

City of Lancaster

Single Audit Report

Year Ended December 31, 2020
with Independent Auditor's Reports

MaherDuessel

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

CITY OF LANCASTER SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2020

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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, 2020, 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 9, 2021. 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) as a basis for designing 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 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 may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 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 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2020-001.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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 9, 2021

Independent Auditor's Report on Compliance for Each 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 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) *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, 2020. 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.

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 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, 2020.

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 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 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 9, 2021, 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 9, 2021

CITY OF LANCASTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

Federal Grantor Project Title	Source Code	Federal ALN Number	Grant Pass-Through Grantor's Number	Period Beginning/ Ending Date	Grant Amount	Expenditures	Payments Made to Subrecipients
U.S. Department of Housing and Urban Development:							
CDBG - Entitlement Grants Cluster:							
Community Development Block Grant	D	14.218	B-19-MC-42-0010	01/01/19-12/31/20	\$ 1,660,779	\$ 971,683	\$ 127,281
COVID-19 - Community Development Block Grant	D	14.218	B20MW420010	01/01/20-12/31/21	1,004,871	133,459	103,000
Subtotal CDBG - Entitlement Grants Cluster and 14.218						1,105,142	230,281
Passed through the County of Lancaster:							
HOME Investment Partnerships Program	I	14.239	M-19-DC-42-0210	01/01/19-12/31/20	542,178	22,218	-
Emergency Solutions Grant Program	D	14.231	E-19-MC-42-0010	07/01/19-06/30/20	142,487	45,557	39,401
Emergency Solutions Grant Program	D	14.231	E-20-MC-42-0010	07/01/20-06/30/21	145,929	6,658	-
COVID-19 -Emergency Solutions Grant Program	D	14.231	E-20-MC-42-0010	07/01/20-06/30/21	503,203	13,216	13,216
Subtotal 14.231						65,431	52,617
Lead-Based Paint Hazard Control in Privately-Owned Housing							
	D	14.900	PALNG0009-19	1/2/20-12/31/24	9,700,000	338,882	-
Passed through the PA Department of Health:							
Passed through Lawrence County:							
Lead-Based Paint Hazard Control in Privately-Owned Housing							
	I	14.900	PALHB0701-18	04/15/2019-09/14/2022	431,650	253,294	-
Subtotal 14.900						592,176	-
Total U.S. Department of Housing and Urban Development						1,784,967	282,898
U.S. Department of Health and Human Services:							
Passed through the University of Pittsburgh:							
Preventative Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds							
	I	93.758	415556-2	11/1/19-6/30/21	20,000	20,000	-
Total U.S. Department of Health and Human Services						20,000	-
U.S. Department of Interior:							
Passed through the PA Historical and Museum Commission:							
Historic Preservation Fund - Grants-In-Aid							
	I	15.904	ME-61902	8/1/19-7/31/20	8,609	2,868	-
Passed through the PA Department of Conservation and Natural Resources:							
Outdoor Recreation Acquisition, Development and Planning							
	I	15.916	GR4100080794	3/1/18-2/28/21	300,000	300,000	-
Total U.S. Department of Interior						302,868	-

(Continued)

See accompanying note to schedule of expenditures of federal awards.

CITY OF LANCASTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020
(Continued)

Federal Grantor Project Title	Source Code	Federal ALN 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	2019-DJ-BX-0280	10/1/18-9/30/22	47,825	47,825	-
COVID-19 -Coronavirus Emergency Supplemental Funding Program	D	16.034	2020-VD-BX-0783	1/20/20-1/31/22	145,090	22,970	-
Passed through the Pennsylvania Commission on Crime and Delinquency:							
Body Worn Cameral Policy and Implementation	I	16.835	2018-BW-01-30435	01/01/19-12/31/20	225,000	91,020	-
Total U.S. Department of Justice						161,815	-
U.S. Department of Treasury:							
Passed through Lancaster County:							
COVID-19 - Coronavirus Relief Fund	I	21.019	N/A	3/1/20-10/23/20	813,834	813,834	-
Passed through the COVID-19 Crisis Fire Company and Emergency Medical Services Grant:							
COVID-19 - Coronavirus Relief Fund	I	21.019	C950002045	3/1/20-6/30/21	25,342	25,342	-
Subtotal 14.900						839,176	-
Total U.S. Department of Treasury						839,176	-
U.S. Environmental Protection Agency:							
Passed through the Pennsylvania Department of Environmental Protection:							
Chesapeake Bay Program	I	66.466	16965	5/15/19-5/1/21	15,000	15,000	-
Passed through the Lancaster County Conservation District:							
Chesapeake Bay Program	I	66.466		4/15/20-9/30/20	75,000	75,000	-
Total U.S. Environmental Protection Agency and						90,000	-
U.S. Department of Transportation:							
Passed through the Pennsylvania Department of Transportation:							
Highway Planning and Construction Cluster:							
Highway Planning and Construction	I	20.205	106630	08/16/17- completion	977,000	140,673	-
Total Highway and Planning Construction Cluster						140,673	-
Total Expenditures of Federal Awards						\$ 3,339,499	\$ 282,898

Legend:
D - Direct Funding
I - Indirect Funding
ALN - Assistance Listing Number

(Concluded)

See accompanying note to schedule of expenditures of federal awards.

CITY OF LANCASTER SINGLE AUDIT REPORT

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

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 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.

CITY OF LANCASTER SINGLE AUDIT REPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

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 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: 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

14.900

21.019

Name of Federal Program or Cluster

Lead-Based Hazard Control Program

COVID-19 - Coronavirus Relief Fund

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, 2020

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

Finding 2020-001: Material Adjustments

Condition: The deferred inflows and outflows of resources and applicable expense related to Other Post-Employment Benefits (OPEB) were not properly stated as of December 31, 2020 in the City's Water, Sewer, Trash and Stormwater funds. In the General Fund, there was a duplicate loan receivable and applicable unearned revenue improperly recorded. Also in the General Fund, the loan receivable and unearned revenue balances were not reduced by payments received during the year ended December 31, 2020.

Criteria: In accordance with accounting principles generally accepted in the United States of America (GAAP), OPEB deferred inflows and outflows of resources must be recognized as of the actuarial valuation measurement date. In accordance with GAAP payments on receivables should be recognized in the period in which the payment was received.

Cause: Adequate review of financial information was not preformed.

Effect: In the enterprise funds, deferred inflows were understated by \$1,781,567, deferred outflows were overstated by \$3,398,988 and OPEB expense was understated by \$5,180,555 as of December 31, 2020. Loans receivables and unearned revenue in the General fund were overstated by \$3,350,000. Audit adjustments were proposed and accepted by management to correct the financial statements.

Recommendation: We recommend that the City implement procedures for adequate review of financial information to ensure that deferred inflows and outflows of resources related to OPEB, loan receivables, and unearned revenue are properly stated and reflected in the financial statements.

View of Responsible Officials: Management agrees with this finding. See Corrective Action Plan.

- III. Findings and questioned costs for federal awards.

None Noted

CITY OF LANCASTER

SINGLE AUDIT REPORT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2020

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

Finding 2019-001: Material Adjustments

Condition: Capital asset additions were recorded without incurring the associated capital expenditures. Property taxes levied for 2019 and collected within 60 days subsequent to year-end were not recorded as revenue.

Recommendation: We recommend that the City implement procedures for adequate review of financial information to ensure that only expenses incurred during the current year are capitalized and that property tax receipts collected subsequent to year-end are properly recorded.

Current Status: See Finding 2020-001 for material adjustments related to December 31, 2020.

- II. Findings and questioned costs for federal awards.

None noted.