

County Controller

Tony E. Bassil

Audit Manager

Anthony Sabino, CIA

Solicitor

Robert A. Nitchkey, Jr., Esq.

County Executive

Lamont G. McClure, Jr.

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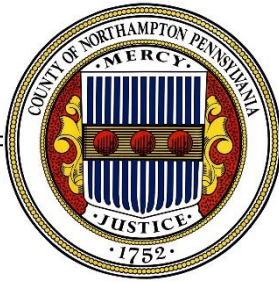
Tara M. Zrinski

Agreed-Upon Procedures
Report

**COMPUTER-BASED
ANALYSIS OF CHECKS AND
VENDORS - FISCAL
AFFAIRS/DISBURSEMENTS**

January 1, 2020 to
December 31, 2020

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



TONY E. BASSIL

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

ANTHONY SABINO, CIA
Audit Manager

PHONE (610) 829-6617
FAX (610) 559-3137

ROBERT A. NITCHKEY, JR., ESQ.
Solicitor

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

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
County of Northampton, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by the Director of Fiscal Affairs, on performing computer-based analytical techniques on checks and vendor data for the period of January 1, 2020 to December 31, 2020. The County's management is responsible for internal controls over vendor payments. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

1. **Procedure:** Investigate non-voided checks to ensure that duplicate payments are not made to vendors, subject to the following criteria:
 - a. Any payment made to vendors that have the same invoice number, invoice date and paid amount as other payments made to the same vendors during the period.
 - b. Any payments made to vendors over \$10,000 that have the same invoice date, invoice number, org. key and object code, as other payments made to the same vendors, but different payment amounts.

Findings: We inspected 30 transactions in the amount of \$58,632.15 that were potentially duplicate payments. Five of the transactions were found to be actual duplicates:

- Two of the five duplications were identified for the first time by us as part of this engagement. They involved travel reimbursements for interns working for Penn State Extension. The duplicate payments occurred late enough in 2020 that we decided to investigate further. We found that these transactions were paid a third time in January of 2021. The same individual approved all the invoices, and it is unclear whether the ONESolution system flagged these as duplicate at the time of disbursement. Disbursement did occur without question, however. The County was reimbursed \$634.06 for overpayment after we brought this situation to the attention of management.

- Two of the five duplications were identified by the department who requested the check, and they resolved the duplicate payment prior to our engagement.
- One of the five duplications was identified by the vendor prior to our engagement and they credited the County's account for the overage.

We inspected eight transactions that had matching org and object codes and were more than \$10,000. No additional duplicate payments were noted using this alternate technique.

2. **Procedure:** Investigate the reasons for any gaps in the check numbering sequence to ensure there are no checks unaccounted for.

Findings: Accounts Payable does not use check stock that has the check numbers pre-printed on the face. Check numbers are assigned through the ONESolution system, therefore, gaps in check numbers issued are not indicative of missing check stock. In all cases, check number gaps that we noted were caused either by routine number assignment on a voided stub, which occurs with each check run, or an error in the assignment of the first check number of a check run by Disbursements. Neither of these were issues of concern.

3. **Procedure:** Identify any payments over \$500 that are paid 180 days past the due date to determine if late payments included any late fees.

Findings: The County did not pay late fees on any invoices over \$500 which were paid 180 days or more past the due date.

4. **Procedure:** Summarize vendor payments and filter any transactions less than \$0 and investigate any negative checks.

Findings: No negative check amounts were noted.

5. **Procedure:** Run a report of all checks generated for vendors with blank addresses or multiple vendors with same addresses/phone numbers to ensure all vendors are valid. Investigate any vendors that appear on the report.

Findings: Vendors with blank addresses were inspected and adequately explained.

Multiple vendors with the same address/phone number were inspected, and we investigated such occurrences as follows:

- We identified seven instances where two vendors with identical addresses each received a grant under the Coronavirus Aid, Relief and Economic Security (CARES) Act Small Business Assistance program. The Department of Community and Economic Development (DCED) was responsible for vetting the applications in conjunction with the Lehigh Valley Chamber of Commerce, so we provided the Director of DCED with a copy of these results for further research. For six of these instances, the Director confirmed that although the addresses were the same, each of these were separate businesses with completely separate owners just sharing the same location.

One instance involving two vendors with the same address, however, required further investigation. We discovered that these were two distinct legal entities but they were

owned or jointly owned by the same individual(s). Further, we found that both entities had applied for and received CARES grants in the amount of \$15,000 each. We reviewed the electronic applications for these grants and found that the application for one entity was completed 7/16/20 and the application for the second entity was completed on 7/29/20. On the second application, the question "Do you or anyone with an ownership interest in the business have an ownership interest in another business that has received or applied for COVID-19 relief assistance from state, federal, or local sources?" was answered "No," when the records submitted with these applications suggested the contrary. We were concerned that this could indicate that the County was not aware that two businesses owned or jointly owned by the same individual(s) applied for grants under the CARES Act program. Therefore, we brought this matter to the attention of the Director of DCED, the Director of Fiscal Affairs, and representatives of the Greater Lehigh Valley Chamber of Commerce who were involved in the approval of the grants. We met with these individuals via conference call, and following a discussion, County and Chamber of Commerce representatives determined that no further action needed to be taken with regard to these grants.

- We identified 55 vendors that had the same phone number of at least one other vendor. All vendor files were reviewed and it was determined that for 51 of the telephone matches, the vendor name was different as well as their Employee Identification number (EIN) or Social Security number. No action needed to be taken.

Two of the 55 vendors noted in our analysis had the same company name, telephone number and EIN number. We found that although the vendors were closely related, they were distinct enough to merit two vendor numbers in the ONESolution system. However, we did find two other entities with different vendor numbers but matching EIN numbers, which we found to be duplicates. An Accountant in the Fiscal Affairs Department merged the two vendor accounts after we brought this to his attention.

6. **Procedure:** Identify all vendors who appear more than once in the vendor database (due to multiple addresses, etc.) and investigate to ensure each is assigned only one vendor ID number. If vendors with multiple ID numbers are found, compare to transaction file to ensure that duplicate invoices were not paid to the same vendor under different ID number.

Findings: We identified eight vendors that had the same names. Six of the eight had different addresses. Two had the same name and address but with the initials "B" and "E" at the end of the Company name. We contacted the individual who works with this vendor and found it was two separate entities who share the same address. No further action needed to be taken.

7. **Procedure:** Investigate identical addresses between the vendor database and the employee database to determine whether payments are proper.

Findings: We did not find any identical addresses between the vendor and employee databases.

8. **Procedure:** Investigate any payments made to vendors on check dates other than the normal Wednesday check run dates. Ensure reasons are valid.


Findings: We confirmed the reasons checks were run on days other than a Wednesday were valid. We traced single checks run on days other than Wednesday to appropriate vendor files and found that they were all properly supported.

We conducted this agreed-upon procedures engagement in accordance with generally accepted government auditing standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on internal controls on vendor payments. Accordingly, we do not express such an opinion or conclusion. 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.



Tony E. Bassil
County of Northampton Controller
Easton, Pennsylvania



Kathy M. Nesfeder, CRMA, CFE
Auditor II

July 2, 2021

CC: S. Barron, Director of Fiscal Affairs
C. Dertinger, Director of Administration
T. Smith, Director Community & Economic Development
M. Einfalt, Accounting Manager