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**INDEPENDENT INTERNAL AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Members of the Northampton County Council
John Brown, 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 data available in the IFAS system. We included in our sample all time records and direct deposit data between the period of 10/1/12 – 9/30/13. This Agreed-Upon Procedures engagement was conducted in accordance with 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:** 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 1209 employees who received longevity payments, we found that all payments were correct.
- We identified four instances in which employees did not receive the longevity payment to which they were entitled.
- We identified an additional instance in which an employee should have received a longevity payment during the period under review, but due to unpaid leaves of absence for which the employee's longevity date was not adjusted, no longevity

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payment was made. It was determined that this employee did receive a longevity payment on the old longevity date after the period under review, but the employee's longevity and retirement dates still need to be adjusted. Human Resources is currently researching the situation, and this employee's dates will be updated to reflect the unpaid leaves of absence.

3. **Procedure:** Ensure that salary increases do not exceed approved percentages and that pay scales entered into the IFAS system match pay scales as approved by County Council. Determine whether out-of-class pay was properly authorized and ensure that no employee has been receiving out-of-class payment for more than 6 months.

Findings:

- Testing showed no instances of salary increases that exceeded approved percentages.
- Comparison of the IFAS pay scales to the pay scales approved by County Council revealed that all steps as entered into the IFAS system matched the steps on the pay scales approved by the County Council.
- Testing showed no instances of hourly wages being applied inconsistently across pay grades and steps.
- A review of the "Employees with Out-of-Class Rates" report showed that County Policy is being followed for all out-of-class employees.

4. **Procedure:** Ensure that unusual or inappropriate pay codes are not used to conceal improper payments and that FLSA exempt employees do not receive overtime payments.

Findings:

- A review of unusual pay codes showed no instances of improper payments.
- Testing showed no instances of FLSA exempt employees receiving overtime payments.

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. 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

April 21, 2014

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