

# **City of Allentown, Pennsylvania**

## **Single Audit Report**

Year Ended December 31, 2017 with

Independent Auditor's Reports

CITY OF ALLENTOWN, PENNSYLVANIA

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2017

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## *Zelenkofske Axelrod LLC*

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**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**

Honorable 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, 2017, 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, 2018. 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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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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001 that we consider to be a material weakness.

### **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 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 2017-001.

### **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.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
June 28, 2018



## **Zelenkofske Axelrod LLC**

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**REPORT ON COMPLIANCE FOR EACH FEDERAL MAJOR PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Honorable 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, 2017. 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 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:



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<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2017-002	14.218	Community Development Block Grants/Entitlement Grants	Earmarking
2017-003	14.218	Community Development Block Grants/Entitlement Grants	Program Income
2017-004	14.218	Community Development Block Grants/Entitlement Grants	Reporting
2017-005	14.218	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring

### ***Qualified Opinion on 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 Community Development Block Grants/Entitlement Grants major program for the year ended December 31, 2017.

### ***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.

*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 preceding paragraph 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 have not been identified. We did identify certain deficiencies in internal control



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over compliance, described in the accompanying schedule of findings and questioned costs as Findings 2017-002, 2017-003, 2017-004, and 2017-005 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 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.

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

We have audited the financial statements of the City as of and for the year ended December 31, 2017 and have issued our report thereon dated June 28, 2018, 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 as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
July 18, 2018

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Grantor's Number	(Accrued)/Deferred Revenue at 12/31/2016	Federal Grant Receipts	Federal Grant Expenditures	(Accrued)/Deferred Revenue at 12/31/2017	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:							
Entitlement Grants Cluster:							
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-42-0002	\$ 2,950	\$ -	\$ 2,950	\$ -	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-42-0002	14,712	-	14,712	-	14,554
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-42-0001	130,353	273,922	404,275	-	381,905
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-42-0001	(377,982)	809,785	431,803	-	376,503
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-42-0001	51,838	510,598	810,366	(247,930)	744,726
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-42-0001	(232,735)	1,157,645	935,743	(10,833)	763,607
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-42-0001	-	-	271,804	(271,804)	77,374
Subtotal 14.218			<u>(410,864)</u>	<u>2,751,950</u>	<u>2,871,653</u>	<u>(530,567)</u>	<u>2,358,669</u>
Emergency Solutions Grants Program	14.231	E-08-MC-42-0011	-	-	583	(583)	-
Emergency Solutions Grants Program	14.231	E-16-MC-42-0011	-	142,704	160,641	(17,937)	160,246
Emergency Solutions Grants Program	14.231	E-17-MC-42-0011	-	-	46,732	(46,732)	37,965
Subtotal 14.231			<u>-</u>	<u>142,704</u>	<u>207,956</u>	<u>(65,252)</u>	<u>198,211</u>
HOME Investment Partnerships Program	14.239	M-09-MC-42-0200	26,053	-	26,053	-	3,096
HOME Investment Partnerships Program	14.239	M-10-MC-42-0200	(13,741)	13,741	-	-	-
HOME Investment Partnerships Program	14.239	M-11-MC-42-0200	-	-	1,685	(1,685)	-
HOME Investment Partnerships Program	14.239	M-12-MC-42-0200	(43,870)	43,870	39,744	(39,744)	39,744
HOME Investment Partnerships Program	14.239	M-13-MC-42-0200	(347,140)	347,140	172,431	(172,431)	138,544
HOME Investment Partnerships Program	14.239	M-14-MC-42-0200	(678,616)	678,616	139,528	(139,528)	137,699
HOME Investment Partnerships Program	14.239	M-15-MC-42-0200	(499,139)	499,139	94,679	(94,679)	77,105
HOME Investment Partnerships Program	14.239	M-16-MC-42-0200	(165,168)	165,168	-	-	-
HOME Investment Partnerships Program	14.239	M-17-MC-42-0200	-	-	19,543	(19,543)	15,776
Subtotal 14.239			<u>(1,721,621)</u>	<u>1,747,674</u>	<u>493,663</u>	<u>(467,610)</u>	<u>411,964</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	FR-6000-N 012	-	147,230	257,637	(110,407)	-
Total U.S. Department of Housing and Urban Development			<u>(2,132,485)</u>	<u>4,789,558</u>	<u>3,830,909</u>	<u>(1,173,836)</u>	<u>2,968,844</u>
U.S. Department of Interior:							
Passed through the Commonwealth of Pennsylvania, Pennsylvania Historical and Museum Commission:							
Historic Preservation Fund Grants-In-Aid	15.904	42-16-141301	(6,771)	16,250	9,479	-	-
Historic Preservation Fund Grants-In-Aid	15.904	42-17-151364	-	-	6,374	(6,374)	-
Total U.S. Department of Interior			<u>(6,771)</u>	<u>16,250</u>	<u>15,853</u>	<u>(6,374)</u>	<u>-</u>



CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Grantor's Number	(Accrued)/Deferred Revenue at 12/31/2016	Federal Grant Receipts	Federal Grant Expenditures	(Accrued)/Deferred Revenue at 12/31/2017	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	2014-UM-WX-0116	(14,868)	217,807	217,741	(14,802)	-
Public Safety Partnership and Community Policing Grants	16.710	2016-CK-WX-0021	-	13,500	13,500	-	13,500
Subtotal 16.710			<u>(14,868)</u>	<u>231,307</u>	<u>231,241</u>	<u>(14,802)</u>	<u>13,500</u>
JAG Program Cluster:							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DE-BX-K015	-	45,749	45,749	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0718	-	21,667	62,429	(40,762)	-
Subtotal 16.738			<u>-</u>	<u>67,416</u>	<u>108,178</u>	<u>(40,762)</u>	<u>-</u>
Total U.S. Department of Justice			<u>(14,868)</u>	<u>298,723</u>	<u>339,419</u>	<u>(55,564)</u>	<u>13,500</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	(1,449,902)	1,349,902	274,411	(374,411)	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	050286	(2,453)	4,041	1,588	-	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	R16050005	-	125,455	132,905	(7,450)	-
Subtotal 20.205			<u>(1,452,355)</u>	<u>1,479,398</u>	<u>408,904</u>	<u>(381,861)</u>	<u>-</u>
Alcohol Impaired Driving Countermeasures:							
National Priority Safety Programs	20.616	IPD-2016-Allentown-00039	(7,524)	7,524	-	-	-
National Priority Safety Programs	20.616	IPD 2017-S Whitehall-0014	(2,453)	16,874	14,421	-	-
National Priority Safety Programs	20.616	IPD 2018-S Whitehall-0041	-	-	1,247	(1,247)	-
Subtotal 20.601			<u>(9,977)</u>	<u>24,398</u>	<u>15,668</u>	<u>(1,247)</u>	<u>-</u>
Total U.S. Department of Transportation			<u>(1,462,332)</u>	<u>1,503,796</u>	<u>424,572</u>	<u>(383,108)</u>	<u>-</u>
U.S. Department of Environmental Protection: Brownfields Assessment and Cleanup Cooperative Agreements							
	66.818	BF 983975-01-0	-	252,063	381,377	(129,314)	-
Total U.S. Department of Environmental Protection			<u>-</u>	<u>252,063</u>	<u>381,377</u>	<u>(129,314)</u>	<u>-</u>
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	4100073292	(34,005)	138,245	104,240	-	-
Public Health Emergency Preparedness	93.069	4100077907	-	-	92,041	(92,041)	-
Subtotal 93.069			<u>(34,005)</u>	<u>138,245</u>	<u>196,281</u>	<u>(92,041)</u>	<u>-</u>

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Grantor's Number	(Accrued)/Deferred Revenue at 12/31/2016	Federal Grant Receipts	Federal Grant Expenditures	(Accrued)/Deferred Revenue at 12/31/2017	Passed Through to Subrecipients
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	4100073292	(7,949)	32,317	24,368	-	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	16-DA-33	(15,680)	54,600	38,920	-	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	17-DA-33	-	21,700	36,120	(14,420)	-
Subtotal 93.243			(15,680)	76,300	75,040	(14,420)	-
Immunization Cooperative Agreements	93.268	4100070552	(19,626)	57,277	37,651	-	-
Immunization Cooperative Agreements	93.268	4100077456	-	27,313	40,324	(13,011)	-
Subtotal 93.268			(19,626)	84,590	77,975	(13,011)	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	4100077456	-	42,721	63,071	(20,350)	-
Preventive Health & Health Services Block Grant	93.758	4100077241	-	73,425	130,101	(56,676)	-
National Bioterrorism Hospital Preparedness Program	93.889	4100073292	(2,208)	8,977	6,769	-	-
National Bioterrorism Hospital Preparedness Program	93.889	4100077907	-	-	4,438	(4,438)	-
Subtotal 93.889			(2,208)	8,977	11,207	(4,438)	-
HIV Prevention Activities Health Department Based	93.940	4100070510	(28,623)	100,347	96,171	(24,447)	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	5H25PS001401-05	(1,925)	11,295	16,985	(7,615)	-
Preventative Health and Health Services Block Grant	93.991	4100067119	(42,928)	203,867	160,939	-	-
Maternal and Child Health Services Block Grant to the States	93.994	4100065680	(18,895)	136,030	170,593	(53,458)	-
Maternal and Child Health Services Block Grant to the States	93.994	4100073550	(54,259)	156,949	130,095	(27,405)	-
Subtotal 93.994			(73,154)	292,979	300,688	(80,863)	-
Total U.S. Department of Health and Human Services			(226,098)	1,065,063	1,152,826	(313,861)	-
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	-	-	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4267-DR-PA-077-02000-00	(310,173)	420,895	110,722	-	-
Subtotal 97.036			(376,904)	487,626	110,722	-	-
Total Federal Emergency Management Agency			(376,904)	487,626	110,722	-	-
Total Expenditures of Federal Awards			<u>\$ (4,219,458)</u>	<u>\$ 8,413,079</u>	<u>\$ 6,255,678</u>	<u>\$ (2,062,057)</u>	<u>\$ 2,982,344</u>

CITY OF ALLENTOWN  
SINGLE AUDIT REPORT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017

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 required by 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, 2017

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

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  
SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017

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

**Finding 2017-001: 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, 2017. The amount reported as federal expenditures for the Department of Housing and Urban Development was understated by \$736,746 and the amount reported as passed through to subrecipients for the Department of Housing and Urban Development was understated by \$2,968,844.

*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, 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. Pursuant to compliance requirements under 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.

*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 also 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 compliance requirements under Uniform Guidance.

- III. Findings and questioned costs for federal awards.

**Finding 2017-002 Earmarking**  
**Repeat Finding – See Finding 2016-002**

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, 2017 the City has spent 49.58% 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 inadequate 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 award requirements could jeopardize future funding.

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017

*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 2017-003 Program Income**

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

*Condition:* The City did not properly account for program income in their general ledger.

*Criteria:* Pursuant to 24 CFR the grantee must accurately account for any program income generated from the use of CDBG funds.

*Cause:* There were not adequate procedures in place to ensure that program income was recorded accurately.

*Effect:* The City is not in compliance with program income requirements.

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

*Recommendation:* We recommend that the City implement procedures to periodically evaluate the accurate recording of program income in the general ledger.

*Management's Response:* The City will take this recommendation and establish protocols to ensure program income is properly recorded. These protocols will include reconciling the general ledger to PR 26 reports submitted to Department of Housing and Urban Development.

**Finding 2017-004 Reporting**

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

*Condition:* The City did not accurately report amounts on the SF-425 for the year ended December 31, 2017. The City did not provide a reconciliation to the general ledger for the C04PR26 – CDBG Financial Summary for the year.

*Criteria:* Pursuant to 24 CFR the grantee must accurately report amounts to U.S. Department of Housing and Urban Development.

*Cause:* The City does not have procedures in place to ensure that SF-425 and the C04PR26 reconcile to the general ledger in accordance with federal reporting requirements.

*Effect:* The City did not accurately report amounts on the SF-425 and the C04PR26 for the year ended December 31, 2017.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017

*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 reconciled to the general ledger.

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

**Finding 2017-005 Subrecipient Monitoring**

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

*Condition:* The City did not have provisions required by uniform administrative requirements in the contracts with subrecipients.

*Criteria:* Pursuant to 24 CFR the City must clearly identify to the subrecipient all items in 24 CFR Section 200.331(a)(1).

*Cause:* The City does not have procedures in place to ensure that subrecipient contracts include all provisions as outlined in 24 CFR.

*Effect:* The City did not have proper language in contracts with subrecipients.

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

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

*Management's Response:* The City will amend contract language moving forward to include all necessary requirements.

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**Finding 2016-001: Cash Management (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).

*Current Status:* The finding has not been corrected as of December 31, 2017. The City is establishing controls to minimize the time elapsing between the receipt of federal funds and disbursements to vendors.

**Finding 2016-002: Earmarking (CFDA #14.218)**  
**Repeat Finding 2017-002**

*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, 2017 the City had spent 49.58% of the grant award.

*Current Status:* See current year finding 2017-002

**Finding 2016-003: Reporting (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.

*Current Status:* This finding was resolved in 2017.

**Finding 2016-004: Subrecipient Monitoring (CFDA #14.218)**

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

*Current Status:* This finding was resolved in 2017.

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

*Current Status:* This finding was resolved in 2017.

**Finding 2016-006: Matching and Earmarking (CFDA #14.239)**

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

*Current Status:* This finding was resolved in 2017.



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YEAR ENDED DECEMBER 31, 2017

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

*Current Status:* This finding was resolved in 2017.

**Finding 2016-008: Reporting (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.

*Current Status:* This finding was resolved in 2017.

**Finding 2016-009: Subrecipient Monitoring (CFDA #14.239)**

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

*Current Status:* This finding was resolved in 2017.