

FISCAL AUDIT

CITY SOURCE ASSOCIATES INC.,

Great Race Account

Special Audit by the
Office of City Controller

**MICHAEL E. LAMB
CITY CONTROLLER**

Douglas W. Anderson, Deputy Controller

November 6, 2017

CONTENTS

Executive Summary.....	3
Introduction.....	5
Scope and Methodology.....	5
Background.....	6
Result:	
Finding #1: Inadequate Record Keeping Practices.....	8
Finding #2: Lack of Proper Supervision and Oversight and/or Monitoring.....	10
Finding #3: Vendor Payments without Contract – Citiparks.....	11
Finding #4: Commingled Activities – City Source.....	11
City Source Response.....	12



MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

November 6, 2017

To the Honorables: Mayor William Peduto and
Members of Pittsburgh City Council:

The Office of the City Controller is pleased to present this audit of the *City Source Associates, Great Race Account* conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

City Source Associates, a non-profit organization was engaged by the Department of Parks and Recreation (Citiparks) to manage funds related to the City's Great Race program. The agreement was effective from December 1, 2009, to November 2010. However, provisions under this agreement continued without a formalized extension until the account was closed in April of 2017. Under the agreement, specific bookkeeping/accounting services were provided for a fee. Revenue generated from race registration fees and third-party sponsorship checks were deposited into a bank account that is maintained by City Source Associates. This account was maintained as a non-City of Pittsburgh account under the control of City Source Associates. Disbursements from the account are initiated via request memos from Citiparks. Early this year some irregularities were suspected in the account, leading to an internal investigation by the City's Office of Municipal Investigations (OMI). This account was subsequently closed with the balance on the account transferred into The Great Race trust fund managed by the City.

We performed certain procedures to determine whether internal controls related to the administration of the Great Race account were adequate to mitigate risks associated with misappropriation and/or fraud. Our procedures were limited and did not constitute a full audit of City Source Associates and/or Citiparks. Based on these procedures, operating practices were inadequate thereby increasing the risk of misappropriation and/or fraud to occur and not be detected. Additionally, existing internal controls are weak and insufficient to effectively mitigate such risks. We specifically noted inadequate recordkeeping and retention practices and the lack of appropriate supervision and/or oversight. Records maintained to support activities/transactions on the Great Race account were unorganized and incomplete thereby making it difficult to assess their legitimacy. These and other concerns are discussed further in the Result section of this report.

Attached also is the written response to our report from City Source Associates. However, we wish to point out that the scope and objectives of the internal control memorandum issued by their external auditors are limited as compared to ours, and that it does not express an opinion on the effectiveness of



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City Source Associates internal controls. Also, City Source Associates indicated that they no longer handle any City fund; we believe that the Senior Center Accounts are related to activities conducted on City facility that may also involve City personnel. Unless some other arrangements are made (i.e. creation of a non-profit /independent entity), the City still has some fiduciary responsibilities related to these funds.

Sincerely,

A handwritten signature in blue ink that reads "Michael E. Lamb".

Michael E. Lamb
City Controller

INTRODUCTION

This audit of *City Source Associates, Great Race Account* was conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

SCOPE AND METHODOLOGY

This audit was conducted pursuant to Article IV, Section 404 (b) of the City of Pittsburgh Home Rule Charter. Our procedures covered the period January 1, 2012, to April 7, 2017, when the account was closed.

The objective of our audit was to gain an understanding of the internal controls related to the administration of the Great Race account as well as assess their adequacy in mitigating risks associated with misappropriation and/or fraud. Our procedures were limited and did not constitute a full audit of City Source Associates or Citiparks.

Our procedures consisted primarily of inquiries, examination of documents supporting transactions posted to the Great Race account provided by City Source Associates. These procedures were neither designed nor intended to be a detailed audit of City Source Associates. Accordingly, the findings and recommendations presented in this report only pertain to records examined and matters discovered during this audit. Specifically we:

- Interviewed Citiparks personnel involved with the Great Race to gain an understanding of the processes and internal controls over the Great Race account.
- Inquiry and examination of records provided by City Sources Associates.
- Reviewed general procedures related to the administration of the account.
- Evaluated adequacy of internal controls over the receipt and deposit of race registration fees and payments from third party sponsors.
- Reviewed procedures for disbursement of funds from the account.
- Examined monthly bank statements, cancelled checks, and other supporting documentation relating to transactions posted on the account.
- Reviewed monthly bank reconciliations.
- Reviewed available third party sponsorship agreements.

Background

City Source Associates, a non-profit organization was engaged by the Department of Parks and Recreation (Citiparks) to manage funds related to the City's Great Race program. The agreement was effective from December 1, 2009, to November 2010. However, provisions under this agreement continued without a formalized extension until the account was closed in April of 2017. Under the agreement, specific bookkeeping/accounting services were provided for hourly rates ranging from \$28 to \$32.50 plus varying fees for other miscellaneous services. Revenue generated from race registration fees and third-party sponsorship checks were deposited into a bank account that is maintained by City Source Associates (CSA). This account was maintained as a non-City of Pittsburgh account under the control of CSA. Disbursements from the account are initiated via request memos from Citiparks. Early this year some irregularities were suspected in the account, leading to an internal investigation by the City's Office of Municipal Investigations (OMI). This account was subsequently closed with the balance on the account transferred into The Great Race trust fund managed by the City; however, CSA still maintains cash accounts for other City programs and agencies.

The Great Race program generates revenue from race participants' registration fees and third party sponsorships. Registration for the race is made online via an independently operated vendor website. A printed application form is also available upon request to be completed and mailed back to the Office of Special Events at the City-County Building location. Fees collected via the online website are forwarded to the City biweekly in the form of checks by the vendor. Online payments received for early registration (first 6,000 entrants) were made out to City Source Associates. A total of \$821,232 of such registration fees was deposited in the CSA Great Race account for the period January 1, 2012, through April 7, 2017. Subsequent race registration fees collected are made payable to the "City Treasurer", sent to Citiparks and eventually deposited into the Great Race Trust Fund maintained at the City. Citiparks did not have all originating source documents such as copies of the checks issued by the third party online vendor to enable us to vouch that all registration fees collected were actually deposited.

The Great Race sponsorship payments/checks were received from three major third party sponsors under an exclusive "Letter of Agreement" with Citiparks. Under the terms of the agreements, these entities make cash donations to the City in exchange for specific rights such as corporate recognition and representation during events, publicity and logo visibility on the Great Race signs and advertisements. The agreements are typically for a three year period. There are no stipulations in these agreements as to how the City should use these contributions. Sponsorship checks are mailed to Citiparks but the checks are made payable to CSA. Citiparks then forwards the checks to CSA to be deposited into the Great Race Account. As mentioned earlier, Citiparks did not have copies of all sponsorship payments on file, therefore we were unable to vouch for the completeness of this category of revenue i.e. all the checks received from the sponsors were actually deposited.

A total of \$1,755,297 was deposited into the account, of which \$812,000 was from the third party sponsors during the period January 1, 2012, through April 7, 2017, as detailed below:

**Table I: City Source Associates – Great Race Account
Revenue¹
From 1/1/2012 to 4/7/2017**

Year	Registration Fees	Sponsorship Payments	Other *	Total
2012	\$ 129,780	\$ 180,500	\$ 28,000	\$ 338,280
2013	102,068	160,500	15,599	278,167
2014	98,239	165,500	47,393	311,132
2015	199,341	172,000	25,542	396,883
2016	235,709	133,500	5,531	374,740
2017	56,095	-	-	56,095
Total	\$ 821,232	\$ 812,000	\$ 122,065	\$ 1,755,297

*Donations from organizations, merchandise sales, etc.

Disbursements of funds deposited into the account are initiated by request memos from Citiparks which serves as authorization for using the custodial funds. All checks issued from the account are authorized by CSA management (via two signatures). Disbursements from the account totaled \$1,488,936 during the period January 1, 2012, to April 7, 2017, detailed below:

**Table II: City Source Associates – Great Race Account Disbursements²
From 1/1/2012 to 4/7/2017**

Category	Amount
Data Processing-Race Result	\$ 252,541
Merchandise³	226,635
Advertising	209,268
Promotion	179,501
Food	127,808
Parking and Shuttle Services	94,278
Trophy	50,856
Computer Rental and Services	45,405
Other Miscellaneous Charges⁴	37,818
Supplies	34,733
Equipment/Video Rental	33,812
Security	28,238
Entertainment	25,956
Fees-Professional Association/Publications	25,292
Arts Work Program	23,667
Waste Management Services	21,815
Gift Cards	15,761
Photography	15,552
Total	\$ 1,448,936

¹ Per G/L provided by City Source

² Per G/L provided by City Source

³ Great Race promotional items such as tees, hats, banners etc.

⁴ Cleaning, Building management, insurance etc.

RESULT

Our procedures disclosed inadequate practices thereby increasing the risk of misappropriation and/or fraud to occur and not be detected timely. Also, the existing internal controls are weak and insufficient to effectively mitigate such risks. CSA does not maintain adequate records to support all transactions posted on the Great Race account. There was a general lack of supervisory controls as well as oversight over the management of the account. Although there was no evidence of any misappropriation based on the procedures we performed, the nature of records maintained to support transactions posted to the account indicated it could occur and not be detected timely. This lack of effective internal controls and adequate supervision increased the risks that errors, misappropriation and/or fraud may occur and not be detected timely. Although CSA no longer manages this account, and that the Great Race program is now under a new management company, we deemed it necessary to discuss these issues. This is especially important because CSA is currently managing other accounts/programs on behalf of the City and needs to understand some of these concerns as they fulfill their fiduciary responsibility as the fiscal agent for these other programs.

Finding#1: Inadequate Record Keeping Practices

CSA did not maintain adequate records to support all transactions posted to the Great Race Account. Records provided for examination during our fieldwork were disorganized and often incomplete thereby making it difficult to discern account activities as well as to verify the validity of transactions posted to the account. This is especially important since the same bank account was used for multiple programs managed by CSA on behalf of the City. Although separate ledger accounts were maintained for each program, records retained/provided were not always clear as to what transactions are for what program. Specifically we noted:

Support for Disbursements

Disbursements made from the account were not always adequately supported. Disbursements from the account were initiated via request memos from Citiparks and usually accompanied with some form of supporting documentation such as invoices. However, we noted several disbursements from the account did not have such memos and/or supporting documentation on record. As the custodian of funds in the Great Race account, CSA has the responsibility to exercise its fiduciary duty by ensuring that all disbursements made from the account are properly supported. An estimated total of ***\$42,482 (33 transactions)*** on the account did not have any supporting documentation. Although it is not clear as to whether Citiparks actually sent them, lack of such authorizing records to support activities on the account limits the ability to ensure disbursements are actually authorized. This is especially a concern due to the fact that there was no additional oversight or review of transactions charged to the account either at City Source or Citiparks. In addition, the following disbursements were made from the account that was not properly supported:

- ***Purchase and Use of Gift Cards*** - \$15,761 was spent in purchasing gift cards. No documentation as to purpose or the intended recipients. In addition, there were no paper trails to account for gift cards worth \$5,000 donated by a third party to the Great Race Program.
- ***Non Great Race Expenditures:*** - Review of the Great Race account general ledger revealed an estimated transactions totaling \$103,371 that were not Great Race related were paid out of the account. Policy and or guidelines on expenditures allowable were not clear.

Online Transfers

CSA did not have adequate records to support various online transfers made to and from the Great Race account or any documented explanation for the transfers. Review of records from the period January 1, 2012 through April 7, 2017, showed a total of \$185,720 was transferred out and a total of \$212,868 transferred into the Great Race account without any documented support and/or explanation detailed below:

Table III: City Source Associates – Great Race Account Online Transfers From 1/1/2012 to 4/7/2017	
Transfers from the Great Race Account to:	
<i>City Source Operating</i>	<i>\$ 178,858</i>
<i>City Source Money Market</i>	<i>5,408</i>
<i>Senior Centers</i>	<i>1,000</i>
<i>City Fit</i>	<i>454</i>
Total	\$ 185,720
Transfers to the Great Race Account from:	
<i>City Operating</i>	<i>\$ 200,904</i>
<i>City Fit</i>	<i>11,178</i>
<i>Other</i>	<i>786</i>
Total	\$ 212,868

Bank Statements and verbal explanations provided upon further inquiry does not constitute adequate trail for these transactions. There were no records to explain the reason for the transfers including approval from the City. It appears that the City is not aware or gave consent to these transactions. Although we were able to deduce some of these may be transfers of monies deposited into the bank account for other programs and subsequently either transferred out or used to pay their expenses, without adequate records/support it is difficult to really assess their validity.

Bank Reconciliations

A review of CSA's bank reconciliations for the Great Race account found 28 (or 46%) out of the 60 months reviewed had stated beginning balances that did not equal the prior month's ending balance. Five of the 28 were adjusted during our fieldwork upon inquiry. Differences between accounting records (book balance) and the bank balance should be investigated and documented as part of the reconciliation process. Bank reconciliation should include documentation of an explanation for all differences between the balances per the accounting system and the bank statement and the beginning accounting balance for the subsequent month should always match the reconciled ending balance of the previous month. Preparing bank reconciliations is a good internal control practice to ensure accurate records (all transactions are recorded on the ledger) and also helps in identifying any unusual transactions that might be caused by fraud or accounting errors. Month-end balance should always carry forward to the next month's beginning balance. All necessary reconciling items to agree the two should be shown on the bank reconciliation document.

Segregation of duty

Duties were not adequately segregated since the person preparing the bank reconciliations is also involved with the receipt and disbursement functions as well as controlling bank statements and checks issuance. Ideally, bank reconciliations should be prepared by staff independent of the receipt and disbursement. In situations where this is not feasible, like in a small office, compensating (supervisory) controls should be implemented. At a minimum, complete reconciliations should be performed and periodically reviewed by another independent of the process. This review should ideally be documented. We did not observe any such compensating controls.

Gaps in Check Sequencing

Review of records revealed a large number of gaps in checks (91) that were unaccounted for and explained as voids with no documentation. In addition, no procedures appear to be in place for a supervisory review of these voids. In response to further inquiry, CSA provided supporting documentation verifying that 30 or just one-third of these unaccounted check sequences were actually voided. It maybe that these were not used (as evident by reviewing the disbursement/ledgers), no support records were maintained to allow for easy accounting and verification. Sound internal controls indicate all checks sequence should be properly accounted for as used, unused or voided. Voided checks should be kept and made available for subsequent inspection. Periodic review of voided checks and or transactions should also be part of a sound internal control practice. Accounting for numerical sequencing of checks should be part of bank reconciliation procedures.

Finding #2: Lack of proper supervision and oversight and or monitoring

There was no evidence of any supervisory review of account activities at CSA or oversight of the Great Race account by Citiparks. Although the Great Race account was closed and remaining funds on the account transferred back to the City, we deemed it necessary to discuss this concern since City Source still manages some City accounts. The same concerns noted will still be valid unless adequate steps are implemented to ensure such accounts are properly accounted for.

Supervision – City Source (CSA)

In addition to CSA's failure to maintain/provide adequate records relating to the transactions on the Great Race funds, we noted lack of adequate supervision over account activities during fieldwork. Although activities are managed by a small staff at CSA where separation of duties may not be practical, there should be evidence of supervisory review of bank reconciliations and voided transactions/checks.

Oversight – Citiparks

CSA appears to operate the Great Race account with complete autonomy. Sponsorship checks received by Citiparks are forwarded to CSA for deposit into the Great Race account. A standard procedure of Citiparks sending memos to request expenditures be paid was in place. No other process appeared to be in place. Citiparks does not request and/or receive, nor review any documentation relating to the activities on the account thereby making it possible for funds to be diverted, used or misappropriated without being detected timely. Also, there were no clear guidelines/policies and procedures regarding how monies related to the Great Race are to be utilized other than the general understanding that they are used for expenditures related to the race. It is important for Citiparks to have formal operating procedures relating to the Great Race program to ensure adequate monitoring and as well as allowable use of funds.

Finding #3: Vendor Payments without Contract - Citiparks

Agreements – There were excessive payments made to individuals considered promoters without any formal agreement. A total of \$179,501 was spent on promotion during the period 1/1/2012 to 4/7/2017 with \$156,845 (or approx. 87.3%) paid out to two promoters. Promoters were utilized by Citiparks to engage in varied activities promoting the great race. All such arrangements should have been formalized.

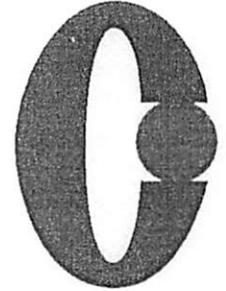
Finding #4: Commingled Activities - City Source

The same checking account was used for more than one program. The checking account is also used for other Citiparks programs activities. Although City Source maintains separate ledger accounts in their ledger, records examined were not clear and it is not easy to identify what deposit or disbursement is for what program. The records were disorganized and not easily discernable.

Recommendations

Although the CSA Great Race account has since been closed, CSA is still maintaining accounts for various City agencies and programs. We recommend Citiparks reconsider these arrangements by evaluating how CSA is managing them. At a minimum, Citiparks needs to implement policies and procedures to ensure controls are in place to provide appropriate oversight to CSA. Routine operating records should be requested/reviewed and maintained. Citiparks should also develop formal operation policies and procedures to ensure adequate monitoring as well as allowable use of the Great Race funds.

CSA should also fulfill its fiduciary responsibilities by ensuring support for all transactions posted on accounts it holds as a fiscal agent are available for examination.



Executive Summary

City Source Associates never solicits conduit work. City Source Associates was approached by James Kline and Michael Radley for Services starting in July 1998. At that time City Source Associates was asked to take over for Allegheny Conference. Allegheny Conference could no longer provide the services. It was an At-will contract and could be cancelled at any time. City Source Associates agreed to make to deposits in a conduit account, prepare checks from a check authorization letter by Great Race, preparation of 1099's and prepare a monthly report of receipts and disbursements. Our Fee was the interest from the bank account. No fees were charged. In 2009 when the interest rate starting decreasing it was necessary to draft a fee schedule which Michael Radley agreed to.

During the period of July 1998 through current, City Source Associates has had an Independent Non-Profit Audit was done by McGee, Maruca and Associates with a Internal Control Review. No findings were found during this period. City Source Associates is a 501-C-3 organization and complies with all rules and regulation of a Non- Profit organization not a governmental entity. I have attached a copy of our internal control review.

Background

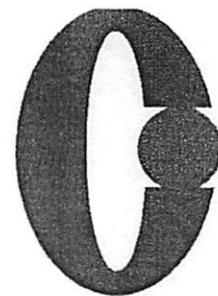
Our fees were never \$28.00-32.50 per hour. City Associates was only paid to make deposits and prepare checks. We were also maintained social security numbers for independent contractors, and maintained payments for these vendors and prepared monthly report for the Executive Director of the Great Race to review. We picked up checks and deposits each Friday from the City County Building. Last year only we purchased, set-up a credit card system so payments could be taken at the Great Race Events and directly deposited in the conduit account.

We had no irregularities in our account and have always provided in information necessary to rectify any questions or comments by the race director.

Inadequate Record Keeping Practices



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At the start of the audit our records were organized by year with separated by deposits, checks and bank statements. Prior to your arrival I told Hadiza we could not accommodate six auditors in our office. Our office is too small. This request was ignored. There was not enough room to have six people going through records and we could not get in the conference area to find documents the auditors needed. This was our office and our wishes should have been respected. It would have taken more time but the results may have been different. The records were all mixed together and took weeks to organize and put things back.

Support for Disbursements

First we never in the nineteen years of providing services to Great Race years agreed to a bank account exclusively available to the Great Race. Each race director was aware of this. If establishing a separate bank account it should have been brought to our attention many years ago.

Purchase of all gift cards for Great Race \$5000.00 - The paper trail was a memo from the Great Race office, a City Source check request form completed by the accountant and signed by the executive director. The Great Race office wanted the gifts cards purchased from Dollar Bank only. We never had an account for Dollar Bank so it was necessary to prepare a check from the Great Race Account and cash it. Then take the cash to Dollar Bank and purchase the gift cards. These gift cards were given to Race winners.

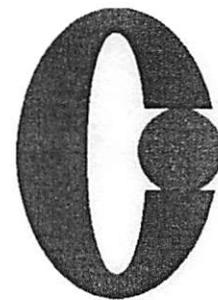
Use of Debit card - \$10761.00 was to transfer funds to the Comdata Debit Cards for the Great Race, Parks and Recreation, and the Senior Center. All three groups had individual debit cards and individual reports were generated each card and sent to each director for review. Once a month funds were deposited into the Conduit Account from the Recreation Account and Senior Healthy Active Living Account and one wire initiated and credits were applied to each debit card.

Non Great Race Expenditures:

City Source Associates pays expenses for all other non-profits through the Conduit Account and should not be part of the Audit. Funds originated from Other Private Sources not the City of Pittsburgh.

Online Transfers

We were unable to get transaction copies from 2012. The majority of the City Source transfer was to and from the Certificate of Deposit. The funds were transferred out to Certificate Of Deposit to cover the Great Race expenses and re deposited once the sponsorship income come in.



The Senior Center and City Fit transactions- I provided documentation in an email dated 08/25/17.

Bank Reconciliation

I did provide adequate written explanation. The majority of the bank statement adjustments were for check that needed to be voided. In early versions of our software it would go back and void the check in the period created. Currently the software allows a date selection for the check void.

Segregation of Duty

During our audit, the independent firm of McGee and Maruca reviews our bank statements for all accounts and looks for any reconciliation errors.

Gaps in Check Sequencing

We keep voided checks for a period of four years. 2012 voided checks were destroyed in 2016. I prepared a schedule for the Auditor documenting all the checks for 2012 including the voided checks. We follow our internal policies verbatim and the Great Race had a duty to inform us if they needed voided checks retained beyond our policy.

Lack of proper supervision and oversight and or monitoring

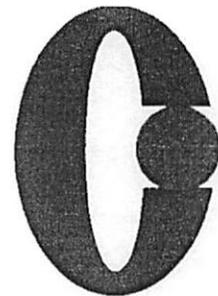
Currently we are not holding any City Funds. The funds were are holding are for the Senior Center, Recreation Center, small non profits and Art Work funds restricted for Christmas Decorations for Light UP Night.

The Senior Center Funds are deposits made by each center which come from the individual members of the center and Department of Aging reimbursements for lunches. Weekly and monthly procedures have been implemented and reports are generated and sent to each advisory council for review.

The Recreation Centers are deposits made by each center which come from the individual member and day camp services. Purchases are made through these accounts and reports are reconciled monthly.

Oversight – Citiparks

Sponsorship checks, donations and invoices to be paid were picked up every Friday at the City County Building. Bill Harlak received the checks and invoices from a representative of the Great Race. The deposits were made that day and recorded in our accounting system. The checks were prepared Once the checks were prepared and filed. The original checks returned to the Great Race the next Friday. Great Race prepared a letter and sent out all vendor checks. We provided a monthly report which



detailed the deposits made, checks issued and monthly fee charged to the Race Director. We only charged fees for years 2009-2017.

Commingled Activities

It has always been our policy to have one conduit bank account to disburse funds. For reconciliation purposes all of our conduit ledger accounts agreed to the conduit checking and money market account. This was our control. If the Great Race requested a separate account we would have set one up.

Recommendation

We are not providing services to City Agencies and programs. As I have stated above the Senior and Recreation Centers are under the control of the Advisory Councils not the City of Pittsburgh. They are transitioning control from the Center Directors to the Advisory Councils. As of 07/01/17 the Advisory Council have all authority to make deposits and purchasing decisions. They centers are deciding if they will be part of a non-profit or create an independent legal entity.

We have and always complied too the regulations regarding our activities. We have an annual audit every year and address any issues that are presented to us.

Signed: William D Harlak
Date 10-27-17

Anne C Henningsen, CPA 10-27-17
Anne C Henningsen, CPA Date



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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**

**Board of Directors
City Source Associates**

We have audited, in accordance with the 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 financial statements of City Source Associates (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City Source Associates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Source Associates' internal control. Accordingly, we do not express an opinion on the effectiveness of the City Source Associates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Source Associates' financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pittsburgh, PA
March 21, 2016

McLure Mowen & Associates, P.C.

