

COUNTY OF NORTHAMPTON
EASTON, PENNSYLVANIA

Controller's Annual Report

January 1, 2017 - December 31, 2017



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

TIMOTHY P. BRENNAN, ESQ.
Solicitor

PHONE (610) 559-3186
FAX (610) 559-3137

January 18, 2017

Dear Friends:

This report marks my 10th Controller's Report as the elected Controller for Northampton County. I am humbled and honored to have served as your Controller for the last decade.

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

The faces in 2018 may be new to some of you as we progress through the year, but as always we are ready to assist in providing excellent services and insuring fiscal responsibility through the New Year.

We hope you have a great 2018.

All the Best,

Stephen J. Barron, Jr.

Table of Contents

	<u>PAGE(S)</u>
The County Controller's Office	1-5
Summary of Reports Issued:	
Performance Audits	6-16
Financial Audits	17-20
Agreed Upon Procedure Engagements	21-31
Summary of Follow-Up Reports Issued	32-36
Summary of Nonaudit Services	37-39
Summary of Other Work	40
Work in Process	41
Office Improvements	42

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
South Bethlehem Historical Society
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.

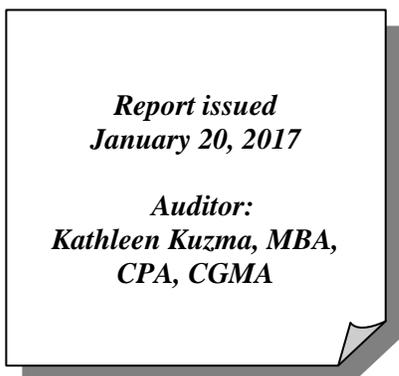

Ricardo Silveira
Fairfax County
Government


Kimberly Houston
City of Corpus
Christi

Summary of Reports Issued Performance Audits

Community and Economic Development

Grants



DCED administers various grant and revolving loan programs to promote qualified community and economic development initiatives which expand the tax base and increase the number of jobs and affordable housing opportunities for the constituents of the County, and to assist individual municipalities in developing their specific community and economic development initiatives.

The following grant programs were included in this audit:

- Hotel Room Rental Tax
- Community Development Block Grant
- Emergency Solutions Grant

The audit objectives were to:

- Determine if internal controls are established and effective in allocating and distributing grant funding, and monitoring the recipients of funding for the various programs.
- Determine compliance with grant terms, PA Rules and Regulations, and various policies and procedures.

AUDIT RESULTS

- The office would benefit from developing a policies and procedures manual that addresses each grant program's unique requirements.
- DCED management should review the various grant programs administered by DCED staff and grant agreements between the County and recipients, and develop a monitoring system that best suits each grant program.

Summary of Reports Issued Performance Audits

Community and Economic Development

Hotel Tax Distribution

*Report issued
February 8, 2017*

*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.

ArtsQuest has received a total of \$880,793 through 12/31/2015 and Lehigh Valley Public Telecommunications Corporation (PBS-39) has received a total of \$949,068 through 6/30/2016.

Per Ordinance No. 484, after the total of \$1,000,000 is distributed to each organization, funding shall cease.

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

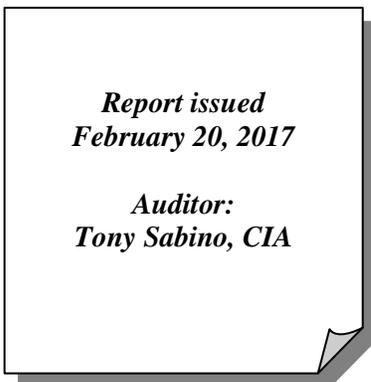
AUDIT RESULTS

- DCED should develop policies and procedures for monitoring grant agreements and should ensure monitoring is done as required based on the specific terms of each grant agreement.

Summary of Reports Issued Performance Audits

Jail

Commissary



The Northampton County Department of Corrections (Jail) provides commissary services to inmates through an outside vendor. Keefe Commissary Network, the nation's leading provider of automated commissary management services and technologies, was originally awarded the contract in 2010; the contract was renewed in May of 2015.

The County contracted with Global Tel*Link (GTL) in 2014 to provide inmate telephone services.

This audit was conducted to comply with state requirements to perform annual audits on the Jail Commissary and inmate telephone functions.

The purpose of our audit was:

- To determine if internal controls over Commissary ordering are adequate.
- To determine if monitoring of contract terms for Keefe and GTL is adequate.

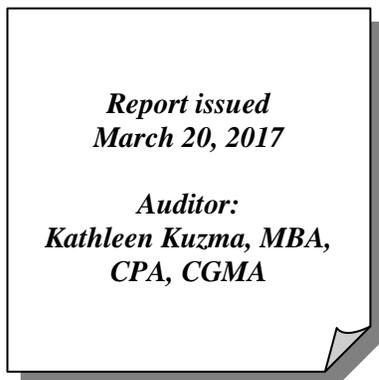
AUDIT RESULTS

- The County should work with GTL to develop reports which would be useful to the jail in monitoring compliance with the terms of the contract.
- We recommend that the jail request that Keefe forward them regular reports of inmate grievances. These reports should be reviewed to detect patterns of issues that may need to be addressed by the jail.

Summary of Reports Issued Performance Audits

Coroner

Cremation Fees



The Coroner is responsible for investigating the facts and circumstances concerning deaths within the County. The Coroner's Office assesses a fee for each request for cremation authorization as allowed by Pennsylvania Statutes. The Coroner fee schedule includes a \$50 cremation permit fee which increases to \$75 if invoicing is required.

This audit was performed at the request of the Coroner to assess accountability of fees collected from requests for cremation authorizations.

The purpose of the audit was to:

- Determine the adequacy of internal controls over processing the requests for cremation authorizations.
- Analyze credit card activity to assist the Coroner and Fiscal Affairs in making financial decisions about the credit card payment option.

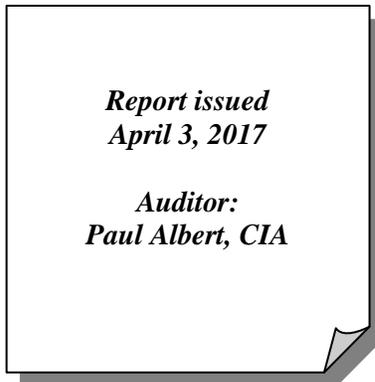
AUDIT RESULTS

- The Coroner should update the policies and procedures manual and implement it as soon as possible.
- Fiscal Affairs and the Coroner should meet to discuss the bank reconciliation process and each individual's responsibilities in ensuring a proper bank reconciliation is being performed.
- The Coroner should consider automating the Cremation Authorization Log and ensure that everyone that requires access to the log is granted the proper computer approval.

Summary of Reports Issued Performance Audits

Human Services

Gracedale Agency Fund



The Gracedale Agency Fund is responsible for the accounting and safeguarding of resident funds, activity funds including the gift shop, and a burial account for one resident.

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 audit objectives were to:

- Test the adequacy of internal controls.
- Test compliance with laws, regulations, and policies and procedures.
- Review the economy and efficiency of processes.

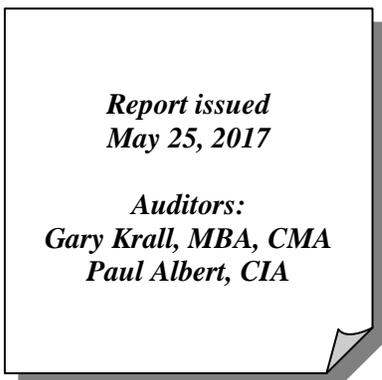
AUDIT RESULTS

- Recommended improvements in the Business Office include:
 - Having documented policies and procedures.
 - Providing better segregation of duties over the weekly reconciliation of the petty cash accounts.
 - Sending the yellow copy of the deposit slip along to the bank so the teller could validate the cash/check breakout of the deposit.
 - Working to reduce the amount of time necessary to distribute funds from deceased residents' accounts.
- Recommended improvements in the Volunteer Office include:
 - Paying closer attention to the due dates of statements to avoid paying late fees.
 - Closing the store credit card and begin using the County's procurement card.
 - Obtaining approval from a supervisor when checks are payable to cash or the Director of Volunteers.
 - Being more careful when filing vendor invoices.
 - Obtaining approval on invoices before checks are prepared.

Summary of Reports Issued Performance Audits

Community and Economic Development

Charles Chrin Real Estate Trust MOU



In 2010, the County and Chrin reached a verbal agreement that was later recorded and signed by both parties in October 2011. This agreement with Chrin became the Memorandum of Understanding (MOU).

In 2011, the County approved the Tax Increment Financing (TIF) for 691 acres of land that Chrin owned. Specifically, Chrin is to receive a portion of future real estate taxes on the property covered by the TIF for the next 30 years in exchange for the Chrin companies financing a portion of the interchange and ancillary infrastructure that opened in July 2015.

On October 20, 2016, County Council adopted Resolution 102-2016 requesting that the Controller's Office "perform an audit with regard to the Memorandum of Understanding containing covenants running with real estate between the County of Northampton and the Charles Chrin Real Estate Trust." Our overall audit objectives were to:

- Determine if the County of Northampton has met the promises, covenants, and conditions as provided for in the MOU.
- Determine if Chrin has met the promises, covenants, and conditions as provided for in the MOU.

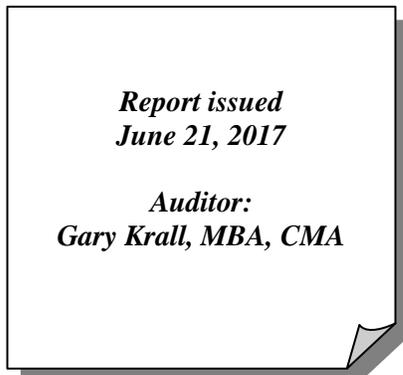
AUDIT RESULTS

- We recommend that an annual report and analysis be prepared listing property sales, the components of the net sales price and the Farmland Preservation Contribution amount.
- The basis and operation of the program (including a summary of the key items in the MOU) should be documented, as should the recordkeeping of contributions. An additional person should be cross-trained in the background and procedures involved with the MOU in the event of the fiscal administrator's absence.

Summary of Reports Issued Performance Audits

Domestic Relations

Agency Fund



Domestic Relations is a division under the Court of Common Pleas and is supervised by the Office of Court Administration. Domestic Relations is responsible for establishing support orders and paternity, locating absent parents, and enforcing support orders including payment for medical costs.

Domestic Relations is authorized by Federal Regulations and the Commonwealth of Pennsylvania to act in the capacity of a collection agent for the Commonwealth, and is responsible for collecting various support payments and depositing them in a bank account.

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 audit objectives were to:

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

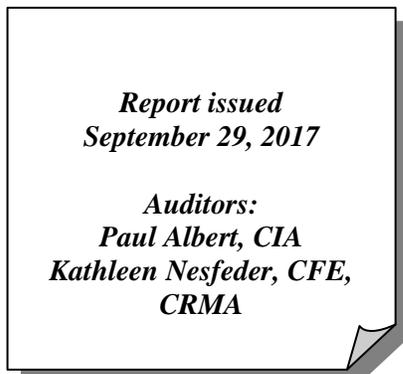
AUDIT RESULTS

- No major audit findings were discovered during the testing of the Domestic Relations Section Agency Fund. We did note one minor exception which was discussed with management during fieldwork. There were no instances of noncompliance that came to our attention during testing.

Summary of Reports Issued Performance Audits

Procurement

Procurement Card 3/31/17



The County's Procurement Card (P-Card) Program began in April 2002 and currently has 123 cardholders. The Procurement Division administers the program with the assistance of a Fiscal Affairs accountant assigned to the program.

The audit was performed in compliance with Section 7.7 of the Procurement Card Manual that states that the Controller shall conduct periodic audits of Procurement Card use. Specifically, the purpose of the audit was to:

- Determine the adequacy of controls over the processing of P-Card transactions.
- Determine compliance with County regulations
- Determine the economy and efficiency of the program
- Evaluate the progress of fully automating the P-Card workflow process
- Determine if corrective action was taken on findings reported in the June 30, 2015 Procurement Card Program audit.

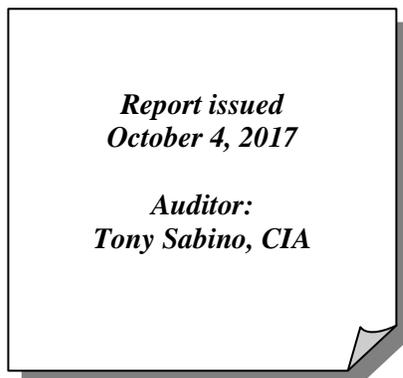
AUDIT RESULTS

- There was significant improvement in the utilization of WORKS technology as documentation is now uploaded and filed electronically in WORKS, eliminating the need to circulate paper documents.
- A continued area of concern is the number of transactions that do not comply with County regulations but still receive supervisory approval. It is either a lack of knowledge of County policies, or supervisors not adequately performing their duties.
- Reviewing and updating the P-Card Manual, and the County's Travel and Staff Training Policies and Procedures, would provide better direction to employees.

Summary of Reports Issued Performance Audits

Public Works

Preventative Maintenance Program



On April 14, 2014, County Council passed Resolution 38-2014 requesting that the Controller's Office conduct a performance audit of the Northampton County preventative maintenance program.

The Resolution requested that the audit focus on the following areas:

- Is there a written maintenance management plan that has the correct levels of approval?
- Is there evidence that the maintenance management plan is being followed?
- Is there evidence that the maintenance management plan has the correct level of management oversight and instances of non-compliance are routinely escalated to the required level of County Administration?
- Is there a semi-annual report to the County Council on the operations of the preventative maintenance program?

AUDIT RESULTS

- We recommend that the County decide which entity should be responsible for the maintenance of County vehicles and rewrite either the Administrative Code or the Employee Manual accordingly. We believe it makes sense to have user departments responsible for maintenance on vehicles they operate.
- We recommend that Public Works issue a semi-annual report to Council regarding the preventative maintenance program, using IssueTrak reports which provide summaries of issues handled.

Summary of Reports Issued Performance Audits

Human Resources

Dental Claims

*Report issued
November 21, 2017*

*Auditor:
Tony Sabino, CIA*

The County is self-insured for dental benefits; UCC pays the providers as they receive claims and bills the County for the amount paid to providers. The County pays UCC via wire transfer.

In 2016, the County spent \$688,964 to pay for dental claims for enrolled employees and eligible family members, and an additional \$41,138 in administrative fees to UCC for third party administration.

The audit objectives were to:

- Determine if dental claims are being processed accurately and on a timely basis by the third-party administrator
- Ensure that payments are made only on behalf of eligible enrollees.

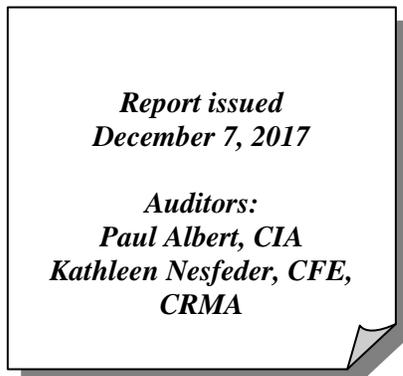
AUDIT RESULTS

- We noted a number of exceptions related to eligibility and terminated employees:
 - 34 ineligible individuals were included on the UCC eligibility list.
 - Three claims totaling \$349.84 were paid for ineligible individuals.
 - Three individuals were also noted on the County's list of eligible employees that were not found on the UCC eligibility list.
- In our audit we noted one child was listed as a dependent on both a parent's plan and a grandparent's plan. Both adults are County employees. As a result, a claim was submitted twice to UCC, once under each plan. Only \$1,000 of the \$4,645 claim should have been covered, however \$2,000 in total was paid
- Human Resources should clarify our contractual relationship with UCC determining whether a separate, new contract exists between LVCBH and UCC to which the County is a party.

Summary of Reports Issued Performance Audits

Jail

Community Corrections



The Community Corrections section of the Jail consists of the Community Corrections Facility (CCF) on South Union Street in Easton and the West Easton Treatment Center (WETC) on Main Street in West Easton. Inmates in those facilities have the opportunity to obtain work outside the facility.

The audit was conducted as part of our routine rotation of audits involving Jail operations.

The audit purpose of the audit was:

- To determine if internal controls over the processing of financial transactions are adequate.
- To determine compliance with policies and procedures, laws and regulations.
- To determine if processes are efficient and effective.

AUDIT RESULTS

- The bank reconciliations for the Community Corrections checking account have not been performed since March 2017.
- The *Community Corrections Inmate Handbook* does not address inmates being paid by direct deposit or that the inmates must then turn that money over to the CCF. In addition, Policy Code 2.03 *Community Corrections Receipts* does not address the procedures that should be followed by staff to ensure that inmates turn those funds over to CCF.
- Funds retrieved from the safe should be reconciled to the receipt sheets in the presence of a corrections officer before they are removed from the WETC. We told Jail management about this in our preliminary audit meeting and they immediately took action to put this procedure into place.

Summary of Reports Issued Financial Audits

Administration

Conservation District

*Report issued
August 8, 2017*

*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, 2016.

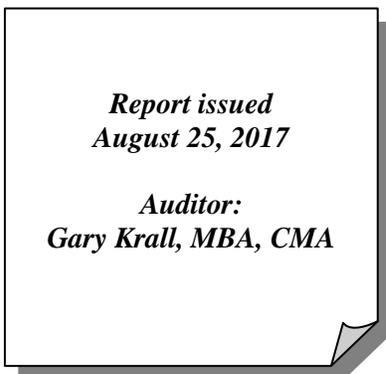
AUDIT RESULTS

- 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, 2016.
- 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

Probation and Parole

Supervision Fee 6/30/16



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, 2016.

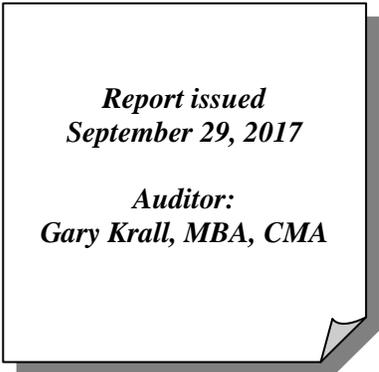
AUDIT RESULTS

- 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, 2016
- 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, 2015 and December 31, 2016:

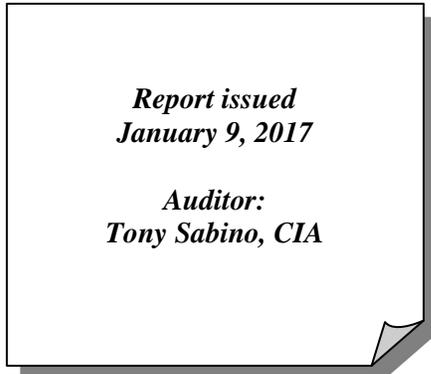
- 03-1-04 James J. Narlesky, Esq.
- 03-2-03 Patricia Broscius, Esq.
- 03-2-04 Vacant
- 03-2-05 Antonia Grifo, Esq.
- 03-2-06 Daniel G. Corpora
- 03-2-10 Nancy Matos-Gonzalez
- 03-3-03 Alicia R. Zito, Esq.

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:
 - Three offices did not obtain approval of the MDJ or a second clerical technician for voided transactions.
 - In three instances, the file did not contain a copy of the warrant signed by the constable.
 - In three instances, a constable charged improper fees during a transport of an incarcerated prisoner, resulting in an overpayment of \$52.50.
 - One MDJ was not signing off on constable fees that were being paid by the district court.
 - One office was not rotating warrant responsibilities.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Archives



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

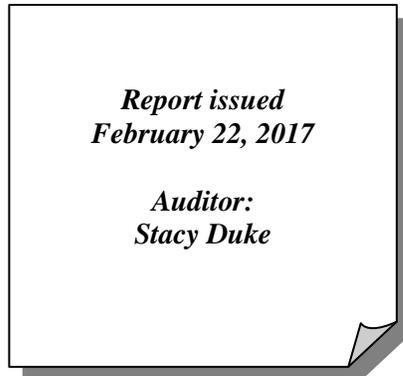
AUDIT RESULTS

- The segregation of duties regarding cash collection in the Archives Division is adequate.
- All receipts selected for our sample were deposited within one business day of receipt.

Summary of Reports Issued Agreed Upon Procedure Engagements

Fiscal Affairs

Vendor Payment Analysis



This agreed upon procedure was performed to evaluate the integrity of vendor payments made through the County's Disbursements Office. Accounts payable checks issued between November 1, 2015 and October 31, 2016 were reviewed using ACL data analysis software.

The agreed upon procedures were as follows:

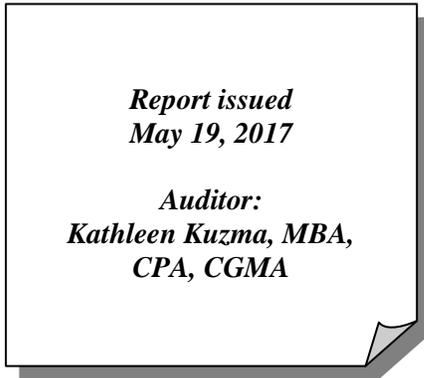
- Ensure duplicate payments were not made.
- Ensure that each vendor is assigned only one ID number.
- Review check sequence for gaps and investigate findings.
- Investigate vendors with the same address as an active employee.
- Investigate payments to vendors on dates other than the normal Wednesday check run.
- Determine if any late payments included late fees.
- Investigate any negative check amounts.
- Search for fictional vendors.

AUDIT RESULTS

- No payments were found to be duplicates.
- Three vendors were assigned more than one ID number. No duplicate payments were made to these vendors.
- All gaps in check numbers were explained and all checks were accounted for.
- There were no identical addresses between the vendor data base and the employee data base.
- All checks issued on dates other than Wednesday were reviewed and are valid.
- No late fees were incurred by the County.
- No negative check amounts were noted.
- There were no indications that payments were made to fictional vendors.

Summary of Reports Issued Agreed Upon Procedure Engagements

Community and Economic Development Hotel Tax Distribution



This agreed upon procedure was performed to ensure that hotel tax funds distributed to ArtsQuest and Lehigh Valley Public Telecommunications Corporation were properly closed out.

The specific procedures were to:

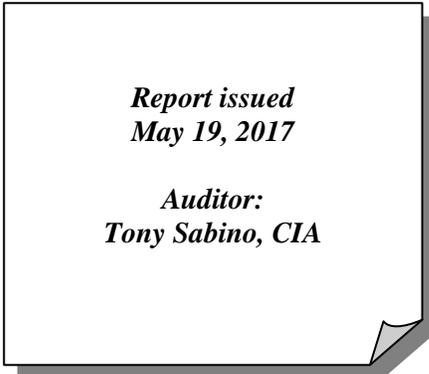
- Confirm that ArtsQuest and Lehigh Valley Public Telecommunications Corporation, each received payments totaling \$1,000,000 per Ordinance 484 of 2008.
- Confirm that, the funds distributed were committed and expended for the enhancement of regional tourism by the beneficiaries for the benefit of Northampton County.

AUDIT RESULTS

- The beneficiaries received their final payments per Ordinance 484 for a total of \$1,000,000 each on October 14, 2016.
- Annual reports submitted by the beneficiaries detailed the use of funds received. Audits performed by the Controller's Office had no findings with regard to funds not being expended for regional tourism for the benefit of Northampton County.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Farmland Preservation



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

The specific procedures were to:

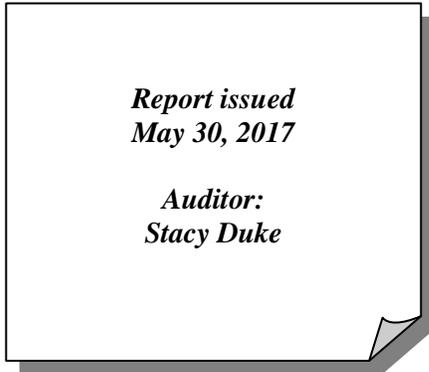
- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

AUDIT RESULTS

- Work assignments in the Farmland Preservation Division provide for an adequate segregation of duties.
- Very few bank deposits are made in a given year in Farmland Preservation, and most deposits include multiple receipts. All receipts accepted are in the form of checks; no currency is handled. For all of the checks selected for sample, we found that there was no record kept of the date of receipt or documentation explaining why a check needed to be held prior to deposit.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Drug and Alcohol



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

The specific procedures were to:

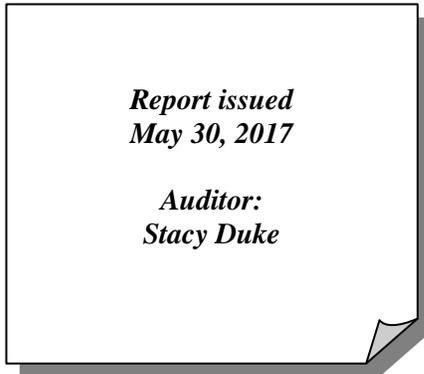
- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

AUDIT RESULTS

- The segregation of duties in place were reviewed and are proper except for the following:
 - Deposits are not reviewed and initialed by someone other than the person preparing and making the deposit.
- A sample of five deposits was selected; two of the deposits selected included multiple receipts. Deposits were not made on the day the cash was received for three deposits. The cash/check mix was reviewed and agreed to the validated deposit slip for four of the five deposits tested. In the remaining deposit, the validated deposit slip total matched but the cash/check mix did not agree.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Mental Health



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

The specific procedures were to:

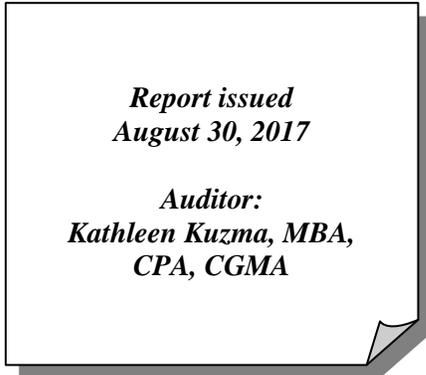
- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

AUDIT RESULTS

- The segregation of duties in place were reviewed and are proper except for the following:
 - Deposits are not reviewed and initialed by someone other than the person preparing and making the deposit.
- A sample of five deposits was selected. Each deposit included multiple receipts. Receipts were not deposited on the day the cash was received. Deposits were made sporadically. The receipts were deposited between one and twenty six days after receipt. All receipts received were checks; therefore there is no cash/check breakdown to review.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Juvenile Probation



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

The agreed upon procedures were as follows:

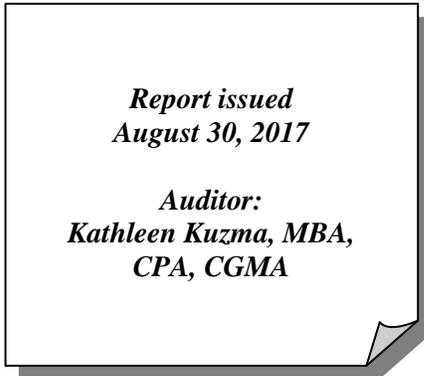
- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

AUDIT RESULTS

- For the most part, the segregation of duties regarding cash collection work assignments in Juvenile Probation provides for adequate control over cash. However due to changes in procedures with regard to IV-E checks received, controls could be tightened if the Chief was included in the email notification of the receipt of these funds.
- Adequate documentation was not available to determine if deposits were made the day cash was received. The copies of the checks are not date stamped when received. However, it is the policy of the office to take deposits to the Revenue Office two or three times a week.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Juvenile Justice Center



The purpose of this agreed upon procedure was to evaluate the County's cash collection process in the Juvenile Justice Center.

The agreed upon procedures were as follows:

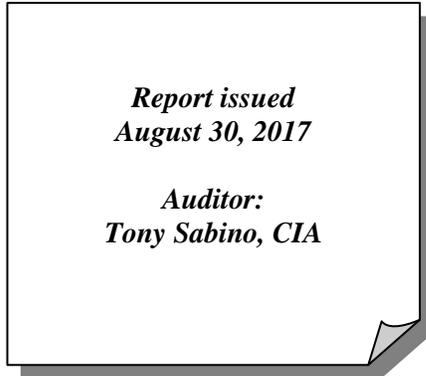
- Review cash collection work assignments to determine if a proper segregation of duties is in place.
- Determine if deposits are made on the day cash is received.

AUDIT RESULTS

- The segregation of duties regarding cash collection work assignments in the Juvenile Justice Center provides for adequate control over cash.
- Deposits are not made the day cash is received. With regard to deposits to the County's common bank account, it was observed that the Accountant only goes to the Government Center two times a week; therefore, deposits could be delayed a few days. With regard to deposits to the Juvenile Resident bank account, deposits are not made the day cash is received. The office is not depositing cash received when the accumulated balance reaches \$5 as per their office policy. Deposits are also not always being made when the accumulated balance reaches \$25 per suggested guidelines.
- Bank reconciliations are performed for each monthly bank statement and are reviewed by a supervisor.
- The adjusted book balance per the bank reconciliation was in agreement with the cash balance on IFAS
- Cancelled checks are not returned with the bank statement and images of the face of the check are not part of the bank statement.

Summary of Reports Issued Agreed Upon Procedure Engagements

Internal Controls - Cash Procurement



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

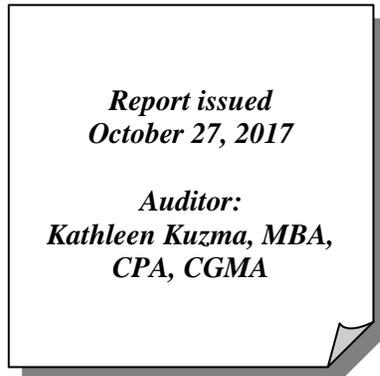
AUDIT RESULTS

- The segregation of duties in the Procurement Division provides for adequate control.
- All receipts accepted by Procurement are in the form of checks, therefore there was no cash/check mix to review. We selected a sample of 5 receipts and found that they were all deposited on the day of receipt.

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.

AUDIT RESULTS:

- We confirmed 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 recalculated all computations and found the estimated millage reduction to be reasonable and all calculations accurate.
- We found that the calculated total due to taxpayers based on actual 2016 expenses was \$30,371. The lower millage rate reduced taxes by \$125,631, resulting in a reduction to taxpayers for more than the actual expenditures in the amount of \$95,260. (The millage rate assessed to the affected municipalities in 2017 was 11.7 mills. The remaining municipalities within the County were assessed at 11.8 mills.) This 2017 difference will be recaptured in the 2018 millage reduction.

Summary of Reports Issued Agreed Upon Procedure Engagements

Community and Economic Development

Hotel Tax

*Reports issued
Throughout, 2017*

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

During 2017 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.

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

#152 View Inn

Reports issued for the years ended December 31, 2015 and December 31, 2016:

#101 Hotel Bethlehem
#104 Best Western
#105 Hampton Inn Bethlehem
#106 Lafayette Inn
#108 Quality Inn
#119 Holiday Inn Express Easton
#123 Extended Stay America
#129 Red Carpet Inn
#140 Hyatt Place
#141 Tuscarora Inn

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 \$3,026.
- 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

**National Vision
Administrators**

*Report issued
July 17, 2014*

*Follow-Up Report
May 4, 2017*

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

No additional follow-up will be performed.



**Recorder of Deeds
Agency Fund**

*Report issued
November 17, 2015*

*Follow-Up Report
May 8, 2017*

Corrective action was taken for both of the audit concerns.

No further follow-up is planned.



Procurement Card

*Report issued
January 21, 2016*

*Follow-Up Report
February 27, 2017*

Corrective action was taken for both of the audit concerns.

No additional follow-up will be performed.

Summary of Follow-Up Reports

Criminal Agency Fund

*Report issued
July 11, 2016*

*Follow-Up Report
February 28, 2017*

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

No additional follow-up will be performed.



Open Space Initiative

*Report issued
July 12, 2016*

*Follow-Up Report
April 11, 2017*

Corrective action has been taken for both audit concerns.

No further follow-up will be conducted.



Jail Financial Resp. Program

*Report issued
July 15, 2016*

*Follow-Up Reports
May 3, 2017
December 19, 2017*

Corrective action is in process for two of three audit concerns.

Additional follow-up will be performed in June 2018.

Summary of Follow-Up Reports

**Record Improvement
Fund**

*Report issued
November 14, 2016*

*Follow-Up Report
May 17, 2017*

Corrective action has been taken for the lone audit concern.

No further follow-up will be performed.



**Healthcare and Dental
Self Ins. Trust Fund**

*Report issued
December 27, 2016*

*Follow-Up Report
June 23, 2017*

Corrective action was taken for both of the audit concerns.

No additional follow-up is planned.



DCED Grants

*Report issued
January 20, 2017*

*Follow-Up Report
August 1, 2017*

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

No additional follow-up is planned.

Summary of Follow-Up Reports

**Coroner
Cremation Fees**

*Report issued
March 20, 2017*

*Follow-Up Report
November 15, 2017*

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

Additional follow-up will be conducted in May 2018.



**Gracedale
Agency Fund**

*Report issued
April 3, 2017*

*Follow-Up Report
November 17, 2017*

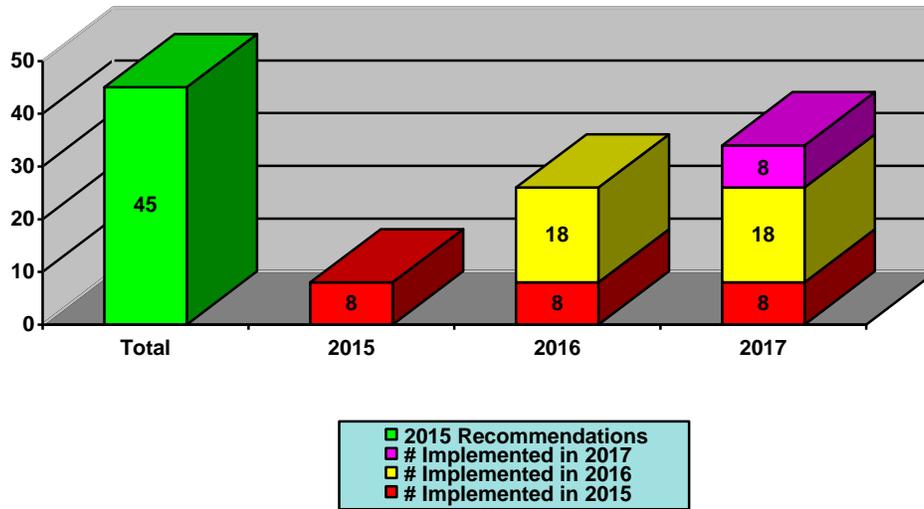
Corrective action was taken for all five audit concerns.

No additional follow-up will be conducted.

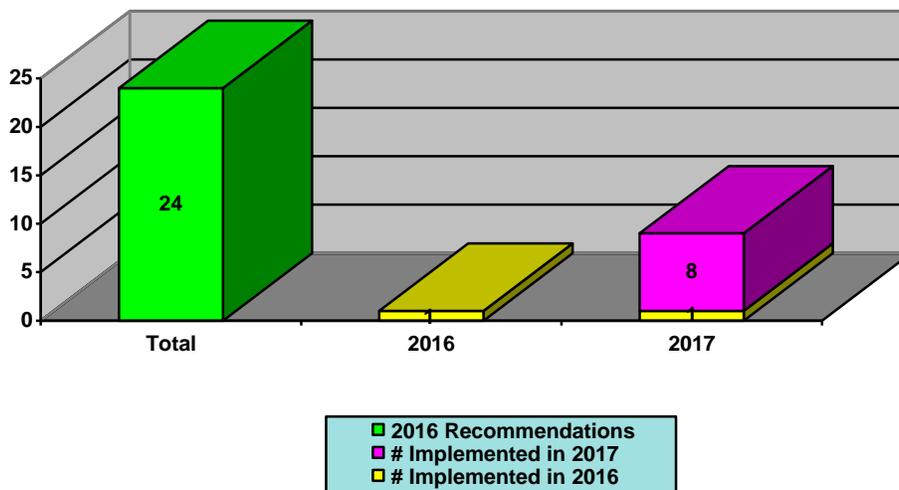
Summary of Follow-Up Reports

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

2015 Audit Recommendations



2016 Audit Recommendations



Summary of Nonaudit Services

The Controller's Office provided nonaudit services to County employees and departments in 2017. Some of these services are listed below.

Consulting

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

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

Staff provides assistance to various County Offices as requested.



DCED Report

Auditors:
Kathleen Nesfeder, CFE,
CRMA
Gary Krall, MBA, CMA

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, 2016 with projections to December 31, 2017.

Summary of Nonaudit Services

Peer Reviews

Auditor:
Tony Sabino, CIA

Staff member lead the peer review team of the Lehigh 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 benefits. A report of exceptions was provided to Human Resources.

We provide a monthly list of terminated employees to Procurement so that procurement cards can be deactivated as necessary.



Procurement

Auditors:
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.

Summary of Nonaudit Services

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 2017 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 RKL LLP with the 2016 year end financial audit.	March 2017
Assisted RKL LLP with the 2016 Single Audit.	April 2017
Disposed of office files in accordance with the County Records Manual issued by the Pennsylvania Historical and Museum Commission.	May 2017
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, 2017. These assignments will be included in the 2018 Summary of Reports Issued.

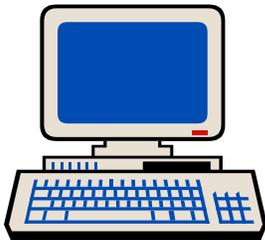
<u>Assignment</u>	<u>Projected Issue Date</u>
County Constables	January 2018
Revenue Division Internal Controls – Cash	January 2018
Hotel Tax – Hampton Inn Easton License #121	February 2018
District Attorney Seizure Fund	February 2018
ACL Payroll Analysis	February 2018
Tax Collection	March 2018
Jail Commissary	March 2018
Fleet Card	March 2018

Office Improvements

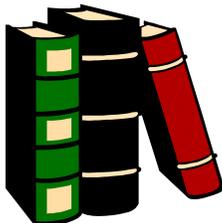
The staff of the Controller's Office continually strives to improve themselves and the audit process. During 2017 we made several improvements to our processes and professional skills.



- ◆ Completed 288 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, a laptop and color printer for the office.



- ◆ Updated financial statement audit letters to comply with Government Auditing Standards