CITY OF MONESSEN
WESTMORELAND COUNTY, PENNSYLVANIA

SINGLE AUDIT

DECEMBER 31, 1996

CITY OF MONESSEN
SINGLE AUDIT

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The Honorable Mayor and
Members of Council
City of Monessen
Monessen, Pennsylvania 15062

We have performed the Single Audit of the City of Monessen for the year ended December 31, 1996, and have enclosed the Single Audit reporting package.

The single audit was done to fulfill the requirements of OMB Circular A-128. It entailed: 1. an audit of the general purpose financial statements and our opinion thereon; 2. an examination of the schedule of federal financial assistance and our opinion thereon; 3. a review of the internal control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements; 4. a review of the internal control structure made as a part of the audit of the federal financial assistance programs; 5. a review of compliance based on an audit of the general purpose financial statements in accordance with *Government Auditing Standards*; and 6. a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

As part of our report, we have enclosed a Management Letter.

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CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
June 6, 1997

CITY OF MONESSEN

- LIST OF REPORT DISTRIBUTION -

- City of Monessen - Ten copies of the Single Audit Report Package.
- County of Westmoreland, Planning Department, 601 Courthouse Square, Greensburg, Pennsylvania 15601, Attn: Mr. Andrew Jonczak - One copy of the Single Audit Report Package.
- Commonwealth of Pennsylvania, Office of the Budget, Bureau of Audits, Bell Tower - 6th Floor, 303 Walnut Street, Harrisburg, Pennsylvania 17101-1830 - Attn: Subrecipient Audit Review - Five copies of the Single Audit Report package.
- Bureau of the Census, Data Preparation Division, 1201 East 10 Street, Jeffersonville, Indiana 47132, Attn: Single Audit Clearing House - One copy of the Single Audit Report Package.

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MANAGEMENT LETTER

The Honorable Mayor and
Members of Council
City of Monessen
100 Third Street
Monessen, Pennsylvania 15062

We have audited the general purpose financial statements of the City of Monessen, Pennsylvania for the year ended December 31, 1996, and have issued our report thereon dated June 6, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the City of Monessen, Pennsylvania for the year ended December 31, 1996, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the City of Monessen, Pennsylvania is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in condition or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

We obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we feel should be mentioned. These are as follows:

Single Audit:

Finding: It was noted during the testing of federal financial reports submitted to DCED, that the annual report was not submitted on a timely basis.

Recommendation: It is recommended that the City institute procedures to ensure that reports submitted to DCED will be on a timely basis.

We do not consider the above item to be a material weakness in the design or operation of the internal control structure.

This information is intended solely for the information of the City of Monessen. This restriction, however, is not intended to limit the distribution of this report, which is a matter of public record.

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Greensburg, Pennsylvania
June 6, 1997

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose 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. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the City of Monessen, Pennsylvania in a separate letter dated June 6, 1997.

This report is intended for the information of management, the U.S. Department of Housing and Urban Development, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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Greensburg, Pennsylvania
June 6, 1997

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and
Members of Council
City of Monessen
100 Third Street
Monessen, Pennsylvania 15062

We have audited the general purpose financial statements of the City of Monessen, Pennsylvania as of and for the year ended December 31, 1996, and have issued our report thereon dated June 6, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Monessen, Pennsylvania is the responsibility of the City of Monessen, Pennsylvania's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The results of our tests disclosed an immaterial instance of noncompliance with the above requirements which we have reported to the management of the City of Monessen, Pennsylvania in a separate letter dated June 6, 1997.

This report is intended for the information of management, the U.S. Department of Housing and Urban Development, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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Greensburg, Pennsylvania
June 6, 1997

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Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at 12/31/95	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 12/31/96
$ 434,502	$ 7,366	$ 0	$ 7,366	$ 7,366	$ 0
444,626	250,197	134,878	115,319	115,319	0
422,484	19,862	19,862	35,794	35,794	35,794
381,898	0	0	0	0	0
330,789	0	0	0	0	0
333,778	0	0	0	0	0
2,348,077	277,425	154,740	158,479	158,479	35,794
109,050	0	0	0	0	0
86,250	62,568	0	62,568	62,568	0
81,000	35,060	0	39,060	39,060	4,000
276,300	97,628	0	101,628	101,628	4,000
2,624,377	375,053	154,740	260,107	260,107	39,794
28,162	21,967	0	21,967	21,967	0
$2,652,539	$397,020	$154,740	$282,074	$282,074	$39,794

CFDA#	Calculation of the 50% Rule:			Expenditures
14.228	Programs Selected: Community Development Block Grant			$158,479
	Programs Selected / Total Federal Expenditures	$158,479 / $282,074	=	56%

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE

The Honorable Mayor and
Members of Council
City of Monessen
100 Third Street
Monessen, Pennsylvania 15062

We have audited the general purpose financial statements of the City of Monessen, Pennsylvania as of and for the year ended December 31, 1996, and have issued our report thereon dated June 6, 1997.

We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audits for the year ended December 31, 1996, we considered the internal control structure of the City of Monessen, Pennsylvania in order to determine our auditing procedures for the purpose of expressing our opinions on the general purpose financial statements of the City of Monessen, Pennsylvania and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated June 6, 1997.

The management of the City of Monessen, Pennsylvania is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded

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properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Activity Cycles

- Treasury or financing
- Revenue/receipts
- Purchases/disbursements
- External financial reporting
- Payroll/personnel

Financial Statement Captions

- Cash and cash equivalents
- Receivables
- Inventory
- Property and equipment
- Payables and accrued liabilities
- Debt
- Fund balance

Accounting Applications

- Billings
- Receivables
- Cash receipts
- Purchasing and receiving
- Accounts payable
- Cash disbursements
- Payroll
- Inventory control
- Property and equipment
- General ledger

General Requirements

- Political activity
- Davis-Bacon Act
- Civil rights

- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace
- Administrative requirements

Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort, and earmarking
- Reporting
- Claims for advances and reimbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1996, the City of Monessen, Pennsylvania had no major federal financial assistance programs and expended 56 percent of its total federal financial assistance under the following nonmajor program: Community Development Block Grant.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation that we have reported to the management of the City of Monessen, Pennsylvania in a separate letter dated June 6, 1997.

This report is intended for the information of management, the U.S. Department of Housing and Urban Development, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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Greensburg, Pennsylvania
June 6, 1997

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Honorable Mayor and
Members of Council
City of Monessen
100 Third Street
Monessen, Pennsylvania 15062

We have audited the general purpose financial statements of the City of Monessen, Pennsylvania as of and for the year ended December 31, 1996, and have issued our report thereon dated June 6, 1997.

We have applied procedures to test the City of Monessen, Pennsylvania's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1996:

General Requirements:

- o Political activity
- o Davis-Bacon Act
- o Civil rights
- o Cash management
- o Relocation Assistance and real property acquisition
- o Federal financial reports
- o Allowable costs/cost principles
- o Drug free workplace
- o Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City of Monessen, Pennsylvania's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

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With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Monessen, Pennsylvania, had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements, which is described in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of management, the U.S. Department of Housing and Urban Development, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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Greensburg, Pennsylvania
June 6, 1997

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

The Honorable Mayor and
Members of Council
City of Monessen
100 Third Street
Monessen, Pennsylvania 15062

We have audited the general purpose financial statements of the City of Monessen, Pennsylvania as of and for the year ended December 31, 1996, and have issued our report thereon dated June 6, 1997.

In connection with our audit of the general purpose financial statements of the City of Monessen, Pennsylvania, and with our consideration of the City of Monessen, Pennsylvania's, control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended December 31, 1996.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility, and reporting that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City of Monessen, Pennsylvania's, compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Monessen, Pennsylvania, had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements, which is described in the accompanying Schedule of Findings and Questioned Costs.

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Greensburg, Pennsylvania
June 6, 1997

CITY OF MONESSEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1996

Program	Finding/Noncompliance	Questioned Costs
Community Development Block Grant CFDA #14.228	Finding: Statement of Condition: It was noted during single audit testing that the Annual Performance Report was not filed until after the due date established by the Department of Community and Economic Development. Criteria: Federal financial reports should be filed timely. Effect of Condition: The report was not filed timely as prescribed by federal and state regulations. However, the report was accepted by the Department of Community and Economic Development. Cause of Condition: The annual financial information was not received by Department of Community and Economic Development on a timely basis. Recommendation: It is recommended that the City of Monessen institute procedures to ensure that federal financial reports will be submitted on a timely basis.	NONE

CITY OF MONESSEN
SINGLE AUDIT RESPONSE AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 1996

Finding: The Annual Performance Report was filed after the due date established by the Department of Community and Economic Development.

Response: The City of Monessen concurs with the auditors finding and recommendation. Effective immediately procedures will be established to ensure that reports are filed on a timely basis.

John T. DeLuca

John DeLuca, City Administrator

CITY OF MONESSEN
REPORT ON STATUS OF PRIOR YEAR
COMPLIANCE FINDINGS AND INTERNAL CONTROL WEAKNESSES
FOR THE YEAR ENDED DECEMBER 31, 1996

The prior years audit finding has occurred again in 1996.