



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 871-2897

GLENN D. ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Timothy Reeves, Fiscal Officer
Edward Hozza, Jr., Director of Administration
M. Judith Johnston, Director of Human Resources

FROM: Glenn Eckhart, County Controller G.E.

DATE: April 27, 2018

RE: Compliance Audit – 2017 Vendor Payments

We have completed an audit of vendor payment activity for the calendar year ending December 31, 2017. The Office of Fiscal Affairs is responsible for the preparation of vendor payments as described in the County of Lehigh Home Rule Charter and Administrative Code (as amended). The Office of the Controller is responsible for auditing county disbursements and reviewing warrants for the expenditure of county monies as described in Section 503 of the County of Lehigh Home Rule Charter and Section 502 of the Administrative Code. Our report number 18-14 is attached.

The results of our current (2017) audit are:

- Approximately 37,000 vendor payments amounting to \$182 million were issued by the Office of Fiscal Affairs during calendar year ending December 31, 2017. The Office of Fiscal Affairs does an exemplary job in handling the county's vendor payments. For 2017, no material adjustments were noted as a result of the Office of the Controller's weekly review of vendor payment activity.
- Current practices in-place for professional service agreements (under \$4,000/year) and procedures for one-time payments for contract exceptions need to be documented and communicated.
- Insurance certificates are not being properly monitored.

COUNTY OF LEHIGH, PENNSYLVANIA

INDEPENDENT AUDITOR'S REPORT

*Compliance Audit of Vendor Payments
For the Calendar Year 2017*

REPORT NO. 18-14

COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

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Compliance

We have audited the Office of Fiscal Affairs management's compliance with the County of Lehigh Home Rule Charter and Administrative Code (as amended) requirements for vendor payments for the calendar year 2017. Compliance with the requirements referred to above is the responsibility of the Office of Fiscal Affairs management. Our responsibility is to express an opinion on the Office of Fiscal Affairs management's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on vendor payment activity. An audit includes examining, on a test basis, evidence about the Office of Fiscal Affairs management's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Office of Fiscal Affairs management's compliance with those requirements.

In our opinion, the Office of Fiscal Affairs management complied, in all material respects, with the compliance requirements referred to above that are applicable to vendor payment activity for the calendar year 2017 except for the management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations.*"

Internal Control Over Compliance

Management of the Office of Fiscal Affairs is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Office of Fiscal Affairs management's internal control over compliance to determine the auditing procedures for the purposes of expressing an opinion on compliance, but not for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Office of Fiscal Affairs management's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance, such that there is reasonable possibility that a material noncompliance with a compliance requirement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Director of Administration's/Fiscal Officer's response to our audit is included in this report. We did not audit the Director of Administration's/Fiscal Officer's response and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management, Phillips Armstrong, County Executive; Board of Commissioners; others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Glenn Eckhart
County Controller

April 20, 2018
Allentown, Pennsylvania

Audited by: Zachary Efftig and Thomas Schweyer

xc: Phillips Armstrong, County Executive
Board of Commissioners
Sarah Murray, Solicitor, Department of Law
Catharine Roseberry, Senior Attorney, Department of Law

COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

Schedule of Audit Findings and Recommendations

1. Using a Purchase Order for Low Dollar Professional Service Agreements

Condition: Procedures for using a purchase order for contracting professional services less than \$4,000/year are not documented. Written policies and procedures should be developed and formally authorized to facilitate the proper processing of the affected transactions.

Recommendation: County Administration should document the use of the Administrative Form #1 (Using a Purchase Order for Professional Services Agreements) procedures and establish authorization for the procedures via Administrative Notice.

2. One-time Contract Exception Procedures Not Documented

Condition: One-time contract exception procedures are not authorized or documented. Occasionally, a department will request that a one-time payment be made to a vendor without a contract in-place. Most of the one-time exception requests have been due to exigent circumstances involving human services clients. Written policies and procedures should be developed and formally authorized to facilitate the proper processing of the affected transactions.

Recommendation: County Administration should develop a management review and approval process, and establish authorization for the procedures via Administrative Notice.

3. Lack of Adequate Control Over Vendor Insurance Coverage Compliance

Condition: We were unable to locate "Certificates of Insurance" for 10 out of 20 randomly selected vendors. Terms of our contracts require the vendor to provide Certificates of Insurance no later than ten calendar days before work is begun. We also found several Certificates where Lehigh County was not listed as an additional insurance party also required by our contract.

Recommendation: The current Office of Fiscal Affairs contract viewing screens include a field to indicate receipt of the Certificate of Insurance. The initial payment for new or extended contracts should require notation that a current certificate was received. All insurance certificates should name the County of Lehigh as an additional insured party. Management should keep Certificates with contracts and file all documents in an electronic format.