

# McCLURE & WOLF, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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July 15, 2021

To Council and Management  
City of Monessen  
557 Donner Avenue  
Monessen, PA 15062

Ladies and Gentlemen:

We have audited the financial statements of City of Monessen (the City) as of and for the year ended December 31, 2019, and have issued our report thereon dated July 15, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated December 21, 2020. Professional standards also require that we communicate to you the following information related to our audit.

## **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated December 21, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Additionally, safeguards have been applied to eliminate identified threats to independence or reduce them to an acceptable level. These safeguards include the following:

- Prior to the final acceptance and completion of audit procedures, management reviews and approves the financial statements as well as the adjustments, if applicable, related to the nonattest services provided.
- An independent partner or manager review of the financial statements and related notes is performed as McClure & Wolf, LLP's internal mitigating procedure.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during December 31, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Recent Pronouncements*

GASB issued Statement No. 87, "Leases". The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and enhancing the relevance, reliability, and consistency of information about the leasing activities of government. The provisions of this statement are effective for the City's December 2022 financial statements.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is related to the depreciation of the City's capital assets, which is more fully disclosed in Note 2F to the financial statements.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements were:

The disclosure of future debt service obligations of the City detailed in Note 8 to the financial statements.

The subsequent event disclosure related to the unpredictability of the effects of the COVID-19 pandemic on the operations and financial position of the City in Note 19 to the financial statements.

#### **Significant Difficulties Encountered during the Audit**

We encountered significant delays in our ability to perform audit procedures as agreed upon in the original scope of the engagement. These delays resulted from material weaknesses identified in the City's internal control structure related to inconsistent application of financial management controls and documentation retention procedures. Additional delays were experienced due to our requirements to obtain certain information from the predecessor auditor.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

#### **Representations Requested from Management**

We have requested certain written representations from management, which are included in a letter dated July 15, 2021.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

### **Material Weaknesses in Internal Control**

#### *Reconciliation of Bank Accounts*

During our procedures, we became aware that several bank accounts belonging to the City were not being reconciled consistently and the related documentation was not readily available in the normal course of business. As a result, a significant amount of transactional activity occurring at the City during the year under audit, as well as the subsequent period, was not initially recorded. The lack of a consistent recording and reconciliation process prevented City management and Council from recognizing that reports generated by the general ledger system may not have been complete and therefore may have impacted the decision making process. All bank account activity of the City should be recorded and reconciled in a consistent and timely manner within the general ledger system. This ensures that all funds belonging to the City are recorded and accounted for as required for financial reporting purposes and that all reports generated for the use of management and Council are complete and accurate.

#### *Documentation of Revenue Collections*

During our procedures we noted several instances of incomplete documentation maintained for various revenue collections. We noted that several times a 'Treasurer's Receipt Summary' was not maintained as part of the documentation of daily receipts deposited. Furthermore, we noted the absence of supporting documentation for deposits that contained revenues from lien letters and tax certifications. We recommend that the City evaluate the revenue collection process and ensure that documentation is retained consistently for all revenue collections.

#### *Payroll and Pension Regulatory Reporting Requirements*

During the course of our audit procedures, we identified several control weaknesses related to the processing and documentation of payroll expenses. We noted that while department supervisors are required to review each time card submitted for payroll, the supervisors are not required to signoff to document that review. Additionally, we identified that the City lacks a pre-submission review and approval process for payroll by the City Administrator or other individual who is independent from the payroll process. This process is crucial to verify the accuracy and appropriateness of the payroll report

prior to actual submission. As a result, we recommend that department supervisors initial each time card in order to document the control is operational. This ensures that each department supervisor actually reviewed each time card and has assessed them for fraud or error. We also recommend that before the final payroll is submitted for processing a summary report by employee is provided to the City Administrator for review and approval. This will ensure the controls over the payroll process are properly documented.

Furthermore, we identified a material weakness in the documentation of employee personnel file information related to payroll. The personnel files have not been properly maintained to document changes in personnel pay rates to support those used in the payroll process. All personnel files should be updated to ensure that documentation is maintained to support both the demographic data related to employees as well as pay rates used for the determination of payroll and future post-retirement benefits. Information regarding hire dates, termination dates, position changes, and promotions must also be maintained in the personnel files.

Additionally, we identified that the City did not maintain complete documentation to support the federal regulatory filing requirements for 2019. While it appears that the Form 941 was filed for the fourth quarter, a copy of this required filing was not maintained by the City. We recommend the City ensure that copies of all regulatory filings are maintained in the records.

#### *Controls over Postretirement Benefit Plans*

During our audit, we noted the City was not receiving benefit plan asset reports to enable management to review and reconcile contributions and distributions. Based on internal control inquiries made of City personnel, the City appears to be relying exclusively on several other entities to perform reconciliations for the plans. While the use of third party administrators is acceptable the City maintains fiduciary responsibility for all plan activities and must have an appropriate understanding of plan activities and the location of the assets when transfers are made. This documentation has not been appropriately maintained by the City.

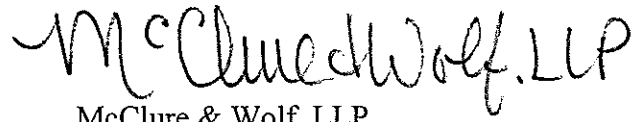
We recommend that on a periodic basis, plan management review the reports available on the vendor's website to reconcile contributions recorded against the contributions per the plan sponsor's payroll and contribution records and to look for any unusual items. We further recommend that the City management become more familiar with the reports available within the vendor website to enhance their internal controls around financial reporting for the plans.

Additionally, City management is responsible for ensuring the timely completion of all actuarial reports related to the pension and other post-retirement benefit plans maintained by the City. These reports are required for the timely and complete financial reporting of the City's operations as a whole. The completion of these reports should be scheduled in advance of each audit to ensure that all census data, plan investment reports, and contribution information are provided to the actuaries with sufficient time to be completed prior to the annual audit.

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This correspondence is intended solely for the information and use of the audit committee and management of the City of Monessen and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

  
McClure & Wolf, LLP

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