



Lehigh County

Pennsylvania

OFFICE OF THE CONTROLLER


Mark Pinsley, MBA

COUNTY CONTROLLER

Nanton John, CIA, CFE

DEPUTY CONTROLLER

TO: Final Report Distribution

FROM: Mark Pinsley, County Controller 

DATE: July 7, 2025

RE: Compliance Audit – 2024 Pension Payments

We have completed a compliance audit of the Lehigh County Pension Payments for the calendar year ending December 31, 2024. The Office of Fiscal Affairs' management is responsible for the preparation of county payments as described in the County of Lehigh Home Rule Charter and Administrative Code (as amended) and in the County Pension Law-Pennsylvania State Act Number 96 of 1971. The county's external auditors are responsible for auditing the County of Lehigh Employee's Retirement Plan. 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 audit was limited to the pension payment processing function performed by the Office of Fiscal Affairs' personnel. Our report number 25-18 is attached.

We thank the Lehigh County Office of Fiscal Affairs for their cooperation during the audit.

The results of our audit are:

- Approximately 23,984 pension payments amounting to \$48 million were issued by the Office of Fiscal Affairs during calendar year ending December 31, 2024.
- 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 pension payments for the calendar year ending December 31, 2024.

Attachment



COUNTY OF LEHIGH, PENNSYLVANIA

INDEPENDENT AUDITOR'S REPORT

Compliance Audit – Pension Payments
For the Calendar Year Ending December 31, 2024

REPORT NO. 25-18

COUNTY OF LEHIGH, PENNSYLVANIA
PENSION PAYMENTS
FOR THE CALENAR YEAR ENDING DECEMBER 31, 2024

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COUNTY OF LEHIGH, PENNSYLVANIA
PENSION PAYMENTS
FOR THE CALENAR YEAR ENDING DECEMBER 31, 2024

Background

The County of Lehigh Employees' Retirement Fund ("Plan"), a single-employer plan, was established in 1942 and is a contributory defined benefit pension plan. Plan benefits and obligations are under the authority of Pennsylvania State Act Number 96 of 1971 and can be amended by Act of the General Assembly of the Commonwealth of Pennsylvania. All County employees with the expectation of working over 1,000 hours per year are required to participate in the Plan. Elected officials have the option to participate, while other full-time employees must participate.

Upon retirement, demands for pension payments are received, reviewed and approved by the pensioner, and then verified and recalculated by third-party actuaries. Once authorized for payment, the approved demand is forwarded to the Office of Fiscal Affairs where the following is performed in compliance with the *County of Lehigh Administrative Code (as amended)*:

When demands are reviewed, audited and approved for payment by the Office of Fiscal Affairs, the Controller's Office, in compliance with the County's Home Rule Charter and Administrative Code noted below, performs a final review prior to payment.

Lehigh County Home Rule Charter (as amended):

§ 503: The Controller shall examine the records, files, and procedures pertaining to the receipt and expenditures of County funds by all officers, agents, and employees of the County and all agencies thereof, to determine if they are in accordance with law, and the provisions of this Charter...

County of Lehigh Administrative Code (as amended):

Section 502: The Office of the Controller shall have and exercise all powers and duties stated in Article V, Section 503 of the Charter. The duties of the office shall be organized to perform the following functions:

- (b) Review all warrants for the expenditures of County monies and review the bidding, contract and other documents constituting the basis for the expenditures and if satisfied that such expenditures are within the budget allotment pertaining thereto and otherwise conform to the applicable legal requirements, shall sign said warrant before it is paid.

	<u>2023</u>	<u>2024</u>
Retired Participants		
Payments to Retirees	\$ (43,061,999)	\$ (46,282,810)
Payments to Retiree's Beneficiaries	\$ (274,787)	\$ (424,799)
 New Retirees	 101	 97
Terminated Retirees	(60)	(59)
Retired Participants at Year-end	1,941	1,979
Buy-Backs *	6	5
 Retirement Plan		
Member's Balance at Year-end **	\$ 112,474,869	\$ 112,519,127
Member Contributions	\$ 7,926,768	\$ 8,172,881
Member Contribution Refunds	\$ (987,434)	\$ (1,287,937)
 Member Participants at Year-end	 2,357	 2,430

* Buy-Backs are employees who left the county's employment and then returned to county service. Credit for former service is restored if they repaid to the Fund the accumulated deductions that were previously refunded.

** Member's Balance is the total accumulated mandatory and voluntary amounts deducted from the salary of the contributor, together with the accumulated interest in the retirement plan.



INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance

Opinion

We have audited the Lehigh County Pension Payments for the calendar year ending December 31, 2024. The Office of Fiscal Affairs' management is responsible for the preparation of county payments as described in the County of Lehigh Home Rule Charter and Administrative Code (as amended) and in the County Pension Law-Pennsylvania State Act Number 96 of 1971. The county's external auditors are responsible for auditing the County of Lehigh Employee's Retirement Plan. 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 audit was limited to the pension payment processing function performed by the Office of Fiscal Affairs' personnel.

In our opinion, the Office of Fiscal Affairs complied, in all material respects, with the compliance requirements referred to above for the calendar year ending December 31, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Office of Fiscal Affairs and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Office of Fiscal Affairs' compliance with the applicable compliance requirements.

Responsibilities of Management for Compliance

Management of the Office of Fiscal Affairs is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Office of Fiscal Affairs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the applicable compliance requirements occurred, whether due to fraud or error, and to express an opinion on the entity's compliance with the applicable compliance requirements based on the compliance audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the applicable compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Office of Fiscal Affairs' compliance with the requirements of the County of Lehigh Employee's Retirement Plan.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the entity's compliance with applicable compliance requirements and performing such other procedures as the auditor considered necessary in the circumstances.
- Obtain an understanding of the Office of Fiscal Affairs' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the provisions of the County of Lehigh Employee's Retirement Plan, but not for the purpose of expressing an opinion on the effectiveness of the Office of Fiscal Affairs' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that the auditor identified during the audit.

Report on 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 and correct, 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 a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

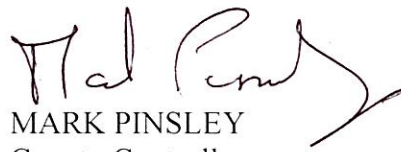
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Management's Response to the Audit

If provided, the Lehigh County Chief Fiscal Officer response to our audit is included in this report. We did not audit the Lehigh County Chief Fiscal Officer's response and, accordingly, we do not express an opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the provisions of County of Lehigh Employee's Retirement Plan. Accordingly, this report is not suitable for any other purpose.

This report is intended for the information and use of management, Phillips Armstrong, County Executive; Edward Hozza, County Administrator; Board of Commissioners; and others within the county 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.


MARK PINSLEY
County Controller

Allentown, Pennsylvania
June 26, 2025

Audited by: Allan Vavra

xc: Board of Commissioners
Phillips Armstrong, County Executive
Edward Hozza, County Administrator
Mary Prutzman, Accounting Supervisor