

# City of Lancaster

## Single Audit Report

Year Ended December 31, 2013 with  
Independent Auditor's Reports

**MaherDuessel**  
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# CITY OF LANCASTER SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2013

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable J. Richard Gray, Mayor  
and Members of City Council  
City of Lancaster, 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 Lancaster, Pennsylvania (City), as of and for the year ended December 31, 2013, 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 9, 2014. Our report includes a reference to other auditors who audited the financial statements of the Lancaster Industrial Development Authority, the Lancaster Recreation Commission, the Redevelopment Authority of the City of Lancaster, and the Lancaster Downtown Investment District 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 Parking Authority of the City of Lancaster, the Redevelopment Authority of the City of Lancaster, and the Lancaster Downtown Investment District Authority were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

To the Honorable J. Richard Gray, Mayor  
and Members of City Council  
City of Lancaster, Pennsylvania  
Independent Auditor's Report on Internal  
Control over Financial Reporting

corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

*Maher Duessel*

Harrisburg, Pennsylvania  
July 9, 2014

Independent Auditor's Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by OMB Circular A-133

To the Honorable J. Richard Gray, Mayor  
and Members of City Council  
City of Lancaster, Pennsylvania

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

We have audited the City of Lancaster, Pennsylvania's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

To the Honorable J. Richard Gray, Mayor  
and Members of City Council  
City of Lancaster, Pennsylvania  
Independent Auditor's Report on Compliance  
for Each Major Program

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

To the Honorable J. Richard Gray, Mayor  
and Members of City Council  
City of Lancaster, Pennsylvania  
Independent Auditor's Report on Compliance  
for Each Major Program

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and  
Schedule of Disbursements/Expenditures of Federal Awards – Pennsylvania Department of  
Community and Economic Development and Pennsylvania Department of Health**

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 9, 2014, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Lancaster Industrial Development Authority, the Lancaster Recreation Commission, the Redevelopment Authority of the City of Lancaster, and the Lancaster Downtown Investment District Authority. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal awards, disbursements of federal awards – Pennsylvania Department of Community and Economic Development, and expenditures of federal awards – Pennsylvania Department of Health (collectively, the schedules) are presented for purposes of additional analysis as required by OMB Circular A-133, the Commonwealth of Pennsylvania Department of Community and Economic Development, and the Commonwealth of Pennsylvania Department of Health and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Maher Duessel*

Harrisburg, Pennsylvania  
July 9, 2014

**CITY OF LANCASTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Project Title	Source Code	Federal CFDA Number	Grant Pass-Through Grantor's Number	Period Beginning/ Ending Date	Grant Amount	Expenditures
U.S. Department of Housing and Urban Development:						
Community Development Block Grant	D	14.218	B-10-MC-42-0010	01/01/10-12/31/10	\$ 1,957,065	\$ 248,970
Community Development Block Grant	D	14.218	B-11-MC-42-0010	01/01/11-12/31/11	1,627,673	324,937
Community Development Block Grant	D	14.218	B-12-MC-42-0010	01/01/12-12/31/12	1,403,334	66,358
Community Development Block Grant	D	14.218	B-13-MC-42-0010	01/01/13-12/31/13	1,558,850	843,738
Subtotal 14.218						<u>1,484,003</u>
Passed through the County of Lancaster:						
HOME Investment Partnerships Program	I	14.239	M-13-DC-42-0210	01/01/13-12/31/13	434,973	<u>54,126</u>
Passed through the PA Department of Community and Economic Development:						
Emergency Shelter Grants Program	I	14.231	C000053472	10/19/12-08/22/14	579,682	<u>255,463</u>
Passed through the PA Department of Health:						
Healthy Homes and Lead Paint	I	14.900	SAP 4100059496	08/01/12-05/31/15	456,998	<u>163,487</u>
Total U.S. Department of Housing and Urban Development						<u>1,957,079</u>
U.S. Department of Interior:						
Passed through the PA Historical and Museum Commission:						
Historic Preservation Fund - Grants-In-Aid	I	15.904	ME-61203	08/01/12-07/31/13	15,000	8,013
Historic Preservation Fund - Grants-In-Aid	I	15.904	ME-61305	08/01/13-07/31/14	15,000	9,440
Subtotal 15.904						<u>17,453</u>
Total U.S. Department of Interior						<u>17,453</u>
U.S. Environmental Protection Agency:						
Passed through the National Fish and Wild Life Foundation:						
Chesapeake Bay Program	I	66.466	2010-0068-004/22811	09/01/10-08/31/13	400,000	97,277
Chesapeake Bay Program	I	66.466	0602-12-033907	10/01/12-09/30/14	350,000	109,634
Subtotal 66.466						<u>206,911</u>
Total U.S. Environmental Protection Agency						<u>206,911</u>

(Continued)



**CITY OF LANCASTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(Continued)**

Federal Grantor Project Title	Source Code	Federal CFDA Number	Grant Pass-Through Grantor's Number	Period Beginning/ Ending Date	Grant Amount	Expenditures
U.S. Department of Justice:						
JAG Program Cluster:						
Edward Byrne Justice Assistance Grant	D	16.738	2012-DJ-BX-0091	10/01/11-09/30/15	48,515	34,015
Edward Byrne Justice Assistance Grant	D	16.738	2013-DJ-BX-1014	10/01/12-09/30/16	46,404	44,830
Passed through Lancaster County:						
ARRA - Edward Byrne Memorial Justice Assistance Grant	I	16.803	2009-AJ-06-23890	11/15/12-11/14/13	1,503	1,478
Subtotal JAG Program Cluster						80,323
COPS Hiring Program	D	16.710	2010UMWX0268	09/01/10-12/31/13	1,266,095	377,250
Total U.S. Department of Justice						457,573
U.S. Department of Homeland Security:						
Assistance to Firefighters Grant	D	97.044	EMW-2011-FO-09343	03/16/12-03/15/13	40,000	3,167
Assistance to Firefighters Grant	D	97.044	EMW-2012-FO-03225	03/29/13-03/28/14	66,384	19,728
Staffing for Adequate Fire and Emergency Response	D	97.044	EMW-2011-FH-00682	08/06/12-08/05/14	873,617	331,271
Subtotal 97.044						354,166
Passed through Pennsylvania Emergency Management Agency:						
Public Assistance Grants	I	97.036	FEMA 4030-DR	01/01/13-12/31/13	N/A	19,904
Total U.S. Department of Homeland Security						374,070
Total Expenditures of Federal Awards						\$ 3,013,086
						(Concluded)

Legend:

- D - Direct Funding
- I - Indirect Funding
- CFDA - Catalog of Federal Domestic Assistance

See accompanying notes to schedule of expenditures of federal awards.

# **CITY OF LANCASTER SINGLE AUDIT REPORT**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED DECEMBER 31, 2013**

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### **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Lancaster (City) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the City's financial statements.

**CITY OF LANCASTER  
SINGLE AUDIT REPORT**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2013

**None**

# CITY OF LANCASTER SINGLE AUDIT REPORT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2013

### I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified opinion

2. Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiencies 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 deficiencies 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: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  yes  no

7. Major Programs:

CFDA Numbers

14.218

16.710

97.044

Name of Federal Program or Cluster:

Community Development Block Grant

COPS Hiring Program

Assistance to Firefighters Grant

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000

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

# **CITY OF LANCASTER SINGLE AUDIT REPORT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED DECEMBER 31, 2013**

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

**None noted**

III. Findings and questioned costs for federal awards.

**None noted**

# CITY OF LANCASTER

## SCHEDULE OF DISBURSEMENTS OF FEDERAL AWARDS - PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

YEAR ENDED DECEMBER 31, 2013

Federal Grantor Project Title	Source Code	Federal CFDA Number	Grant Pass-Through Grantor's Number	Period Beginning/ Ending Date	Receipts	Disbursements
U.S. Department of Housing and Urban Development: Passed Through the PA Department of Community and Economic Development:						
Emergency Shelter Grants Program	I	14.231	C000053472	10/19/12-08/22/14	\$ 87,823	\$ 226,323
Total Passed through the PA Department of Community and Economic Development					<u>\$ 87,823</u>	<u>\$ 226,323</u>

**CITY OF LANCASTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -**  
**PENNSYLVANIA DEPARTMENT OF HEALTH**  
**YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period Beginning- Ending Date	Grant Amount	Total Received for the Year	Accrued (Deferred) Revenue at 12/31/12	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 12/31/13
U.S. Department of Housing and Urban Development:										
Passed through the Pennsylvania Department of Health:										
Lead Based Paint Control	I	14.900	SAP 4100050062	01/01/10-09/30/12	\$ 391,596	\$ 28,115	\$ 28,115	\$ -	\$ -	\$ -
Healthy Homes and Lead Paint	I	14.900	SAP 4100059496	08/01/12-05/31/15	\$ 456,998	<u>134,572</u>	<u>-</u>	<u>163,487</u>	<u>163,487</u>	<u>28,915</u>
Total Passed through the Pennsylvania Department of Health						<u>\$ 162,687</u>	<u>\$ 28,115</u>	<u>\$ 163,487</u>	<u>\$ 163,487</u>	<u>\$ 28,915</u>