

City of Lancaster

Single Audit Report

Year Ended December 31, 2017 with
Independent Auditor's Reports

MaherDuessel

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CITY OF LANCASTER SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2017

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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
Danene Sorace, 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, 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 September 25, 2018. 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, the Lancaster Downtown Investment District Authority, the City of Lancaster Land Bank Authority, and the City of Lancaster City Revitalization and Improvement Zone 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, the Lancaster Downtown Investment District Authority, and the City of Lancaster Land Bank 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 Parking Authority of the City of Lancaster, the Redevelopment Authority of the City of Lancaster, the Lancaster Downtown Investment District Authority, and the City of Lancaster Land Bank 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

To the Honorable Danene Sorace, Mayor
and Members of City Council
City of Lancaster, Pennsylvania
Independent Auditor's Report on Internal
Control over Financial Reporting

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, 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
September 25, 2018

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

To the Honorable
Danene Sorace, Mayor
and Members of City Council
City of Lancaster, Pennsylvania

Report on Compliance for the 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) *Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended December 31, 2017. The City’s major federal program is 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 the City’s major federal program 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; 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 the major federal program. However, our audit does not provide a legal determination of the City’s compliance.

To the Honorable Danene Sorace, Mayor
and Members of City Council
City of Lancaster, Pennsylvania
Independent Auditor's Report on Compliance
for the Major Program

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 Danene Sorace, Mayor
and Members of City Council
City of Lancaster, Pennsylvania
Independent Auditor's Report on Compliance
for the Major Program

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 25, 2018, 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, the Lancaster Downtown Investment District Authority, the City of Lancaster Land Bank Authority, and the City of Lancaster City Revitalization and Improvement Zone Authority. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards (schedule) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Maher Duessel

Harrisburg, Pennsylvania
September 25, 2018

CITY OF LANCASTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

Federal Grantor Project Title	Source Code	Federal CFDA Number	Grant Pass-Through Grantor's Number	Period Beginning/ Ending Date	Grant Amount	Expenditures	Payments Made to Subrecipients
U.S. Department of Agriculture: Forest Health Protection	D	10.680	4000019692	04/01/15 - 03/31/18	\$ 21,000	\$ 6,462	\$ -
Total U.S. Department of Agriculture						<u>6,462</u>	<u>-</u>
U.S. Department of Housing and Urban Development: CDBG - Entitlement Grants Cluster:							
Community Development Block Grant	D	14.218	B-16-MC-42-0010	01/01/16 - 12/31/16	1,575,992	795,344	18,750
Community Development Block Grant	D	14.218	B-17-MC-42-0010	01/01/17 - 12/31/17	1,594,384	450,109	12,500
Subtotal CDBG - Entitlement Grants Cluster						<u>1,245,453</u>	<u>31,250</u>
Passed through the County of Lancaster:							
HOME Investment Partnerships Program	I	14.239	M-17-DC-42-0210	01/01/17 - 12/31/17	452,056	34,934	-
Emergency Solutions Grant Program	D	14.231	E-16-MC-42-0010	07/01/16 - 06/30/17	140,679	54,179	48,959
Emergency Solutions Grant Program	D	14.231	E-17-MC-42-0010	07/01/17 - 06/30/18	141,883	97,740	97,740
Subtotal 14.231						<u>151,919</u>	<u>146,699</u>
Passed through the PA Department of Health: Passed through Lancaster County Redevelopment Authority:							
Lead-Based Paint Hazard Control in Privately-Owned Housing	I	14.900	PAHLB0627-16	03/01/17 - 02/01/19	292,374	179,253	3,699
Passed through Lawrence County: Lead-Based Paint Hazard Control in Privately-Owned Housing	I	14.900	PALHB0605-15	10/01/15 - 09/30/18	453,495	192,326	-
Subtotal 14.900						<u>371,579</u>	<u>3,699</u>
Total U.S. Department of Housing and Urban Development						<u>1,803,885</u>	<u>181,648</u>
U.S. Department of Interior: Passed through the PA Historical and Museum Commission:							
Historic Preservation Fund - Grants-In-Aid	I	15.904	ME-61602	08/01/16 - 07/31/17	18,000	11,294	-
Historic Preservation Fund - Grants-In-Aid	I	15.904	ME-61702	08/01/17 - 07/31/18	13,200	7,523	-
Subtotal 15.904						<u>18,817</u>	<u>-</u>
Total U.S. Department of Interior						<u>18,817</u>	<u>-</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF LANCASTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Federal Grantor Project Title	Source Code	Federal CFDA Number	Grant Pass-Through Grantor's Number	Period Beginning/ Ending Date	Grant Amount	Expenditures	Payments Made to Subrecipients
U.S. Department of Justice:							
Edward Byrne Memorial Justice Assistance Grant	D	16.738	2015-DJ-BX-0856	10/01/14 - 09/30/18	44,140	13,856	-
Edward Byrne Memorial Justice Assistance Grant	D	16.738	2016-DJ-BX-0695	10/01/15 - 09/30/19	45,040	14,930	-
Subtotal 16.738						28,786	-
Total U.S. Department of Justice						28,786	-
U.S. Environmental Protection Agency:							
Passed through the National Fish and Wildlife Foundation:							
Chesapeake Bay Program	I	66.466	0602-12-033907	12/01/12 - 12/01/17	500,000	243,818	-
Chesapeake Bay Program	I	66.466	15020	05/17/17 - 05/15/18	75,000	75,000	-
Chesapeake Bay Program	I	66.466	12449	06/01/14 - 12/31/17	100,000	100,000	-
Subtotal 66.466						418,818	-
Passed through Pennsylvania Infrastructure Investment Authority:							
Clean Water State Revolving Funds Cluster:							
Capitalization Grants for Clean Water State Revolving Funds	I	66.458	72405	06/26/14 - 01/01/17	5,500,000	161,978	-
Subtotal Clean Water State Revolving Funds Cluster						161,978	-
Total U.S. Environmental Protection Agency						580,796	-
U.S. Department of Transportation:							
Passed through the Pennsylvania Department of Transportation:							
Highway Planning and Construction Cluster:							
Highway Planning and Construction	I	20.205	102507	01/01/16 - 02/01/18	48,000	25,250	-
Highway Planning and Construction	I	20.205	102507	01/08/15 - 01/08/17	48,000	29,162	-
Highway Planning and Construction	I	20.205	08A387	08/13/15 - 08/13/17	775,000	100,000	-
Highway Planning and Construction	I	20.205	08A134	08/29/13 - 08/29/18	300,000	43,422	-
Total Highway and Planning Construction Cluster						197,834	-
Total U.S. Department of Transportation						197,834	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF LANCASTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

Federal Grantor Project Title	Source Code	Federal CFDA Number	Grant Pass-Through Grantor's Number	Period Beginning/ Ending Date	Grant Amount	Expenditures	Payments Made to Subrecipients
U.S. Department of Homeland Security:							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	D	97.036	FEMA-4267-DR-PA- 071-412160-00	01/01/16 - 12/31/17	260,708	260,708	-
Total U.S. Department of Homeland Security						<u>260,708</u>	<u>-</u>
Total Expenditures of Federal Awards						<u>\$ 2,897,288</u>	<u>\$ 181,648</u>
							(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, 2017

1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City of Lancaster (City) and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 financial statements.

Such expenditures are recognized following, as applicable, either the cost principles in U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, 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 not elected to use the 10-percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

2. Reconciliation of PENNVEST Draws and Expenditures

The following is a reconciliation of the draws made during the year ended December 31, 2017 to the total expenditures, as presented on the Schedule:

Draws received during year ended December 31, 2017	\$ 179,656
Accounts payable as of December 31, 2016	(26,533)
Accounts payable as of December 31, 2017	100,956
Expenditures paid prior to year ended December 31, 2016, draw received subsequent to December 31, 2016	<u>(92,101)</u>
Current year expenditures, as reported on the Schedule of Expenditures of Federal Awards	<u>\$ 161,978</u>

CITY OF LANCASTER SINGLE AUDIT REPORT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

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

None noted.

- II. Findings and questioned costs for federal awards.

Finding 2016-001 – Allowability (Repeat Finding)

U.S. Department of Housing and Urban Development – CDBG – Entitlement Grants Cluster (CFDA #14.218)

Condition: During our audit, it was noted that actual time as recorded on an individual's timesheet was not accurately being reported on the City of Lancaster's (City) allocation calculation spreadsheet, which determines the amount charged to each program. Out of 44 individuals selected for testing, one was found to be improperly allocated.

Recommendation: We recommend that the City take steps to establish a review process for payroll allocations charged to federal programs.

Current Status: The City instituted a review process for payroll allocations charged to federal programs during the year ended December 31, 2017.

CITY OF LANCASTER 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, prepared in accordance with Generally Accepted Accounting Principles

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 2 CFR section 200.516(a)? yes no

7. Major Programs:

CFDA Numbers

14.218

Name of Federal Program or Cluster:

CDBG - Entitlement Grants Cluster

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 LANCASTER SINGLE AUDIT REPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

- 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