



Minutes - Final

Budget and Finance Committee

Wednesday, February 22, 2023

6:00 PM

City Council Chambers

Roll Call: Chair Napoli, Hendricks, Gerlach

[15-5672](#) City Audit

Attachments: [2021CAFR](#)

[City of Allentown Governance Conclusion 12-31-21](#)

[COA Single Audit 12-31-21 FINAL](#)

Ms. Deborah A. Bacon, Zelenkofske Axelrod LLC, stated that her presentation was delayed because of PMRS's delay in issuing their reports. She went over notes. Council had the financials for a while and it is old information with a whole other year under their belts. She talked about their responsibilities as auditors to issue an opinion under the US Generally Accepted Auditing Standards and perform the audit on the Government Auditing Standards issued by the Comptroller General of the United States and with the US Generally Accepted Accounting Principles or GAAP. It is not their responsibility to audit or issue an opinion on internal control. She talked about the Annual Comprehensive Financial Reporting (ACFR) and their responsibility of reviewing and/or reading the transmittal letter, introductory section and the statistical section. They issue the reports on the single audit of the major federal awards program that are performed in accordance the federal uniform guidance or the single audit. They issue the Communication to the Board of Commissioners. The city is responsible for preparing the financial statement in accordance with US GAAP. They are still able to issue unmodified opinions on the financial statements. It is a clean audit and no materials findings on that statement. There was the use of the interbank offered rate called LIBOR. The loan documents have to be removed and replaced with another form of a rate. There was the change of the name of the annual report from the Comprehensive Annual Financial Report or CAFR to Annual Comprehensive Financial Report (ACFR). There were two notable areas of the Award of the US Treasury Funding under ARPA (American Rescue Plan Act). The city's allotment was \$57.46 million. In 2021, the first tranche of \$28.7 million and in July 2022, the city received the second of the same amount (\$28.7 million). In 2021, \$1.8 million was expended of that funding and \$1.6 million was recognized as an unappropriated amount. On the Statement of Net Positions for the financial statements, there is a balance

of unearned revenue of \$25.2 million at the end of 2021. That is because you do not recognize the revenue on that until you earn it or spend it. She stated that she would assume in 2022, the city will use some of that money. In the overall government fund, there was a 12 percent increase in revenues and a four percent increase in expenditures. There was an increase in the fund balance of \$6 million compared to \$20.5 million in 2020. In 2020, you issued \$23 million in long-term debt. She discussed the Single Audit performed in accordance with the Federal Uniform Guidance and the Single Audit Act. The Single Audit was issued for 2021 and they prepared the data collection form, and it was submitted to the Federal Audit Clearinghouse. They also submitted a report to the Pennsylvania Bureau of Accounting and Financial Management (BAFM). They are basically the oversight over the Single Audit at the state level. The schedule of expenditures of federal awards are what's known as SEFA. The city is required to provide that and prepare that accurately. There is no findings of the content of that schedule. As a single audit, they audit as major programs and they had to audit in detail of all four of these programs because they met the criteria under the Single Audit and Uniform guidance. In 2021, the city expended \$3.7 million HUD Community Development Block Grants/Entitlements Grants and it was audited. They audited the US Department of Treasury Coronavirus Relief Fund and the Coronavirus State and Local Fiscal Recovery Fund or ARPA. In 2021, the city expended \$4.6 million of federal expenditures. The US Department of Health and Human Services Epidemiology and Laboratory Capacity for Infectious Diseases expenditure of \$1.5 million. There were no real material weaknesses or significant deficiencies on internal controls over the basic financial reporting and compliance under the government auditing standard. that will be the city's basic financial statements. However, there was findings on the federal level on compliance and internal controls. One of them is a repeat. They repeated it several times. This is on the HUD Development Community Block Grant and that is involving once again discrepancies in reporting to HUD. Unfortunately, this keeps happening. They should be able to go in and test the reports that was sent in, and they should match the city's general ledger. They had instances where that did not occur. A new finding this year was inaccurate payroll was reported. It was an additional prior year finding that was not resolved and that was the requirement for written federal procurement standards. A corrected action plan was prepared a submitted to the federal audit clearinghouse and it did state that you will be working on that in 2022 to get that all cleared as much as possible. In 2022 - 2024, there will be several new accounting standards coming through. The biggest one will be 2022 financial statements on leases and a subscription-based IT arrangements.

Mr. Santo Napoli thanked Ms. Bacon for the presentation and stated based on your experience working with the city, anything in this year's audit that

stands out that jumps off the page and is a concern on yours, positive or negative.

Ms. Deborah Bacon stated that in fact it is a really, really good change in that department. She gave Ms. Bina Patel a lot of credit for what she tackled and overcome. There has been a little bit of house cleaning in that department. It was felt this year during the audit process. She stated that she feels that they have professional people in there and people that are very conscientious and have the city's interest at heart.

Mr. Santo Napoli asked if there were any questions from his colleagues or the public.

Ms. Bina Patel stated that it has been wonderful working with Ms. Bacon and her team. They had rough beginning, but have worked through them.

Ms. Deborah Bacon stated that it was a pleasure working with you and seeing the developments over the years.

Mr. Santo Napoli asked if there were any comments from the Controller.

Mr. Jeffrey Glazier stated that he had the pleasure to read the audit in January from cover to cover. It was gratifying to see our net position increase a bit this year. That is always a good thing.

Mr. Santo Napoli stated that he appreciates and thanks Ms. Bacon.

Ms. Deborah Bacon stated that if anybody needs anything from us during this transition that is about to occur, they will be more than welcome to help them out.

[15-5623](#)

R46 Budget and Finance Committee, forwarded favorably with the caveat that the committee work with the administration to lessen the need for transfers by considering threshold levels and getting the transfers done proactively - transfer approval before expenditure.

Approves 17 transfers: \$1,267,922.34 in Fire Administration & Operations Correcting 2022 Negative Personnel Balances - \$87,917.84 is available within the Fire Admin Program, \$987,258.59 in Information Services for All Expenses for the Project were Charged to the Original Account Given of 001-07-3000-2119-76; \$391,909.27 in EMS Correcting 2022 Negative Personnel Balances; \$358,894.65 in Police Operations Correcting 2022 Negative Personnel Balances; \$63,904.50 in PW – Fleet for No Personnel Wages Were Budgeted in the New Garage Program in Nov – Dec 2022/\$51,494.16 is available within the program; \$33,852.37 in Police Academy Correcting Negative Personnel Balances for 2022; \$33,182.43 in Traffic Planning Correcting Negative Personnel Balances for 2022;

\$16,405.66 in Correcting Negative Personnel Balances for 2022; \$13,592.44 in Trexler Grounds Maintenance for Permanent Wages, Temporary Wages, Premium Pay & FICA were underbudgeted in 2022 in the Trexler Account; \$9,000.00 in Public Works for the Funds Needed to be Transferred So They Are Available in the Correct Account – Public Works; \$8,862.91 in CED Director – Administration Correcting Negative Personnel Balances for 2022; \$8,000.00 in Public Works for the Funds Needed to be Transferred So They Are Available in the Correct Account – Public Works; \$7,613.86 in Mayor for Longevity & FICA Were Underbudgeted in 2022; \$6,765.00 in Human Resources Needed to Cover Tuition Reimbursements and Certificate Bonuses; \$5,851.80 in PW – Tech Services Correcting Negative Personnel Balances for 2022; \$5,556.12 in HR Correcting Negative Personnel Balances for 2022; \$5,259.96 in Public Works – Office of Compliance for Temporary Wages & Premium Pay Were Underbudgeted for 2022.

Sponsors: Administration

Attachments: [R46 Transfer Funds](#)

[Solid Waste](#)

[Public Works](#)

[Information Services](#)

[Needed To Cover Tuition Reimbursements and Certificate Bonuses for 2022](#)

[Longevity & FICA Were Underbudgeted in 2022](#)

[Temporary Wages & Premium Pay Were Underbudgeted for 2022](#)

[Correcting Negative Personnel Balances for 2022](#)

[Correcting Negative Personnel Balances for 2022 - \\$33,182.43](#)

[Correcting Negative Personnel Balances for 2022 - \\$5,851.80](#)

[Correcting Negative Personnel Balances for 2022 - \\$33,852.37](#)

[Correcting Negative Personnel Balances for 2022 - \\$5,556.12](#)

[Correcting Negative Personnel Balances for 2022 - \\$8,862.91](#)

[Permanent Wages, Temporary Wages, Premium Pay & FICA Were Underbudgeted in 2022 in the Trexler Account](#)
[Correcting 2022 Negative Personnel Balances](#)

[Correcting 2022 Negative Personnel Balances \\$391,909.27](#)

[No Personnel Wages Were Budgeted In The New Garage Program in Nov - Dec 2022](#)

[Correcting Negative Personnel Balances for 2022 - \\$87,917.84 Is Available Within the Fire Admin Program](#)

Mr. Santo Napoli stated that it looks like housekeeping when it comes to getting these accounts in order. He stated that they should probably have a conversation on how we wind up with this many. He deferred to Ms. Patel to give them some background.

Ms. Bina Patel stated that when Council approved the budget they appropriate the funds that are approved. Monies are allotted to specific accounts. During the year, departments spend and then they realize the money in specific accounts are not significant. They transfer money from one account to another. They have been doing this for a very long time. This year, they have more transfers than normal because of change in personnel.

Mr. Santo Napoli asked if there are any questions or concerns from his committee members. He stated that they are lacking resources and the staff is not where they want to be. It is something going forward to work with them and figure out a way to minimize the amount of these transfers. He understands that it is tough when you don't have enough folks. He asked if there were any comments from the Controller.

Mr. Jeffrey Glazier stated that his only concern is the amount of the transfers and the timeliness. Some of the transfers are overtime. We are pretty much aware of where the accounts stand on the monthly report. You can see with the 50 percent of overtime and the 95 percent of overtime. He is hoping that this year, the administrative will be a little bit more proactive when you get to 90 percent or 95 percent of overtime and effectuates the change in a timely manner. Theoretically, you should not be drawing on accounts with a negative balance. It does not change the amount of money, but it does change the timeliness of it. It would be my major concern. The other one which the Controller always want to make sure it is used in an efficient and effective manner. If you have a fire, put the fireman there.

Mr. Santo Napoli stated going back, it requires a lot of cooperation, especially from other department heads. That is something that they can get that conversation started to move forewarn and try to change the way they do this.

Ms. Bina Patel stated that they agree with Mr. Napoli's suggestion. They plan to have quarterly meetings with the department. They review the budget and numbers and should be able to pick up the negative balances then.

Mr. Santo Napoli stated that it is a great idea. With Mr. Glazier's point they would be more ahead in quarter three to see where they are going and make adjustments versus waiting to the end. He appreciated the feedback and asked if there were any comments from the public.

A motion was made by Daryl Hendricks, seconded by Ce-Ce Gerlach, that this Resolution be forwarded to Council.

Yes: 3 - Santo Napoli, Daryl Hendricks and Ce-Ce Gerlach

Monthly Finances

Ms. Bina Patel stated that they are presenting the second version of December 31, 2022 Monthly Report. It gives a picture of where the city stands and where they are moving. They closed the year at the end of February and had the final version of December with the full picture. With the second version, the revenues are seven percent stronger. The revenue for January 31, 2023 came in where we expect them to be at three percent which is \$4,657,000. Expenditures came in at five percent of the estimated amount of 6.6 percent. She stated that it is expected that the Federal Reserve will increase the rates in March. It is stable. She went over the investments and the maturity dates. She went over the Risk Fund, Golf Fund, Stormwater Fund came in where they expected them to be in January.

Mr. Santo Napoli thanked Ms. Patel on the city's position. It is a lot of good news. He asked if there were any questions or comments from the committee.

Monthly Finances

Monthly Finances

[15-5689](#) Finance Reports

Attachments: [12- December 2022 V2](#)
[January 2023 Monthly Report](#)

[15-5420](#) R165 Budget and Finance, forwarded with the caveat that forensic audit be changed to external audit and that consideration be given to having the Controller do a performance audit for better initial understanding of the process - committee wanted to hear from the prime sponsor, Councilperson Zucal. Authorizes expenditure of funds for an independent forensic audit of the use of overtime and sick/leave time across all city bureaus and departure pay-outs

Sponsors: Affa, Gerlach, Hendricks and Mr. Zucal

Attachments: [R165 Forensic Audit](#)

Mr. Santo Napoli asked if there were any comments. He stated that it is sponsored by his colleagues.

Mr. Michael Hanlon stated that the procedure would be that you have money in your budget and always operated on the assumption to expend funds from your budget, you would need to pass a Resolution and get the

support of four Councilpersons. Mr. Zucal stated that because of the concerns about a forensic audit, he raised the possibility of changing it to an external audit. That amendment if it is made has to be done at the full Council meeting.

Mr. Santo Napoli stated that our options for this and asked if they could do it at a level if they involve the Controller rather than bringing an outside firm in at a higher cost.

Mr. Jeffrey Glazier stated that the Controller is an independent entity within the city. He does not answer to the Mayor or Council. He answers to the people. If independence is what Council is looking for we are certainly capable of doing that over a period of time. In addition to that, before you move forward, Council needs to crystallize to enumerate exactly what their concerns are. He thinks Council should sit down with the administration and understand what the intersection is between the amount of overtime assigned and what the various labor agreements and how they work with this. He is more than willing to have one of the summer interns take a look at the Fire Department.

Mr. Santo Napoli thank Mr. Glazier and stated that is something that he is always open to understanding more on how these departments work and where the revenue is going. He asked if there were any questions or comments from the committee.

Ms. Ce Ce Gerlach stated that her only comment is that she is ok with moving this forward. She stated that it looks like the prime sponsor is Mr. Zucal. At the regular Council meeting, he can get into the details as to why he wanted this.

Mr. Daryl Hendricks stated that he is willing to second that with the understanding that we allow for external rather than forensic audit. He realized a motion has to be made. The prime sponsor is open to that. With that stipulation, he would second it that we allow an external and consider Mr. Glazier conduct some of these.

Mr. Santo Napoli stated that he agrees with Mr. Glazier's point. We have to really identify what they are looking for and what they want to review because if not painting it with a broad brush can be tough to get the information that are looking for. That is something they should discuss at a future meeting.

Yes: 3 - Santo Napoli, Daryl Hendricks and Ce-Ce Gerlach

Updates

Adjournment: 6:31 PM