COUNTY OF NORTHAMPTON
EASTON, PENNSYLVANIA

Controller's Annual Report

January 1, 2018 - December 31, 2018

Richard J. Szulborski
County Controller
February 1, 2019

Dear Friends:

This report marks my first Controller’s Report as the appointed Controller for Northampton County. It is both an honor and a privilege to serve as your Controller.

The dedicated and knowledgeable staff in the Controller’s Office has made my first year a memorable experience.

The Controller’s Office is always ready to assist in providing excellent services and insuring fiscal responsibility throughout the year.

All the Best!

[Signature]

Richard J. Szulborski
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>PAGE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The County Controller’s Office</td>
<td>1-5</td>
</tr>
<tr>
<td>Summary of Reports Issued:</td>
<td></td>
</tr>
<tr>
<td>Performance Audits</td>
<td>6-10</td>
</tr>
<tr>
<td>Financial Audits</td>
<td>11-14</td>
</tr>
<tr>
<td>Agreed-Upon Procedure Engagements</td>
<td>15-26</td>
</tr>
<tr>
<td>Summary of Follow-Up Reports Issued</td>
<td>27-30</td>
</tr>
<tr>
<td>Summary of Nonaudit Services</td>
<td>31-33</td>
</tr>
<tr>
<td>Summary of Other Work</td>
<td>34</td>
</tr>
<tr>
<td>Work in Process</td>
<td>35</td>
</tr>
<tr>
<td>Office Improvements</td>
<td>36</td>
</tr>
</tbody>
</table>
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

**Richard J. Szulborski**  
County Controller  
BA Business Administration

**Michael P. Shay, Esq.**  
Solicitor  
BA English  
JD Law

**Paul L. Albert, CIA**  
Audit Manager  
BA Accounting

<table>
<thead>
<tr>
<th>Anthony D. Sabino, CIA</th>
<th>Kathleen A. Kuzma, MBA, CPA, CGMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Auditor</td>
<td>Lead Auditor</td>
</tr>
<tr>
<td>BA Journalism and Accounting</td>
<td>BS Accounting and Business</td>
</tr>
<tr>
<td></td>
<td>MBA Accounting and Finance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stacy L. Duke</th>
<th>Gary M. Krall, MBA, CMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor</td>
<td>Lead Auditor</td>
</tr>
<tr>
<td>BS Accounting</td>
<td>BA Accounting</td>
</tr>
<tr>
<td></td>
<td>MBA Finance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kathleen M. Nesfeder, CFE, CRMA</th>
<th>Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor</td>
<td></td>
</tr>
<tr>
<td>BA Business Administration</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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:

- Camelot for Children
- Gift of Life Donor Program
- Heights Athletic Association
- Honorary First Defenders, Allentown Chapter – Finance Officer
- Housing Opportunity Movement, Inc.
- Incarnation of Our Lord Parish Council
- Incarnation of Our Lord Parish Finance Committee
- Lehigh Valley Coalition for Organ & Tissue Donation
- South Bethlehem Historical Society
- Southside Film Festival – Treasurer
- Star of Bethlehem Festival for Kids
- Sun Inn Preservation Association
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.
June 30, 2016

Stephen J Barron, Jr, CFE
Controller's Office
County of Northampton
689 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
Constables are elected officials, certified by the State, who work as independent contractors / vendors.

They serve warrants and other legal documentation on behalf of the courts, transport defendants and/or criminals to and from court, jail and other case-related locations. They also act as collection agents, collecting fines and fees for the Magisterial District Courts (MDCs).

When performing work for the MDCs, the fees charged by Constables are set by statute. Constable fees amounted to approximately $1,025,800 for the period January 1, 2015 through December 31, 2016.

The purpose of the audit was to:

- Ensure Constables are in compliance with laws and regulations.
- Review the year-end compilation of constable fees as it pertains to their 1099’s for non-employee compensation.

AUDIT RESULTS

- All MDCs should be using the same method of determining the mileage for Landlord/Tenant and Civil complaints. Constables should only be reimbursed for actual mileage travelled.

- Court Administration should be running the MDJ 1529 report from AOPC when determining how much MDCs paid Constables during the year and that information should be reviewed by a second person before it’s sent to Fiscal Affairs for 1099 preparation.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Constable%20Final%20Report.pdf
The District Attorney’s (DA’s) Office established the Drug Seizure bank account for cash seized during drug related arrests after local police departments turn that money over to them and before receiving the drug forfeiture court order. That court order gives the Detective authority to transfer the money into the Drug Forfeiture Account.

The Detective in charge of the Seizure and Forfeiture Accounts implemented a web portal and database to track and collect information from the local police departments about funds seized. The output from the database is used as documentation for the collection and receipt of seized funds by the County’s Drug Task Force from the local police departments.

The audit objectives were to:

- Determine the existence of and adequacy of internal controls.
- Ensure that funds are properly accounted for and are transferred to the Drug Forfeiture Account when court orders are issued.

**AUDIT RESULTS**

- Only the Detective that oversees the Drug Forfeiture and Drug Seizure Accounts should have administrative privilege to the system of police seizure reports so that records cannot be deleted from the database via the web portal.

- Bank reconciliations should be completed and reviewed shortly after the bank statements are received.

For the complete report, see: [https://www.northamptoncounty.org/CONTRLR/AuditReports/DA%20Drug%20Seizure%20Account.pdf](https://www.northamptoncounty.org/CONTRLR/AuditReports/DA%20Drug%20Seizure%20Account.pdf)
Fiscal Affairs

Tax Billing

The Revenue Division administers the billing and collection of real estate tax, and oversees a system of collection of tax claims and liens.

The purpose of our audit was to:

- Ensure that tax bills are calculated properly.
- Ensure that only parcels in districts not using County 911 services are receiving a reduced millage rate.
- Determine if applicable penalties are properly imposed.
- Determine if prepaid bills are posted properly.
- Ensure that refunds and exonerations are properly supported.
- Determine if refunds not returned to the taxpayer are subject to state escheat laws.
- Ensure that the review of edit reports in Fiscal Affairs provides adequate oversight of tax bill modifications.

AUDIT RESULTS

- Internal controls over the Tax Billing process are excellent.

- The Revenue Division should discontinue refunding amounts less than $100 without a completed application received from the homeowner, and all unclaimed overpayments should be escheated to the State after no longer than three years.

- The County should incorporate the language required by State statute, in bold type, as part of the reminder notice sent to taxpayers who are in danger of becoming delinquent on taxes owed.

- Procedures related to the Tax Billing process should be documented and included in the Fiscal Policies and Procedures Manual.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Tax%20Billing%2010-31-17.pdf
Jail

Inmate Personal Property Account

The Department of Corrections (Jail) maintains an Inmate Personal Property Account for funds belonging to inmates who are incarcerated. The Inmate Personal Property Account funds are maintained in a separate bank account and are accounted for on the County’s financial system as an agency fund. As of May 31, 2018, the checking account at Lafayette Ambassador Bank had a balance of $43,652.

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

The purpose of the audit was to:

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

AUDIT RESULTS

- Inmate funds are properly safeguarded and accounted for.

- Testing of the inmate accounts produced no major findings. We did note three minor findings which were addressed and corrected by management during fieldwork. Internal controls over cash receipts, disbursements and cash accounting are functioning as intended.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Inmate's%20Personal%20Property%20Account%205-31-18.pdf
In 1993, the County entered into a contract with National Vision Administrators (NVA) for third-party administration of the County’s vision benefits. The County is self-insured for health benefits; NVA pays the providers as they receive claims and the County reimburses NVA for these expenditures.

In 2017, the County spent approximately $39,000 to pay for vision claims for enrolled employees and eligible family members, and an additional $7,500 in administrative fees to NVA.

The audit objectives were to:

- Determine if vision claims are being processed accurately by the third-party administrator.
- To ensure that payments are made only on behalf of eligible enrollees and for covered procedures.

**AUDIT RESULTS**

- The third-party administrator, NVA, is processing vision claims accurately.
- Sixty-one individuals included as employees on the NVA eligibility list were not found on the County’s HR records of employees enrolled in health benefits.
- The NVA contract has been automatically renewed every year since 1993; and as a result, the original contract is now in violation of the updated Administrative Code in several areas.
- The Human Resources Employee Policy Manual does not accurately reflect the current vision benefits because the Manual has not been updated since 2007.

For the complete report, see: [https://www.northamptoncounty.org/CONTRLR/AuditReports/Vision%20Benefits%20Audit%20Report%20-%20May%202018.pdf](https://www.northamptoncounty.org/CONTRLR/AuditReports/Vision%20Benefits%20Audit%20Report%20-%20May%202018.pdf)
In 1991, the State established a monthly offender supervision fee for all active adult probation and parole cases. The Division 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, 2017.

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, 2017.

- 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.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/2017_SupervisionFee.pdf
The State Conservation Commission requires annual audits of all county conservation districts. The audit must be completed by December 31\textsuperscript{st} of the year following the close of the calendar year being audited. In addition, the County has a memorandum of understanding with the local District that requires the audit to be completed by September 1\textsuperscript{st}.

In order to comply with this requirement, we conducted an audit of the Northampton County Conservation District as of December 31, 2017.

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, 2017.

- 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.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Conservation%20District%2012-31-17.pdf
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.
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, 2016 and December 31, 2017:

- 03-2-01 Roy A. Manwaring II, Esq.
- 03-2-08 John C. Capobianco
- 03-2-09 Jackie Taschner, 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:
  
  - Two offices did not obtain approval of the MDJ or a second clerical technician for voided transactions.
  - On two occasions, County court costs were not charged to the defendant.
  - There were two instances where manual receipts were not entered into the AOPC system.
  - Petty cash was short $20 in one office.
  - In one office four deposit slips were not signed by the MDJ which documents that the amount and makeup of the bank deposit was correct.
  - On two occasions, a clerical technician who was an alternate authorized signer performed bank reconciliations.

For the complete reports of Magisterial District Justices, see:
https://www.northamptoncounty.org/CONTRLR/Pages/AuditReports.aspx#itemGroupsMagisterialDistrict Judges
Internal Controls - Cash
Revenue Division

Report issued
January 30, 2018
Auditor:
Paul Albert, CIA

The purpose of this agreed-upon procedure engagement was to evaluate the County's cash collection process in the Fiscal Affairs Revenue 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.
- Determine if bank reconciliations are performed monthly and are reviewed by a supervisor.

AUDIT RESULTS

➤ The segregation of duties regarding cash collection in the Revenue Division is adequate. However, one area that is difficult to control is that clerks have the ability to go into the tax system and adjust individual balances without applying a payment at the register. As a control, the Revenue Manager periodically runs a report of adjustments and reviews some of the adjustments to make sure that they were proper.

➤ All receipts selected for our sample were deposited within one business day of receipt.

➤ The Revenue Division does not have responsibility for any bank accounts.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Cash%20Collection%20AUP%20Revenue%20Division%20Audit%20Report.pdf
Summary of Reports Issued
Agreed-Upon Procedure Engagements

Magisterial District Court
Nicholas E. Englesson, Esq.
03-2-11

In addition to our biennial financial audits of the Magisterial District Courts (MDC), we performed an agreed-upon procedure engagement at MDC # 03-2-11. The County’s Minor Judiciary Administrator requested this audit as of December 31, 2017, prior to Magisterial District Judge Nicholas E. Englesson, Esq., taking office.

The agreed-upon procedures were as follows:

- Perform a proof of cash reconciliation to the 12/31/16 and 12/31/17 bank statements.
- Verify that funds collected for the period 1/1/16 through 12/31/17 were deposited in the bank on the day of receipt.
- Reconcile the petty cash fund and verify that transactions were processed in accordance with County Policies and Procedures.

AUDIT RESULTS

- The bank account was properly reconciled for all months tested, and the bank balances were reconciled to the undisbursed fund balances as of 12/31/16 and 12/31/17.

- 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 account was reconciled and transactions were processed in accordance with County Policies and Procedures.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Final%20AUP%20Report%2003-2-11%20Englesson.pdf
Summary of Reports Issued
Agreed-Upon Procedure Engagements

Magisterial District Court
Alan Mege, 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. The County’s Minor Judiciary Administrator requested this audit as of December 31, 2017, prior to Magisterial District Judge Alan Mege, Esq., taking office.

The agreed-upon procedures were as follows:

- Perform a proof of cash reconciliation to the 12/31/17 bank statement.
- Verify that funds collected during 2017 were deposited in the bank on the day of receipt.
- Reconcile the petty cash fund and verify that transactions were processed in accordance with County Policies and Procedures.

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 12/31/17.

- 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 account was reconciled and transactions were processed in accordance with County Policies and Procedures.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Final%20AUP%20Report%2003-2-04%20Special.pdf
In addition to our biennial financial audits of the Magisterial District Courts (MDC), we performed an agreed-upon procedure engagement at MDC # 03-1-04. The County’s Minor Judiciary Administrator requested this audit as of December 31, 2017, prior to Magisterial District Judge Vivian I. Zumas, Esq., taking office.

The agreed-upon procedures were as follows:

- Perform a proof of cash reconciliation to the 12/31/17 bank statement.
- Verify that funds collected during 2017 were deposited in the bank on the day of receipt.
- Reconcile the petty cash fund and verify that transactions were processed in accordance with County Policies and Procedures.

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 12/31/17.

- 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 account was reconciled and transactions were processed in accordance with County Policies and Procedures.

For the complete report, see:

Internal Controls - Cash
Law Library

Report issued
May 10, 2018

Auditor:
Tony Sabino, CIA

The purpose of this agreed-upon procedure engagement was to evaluate the County's cash collection process in the Law Library.

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.
- Determine if bank reconciliations are performed monthly and are reviewed by a supervisor.

AUDIT RESULTS

- Work assignments in the Law Library provide for an adequate segregation of duties.
- There were no receipts noted since June 29, 2016.
- Bank reconciliations are performed monthly and are reviewed by a supervisor.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Law%20Library%204-30-18.pdf
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.
- Determine the variance between actual expenses and the estimates used to calculate the millage reduction. Variances will be reported to Fiscal Affairs for use in future millage adjustment calculations.

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.

- We found that there was no credit due to taxpayers based on actual 2017 expenses. The millage rate was not reduced for 2018 taxes. Taxpayers actually received a higher reduction in taxes than they were entitled to receive by $34,479. The 2018 excess reduction will be considered in the 2019 millage adjustment calculation.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/E911%20Tax%20Reimbursement%202018%20AUP.pdf
Summary of Reports Issued
Agreed-Upon Procedure Engagements

Jail
Commissary and Inmate Telephone

The purpose of this agreed-upon procedure engagement was to comply with the audit requirements of Title 37 Pennsylvania Code, Sections 95.239(2) and (4) which require an annual audit of the Jail Commissary and Inmate Telephone system.

The agreed-upon procedures were as follows:

- Determine if inmates are being charged the correct amount for items purchased from the commissary.
- Determine if inmates are signing their order slips acknowledging receipt of what they ordered.
- Determine if grievance resolution efforts by Keefe Commissary Network are monitored by Jail personnel.
- Determine if charges for inmate telephone calls are in line with FCC rate caps.

AUDIT RESULTS

- Inmates are being charged the correct amount for their purchases.
- Inmates signed all receipts reviewed.
- Keefe Commissary Network does not provide grievance resolution reports to the Jail; therefore, Jail personnel do not monitor grievances.
- Inmates are charged per minute phone rates that are compliant with FCC guidelines.

For the complete report, see:
https://www.northamptoncounty.org/CONTRLR/AuditReports/Jail%20Commissary%20and%20TelephoneNumber%20AUP%20Nov%202017.pdf
The purpose of this agreed-upon procedure engagement was to evaluate the County’s cash collection process in the Department of Public Works.

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.
- Determine if bank reconciliations are performed monthly and are reviewed by a supervisor.

AUDIT RESULTS

- The segregation of duties regarding cash collection work assignments in Public Works provides for adequate control in all areas. However, County management is not signing deposit slips for scrap reimbursement as evidence of their review.

- Consistent with past practice, funds from the sale of scrap metal at one County location were not turned over to the County, rather they were used at the discretion of the Supervisor. We determined that there are no County guidelines, policies or procedures for disposing of scrap.

- Deposits were made in a timely manner. One deposit slip did not have a validated bank deposit slip evidencing the date, time and amount of the deposit.

- Public Works does not have responsibility for any bank accounts.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Cash%20Collection%20AUP%20Public%20Works.pdf
The purpose of this agreed-upon procedure engagement was to evaluate the County’s cash collection process in the Department of Fiscal Affairs, Divisions of Financial Planning and Control, Geographic Information System (GIS) and Assessment.

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.
- Determine if bank reconciliations are performed monthly and are reviewed by a supervisor.

AUDIT RESULTS

- Segregation of duties with regard to cash collection work assignments provides for adequate control.

- The Financial Planning and Control Division did not have any cash receipts.

The one receipt received in the Assessment Division was recorded through the Revenue registers and was deposited to the County’s common account.

Five receipts were tested for GIS. These receipts were recorded through Revenue registers and deposited to the County’s common account. It could not be determined if GIS deposits were made on the date of receipt since the documentation was not date stamped with the date of receipt.

- These Divisions do not have bank accounts.

For the complete report, see: https://www.northamptoncounty.org/CONTRLR/AuditReports/Miscellaneous%20Fiscal%20Affairs%209-30-18.pdf
This agreed-upon procedure engagement was performed to ensure that the County payroll was accurately calculated and properly disbursed for the period October 1, 2016 to September 30, 2017.

Some of the agreed-upon procedures were as follows:

- Investigate payments to identical direct deposit accounts for unrelated employees.
- Ensure longevity is paid out per policy or per provision of collective bargaining agreement guidelines and that longevity is paid to eligible active employees only.
- Ensure that salary increases do not exceed approved percentages and that pay scales entered into the IFAS system match pay scales as approved by County Council.
- Determine whether out-of-class pay was properly authorized and ensure that no employee has been receiving out-of-class payment for more than six months.

AUDIT RESULTS

- All duplicate direct deposits were explained.
- We identified three instances in which longevity payments to employees were calculated incorrectly.
- Six employees received pay increases that were greater than the increments or pay scales approved by Council.
- Four employees received out-of-class pay for more than six months with no written approval to extend the out-of-class pay.

For the complete report, see: [https://www.northamptoncounty.org/CONTRLR/AuditReports/Payroll%20Analysis%209-30-17.pdf](https://www.northamptoncounty.org/CONTRLR/AuditReports/Payroll%20Analysis%209-30-17.pdf)
Community and Economic Development
GPA P3 Projects

At the request of the County Executive, we performed an agreed-upon procedure engagement on the Public-Private Partnership (P3) Projects (Bridge Projects) and intended P3 Projects (Jail Reconstruction Project) involving the Northampton County General Purpose Authority (NCGPA).

A few of the objectives of the agreed-upon procedures were to:

- Review 2016 and 2017 invoices for legal services incurred by the NCGPA and reimbursed by the County to determine if fees charged are in line with agreed-upon rates and calculate overcharges, if any.
- Determine compliance with County payments to the NCGPA under terms of the Service Agreement for the P3 Bridge Projects.
- Review County payments made to the NCGPA for any other P3 Bridge vendors related to “Additional Services” permitted in the Service Agreement.

AUDIT RESULTS:

- The NCGPA was overbilled by Norris, McLaughlin and Marcus, P.A. (NMM) for legal services related to the P3 Bridge Projects in the amount of $55,069 and by $21,827 for the Jail Reconstruction Project.
- Compliance was noted with all invoices from the Developer (Kriger Construction) and TPE (Benesch and Company) related to P3 Bridge Projects.
- Payments to RMG and PMA complied with the terms of the agreements. Rates charged by PFM agreed to rates in the proposal letter, but the rates approved by the NCGPA weren’t approved until the work was already complete.

For the complete report, see:
During 2018, 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, 2015 and December 31, 2016:

<table>
<thead>
<tr>
<th>#</th>
<th>Hotel Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>151</td>
<td>Hampton Inn Easton</td>
</tr>
<tr>
<td>120</td>
<td>Sayre Mansion</td>
</tr>
</tbody>
</table>

Reports issued for the years ended December 31, 2016 and December 31, 2017:

<table>
<thead>
<tr>
<th>#</th>
<th>Hotel Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>102</td>
<td>Comfort Suites University</td>
</tr>
<tr>
<td>128</td>
<td>Holiday Inn Express &amp; Suites Airport</td>
</tr>
<tr>
<td>135</td>
<td>Grand Eastonian Hotel &amp; Suites</td>
</tr>
<tr>
<td>138</td>
<td>TownePlace Suites by Marriott</td>
</tr>
<tr>
<td>148</td>
<td>Sands Bethlehem</td>
</tr>
</tbody>
</table>

AUDIT RESULTS

- Hotel tax and interest due from these hotels was calculated to be $5,848.
- Outdated remittance forms were used by some hotels.
- Numerous hotels claimed invalid exemptions.
- There were several instances of hotels not reporting revenue from pet fees, pet cleaning fees, smoking fees and no-show revenue.
- Some remittance forms had clerical errors.

For the complete Hotel Tax reports, see: [https://www.northamptoncounty.org/CONTRLR/Pages/AuditReports.aspx#itemGroupsHotelTax](https://www.northamptoncounty.org/CONTRLR/Pages/AuditReports.aspx#itemGroupsHotelTax)
Summary of Follow-Up Reports

Jail Financial Responsibility Program

Report issued July 15, 2016
Follow-Up Report July 13, 2018

Corrective action has been taken for both of the remaining audit concerns.
No additional follow-up will be performed.

Coroner Cremation Fees

Report issued March 20, 2017
Follow-Up Report July 12, 2018

Corrective action was taken on one of the two remaining audit concerns. The Coroner indicated the final recommendation would not be cost-effective to implement at this time.
No further follow-up will be performed.

Chrin MOU

Report issued May 23, 2017
Follow-Up Report May 24, 2018

Corrective action was taken for both of the audit concerns.
No additional follow-up will be performed.
**Summary of Follow-Up Reports**

**Procurement Card**

*Report issued September 29, 2017*

*Follow-Up Reports*
  - May 15, 2018
  - December 27, 2018

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

Additional follow-up will be performed in June 2019.

---

**Preventive Maintenance**

*Report issued October 4, 2017*

*Follow-Up Reports*
  - April 20, 2018
  - October 25, 2018

Corrective action has been taken for both audit concerns.

No further follow-up will be conducted.

---

**Dental Claims**

*Report issued November 21, 2017*

*Follow-Up Report*  
  - May 21, 2018

Corrective action was taken for both audit concerns.

No further follow-up will be performed.
Summary of Follow-Up Reports

**Jail Community Corrections**

*Report issued December 7, 2017*

*Follow-Up Report December 5, 2018*

Corrective action was taken for both audit concerns.

No further follow-up will be performed.

---

**County Constables**

*Report issued January 18, 2018*

*Follow-Up Report July 16, 2018*

Corrective action was taken on three of the four audit concerns. The final recommendation could not be implemented until a new Constable Service Agreement is negotiated with Domestic Relations in 2020.

No additional follow-up is planned.
Summary of Follow-Up Reports

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

2016 Audit Recommendations

2017 Audit Recommendations

[Graphs showing data for 2016 and 2017 audit recommendations, with bars indicating total findings, number implemented in 2016, 2017, and 2018.]

Summary of Nonaudit Services

The Controller's Office provided nonaudit services to County employees and departments in 2018. 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**

**Auditor:**
Kathleen Nesfeder, CFE, CRMA


**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, 2017 with projections to December 31, 2018.
We attended proposal openings for professional service RFPs as prescribed by the County Administrative Code.

**Procurement**

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

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.

**Post Audit Support**

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

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

**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.

We attended proposal openings for professional service RFPs as prescribed by the County Administrative Code.
We reviewed audit workpapers and reports to assess our compliance with *Government Auditing Standards* and to determine the effectiveness of our control process.

We co-sponsored the 2018 Fall Conference for Government Auditors with the Lehigh County Controller’s Office.

### 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

### Control Self Assessment

**Auditors:**
- Paul Albert, CIA
- Tony Sabino, CIA
- Kathleen Kuzma, MBA, CPA, CGMA
- Stacy Duke
- Gary Krall, MBA, CMA
- Kathleen Nesfeder, CFE, CRMA
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.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assisted RKL LLP with the 2017 year-end financial audit.</td>
<td>March 2018</td>
</tr>
<tr>
<td>Assisted RKL LLP with the 2017 Single Audit.</td>
<td>April 2018</td>
</tr>
<tr>
<td>Disposed of office files in accordance with the County Records Manual issued by the Pennsylvania Historical and Museum Commission.</td>
<td>May 2018</td>
</tr>
<tr>
<td>Submitted abstracts of audit reports for publication in the Local Government Auditing Quarterly.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Updated the Controller’s Office web page with audit reports and other pertinent information.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Scanned audit reports and workpapers in PDF format for file retention.</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>
The following audits and agreed-upon procedure engagements are in progress at December 31, 2018. These assignments will be included in the 2019 Summary of Reports Issued.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Projected Issue Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Tax – Woodsprings Suites #112</td>
<td>January 2019</td>
</tr>
<tr>
<td>Hotel Tax – View Inn &amp; Suites #124</td>
<td>January 2019</td>
</tr>
<tr>
<td>Hotel Tax – Non-Site Visits</td>
<td>January 2019</td>
</tr>
<tr>
<td>MDJ Engleson #03-2-11</td>
<td>January 2019</td>
</tr>
<tr>
<td>Court Administration Internal Controls – Cash</td>
<td>February 2019</td>
</tr>
<tr>
<td>Keystone Opportunity Zones (KOZ)</td>
<td>February 2019</td>
</tr>
<tr>
<td>Hotel Tax – Courtyard Marriott – Bethlehem #133</td>
<td>February 2019</td>
</tr>
<tr>
<td>MDJ Yetter #03-2-12</td>
<td>February 2019</td>
</tr>
<tr>
<td>District Attorney Drug Seizure Fund</td>
<td>April 2019</td>
</tr>
<tr>
<td>Orphans/Wills Agency Fund</td>
<td>April 2019</td>
</tr>
<tr>
<td>Procurement Card Program</td>
<td>May 2019</td>
</tr>
<tr>
<td>Checks and Vendors Analysis</td>
<td>May 2019</td>
</tr>
<tr>
<td>Civil/Sheriff Agency Fund</td>
<td>May 2019</td>
</tr>
<tr>
<td>Fleet Card Program</td>
<td>May 2019</td>
</tr>
</tbody>
</table>
Office Improvements

The staff of the Controller's Office continually strives to improve themselves and the audit process. During 2018, we made several improvements to our processes and professional skills.

- Completed 366 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.
- Revised the office policies and procedures manual.
- Created a fraud, waste and misuse hotline flyer that was distributed to all County employees.
- Updated financial statement and attestation engagement audit letters to comply with Government Auditing Standards.