

**COUNTY OF NORTHAMPTON
EASTON, PENNSYLVANIA**

Controller's Annual Report

January 1, 2016 - December 31, 2016



Stephen J. Barron, Jr., CFE
County Controller



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
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Audit Manager

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Solicitor

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January 17, 2017

Dear Friends:

This Controller's Report highlights an amazing year for all of us as we have some new faces and a new external audit team that will hopefully move us forward into 2017 with a new set of eyes to make us more thrifty as well as efficient for the citizens of Northampton County.

As always we in the Controller's Office stand ready to assist and guide you through the challenges that the year will bring.

We hope you have a great year and remember we stand ready to assist as we have always for you in 2017.

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
MBA Finance

Kathleen M. Nesfeder, CFE, CRMA
Auditor
BA Business Administration

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
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 – Secretary
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 June 2016 by a review team from the Association of Local Government Auditors (ALGA). Reports issued during the period January 1, 2013 through December 31, 2015 were reviewed.

We are pleased to have once again received a favorable opinion from the review team. Their report, dated June 30, 2016, can be found on the following page.



Association of Local Government Auditors

June 30, 2016

Stephen J Barron, Jr, CFE
Controller's Office
County of Northampton
669 Washington Street
Easton, PA 18042

Dear Mr. Barron,

We have completed a peer review of the County of Northampton Controller's Office for the period January 1, 2013 through December 31, 2015. 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 County of Northampton Controller's Office 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 January 1, 2013 through December 31, 2015.

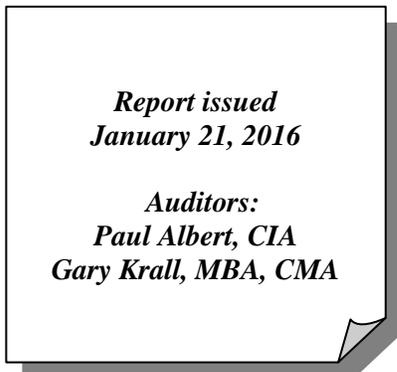

Ricardo Silveira
Fairfax County
Government


Kimberly Houston
City of Corpus
Christi

Summary of Reports Issued Performance Audits

Procurement

Procurement Card 6/30/15



The County's Procurement Card Program began in April 2002 and currently has 108 cardholders. During the twelve months ended June 30, 2015, there were 3,782 transactions totaling \$797,560. 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 run economically and efficiently.
- Determine if corrective action was taken on findings reported in the 6/30/14 p-card audit.

AUDIT RESULTS

- The Procurement Card Program continues to be an efficient, cost-effective method of paying for purchases. However, the program could be made even more efficient by taking advantage of all the functions within WORKS. WORKS is the web-based program through the Bank of America Merrill Lynch that handles the administrative duties associated with the VISA p-card.
- Supervisors need to do a better job of reviewing documentation before approving the p-card logs. Transactions that don't have adequate documentation or don't comply with the p-card regulations should be flagged and questioned before the p-card log is approved.

Summary of Reports Issued Performance Audits

Court Services

Criminal Agency Fund

*Report issued
July 11, 2016*

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

The Criminal Division is responsible for the docketing, retrieval and maintenance of documents pertaining to criminal and miscellaneous court matters.

The operations of the Criminal Division are accounted for in the County's General Fund and the money collected is accounted for in an Agency Fund, meaning that the Criminal Division has the responsibility to collect and hold the money until it is paid out to third parties.

The audit objectives were to:

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

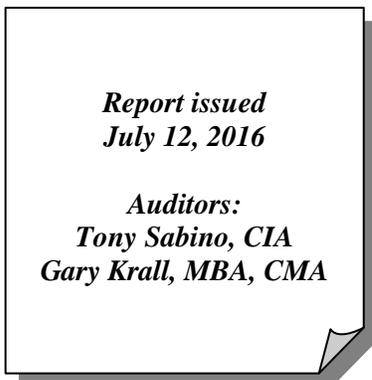
AUDIT RESULTS

- Internal controls over cash, receipts and disbursements are functioning as intended and receipts are in compliance with fee schedules
- Improvements could be made by updating and expanding the Procedures Manual.
- The Criminal Division would also benefit by seeking guidance regarding the proper completion and filing of IRS Form 8300.

Summary of Reports Issued Performance Audits

Administration

Open Space Initiatives



On August 6, 2015, County Council passed Resolution 71-2015 which requested that the Controller's Office "perform a dedicated internal audit of the Open Space Initiatives for CY2013, CY2014, and CY2015 to date."

The Open Space Initiative, as reported in the County's Comprehensive Annual Financial Report, includes County Parks, Municipal Parks, Farmland Preservation, and Environmentally Sensitive Lands. After meeting with Councilman Hayden Phillips, the above request was refined to focus only on Farmland Preservation and Environmentally Sensitive Lands.

The purpose of our audit was to:

- Resolve questions related to the appraisal process for properties approved for easement or purchase.
- Resolve questions related to millage freezes for County, municipal and School District taxes.
- Ensure that the Open Space Initiative complies with appropriate County, State and Federal laws.

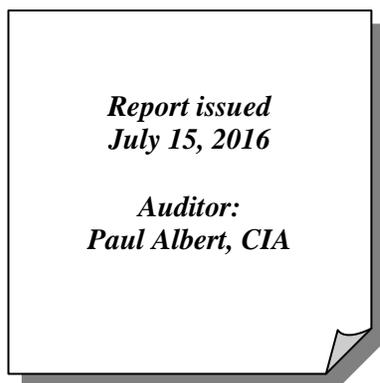
AUDIT RESULTS

- Both the Farmland Preservation and the Environmentally Sensitive Lands Programs are well controlled with multiple criteria for inclusion in the programs and numerous levels of approval required.
- Appraisals on properties appear to be done objectively by state-certified appraisers using acceptable methodology.
- Both programs appear to comply in all material respects with all State and County guidelines.
- In Environmentally Sensitive Lands, we were able to offer some recommendations to improve the process and ensure greater compliance with guidelines.

Summary of Reports Issued Performance Audits

Jail

Financial Responsibility Program



The Financial Responsibility Program was created by Council Resolution #64-95, effective September 1, 1995 and amended by Council Resolution #31-01 on June 7, 2001.

The Resolution gave the Jail authority to charge inmates for certain billable services provided by the Jail, including medical services, restitution for abuse of jail property, and a nominal portion of their housing costs.

The purpose of the audit was to determine if:

- Internal controls over the processing of financial transactions are adequate.
- Compliance with Council Resolution #13-01.
- The Financial Responsibility Program is operating economically and efficiently.

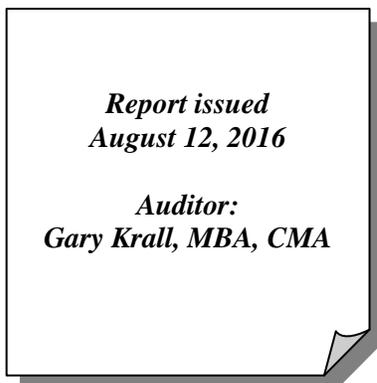
AUDIT RESULTS

- The Financial Responsibility Program is experiencing decreased revenue from its room and board charges, so it might be a good time to look at alternatives such as a one-time flat fee. Correctional facilities using a one-time flat fee experience greater collections with less staff involvement.
- We again noted that there were problems in the calculation of room and board charges. Most occurred with inmates who were transferred to Community Corrections but did not have outside employment.
- Fees charged to inmates for sick call visits are also dropping. It appears that inmates are not being charged for visits as is stipulated in the Council Resolution.

Summary of Reports Issued Performance Audits

Fiscal Affairs

License Agency Fund



The County's Revenue Division is authorized by the Commonwealth of Pennsylvania to act in the capacity of an issuing agent for the Commonwealth and is responsible for selling dog, fishing and hunting licenses. The Revenue Division maintains a License Agency Fund to account for the license fees and commissions collected and remitted to the Commonwealth.

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

The audit objectives were to:

- Determine the adequacy of internal controls.
- Test compliance with internal controls, laws and regulations, policies and procedures.

AUDIT RESULTS

- Internal controls over cash, receipts and disbursements are functioning as intended. Receipts for licenses are in compliance with fee schedules set by the State. Disbursements to the state for dog license fees collected and to the County of Northampton for commissions are accurately calculated and are submitted on a timely basis.
- We did note some minor exceptions which were discussed with management during fieldwork. These exceptions were corrected by management prior to the audit date.

Summary of Reports Issued Performance Audits

Court Services

Record Improvement and Automation Fund

*Report issued
November 14, 2016*

*Auditor:
Tony Sabino, CIA*

The County maintains a number of separate funds which are to be used for the improvement of records or for the advancement of automation in specific County offices or Countywide. Many of these funds were established via state statutes and are collected in the form of fees charged for services rendered in various offices. These statutes also provide guidance on the collection and use of the proceeds. Other funds are comprised of grants from various sources; the grant agreements contain restrictions regarding the use of proceeds.

The purpose of our audit was to ensure that fees are properly charged as applicable and that the uses of funds are in compliance with laws and regulations.

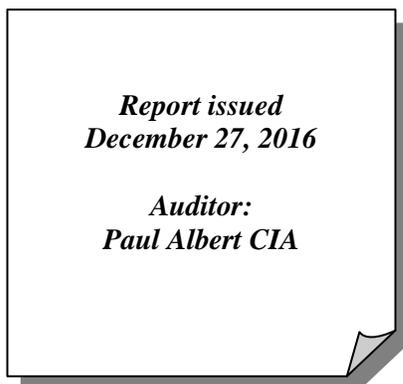
AUDIT RESULTS

- Fees are being properly charged throughout the County for Records Improvement and Automation as outlined in various state statutes.
- For the most part, usage of the proceeds of Record Improvement and Automation Funds are in compliance with laws, regulations, and grant agreements. However, a separate automation fee for the Register of Wills and Orphan's Court Divisions should be segregated from the Countywide Record Improvement fees collected in those divisions because, per order of the President Judge, these funds should be used solely for the benefit of the Wills and Orphan's Court Divisions.

Summary of Reports Issued Performance Audits

Fiscal Affairs

Healthcare and Dental Self-Insurance Trust Fund



The Fund is classified as an Internal Service Fund, accounting for the financing of the medical and dental self-insurance activities that are incurred by the County for all of its employees. Human Resource employees manage the benefits portion of the Fund and approve invoices for payment while Fiscal Affairs staff provides the accounting and budgeting for the Fund, and initiate payment of invoices.

The purpose of the audit was to:

- Determine the adequacy of internal controls.
- Determine whether the Fund is being operated economically and efficiently.
- Determine compliance with laws, regulations, policies and procedures.

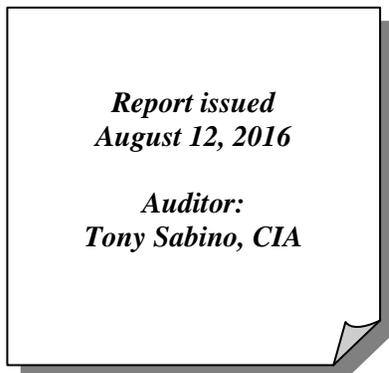
AUDIT RESULTS

- The opt-out option for employees who have other health insurance is a good program for both the County and the employee. However, the program could be strengthened by requiring an opt-out form be completed annually during the open enrollment period.
- Two of the 22 disbursements examined were not supported by the signature of an individual authorized to approve invoices for that fund.

Summary of Reports Issued Financial Audits

Probation and Parole

Supervision Fee 6/30/15



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, 2015.

AUDIT RESULTS

- In our opinion, based upon our audit, the financial statements present fairly, in all material respects, the financial position of the Northampton County Offender Supervision Fee Program for the fiscal year ended June 30, 2015 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 until October 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.

Summary of Reports Issued Financial Audits

Administration

Conservation District

*Report issued
September 1, 2016*

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

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, 2015.

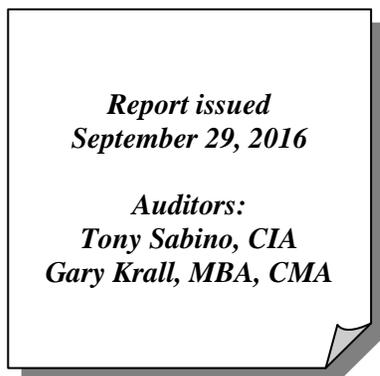
AUDIT RESULTS

- 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, 2015.
- 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.

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."

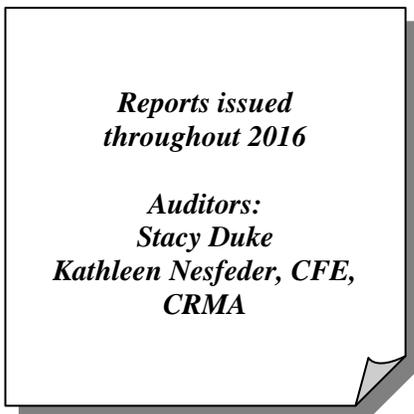
Our audit was conducted for the purpose of complying with Pennsylvania State regulations that mandate an annual audit of the Controlled Substances Forfeiture Program.

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

Summary of Reports Issued Financial Audits

Court Administration

Magisterial District Judges



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

Audit reports issued for the years ended December 31, 2014 and December 31, 2015:

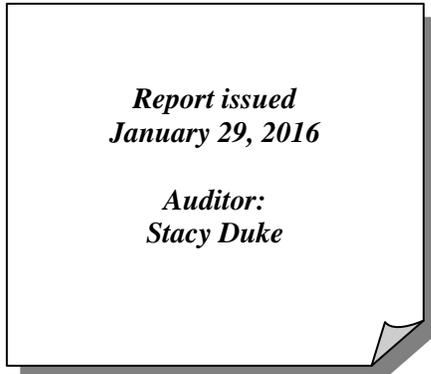
- 03-2-01 Roy A. Manwaring, Esq.
- 03-2-08 John C. Capobianco
- 03-2-09 Jacqueline M. Taschner, Esq.
- 03-2-11 Patricia Romig-Passaro
- 03-2-12 Richard Yetter, Esq.
- 03-3-01 Robert A. Hawke
- 03-3-02 Douglas Schlegel, Sr.

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:
 - Voided transactions were not approved by the MDJ.
 - Bank Reconciliations were performed by an authorized signer on the bank account.
 - Checks were not escheated in accordance with county policy.
 - Unauthorized personnel were permitted in the secretarial area.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Sheriff



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

The specific procedures were to:

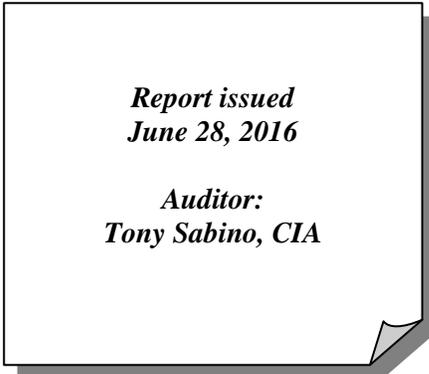
- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

AUDIT RESULTS

- Based on our review, proper segregation of duties appears to be in place.
- All receipts tested agreed to the cash/check breakdown on the validated deposit slips.
- For three 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

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Emergency Management



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

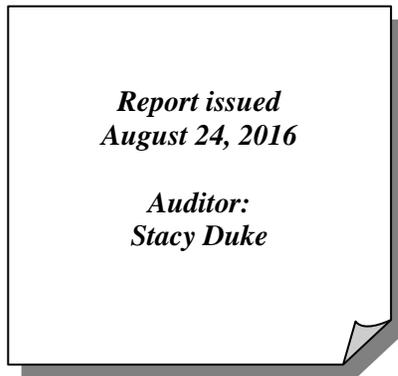
AUDIT RESULTS

- Segregation of duties with regard to cash collection work assignments provides for adequate control.
- For Hazardous Chemical and Emergency Planning Fees, envelopes are date stamped when they are received and are retained. In our sample, there were three instances where the envelopes were not date stamped and it was impossible to determine if the deposit was made on a timely basis.
- In all cases where the envelope was stamped, the deposit was made on the day of receipt.
- For payments made to the County for expended equipment for hazardous material responses, envelopes are not date stamped, and no other adequate documentation exists to show deposits are made on the day cash is received.

Summary of Reports Issued Agreed Upon Procedure Engagements

Magisterial District Judges

Alicia Zito, Esq. 03-3-03



In addition to our biennial financial audits of the Magisterial District Courts (MDC) we performed an agreed upon procedure engagement at MDC # 03-3-03. This audit was requested by the Minor Judiciary Administrator as of July 31, 2016, prior to the appointment of Magisterial District Judge Alicia Zito, Esq.

The specific procedures were as follows:

- Perform a proof of cash reconciliation to the 12/31/15 and 7/31/16 bank statements.
- Verify that funds collected for the period 1/1/15 through 7/31/16 were deposited in the bank on the day of receipt.
- Reconcile the petty cash fund.

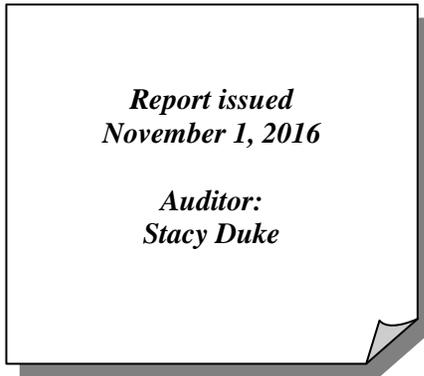
AUDIT RESULTS

- The bank account was properly reconciled for all months tested and the bank balance was reconciled to the undisbursed funds balance as of 12/31/15 and 7/31/16.
- All bank deposits were made on the same day that the receipts were collected. Validated bank deposit tickets equaled the Daily Cash Balancing Report total.
- The petty cash fund was short of the authorized amount by \$6.99. In addition, one petty cash voucher did not include a signature of approval for the transaction.

Summary of Reports Issued Agreed Upon Procedure Engagements

Magisterial District Judges

David W. Tidd, Esq. 03-2-04



In addition to our biennial financial audits of the Magisterial District Courts (MDC) we performed an agreed upon procedure engagement at MDC # 03-2-04. This audit was requested by the Minor Judiciary Administrator as of July 25, 2016, the date of Magisterial District Judge David W Tidd, Esq.'s resignation.

The agreed upon procedures were as follows:

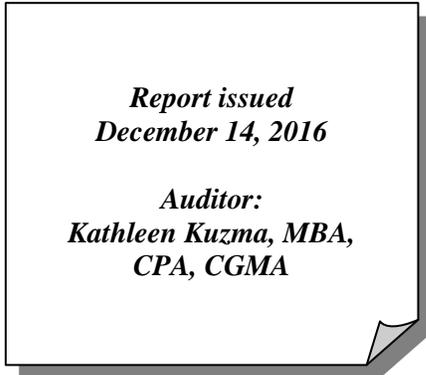
- Perform a proof of cash reconciliation to the 12/31/15 and 7/31/16 bank statements.
- Verify that funds collected for the period 1/1/15 through 7/25/16 were deposited in the bank on the day of receipt.
- Reconcile the petty cash fund.

AUDIT RESULTS

- The bank account was properly reconciled for all months tested but the responsibility for performing the reconciliation was not rotated properly. The bank balance was reconciled to the undisbursed funds balance as of 12/31/15 and 7/31/16.
- All bank deposits were made on the same day that the receipts were collected. Validated bank deposit tickets equaled the Daily Cash Balancing Report total.
- There were three petty cash vouchers that did not include a signature of approval and one voucher that did not include the signature for the person receiving the cash. In addition, the petty cash fund was \$.10 over the authorized amount and the year-end petty cash request was not properly performed for 2015.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Elections



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

The agreed upon procedures were as follows:

- 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.

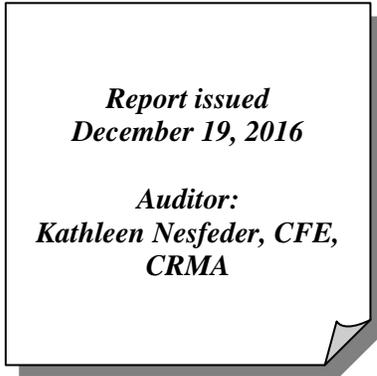
AUDIT RESULTS

- Segregation of duties with regard to cash collection work assignments provides for adequate control in all areas.
- Deposits are not always made on the day cash is received. Since the volume of receipts is sporadic, deposits are made when receipts reach \$25 or weekly. The cash/check mix agreed to the Revenue register receipt for transactions tested.

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 2015 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 2015 expenses was \$89,639. The lower millage rate reduced taxes by \$124,351 resulting in a reduction to taxpayers that was \$34,712 more than actual expenses. The 2016 difference will be recaptured in the 2017 millage reduction based on actual expenses.

Summary of Reports Issued Agreed Upon Procedure Engagements

Community and Economic Development

Hotel Tax

*Reports issued
Throughout, 2016*

*Auditors:
Stacy Duke
Gary Krall, MBA, CMA
Kathleen Nesfeder, CFE,
CRMA*

During 2016 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, 2013 and December 31, 2014:

- #106 Lafayette Inn
- #108 Comfort Inn Easton
- #112 Quality Inn
- #119 Holiday Inn Express Easton
- #120 Sayre Mansion
- #123 Extended Stay America
- #129 Red Carpet Inn
- #140 Hyatt Place

Reports issued for the years ended December 31, 2014 and December 31, 2015:

- #102 Comfort Suites Bethlehem
- #127 Holiday Inn Express Bethlehem
- #128 Holiday Inn Express Airport
- #133 Courtyard Marriott
- #135 Grand Eastonian
- #138 Towne Place
- #139 Kirkridge Inn
- #142 Value Place
- #144 Woodstone Golf Club
- #148 Sands Casino Resort

We also confirmed remittance information from low occupancy hotels without visiting the hotel.

AUDIT RESULTS

- Hotel tax and interest due from these hotels was calculated to be \$6,977.
- 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

Wills / Orphans Agency Fund

*Report issued
June 18, 2014*

*Follow-Up Report
January 5, 2016*

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

No additional follow-up will be performed.



Lump Sum Payouts

*Report issued
June 25, 2014*

*Follow-Up Reports
May 26, 2016
November 10, 2016*

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

No further follow-up is planned.



National Vision Administrators

*Report issued
July 17, 2014*

*Follow-Up Report
October 18, 2016*

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

Additional follow-up will be performed in April 2017.

Summary of Follow-Up Reports

Article XIII

*Report issued
February 9, 2015*

*Follow-Up Report
April 26, 2016*

Corrective action was taken for both of the audit concerns.

No additional follow-up will be performed.



Public Works Timekeeping

*Report issued
March 6, 2015*

*Follow-Up Report
May 5, 2016*

Corrective action has been taken for all four audit concerns.

No further follow-up will be conducted.



Admin. Services Postage Account

*Report issued
March 18, 2015*

*Follow-Up Report
April 26, 2016*

Corrective action has been taken for one of three audit concerns.

Since the Deputy Director of Administration did not respond to our status inquiry, no further follow-up will be conducted.

Summary of Follow-Up Reports

Recorder of Deeds Agency Fund

*Report issued
November 17, 2015*

*Follow-Up Reports
May 10, 2016
November 8, 2016*

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

Additional follow-up will be performed in May 2017.



PrimeCare Contract

*Report issued
November 25, 2015*

*Follow-Up Report
August 15, 2016*

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

No additional follow-up is planned.



Medical Claims

*Report issued
December 9, 2015*

*Follow-Up Report
October 18, 2016*

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

No additional follow-up is planned.

Summary of Follow-Up Reports

**Conservation District
Performance Audit**

*Report issued
December 21, 2015*

*Follow-Up Report
June 16, 2016*

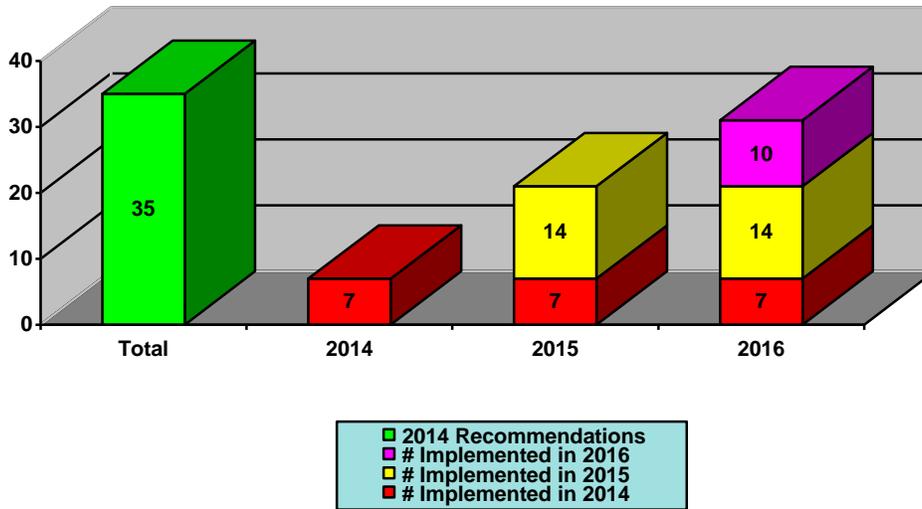
Corrective action was taken for all three audit concerns.

No additional follow-up will be conducted.

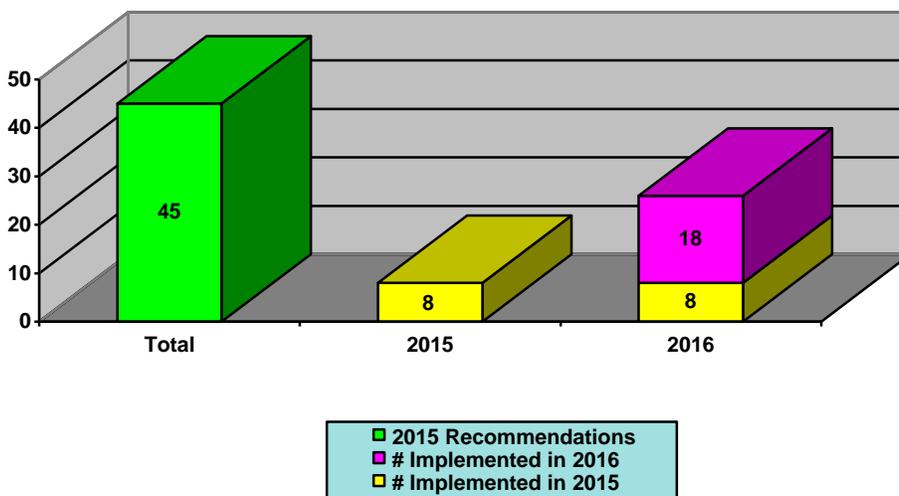
Summary of Follow-Up Reports

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

2014 Audit Recommendations



2015 Audit Recommendations



Summary of Nonaudit Services

The Controller's Office provided nonaudit services to County employees and departments in 2016. Some of these services are listed below.

Committees

Auditor:
Kathleen Kuzma, MBA,
CPA, CGMA

Member of the Grants Management Committee.



Consulting

Auditors:
Tony Sabino, CIA
Kathleen Kuzma, MBA,
CPA, CGMA

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

Staff assists offices with updating their Policies and Procedures manuals.

Staff provides assistance to various County Offices as requested.



DCED Report

Auditor:
Gary Krall, MBA, CMA

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

Summary of Nonaudit Services

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, 2015 with projections to December 31, 2016.



Peer Reviews

*Auditor:
Frank Kedl, CIA*

Staff member participated on the peer review team of the Allegheny County Controller's Office.



Post Audit Support

*Auditors:
Tony Sabino, CIA
Gary Krall, MBA, CMA*

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

We produced a Hotel Tax user's manual for hotel managers to use as a reference.

Summary of Nonaudit Services

Procurement

Auditors:
Frank Kedl, CIA
Stacy Duke
Gary Krall, MBA, CMA
Kathleen Nesfeder, CFE,
CRMA

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



Single Audit

Auditor:
Kathleen 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
Kathleen Kuzma, MBA, CPA,
CGMA
Stacy Duke
Gary Krall, MBA, CMA
Kathleen Nesfeder, CFE,
CRMA

We co-sponsored the 2016 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 2015 year end financial audit.	March 2016
Assisted CliftonLarsonAllen LLP with the 2015 Single Audit.	April 2016
Disposed of office files in accordance with the County Records Manual issued by the Pennsylvania Historical and Museum Commission.	May 2016
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, 2016. These assignments will be included in the 2017 Summary of Reports Issued.

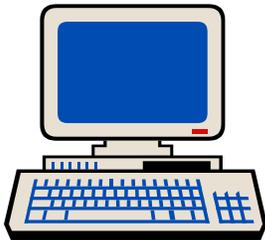
<u>Assignment</u>	<u>Projected Issue Date</u>
Hotel Tax – View Inn License #152	January 2017
Hotel Tax – Small Hotels / No site visit	January 2017
Internal Controls – Archives	January 2017
DCED Grants	January 2017
Coroner Cremation Fees	January 2017
Jail Commissary	February 2017
Hotel Tax Distribution	February 2017
Gracedale Agency Fund	February 2017
ACL Checks and Vendors Analysis	February 2017
Charles Chrin Real Estate Trust	February 2017

Office Improvements

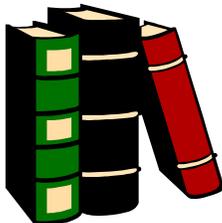
The staff of the Controller's Office continually strives to improve themselves and the audit process. During 2016 we made several improvements to our processes and professional skills.



- ◆ Completed 298 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.
- ◆ Transferred audit reports, contact information and other pertinent office information to the County's new website.
- ◆ Purchased one new PC for the office.



- ◆ Revised the office policies and procedures manual.
- ◆ Reorganized both hardcopy and electronic office files.
- ◆ Revised Hotel Tax audit procedures.