

# **City of Allentown, Pennsylvania**

## **Single Audit Report**

Year Ended December 31, 2016 with  
Independent Auditor's Reports

# CITY OF ALLENTOWN, PENNSYLVANIA SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2016

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# Zelenkofske Axelrod LLC

## 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

### INDEPENDENT AUDITOR'S REPORT

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, 2016, 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 27, 2017. 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 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.

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#### **Harrisburg**

830 Sir Thomas Court, Suite 100  
Harrisburg, PA 17109  
717.561.9200 Fax 717.561.9202

#### **Philadelphia**

2370 York Road, Suite A-5  
Jamison, Pa 18929  
215.918.2277 Fax 215.918.2302

#### **Pittsburgh**

3800 McKnight E. Drive, Suite 3805  
Pittsburgh, PA 15237  
412.367.7102 Fax 412.367.7103

#### **Greensburg**

210 Tollgate Hill Road  
Greensburg, PA 15601  
724.834.2151 Fax 724.834.5969

# Zelenkofske Axelrod LLC

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 the City's financial statements are free of 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 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.

*Zelenkofske Axelrod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
June 27, 2017

# Zelenkofske Axelrod LLC

## REPORT ON COMPLIANCE FOR EACH FEDERAL MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

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, 2016. 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 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.

#### ***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><i>Harrisburg</i></b>	<b><i>Philadelphia</i></b>	<b><i>Pittsburgh</i></b>	<b><i>Greensburg</i></b>
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, Pa 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103	210 Tollgate Hill Road Greensburg, PA 15601 724.834.2151 Fax 724.834.5969

# Zelenkofske Axelrod LLC

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2016-001	20.205	Highway Planning and Construction	Cash Management
2016-002	14.218	Community Development Block Grants/Entitlement Grants	Earmarking
2016-003	14.218	Community Development Block Grants/Entitlement Grants	Reporting
2016-004	14.218	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring
2016-005	14.218	Community Development Block Grants/Entitlement Grants	Procurement and Suspension and Debarment
2016-006	14.239	HOME Investment Partnerships Program	Matching and Earmarking
2016-007	14.239	HOME Investment Partnerships Program	Procurement and Suspension and Debarment
2016-008	14.239	HOME Investment Partnerships Program	Reporting
2016-009	14.239	HOME Investment Partnerships Program	Subrecipient Monitoring

### ***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, Community Development Block Grant/Entitlement Grants, and HOME Investment Partnerships Programs major programs for the year ended December 31, 2016.

### ***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.

### **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.

## *Zelenkofske Axelrod LLC*

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. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, and 2016-009, 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.

### **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, 2016, 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 27, 2017, 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 the 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 addition 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.

# Zelenkofske Axelrod LLC

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.

*Zelenkofske Axelrod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
August 9, 2017



CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued)/ Deferred Revenue at December 31, 2015	Federal Grant Receipts	Federal Grant Expenditures	(Accrued)/ Deferred Revenue at December 31, 2016	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:							
CDBG/Entitlement Grants Cluster:							
Community Development Block Grant/Entitlement Grants	14.218	B-09-MC-42-0002	\$ -	\$ -	\$ 8,074.00	\$ (8,074.00)	\$ -
Community Development Block Grant/Entitlement Grants	14.218	B-11-MC-42-0002	(3,305)	-	(3,305)	-	-
Community Development Block Grant/Entitlement Grants	14.218	B-12-MC-42-0002	250,000	-	250,000	-	-
Community Development Block Grant/Entitlement Grants	14.218	B-13-MC-42-0002	(810,439)	1,445,696	635,257	-	-
Community Development Block Grant/Entitlement Grants	14.218	B-14-MC-42-0002	351,426	-	397,079	(45,653)	391,470
Community Development Block Grant/Entitlement Grants	14.218	B-15-MC-42-0002	(110,908)	1,200,700	1,146,524	(56,732)	945,129
Community Development Block Grant/Entitlement Grants	14.218	B-16-MC-42-0002	92,644	504,665	783,040	(185,731)	670,307
Subtotal 14.218			(230,582)	3,151,061	3,216,669	(296,190)	2,006,906
Emergency Shelter Grants Program	14.231	E-12-MC-42-0011	-	-	-	-	-
Emergency Shelter Grants Program	14.231	E-13-MC-42-0011	175,467	-	175,467	-	169,568
Emergency Shelter Grants Program	14.231	E-14-MC-42-0011	(21,803)	24,570	2,767	-	-
Emergency Shelter Grants Program	14.231	E-15-MC-42-0011	(183,854)	183,854	-	-	-
Emergency Shelter Grants Program	14.231	E-16-MC-42-0011	(13,647)	13,647	-	-	-
Subtotal 14.231			(43,837)	222,071	178,234	-	169,568
HOME Investment Partnerships Program	14.239	M-09-MC-42-0200	(86,390)	86,390	-	-	-
HOME Investment Partnerships Program	14.239	M-10-MC-42-0200	(57,143)	84,143	54,973	(27,973)	-
HOME Investment Partnerships Program	14.239	M-11-MC-42-0200	35,000	-	159,318	(124,318)	-
HOME Investment Partnerships Program	14.239	M-12-MC-42-0200	10,626	40,427	51,053	-	-
HOME Investment Partnerships Program	14.239	M-13-MC-42-0200	(127,410)	129,047	425,160	(423,523)	423,523
HOME Investment Partnerships Program	14.239	M-14-MC-42-0200	10,681	-	536,710	(526,029)	526,029
HOME Investment Partnerships Program	14.239	M-15-MC-42-0200	-	-	183,950	(183,950)	183,950
Subtotal 14.239			(214,636)	340,007	1,411,164	(1,285,793)	1,133,502
Total U.S. Department of Housing and Urban Development			(489,055)	3,713,139	4,806,067	(1,581,983)	3,309,976
U.S. Department of Interior:							
Passed through the Commonwealth of Pennsylvania, Pennsylvania Historical and Museum Commission:							
Historic Preservation Fund Grants-In-Aid	15.904	42-15-131238	(4,711)	10,000	5,289	-	-
Historic Preservation Fund Grants-In-Aid	15.904	42-16-141301	-	-	6,771	(6,771)	-
Total U.S. Department of Interior			(4,711)	10,000	12,060	(6,771)	-

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued)/ Deferred Revenue at December 31, 2015	Federal Grant Receipts	Federal Grant Expenditures	(Accrued)/ Deferred Revenue at December 31, 2016	Passed Through to Subrecipients
U.S. Department of Justice:							
Passed through the Commonwealth of Pennsylvania,							
Pennsylvania Department of Justice:							
Public Safety Partnership and Community Policing Grants	16.710	2011UMWX0157	(22,814)	54,818	32,004	-	-
Public Safety Partnership and Community Policing Grants	16.710	2014UMWX0116	-	44,010	58,878	(14,868)	-
Subtotal 16.710			<u>(22,814)</u>	<u>98,828</u>	<u>90,882</u>	<u>(14,868)</u>	<u>-</u>
JAG Program Cluster:							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DE-BX-K015	-	204,152	204,152	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0718	(58,050)	58,050	-	-	-
Subtotal 16.738			<u>(58,050)</u>	<u>262,202</u>	<u>204,152</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Justice			<u>(80,864)</u>	<u>361,030</u>	<u>295,034</u>	<u>(14,868)</u>	<u>-</u>
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	050278	(2,902,437)	6,410,138	4,957,603	(1,449,902)	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	050286	(785)	96,836	98,504	(2,453)	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	057343	(18,096)	18,096	-	-	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	057416	-	62,545	62,545	-	62,545
Subtotal 20.205			<u>(2,921,318)</u>	<u>6,587,615</u>	<u>5,118,652</u>	<u>(1,452,355)</u>	<u>62,545</u>
Alcohol Impaired Driving Countermeasures:							
National Priority Safety Programs	20.616	IPD-2015-Allentown-00030	(3,263)	3,263	-	-	-
National Priority Safety Programs	20.616	IPD-2016-Allentown-00039	-	5,122	12,646	(7,524)	-
National Priority Safety Programs	20.616	IPD 2017-S Whitehall-0014	-	-	2,453	(2,453)	-
Subtotal 20.616			<u>(3,263)</u>	<u>8,385</u>	<u>15,099</u>	<u>(9,977)</u>	<u>-</u>
Technical Assistance Grants	20.710	DTPH5615GPPT04	-	89,500	89,500	-	-
Total U.S. Department of Transportation			<u>(2,924,581)</u>	<u>6,685,500</u>	<u>5,223,251</u>	<u>(1,462,332)</u>	<u>62,545</u>
U.S. Department of Environmental Protection:							
Brownfields Assessment and Cleanup Cooperative Agreements							
	66.818	BF 983975-01-0	(719)	819	100	-	-
Total U.S. Department of Environmental Protection			<u>(719)</u>	<u>819</u>	<u>100</u>	<u>-</u>	<u>-</u>

**CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued)/ Deferred Revenue at December 31, 2015	Federal Grant Receipts	Federal Grant Expenditures	(Accrued)/ Deferred Revenue at December 31, 2016	Passed Through to Subrecipients
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	4100069761	(44,939)	123,332	78,393	-	-
Public Health Emergency Preparedness	93.069	4100073292	-	34,039	68,044	(34,005)	-
Subtotal 93.069			<u>(44,939)</u>	<u>157,371</u>	<u>146,437</u>	<u>(34,005)</u>	<u>-</u>
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	4100069761	(13,361)	36,667	23,306	-	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	4100073292	-	7,957	15,906	(7,949)	-
Subtotal 93.074			<u>(13,361)</u>	<u>44,624</u>	<u>39,212</u>	<u>(7,949)</u>	<u>-</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	4100065359	(2,076)	4,047	1,971	-	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	16-DA-33	-	28,280	43,960	(15,680)	-
Immunization Cooperative agreements	93.268	4100067447	(76,383)	76,383	-	-	-
Immunization Cooperative agreements	93.268	4100070552	-	123,150	142,776	(19,626)	-
Subtotal 93.268			<u>(76,383)</u>	<u>199,533</u>	<u>142,776</u>	<u>(19,626)</u>	<u>-</u>
National Bioterrorism Hospital Preparedness Program	93.889	4100069761	(2,429)	6,666	4,237	-	-
National Bioterrorism Hospital Preparedness Program	93.889	4100073292	-	2,210	4,418	(2,208)	-
Subtotal 93.889			<u>(2,429)</u>	<u>8,876</u>	<u>8,655</u>	<u>(2,208)</u>	<u>-</u>
HIV Prevention Activities - Health Department Based Preventive Health Services Sexually Transmitted Diseases Control	93.940	4100060799	(34,849)	94,727	88,501	(28,623)	-
Preventative Health and Health Services Block Grant	93.977	5H25PS001401-05	(3,605)	6,680	5,000	(1,925)	-
Maternal and Child Health Block Grant to the States	93.991	4100067119	(132,312)	409,567	320,183	(42,928)	-
Maternal and Child Health Block Grant to the States	93.994	4100065680	(56,346)	162,256	124,805	(18,895)	-
Maternal and Child Health Block Grant to the States	93.994	4100073550	-	-	54,259	(54,259)	-
Subtotal 93.994			<u>(56,346)</u>	<u>162,256</u>	<u>179,064</u>	<u>(73,154)</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>(366,300)</u>	<u>1,115,961</u>	<u>975,759</u>	<u>(226,098)</u>	<u>-</u>
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	(66,731)	-	-	(66,731)	-
Assistance to Firefighters Grant	97.044	FEMA-4267-DR-PA EMW-2014-FO-05218	-	-	310,173	(310,173)	-
Total Federal Emergency Management Agency			<u>(66,731)</u>	<u>116,087</u>	<u>426,260</u>	<u>(376,904)</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ (3,932,961)</u>	<u>\$ 12,002,536</u>	<u>\$ 11,738,531</u>	<u>\$ (3,668,956)</u>	<u>\$ 3,372,521</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
NOTES TO SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016

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  
 SINGLE AUDIT REPORT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED DECEMBER 31, 2016

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified? \_\_\_Yes XNo  
 Significant deficiency(ies) identified that are not considered to be material weakness(es)?  
 \_\_\_Yes X None reported

3. Noncompliance material to financial statements noted? \_\_\_Yes XNo

4. Internal control over major programs:

Material weakness(es) identified? XYes \_\_\_No  
 Significant deficiency(ies) identified that are not considered to be material weakness(es)?  
 \_\_\_Yes XNone 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? XYes \_\_\_No

7. Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
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 XNo

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

- II. Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

None noted.

- III. Findings and questioned costs for federal awards.

**Finding 2016-001: Cash Management**

**Repeat Finding – See Finding 2015-003**

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

*Condition:* Three of the seven 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 of funds 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 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 disbursements 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 federal award requirements.

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

**Finding 2016-002: Earmarking**

**Repeat Finding – See Finding 2015-004**

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-14-MC-42-002 in three years; as of December 31, 2016 the City has spent 0% of the grant award.

*Criteria:* Pursuant to 24 CFR sections 570.200(a)(3) and 570.208(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.

*Effect:* The City is not in compliance with earmarking requirements. Failure to comply with grant aware 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 2016-003: Reporting**

**Repeat Finding – See Finding 2015-005**

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, 2016.

*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.

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

*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, 2016, 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.

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

**Finding 2016-004: Subrecipient Monitoring**

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

*Condition:* The City did not properly monitor two out of five subrecipients for the year.

*Criteria:* Pursuant to 24 CFR Section 92.500 the City is responsible to conduct reviews to determine subrecipients are expending money in accordance with 24 CFR Section 92.504(c).

*Cause:* The City does not have procedures in place to ensure that subrecipient monitoring is completed in a timely manner.

*Effect:* The City did not timely review subrecipients to ensure funds were spent accordingly.

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

*Recommendation:* We recommend that the City implement procedures to ensure that all required subrecipient monitoring requirements are met.

*Management's Response:* The City has filled the HUD Grants Monitor position which was previously vacant. The required reviews and checklists will be completed moving forward.

**Finding 2016-005: Procurement and Suspension and Debarment**

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

*Condition:* Two of the five vendors or contractors selected for testing under the CDBG program did not have proper language in the contract to verify they were neither suspended nor debarred. Furthermore, the City did not verify they were neither suspended nor debarred.

*Criteria:* The OMB *Compliance Supplement* requires the City to verify whether vendors or subcontractors are not suspended or debarred.



CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

The U.S. Office of Management and Budget OMB *Compliance Supplement* states vendors must not be suspended or debarred.

*Cause:* The City does not have controls in place to ensure that vendors or contractors are not suspended or debarred in accordance with the OMB *Compliance Supplement*.

*Effect:* The City is not in compliance with OMB procurement and suspension and debarment 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 verify vendors are not suspended or debarred.

*Management's Response:* The City understands the importance of complying with procurement and suspension and debarment requirements in accordance with the *Compliance Supplement*. The City will review its current procedures and establish additional controls to comply with the federal award requirements.

**Finding 2016-006: Matching and Earmarking**

U.S. Department of Housing and Urban Development – HOME Investment Partnerships Program (CFDA #14.239).

*Condition:* The City could not provide any documentation to ensure matching or earmarking requirements were met.

*Criteria:* Pursuant to 24 CFR Sections 92.218 through 92.220 and 92.222, and 92.508, the City must provide matching contributions of 25% of HOME funds drawn down during the year. Pursuant to Section 92.300 of 24 CFR the City must invest at least 15% of each year's HOME allocation in projects which are owned, developed, or sponsored by non-profit organizations which qualify as CHDOs. Pursuant to 24 CFR Section 92.102(b), HOME funds may not spend more than 10% for administrative and planning costs.

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

*Effect:* The City is not in compliance with matching 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 ensure funds are appropriately matched and earmarked.

*Management's Response:* The City will take this recommendation and establish protocols to ensure all matching and earmarking requirements are met.

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

**Finding 2016-007: Procurement and Suspension and Debarment**

U.S. Department of Housing and Urban Development – HOME Investment Partnerships Program (CFDA #14.239).

*Condition:* Two of the four vendors or contractors selected for testing under the HOME program did not have proper language in the contract to verify they were neither suspended nor debarred. Furthermore, the City did not verify they were neither suspended nor debarred.

*Criteria:* The OMB *Compliance Supplement* requires the City to verify whether vendors or subcontractors are not suspended or debarred.

The U.S. Office of Management and Budget OMB *Compliance Supplement* states vendors must not be suspended or debarred.

*Cause:* The City does not have controls in place to ensure that vendors or contractors are not suspended or debarred in accordance with the OMB *Compliance Supplement*.

*Effect:* The City is not in compliance with procurement and suspension and debarment 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 verify vendors are not suspended or debarred.

*Management's Response:* The City understands the importance of complying with OMB's procurement and suspension and debarment requirements in accordance with the *Compliance Supplement*. The City will review its current procedures and establish additional controls to comply with the federal award requirements.

**Finding 2016-008: Reporting**

U.S. Department of Housing and Urban Development – HOME Investment Partnerships Program (CFDA #14.239).

*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, 2016.

*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.

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

*Effect:* The City did not file the Form HUD 60002 for the year ended December 31, 2016, 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.

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

**Finding 2016-009: Subrecipient Monitoring**

U.S. Department of Housing and Urban Development – HOME Investment Partnerships Program (CFDA #14.239).

*Condition:* The City did not properly monitor two out of three subrecipients for the year.

*Criteria:* Pursuant to 24 CFR Section 92.500 the City is responsible to conduct reviews to determine subrecipients are expending money in accordance with 24 CFR Section 92.504(c).

*Cause:* The City does not have procedures in place to ensure that subrecipient monitoring is completed in a timely manner.

*Effect:* The City did not timely review subrecipients to ensure funds were spent accordingly.

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

*Recommendation:* We recommend that the City implement procedures to ensure that all required subrecipient monitoring requirements are met.

*Management's Response:* The City has filled the HUD Grants Monitor position which was previously vacant. The required reviews and checklists will be completed moving forward.

**CITY OF ALLENTOWN, PENNSYLVANIA**  
**SINGLE AUDIT REPORT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2016**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2015-001: Financial Reporting**

*Condition:* During the audit process, various material adjustments were proposed by the auditor to the City of Allentown, Pennsylvania (City). 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.

*Current Status:* This finding has been corrected in 2016.

**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.

*Current Status:* This finding has been corrected in 2016.

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Finding 2015-003: Cash Management**

*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.

*Current Status:* See current year finding 2016-001

**Finding 2015-004: Earmarking**

*Condition:* The City did not expend at least 80% 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.

*Current Status:* See current year finding 2016-002

**Finding 2015-005: Reporting**

*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.

*Current Status:* See current year finding 2016-003

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

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

*Current Status:* This finding has been corrected in 2016