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**INDEPENDENT INTERNAL AUDITOR'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Members of the Northampton County Council
John Stoffa, County Executive
County of Northampton, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by the Acting Director of Fiscal Affairs and the Director of Human Resources, solely to assist you with ensuring that the County payroll is accurately calculated and properly disbursed. Management is responsible for maintaining adequate internal controls over the payroll system. To achieve our objectives, we used computer-based analytical procedures on payroll and vendor data available in the IFAS system. We included in our sample all time records and direct deposit data between the period of 4/1/11 – 3/31/12. This Agreed-Upon Procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

1. **Procedure:** Investigate payments to identical direct deposit accounts for unrelated employees.

Findings: All duplicate direct deposit account instances were properly explained.

2. **Procedure:** Investigate identical addresses between vendor database and the employee database where the vendor database does not correspond to an employee name.

Findings: Because of the large number of matching addresses, a sample of transactions was tested for proper authorization. Of the 55 transactions tested, all were properly authorized. However, it was noted that one of the transactions was for the wrong object code.

3. **Procedure:** Ensure longevity is paid out per policy or per provision of collective bargaining agreement guidelines and that longevity is paid to eligible active employees only.

Findings:

- Of the 1,181 employees who received longevity payments, 6 received payments that contained errors:
 - One employee received a lower payment than was outlined in the contract. Human Resources paid this employee the difference after we brought the error to their attention.
 - One employee received multiple longevity payments that exceeded the amount outlined by nonunion policy. Human Resources is currently attempting to recoup this money.
 - One employee received a longevity payment in the amount outlined in the contract, and then received a second payment that was miscoded as longevity. Although the second payment was miscoded, the total amount received by the employee was correct.
 - Three employees received longevity payments, but were not entitled to receive these payments. Human Resources is currently attempting to recoup this money.
- Two employees did not receive longevity payments, although they met the criteria set forth in their union contracts. One of these employees has already received the missed longevity payment, after we brought the error to Human Resources' attention. The second employee will receive the missed longevity payment in November, 2012.

4. **Procedure:** Ensure that salary increases do not exceed approved percentages and that yearly salaries do not exceed guidelines established by policy or collective bargaining agreement guidelines.

Findings:

- Testing showed no instances of salary increases that exceeded approved percentages.
- Comparison of a random sample of 25 full-time employees to the corresponding schedule, grade and step of that employee's bargaining unit pay scale showed no errors in the hourly rates of employees.
- Testing showed no instances of hourly wages being applied inconsistently across pay grades and steps.

5. **Procedure:** Determine whether County Policy is followed for out-of-class employees.

Findings: A review of the "Employees with Out-of-Class Rates" report showed that County Policy is being followed for all out-of-class employees.

6. **Procedure:** Ensure that unusual pay codes are not used to conceal improper payments.

Findings:

- Testing of all payments using the Divorce Fee, Sheriff Special Function, Out-of-Class and Overtime codes showed that these codes appear to be used appropriately:
 - Divorce Fee code was only used to pay Law Clerks.

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ON AGREED-UPON PROCEDURES

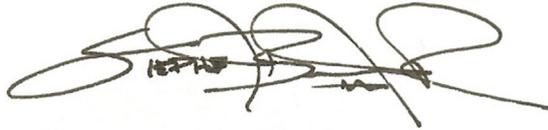
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- Sheriff Special Function was used only to pay Deputy Sheriffs.
- Out-of-Class code was only used for eligible employees in the Emergency Management department and the Prison.
- Overtime codes were only used to pay FLSA non-exempt employees.
- Of the ten employees who received the highest amount of "other money" payments, one payment was paid improperly. The employee received reimbursement for mileage, which was then taxed and included in gross income. This reimbursement should have been processed through the AP system.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the County's system for making payments to employees and vendors. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the County of Northampton, Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.



Stephen J. Barron, Jr., CFE
County Controller



Stephanie Rath-Tickle
Staff Auditor

December 5, 2012

CC: D. Hamann, Acting Director of Fiscal Affairs
P. Siemontkowski, Direct of Human Resources