



County of Lehigh Allentown, Pennsylvania



Office of the Controller 2011 Annual Report



Glenn Eckhart, County Controller

Serving the Taxpayers of the County of Lehigh

Controller's



Office



Prepared by John A. Falk, CPA
Deputy Controller

**County Of Lehigh
Office Of The Controller
Glenn Eckhart, County Controller**

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County Of Lehigh Office Of The Controller Mission Statement

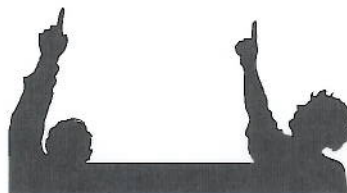


The mission of the office of the controller,
Lehigh County, Pennsylvania is to:

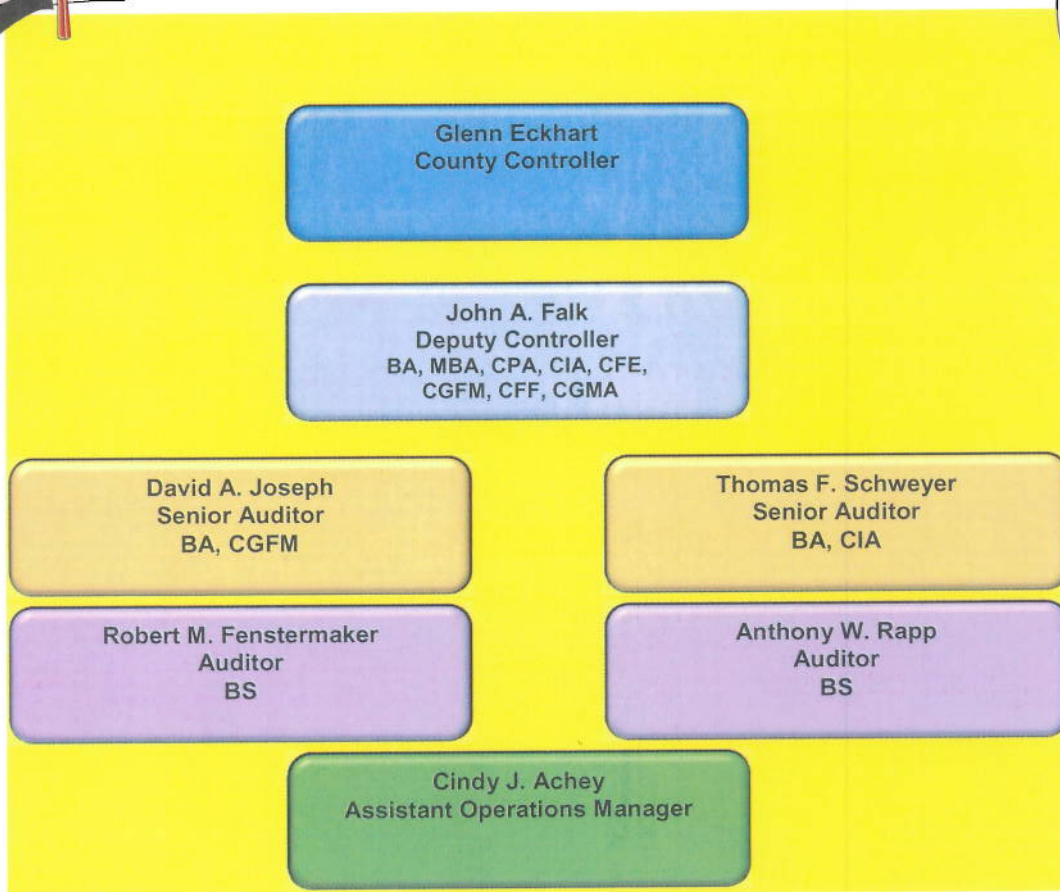
- examine the propriety of internal control,
- assess compliance with statutory requirements,
- evaluate operating procedures,
- audit the accuracy and completeness of records and files pertaining to the receipt and disbursement of County funds by all officers, agents, and employees of the County.



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.



County Of Lehigh Office Of The Controller Staff & Credentials as of December 31, 2011



BA - Bachelor of Arts

MBA - Masters in Business Administration

CGMA - Charter Global Management Accountant

CFF - Certified in Financial Forensics

CGFM - Certified Governmental Financial Manager

BS - Bachelor of Science

CPA - Certified Public Accountant

CIA - Certified Internal Auditor

CFE - Certified Fraud Examiner



County Of Lehigh Office of the Controller Auditing Standards



Association of Local
Government Auditors
www.governmentauditors.org



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.

The *Government Auditing Standards*, issued by the Comptroller General of the United States, provides auditing guidelines for financial and performance audits. Professional standards are also promulgated by the American Institute of Certified Public Accountants and several other authoritative accounting & auditing organizations.

Compliance to the *Government Auditing 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 each have similar requirements to maintain their respective certifications.

During 2011, a peer review of the internal quality control system was performed by the Association of Local Government Auditors (ALGA). As shown on their audit opinion letter on page 5 below, the ALGA peer review team concluded the Office of the Controller internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance to the *Government Auditing Standards*.

County Of Lehigh

Office of the Controller

Auditing Standards – Peer Review for 2008 - 2010



Association of Local Government Auditors

June 23, 2011

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, 2008 through December 31, 2010. 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 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.

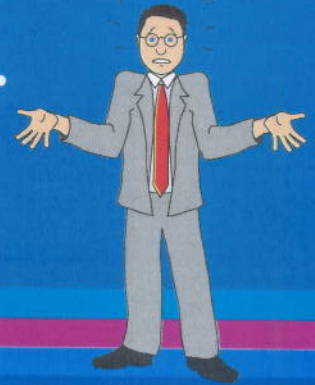
Based on the results of our review, it is our opinion that the Lehigh County Office of the Controller's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for financial audits and attestation engagements during the period January 1, 2008 through December 31, 2010.

We have prepared a separate letter that highlights several areas where your office excels. We also offer several suggestions to further strengthen your internal quality system.


John P. Competello
Palm Beach County, FL


Paul L. Albert
County of Northampton, PA

County Of Lehigh Office Of The Controller Introduction



You're going to be audited...

Audit Plans are Based on Risk Assessment.

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 risk 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 may suggest ways to improve the operational effectiveness and profitability of your area. We look at the degree of risk – the risk of your organization not meeting its objectives – also we evaluate the risk of fraud in your organization. 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 County Controller, Glenn Eckhart, is an elected official, independent of the administrative, legislative and judicial branches of Lehigh County Government. Audit reports are issued to the County Executive and Board of Commissioners and any other directly affected parties. All audit reports are a matter of public record and are available on the County of Lehigh website under the Office of the Controller.

Reports issued by the Office of the Controller are available on the internet at:

<http://www.lehighcounty.org> Select Departments, Controller, Reports by Year (2008 to the present)

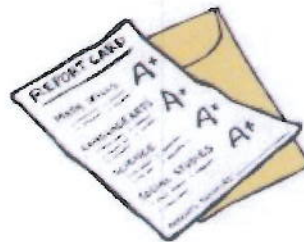
County Of Lehigh Office Of The Controller Audit Effectiveness Questionnaire

Beginning in late 1998, the office of the controller 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.

The average of the responses received rated our performance as 4.6 in 2010. The following are the ratings for the last five years:



4.6 in 2011
4.6 in 2010
4.3 in 2009
4.4 in 2008
4.6 in 2007
4.4 in 2006

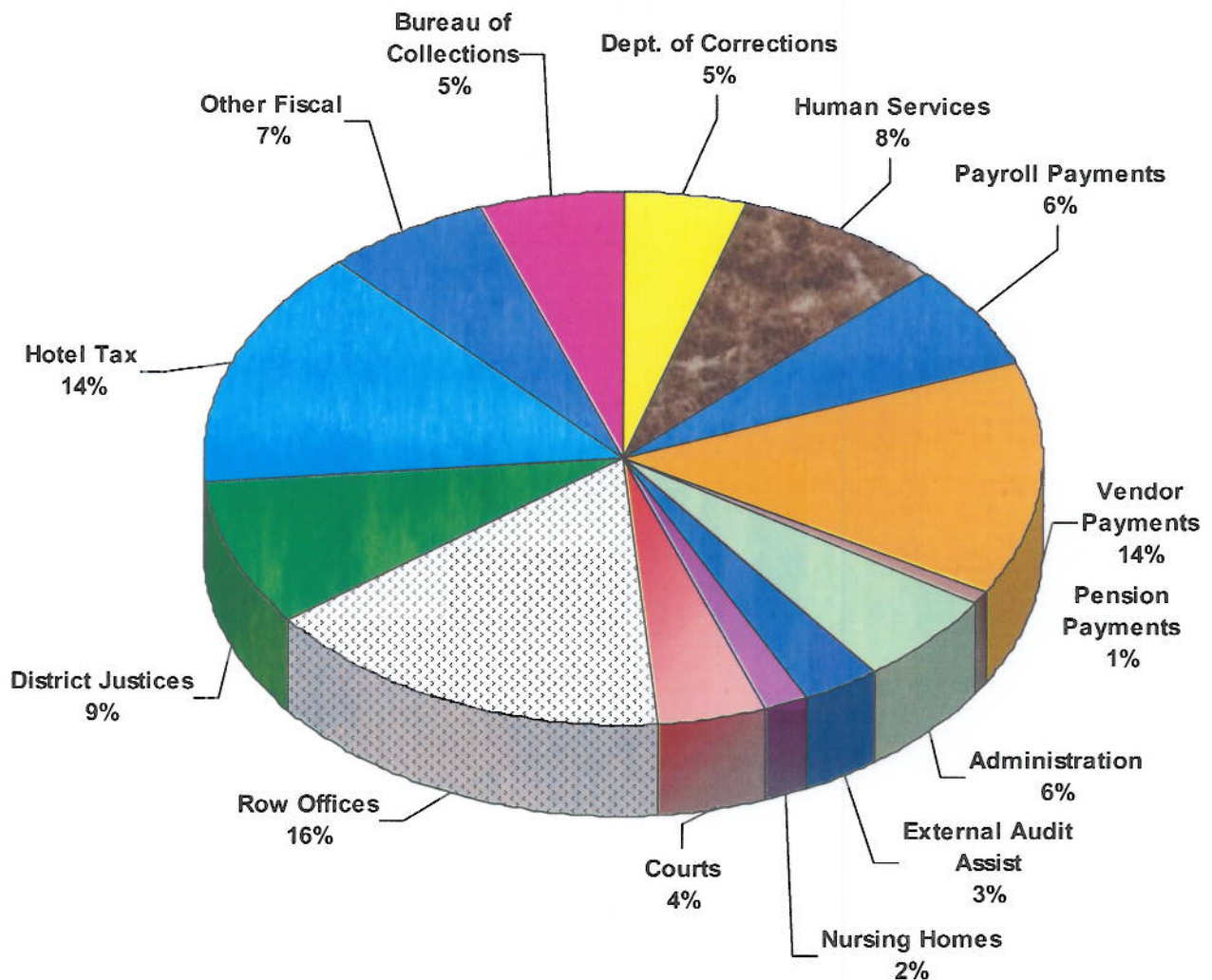


The questionnaire describes a 4 rating as “very good” and a 5 as “excellent.”

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.

County of Lehigh Office of The Controller

2011 Audit Hours (percentages rounded)



County Of Lehigh Office Of The Controller Desk "Audits" Our "Early Warning" System



What is a Desk Audit?

A desk audit is not really an audit at all. It is a spot check clerical review of monthly reports which acts as an early warning system intended to provide ongoing oversight for cash handling offices. If anything unusual is noted during a desk audit, the auditors look into the matter immediately. These monthly clerical reviews serve to highlight any unusual situation in a timely manner that requires our attention. Ultimately, full financial or performance audits are performed based on our risk assessment on a cyclical basis.

2011 Desk Audits:

Row Offices – Monthly desk audits of row office reports for the period January 2011 through December 2011 (continuous monitoring).

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



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

Magisterial District Judges - Monthly desk audits of 14 Magisterial District Court offices' reports for the period January 2011 through December 2011 (continuous monitoring).

Purpose of Audits – **For the row offices:** 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 performed on a timely basis.

For the magisterial district court offices: to verify the county share of costs & fines collected and remitted; to verify escrow balance control; and to verify monthly bank account reconciliations.

County Of Lehigh Office Of The Controller 2011 Audits



Payroll & Human Resources

Year End Payroll Audit - Report # 11-09

Internal Audit - For the Year Ended December 31, 2010

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 other payroll-related issues.



Hotel Tax Summary

Compilation of 2010 Hotel Tax Audits / Fiscal Office Operations – Report #11-64

Agreed-Upon-Procedures Audit – For the Year Ended December 31, 2010

Purpose of Audit

To compile the results of the individual Lehigh County hotel room rental tax audits and to determine the adequacy of the office of fiscal affairs management controls over hotel room rental tax reporting activity.



County Of Lehigh Office Of The Controller 2011 Hotel Room Rental Tax Audits

Audit Type – Agreed Upon Procedures

Purpose of Audits – To verify the accuracy of the amounts remitted by Lehigh County hotel operators for hotel room rental tax and to determine compliance to the “Hotel Room Rental Tax Rules and Regulations” for the calendar year ending December 31, 2010.

| | | | |
|-----------------------------------|-------|---------------------------------|-------|
| Allenwood Motel | 11-41 | Homewood Sts Airport (Briad) | 11-42 |
| Best Western / Altwn Inn & Suites | 11-33 | Homewood Sts Airport (MCR) | 11-43 |
| Comfort Inn | 11-20 | Hotel Traylor | NA |
| Comfort Suites of Allentown | 11-27 | Howard Johnson Inn | 11-53 |
| Courtyard by Marriott | 11-22 | Iron Run Motel | 11-46 |
| Days Inn/America's Best Value Inn | 11-17 | Knight Inn and Suites | 11-58 |
| Dockside Bed and Breakfast | 11-19 | Lehigh Motor Inn | 11-47 |
| Econo Lodge Allentown | 11-32 | Quality Inn | 11-60 |
| Egyptian Sands Motel | 11-50 | Ramada Inn | 11-34 |
| Executive Inn | 11-57 | Red Carpet Inn | 11-29 |
| Fairfield Inn Bethlehem | 11-52 | Red Roof Inn | 11-61 |
| Fine Lodging | 11-44 | Residence Inn by Marriot | 11-23 |
| Four Points Sheraton | 11-26 | Rodeway Inn and Conf. Center | 11-62 |
| Glasbern | 11-13 | Royal Motel | 11-49 |
| Hamilton Tower | 11-54 | Saucon Valley Country Club | 11-16 |
| Hampton Inn | 11-25 | Scottish Inn - Catasauqua Road | 11-45 |
| Hawthorn Suites | 11-18 | Scottish Inn - Center Valley | 11-24 |
| Hilton Garden Inn - Airport | 11-40 | Sleep Inn | 11-14 |
| Hilton Garden Inn - Altwn West | 11-31 | Staybridge Suites - Airport | 11-39 |
| Holiday Inn Allentown - Ctr City | 11-59 | Staybridge Suites - Altwn West | 11-15 |
| Holiday Inn Conference Center | 11-21 | Stone House Inn & Spa | 11-11 |
| Holiday Inn Express Hotel | 11-30 | Super 8 Motel - Airport Road | 11-55 |
| Homewood Suites Altwn (Briad) | 11-36 | Super 8 Motel - Golden Key Road | 11-28 |
| Homewood Suites Altwn (MCR) | 11-37 | Wingate by Wyndham | 11-12 |

County Of Lehigh Office Of The Controller 2011 Audits



Program for Women and Families Inc. – Special Investigation Report #11-65

Performance Audit – For the Calendar Year 2011

Purpose of Audit

To determine the validity of alleged inflated contract charges

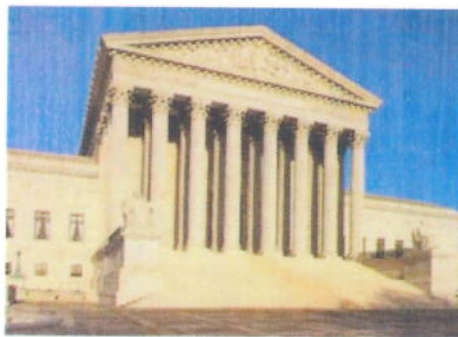


Bureau of Collections – Special Investigation – Report #11-05

Agreed-Upon-Procedures Audit – for the Period January 2008 – August 2009

Purpose of Audit

To identify cash misappropriations and assist the District Attorney's Office in prosecution.



County Of Lehigh Office Of The Controller 2011 Audits



Cedar View Apartments – Report #11-02

Financial Audit – For the Calendar Year Ended December 31, 2009

Purpose of Audit

To express an opinion on the financial statements and provide management comments on the operations of Cedar View Apartments.



Brookview Independent Living – Report #11-63

Performance – For the Period January 1, 2010 to June 30, 2011

Purpose of Audit

To determine the adequacy of internal control over cash handling (cash receipts, activity, billings, and recordkeeping). To determine whether application, admission, rent determination, and collection procedures were adequate and being adhered to. To evaluate the rent amounts charged in comparison to other similar living arrangements in the Lehigh Valley.



County Of Lehigh Office Of The Controller 2011 Audits



Judicial Records – Criminal Division – Report #11-03

Financial Audits – For the Years Ended December 31, 2008 & 2009

Purpose of Audit

To express an opinion on the financial statements and provide management comments on the operations of the Criminal Division.

Judicial Records – Civil Division – Report #11-07

Financial Audits – For the Years Ended December 31, 2008 & 2009

Purpose of Audit

To express an opinion on the financial statements and provide management comments on the operations of the Civil Division.

Judicial Records – Register of Wills Division – Report #11-08

Financial Audits – For the Years Ended December 31, 2008 & 2009

Purpose of Audit

To express an opinion on the financial statements and provide management comments on the operations of the Register of Wills Division.



County Of Lehigh Office Of The Controller 2011 Audits



Orphan's Court – Report #11-66

Financial Audits – For the Years Ended December 31, 2009 & 2010

Purpose of Audit

To express an opinion on the financial statements and provide management comments on the operations of the Orphan's Court.



Sheriff's Office – Report #11-67

Performance Audit of Cash Handling Controls– For the Calendar Year 2010

Purpose of Audit

To determine the adequacy of internal control over cash handling (cash receipts activity, billings, and recordkeeping).



County Of Lehigh Office Of The Controller 2011 Audits



Compliance to Tax Delinquent/Unpaid Rent Provisions of Section 801.2: (B),(C),(D),(E) of the County of Lehigh Administrative Code - Report # 11-06 Compliance Audit - Period Ended December 31, 2010

Purpose of Audit

Audit of compliance to the tax delinquent / unpaid rent provisions of the county Administrative Code.



Real Estate Tax Collections – Office of Fiscal Affairs – Report #11-51 Financial Audit – For the Year Ended December 31, 2010

Purpose of Audit

To audit the 2010 county real estate taxes reported by the county Fiscal Officer as collected (or turned over) to the county tax claim bureau.



County Of Lehigh Office Of The Controller 2011 Audits



Area Agency on Aging / Adult Services (AAA/AS) Representative Payee Accounts Report #11-35

Internal Audit - For the Calendar Year 2010

Purpose of Audit

To evaluate the administrative and accounting control over the AAA/AS trustee accounting controls.



Mental Health / Intellectual Disabilities

Trustee Accounts

Report #11-56

Internal Audit – For the Period July 1, 2010 to November 30, 2010

Purpose of Audit

To verify the contractor, Advocacy Alliance, was accurately maintaining the trustee accounts as the representative payee (budget, receipts/expenditures, fee schedules, insurance, and independent audit requirements) as contractually required.

County Of Lehigh Office Of The Controller 2011 Audits



Department of Corrections, Inmate Accounts – Report #11-10

Internal Audit - For the Period July 1, 2009 to June 30, 2010

Purpose of Audit

To determine the adequacy of controls over inmate account transactions and related revenues.



Elections:

General Election – Report #11-01

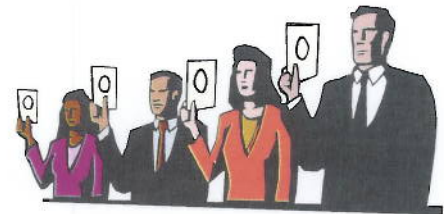
Internal Audit – November 2, 2010

Primary Election – Report #11-48

Internal Audit – May 17, 2011

Purpose of Audits

Audit of amounts paid to poll workers and Judges of Election for the county election.



Agricultural Conservation Easement Program – Report #11-38

Internal Audit – For the Calendar Years 2009 & 2010

Purpose of Audits

To determine the adequacy of control over farmland preservation easement awards.



County Of Lehigh Office Of The Controller Other Duties and Responsibilities



BIWEEKLY PAYROLL AUDITS / LONGEVITY PAYMENTS

Office of Fiscal Affairs

Internal Audit - *Audit Period - Calendar Year 2011 (continuous).*

Purpose Of Audit

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



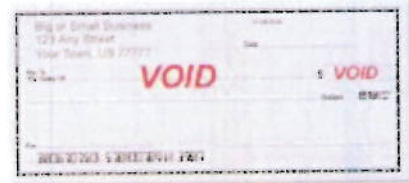
WEEKLY VENDOR CHECK REVIEW

Office of Fiscal Affairs

Internal Audit - *Audit Period - 01/2011 - 12/2011 (continuous).*

Purpose Of Audit

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



RETIREMENT CHECK DISTRIBUTION - Monthly Review

Office of Fiscal Affairs - *Audit Period - 01/2011 - 12/2011 (continuous).*

Purpose Of Audit

To review and approve monthly retirement payments issued to retired employees



EXTERNAL AUDITOR ASSISTANCE - Audit of Cash

Office of Fiscal Affairs - *Audit Period - 01/2010 - 12/2010*

Purpose Of Audit

Audit of existence, recording and classification of all County cash amounts as of December 31, 2010. This audit work reduces County cost by providing external audit assistance.



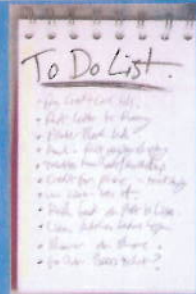
County Of Lehigh Office Of The Controller

Other Duties and Responsibilities



- Lost, Missing, Stolen Property Reporting Liaison
- County Officials' Bonds Depository
- Bail Forfeiture Monitoring
- Review of Bureau of Collections Check Disbursements
- Review of Work Release Check Disbursements
- Monitor Check Sequences for HealthChoices Checks, Worker's Compensation
- Review all Check and Direct Deposit Disbursements
- District Attorney Drug Forfeiture Reporting
- County Employee Policy & Procedures Representation Letter
- Contract Cessation Issues (Corrections) - Program for Women & Families
- Contract Issues – Horizon House, Start-up Charges
- Contract Issues – Step-by-Step, Direct Care Workers Initiative
- Contract Issues – It Takes a Village, Service Billings
- Hotel Traylor Civil Litigation
- Audit Planning – County-Wide Risk Assessment

County Of Lehigh Office Of The Controller Other Duties and Responsibilities



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. Every office that handles cash is subject to surprise cash counts.

BID CONTROL

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

LEHIGH COUNTY PENSION BOARD

The Controller, Glenn Eckhart, serves as Secretary of the Lehigh County Pension Board.



ETHICS HOTLINE - (610) 782-3999

See Report #11-04 (2010 Activity)

Purpose of Audit

A confidential telephone message system available to employees and the general public to report suspected fraud, waste and abuse. This report summarizes the prior year activity.

Confidential Independent Integrity in Government

**Glenn Eckhart, Controller
John A. Falk, Deputy Controller**

County of Lehigh Office of the Controller

General Office 610-782-3082

Contact Information



| Name | Title | Phone | E-mail |
|---------------------|------------------------------|--------------|-------------------------------------|
| Glenn Eckhart | Controller | 610-782-3178 | glenneckhart@lehighcounty.org |
| John Falk | Deputy Controller | 610-782-3083 | johnfalk@lehighcounty.org |
| Cindy Achey | Assistant Operations Manager | 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 |

Copies of the completed audit reports are available on the Lehigh County website under the Office of the Controller or call our office at 610-782-3082.