



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: April 30, 2014
RE: Compliance Audit – 2013 Vendor Payments

We have completed an audit of vendor payment activity for the calendar year ending December 31, 2013. 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 14-7 is attached.

The results of our audit are:

- Approximately 42,000 vendor payments amounting to \$174 million were issued by the Office of Fiscal Affairs during calendar year ending December 31, 2013. No material adjustments were noted as a result of the Office of the Controller's weekly review of vendor payment activity.
- In our opinion, the Office of Fiscal Affairs complied, in all material respects, with the compliance requirements referred to above that are applicable to vendor payments for the calendar year ending December 31, 2013.
- We commend the Office of Fiscal Affairs for converting 58% of vendor payments to a less costly electronic method.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA

INDEPENDENT AUDITOR'S REPORT

*Compliance Audit of Vendor Payments
For the Calendar Year 2013*

REPORT NO. 14-7

COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

Table of Contents

	<u>Page</u>
OPINION OF GLENN ECKHART, LEHIGH COUNTY CONTROLLER	1-2
Department of Administration - Fiscal Officer's Response	No Response



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

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's compliance with the County of Lehigh Home Rule Charter and Administrative Code (as amended) requirements for vendor payments for the calendar year 2013. 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 2013. However, we noted a compliance deficiency and a management issue described below:

Compliance Deficiency: A payment of \$29,122 was issued for the county's share of concourse floor recoating at Coca Cola Park. A competitive bidding process was not conducted by the County Purchasing Agent as required by Section 803 of the Lehigh County Administrative Code. Management has agreed to obtain Board of Commissioner approval for any future exceptions.

Management Issue: An investigation of alleged fraudulent employee mileage expenses was conducted without notification made to the Controller's Office. Section 502 of the Lehigh County Administrative Code states the Controller shall investigate suspected fraud and theft. Management has been directed to make our office aware of such allegations in the future.

We would like to acknowledge the initiative taken by the Office of Fiscal Affairs to convert vendor payments from paper to electronic. As of calendar year 2013, 58% of total vendor payments were via direct deposit.

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.

This report is intended solely for the information and use of management, Thomas Muller, County Executive; Daniel McCarthy, Director of Administration; 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 30, 2014
Allentown, Pennsylvania

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