

**CITY OF SCRANTON, PENNSYLVANIA**

**SINGLE AUDIT REPORTS  
YEAR ENDED DECEMBER 31, 2021**

**CITY OF SCRANTON, PENNSYLVANIA**

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YEAR ENDED DECEMBER 31, 2021**

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**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2021**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>PASSED THROUGH TO SUB- RECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>				
Direct Programs:				
CDBG - Entitlements Grants Cluster:				
Community Development Block Grant/Entitlement Grants	14.218	B-21-MC-42-0014	\$ 138,850	\$ 267,474
Community Development Block Grant/Entitlement Grants	14.218	B-20-MC-42-0014	230,663	887,745
Community Development Block Grant/Entitlement Grants	14.218	B-19-MC-42-0014	-	420,896
Community Development Block Grant/Entitlement Grants	14.218	B-18-MC-42-0014	-	30,005
Community Development Block Grant/Entitlement Grants	14.218	B-17-MC-42-0014	3,094	3,094
Community Development Block Grant/Entitlement Grants	14.218	B-14-MC-42-0014	-	1,550
Community Development Block Grant/Entitlement Grants	14.218	N.A.	-	10,890
Community Development Block Grant/Entitlement Grants-CV	14.218	B-20-MW-42-0014	895,375	1,160,410
			<u>1,267,982</u>	<u>2,782,064</u>
HOME Investment Partnership Program	14.239	M-21-MC-42-0205	-	23,093
HOME Investment Partnership Program	14.239	M-20-MC-42-0205	94,812	167,148
HOME Investment Partnership Program	14.239	M-19-MC-42-0205	-	42,291
HOME Investment Partnership Program	14.239	M-18-MC-42-0205	22,157	66,891
HOME Investment Partnership Program	14.239	M-17-MC-42-0205	-	60,857
HOME Investment Partnership Program	14.239	M-16-MC-42-0205	-	35,000
HOME Investment Partnership Program	14.239	M-15-MC-42-0205	3,100	3,100
			<u>120,069</u>	<u>398,380</u>

The accompanying notes are an integral part of this schedule.

**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>PASSED THROUGH TO SUB- RECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
Emergency Solutions Grant Program	14.231	E-21-MC-42-0014	-	69,403
Emergency Solutions Grant Program	14.231	E-20-MC-42-0014	166,163	194,128
Emergency Solutions Grant Program	14.231	E-19-MC-42-0014	15,972	19,531
Emergency Solutions Grant Program-CV	14.231	E-20-MW-42-0014	<u>1,119,931</u>	<u>1,145,685</u>
			<u>1,302,066</u>	<u>1,428,747</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>2,690,117</u>	<u>4,609,191</u>
U.S. DEPARTMENT OF COMMERCE:				
Direct Program:				
Economic Adjustment Assistance	11.307	N.A.	-	54,560
U.S. GENERAL SERVICE ADMINISTRATION:				
Pass-through Grant From:				
Pennsylvania Department of General Services:				
Donation of Federal Surplus Property Program	39.003	N.A.	-	10,333
U.S. Department of the Treasury				
Direct Program:				
Coronavirus State and Local Recovery Funds	21.027	N.A.	<u>-</u>	<u>19,685</u>
TOTAL			<u>\$ 2,690,117</u>	<u>\$ 4,693,769</u>

N.A. - Not Available

The accompanying notes are an integral part of this schedule.



**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2021**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal awards (the "Schedule") includes the Federal award activity of the City of Scranton, Pennsylvania (the "City") under programs of the Federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in financial position of the City.

**NOTE 2: REPORTING ENTITY**

The accompanying Schedule presents the expenditures of all the Federal award programs of the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed-through other government agencies are included in the schedule.

**NOTE 3: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of Federal awards is presented on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 4: INDIRECT COSTS**

The City has elected not to use the ten percent de minimis indirect cost rate. Indirect costs are allocated to programs based on applicable criteria relative to the Federal program.

**NOTE 5: ECONOMIC ADJUSTMENT ASSISTANCE (CFDA 11.307)**

During the year ending December 31, 1991, the City was awarded a \$600,000 Economic Adjustment Assistance grant from the U.S. Department of Commerce for the purpose of assisting businesses with economic development. EDA revolving loan fund ("RLF") Grant 1 was matched \$200,000 at the City level.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)**  
**DECEMBER 31, 2021**

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NOTE 5: ECONOMIC ADJUSTMENT ASSISTANCE (CFDA 11.307) (CONT'D)

Total Grant Awarded

	<u>Grant Amount</u>	<u>City Match</u>	<u>Total Grant Awarded</u>	<u>Federal Share</u>
EDA RLF Grant 1	<u>\$ 600,000</u>	<u>\$ 200,000</u>	<u>\$ 800,000</u>	<u>75%</u>

Federal Awards Expended

RLF loans outstanding at December 31, 2021	\$ 38,214
Cash and investment balance in RLF at December 31, 2021	34,532
Administrative expenses paid from RLF income during the year ended December 31, 2021	-
Unpaid principal of all loans written-off during the year ended December 31, 2021	<u>-</u>
Total	72,746
Federal Share of the RLF	<u>0.75</u>
Federal Awards Expended	<u>\$ 54,560</u>





**INDEPENDENT AUDITORS' 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 Mayor and Members of City Council  
City of Scranton, 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, business-type activity, each major fund, and the aggregate remaining fund information of the City of Scranton, Pennsylvania (the "City"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 2023.

**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 of 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 City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

**CERTIFIED PUBLIC ACCOUNTANTS**

4 Meadow Ave, Ste C, Scranton, PA 18505 | 240 Schuyler Avenue, Kingston, PA 18704  
T: 570.941.2248 • F: 570.941.2236 | T: 570.288.7517 • F: 570.288.1699  
kohanskico.com

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005 and 2021-006 that we consider to be material weaknesses.

### **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*.

### **The City's Response to Findings**

The City's response to the findings 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.

### **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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kohanski & Co., PC*

Scranton, PA  
April 26, 2023



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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Honorable Mayor and Members of City Council  
City of Scranton, Pennsylvania

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

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

We have audited the City of Scranton, Pennsylvania's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *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, 2021. 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.

In our opinion, the City complied, in all material respects, with the 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, 2021.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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4 Meadow Ave, Ste C, Scranton, PA 18505 | 240 Schuyler Avenue, Kingston, PA 18704  
T: 570.941.2248 • F: 570.941.2236 | T: 570.288.7517 • F: 570.288.1699  
kohanskico.com



## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's Federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-008. Our opinion on each major Federal program is not modified with respect to this matter. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. the City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-007, to be a significant deficiency.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Kohanski & Co., PC*

Scranton, PA  
April 26, 2023

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2021**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**Financial Statements:

Types of auditors' report issued:

<u>Reporting Entity</u>	<u>Type of Opinion</u>
Entity-Wide:	
Governmental Activities	Unmodified
Business-type Activity	Unmodified
Aggregate Discretely Presented Component Unit	Adverse
Fund:	
General Fund	Unmodified
OECD	Unmodified
Special Cities	Unmodified
Non-major Funds	Unmodified
Enterprise Fund - Sewer Authority	Unmodified
Internal Service Fund	Unmodified
Pension Trust Fund	Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?	<u>  X  </u> Yes	<u>      </u> No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)?	<u>      </u> Yes	<u>  X  </u> None reported

Noncompliance material to financial statements noted?

<u>      </u> Yes	<u>  X  </u> None reported
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Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> None reported
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)?	<u>  X  </u> Yes	<u>      </u> No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS (CONT'D)**

Federal Awards (Cont'd):

Type of auditors' report issued on  
compliance for major programs:

Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with 2CFR Section  
200.516(a) of Uniform Guidance?

  X   Yes             No

Identification of major programs:

CFDA Number

Name of Federal Program  
or Cluster

14.218

Community Development  
Block Grant

14.231

Emergency Solutions  
Grant Program

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee:

       Yes        X   No



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING 2021-001: FINANCIAL STATEMENT DEPARTURE FROM GAAP**

Criteria: Generally accepted accounting principles require that the entire reporting entity be included within the financial statements.

Condition: The financial statements do not include financial data for the City's legally separate component unit, the Scranton Parking Authority, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government.

Effect: The December 31, 2021 financial statements of the City contain an adverse opinion on its discretely presented component unit, the Scranton Parking Authority.

Cause: There is no finance function in place to ensure timely completion of financial statements for the Scranton Parking Authority.

Recommendation: We recommend that the City obtain audited financial statements for its discretely presented component unit, the Scranton Parking Authority.

View of Responsible Officials: See accompanying corrective action plan.

**FINDING 2021-002: EXPENDITURE REPORTING - OECD FUND**

Criteria: Expenditures in governmental fund reporting are recorded when a liability is incurred.

Condition – General Fund: Total expenses were overstated by \$1,210,597 as a result of errors in recording accrued expenses for payroll liabilities.

Condition – OECD Fund: Total expenses were understated by \$90,050 as a result of unrecorded accrued liabilities at December 31, 2021.

Condition – Special Cities Fund: A portion of a debt payment was recorded in the Special Cities Fund when the debt was actually paid from the General Fund. The City failed to record a transfer of funds from the Special Cities Fund to the General Fund and the payment of the debt out of the General Fund in the amount of \$208,204.

Effect: Expenditures in the fund financial statements were materially misstated.

Cause: Internal controls over financial reporting did not include procedures to ensure transactions were recorded in the proper period and in accordance with the criteria noted above.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONT'D)**

**FINDING 2021-002: EXPENDITURE REPORTING - OECD FUND (CONT'D)**

Recommendations: We recommend that the City review policies and procedures related to recording expenditures. Invoices should be entered in the general ledger when the invoices are received, and should be recorded in the period the liability was incurred. Invoices received after month/year end should be closely evaluated to ensure accurate recording. In addition, internal controls over financial reporting should include procedures to reconcile and review general ledger account balances to ensure proper cut-off of transactions. We would also be available to review required expense recognition standards with members of the business office to ensure that expenditures are reported in the financial statements in the proper period.

In addition, procedures should be established to review journal entries and reconcile month-end balances to ensure that errors in recording transactions are identified and corrected in a timely manner.

View of Responsible Officials: See accompanying corrective action plan.

**FINDING 2021-003: ERRORS IN FINANCIAL REPORTING - OECD FUND**

Criteria: Loans receivable consist of economic development loans to third parties that are administered by OECD. These loans are reported on the balance sheet at the gross principal outstanding net of an allowance for uncollectable loans.

Condition: Revolving loan fund payments were properly recorded as decreasing the outstanding balance of the notes receivable. The City did not properly adjust the allowance for doubtful accounts and unearned revenue accounts. As a result, the accounts were misstated by \$124,245.

Effect: The amount reported as allowance for doubtful accounts and unearned revenue on the financial statement of the OECD fund for the year ended December 31, 2021 were materially misstated.

Cause: Internal controls over financial reporting did not include procedures to ensure that transactions were accurately adjusted.

Recommendation: Accountants in the OECD should become familiar with accounting standards related to economic development loans. In addition, internal controls over financial reporting should include reconciliations between the subsidiary loan ledgers and the balance sheet to ensure that all outstanding loans are accurately and completely recorded.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONT'D)**

**FINDING 2021-003: ERRORS IN FINANCIAL REPORTING - OECD FUND (CONT'D)**

View of Responsible Officials: See accompanying corrective action plan.

**FINDING 2021-004: REVENUE RECOGNITION - GENERAL FUND**

Criteria: The City receives significant grant funding from various Federal and state governments. In accordance with GASB Statement No. 33, as amended, resources received from another government are considered government-mandated non-exchange transactions. This class of non-exchange transactions is recognized as an asset when cash is received or when all applicable eligibility requirements are met; and as revenue when all applicable eligibility requirements are met and the resources are available (modified accrual basis). Cash received prior to meeting all applicable eligibility requirements is recorded as unearned revenue.

Condition – ARPA Fund: Grant revenue in the ARPA fund was overstated by \$34,353,340, related to grant funds advanced to the City from the American Rescue Plan Act. While some revenues and expenditures related to the grant were incurred during the year and properly reported, all of the grant proceeds were recorded as revenue in 2021 when received and not after all eligibility requirements had been met in accordance with the revenue recognition criteria noted above.

Condition – OECD Fund: Grant revenue and unearned revenue in the OECD fund were overstated by \$3,300,092, related to grant funds allocated to OECD from the U.S. Department of Housing and Urban Development. While some revenues and expenditures related to the grant were incurred during the year and properly reported, the City recorded allocations of amounts not yet earned as a receivable and corresponding unearned revenue in 2021.

Effect: Revenue, grants receivable, and unearned revenue in the fund financial statements were materially misstated.

Cause: Internal controls over financial reporting did not include procedures to ensure that transactions were recorded properly in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Recommendation: Internal controls over financial reporting should include individuals with sufficient knowledge of U.S. GAAP that can assist the finance manager in identifying and evaluating how significant transactions impact the City's financial statements.

View of Responsible Officials: See accompanying corrective action plan.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONT'D)**

**FINDING 2021-005: ERRORS IN FINANCIAL REPORTING – YEAR-END CLOSING ENTRIES**

Criteria: Internal controls over financial reporting should ensure that the financial activity and account balances of the City are recorded in accordance with U.S. GAAP

Condition: Over twenty-four journal entries, including the entries noted above, were proposed as a result of audit procedures to correct year-end balances and to properly record transactions.

Effect: The financial statements presented for audit were materially misstated. Misstated account balances included accounts payable, accounts receivable, fund balance, revenue and expenses.

Cause: Internal controls over financial reporting do not include adequate procedures designed to review general ledger activity and properly record transactions. In addition, controls are not designed to catch and correct errors in financial reporting.

Recommendation: As noted above, internal controls over financial reporting should include procedures to reconcile and review year-end general ledger balances. In addition, periodic review procedures should be developed to allow employees and management to identify and correct errors in a timely manner. The City should ensure that an individual familiar with U.S. GAAP is involved in the process.

View of Responsible Officials: See accompanying corrective action plan.

**FINDING 2021-006: ACCOUNTING SYSTEM - SPECIAL CITIES FUND**

Condition: The accounting system for the special cities fund records cash receipts and disbursements in a separate account for each grant or revenue stream. At year-end, excel spreadsheets are used to create a trial balance which includes reporting for revenues earned and the related expenditures. However, this system is prone to errors and difficult to reconcile.

Effect: Errors in recording transactions in the Special Cities fund over several years have created large interfund balances with the General Fund. At December 31, 2021 the General Fund owes the Special Cities fund approximately \$1.5 million.

Cause: The current method of accounting for transactions in the Special Cities fund does not adequately capture and record the transactions of this fund. In addition, the system does not allow for periodic reporting and is difficult to reconcile.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONT'D)**

**FINDING 2021-006: ACCOUNTING SYSTEM - SPECIAL CITIES FUND (CONT'D)**

Recommendation: We recommend that all transactions for the special cities fund be recorded within the accounting software. Balanced journal entries to record transactions would reduce errors in financial reporting and allow the City to produce timely and accurate reports to analyze the financial resources available to the City which are maintained in this fund as well as review the transactions being recorded in the fund.

View of Responsible Officials: See accompanying corrective action plan.

**FINDING 2021-007: TRACKING FEDERAL EXPENDITURES**

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires non-federal government entities that expend more than \$750,000 in Federal financial assistance to have a Single Audit. All Federal expenditures should be reported on the Schedule of Expenditures of Federal Awards ("SEFA").

Condition: The City receives Federal funding from a number of different sources. During the audit it was noted that the SEFA, prepared for the audit, was not accurate and excluded some Federal expenditures.

Cause: Internal controls over financial reporting do not include procedures for tracking all Federal funds received, and expended, by the City.

Effect: There is an increased risk of noncompliance if the City does not have controls in place to identify and report all Federal funds received and expended.

Recommendation: We recommend the City designate an individual to act as a grant coordinator. This individual would be responsible for identifying Federal awards, tracking expenditures and preparing the schedule of expenditures of Federal awards.

View of Responsible Officials: See accompanying corrective action plan.

**FINDING 2021-008: SUBMISSION OF DATA COLLECTION FORM**

Criteria: In accordance with 2CFR Section 200.512(a), the reporting package must be submitted the earlier of thirty calendar days after receipt of the auditor's report or nine months after the end of the audit period. The single audit reporting package includes the City's financial statements, schedule of expenditures of Federal awards, the auditor's report, and the other items.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONT'D)**

**FINDING 2021-008: SUBMISSION OF DATA COLLECTION FORM (CONT'D)**

Condition: The submission of the Data Collection Form to the Federal Audit Clearing House was not completed by its required due date.

Cause: The City's financial statement audit was not complete within nine months of the end of the audit period.

Effect: The City was not in compliance with Federal Single Audit requirements.

Recommendation: The City should work closely with its contracted audit prep firm to ensure the financial statement audit can be completed in a timely manner. In addition, the City should work closely with its actuary and the component unit auditors to ensure the timely receipt of audit information.

View of Responsible Officials: See accompanying corrective action plan.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION I - FINANCIAL STATEMENT FINDINGS**

**FINDING 2020-001: FINANCIAL STATEMENT DEPARTURES FROM GAAP**

Condition: The financial statements do not include financial data for the City's legally separate component unit, the Scranton Parking Authority, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government.

Effect: The December 31, 2020 financial statements of the City contain an adverse opinion on its discretely presented component unit, the Scranton Parking Authority.

Recommendation: We recommend that the City obtain audited financial statements for its discretely presented component unit, the Scranton Parking Authority.

Auditor's 2021 Status: Finding remains as stated. See current year finding 2021-001.

**FINDING 2020-002: EXPENDITURE REPORTING - OECD FUND**

Condition: Total expenses and accounts payable for the year ended December 31, 2020 were understated by \$69,295 as a result of errors in recording payments of City expenditures.

Effect: Expenditures and liabilities in the OECD fund financial statements were materially misstated.

Recommendation: We recommend that the OECD review policies and procedures related to recording expenditures. Invoices should be entered in the general ledger when the invoices are received, and should be recorded in the period the liability was incurred. Invoices received after month/year end should be closely evaluated to ensure accurate recording. In addition, internal controls over financial reporting should include procedures to reconcile and review general ledger account balances to ensure proper cut-off of transactions.

Auditor's 2021 Status: Finding remains as stated. See current year finding 2021-002.

**FINDING 2020-003: ERRORS IN FINANCIAL REPORTING - OECD FUND**

Condition: Revolving loan funds paid to new borrowers were expensed rather than being recorded as a loan receivable. As a result, loans receivable and expenses were misstated by \$50,000.

Effect: The financial statement of the OECD fund for the year ended December 31, 2020 were materially misstated.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION I - FINANCIAL STATEMENT FINDINGS (CONT'D)**

**FINDING 2020-003: ERRORS IN FINANCIAL REPORTING - OECD FUND (CONT'D)**

Recommendation: Accountants in the OECD should become familiar with accounting standards related to economic development loans. In addition, internal controls over financial reporting should include reconciliations between the subsidiary loan ledgers and the balance sheet to ensure that all outstanding loans are accurately and completely recorded.

Auditor's 2021 Status: Finding corrected. No significant differences were noted.

**FINDING 2020-004: REVENUE RECOGNITION - GENERAL FUND**

Condition: For years prior to 2020, property taxes were collected by Northeast Revenue Services ("NRS") and were recorded by the City as receivables and unavailable revenue, net of the estimated NRS fees to collect. Upon termination of the contract with NRS, taxes receivable, deferred revenue and the allowance for uncollectable taxes were not properly adjusted to reflect this change.

Effect: Revenue, receivables and unavailable revenue in the fund financial statements were materially misstated.

Recommendation: Internal controls over financial reporting should include individuals with sufficient knowledge of generally accepted accounting principles that can assist the finance manager in identifying and evaluating how significant transactions impact the City's financial statements.

Auditor's 2021 Status: Finding corrected. No significant differences were noted.

**SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED**

**FINDING 2020-005: TRACKING FEDERAL EXPENDITURES**

Condition: The City receives Federal funding from a number of different sources. At the beginning of the audit, we requested a list of Federal expenditures to determine whether the City had reached the threshold for requiring a Single Audit under the Uniform Guidance. The schedule provided to us by the contracted audit prep firm was not accurate and excluded some Federal expenditures.

Effect: There is an increased risk of noncompliance if the City does not have controls in place to identify and report all Federal funds received and expended.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONT'D)  
YEAR ENDED DECEMBER 31, 2021**

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**SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONT'D)**

**FINDING 2020-005: TRACKING FEDERAL EXPENDITURES (CONT'D)**

Recommendation: We recommend the City designate an individual to act as a grant coordinator. This individual would be responsible for identifying Federal awards, tracking expenditures and preparing the schedule of expenditures of Federal awards. The City's contracted audit prep firm should be involved in this process.

Auditor's 2021 Status: Finding remains as stated. See current year finding 2021-007.

**FINDING 2020-006: SUBMISSION OF DATA COLLECTION FORM**

Condition: The submission of the Data Collection Form to the Federal Audit Clearing House was not completed by its required due date.

Effect: The City was not in compliance with Federal Single Audit requirements.

Recommendation: The City should work closely with its contracted audit prep firm to ensure the financial statement audit can be completed in a timely manner.

Auditor's 2020 Status: Finding remains as stated. See current year finding 2021-008.





## DEPARTMENT OF BUSINESS ADMINISTRATION

City Hall | 340 North Washington Avenue | Scranton, PA 18503 | 570.348.4118

April 25, 2023

Response to Findings in 2021 Single Audit Report. Except as stated otherwise below, Lawrence D. West, Business Administrator, or the official appointed by Mayor as City Business Administrator, will serve as the responsible official for all of the actions in the Corrective Action Plan.

2021-001 The City will submit a written request to the Scranton Parking Authority Board to have an audit report performed and timely submitted to the City for the 2022 audit.

Anticipated Completion Date: June 30, 2023

2021-002 OECD's Fiscal Coordinator, Melissa Saddlemire, and Compliance Coordinator, Jack Caufield, will review each voucher as to when the expense was incurred so that it is posted to the correct month. A second review will be done when the Fiscal Coordinator reconciles the bank accounts to ensure that all invoices are accrued in the month that they were incurred.

Invoices received after year end will be closely evaluated to ensure proper recording to the correct period.

Anticipated Completion Date: June 30, 2023

2021-003 OECD's Fiscal Coordinator, Melissa Saddlemire will review current accounting standards related to economic development loans. A reconciliation between the subsidiary loan ledger (Neighborly) and balance sheet accounts will be done monthly to ensure that all outstanding loans are accurately and completely recorded.

Anticipated Completion Date: June 30, 2023

2021-004 OECD's Fiscal Coordinator, Melissa Saddlemire, and Compliance Specialist, Jack Caufield will review GASB Statement No. 33 and any other applicable U.S. GAAP regulations to ensure proper recording of earned and unearned revenue as related to Federal and State government grants. This is applicable to, but not limited to, funds received from the American Rescue Plan Act (ARPA), and the U.S. Department of Housing and Urban Development (HUD).

Anticipated Completion Date: June 30, 2023

2021-005 The Business Administration Office will collaborate with its audit preparation firm to set dates throughout the year for a periodic review of procedures to identify and correct any errors in a timely manner.

Anticipated Completion Date: June 30, 2023

2021-006 The City's Special Cities Fund has been in place for many years. It contains only asset and liability accounts. The City will work with its audit preparation firm to simplify the recording and reporting in the Fund. The City will continue to use the Fund for grant monies and other federal monies received that are earmarked for particular projects that may not occur in a current budget year. The Fund has been helpful for the City to track grant fund expenditures for grant audits.

Anticipated Completion Date: September 1, 2023

2021-007 The Office of Economic and Community Development is responsible for Federal grant applications and other City grant applications. The City Deputy Fire Chief assists OECD when necessary with all Federal fire grants. In preparation for the audit, the City Finance Manager, OECD and the audit preparation firm gathers all information to assemble the SEFA. The City will make every effort to ensure that all Federal grants are applied for, tracked and reported by a designated individual.

Anticipated Completion Date: September 1, 2023

2021-008 The City makes every effort to complete the audit in a timely manner working with its audit preparation firm. The City will reach out to its actuary and component unit auditors informing them of the timeline the City needs audit information from their respective offices.

Anticipated Completion Date: June 30, 2023