

# **City of Allentown, Pennsylvania**

## Single Audit Report

Year Ended December 31, 2015 with  
Independent Auditor's Reports

**MaherDuessel**  
Certified Public Accountants

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# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2015

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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 Ed Pawlowski, Mayor,  
and Members of City Council  
City of Allentown, Pennsylvania

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allentown, Pennsylvania (City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2016. Our report includes a reference to other auditors who audited the financial statements of the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority.

**Internal Control over Financial Reporting**

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

The Honorable Ed Pawlowski, Mayor,  
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Independent Auditor's Report on Internal  
Control over Financial Reporting

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2015-001 and 2015-002, that we considered to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-002.

### **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maher Duessel*

Harrisburg, Pennsylvania  
June 28, 2016

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control  
over Compliance Required by the Uniform Guidance

The Honorable Ed Pawlowski, Mayor,  
and Members of City Council  
City of Allentown, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited the City of Allentown, Pennsylvania's (City) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

The Honorable Ed Pawlowski, Mayor,  
 and Members of City Council  
 City of Allentown, Pennsylvania  
 Independent Auditor's Report on Compliance  
 for Each Major Program

***Basis for Qualified Opinion on Highway Planning and Construction and Community Development Block Grants/Entitlement Grants***

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2015-003	20.205	Highway Planning and Construction	Cash Management
2015-004	14.218	Community Development Block Grants/Entitlement Grants	Earmarking
2015-005	14.218	Community Development Block Grants/Entitlement Grants	Reporting – Section 3 Summary Report
2015-006	14.218	Community Development Block Grants/Entitlement Grants	Reporting – Federal Financial Report

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

***Qualified Opinion on Highway Planning and Construction and Community Development Block Grants/Entitlement Grants***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Highway Planning and Construction program and Community Development Block Grants/Entitlement Grants program for the year ended December 31, 2015.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2015.

***Other Matter***

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The Honorable Ed Pawlowski, Mayor,  
and Members of City Council  
City of Allentown, Pennsylvania  
Independent Auditor's Report on Compliance  
for Each Major Program

## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2015-003, 2015-004, 2015-005, and 2015-006, that we consider to be material weaknesses.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The Honorable Ed Pawlowski, Mayor,  
and Members of City Council  
City of Allentown, Pennsylvania  
Independent Auditor's Report on Compliance  
for Each Major Program

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 28, 2016, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Redevelopment Authority of the City of Allentown or the Allentown Parking Authority. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Maher Duessel*

Harrisburg, Pennsylvania  
June 28, 2016

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued) Unearned Revenue at December 31, 2014	Federal Grant Receipts	Federal Grant Expenditures	(Accrued) Unearned Revenue at December 31, 2015	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:							
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-42-0002	\$ -	\$ -	\$ 3,305	\$ (3,305)	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-42-0002	(42,416)	504,818	61,532	400,870	48,158
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-42-0002	(384,048)	460,292	221,550	(145,306)	51,635
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-42-0002	-	-	1,139,216	(1,139,216)	303,548
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-42-0002	-	9,587	288,639	(279,052)	8,000
Subtotal 14.218			<u>(426,464)</u>	<u>974,697</u>	<u>1,714,242</u>	<u>(1,166,009)</u>	<u>411,341</u>
Emergency Solutions Grant Program	14.231	E-12-MC-42-0011	-	1,045	-	1,045	-
Emergency Solutions Grant Program	14.231	E-13-MC-42-0011	-	23,856	12,802	11,054	12,361
Emergency Solutions Grant Program	14.231	E-14-MC-42-0011	(14,103)	152,522	169,985	(31,566)	160,627
Subtotal 14.231			<u>(14,103)</u>	<u>177,423</u>	<u>182,787</u>	<u>(19,467)</u>	<u>172,988</u>
HOME Investment Partnerships Program	14.239	M-10-MC-42-0200	(235,224)	-	-	(235,224)	-
HOME Investment Partnerships Program	14.239	M-11-MC-42-0200	(10,656)	-	-	(10,656)	-
HOME Investment Partnerships Program	14.239	M-12-MC-42-0200	(21,400)	70,461	200,046	(150,985)	200,046
HOME Investment Partnerships Program	14.239	M-13-MC-42-0200	-	238,637	-	238,637	-
Subtotal 14.239			<u>(267,280)</u>	<u>309,098</u>	<u>200,046</u>	<u>(158,228)</u>	<u>200,046</u>
Sustainable Communities Regional Planning Grant Program	14.703	PARIP0074-11	(216,894)	216,894	-	-	-
Lead-Based Paint Hazard Control in Privately Owned-Housing	14.900	4100059638	(57,190)	57,190	-	-	-
Total U.S. Department of Housing and Urban Development			<u>(981,931)</u>	<u>1,735,302</u>	<u>2,097,075</u>	<u>(1,343,704)</u>	<u>784,375</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015  
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued) Unearned Revenue at December 31, 2014	Federal Grant Receipts	Federal Grant Expenditures	(Accrued) Unearned Revenue at December 31, 2015	Passed Through to Subrecipients
U.S. Department of Interior:							
Passed through the Commonwealth of Pennsylvania, Pennsylvania Historical and Museum Commission:							
Historic Preservation Fund Grants-In-Aid	15.904	42-14-121175	(5,333)	12,800	7,467	-	-
Historic Preservation Fund Grants-In-Aid	15.904	42-15-131238	-	-	4,711	(4,711)	-
Total U.S. Department of Interior			(5,333)	12,800	12,178	(4,711)	-
U.S. Department of Justice:							
Public Safety Partnership and Community Policing Grants	16.710	2010-UM-WX-0269	(56,508)	158,865	102,357	-	-
Public Safety Partnership and Community Policing Grants	16.710	2011-UM-WX-0157	(67,056)	721,408	677,166	(22,814)	-
Subtotal 16.710			(123,564)	880,273	779,523	(22,814)	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-1021	-	66,902	66,902	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0793	(8,971)	68,202	59,231	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0718	-	-	58,050	(58,050)	-
Subtotal 16.738			(8,971)	135,104	184,183	(58,050)	-
Total U.S. Department of Justice			(132,535)	1,015,377	963,706	(80,864)	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015  
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued) Unearned Revenue at December 31, 2014	Federal Grant Receipts	Federal Grant Expenditures	(Accrued) Unearned Revenue at December 31, 2015	Passed Through to Subrecipients
U.S. Department of Transportation:							
Passed through the Commonwealth of Pennsylvania,							
Pennsylvania Department of Transportation:							
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	050270	(252,959)	277,831	24,872	-	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	050278	(1,051,398)	9,477,005	11,328,044	(2,902,437)	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	050286	(293,896)	308,948	15,837	(785)	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	057343	(47,736)	667,953	638,313	(18,096)	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	057416	-	11,455	11,455	-	-
Subtotal 20.205			(1,645,989)	10,743,192	12,018,521	(2,921,318)	-
Alcohol Impaired Driving Countermeasures:							
Incentive Grants	20.601	IPD-2014-Allentown-00046	(4,029)	4,029	-	-	-
Incentive Grants	20.601	IPD-2015-Allentown-00030	-	5,862	9,125	(3,263)	-
Subtotal 20.601			(4,029)	9,891	9,125	(3,263)	-
Technical Assistance Grants	20.710	DTPH56-12-G-PHPT02	4,110	-	4,110	-	-
Technical Assistance Grants	20.710	DTPH56-14-G-PPT06	-	50,000	50,000	-	-
Subtotal 20.710			4,110	50,000	54,110	-	-
Total U.S. Department of Transportation			(1,645,908)	10,803,083	12,081,756	(2,924,581)	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015  
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued) Unearned Revenue at December 31, 2014	Federal Grant Receipts	Federal Grant Expenditures	(Accrued) Unearned Revenue at December 31, 2015	Passed Through to Subrecipients
U.S. Department of Environmental Protection:							
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF 983975-01-0	(5,276)	363,724	359,167	(719)	352,326
Total U.S. Department of Environmental Protection			(5,276)	363,724	359,167	(719)	352,326
U.S. Department of Health and Human Services:							
Passed through the Commonwealth of Pennsylvania, Pennsylvania Department of Health and Human Services:							
Public Health Emergency Preparedness	93.069	4100062877 R1	(26,193)	121,994	95,801	-	-
Public Health Emergency Preparedness	93.069	4100069761	-	27,234	72,173	(44,939)	-
Subtotal 93.069			(26,193)	149,228	167,974	(44,939)	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	4100069761	-	8,096	21,457	(13,361)	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	4100065359	(3,289)	5,771	4,558	(2,076)	-
Immunization Cooperative Agreements	93.268	4100064386	(25,186)	104,558	155,755	(76,383)	-
National Bioterrorism Hospital Preparedness Program	93.889	4100062877	(1,971)	9,182	7,211	-	-
National Bioterrorism Hospital Preparedness Program	93.889	4100069761	-	1,472	3,901	(2,429)	-
Subtotal 93.889			(1,971)	10,654	11,112	(2,429)	-
HIV Prevention Activities - Health Department Based	93.940	4100060799	(36,198)	105,041	103,692	(34,849)	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015  
(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued) Unearned Revenue at December 31, 2014	Federal Grant Receipts	Federal Grant Expenditures	(Accrued) Unearned Revenue at December 31, 2015	Passed Through to Subrecipients
U.S. Department of Health and Human Services (cont'd):							
Passed through the Commonwealth of Pennsylvania, Pennsylvania Department of Health and Human Services (cont'd):							
Preventive Health Services Sexually Transmitted Diseases							
Control	93.977	5H25PS001401-05	-	-	3,605	(3,605)	3,605
Preventive Health and Health Services Block Grant	93.991	4100067119	(34,779)	222,592	320,125	(97,533)	-
Maternal and Child Health Services Block Grant to the States	93.994	4100065680	(18,318)	80,122	118,150	(56,346)	-
Total U.S. Department of Health and Human Services			(145,934)	686,062	906,428	(331,521)	3,605
Federal Emergency Management Agency:							
Passed through the Commonwealth of Pennsylvania, Pennsylvania Emergency Management Agency:							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)							
	97.036	FEMA-4025-DR-PA-077-02000-00	(122,658)	145,287	89,360	(66,731)	-
Total Expenditures of Federal Awards			\$ (3,039,575)	\$ 14,761,635	\$ 16,509,670	\$ (4,752,831)	\$ 1,140,306

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

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### **1. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards (Schedule) presents the expenditures of all federal awards programs of the City of Allentown, Pennsylvania (City) using the modified accrual basis of accounting.

### **2. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the City's basic financial statements.

Such expenditures are recognized following, as applicable, either the cost principles in the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

yes  none reported

3. Noncompliance material to financial statements noted?  yes  no

4. Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

yes  none reported

5. Type of auditor's report issued on compliance for major programs: Qualified

6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?  yes  no

7. Major Programs:

CFDA Numbers	Name of Federal Program
14.218	Community Development Block Grants/Entitlement Grants
16.710	Public Safety Partnership and Community Policing Grants
20.205	Highway Planning and Construction

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee?  yes  no

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

- II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

### **Finding 2015-001: Financial Reporting**

#### **Repeat Finding – See Finding 2014-001.**

*Condition:* During the audit process, various material adjustments were proposed to the City of Allentown, Pennsylvania (City) records by the auditors. These adjustments were necessary to correct the City's recording of receivables, capital assets, payables, revenues, expenditures/expenses, interfund activity, and the new debt issuance in several of the funds.

*Criteria:* The City should have the ability to produce its financial statements in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities (GAAP).

*Cause:* Transactions were not recorded and/or improperly recorded.

*Effect:* Prior to the proposed adjustments, the financial records of the City did not reflect materially accurate financial balances or activity.

*Questioned Costs:* This finding does not result in questioned costs.

*Recommendation:* The City should ensure that internal control procedures over financial reporting are sufficient to identify and record all material transactions.

*Management's Response:* The City will take this recommendation and put formal procedures in place. In addition, the City will see that staff receives proper training on automated systems in place.

### **Finding 2015-002: Schedule of Expenditures of Federal Awards**

*Condition:* The City was unable to provide an accurate schedule of expenditures of federal awards for the year ended December 31, 2015. The amount reported as federal expenditures for the Highway Planning and Construction program grant number 05278 was understated by \$927,299 and the amount reported as passed through to subrecipients for the Community Development Block Grants/Entitlement Grants program was overstated by \$793,806.

*Criteria:* Uniform Guidance, Section 200.510(b) requires the auditee to prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements,

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

which includes all federal awards expended during the year and all federal awards passed through to subrecipients.

*Cause:* The City does not have adequate procedures in place to ensure that the schedule of expenditures of federal awards includes all federal money that was expended during the year. Due to new compliance requirements under the Uniform Guidance, the City did not have adequate procedures in place to ensure the amount of federal expenditures passed through to subrecipients on the schedule of expenditures of federal awards during the year was accurate.

*Effect:* The schedule of expenditures of federal awards provided for the audit was not an accurate summary of federal expenditures or an accurate summary of federal expenditures passed through to subrecipients.

*Questioned Costs:* This finding does not result in questioned costs.

*Recommendation:* We recommend that the City implement procedures to ensure that all federal expenditures are included on the schedule of expenditures of federal awards and that the accurate amount of federal expenditures passed through to subrecipients is included on the schedule of expenditures of federal awards.

*Management's Response:* The City will take this recommendation and put formal procedures in place to accommodate the new compliance requirements under the Uniform Guidance.

### III. Findings and questioned costs for federal awards.

#### **Finding 2015-003: Cash Management**

#### **Repeat Finding – See Finding 2014-002**

U.S. Department of Transportation – Passed through the Commonwealth of Pennsylvania, Pennsylvania Department of Transportation – Highway Planning and Construction (Federal-Aid Highway Program) (CFDA #20.205)

*Condition:* Eight of the eighteen reimbursement requests selected for testing under the Highway Planning and Construction program contained invoices for allowable costs that were not paid to vendors within ten calendar days of the date of receipt from the Commonwealth of Pennsylvania (Commonwealth).

*Criteria:* The General Reimbursement Agreements for Federal-Aid Highway Projects entered into with the Commonwealth, acting through the Pennsylvania Department of Transportation,

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

require the City to pay the consultants and contractors within ten calendar days of the date of the Commonwealth's remittance.

The U.S. Office of Management and Budget (OMB) *Compliance Supplement* states that when funds are received, recipients must follow procedures to minimize the time elapsing between the receipt of funds and disbursement to vendors.

*Cause:* The City does not have controls in place to ensure that invoices are paid in accordance with the General Reimbursement Agreements or the OMB *Compliance Supplement*.

*Effect:* The City is not in compliance with cash management requirements. Failure to comply with grant award requirements could jeopardize future funding.

*Questioned Costs:* This finding does not result in questioned costs.

*Recommendation:* The City should establish controls to minimize the time elapsing between the receipt of federal funds and disbursements to vendors (defined as ten calendar days by the Pennsylvania Department of Transportation).

*Management's Response:* The City understands the importance of complying with cash management requirements relating to General Reimbursement Agreements for Federal-Aid Highway Projects entered into with the Commonwealth acting through the Pennsylvania Department of Transportation. The City will review its current procedures and establish additional controls to comply with the grant award requirements.

### **Finding 2015-004: Earmarking**

U.S. Department of Housing and Urban Development – Community Development Block Grants/Entitlement Grants (CFDA #14.218)

*Condition:* The City did not expend at least 70% of the grant award for grant B-13-MC-42-0002 in three years. For the first three years of this grant, the City expended approximately 28% of the grant award.

*Criteria:* Pursuant to 24 CFR sections 570.200(a)(3) and 5770.208(a), not less than 70% of the grant funds must be used over a period of up to three years, as specified by the grantee in its certification, for activities that benefit low- and moderate-income persons.

*Cause:* There were not adequate procedures in place to ensure that the allotted earmarking percentages were met.

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

*Effect:* The City is not in compliance with earmarking requirements. Failure to comply with grant award requirements could jeopardize future funding.

*Questioned Costs:* This finding does not result in questioned costs.

*Recommendation:* We recommend that the City implement procedures to periodically evaluate the amounts expended for each grant award to ensure that at least 70% of the grant award is expended within three years.

*Management's Response:* The City will take this recommendation and establish protocols to ensure all timeliness requirements are met. These protocols will include monthly expenditure meetings and more frequent re-programming of funds for projects which have been completed with funds remaining and/or stalled projects.

### **Finding 2015-005: Reporting – Section 3 Summary Report**

U.S. Department of Housing and Urban Development – Community Development Block Grants/Entitlement Grants (CFDA #14.218)

*Condition:* The City did not complete Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons* for the year ended December 31, 2015.

*Criteria:* Pursuant to 24 CFR sections 135.3(a)(1) and 135.90, each recipient that administers covered public and Indian housing assistance, regardless of the amount expended, and each recipient that administers covered housing and community development assistance in excess of \$200,000 in a program year, must submit Form HUD 60002 information using the Section 3 Summary Reporting System.

*Cause:* The City does not have procedures in place to ensure that Form HUD 60002 is completed and submitted in accordance with federal reporting requirements.

*Effect:* The City did not file the Form HUD 60002 for the year ended December 31, 2015, as required. This report is a required submission and omission of the report could jeopardize future funding.

*Questioned Costs:* This finding does not result in questioned costs.

*Recommendation:* We recommend that the City implement procedures to ensure that all required reports are completed.

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

*Management's Response:* The City will take this recommendation and review current procedures and implement revised procedures based on the filing requirements.

### **Finding 2015-006: Reporting – Federal Financial Report**

U.S. Department of Housing and Urban Development – Community Development Block Grants/Entitlement Grants (CFDA #14.218)

*Condition:* The City did not report accurate information on the Federal Financial Reports on any of the four quarters selected for testing.

*Criteria:* The Federal Financial Report should reflect the accurate amount of cash receipts and program income. The Federal Financial Report requires the amount of cash receipts and program income to be reported separately.

*Cause:* Adequate review for the accuracy of cash receipts and program income included on the Federal Financial Reports was not performed.

*Effect:* The data on the Federal Financial Reports for four quarters selected for testing was not cumulative and, therefore, did not encompass the total cash receipts and total program income to date.

*Questioned Costs:* This finding does not result in questioned costs.

*Recommendation:* We recommend that the City implement procedures to ensure that all reports are accurately prepared and are reviewed and approved by an individual, other than the preparer, who is knowledgeable of the reporting requirements.

*Management's Response:* The City will take this recommendation and review current procedures and implement revised procedures based on the filing requirements.

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2015

### FINANCIAL STATEMENT FINDINGS

#### **Finding 2014-001: Financial Reporting**

*Condition:* During the audit process, various material adjustments were proposed to the City of Allentown, Pennsylvania (City) records by the auditors. These adjustments were necessary to correct the City's recording of receivables, allowance for uncollectible receivables, payables, unearned revenue, revenues, expenditures, and interfund activity in several of the funds.

*Current Status:* See current year finding 2015-001.

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### **Finding 2014-002: Cash Management**

U.S. Department of Transportation – Passed through the Commonwealth of Pennsylvania, Pennsylvania Department of Transportation – Highway Planning and Construction (Federal-Aid Highway Program) (CFDA #20.205)

*Condition:* Eight of the twenty-five reimbursement requests selected for testing under the Highway Planning and Construction program contained invoices for allowable costs that were not paid to vendors within ten calendar days of the date of receipt from the Commonwealth of Pennsylvania (Commonwealth).

*Current Status:* See current year finding 2015-003.

#### **Finding 2014-003: Federal Funding Accountability and Transparency Act (FFATA) Reporting**

U.S. Department of Housing and Urban Development – Community Development Block Grants/Entitlement Grants (CFDA #14.218)

*Condition:* The Community Development Block Grant (CDBG) Department did not report first-tier subawards over \$25,000 in accordance with the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) for three of the ten first-tier subawards during the year ended December 31, 2014.

*Current Status:* This finding has been corrected in the current year.