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Audit Report

**WEIGHTS &
MEASURES
DIVISION**

As of March 31, 2012

**Office of the Controller
County of Northampton
Pennsylvania**



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July 3, 2012

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

We have completed an audit of the Weights & Measures Division as of March 31, 2012.

The Executive Summary on page 1 summarizes the audit results and identifies opportunities for improvement, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance that we received from personnel in Weights & Measures, Fiscal Affairs, and Administration. Their help was essential to the performance of this audit.

Management did not wish to meet to discuss the draft report, however, management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Frank G. Sabol, Jr.
Staff Auditor

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EXECUTIVE SUMMARY - OPPORTUNITIES FOR IMPROVEMENT

The following is a summary of the content of the enclosed report. See report references noted below for full detail.

Section A – Compliance

1. Improvements to the invoice format used to bill Weights & Measures (W&M) device holders in the County of Northampton should expedite the receipt of payments for W&M license/permit fees. The key improvement would be to include an additional line that presents the total amount due, including a 10% penalty, for payments received after the due date. (Section A-1, pg. 4)

2. Revisions to the billing for delinquent payments and changes to the programming of the Quick Books Open Invoice Report will improve the accuracy of the W&M Accounts Receivable Accrual that is posted to the County ledger at year end. (Section A-2, pg. 5)

INTRODUCTION

The Northampton County Division of Weights & Measures (W&M) is responsible for the inspection of all weighing, measuring, and timing devices used in sales made to the public in Northampton County. W&M includes a full time Sealer and one other full time and one part-time county employee. The Sealer is also responsible for issuing all W&M device licenses and permits and for the processing of all billings for W&M license and permit fees. Northampton County Council Ordinance #411, January 7, 2004 which was amended by Ordinance #512, December 6, 2009 defines the various commercial W&M devices and presents a schedule of fees to be charged for each of them. Devices listed in this ordinance are fuel dispensers, vehicle tank meters, LP gas tank meters, scales, UPC scanning systems, price look-up devices, coin counting devices, and “timing and fabric devices.”

A Memorandum of Understanding (MOU) was entered into between the PA Dept. of Agriculture (PDA) and the County of Northampton, on June 6, 2007. This memo explains which parts of the Consolidated Weights & Measures Act (3 Pa.C.S.A. 4101-4194) that are directly related to the County of Northampton. It also includes the specific division of inspection responsibilities between PDA and the County. This division was established to avoid any duplication in the inspection process between PDA and the County. Two devices that are inspected by PDA and receive a license/permit from the County are scales greater than 1,000 lbs. and LP gas tank meters.

The revenue from fees charged for W&M licenses and permits was \$170,900 in 2010 and \$174,650 in 2011. Expenditures were \$159,750 in 2010 and \$157,350 in 2011 or on the average 8% less than revenue.

PURPOSE AND SCOPE

The purpose of the audit was to:

- Determine if Weights & Measures (W&M) is complying with the terms of Council Ordinance #411 as amended.
- Determine if W&M is complying with the terms of the Memorandum of Understanding as recorded with PA Department of Agriculture.
- Determine if the internal controls over transactions processed for W&M are adequate.

The scope of the audit covered the 12 month period ending on March 31, 2012.

METHODOLOGY

Our methodology included:

- Reviewing Council Ordinance #411, January 7, 2004 as amended by Ordinance #512, December 6, 2009.
- Interviewing personnel to document the various processes and procedures.
- Testing transactions for compliance with policies and procedures.
- Testing transactions for adequacy of internal controls.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Section A – Compliance

1. Delinquent Payments

OBSERVATION

When payment for license/permit fees are not received by the due date the device holder receives a “reminder notice” after 30 days, a “final warning” after 60 days, and a “final warning/final notice” after 90 days. In some cases the Sealer will visit the device holder and attempt to resolve the payment issue in person. No further legal action or penalty assessment is taken. There is no schedule of penalty charges presented on the invoice for late or delinquent payments. Currently delinquent payments are estimated to be \$6,400.

RECOMMENDATION

In order to expedite the receipt of payments for W&M license/permit fees the current invoice should be revised to reflect a format similar to that of the Northampton County Real Estate Tax. The amount due should be presented with the due date. The total amount due, including a 10% penalty, should be listed for payments received after the due date. The invoice should also include a note that “if no payment is received within 30 days of the due date a court action will be initiated to terminate the use of the unlicensed W&M device.”

MANAGEMENT RESPONSE

Jim Davis, Sealer of Weights & Measures

I acknowledge the noted OBSERVATION and RECOMMENDATION and I concur with the proposal.

2. Recording Accounts Receivable Accrual

OBSERVATION

The Sealer of W&M maintains a Quick Books software package that is used to record billings and payments for license/permit fees. After reviewing various reports generated from this system, identified below, we noted that there is approximately \$2,800 in delinquent payments that are dated from 2007 to 2011 on the current Quick Books Open Invoice Report (OIR) that are not included on the YE2011 OIR. Also, there is approx. \$1,340 in duplicate entries on the current OIR. On some invoices the previous year's billings were rebilled with the current year's charge. The previous year is reflected as a single line item and again also included in the total current billing line item. The net effect of the errors noted above is an understatement of Accounts Receivable Accrual at YE2011 by \$1,460 (\$2,800-\$1,340)

RECOMMENDATION

In order to resolve duplication and omission errors all future billings out of the W&M Quick Books system should not combine the current billing with the previous years' billings. Reference should be made to delinquent billings and presented in a "memo" location on the invoice. This would help resolve duplicate accounts receivable accruals. At year end the Open Invoice Report (OIR) should be programmed to run all outstanding invoices to be used to set up the accounts receivable accrual.

MANAGEMENT RESPONSE

Jim Davis, Sealer of Weights & Measures

I acknowledge the noted OBSERVATION and RECOMMENDATION and I concur with the proposal. Additionally I will initiate an improved system of dealing with commercial locations that are no longer in business or do not have devices that need to be licensed. This too will provide increased accuracy to the year-end "Open Invoice Report".