



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:** Final Report Distribution  
**FROM:** Glenn Eckhart, County Controller *G.E.*  
**DATE:** March 30, 2015  
**RE:** Compliance Audit – 2014 Pension Payments Processing

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We have completed an audit of pension payment processing activity for the calendar year ending December 31, 2014. 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 15-4 is attached.

The results of our audit are:

- Approximately 18,800 pension payments amounting to \$27 million were issued by the Office of Fiscal Affairs during calendar year ending December 31, 2014.
- 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, 2014.
- Controls over pension overpayments should be strengthened.

Attachment

AUDITS/PENSION PAYMENTS

COUNTY OF LEHIGH, PENNSYLVANIA

*Independent Auditor's Report*  
*Compliance Audit of Pension Payments Processing*

For the Calendar Year Ending December 31, 2014

REPORT NO. 15-4

COUNTY OF LEHIGH, PENNSYLVANIA  
COMPLIANCE AUDIT OF PENSION PAYMENTS PROCESSING

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GLENN D. ECKHART  
COUNTY CONTROLLER

JOHN A. FALK  
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' management compliance with the County of Lehigh Home Rule Charter and the Administrative Code (as amended) requirements for pension payments processing for the calendar year ending December 31, 2014. The Office of Fiscal Affairs' management is responsible for the preparation of pension payments. The financial statements of County of Lehigh Employees' Retirement Plan are audited by the county's external auditors and a separate independent auditors' report is issued annually. The Office of the Controller, County of Lehigh, is responsible for auditing county disbursements and reviewing warrants for the expenditure of county monies. We did not audit nor do we express an opinion on the financial statements of the County of Lehigh Employees' Retirement Plan nor on compliance to the requirements of Pennsylvania State Act Number 96 of 1971. Our responsibility is to express an opinion on the pension payment processing functions performed by the Office of Fiscal Affairs' personnel as to compliance with the Home Rule Charter and the Administrative Code (as amended) for the calendar year ending December 31, 2014.

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. The responsibility of the Office of the Controller is further described in the County of Lehigh Home Rule Charter Article V, Section 503, and County of Lehigh Administrative Code Article V, Section 502, paragraphs 1.a. and 1.b. 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 pension payment activity. An audit includes examining, on a test basis, evidence about the Office of Fiscal Affairs' management 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 compliance with the Lehigh County Home Rule Charter, the County of Lehigh Administrative Code, or the Pennsylvania State Act Number 96 of 1971.

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 County of Lehigh Home Rule Charter and the Administrative Code (as amended) for the calendar year ending December 31, 2014. 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' management 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 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; Thomas Muller, County Executive; Daniel McCarthy, Director of Administration; 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.



GLENN ECKHART  
County Controller

March 27, 2015  
Allentown, Pennsylvania

xc: Board of Commissioners  
Daniel K. McCarthy, Director of Administration  
Thomas S. Muller, County Executive

COUNTY OF LEHIGH, PENNSYLVANIA  
COMPLIANCE AUDIT OF PENSION PAYMENTS PROCESSING

*Schedule of Audit Findings and Recommendations*

1. Controls over pension overpayments should be strengthened

**Condition:** Pension overpayments (stemming from payments issued to pensioners after their date of death) are not tracked in the general ledger. Instead, a subsidiary schedule of refunds due is maintained by the staff. Per the schedule, overpayments due the county amount to \$989.13 as of December 31, 2014.

Without tracking these funds in the general ledger management is unable to effectively monitor collection results.

To ensure they become aware of a pensioner's passing, the staff monitors published death notices on a daily basis. In addition, pension plan data files are compared to SSA (Social Security Administration) death records on an annual basis.

**Recommendation:** Overpayments should be recorded in the general ledger as an accounts receivable. Also, a written policy should be established to address uncollectable funds.