

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULES PREPARED
FOR COMPLIANCE WITH
FEDERAL GUIDELINES

WITH

INDEPENDENT AUDITOR'S REPORTS

YEAR ENDED DECEMBER 31, 2005

MAHER DUESSEL

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULES PREPARED FOR COMPLIANCE WITH FEDERAL GUIDELINES

YEAR ENDED DECEMBER 31, 2005

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Independent Auditor's Report on the Schedule of Expenditures of Federal Awards

The Honorable Members of Council
City of Pittsburgh, Pennsylvania

We have audited the financial statements of the City of Pittsburgh (City) as of and for the year ended December 31, 2005, and have issued our report thereon dated June 12, 2006. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



June 12, 2006

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2005

<u>Federal Grantor/Pass-Through Grantor / Project Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services:		
Passed through Commonwealth of PA and Allegheny County:		
Disease Prevention and Health Promotion Services - Part D	93.043	\$ 36,120
Center Clustered Services - I&R & Center Services	93.044	444,188
Center Clustered Services - Congregate Meals	93.045	239,179
TANF - Job Opportunities and Basic Skills Training - SPOC Program	93.558	3,439,654
Empowerment Zones Program	93.585	23,598
Total U.S. Department of Health and Human Services		4,182,739
U.S. Department of Agriculture:		
Passed through the Commonwealth of Pennsylvania Department of Education:		
Summer Food Service Program for Children	10.559	770,000
Passed through the State Department of Labor:		
State Administrative Matching Grants for Food Stamp Program	10.561	90,759
Total U.S. Department of Agriculture		860,759
Equal Employment Opportunity Commission:		
Employment Discrimination - State and Local Fair Employment Practices		
Agency Contracts	30.002	97,772
U.S. Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	21,605,904
HOME Investment Partnerships Program	14.239	3,915,014
Housing Opportunities for Persons with AIDS	14.241	601,660
Fair Housing Assistance Program - State and Local	14.401	84,899
Emergency Shelter Grant Program	14.231	770,874
CDBG - Economic Development Initiative	14.246	101,600
Passed through Pennsylvania Department of Economic Development:		
Emergency Shelter Grants Program	14.231	51,430
Total U.S. Department of Housing and Urban Development		27,131,381

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PITTSBURGH, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2005
(Continued)

<u>Federal Grantor/Pass-Through Grantor / Project Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Justice:		
Freedom Corner - Weed & Seed	16.580	737,632
Local Law Enforcement Block Grants Program (2003-LB-BX-1351)	16.592	350,000
Bulletproof Vest Partnership Program	16.607	48,261
Community Prosecution and Project Safe Neighborhood Passed through the Commonwealth of Pennsylvania	16.609	154,695
Commission on Crime and Delinquency:		
Juvenile Accountability Incentive Block Grants (2003-JB-07-14503)	16.523	45,808
Total U.S. Department of Justice		1,336,396
U.S. Department of Labor:		
Adult Program	17.258	1,060,730
Youth Activities	17.259	649,926
Dislocated Workers	17.260	900,864
Total U.S. Department of Labor		2,611,520
U.S. Department of Transportation:		
Passed through the Commonwealth of Pennsylvania		
Department of Transportation:		
Highway Planning and Construction	20.205	1,202,543
State and Community Highway Safety	20.600	23,843
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	95,521
Total U.S. Department of Transportation		1,321,907
U.S. Department of Homeland Security:		
Passed through the Commonwealth of Pennsylvania		
Emergency Management Agency:		
State Homeland Security Grant Program	97.004	1,589,034
Public Assistance Grant	97.036	185,530
Emergency Management Performance Grant	97.042	58,178
Total U.S. Department of Homeland Security		1,832,742
Total Expenditures of Federal Awards		\$ 39,375,216

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2005

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards for the year ended December 31, 2005 includes the federal grant activity of the City of Pittsburgh (City) and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. COMPONENT UNITS

The City's financial statements include the operations of the Urban Redevelopment Authority of Pittsburgh (URA), which expended \$17,325,791 in federal awards, of which \$8,463,740 are not included in the accompanying schedule of expenditures of federal awards, during the year ended December 31, 2005. The schedule of expenditures of federal awards did not include the expenditures of the URA, because the component unit completed a separate audit in accordance with OMB Circular A-133.

3. CONTRACTUAL AGREEMENT

The City is a contractual recipient of federal awards under agreements with the U.S. Department of Housing and Urban Development (HUD). For the year ended December 31, 2005, the City has authorized HUD to transmit \$3,915,014 of HOME Investment Partnerships Program funds (CFDA #14.239) directly to the URA, which is the representative agency with program oversight responsibility. Therefore, the related federal awards are reported by the URA to its cognizant agency in the URA's audit report under the Single Audit Act of 1984, as amended, in addition to being reported as a program in the City's SEFA.

CITY OF PITTSBURGH, PENNSYLVANIA

INDEPENDENT AUDITOR'S REPORTS IN
ACCORDANCE WITH OMB CIRCULAR A-133

YEAR ENDED DECEMBER 31, 2005

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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*

The Honorable Members of Council
City of Pittsburgh, Pennsylvania

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittsburgh, Pennsylvania (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 12, 2006. We did not audit the financial statements of the Public Parking Authority of Pittsburgh (Parking Authority) and the Stadium Authority of the City of Pittsburgh (Stadium Authority), which represents 7% of the assets and 22% of the revenues of the aggregate discretely presented component units. We conducted our audit 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 component unit financial statements of the Pittsburgh Water and Sewer Authority, the Parking Authority, and Stadium Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our

The Honorable Members of Council
City of Pittsburgh, Pennsylvania
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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 item 05-1.

We noted certain matters that we reported to management of the City in a separate letter dated June 12, 2006.

* * * * *

This report is intended solely for the information and use of the City Council Members, management of the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



June 12, 2006

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

The Honorable Members of Council
City of Pittsburgh, Pennsylvania

Compliance

We have audited the compliance of the City of Pittsburgh, Pennsylvania (City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's financial statements include the operations of the Urban Redevelopment Authority (URA) which expended \$17,325,791 in federal awards, of which \$8,463,740 are not included in the schedule during the year ended December 31, 2005. Our audit, described below, did not include the operations of the URA because the component unit completed a separate audit in accordance with OMB Circular A-133.

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 OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations.*" Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in item 05-1 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding equipment management that is applicable to all its programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

The Honorable Members of Council
City of Pittsburgh, Pennsylvania
Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

* * * * *

This report is intended solely for the information and use of the City Council Members, management of the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



June 12, 2006

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2005

1. Summary of Auditor's Results:

- i. The auditor's report on the financial statements was an unqualified opinion.
 - ii. There was a reportable condition in internal controls that was disclosed by the audit of the financial statements.
 - iii. The audit did disclose noncompliance which was material to the financial statements.
 - iv. There were reportable conditions in internal control over each of its major federal programs that were disclosed by the audit.
 - v. The auditor's report on compliance for each of its major federal programs was a qualified opinion.
 - vi. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part 3 of this schedule.
 - vii. The major federal programs were:
 - a. Community Development Block Grants/Entitlement Grants -
CFDA Number 14.218
 - b. Temporary Assistance for Needy Families (TANF) -
CFDA Number 93.558
 - c. Highway Planning and Construction (Federal Aid Highway Program) -
CFDA Number 20.205
 - d. Homeland Security Cluster -
CFDA Number 97.004, 97.067
 - viii. The dollar threshold used to distinguish between type A and type B programs for the City of Pittsburgh (City) was \$1,181,256.
2. Findings related to the financial statements, which are required to be reported in accordance with GAGAS.

See Finding 05-1 listed below.

3. Findings and questioned costs for federal awards.

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2005

(Continued)

<u>Questioned Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
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Finding 05-1:

All Programs

Statement of Condition: We noted that the City does not have procedures to monitor and maintain fixed assets including:

- Physical counts were not performed in fiscal year 2005;
- Lack of enforcement of procedures to ensure all additions/deletions are added to and removed from subsidiary ledgers and the financial accounting system;
- Lack of procedures for tracking idle equipment/property;
- Fixed asset tracking system responsibility is concentrated with one individual (Inventory Specialist);
- Lack of procedures to record assets dedicated to the City;
- 3 of 15 items tested for physical existence had been disposed of during 2005, but were still on the fixed asset listing.

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Criteria: The City is responsible for maintaining procedures to provide reasonable assurance that all transactions are properly recorded, supported by underlying accounting records, and are fairly presented in accordance with GAAP requirements.

Effect: The condition of the fixed assets records as outlined above entails risk that errors and irregularities would occur and not be detected on a timely basis.

Cause: The City's oversight procedures for maintaining and recording fixed asset detail are inadequate.

Recommendation: As had been noted in the prior year, the areas outlined above continue to require attention. We continue to recommend review and improvement in the processes related to the proper recording and documenting of fixed asset transactions.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding; see the attached Corrective Action Plan.

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2005

(Continued)

Finding 05-2:

Homeland Security Cluster - CFDA# 97.004, 97.067

Statement of Condition: During our review of the request for reimbursement, we noted that expenditures of approximately \$242,000 had already been reimbursed through federal programs other than Homeland Security. The City had incurred other eligible expenditures that exceeded \$242,000 and these expenditures were validated as eligible.

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Criteria: The City is required to submit eligible expenditures for reimbursement.

Effect: The City might have had to return the ineligible funds or at a minimum refund interest on funds held, if other eligible expenditures made prior to the request for reimbursement could not be found.

Cause: The City lacked centralized grants administration and appropriate communication of grant claims had not been made across departments.

Recommendation: We recommend that the City consider creating a position for a grants administrator. The grants administrator should be responsible for all City grants including tracking of receipts and expenditures to ensure all funds due to the City are received and to centralize compliance monitoring.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and is aware of the need for improved grants administration. In 2006, management has hired additional staff and is searching for grant administration software. See the attached Corrective Action Plan.

CITY OF PITTSBURGH, PENNSYLVANIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2005

Prior audit findings:

All Programs - Finding 04-1 and 03-2:

Prior year audit reported that the City does not have adequate procedures to monitor and maintain the tracking of construction in progress, disposals, and dedicated capital assets.

Status: Current year testing indicated that this matter continued to require attention. Please refer to the Schedule of Findings and Questioned Costs Finding 05-1.