

**COUNTY OF NORTHAMPTON
EASTON, PENNSYLVANIA**

Controller's Annual Report

January 1, 2015 - December 31, 2015



*Stephen J. Barron, Jr., CFE
County Controller*



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

FRANK S. KEDL, CIA
Audit Manager

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TIMOTHY P. BRENNAN, ESQ.
Solicitor

January 22, 2016

Dear Friends:

This report is my 8th as Northampton County Controller. The excitement of a 3rd term and 4 more years makes one look back on the good and bad and plan for a better and brighter future.

Thankfully the audits and investigations that my office has performed have been a bright light and positive for Northampton County. Though we are constantly looking to improve and be more efficient and keep up with auditing trends you will see more of the same from my office in the next 4 years.

There may be a new face or two that comes to visit during audits, but you will always be treated with dignity, respect and as a professional. This is something my office prides itself on and will always be the cornerstone of a productive relationship between the Controller's Office and the rest of the county.

I look forward to the upcoming year and my 3rd term as Northampton County Controller.

All the Best,

Stephen J. Barron, Jr.

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The County Controller's Office

Mission Statement

Our purpose is to audit County departments and entities receiving County funds in accordance with the Home Rule Charter and to make recommendations to County management that will improve the economy and efficiency of County operations, ensure compliance with laws and regulations, and strengthen internal controls safeguarding County assets.

The County Controller's Office

Office Staff

Stephen J. Barron, Jr., CFE
County Controller
BA Government and Politics
JD Law

Timothy P. Brennan, Esq.
Solicitor
BA Political Science and English
JD Law

Frank S. Kedi, CIA
Audit Manager
BS Accounting

Paul L. Albert, CIA
Lead Auditor
BA Accounting

Kathleen A. Kuzma, MBA, CPA, CGMA
Lead Auditor
BS Accounting and Business
MBA Accounting and Finance

Anthony D. Sabino, CIA
Lead Auditor
BA Journalism and Accounting

Stacy L. Duke
Auditor
BS Accounting

Gary M. Krall, MBA, CMA
Auditor
BA Accounting

The County Controller's Office

Professional and Community Involvement

Staff members belong to many professional organizations:

American Institute of Certified Public Accountants
Association of Certified Fraud Examiners
Association of Local Government Auditors
Institute of Internal Auditors
Institute of Management Accountants
Pennsylvania Institute of Certified Public Accountants
Pennsylvania Society of Tax and Accounting Professionals
Pennsylvania State Association of County Controllers

Employees are active in several other service organizations:

Gift of Life Donor Program
Greater Bethlehem Soccer League
Heights Athletic Association
Honorary First Defenders, Allentown Chapter – Finance Officer
Lehigh Valley Coalition for Organ & Tissue Donation
Musikfest/Christkindlmarkt
National Sokols Association
North Whitehall Township Recreation Board
Pennsylvania Interscholastic Athletic Association
St. Joseph the Worker Parish Festival – Committee Chairperson
St. Joseph the Worker Parish Women's Guild
South Bethlehem Historical Society – President
Southside Film Festival - Treasurer

The County Controller's Office

Quality Control Review

Organizations conducting audits in accordance with *Government Auditing Standards* must have an external quality control review at least once every 3 years. The purpose of the quality control review is to determine whether an audit organization's internal quality control system is in place and operating effectively, and to provide assurance that established policies and procedures and applicable auditing standards are being followed.

The Northampton County Controller's Office underwent its most recent quality control review in May 2013 by a review team from the Association of Local Government Auditors (ALGA). Reports issued during the period January 1, 2010 through December 31, 2012 were reviewed.

We are pleased to have once again received a favorable opinion from the review team. Their report, dated May 16, 2013, can be found on the following page.



Association of Local Government Auditors

May 16, 2013

Mr. Stephen J. Barron, Jr., CFE
County Controller
County of Northampton
669 Washington Street
Easton, PA 18042

Dear Mr. Barron,

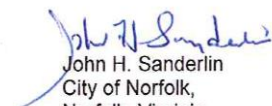
We have completed a peer review of the Northampton County Controller's Office for the period January 1, 2010 through December 31, 2012. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).


We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Northampton County Controller's Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period of January 1, 2010 to December 31, 2012.

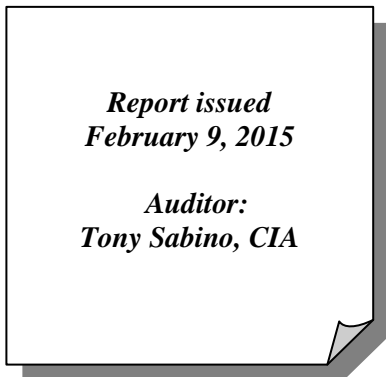

John H. Sanderlin
City of Norfolk,
Norfolk, Virginia


Perez Goree
City of Orlando,
Orlando, Florida

Summary of Reports Issued Performance Audits

Procurement

Article XIII Compliance



The overall purpose of our audit was to review Article XIII for possible modifications to make the Procurement process more efficient, and to review recently awarded contracts to determine the level of compliance with the Code.

In order to perform a comprehensive review of compliance, we reviewed all Executive Orders from January 2013 through October 2014, which included contracts awarded by two separate administrations.

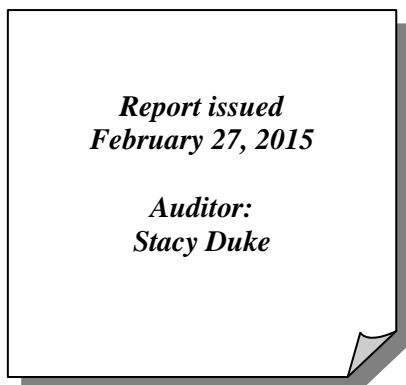
AUDIT RESULTS

- There are many aspects of Article XIII of the Administrative Code which are unclear, inconsistent, and in some cases, overly restrictive. As a result, it does not always provide clear and reasonable guidance for the procurement of goods and services for the County of Northampton.
- We did find a number of exceptions in the awarding of contracts and compliance with the Code, but a number of these were caused by misinterpretations of unclear Code provisions.
- A comprehensive revision of Article XIII is merited; this should be a cooperative effort between representatives of both the Administration and County Council. This should be combined with an effort to complete and publish a revision to the Procurement Manual, which will refine the broad guidance provided by the Code into a set of detailed and easy-to follow procedures.

Summary of Reports Issued Performance Audits

District Attorney

Drug Forfeiture Agency Fund



Detectives in the District Attorney's office are responsible for maintaining four bank accounts that are included in the DA Drug Forfeiture Agency Fund. Since we conduct a separate annual audit of the Controlled Substance Forfeitures account, this audit concentrated on the remaining three accounts: Drug Task Force Fund, General Forfeitures and Federal Forfeitures.

The audit objectives were to:

- Determine if internal controls over the handling of Drug Forfeiture Agency Funds are adequate.
- Determine if the Drug Forfeiture Agency Fund is in compliance with Federal, State and County regulations.

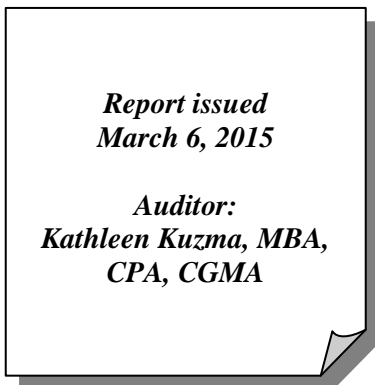
AUDIT RESULTS

- Due to the Detective Office's staffing and confidentiality issues; the County Detective remains responsible for the all asset custody and record keeping functions listed above. Therefore, to reduce the risk of errors and irregularities the Controller's office will annually review all receipts for proper documentation and verify that deposits were made.
- The County Detective should document the procedures for processing Drug Forfeiture Agency Fund transactions.

Summary of Reports Issued Performance Audits

Public Works

Timekeeping Process



Public Works' employees are covered by either the Career Service (CS) Regulations or the AFSCME Residual Non-Professional Unit collective bargaining agreement (CBA).

The Kronos computer system maintains each employee's typical work schedule. Changes to that schedule due to leave time, overtime and special pay situations are entered into Kronos by timekeepers. Once all data entry of exception items has been updated in Kronos, payroll is approved and processed, and paychecks are issued.

The purpose of our audit was to:

- Determine the adequacy of internal controls in place for the Public Works' payroll process.
- Determine the accuracy of amounts paid to employees for leave time and time worked by agreeing to employee time reports.
- Determine adherence to CBA and CS Regulations with regard to other payments made to employees.

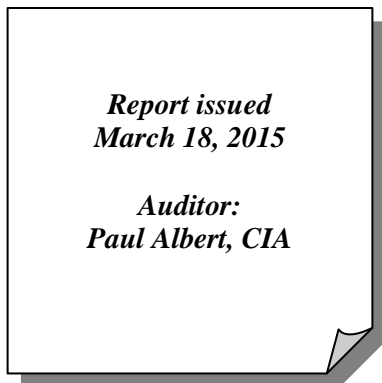
AUDIT RESULTS

- A department policies and procedures manual would be a useful tool to detail what is expected of those involved in the payroll process.
- Consistency in payroll processes, adequate segregation of duties, and supervisory approval would provide controls that are needed to achieve the overall goals for the Department's payroll – that employees report accurate time worked, that supervisors review and approve time worked for their employees – resulting in an environment of confidence in the integrity of payments to the employees.
- We were unable to reach a conclusion about the overall accuracy of payroll in the Public Works Department due to the lack of adequate documentation, and supervisory review and approval.

Summary of Reports Issued Performance Audits

Administrative Services

Postage Account



Postage activities at the Government Center/Courthouse complex are generally centralized in the Administrative Services Division.

Divisions that are located away from the Government Center/Courthouse complex usually have their own postage machines. Those divisions pay for the lease or rental of their postage machines and also for the postage.

The purpose of the audit was to determine if:

- Controls over Postal Permit #142 and other postal activities are adequate.
- Processes are in compliance with County policy, if applicable.
- Processes are efficient and effective.

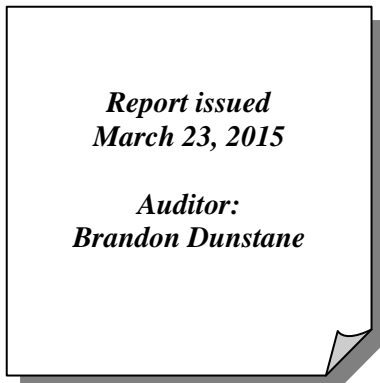
AUDIT RESULTS

- Savings could be attained by the County in the handling of postage machine leases. Some machines aren't necessary, such as the one at the Jail and one of the machines at the Human Service building. Mail that could be processed through the Mailroom should flow through there as it will reduce the need for manpower to operate the offsite machines, and correspondence would be mailed at a cheaper rate.
- Greater oversight is needed for Postal Permit #142. Account usage isn't monitored resulting in a large balance in the postal account; the balance should be kept at a minimum. The account should be reconciled regularly before more money is deposited, and policies and procedures for that account should be developed and documented.
- Policies and procedures of the office should be documented.

Summary of Reports Issued Performance Audits

Procurement

P-Card Program



The County's Procurement Card Program began in April 2002 and currently has 129 cardholders. During the twelve months ended June 30, 2014, there were 4,382 transactions totaling \$913,902. The program is administered by the Procurement Division with the assistance of a Fiscal Affairs accountant assigned to the program.

The audit objectives were to:

- Determine if controls over the processing of p-card transactions are adequate.
- Determine if the program is in compliance with County regulations.
- Determine if the program is being run economically and efficiently.
- Determine if corrective action was taken on findings reported in the 6/30/13 p-card audit.

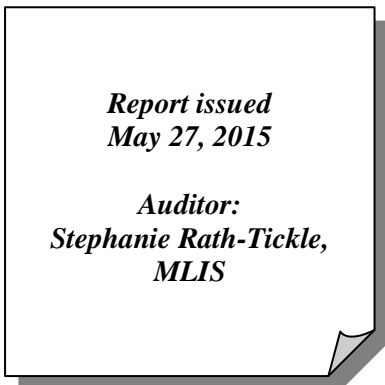
AUDIT RESULTS

- The Procurement Card Program continues to be an efficient, cost-effective method of paying for purchases without the need for petty cash, small purchase orders or accounts payable checks. Overall the program is working as intended.
- Procurement could further enhance the efficiency of the review process by taking a proactive approach to common cardholders' mistakes, working with other departments to utilize additional internal systems for easier tracking of cardholders, and verifying the use of the Works system's built-in review functions.

Summary of Reports Issued Performance Audits

Fiscal Affairs

Tax Claim Agency Fund



The Tax Claim Agency Fund is used to account for taxes owed, property acquired at sale, and the receipts and disbursement of moneys collected. Moneys collected are owed to School Districts, Municipalities, and other lien holders.

This audit is one in a series of periodic audits of all agency funds performed for the purpose of supplementing the year-end work prescribed by the County's external auditor. The focus of the audit was on the receipt and disbursement functions and on compliance with laws and regulations of the Tax Claim function.

The purpose of the audit was:

- To determine the adequacy of internal controls.
- To test internal controls and compliance with laws, regulations, policies, and procedures.
- To determine whether the Tax Claim Agency Fund is maintained economically and efficiently.

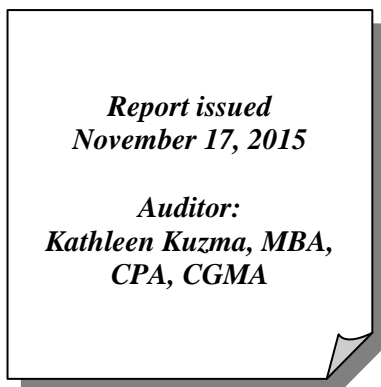
AUDIT RESULTS

- Overall, internal controls for the Tax Claim Agency Fund appear to be working properly, and we did not discover any areas for improvement in regard to economy and efficiency.
- Most procedures appear to be in compliance with the Real Estate Tax Sale Law. However, we did note that taxes recovered through Upset and Judicial Sales are disbursed prior to obtaining an order confirming distribution from the court, in violation of Section 205 (3) of the Real Estate Tax Sale Law.

Summary of Reports Issued Performance Audits

Fiscal Affairs

Recorder of Deeds Agency Fund



The Recorder of Deeds office is one of several divisions under the direction of the Department of Fiscal Affairs. This office is responsible for recording, filing, imaging, retrieval and maintenance of deeds, mortgages and miscellaneous papers filed in Northampton County.

This audit is one in a series of periodic audits of all agency funds performed for the purpose of supplementing the year-end work prescribed by the County's external auditor. The focus of the audit was on the receipt and disbursement functions, and on compliance with laws and regulations for the various fees and taxes.

The purpose of the audit was:

- To test the adequacy of internal controls.
- To test compliance with laws, regulations, and policies and procedures.

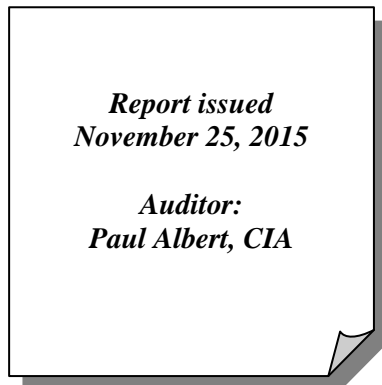
AUDIT RESULTS

- The Recorder of Deeds office maintains a comprehensive Policies and Procedures Manual (Manual) that addresses many of the daily issues faced by the staff. This Manual would be more useful and internal controls would be strengthened if there were regular updates to the Manual, and if the Manual were expanded to include procedures for supervisors. It would also be a benefit to the office if the Manual were available electronically to the staff.
- Another means for management to improve internal controls would be to perform more frequent random cash drawer verifications.

Summary of Reports Issued Performance Audits

Jail

PrimeCare Contract



On September 6, 2012, the County entered into Contract 12-168 with PrimeCare Medical Inc. of Harrisburg to provide healthcare to inmates housed at the Jail. The five-year contract, with the option of two one-year extensions, has an annual base amount of \$2,695,726.77.

The audit was conducted at the request of Northampton County Council via Resolution Number 13-2015.

The purpose of the audit was to:

- Analyze operating, labor and administrative costs.
- Provide comparisons to other Third Class Counties.
- Analyze spending trends for the last 5 years.

AUDIT RESULTS

- Overall we found that PrimeCare was complying with the terms of the contract in the delivery of healthcare to the inmates.
- The estimated population in the Request for Proposal (RFP) was much higher than the actual population. Proposals were based on those higher population figures, which made the contract more expensive than it would have been with more accurate population estimates.
- The Inmate Healthcare Self-Insurance Trust Fund was established to pay amounts that exceed caps established in the contract. However, the fund hasn't been used for that purpose in the last 15 years and has a balance in excess of \$300,000.
- Act 22 of 2011 greatly lowered the cost of in-patient and out-patient medical costs for Jails in Pennsylvania, and in particular the cost of this contract with PrimeCare.

Summary of Reports Issued Performance Audits

Community and Economic Development

Hotel Tax Distribution

*Report issued
December 2, 2015*

*Auditor:
Kathleen Kuzma, MBA,
CPA, CGMA*

On May 5, 2008 County Council enacted Ordinance No. 484 authorizing that 12.5% of Hotel Tax revenues be allocated equally to ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39), until a total of \$1,000,000 each is reached.

The audit was performed to comply with the requirements of Ordinance No. 484.

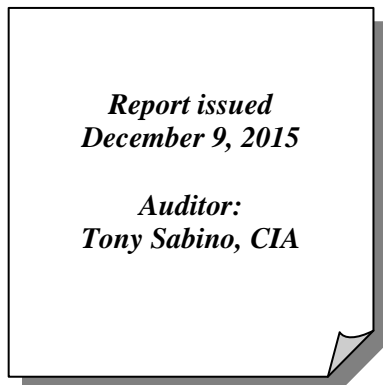
AUDIT RESULTS

- The Northampton County Department of Community and Economic Development should ensure that these grants are monitored for compliance with Ordinance 484 and the terms of the grant agreements. Monitoring is a valuable tool that could have resulted in the avoidance or correction of non-compliance issues that were experienced by ArtsQuest.
- ArtsQuest did not submit their annual report in a timely manner as required by the grant agreement under Article 6 Fiscal Responsibilities, Records and Audit. In addition, ArtsQuest and NCDCED did not resolve the prior year audit finding with regard to compliance with Article 3 Payment Provisions, Section 3.1.
- Lehigh Valley Public Telecommunications Corporation (PBS-39) was in compliance with the requirements listed in Ordinance No. 484 and the grant agreement during the audit period.
- ArtsQuest has received a total of \$728,395 through 12/31/2014 and PBS-39 has received a total of \$794,393 through 6/30/2015.

Summary of Reports Issued Performance Audits

Human Resources

Medical Claims



Capital Blue Cross (CBC) has been the County's third party administrator for health benefits since 2007. Since the County is self-insured, CBC pays the providers as they receive claims and bills the County the following week for the amount paid to providers.

In 2014, the County spent just under \$22.8 million to pay for medical and prescription claims for enrolled employees, retirees and eligible family members, and an additional \$1,213,535.66 in administrative fees to CBC for third-party administration and stop loss insurance.

The purpose of the audit was:

- To determine if medical claims are being processed accurately and on a timely basis by the third-party administrator.
- To determine that payments are made only on behalf of eligible enrollees and for covered services.

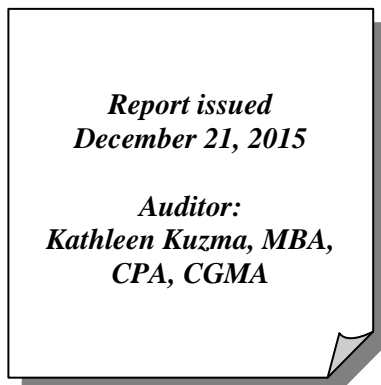
AUDIT RESULTS

- We noted few errors or procedural deficiencies in this audit. There has been significant improvement since our prior audit in 2010.
- We did note some errors in this audit that, once addressed, can result in the recovery of some funds and the further strengthening of internal controls.
 - Claims totaling \$4,624.58 were paid for seven ineligible terminated individuals.
 - Two out-of-network claims totaling \$540.33 that were improperly paid by CBC.
 - We noted one individual that had been granted a COBRA extension, but was still paying only 100% of the premium cost instead of 150% per County policy.

Summary of Reports Issued Performance Audits

Administration

Conservation District



The Northampton County Conservation District (NCCD) is responsible for reviewing permit and plan applications, monitoring these applications for compliance with laws and regulations, and reporting results of these various programs to the State on a quarterly and annual basis. In order to comply with these reporting requirements, the NCCD must track and account for the various applications throughout the entire application process.

The purpose of this audit was to evaluate the application tracking process from an economy and efficiency standpoint, and assist the NCCD in developing a comprehensive application tracking system to improve the efficiency of the office.

AUDIT RESULTS

- The application tracking process involves eight different logs covering approximately 113 different data fields. The number of logs maintained results in inefficiencies in the office as it is a duplication of effort.

NCCD management should consult with Xerox, the County's Information Services Division, to determine the best computer program to utilize for their future database, and to determine how the data from the various logs can be accurately imported into the new database.

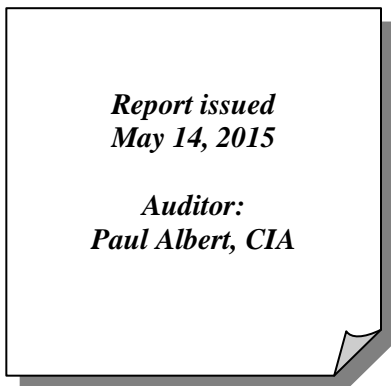
- The Access data tables allow for information to be easily changed by simply entering information into each field. There is no warning screen that prompts the user to verify the change when existing data is altered.

NCCD should consult with Xerox to set up options within the database for improving the data security of the data files in Access.

Summary of Reports Issued Financial Audits

Probation and Parole

Supervision Fee 6/30/14



In 1991, the State established a monthly supervision fee for all active adult probation and parole cases. The Department of Adult Probation and Parole administers the program and the Criminal Division collects the monthly fees.

State Supervision Fee regulations require an annual audit of the County's Supervision Fee account. In order to comply with this requirement, we conducted an audit of the Offender Supervision Fee Program for the fiscal year ended June 30, 2014.

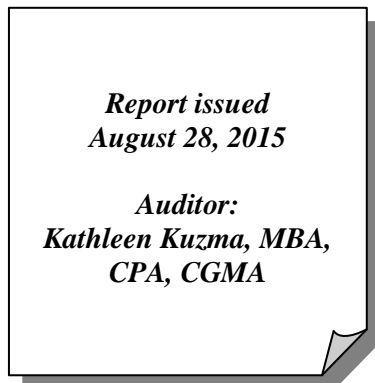
AUDIT RESULTS

- In our opinion the Statement of Revenues and Expenditures of the Offender Supervision Fee Program present fairly, in all material respects, the financial position of the Northampton County Offender Supervision Fee Program for the fiscal year ended June 30, 2014 in conformity with accounting principles generally accepted in the United States of America except for the effects of not assessing supervision fees on defendants under the supervision of the Driving Under the Influence (DUI) Program.
- Offender supervision fees were not assessed on defendants under the supervision of the DUI Office. Defendants under the supervision of DUI are charged a \$30 monthly "DUI Parole Fee" which amounted to \$307,036 for the fiscal year ended June 30, 2014.

Summary of Reports Issued Financial Audits

Administration

Conservation District



In 1999, the State Conservation District revised their audit standards to require annual audits of all County Conservation Districts. The audit must be completed by October 1st of the year following the close of the calendar year being audited.

In order to comply with this requirement, we conducted an audit of the Northampton County Conservation District as of December 31, 2014.

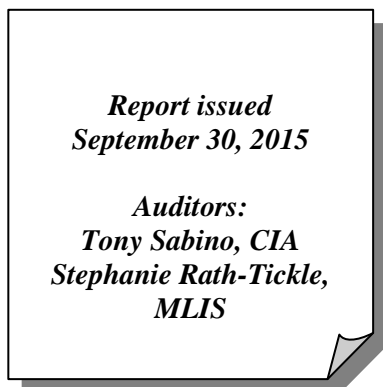
AUDIT RESULTS

- In our opinion, the financial statement presents fairly, in all material respects, the results of operations of the Conservation District of the County of Northampton for the year ended December 31, 2014.
- The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted no matters involving the internal control over financial reporting and its operation that we consider a material weakness.
- We did recommend that management review and update their procedure manual on a regular basis to ensure it accurately reflects all critical areas of the actual fiscal policies and procedures.

Summary of Reports Issued Financial Audits

District Attorney

Controlled Substances Forfeiture Act



The Northampton County District Attorney's Office administers the Controlled Substances Forfeiture Act. Forfeited property is transferred to the custody of the District Attorney and can only be used for the "purpose of enforcing the provisions of the Controlled Substance, Drug, Device and Cosmetic Act."

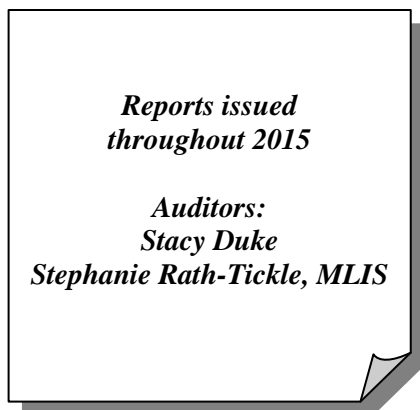
Our audit was conducted for the purpose of complying with Pennsylvania State regulations that mandate an annual audit of the Controlled Substances Forfeiture Program.

According to Pennsylvania law, results of our audit are to remain confidential.

Summary of Reports Issued Financial Audits

Court Administration

Magisterial District Justices



Pennsylvania State law requires the Controller to audit the accounts of the fifteen magisterial district courts in Northampton County.

Audit reports issued for the years ended December 31, 2013 and December 31, 2014:

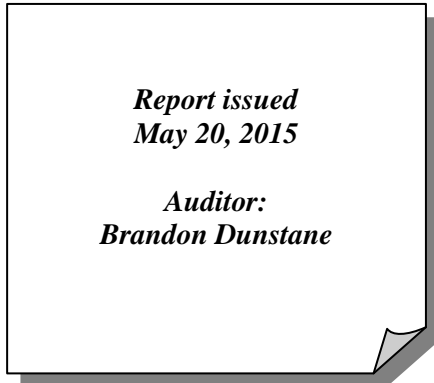
- 03-1-04 James J. Narlesky, Esq.
- 03-2-03 Joseph K. Barner
- 03-2-04 David W. Tidd, Esq.
- 03-2-05 Antonia Grifo, Esq.
- 03-2-06 Daniel G. Corpora
- 03-2-07 Diane M. Marakovits, Esq.
- 03-2-10 Nancy Matos-Gonzalez
- 03-3-03 Todd M. Strohe

AUDIT RESULTS

- The financial statements present fairly in all material respects, the financial position of the district courts.
- Some of the internal control and compliance issues reported included:
 - Constables were overpaid for server fees.
 - Constable payment sheets were not signed.
 - Voided transactions were not approved by the MDJ.
 - Duties were not rotated often enough.
 - Administrative closures were not properly documented.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Weights and Measures



The purpose of this agreed upon procedure was to evaluate the County's cash collection process in the Weights and Measures Division.

The specific procedures were to:

- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

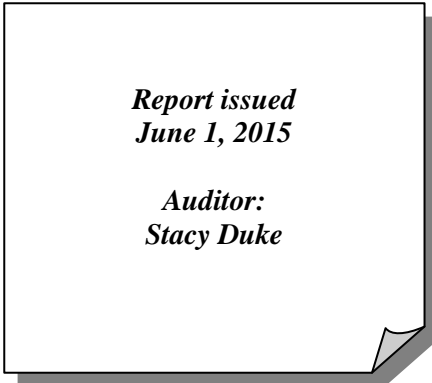
AUDIT RESULTS

- Based on our review, proper segregation of duties appears to be in place.
- For all five receipts, the amount of the deposit matched the Revenue receipt, and the cash/check breakdown agreed.
- Four of the five receipts were deposited on the same day as received.
- One deposit was split between cash and checks. The cash was deposited on the morning following the date received per the date stamped invoice. The timeliness of the deposit of the checks could not be determined as the supporting documentation was not date stamped upon receipt.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash

Coroner



The purpose of this agreed upon procedure was to evaluate the County's cash collection process in the Coroner's Office.

The specific procedures were to:

- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

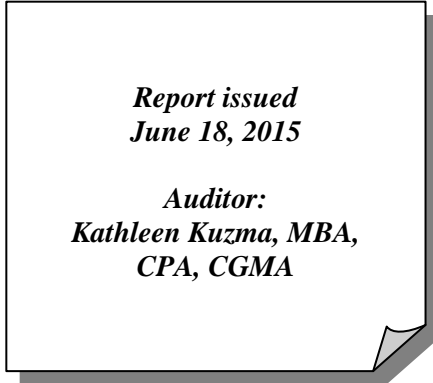
AUDIT RESULTS

- Segregation of duties with regard to cash collection work assignments provides for adequate control.
- For one of the deposits tested, there was no documentation of the date the check was received; therefore, it was not possible to determine the timeliness of the deposit.
- Four of the deposits were made more than a week after they were received and one was made three days after the check was received.
- One deposit was made on the day the check was received.
- All receipts were in the form of checks and agreed to the validated deposit slip.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash

Public Works



The purpose of this agreed upon procedure was to evaluate the County's cash collection process in the Public Works Department.

The specific procedures were to:

- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

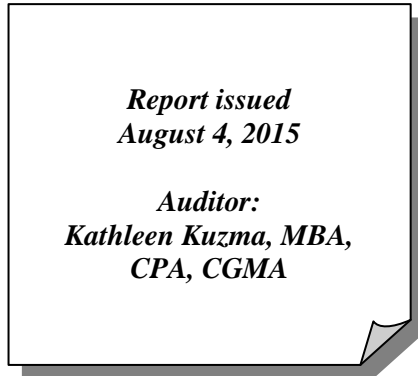
AUDIT RESULTS

- Segregation of duties with regard to cash collection work assignments provides for adequate control in all areas. However, procedures with regard to Farm Rental payments have not yet been centralized in the Revenue office.
- Deposits are not always made on the day cash is received.

Summary of Reports Issued Agreed Upon Procedure Engagements

Aging

Old York Road Sr. Center



This agreed upon procedure was performed at the request of the Area Agency on Aging Director.

The agreed upon procedures were as follows:

- Perform a proof of cash reconciliation for the Old York Road Senior Center bank account for the National Penn non-profit checking account #21690-347-5 as of June 30, 2015 and reconcile the bank balance to the Senior Center Income Statement book balance.

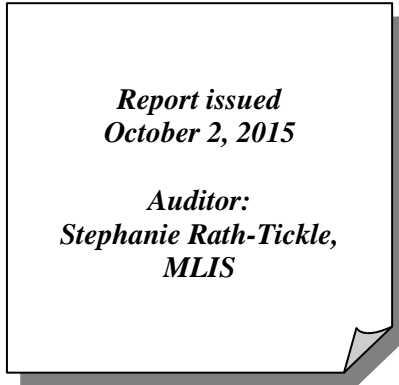
AUDIT RESULTS

- The activity per the bank statements for the period did not agree to the Senior Center's activity as reported on their Income Statement (book activity). A deposit of \$60.30 from 6/25/2015 was noted on the bank statement but none of the Senior Center's reports reflected this deposit amount.
- The Senior Center Income Statement, which detailed receipts and disbursements for each month and calculated the book balance for cash, could not be relied upon for book activity.
- The transaction (check) register was not properly maintained by Senior Center staff.
- The Senior Center staff did not perform bank reconciliations.

Summary of Reports Issued Agreed Upon Procedure Engagements

Human Resources

Payroll Analysis



This agreed upon procedure was performed to ensure that the County payroll was accurately calculated and properly disbursed for the period October 1, 2013 to May 31, 2015.

The agreed upon procedures were as follows:

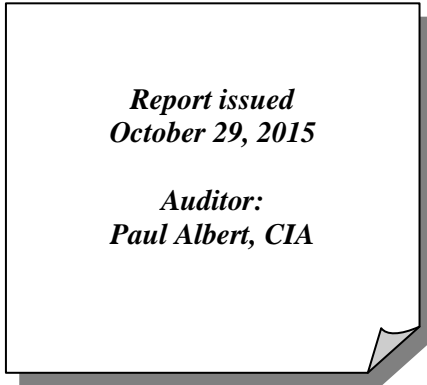
- Investigate payments to identical direct deposit accounts for unrelated employees.
- Ensure longevity is paid out per policy or per provision of collective bargaining agreement guidelines and that longevity is paid to eligible active employees only.
- Ensure that salary increases do not exceed approved 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.
- Ensure that unusual or inappropriate pay codes are not used to conceal improper payments and that FLSA exempt employees do not receive overtime payments.

AUDIT RESULTS

- All duplicate direct deposits were explained.
- We identified three instances in which employees did not receive the longevity payment to which they were entitled.
- No salary increases exceeded approved percentages and pay scales in IFAS agreed with pay scales as approved by Council.
- Two employees have been receiving out-of-class pay for more than 6 months.
- Unusual pay codes were not used to conceal improper payments.
- FLSA exempt employees did not receive overtime pay.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash After Hours Bail



The purpose of this agreed upon procedure was to evaluate the County's cash collection process for after hours bail.

The specific procedures were to:

- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

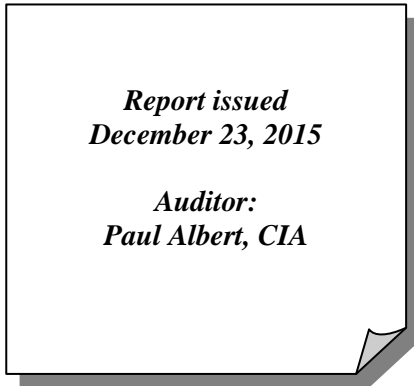
AUDIT RESULTS:

- Segregation of duties with regard to cash collection work assignments in the Jail and the Criminal Division provides for adequate control in all areas.
- Bail collected in the Jail is placed in a tamper-proof sealed bag, kept in a safe overnight and then taken to the Criminal Division the next business day. There it is counted, entered into CPCMS and then deposited into their Bail bank account. The cash/check mix of the deposit will be reviewed when the Criminal Division Agency Fund is audited later this year.

Summary of Reports Issued Agreed Upon Procedure Engagements

Fiscal Affairs

911 Tax Reimbursement



When Northampton County established its 911 system three municipalities in the County (City of Bethlehem, Borough of North Catasauqua, and Borough of Walnutport) already had 911 services and opted not to utilize the Northampton County 911 system. Since 911 costs in excess of user fees are paid from the County's general revenues, reduced millage rates were assigned to these municipalities to adjust for 911 costs considered funded by their property tax revenues.

An agreed-upon-procedures engagement is scheduled annually to:

- Review and verify all calculations (based on estimates) which resulted in millage reductions for affected municipalities.
- Using actual expenses, determine the variance between these expenses and the estimates used to calculate the millage reduction.

The scope of the engagement was the 2014 real estate tax year reimbursement.

AUDIT RESULTS:

- We traced all data used in the calculations to supporting documentation and reviewed the conceptual basis for using certain data in the computation of the millage reduction. We also recalculated all computations. We found the estimated millage reduction to be reasonable and all calculations accurate.
- The calculated total due to taxpayers based on actual 2014 expenses was \$8,546. The lower millage rate reduced taxes by \$122,438 resulting in a reduction to taxpayers that was \$113,892 more than actual expenses. The 2015 difference will be recaptured in the 2016 millage reduction based on actual expenses.

Summary of Reports Issued Agreed Upon Procedure Engagements

Community and Economic Development

Hotel Tax

*Reports issued
Throughout, 2015*

*Auditors:
Stacy Duke
Stephanie Rath-Tickle, MLIS
Brandon Dunstane
Gary Krall, CMA*

During 2015 the Controller's Office issued reports for the hotels listed below which are located in Northampton County. The purpose of the engagements was to ensure the accuracy and timeliness of the taxes remitted to the County.

Reports issued for the years ended December 31, 2012 and December 31, 2013:

- #102 Comfort Suites University Bethlehem
- #133 Courtyard Marriott
- #138 TownePlace Suites Bethlehem Easton
- #142 Value Place
- #145 Riverton Hotel
- #151 Hanover Eatery

Reports issued for the years ended December 31, 2013 and December 31, 2014:

- #101 Hotel Bethlehem
- #104 Best Western
- #105 Hampton Inn Bethlehem
- #121 Hampton Inn Easton
- #141 Tuscarora Inn

AUDIT RESULTS

- Hotel tax and interest due from these hotels was calculated to be \$6,472.
- Some hotels were not using the most current remittance form and/or completing the form correctly.
- In some instances, remittance was made after the due date.
- In many instances the taxable revenue according to the operator's records did not equal the taxable revenue reported to the county.
- Some hotels claimed invalid exemptions.

Summary of Follow-Up Reports

**Civil/Sheriff
Agency Fund**

*Report issued
May 10, 2013*

*Follow-Up Report
April 15, 2015*

Corrective action was taken for four of the six audit concerns.

No additional follow-up will be performed.



Assessment Division

*Report issued
May 22, 2013*

*Follow-Up Report
January 26, 2015*

Corrective action was taken for five of the six audit concerns.

No further follow-up is planned.



**Wills / Orphans
Agency Fund**

*Report issued
June 18, 2014*

*Follow-Up Report
June 19, 2015*

Corrective action was taken for five of the six audit concerns.

Additional follow-up will be performed in January 2016.

Summary of Follow-Up Reports

Lump Sum Payouts

*Report issued
June 25, 2014*

*Follow-Up Reports
February 6, 2015
August 17, 2015*

Corrective action was taken for two of the four audit concerns.

Additional follow-up will be performed in February 2016.



National Vision Administrators

*Report issued
July 17, 2014*

*Follow-Up Reports
June 2, 2015
December 21, 2015*

Corrective action has been taken for two of the four audit concerns.

Additional follow-up will be conducted in June 2016.



Community Corrections

*Report issued
November 12, 2014*

*Follow-Up Report
May 20, 2015*

Corrective action has been taken for all three audit concerns.

No additional follow-up will be conducted.

Summary of Follow-Up Reports

Article XIII

*Report issued
February 9, 2015*

*Follow-Up Report
October 19, 2015*

Corrective action has been taken for one of the two outstanding audit concerns.

Additional follow-up will be performed in April 2016.



Public Works Timekeeping

*Report issued
March 6, 2015*

*Follow-Up Report
October 8, 2015*

Corrective action has not been taken for any of the four audit concerns.

Additional follow-up will be performed in April 2016.



Admin. Services Postage Account

*Report issued
March 18, 2015*

*Follow-Up Report
September 30, 2015*

Corrective action was taken for one of the three audit concerns.

Additional follow-up is planned for March 2016.

Summary of Follow-Up Reports

**Tax Claim
Agency Fund**

*Report issued
May 27, 2015*

*Follow-Up Report
December 23, 2015*

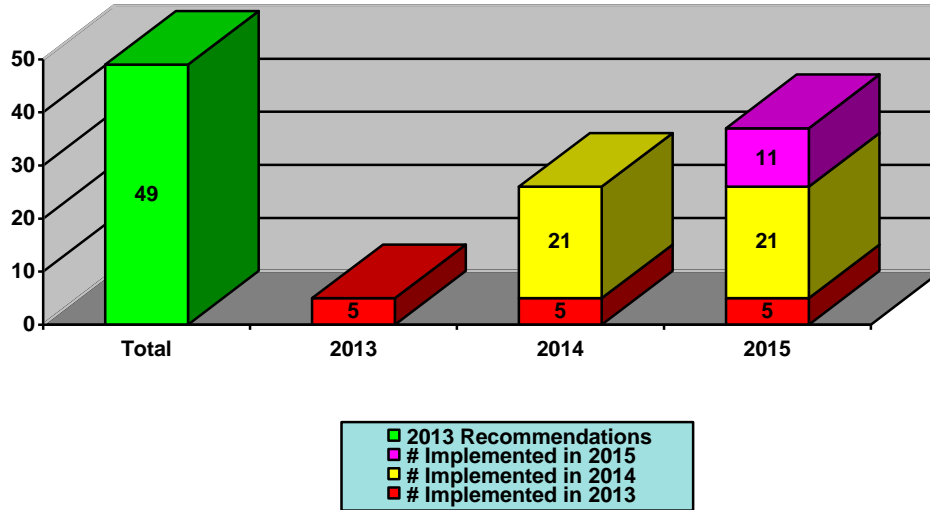
Corrective action was taken for the lone audit concern.

No additional follow-up will be conducted.

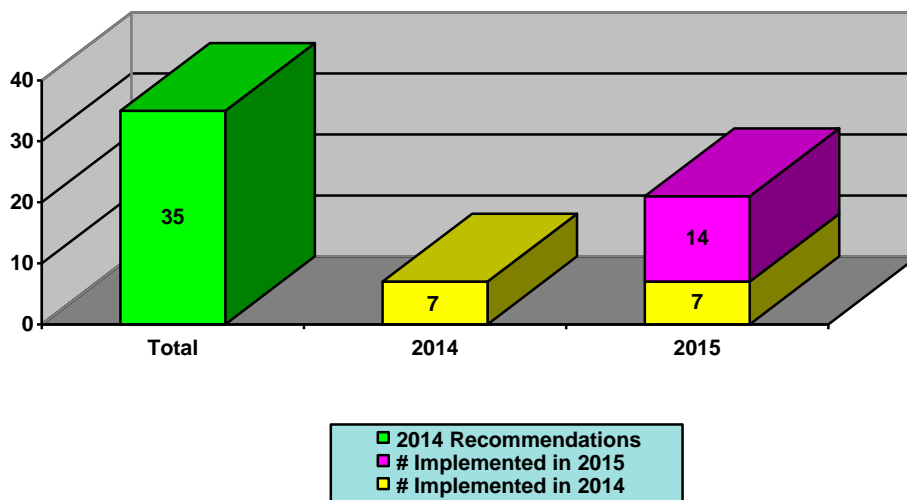
Summary of Follow-Up Reports

The following graphs illustrate how audit follow-up encourages the implementation of corrective action.

2013 Audit Recommendations



2014 Audit Recommendations



Summary of Nonaudit Services

The Controller's Office provided nonaudit services to County employees and departments in 2015. Some of these services are listed below.

Committees

Auditor:
Frank Kedl, CIA

Member of the Information Services Administration and Administrative Services Subcommittee.



Consulting

Auditors:
Paul Albert, CIA
Tony Sabino, CIA
Kathy Kuzma, MBA,
CPA, CGMA
Brandon Dunstane

The Controller's Office provides computer assistance to County employees upon request.

Staff assists offices with internal control questions and other procedural issues.

Staff provides information to other County Controller Offices as requested.



Control Self-Assessment

Auditors:
Stacy Duke
Stephanie Rath-Tickle,
MLIS

Staff members performed reviews of selected audits to ensure compliance with internal policies and Government Auditing Standards.

The ALGA peer review guide was used to document the review.

Summary of Nonaudit Services

DCED Report

*Auditor:
Stephanie Rath-Tickle,
MLIS*

Prepared the Pennsylvania Department of Community and Economic Development's Annual Audit and Financial Report.



Debt Statement

*Auditor:
Tony Sabino, CIA*

In compliance with section 402.3 of the County of Northampton Home Rule Charter, we prepared a statement of bonded indebtedness of Northampton County for the period ending December 31, 2014 with projections to December 31, 2015.



Post Audit Support

*Auditors:
Tony Sabino, CIA
Stacy Duke*

We used ACL to compare the list of active employees to the list of employees eligible for medical benefits. A report of exceptions was provided to Human Resources.

We produced ACL reports of potential split p-card purchases for the staff of the Procurement Office to review.

Summary of Nonaudit Services

Procurement

Auditors:
Stacy Duke
Stephanie Rath-Tickle, MLIS
Brandon Dunstane
Gary Krall

We attended proposal openings for professional service RFPs as prescribed by the County Administrative Code.



Single Audit

Auditor:
Kathy Kuzma, MBA,
CPA, CGMA

We researched and responded to various letters from grantor agencies relating to the Single Audit Schedule of Expenditures of Federal Awards.



Training

Auditors:
Frank Kedl, CIA
Paul Albert, CIA
Tony Sabino, CIA
Kathy Kuzma, MBA, CPA,
CGMA
Stacy Duke
Stephanie Rath-Tickle, MLIS

We co-sponsored the 2015 Fall Conference for Government Auditors with the Lehigh County Controller's Office.

Summary of Other Work

In addition to issuing reports and performing nonaudit services, the Controller's Office committed staff resources to the other assignments summarized below.

<u>Assignment</u>	<u>Completion Date</u>
Assisted CliftonLarsonAllen LLP with the 2014 year end financial audit.	March 2015
Assisted CliftonLarsonAllen LLP with the 2014 Single Audit.	April 2015
Disposed of office files in accordance with the County Records Manual issued by the Pennsylvania Historical and Museum Commission.	April 2015
Submitted abstracts of audit reports for publication in the Local Government Auditing Quarterly.	Ongoing
Updated the Controller's Office web page with audit reports and other pertinent information.	Ongoing
Scanned audit reports and workpapers in PDF format for file retention.	Ongoing

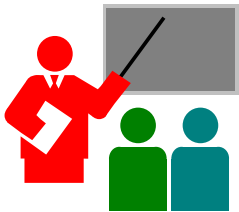
Work in Process

The following audits and agreed upon procedure engagements are in progress at December 31, 2015. These assignments will be included in the 2016 Summary of Reports Issued.

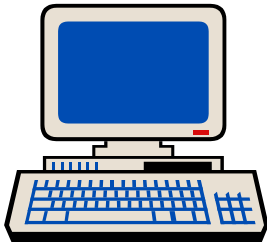
<u>Assignment</u>	<u>Projected Issue Date</u>
Hotel Tax – Lafayette Inn License #106	January 2016
Hotel Tax – Red Carpet Inn License #129	January 2016
Hotel Tax – Small Hotels / No site visit	January 2016
Procurement Card 6/30/15	January 2016
Hotel Tax – Comfort Inn License #108	February 2016
Hotel Tax – Holiday Inn Express License #119	February 2016
Internal Controls - Sheriff	February 2016
Criminal Agency Fund	April 2016
Offender Supervision Fee 6/30/15	May 2016
Open Space Program	May 2016
Prison Financial Responsibility Program	June 2016

Office Improvements

The staff of the Controller's Office continually strives to improve themselves and the audit process. During 2015 we made several improvements to our processes and professional skills.



- ◆ Completed 317 hours of continuing professional education to comply with Government Auditing Standards and professional certifications.
- ◆ Continued to exchange ideas with other local government auditors and the Association of Local Government Auditors (ALGA).
- ◆ Participated in ACL Audit Software User's Group.



- ◆ Continued to use the Internet to research audit subject matter and evaluate the best practices of other audit departments.
- ◆ Continued to use Sharepoint to post documents, make office announcements and monitor audit projects.
- ◆ Purchased two new PCs for the office.
- ◆ Revised the Year End automated trial balance to reduce the amount of data entry required.
- ◆ Converted to the County's VOIP phone system in October 2015.