



County of Lehigh Office of the Controller 2008 Annual Report

Thomas Slonaker, Controller

*Prepared by
John A. Falk, CPA
Deputy Controller*

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Thomas Slonaker
County Controller
Jan. 08- Jan. 11

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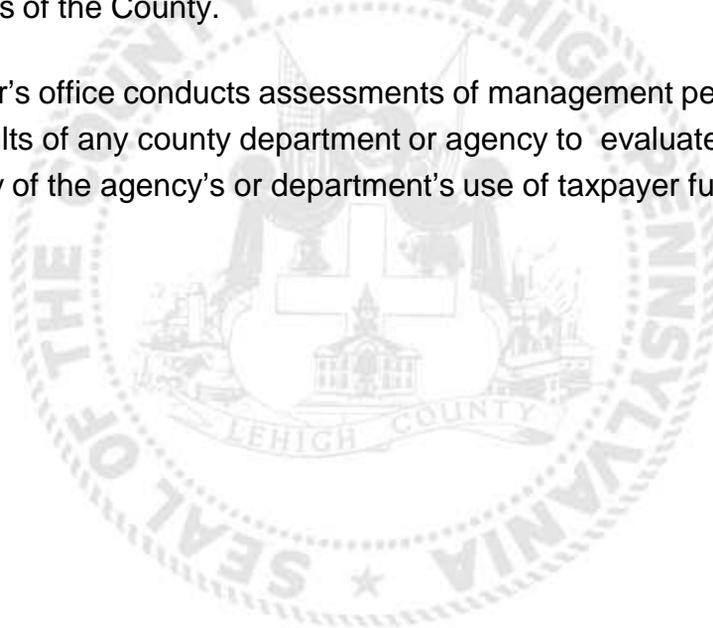
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County Controller
Jan. 08- Jan. 11

Mission Statement

The mission of the Office of the Controller, Lehigh County, Pennsylvania is to:

- Examine the propriety of internal control,
- Assess compliance with statutory requirements,
- Evaluate operating procedures,
- Audit the accuracy and completeness of records and files pertaining to the receipt and disbursement of County funds by all officers, agents, and employees of the County.

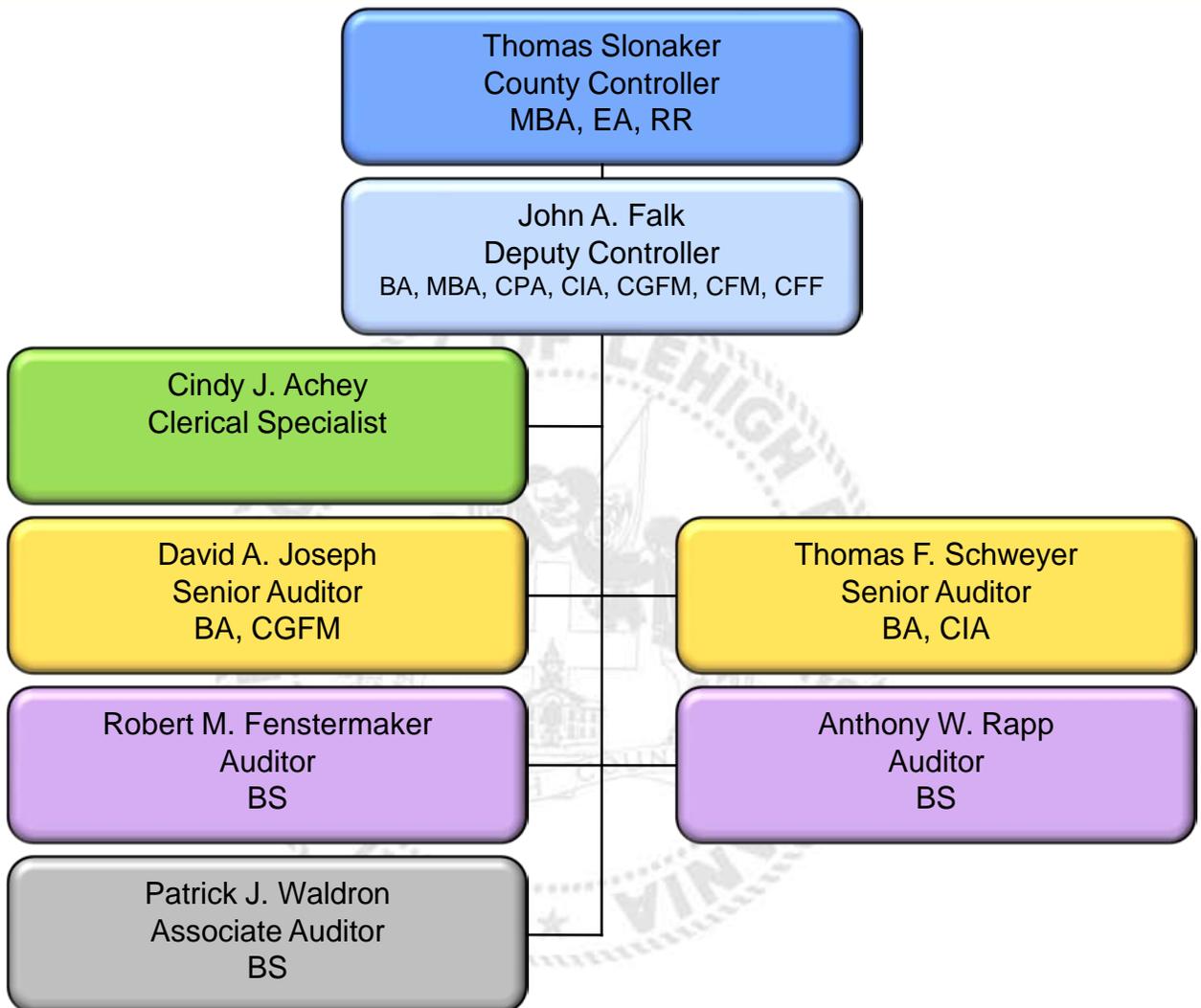
The controller's office conducts assessments of management performance and program results of any county department or agency to evaluate the efficiency and economy of the agency's or department's use of taxpayer funds.





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Jan. 08- Jan. 11

Staff & Credentials



BA - Bachelor of Arts
CFE - Certified Fraud Examiner
CGFM - Certified Governmental Financial Manager
MBA - Masters in Business Administration
CFF - Certified Financial Forensics

BS - Bachelor of Science
CIA - Certified Internal Auditor
CPA - Certified Public Accountant
EA - Enrolled Agent
RR - Registered Representative



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Auditing Standards

The office of the controller performs an internal auditing function. Internal auditing is an independent appraisal function established within an organization to examine and evaluate the activities of the organization. A general statement of purpose, authority, and responsibility for the office of the controller is included in the county home rule charter and administrative code.

All audits begin with objectives, and those objectives determine the type of audit to be conducted and the auditing standards to be followed. The *Government Auditing Standards*, issued by the Comptroller General of the United States, provide auditing guidelines for financial, attestation and performance audits. The *Government Auditing Standards* include the standards promulgated by the American Institute of Certified Public Accountants. Standards for the Professional Practice of Internal Auditing are codified by the Institute of Internal Auditors. These standards, applied as appropriate to the audit objectives, are the criteria by which the office of the controller performs audits.

Compliance to the various standards include minimum continuing professional education requirements for the staff and management of the office of the controller. The *Government Auditing Standards* require 80 hours every two years with 24 hours in government-related courses. Certified public accountants are subject to the AICPA required 120 hours every three years (minimum 20 hours per year) and the PICPA requirement of 80 hours every two years. The Institute of Internal Auditors, the Association of Certified Fraud Examiners and the Association of Government Accountants also have similar requirements to maintain their respective certifications.

Every three years, our overall compliance to the *Government Auditing Standards* is measured during an on-site audit performed by a team of qualified professionals certified by the Association of Local Government Auditors (ALGA). The results of the last peer review (for the period January 1, 2005 to December 31, 2007) were reported to the County Commissioners on December 18, 2008. Note: The opinion letter for this peer review is on page 24 of this document. The next peer review will be done in 2011.



Association of Local
Government Auditors
www.governmentauditors.org





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Jan. 08- Jan. 11

Introduction

You're going to be audited... What should you do?

First, relax! You are not being singled out for something you did or didn't do. All county activities are subject to audit. Generally, we select audits based upon a number of factors. We look at things such as the time since your last audit, the size of your operation, system changes, and turnover of key staff. Various factors are weighed to determine our audit plan.

What is an Audit?

An audit is an independent review of county operations and financial activities. During an audit, we evaluate your internal control system and suggest ways to improve the operational effectiveness and profitability of your area. We realize you are busy and having us around can be disruptive. We try to minimize interruptions of your regular work, and keep open communication with you about the audit.

Who are the Auditors?

We are a team comprised of experienced individuals. We have varied business experiences. Many of us have professional certifications such as Certified Government Financial Manager, Certified Public Accountant, Certified Internal Auditor, and Certified Fraud Examiner.

Who is the Controller?

The Controller is an elected official, independent of the administrative, legislative, and judicial branches of Lehigh County Government. Audit reports are issued to the County Executive, Board of Commissioners, and any other directly affected parties. All audit reports are a matter of public record.

Audit Effectiveness Questionnaire



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Since 1998, the office of the controller has sent an audit effectiveness questionnaire to the audited management after each audit was completed. Our questionnaire topics included audit planning, fieldwork and reporting.

Ratings from 1 (inadequate) to 5 (excellent) were requested for each of 13 questions related to our audit performance. Other written comments were also requested from the audited management.

In 2008, our performance received a rating of 4.4. The following are the ratings for the most recent years.

4.6	2007
4.4	2006
4.5	2005
4.3	2004

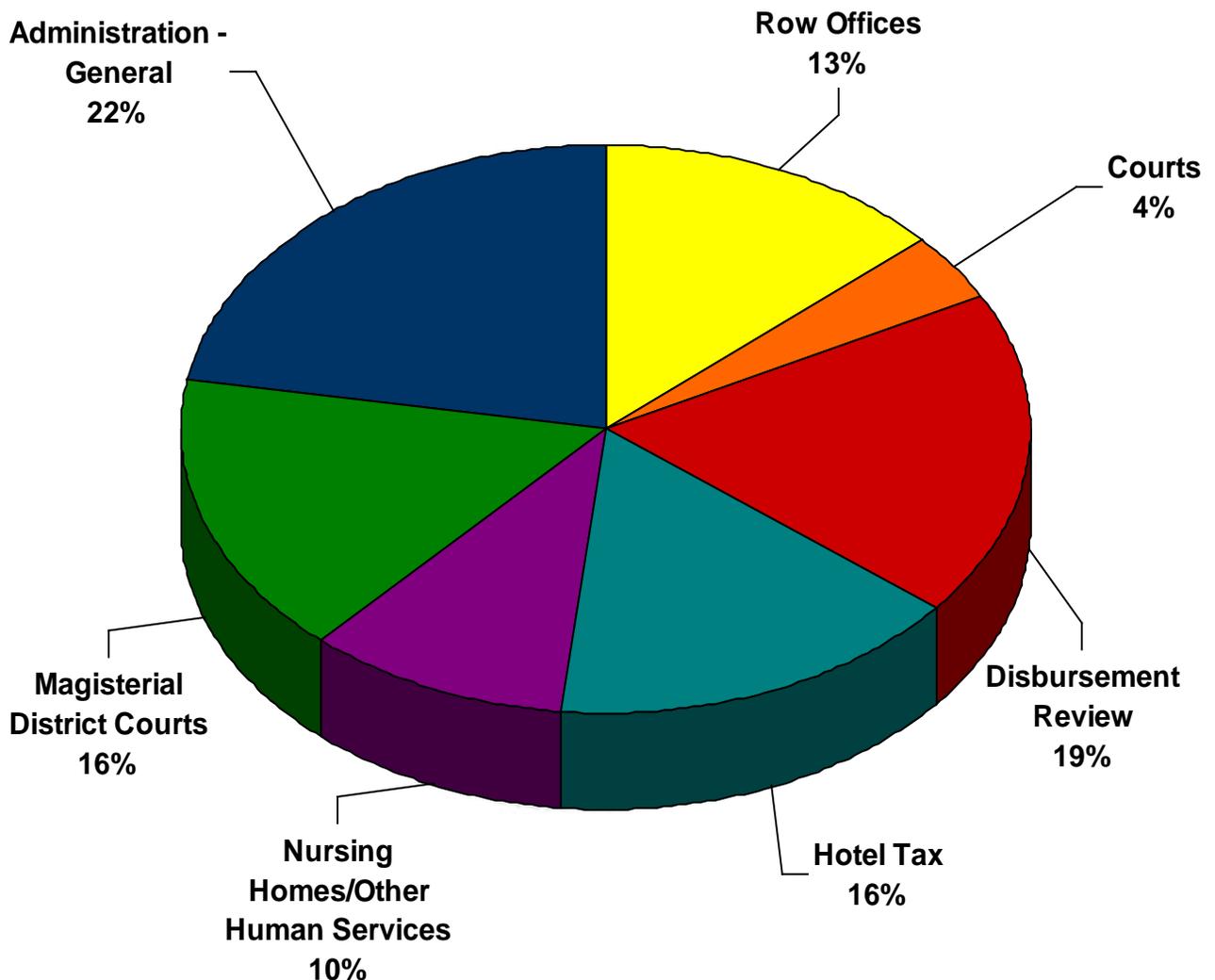
**The questionnaire describes a 4 rating as “very good” and a 5 as “excellent.”*

The questionnaire is helpful to gauge the effectiveness of our audits and the degree of customer satisfaction. The input received helps us in the planning and performance of future audits. We thank all who took the time to respond to the questionnaire this past year.



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2008 Audit Hours





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2008 Audits

Desk Audits

What is a Desk Audit?

A review of monthly reports which acts as an early warning system intended to provide ongoing oversight to cash handling offices.

2008 Desk Audits

Row Offices - Monthly Desk Audits of Row Office Reports

Purpose of Audits

To verify sequential receipt usage, to verify reported revenue matches bank deposits and actual receipt of funds by the Office of Fiscal Affairs and to verify bank reconciliations are being performed on a timely basis.

Audit Period - 01/2008 - 12/2008 (continuous)

Row Office Audits included:

- ❖ Register of Wills Office*
- ❖ Recorder of Deeds Office*
- ❖ Clerk of Courts Criminal Division Office*
- ❖ Clerk of Courts Civil Division Office*
- ❖ Orphans Court Office
- ❖ Coroner's Office
- ❖ Sheriff's Office

**These offices are part of the Judicial Records Office*

Magisterial District Courts - Desk Audits of 14 Magisterial District Judges' Monthly Reports

Purpose Of Audits

To monitor the individual Magisterial District Judges' remittance of county cost and fines and to verify monthly bank account reconciliations.

Audit Period - 01/2008 - 12/2008 (continuous)

2008 Audits

Magisterial District Court Audits



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Audit Type & Time Period

Financial Audits – For the years Ended December 31, 2006 & 2007

Purpose of Audit

To examine the detail records supporting the monthly Magisterial District Justice reports and fees remitted to Lehigh County.

REPORT TITLE	REPORT#
Magisterial District Court #31-2-03	08-04
Magisterial District Court #31-3-02	08-07
Magisterial District Court #31-2-02	08-10
Magisterial District Court #31-1-01	08-11
Magisterial District Court #31-1-08	08-12
Magisterial District Court #31-2-01	08-13
Magisterial District Court #31-3-03	08-14
Magisterial District Court #31-3-01	08-18
Magisterial District Court #31-1-06	08-19
Magisterial District Court #31-1-03	08-20
Magisterial District Court #31-1-05	08-27
Magisterial District court #31-1-02	08-31
Magisterial District Court #31-1-07	08-33
Magisterial District Court #31-1-07	08-34
Magisterial District Court #31-1-04	08-38
Magisterial District Court #31-0-00	08-42

2008 Audits Magisterial District Court Summary Audit



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Audit Type & Time Period

Summary – For the years Ended December 31, 2006 & 2007

Purpose of Audit

To summarize financial activity for all 14 Magisterial District Courts and to identify common procedural, operational, and internal control issues.

REPORT TITLE

REPORT

#

Magisterial District Court Summary Audit

08-55



2008 Audits

Hotel Tax Audits



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Audit Type & Time Period

Internal Audit – For the period January 1, 2007 to September 30, 2007

Purpose of Audit

To determine the adequacy of the fiscal office hotel tax collection process and to evaluate the accuracy of hotel tax reporting.

REPORT TITLE

Fiscal Office Operations

REPORT

#

08-01

Audit Type & Time Period

Agreed Upon Procedures Audits – For the Calendar Year Ended December 31, 2007

Purpose of Audit

To verify the accuracy of the amounts remitted by Lehigh County hotel operators to the County of Lehigh and to determine compliance to the established "Hotel Room Rental Tax Rules and Regulations."

REPORT TITLE

Comfort Inn

Hamilton Tower

Scottish Inn

Hilton Garden Inn-Allentown West

Staybridge Suites - Allentown

Four Points by Sheraton

REPORT#

08-06

08-15

08-16

08-17

08-21

08-22

~Continued on next page~

2008 Audits

Hotel Tax Audits (continued)



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REPORT TITLE	REPORT #
Best Western Inn & Suites	08-23
Egyptian Sands Motel	08-24
Fairfield Inn Bethlehem	08-25
Hawthorn Suites	08-26
Stone House Inn & Spa	08-28
Hampton Inn	08-29
Holiday Inn Express Hotel and Suites	08-30
Crowne Plaza – Allentown	08-32
Fine Lodging	08-35
Days Inn – Lehigh Street	08-36
Wingate by Wyndham	08-39
Holiday Inn Conference Center	08-40
Courtyard by Marriott	08-41
Scottish Inn - Catasauqua Road	08-43
Super 8 Motel	08-44
Scottish Inns and Suites	08-45
Hotel Traylor	08-46
Iron Run Motel	08-47
Lehigh Motor Inn	08-48
Holiday Inn	08-49
Glasbern	08-50
Hilton Garden Inn – Airport	08-51

~Continued on next page~

2008 Audits

Hotel Tax Audits (continued)



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REPORT TITLE	REPORT #
Dockside Bed and Breakfast	08-52
Staybridge Suites – Star Road	08-53
Comfort Suites of Allentown	08-54
Residence Inn	08-57
Royal Motel	08-58
Saucon Valley Country Club	08-59
Econo Lodge Allentown	08-60
Allenwood Motel	08-61
Days Inn and Conference Center	08-62
Ramada Inn	08-63
Quality Inn	08-66
Microtel Inn and Suites	08-67
Scottish Inn – Center Valley	08-68
Howard Johnson Inn & Suites	08-69



2008 Audits

County Administration Audits



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Audit Type & Time Period

Compliance Audit – For the Year Ended December 31, 2007

Purpose of Audit

Audit of compliance to the tax delinquency/rent delinquent provisions of the County Administrative Code

REPORT TITLE

REPORT

#

Compliance to the Provision of Section 801.2 paragraphs (B) to (E) of the County of Lehigh Administration Code 08-03

Audit Type & Time Period

Internal Audit– For the Year Ended December 31, 2007

Purpose of Audit

To review year-end payroll related reports and procedures and compile summary management reports on overtime, part-time employees, excessive compensatory time, excessive vacation time, inactive employees, and re-hired retirees.

REPORT TITLE

REPORT

#

Year-End Payroll Audit, Fiscal Office-Payroll and Human Resource Office 08-08

2008 Audits

County Administration Audits (continued)



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Audit Type & Time Period

Financial Audit – For the Year Ended December 31, 2007

Purpose of Audit

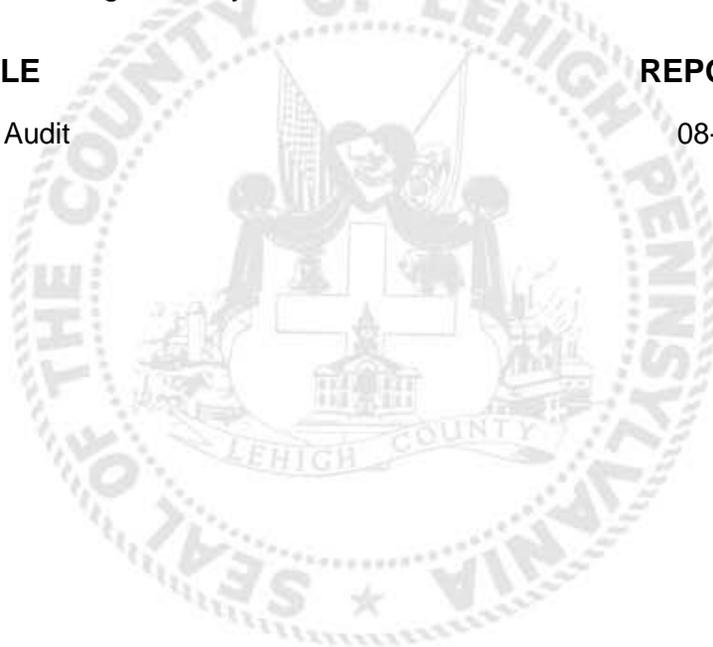
To audit the Statement of Final Settlement for Lehigh County Real Estate Tax collections. To determine that property taxes were properly billed, collected, and recorded by the Lehigh County office of fiscal affairs.

REPORT TITLE

Tax Collection Audit

REPORT#

08-09



2008 Audits

Row Offices Audits



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Audit Type & Time Period

Financial Audit– For the Years Ended December 31, 2006 and 2007

Purpose of Audit

Test of cash receipts, cash disbursements, and changes in cash balances.

REPORT TITLE

REPORT

#

Recorder of Deeds

08-64

Audit Type & Time Period

Financial Audit - For the Year Ended December 31, 2007

Purpose of Audit

Test of reporting, internal control, and compliance for register of wills cash handling and financial reporting activity.

REPORT TITLE

REPORT

#

Register of Wills

08-65

2008 Audits

Voter's Registration/Elections Audit



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Audit Type & Time Period

Internal—As of April 22, 2008

Purpose of Audit

Internal audits of advances paid to each voting district's Judge of Election and the subsequent financial settlements. Also, audit of cash handling (change funds, rents paid, instruction fees paid.)

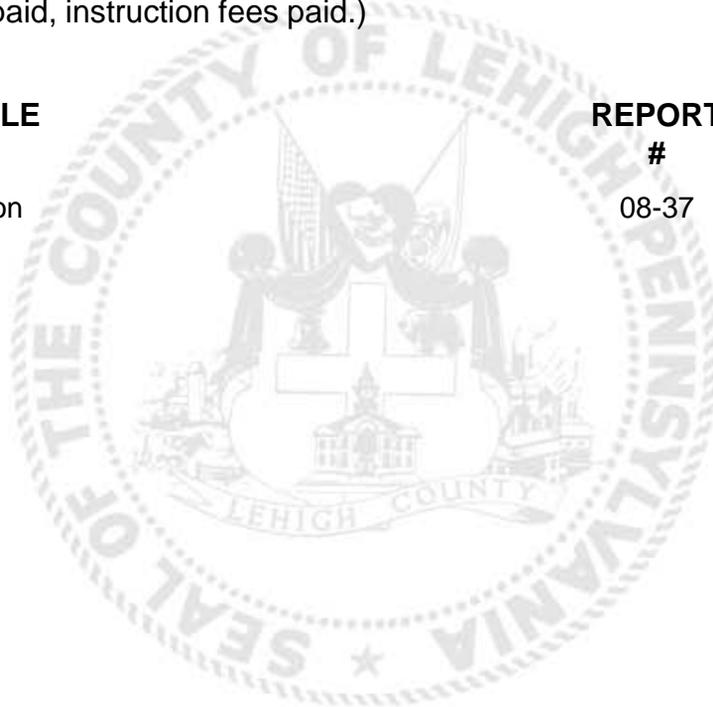
REPORT TITLE

Primary Election

REPORT

#

08-37



2008 Audits

Ethics Hotline Activity Audit



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Audit Type & Time Period

Summary Compilation – For the Period January 1, 2007 to December 31, 2007

Purpose of Audit

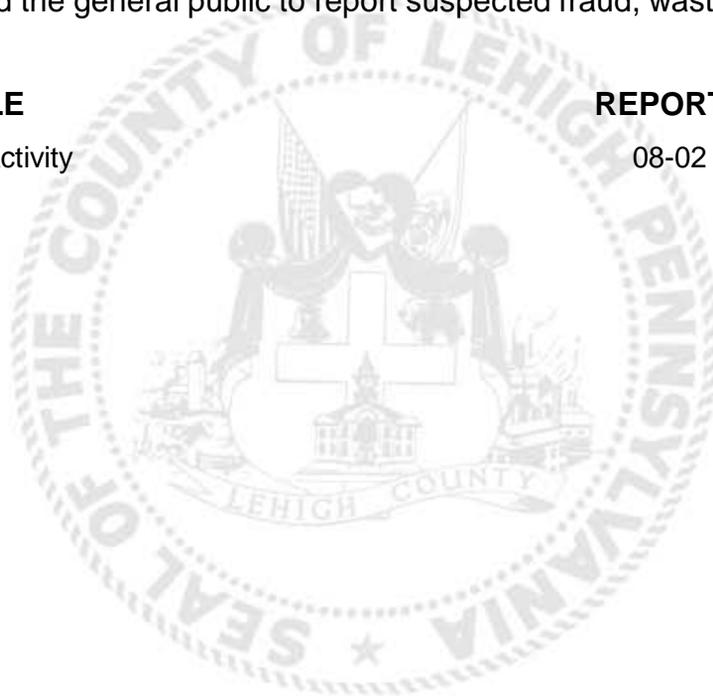
An annual report is issued to comply with Lehigh County Ordinance #1993-130 reporting requirements. A confidential telephone message system is available to employees and the general public to report suspected fraud, waste and abuse.

REPORT TITLE

Ethics Hotline Activity

REPORT#

08-02



2008 Audits

Nursing Home Audit



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Audit Type & Time Period

Internal Audit– For the Period January 1, 2007 to March 31, 2008

Purpose of Audit

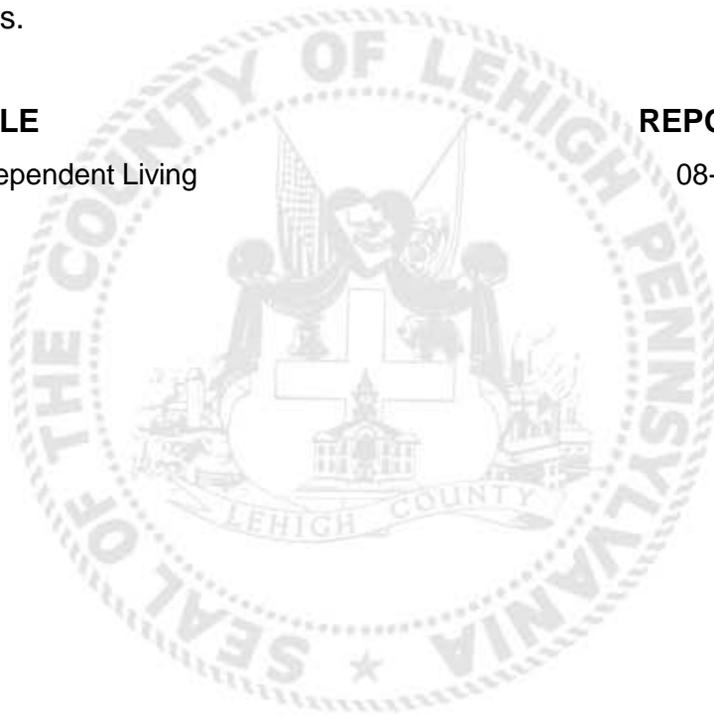
To evaluate resident application; admission; rental determination; and collection procedures; and to audit cash receipts, cash disbursements, accounts receivable, cash balances.

REPORT TITLE

Brookview Independent Living

REPORT#

08-56



2008 Audits

Court-Related Audit



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Audit Type & Time Period

Internal Audit– For the Period August 1, 2007 to January 5, 2008

Purpose of Audit

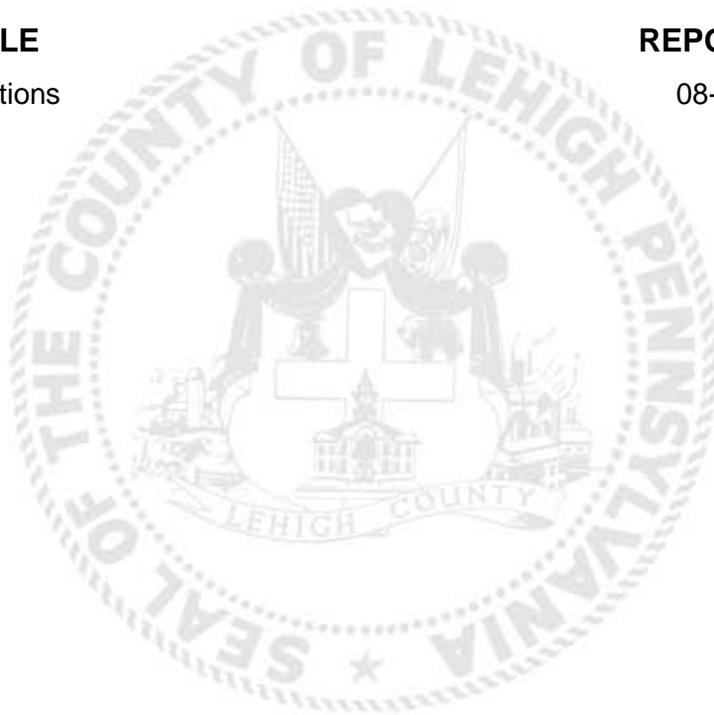
To evaluate the adequacy of cash handling controls.

REPORT TITLE

Domestic Relations

REPORT#

08-05



2008 Audits

Office of Fiscal Affairs Audits



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BIWEEKLY PAYROLL AUDITS / LONGEVITY PAYMENTS

Internal Audit - *Audit Period - Calendar Year 2008 (continuous)*

Purpose of Audit

To review authorization, processing, and recording of biweekly payroll disbursements.

WEEKLY VENDOR CHECK REVIEW

Internal Audit - *Audit Period - 01/2008 - 12/2008 (continuous)*

Purpose of Audit

To review and approve weekly disbursement of checks issued to vendors doing business with the county.

RETIREMENT CHECK DISTRIBUTION - Monthly Review

Audit Period - 01/2008 - 12/2008 (continuous)

Purpose Of Audit

To review and approve monthly retirement checks issued to retired employees.

EXTERNAL AUDITOR ASSISTANCE - Audit of Cash

Audit Period - 01/2007- 12/2007

Purpose Of Audit

Audit of existence, recording, and classification of all County cash amounts as of December 31, 2007. This audit work reduces County cost by providing external audit assistance.

Additional 2008 Projects



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2008 - Other Projects, Activities, Special Requests

- Weekly Check Reviews - Work Release, Bureau of Collections, HealthChoices
- Third-Party Weekly Check Review - Workers' Compensation, Healthcare Claim
- Reimbursement, Flexible Spending Accounts.
- Lost, Missing, Stolen Property Reporting Liaison
- Repository for County Officials' Bonds
- Bail Forfeiture Monitoring
- District Attorney Drug Forfeiture Reporting
- Auto Insurance Reimbursement Monitoring
- Constable Study Task Force
- Kiosk Operation – Inmate Accounts – Lehigh County Prison
- Cash Register Installation – Law Library
- Gas Card Compensation Incentive – Aging Vendor
- Sheriff Use of County Vehicle
- Review of Professional Service Agreements under \$2,000
- Audit Planning - Risk Assessment
- Overpayment of Employee Expenses
- HealthChoices Reinvesting Summary
- Other Special Projects

Cash Counts, Bids and the Ethics Hotline



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SURPRISE CASH COUNTS

The office of the controller also performs random, unannounced cash counts of offices that maintain a change fund or petty cash fund. During 2008, cash counts were performed at all County offices that handle cash.

BID CONTROL

Receive and secure advertised bids and requests for proposals issued by the office of purchasing. Open bids and monitor bid tabulation.

ETHICS HOTLINE – 610-782-3999

A confidential telephone message system is available to employees and the general public to report suspected fraud, waste, and abuse. The office of the controller investigates each call received (or directs the calls to the appropriate party.)

External Quality Control Review



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Association of Local Government Auditors

August 21, 2008

Mr. Thomas Slonaker
County Controller
County of Lehigh
Lehigh County Government Center
Room 465
17 South Seventh Street
Allentown, PA 18101

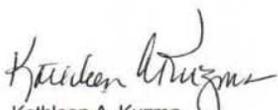
Dear Mr. Slonaker

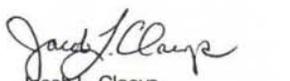
We have completed a peer review of the Office of the Controller of Lehigh County, Pennsylvania, for the period January 1, 2005 through December 31, 2007. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* (2008 Revision) published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if 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. 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 Lehigh County Office of the Controller's 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, 2005 through December 31, 2007.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.


Kathleen A. Kuzma
County of Northampton, PA


Jacob L. Claeys
City and County of Denver, CO


John Sanderlin
City of Norfolk, VA

Controller's Office Contact Information



Thomas Slonaker
County Controller
Jan. 08- Jan. 11

Name	Title	Phone	E-mail
Thomas Slonaker	Controller	610-782-3178	thomasslonaker@lehighcounty.org
John Falk	Deputy Controller	610-782-3083	johnfalk@lehighcounty.org
Cindy Achey	Clerical Specialist	610-782-3082	cindyachey@lehighcounty.org
David Joseph	Senior Auditor	610-782-3914	davidjoseph@lehighcounty.org
Thomas Schweyer	Senior Auditor	610-782-3912	thomasschweyer@lehighcounty.org
Robert Fenstermaker	Auditor	610-782-3913	robertfenstermaker@lehighcounty.org
Anthony Rapp	Auditor	610-782-3438	anthonyrapp@lehighcounty.org
Patrick Waldron	Associate Auditor	610-782-3915	patrickwaldron@lehighcounty.org

Copies of the completed audit reports are available upon request. To obtain a copy of an audit, please call our office at 610-782-3082.