



COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
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GLENN D. ECKHART  
COUNTY CONTROLLER

THOMAS GROGAN  
DEPUTY CONTROLLER

**TO:** Final Report Distribution

**FROM:** Glenn Eckhart, County Controller G.E

**DATE:** May 24, 2019

**RE:** Compliance Audit – Compliance to Tax Delinquency and Paid Rent Provisions of  
Section 801.2 of the County of Lehigh Administrative Code

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The controller's office has completed an audit of compliance with paragraphs (B) through (E) inclusive of Section 801.2 of the County of Lehigh Administrative Code for the calendar year ended December 31, 2018. These paragraphs set forth requirements for select vendors/contractors concerning staying current on county real estate tax payments and rents due as a prerequisite to doing business with the County of Lehigh. Our audit report number 19-10 is attached.

Based on the results of our audit, we concluded the county administration has complied with the requirements of Section 801.2, paragraphs (B) through (E), of the County of Lehigh Administrative Code.

Attachment

AUDITS/BADBOY

**COUNTY OF LEHIGH, PENNSYLVANIA**

**COMPLIANCE TO TAX DELINQUENCY AND PAID RENT PROVISIONS OF  
SECTION 801.2 OF THE COUNTY OF LEHIGH ADMINISTRATIVE CODE**

*Compliance Audit  
For the calendar year ended December 31, 2018*

AUDIT REPORT NO. 19-10

COUNTY OF LEHIGH, PENNSYLVANIA  
TAX DELINQUENCY AND PAID RENT PROVISION COMPLIANCE

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COUNTY OF LEHIGH, PENNSYLVANIA  
TAX DELINQUENCY AND PAID RENT PROVISION COMPLIANCE

*Background*

Section 801.2 - REQUIRED CONDITIONS FOR ALL CONTRACTS

(B) The County of Lehigh shall not make contractual arrangements with a vendor who is delinquent on any taxes due the County until the taxes are paid in full. Delinquent shall herein be defined as the point when the taxes owed become the responsibility of the Tax Claim Bureau to collect. (Effective January 1, 2015, delinquent county real estate tax collection is the responsibility of Northeast Revenue, LLC.)

(C) Every contract shall state that if the vendor becomes delinquent on taxes owed the County during the term of the agreement, vendor shall be in breach of the agreement and the County shall withhold vendor payments in lieu of taxes until taxes are paid in full.

(D) The Department of Administration shall issue written notice to the Board of Commissioners within 60 days of the end of the fiscal year if a vendor or lessee is found to be delinquent on any taxes due the County. As directed pursuant to contract language authorized by this section, the County shall withhold payments until the taxes are paid in full.

(E) The County of Lehigh shall not make contractual arrangements with a vendor who is also a lessee of the County until the rent due the County is paid in full as provided for in the terms of the lease agreement.

Source: excerpt from the County of Lehigh Administrative Code



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GLENN D. ECKHART  
COUNTY CONTROLLER

THOMAS GROGAN  
DEPUTY CONTROLLER

Timothy Reeves, Fiscal Officer  
Office of Fiscal Affairs  
Lehigh County Government Center  
17 South Seventh Street  
Allentown, PA 18101-2400

## **Compliance**

We have audited the Office of Fiscal Affairs' compliance with the County of Lehigh Administrative Code Section 801.2, paragraph (B) – (E) for the calendar year ended December 31, 2018. Compliance with the requirements referred to above is the responsibility of the Office of Fiscal Affairs' management (a copy of the Fiscal Officer's January 28, 2019 memo is attached). Our responsibility is to express an opinion on the Office of Fiscal Affairs' 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 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 delinquent tax collection 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' compliance with those requirements.

In our opinion, Office of Fiscal Affairs complied, in all material respects, with the compliance requirements referred to above that are applicable to the County of Lehigh Administrative Code Section 801.2, paragraph (B) – (E) for the calendar year ended December 31, 2018. However, we noted compliance deficiencies or other 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' 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' 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.

This report is intended solely for the information and use of management; Phillips Armstrong, County Executive; Edward Hozza, Jr., Director of Administration and the Board of Commissioners and it 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.

A handwritten signature in dark ink, appearing to read 'Glenn Eckhart', with a stylized flourish at the end.

Glenn Eckhart  
County Controller

May 23, 2019  
Allentown, Pennsylvania

Audited by: Nanton John

Attachment

xc: Phillips Armstrong, County Executive  
Board of Commissioners  
Edward Hozza, Jr., County Administrator

COUNTY OF LEHIGH, PENNSYLVANIA  
TAX DELINQUENCY AND PAID RENT PROVISION COMPLIANCE

*Schedule of Audit Findings and Recommendations*

1. **C & E HOLDINGS**

Condition: The County entered into a 10 year contract with lessee C & E Holdings which began on July 1, 2016 and ends on June 30, 2026 with agreed upon monthly rental rates and annual increases. During the audit, it was determined that while the contract was active for the year 2018, there were no rent revenues received at any time throughout the year from the lessee. The last rent payment we received from them was December 15, 2017 for rent for the month of November and the payment included a late fee. Upon further review it was determined that the lessee stopped paying their rent and moved out of the space sometime in the middle of 2018. The lessee made no attempts to pay or contact the County to settle their debt prior to vacating the space. Based on their contract for Year 2 (7/1/17-6/30/18), C & E Holdings owed rent of \$20,103.58 plus late fees of \$1,400 for 7 months' rent (December, 2017 – June, 2018) when they left. The County (Fiscal) is pursuing legal action to recoup rent owed plus possible rent for the months after they vacated until a new lessee occupies the space.

Recommendation: The County (Fiscal) is taking the appropriate steps to ensure unpaid rent is recouped by pursuing legal action. We will continue to monitor KEA for payment and follow up with the Law Department on the status of the legal measures being pursued.



**COUNTY OF LEHIGH**  
**Office of Fiscal Affairs**

**Timothy A. Reeves**  
**Fiscal Officer**

TO: Chairman Marty Nothstein

FROM: Timothy A. Reeves,  
Fiscal Officer

A handwritten signature in black ink, appearing to read "TAR", is written over the printed name of Timothy A. Reeves.

DATE: January 28, 2019

RE: Ordinance 1992-#119

In accordance with Ordinance 1992-#119 we are submitting a listing per exhibit B, number 4.

**Contract #**

**Vendor**

**Amount**

There are no instances in 2018

The listing does not include Foster Care Parents, Day Care Providers, Grants, Employees, Vendors who receive payments which are not subject to Ordinance 1992-119, and Vendors who may owe taxes as another entity but the County does not have a contractual relationship with that entity.

If you should have any questions, please do not hesitate to contact me.

TAR/rmf

xc: To All Commissioners  
xc: Phillips Armstrong  
xc: Glenn Eckhart

*Government Center  
17 South Seventh Street  
Allentown, Pennsylvania 18101-2400*

*Fiscal Administration  
Phone: 610-782-3115*