

City of Allentown, Pennsylvania

Single Audit Report

Year Ended December 31, 2018 with

Independent Auditor's Reports

CITY OF ALLENTOWN, PENNSYLVANIA

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 31, 2019. 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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
September 11, 2019



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, 2018. 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:

830 Sir Thomas Court, Suite 100, Harrisburg, PA 17109
3800 McKnight East Drive, Suite 3805, Pittsburgh, PA 15237
34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929
420 Chinquapin Round Road, Suite 2-i, Annapolis, MD 21401
210 Tollgate Hill Road, Greensburg, PA 15601

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2018-001	14.218	Community Development Block Grants/Entitlement Grants	Earmarking
2018-002	14.218	Community Development Block Grants/Entitlement Grants	Program Income
2018-003	14.218	Community Development Block Grants/Entitlement Grants	Reporting
2018-004	14.218	Community Development Block Grants/Entitlement Grants	Procurement Suspension, and Debarment

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, 2018.

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 2018-001, 2018-002, 2018-003, and 2018-004 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, 2018 and have issued our report thereon dated July 31, 2019, 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 Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
September 11, 2019

CITY OF ALLENTOWN
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued)/ Deferred Revenue at 12/31/2017	Federal Grant Receipts	Federal Grant Expenditures	(Accrued)/ Deferred Revenue at 12/31/2018	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:							
Entitlement Grants Cluster:							
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-42-0002	\$ 20,529	\$ -	\$ 20,529	\$ -	\$ 20,529
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-42-0001	42,673	-	42,673	-	42,673
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-42-0001	(133,182)	150,682	17,500	-	17,500
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-42-0001	(40,420)	93,381	52,961	-	52,961
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-42-0001	(37,489)	270,228	232,739	-	232,739
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-42-0001	41,632	1,212,354	1,256,859	(2,873)	1,025,017
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-42-0001	-	-	501,688	(501,688)	123,487
Subtotal 14.218			<u>(106,257)</u>	<u>1,726,645</u>	<u>2,124,949</u>	<u>(504,561)</u>	<u>1,514,906</u>
Emergency Solutions Grants Program	14.231	E-08-MC-42-0011	(583)	-	-	(583)	-
Emergency Solutions Grants Program	14.231	E-11-MC-42-0011	-	8,695	8,695	-	8,695
Emergency Solutions Grants Program	14.231	E-13-MC-42-0011	-	6,163	42,193	(36,030)	42,193
Emergency Solutions Grants Program	14.231	E-15-MC-42-0011	-	3,963	52,961	(48,998)	52,961
Emergency Solutions Grants Program	14.231	E-16-MC-42-0011	(756)	18,313	17,557	-	17,557
Emergency Solutions Grants Program	14.231	E-17-MC-42-0011	(82,639)	189,064	75,075	31,350	75,075
Emergency Solutions Grants Program	14.231	E-18-MC-42-0011	-	22,568	54,236	(31,668)	54,236
Subtotal 14.231			<u>(83,978)</u>	<u>248,766</u>	<u>250,717</u>	<u>(85,929)</u>	<u>250,717</u>
HOME Investment Partnerships Program	14.239	M-11-MC-42-0200	(10,172)	141,005	130,833	-	130,833
HOME Investment Partnerships Program	14.239	M-12-MC-42-0200	(2,514)	52,014	49,500	-	49,500
HOME Investment Partnerships Program	14.239	M-13-MC-42-0200	(3,905)	3,905	-	-	-
HOME Investment Partnerships Program	14.239	M-14-MC-42-0200	110,000	-	110,000	-	110,000
HOME Investment Partnerships Program	14.239	M-15-MC-42-0200	(141,394)	141,394	-	-	-
HOME Investment Partnerships Program	14.239	M-16-MC-42-0200	(4,435)	108,107	51,256	52,416	51,256
HOME Investment Partnerships Program	14.239	M-17-MC-42-0200	-	-	160,121	(160,121)	57,609
Subtotal 14.239			<u>(52,420)</u>	<u>446,425</u>	<u>501,710</u>	<u>(107,705)</u>	<u>399,198</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	FR-6000-N 012	<u>(110,407)</u>	<u>432,427</u>	<u>432,427</u>	<u>(110,407)</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>(353,062)</u>	<u>2,854,263</u>	<u>3,309,803</u>	<u>(808,602)</u>	<u>2,164,821</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	42-17-151364	(6,374)	12,000	5,626	-	-
Historic Preservation Fund Grants-In-Aid	15.904	42-18-161427	-	-	4,000	(4,000)	-
Total U.S. Department of Interior			<u>(6,374)</u>	<u>12,000</u>	<u>9,626</u>	<u>(4,000)</u>	<u>-</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ALLENTOWN
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Grantor's Number	(Accrued)/Deferred Revenue at 12/31/2017	Federal Grant Receipts	Federal Grant Expenditures	(Accrued)/Deferred Revenue at 12/31/2018	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	(14,802)	182,627	188,363	(20,538)	-
Public Safety Partnership and Community Policing Grants	16.710	2016-CK-WX-0021	-	9,412	9,412	-	9,412
Subtotal 16.710			<u>(14,802)</u>	<u>192,039</u>	<u>197,775</u>	<u>(20,538)</u>	<u>9,412</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0979	(40,762)	40,762	-	-	-
Equitable Sharing Program	16.922		-	32,891	32,891	-	-
Total U.S. Department of Justice			<u>(55,564)</u>	<u>265,692</u>	<u>230,666</u>	<u>(20,538)</u>	<u>9,412</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	-	43,998	43,998	-	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	050286	(7,450)	7,450	-	-	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	R16050005	-	90,824	90,824	-	90,824
Subtotal 20.205			<u>(7,450)</u>	<u>142,272</u>	<u>134,822</u>	<u>-</u>	<u>90,824</u>
Alcohol Impaired Driving Countermeasures:							
National Priority Safety Programs	20.616	IPD-2016-Allentown-00039	-	24,757	24,757	-	-
National Priority Safety Programs	20.616	IPD 2017-S Whitehall-0014	(1,247)	17,884	16,637	-	-
National Priority Safety Programs	20.616	IPD 2018-S Whitehall-0041	-	-	2,112	(2,112)	-
Subtotal 20.601			<u>(1,247)</u>	<u>42,641</u>	<u>43,506</u>	<u>(2,112)</u>	<u>-</u>
Total U.S. Department of Transportation			<u>(8,697)</u>	<u>184,913</u>	<u>178,328</u>	<u>(2,112)</u>	<u>90,824</u>
U.S. Department of Environmental Protection: Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF 983975-01-0	(129,314)	129,314	-	-	-
Total U.S. Department of Environmental Protection			<u>(129,314)</u>	<u>129,314</u>	<u>-</u>	<u>-</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	4100077907	(92,041)	212,045	120,004	-	-
Public Health Emergency Preparedness	93.069	4100080526	-	40,670	81,498	(40,828)	-
Subtotal 93.069			<u>(92,041)</u>	<u>252,715</u>	<u>201,502</u>	<u>(40,828)</u>	<u>-</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	17-DA-33	(14,420)	53,760	39,340	-	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	18-DA-33	-	26,390	36,960	(10,570)	-
Subtotal 93.243			<u>(14,420)</u>	<u>80,150</u>	<u>76,300</u>	<u>(10,570)</u>	<u>-</u>
Immunization Cooperative Agreements	93.268	4100077456	(13,011)	17,305	4,294	-	-
Immunization Cooperative Agreements	93.268	4100079839	-	24,628	36,239	(11,611)	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ALLENTOWN
SINGLE AUDIT REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/ Pass-Through Grantor's Number	(Accrued)/ Deferred Revenue at 12/31/2017	Federal Grant Receipts	Federal Grant Expenditures	(Accrued)/ Deferred Revenue at 12/31/2018	Passed Through to Subrecipients
Subtotal 93.268			(13,011)	41,933	40,533	(11,611)	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	4100077456	(20,350)	27,066	6,716	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	4100079839	-	13,261	19,513	(6,252)	-
Subtotal 93.569			(20,350)	40,327	26,229	(6,252)	-
Preventive Health & Health Services Block Grant	93.758	4100077241	(56,676)	285,334	264,062	(35,404)	-
National Bioterrorism Hospital Preparedness Program	93.889	4100077907	(4,438)	10,224	5,786	-	-
National Bioterrorism Hospital Preparedness Program	93.889	4100080526	-	2,051	4,110	(2,059)	-
Subtotal 93.889			(4,438)	12,275	9,896	(2,059)	-
HIV Prevention Activities Health Department Based	93.940	4100070510 R1	(24,447)	74,436	49,989	-	-
HIV Prevention Activities Health Department Based	93.940	4100079935	-	24,140	60,157	(36,017)	-
Subtotal 93.940			(24,447)	98,576	110,146	(36,017)	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	5H25PS001401-05	(7,615)	8,795	10,165	(8,985)	-
Maternal and Child Health Services Block Grant to the States	93.994	4100065680	(53,458)	120,990	67,532	-	-
Maternal and Child Health Services Block Grant to the States	93.994	4100080468	-	48,417	70,700	(22,283)	-
Maternal and Child Health Services Block Grant to the States	93.994	4100073550	(27,405)	146,440	135,402	(16,367)	-
Subtotal 93.994			(80,863)	315,847	273,634	(38,650)	-
Total U.S. Department of Health and Human Services			(313,861)	1,135,952	1,012,467	(190,376)	-
Federal Emergency Management Agency: Passed through the Commonwealth of Pennsylvania, Pennsylvania Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMW-2016-FO-03245	-	-	87,273	(87,273)	-
Total Federal Emergency Management Agency			-	-	87,273	(87,273)	-
Total Expenditures of Federal Awards			\$ (866,872)	\$ 4,582,134	\$ 4,828,163	\$ (1,112,901)	\$ 2,265,057

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, 2018

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 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, 2018

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 X 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? XYes ____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 XNo

CITY OF ALLENTOWN
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

- 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 2018-001 Earmarking
Repeat Finding – See Finding 2017-002

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, 2018 the City has spent 52.85% 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.

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 reprogramming of funds for projects which have been completed with funds remaining and/or stalled projects.

Finding 2018-002 Program Income
Repeat Finding – See Finding 2017-003

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.

CITY OF ALLENTOWN
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

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 2018-003 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 Form SF-425 for the year ended December 31, 2018. 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, 2018.

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 2018-004 Procurement Suspension, and Debarment

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

Condition: The City did not have the required language for Uniform Guidance procurement standards in their contracts or contract policies.

Criteria: Pursuant to 24 CFR contracts must contain the applicable provisions described in Appendix II to Part 200-Contract Provisions for non-Federal Entity Contracts under Federal Awards.

Cause: The City does not have procedures in place to ensure the required provisions are in place for contracts to be in compliance with procurement requirements.

Effect: The City did not have appropriate provisions and policies in place for contracts for the year ended December 31, 2018.

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

Recommendation: We recommend that the City implement procedures to ensure that all required provisions are included in contracts and contract policies.

CITY OF ALLENTOWN
SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

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

CITY OF ALLENTOWN, PENNSYLVANIA
SINGLE AUDIT REPORT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

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.

Current Status: This finding was resolved in 2018.

**Finding 2017-002: Earmarking (CFDA #14.218)
Repeat Finding 2018-001**

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 2018-001

Finding 2017-003: Program Income (CFDA #14.218)

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

Current Status: See current year finding 2018-002.

Finding 2017-004: Reporting (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.

Current Status: See current year finding 2018-003.

Finding 2017-005: Subsequent Monitoring (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 2018.



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September 11, 2019

CORRECTIVE ACTION PLAN

U.S. Department of Housing and Urban Development

The City of Allentown respectfully submits the following corrective action plan for the year ended December 31, 2018.

As audited by:
Zelenkofske Axelrod LLC
2370 York Road, Suite A-5
Jamison, PA 18929

Audit Period: January 1, 2018 thru December 31, 2018.

The findings from the December 31, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding 2018-001 Earmarking

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

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.

Corrective Action: 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 2018-002 Program Income

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

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

Corrective Action: 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 2018-003 Reporting

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

Recommendation: We recommend that the City implement procedures to ensure that all required reports are reconciled to the general ledger.

Corrective Action: The City will take this recommendation and review current procedures and implement revised procedures based on the reporting requirements.

Finding 2017-008 Procurement Suspension, and Debarment

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

Recommendation: We recommend that the City implement procedures to ensure that all required provisions are included in contracts and contract policies.

Corrective Action: The City will amend contract language moving forward to include all necessary requirements.

If HUD has any questions regarding this plan, please contact me at 610-437-7621.

Sincerely,



Luisa Follweiler
Treasury & Accounting Manager