

**COUNTY OF LEHIGH, PENNSYLVANIA**

**SINGLE AUDIT REPORT**

**YEAR ENDED DECEMBER 31, 2014**

COUNTY OF LEHIGH, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2014

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COUNTY OF LEHIGH, PENNSYLVANIA

REPORT DISTRIBUTION LIST

YEAR ENDED DECEMBER 31, 2014

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County of Lehigh  
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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**

Board of County Commissioners  
County of Lehigh  
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, each major fund, and the aggregate remaining fund information of the County of Lehigh (the County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 24, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County of Lehigh'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Lehigh's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Lehigh'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. 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 County of Lehigh'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.

*Reinsel Kuntz Lesher LLP*

June 23, 2015  
Lancaster, Pennsylvania



**Report on Compliance for Each Major Federal and Pennsylvania DHS Program;  
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of  
Federal Awards as Required by OMB Circular A-133**

**Independent Auditor's Report**

Board of County Commissioners  
County of Lehigh  
Allentown, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the County of Lehigh's (the County) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, and the Pennsylvania Department of Human Services (DHS), *Single Audit Supplement*, that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. The County'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 County of Lehigh's major federal and DHS 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*; and DHS, *Single Audit Supplement*. Those standards, OMB Circular A-133, and DHS, *Single Audit Supplement*, 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 or DHS program occurred. An audit includes examining, on a test basis, evidence about the County of Lehigh'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 and DHS program. However, our audit does not provide a legal determination of the County of Lehigh's compliance.

### Basis for Qualified Opinion on Aging Cluster Program

As described in items 2014-1 and 2014-2 in the accompanying schedule of findings and questioned costs, the County of Lehigh did not comply with certain requirements that are applicable to its Aging Cluster Program (CFDA 93.044, 93.045, 93.053). Compliance with such requirements is necessary, in our opinion, for the County of Lehigh to comply with the requirements applicable to those programs.

### Qualified Opinion on Aging Cluster Program

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the County of Lehigh complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Aging Cluster Program for the year ended December 31, 2014.

### Unmodified Opinion on Each of the Other Major Federal and DHS Programs

In our opinion, the County of Lehigh 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 other major federal and Pennsylvania DHS programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

### Report on Internal Control over Compliance

Management of the County 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 County'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 County'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-1 and 2014-2 that we consider to be significant deficiencies.

The County of Lehigh'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 County of Lehigh'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 OMB Circular A-133 and DHS, *Single Audit Supplement*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and DHS, *Single Audit Supplement*

We have audited the financial statements of the County of Lehigh as of and for the year ended December 31, 2014, and have issued our report thereon dated June 24, 2015 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and the Pennsylvania Department of Human Services expenditures are presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*; and Pennsylvania DHS, *Single Audit Supplement*, 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 basic 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Reinsel Kintz Lesher LLP

June 23, 2015  
Lancaster, Pennsylvania

**County of Lehigh**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2014**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Receivable/ (Unearned) Revenue at December 31, 2013</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Receivable/ (Unearned) Revenue at December 31, 2014</u>
<b>U.S. Department of Agriculture</b>					
<b>Passed-through Commonwealth of Pennsylvania - Department of Agriculture:</b>					
Emergency Food Assistance Program Administrative Costs	10.568	\$ 14,831	\$ 24,975	\$ 26,328	\$ 16,184
Emergency Food Assistance Program Commodities	10.569	-	269,518	269,518	-
<b>Total U.S. Department of Agriculture</b>		<b>14,831</b>	<b>294,493</b>	<b>295,846</b>	<b>16,184</b>
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grant 2007 - B-07-UC-42-0011	14.228	17,031	17,301	7,063	6,793
Community Development Block Grant 2010 - B-10-UC-42-0012	14.228	10,413	31,946	21,533	-
Community Development Block Grant 2011 - B-11-UC-42-0013	14.228	6,327	34,703	28,376	-
Community Development Block Grant 2012 - B-12-UC-42-0014	14.228	63,550	90,120	28,468	1,898
Community Development Block Grant 2013 - B-13-UC-42-0014	14.228	99,675	659,399	818,724	259,000
		<b>196,996</b>	<b>833,469</b>	<b>904,164 *</b>	<b>267,691</b>
Emergency Solutions Grant Program	14.231	-	21,635	24,097	2,462
<b>Total U.S. Department of Housing and Urban Development</b>		<b>196,996</b>	<b>855,104</b>	<b>928,261</b>	<b>270,153</b>
<b>U.S. Department of Justice</b>					
State Criminal Alien Assistance Program	16.606	-	64,831	64,831	-
<b>Passed-through Commonwealth of Pennsylvania - Commission on Crime and Delinquency:</b>					
Juvenile Accountability Block Grants	16.523	5,002	12,540	10,396	2,858
Juvenile Justice and Delinquency Prevention	16.540	-	1,631	1,631	-
Violence Against Women Formula Grant	16.588	34,277	137,609	124,997	21,665
Public Safety Partnership and Community Grants	16.710	47,313	47,313	-	-
Edward Byrne Memorial Justice Grant Program	16.738	-	6,866	6,866	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	25,830	76,679	50,849	-
		<b>112,422</b>	<b>282,638</b>	<b>194,739</b>	<b>24,523</b>
<b>Total U.S. Department of Justice</b>		<b>112,422</b>	<b>347,469</b>	<b>259,570</b>	<b>24,523</b>
<b>U.S. Department of Labor</b>					
<b>Passed-through Commonwealth of Pennsylvania - Department of Aging:</b>					
Senior Community Service Employment Program	17.235	-	75,511	103,872	28,361
<b>Total U.S. Department of Labor</b>		<b>-</b>	<b>75,511</b>	<b>103,872</b>	<b>28,361</b>

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Receivable/ (Unearned) Revenue at December 31, 2013</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Receivable/ (Unearned) Revenue at December 31, 2014</u>
<b>U.S. Department of Transportation</b>					
<b>Passed-through Commonwealth of Pennsylvania - Department of Transportation:</b>					
Highway Planning and Construction - Cluster	20.205	589,164	3,976,893	3,603,898 *	216,169
<b>Passed-through Commonwealth of Pennsylvania - Emergency Management Agency:</b>					
Interagency Hazardous Materials Public Section Training and Planning	20.703	-	-	12,594	12,594
<b>Total U.S. Department of Transportation</b>		<b>589,164</b>	<b>3,976,893</b>	<b>3,616,492</b>	<b>228,763</b>
<b>U.S. Election Assistance Commission</b>					
<b>Passed-through Commonwealth of Pennsylvania - Department of State:</b>					
Help America Vote Act Requirements Payments	90.401	-	15,079	15,079	-
<b>Total U.S. Election Assistance Commission</b>		<b>-</b>	<b>15,079</b>	<b>15,079</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>					
<b>Passed-through Commonwealth of Pennsylvania - Department of Aging:</b>					
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	-	3,742	3,742	-
Title VII, Chapter 2 - Long Term Care Ombudsman Services or Older Individuals	93.042	-	10,119	10,119	-
Title III, Part F - Disease Prevention and Health Promotion Services	93.043	-	12,597	12,597	-
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	-	626,417	626,417	-
Title III, Part C - Nutrition Services	93.045	-	473,860	473,860	-
Nutritional Services Incentive Program	93.053	-	44,680	44,680	-
<b>Total Aging Cluster</b>		<b>-</b>	<b>1,144,957</b>	<b>1,144,957 *</b>	<b>-</b>
National Family Caregiver	93.052	-	97,280	97,280	-
Medicare Enrollment Assistance Program	93.071	-	7,941	7,941	-
Consolidated Health Centers	93.324	-	5,328	5,328	-
Medical Assistance Program - Title XIX 60+ Waiver	93.778	-	289,363	289,363	-
Health Care Financing Research, Evaluations - Options - Level II Assessments	93.779	-	15,982	15,982	-
		<b>-</b>	<b>1,587,309</b>	<b>1,587,309</b>	<b>-</b>
<b>Passed-through Commonwealth of Pennsylvania - Department of Human Services:</b>					
Guardianship Assistance	93.090	42,501	83,851	87,456	46,106
Temporary Assistance for Needy Families	93.558	-	962,030	1,568,570 *	606,540
Child Support Enforcement - Title IV-D	93.563	1,068,717	3,706,400	3,921,964	1,284,281
Stephanie Tubbs Jones Child Welfare Services Program	93.645	-	120,699	120,699	-
Foster Care - Title IV-E	93.658	1,722,379	2,988,291	2,635,329 *	1,369,417
Adoption Assistance - Title IV-E	93.659	391,657	1,577,981	1,963,592 *	777,268
Social Services Block Grant	93.667	-	447,317	447,076	(241)
Independent Living	93.674	53,136	272,056	225,409	6,489

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Receivable/ (Unearned) Revenue at December 31, 2013</u>	<u>Federal Grant Receipts</u>	<u>Federal Grant Expenditures</u>	<u>Receivable/ (Unearned) Revenue at December 31, 2014</u>
<b>U.S. Department of Health and Human Services (continued)</b>					
<b>Passed-through Commonwealth of Pennsylvania - Department of Human Services (continued):</b>					
Medical Assistance - Waiver Program	93.778	-	370,171	370,171	-
Medical Assistance - TSM Admin	93.778	-	34,339	34,339	-
Medical Assistance - Case Management	93.778	-	16,909	19,893	2,984
Medical Assistance Transportation	93.778	707	864,064	863,357	-
		<u>707</u>	<u>1,285,483</u>	<u>1,287,760</u>	<u>2,984</u>
Block Grants for Community Mental Health Services	93.958	-	171,058	171,058	-
Block Grants for the Prev. and Treat. of Substance Abuse	93.959	101,891	1,225,376	1,225,912	102,427
		<u>3,380,988</u>	<u>12,840,542</u>	<u>13,654,825</u>	<u>4,195,271</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><b>3,380,988</b></u>	<u><b>14,427,851</b></u>	<u><b>15,242,134</b></u>	<u><b>4,195,271</b></u>
<b>U.S. Department of Homeland Security</b>					
<b>Passed-through Commonwealth of Pennsylvania - Emergency Management Agency:</b>					
Emergency Management Performance Grants	97.042	-	154,259	154,259	-
Pre-Disaster Mitigation	97.047	(136,295)	39,179	175,474	-
<b>Total U.S. Department of Homeland Security</b>		<u><b>(136,295)</b></u>	<u><b>193,438</b></u>	<u><b>329,733</b></u>	<u><b>-</b></u>
<b>Total Federal Awards</b>		<u><b>\$ 4,158,106</b></u>	<u><b>\$ 20,185,838</b></u>	<u><b>\$ 20,790,987</b></u>	<u><b>\$ 4,763,255</b></u>

**County of Lehigh, Pennsylvania**  
**Schedule of Pennsylvania Department of Human Services Awards**  
**Year Ended December 31, 2014**

Program (as Defined in the Pennsylvania Department of Human Services <i>Single Audit Supplement</i> )	Combined Federal/State Expenditures for Calendar Year Ended December 31, 2014
Children and Youth	\$ 22,400,028 *
Mental Health	12,741,767
Intellectual Disabilities	2,828,570 *
Child Support Enforcement	3,921,964
Medical Assistance	331,880
Medical Assistance Transportation	1,833,063
Early Intervention	3,727,565 *
Homeless Assistance Program	399,141
Human Services Development Fund	390,751
	<u>\$ 48,574,729</u>

\* Major Pennsylvania Department of Human Services programs. The 2014 threshold for major programs under the federal definition is \$623,730 (the greater of 3% of total federal expenditures or \$300,000). The amount expended under major Pennsylvania Department of Human Services programs for the fiscal year ended December 31, 2014 was \$28,956,163 or 59.6% of total combined Federal and Pennsylvania Department of Human Services financial assistance.

**County of Lehigh, Pennsylvania**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2014**

**NOTE 1      REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Pennsylvania Department of Human Services (DHS) Awards present the activity of all federal and DHS financial assistance programs of the County of Lehigh, Pennsylvania (the County). The reporting entity is defined in Note 1 to the County's financial statements.

**NOTE 2      BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Pennsylvania Department of Human Services Awards are presented using the modified accrual basis of accounting which is described in Note 1 to the County's financial statements.

**NOTE 3      PROGRAM CLUSTERS**

The following program clusters, as defined by OMB Circular A-133, were treated as a single program for determining major programs:

	CFDA	Expenditures
Emergency Food Cluster	10.568	\$     26,328
	10.569	269,518
		\$     295,846
Aging Cluster	93.044	\$     626,417
	93.045	473,860
	93.053	44,680
		\$   1,144,957

County of Lehigh, Pennsylvania  
Summary Schedule of Prior Audit Findings  
December 31, 2014

**SECTION II FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**CFDA 14.228 - Community Development Block Grant (CDBG)**

**Questioned  
Costs**

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**Finding 13-1: Significant Deficiency**

N/A

**Criteria**

The County is required to comply with cash management requirements listed in the Housing and Urban Development (HUD) grant agreements and fiscal policy manuals.

**Condition**

As a result of our testing, we noted the County did not timely disburse funds for three expenditures totaling approximately \$363,000 that were reimbursed through the CDBG program.

**Context**

Cost items submitted for reimbursement through the CDBG program must be paid by the County before requesting reimbursement or within three days of the receipt of Federal funds.

**Effect**

Internal controls over the cash management requirements of the program were not operating effectively.

**Cause**

Established procedures for requesting reimbursements from HUD were not followed.

**Recommendation**

We recommend that the County implement procedures to ensure costs are paid by the County within the time period specified by the cash management requirements of the program.

**Status of Finding**

The County implemented procedures to timely file grant reports as required by the HUD grant agreements and fiscal policy manual. The finding is considered closed.

## SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### CFDA 93.044, 93.045 and 93.053 - Aging Cluster

#### Questioned Costs

**Finding 13-2: Significant Deficiency**

N/A

**Criteria**

The County is required to timely file quarterly and annual financial reports with the PA Department of Aging.

**Condition**

As a result of our testing, we noted that the County did not meet the quarterly and annual filing deadlines established by the PA Department of Aging for all reports filed in 2013.

**Context**

Quarterly financial reports must be submitted to the PA Department of Aging within 30 days of the end of the quarter and within 45 days of the end of the fiscal year.

**Cause**

Established procedures for timely filing of the quarterly and annual reports to the PA Department of Aging were not followed.

**Effect**

Reports were filed 3 to 20 days past the statutory filing deadlines for 2013.

**Recommendation**

We recommend that the County implement procedures to ensure financial reports are timely filed with the PA Department of Aging.

**Status of Finding**

The condition existed at December 31, 2014. See Finding 2014-2 and Management's Response and Corrective Action.

**County of Lehigh, Pennsylvania**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2014**

**SECTION I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None

Type of auditor's report issued on compliance for major programs Modified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  Yes  No

**Identification of Major Programs**

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
20.205	Highway Planning and Construction	\$ 3,603,898
93.044, 93.045, 93.053	Aging Cluster	1,144,957
93.558	Temporary Assistance for Needy Families	1,568,570
93.658	Foster Care – Title IV-E	2,635,329
93.659	Adoption Assistance – Title IV-E	1,963,592
14.228	Community Development Block Grant	904,164
Dollar threshold used to distinguish between Type A and Type B programs:		\$ 623,730
Auditee qualified as low-risk auditee?		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**SECTION II FINANCIAL STATEMENT FINDINGS**

None.

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CFDA 93.044, 93.045 and 93.053 - Aging Cluster

		<u>Questioned Costs</u>
<b>Finding 2014-1:</b>	<b><u>Significant Deficiency</u></b>	\$451,477
	<b>Criteria</b>	
	<p>The County is required to follow administrative and indirect cost reimbursement guidelines established by the Pennsylvania Department of Aging.</p>	
	<b>Condition</b>	
	<p>As a result of our testing, we noted that the County did not meet the administrative and indirect cost requirements established by the Pennsylvania Department of Aging for program fiscal year ended June 30, 2014.</p>	
	<b>Context</b>	
	<p>The maximum indirect costs for direct service contracts with public or private providers shall be the actual indirect costs or 2% of the agency's total direct service costs, whichever is lower. The administrative cost center may not exceed 10% of the total Aging Block Grant funds expended in a fiscal year.</p>	
	<b>Effect</b>	
	<p>Established policies for charging of administrative and indirect program costs were not followed.</p>	
	<b>Cause</b>	
	<p>Administrative and indirect costs exceed the statutory limits by \$37,623 and \$413,854, respectively, for the fiscal year ended June 30, 2014.</p>	
	<b>Recommendation</b>	
	<p>We recommend that the County review internal policies to comply with applicable requirements of the Pennsylvania Department of Aging.</p>	
	<b>Management's Response and Corrective Action</b>	
	<p>See attached response.</p>	

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

CFDA 93.044, 93.045 and 93.053 - Aging Cluster

		<u>Questioned Costs</u>
<b>Finding 2014-2:</b>	<b><u>Significant Deficiency</u></b>	N/A
	<b>Criteria</b>	
	The County is required to timely file quarterly and annual financial reports with the Pennsylvania Department of Aging.	
	<b>Condition</b>	
	As a result of our testing, we noted that the County did not meet the quarterly and annual filing deadlines established by the Pennsylvania Department of Aging for all reports filed in 2014.	
	<b>Context</b>	
	Quarterly financial reports must be submitted to Pennsylvania Department of Aging within 30 days of the end of the quarter and within 45 days of the end of the fiscal year.	
	<b>Cause</b>	
	Established procedures for timely filing of the quarterly and annual reports to Pennsylvania Department of Aging were not followed.	
	<b>Effect</b>	
	Reports were filed past the statutory filing deadlines for 2014.	
	<b>Recommendation</b>	
	We recommend that the County implement procedures to ensure financial reports are timely filed with the Pennsylvania Department of Aging.	
	<b>Management's Response and Corrective Action</b>	
	See attached response.	



**COUNTY OF LEHIGH**  
**Department of Human Services**

**Kay L. Achenbach**  
**Director of Human Services**

**COUNTY OF LEHIGH, PENNSYLVANIA**  
**RESPONSE TO SINGLE AUDIT SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**Finding 2014-1: Aging Cluster**

**Management's Response:**

Lehigh County Office of Aging and Adult Services (LCOAAS) has consistently charged costs to the PA Department of Aging (PDA) and these costs have historically been considered allowable. A new team of auditors from the PDA recently disallowed the computations. A portion of that decision was later reversed by PDA and a waiver was requested by LCOAAS for the remaining disallowance. To date, PDA has not expressed that these costs will be disallowed and LCOAAS continues to be in close contact with them.

**Finding 2014-2: Aging Cluster**

**Management's Response:**

LCOAAS agrees that the Aging Block Grant quarterly and annual reports were not filed timely. Efforts have been made to ensure that staff transfers and movement in the future do not impact timely reporting.

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