Credit	
01000100	389100	Other Fin. Source-HPA	\$ -	\$ -	\$ -	\$ 35,866,667.00	HPA Parking Closing-JE 500
01010188	485002	Fines & Settlements	\$ 26,291.00	\$ 26,291.00	\$ 4,500,000.00	\$ -	HPA Parking Closing-JE 500
01010189	481007	Xfer to D/S Fund	\$ 7,627,413.91	\$ 6,616.31	\$ 6,000,000.00	\$ -	HPA Parking Closing-JE 500
01010189	481007	Xfer to D/S Fund	\$ 7,627,413.91	\$ 6,616.31	\$ 647,806.91	\$ -	Capital Lease Funding-JE 499
01010189	481007	Xfer to D/S Fund	\$ 7,627,413.91	\$ 6,616.31	\$ 647,806.90	\$ -	Capital Lease Funding-JE 499
01010189	481007	Xfer to D/S Fund	\$ 7,627,413.91	\$ 6,616.31	\$ 437,740.77	\$ -	PIB Loan Funding-JE 501
01040142	419020	Police Pension	\$ 2,613,751.54	\$ 2,165,623.87	\$ 447,924.54	\$ -	Excess Pension State Aid-JE 501
02200210	453049	Lease Purchase	\$ 76,171.32	\$ 2,237.77	\$ 3,703.53	\$ -	Capital Lease Payment-JE 499
02200220	453049	Lease Purchase	\$ 58,955.16	\$ 3,676.60	\$ 10,251.76	\$ -	Capital Lease Payment-JE 499
02200230	453049	Lease Purchase	\$ 51,842.00	\$ 6,217.49	\$ 17,336.77	\$ -	Capital Lease Payment-JE 499
07700700	398001	Xfer from G/F	\$ 10,810,547.08	\$ 6,616.31	\$ -	\$ 6,000,000.00	HPA Parking Closing-JE 500
07700700	398001	Xfer from G/F	\$ 10,810,547.08	\$ 6,616.31	\$ -	\$ 647,806.91	Capital Lease Funding-JE 499
07700700	398001	Xfer from G/F	\$ 10,810,547.08	\$ 6,616.31	\$ -	\$ 647,806.90	Capital Lease Funding-JE 499
07700700	398001	Xfer from G/F	\$ 10,810,547.08	\$ 6,616.31	\$ -	\$ 437,740.77	PIB Loan Funding-JE 501
07700704	447030	Interest	\$ 97,792.16	\$ -	\$ 45,955.07	\$ -	Capital Lease Payment-JE 499
07700704	448030	Principal	\$ 1,298,302.56	\$ -	\$ 601,851.84	\$ -	Capital Lease Payment-JE 499
07700704	447030	Interest	\$ 97,792.16	\$ -	\$ 45,955.07	\$ -	Capital Lease Payment-JE 499
07700704	448030	Principal	\$ 1,298,302.56	\$ -	\$ 601,851.83	\$ -	Capital Lease Payment-JE 499
07700797	448030	Principal	\$ 17,264,200.00	\$ -	\$ 6,000,000.00	\$ -	HPA Parking Closing-JE 500
27272710	453049	Lease Purchase	\$ 124,822.00	\$ 21,391.02	\$ 29,037.73	\$ -	Capital Lease Payment-JE 499