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

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

We have performed the procedures enumerated below, which were agreed to by the Director of Fiscal Affairs and the Director of Human Resources, to assist with ensuring that the County payroll is accurately calculated and properly disbursed. We included in our sample the time records and direct deposit data within the dates October 1, 2016 and September 30, 2017. County management is responsible for maintaining adequate internal controls over the payroll system. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

1. **Procedure:** Determine if payments are going to identical direct deposit accounts for unrelated employees.

Findings: All duplicate direct deposit account instances were properly explained.

2. **Procedure:** Determine if longevity payments were paid out per policy or per provision of collective bargaining agreement guidelines, and if they were paid to eligible and active employees only.

Findings: A total of 1,096 employees received longevity payments during our analysis period. Part-time and terminated employees that were found to receive longevity payments were handled appropriately prior to their status change. We identified three instances in which the longevity payments to employees were calculated incorrectly. One instance was a County error in which an employee was overpaid \$50. The former Director of Human Resources took the position that since it was a County error, the employee would not be asked to pay back the overpayment. Two instances were underpayments to employees. These were corrected as soon as Human Resources was notified.

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We also identified three instances in which employees that were entitled to longevity payments did not receive their payments. These instances were corrected by Human Resources upon being notified.

3. **Procedure:** Determine if pay scales entered into the IFAS system match pay scales as approved by Council and confirm that salary increases for employees did not exceed Council-approved increases.

Findings: The following items were noted as a result of our analysis:

- Pay scales per IFAS agree to Council-approved pay scales. There were minor differences in the naming of three pay scales between IFAS and Council-approved pay scales, but no differences were noted with the pay rates.
 - Testing showed no instances of hourly wages being applied inconsistently across pay grades and steps.
 - Lump sum payments in lieu of increments paid to employees at the top of their pay grades per bargaining agreements were properly paid.
 - Pay increases to employees due to a change in position were properly approved.
 - Six employees received pay increases that were greater than the increments or pay scales that were approved by County Council in the budget or bargaining agreements. These pay increases required additional approval per County policies. This additional approval was not present in the personnel files.
 - Another employee was given a pay raise that exceeded the appropriate increase per the bargaining agreement due to a clerical error on the PAN. Upon notification to Human Resources and the department head, steps were taken to correct the pay step for future pay checks and Human Resources contacted the employee to set up repayment terms for the excess wages paid to date.
 - In general, it was noted that the Career Service regulations and the Human Resources policies and procedures are written in such a way that they are open to interpretation on how step increases can be awarded to employees at times other than the annual salary increments set by the County budget.
4. **Procedure:** Determine whether out-of-class payments were properly authorized and observe if any employee received out-of-class payments for more than six months per County policy.

Findings: An analysis of the "Employees with Out-of-Class Rates" report showed there were nine employees that received out-of-class pay for the period under review. Of these nine employees, four employees received out-of-class pay for more than six months with no written approval being obtained to extend the out-of-class pay. In addition, there was one instance in which there were no vacancies in the department where the out-of-class employee worked and no indication that this employee was filling in for any other individual.

5. **Procedure:** Determine if unusual or inappropriate pay codes were used to potentially conceal improper payments to employees.

Findings: A review of unusual pay codes showed that the use of these codes was appropriate in all but one instance. It was noted that a Deputy Sheriff was paid using an overtime fill in code for which he was not entitled. Since his time worked was considered overtime, a pay code for overtime should have been used. Per Human Resources, this error

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in pay codes resulted in this Deputy being underpaid for that pay period. Human Resources notified the Sheriff's Department and Payroll and the additional compensation was paid as retro pay.

6. **Procedure:** Determine if any FLSA exempt employees received overtime payments.

Findings: Our analysis showed no instances of FLSA exempt employees receiving overtime payments. However, we did note that 19 employees who were FLSA non-exempt had a status of FLSA exempt in IFAS. Nine of these employees were still active, and Human Resources corrected the status of these employees.

7. **Procedure:** Determine if there were any anomalies with the issuance of pay checks such as pay checks issued outside of active employment dates, employees with more than one pay check per pay period, and active employees with no earnings or deductions.

Findings: Based on our analysis, we found the following:

- Paychecks issued outside of active employment dates were properly explained.
- During our testing period, it was possible for employees to receive more than one pay check in a pay period. It was the policy of the previous Human Resources Director that any payroll adjustments were to be paid immediately; therefore an employee could receive a direct deposit pay check and a paper (manual) pay check. Instances where employees received more than one pay check in a pay period were adequately explained.
- Active employees with no earnings or deductions were found to have adequate explanations.

8. **Procedure:** Determine if there were any anomalies with the data in the employee master file such as missing data, inconsistently formatted social security numbers, multiple employees with the same name and/or address, and anomalies with the issuance of employee identification (ID) numbers.

Findings: Based on our analysis, we found the following:

- All social security numbers had nine digits and adhered to the social security numbering conventions, with one exception. One employee record contained a social security number of all zeros (see below).
- There were two employees that had duplicate employee master file records in IFAS (each employee had two different employee ID numbers). For one of the employees, the correct social security number was entered in one record, but the individual's duplicate employee record had an invalid social security number of 000-00-0000. The other employee had the same social security number entered for both of their employee records. The status of these employees in their employee master file records is listed as terminated.
- All employees had an employee ID number and all employee ID numbers were unique. We did notice gaps in the employee ID numbers, however. We were told by Fiscal Affairs that this was due to a glitch in the automatic number generation within the IFAS system.
- Blank data fields were found in 32 employee master file records. This was explained by Human Resources as a data conversion issue when files were rolled into IFAS in 2010. All but two of these employees were terminated, with most

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terminations occurring prior to 2001. The remaining two individuals, although entered in IFAS and assigned employee numbers, were never actively employed by the County.

- Multiple employees with the same or similar names were verified by Human Resources as valid employees, with the exception of the two employees noted on page 3 in the second bullet. It was noted that these two employees were entered into IFAS twice in error, creating two employee master file records for each employee.
- All unrelated employees living at the same address were verified by Human Resources as valid employees with correct addresses listed in their employee master file record.

We conducted this agreed-upon procedures engagement in accordance with generally accepted government auditing standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the County payroll being accurately calculated and properly disbursed. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the County of Northampton, Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.



Richard J. Szulborski
County Controller



Kathleen A. Kuzma, MBA, CPA, CGMA
Lead Auditor

December 5, 2018

cc: Stephen Barron, Director, Fiscal Affairs
Elizabeth Kelly, Director, Human Resources
Mark Schaeffer, Labor Relations Officer, Human Resources