




TO: Final Report Distribution

FROM: Mark Pinsley, County Controller 

DATE: October 3, 2022

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

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, 2021. 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 22-15 is attached.

The results of our current (2021) audit are:

- Per the Administrative Code, Section 801.2, D "The Department of Administration shall issue written notice to the Board within 60 days of the end of the fiscal years if a vendor or lessee is found to be delinquent." The memo to the Board was dated July 25, 2022.
- Departmental processes in forwarding copies of current executed vendor contracts to the Office of Fiscal Affairs to ensure accurate payment processing should be strengthened.

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, 2021*

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

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Chief Fiscal Officer’s Response	No Response

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

Background

The Controller's Office performs an annual audit to ensure compliance with the requirements of Section 801.2 of the County of Lehigh Administrative Code. The County shall not contract with a vendor who is delinquent on any taxes due to the County; the County shall withhold payments to such vendor until the delinquent taxes are paid in full; the Department of Administration shall notify the Board of Commissioners within 60 days of the end of the fiscal year of the names of tax delinquent vendors; the County shall not contract with a vendor who also leases County property if any rent currently due is unpaid.

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 Elite Revenue Solutions, 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.

Section 801.4 - AUDITS

The County Controller shall audit this policy for compliance on an annual basis.

Source: Excerpt from the County of Lehigh Administrative Code



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA Nanton John, CFE
COUNTY CONTROLLER DEPUTY CONTROLLER

Timothy Reeves, Chief 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, 2021. Compliance with the requirements referred to above is the responsibility of the Office of Fiscal Affairs' management (a copy of the Fiscal Officer's July 25, 2022 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 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 2021 except for the management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior 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'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.



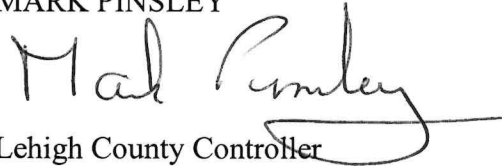
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance on a timely basis. A material weakness in internal control over compliance 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.

Management did not provide a written response to our audit. However, we did receive verbal confirmation that our recommendations will be taken under advisement. We did not audit the Fiscal Officer's response and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management, Phillips Armstrong, County Executive; Edward Hozza, 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.

MARK PINSLEY

A handwritten signature in black ink that reads "Mark Pinsley". The signature is written in a cursive style with a long horizontal flourish at the end.

Lehigh County Controller

September 15, 2022
Allentown, Pennsylvania

Audited by: Bethany DiMatteo

xc: Phillips Armstrong, County Executive
Board of Commissioners
Edward Hozza, Director of Administration

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

Schedule of Current Audit Findings and Recommendations

1. Annual Report to the Board of Commissioners is not sent within 60 days

Condition: Per the County of Lehigh’s Administrative Code, Section 801.2, D, “The Department of Administration shall issue written notice to the Board within 60 days of the end of the fiscal year if a vendor or lessee is found to be delinquent.” The memo to the Board was dated July 25, 2022, which is 206 days after the fiscal year ended.

Recommendation: This report should be submitted to the Board within the 60 day window. Fiscal should place this item on a master list of annual “due” items so that there is a reminder each year.

Management’s Response: Management did not provide written comments in response to our report. However, as per discussions with Management, the Office of Fiscal Affairs acknowledged that the report was submitted late and is implementing additional safeguards to ensure the report is submitted timely in the future.

2. Strengthening Controls over Vendor Contracts

Condition: When departments enter into contractual agreements with vendors, they are directed by the Department of Law to forward copies of executed contracts to the Office of Fiscal Affairs. In reviewing revenue contracts and contracts with vendors with potential delinquent tax status, contract details were not easily found in a centralized location. Newly executed contracts and extensions of existing contracts were found in KEA, physical copies in various departments, and electronically on BoardDocs and in the Office of Fiscal Affairs.

Recommendation: The Chief Fiscal Officer should partner with the Department of Law to remind all departments of their on-going responsibilities pertaining to the requesting, receiving and retaining of applicable vendor contracts. Consideration should also be given by the Office of Fiscal Affairs, Department of Law, and Executive Office for the creation of a central database of all vendor contracts when executed, ensuring accuracy and completeness.

Management’s Response: Management did not provide written comments in response to our report. However, as per discussions with Management, the Chief Fiscal Officer agreed to take our recommendations under advisement and will continue to evaluate the vendor payment and contract responsibility conversations with the Department of Law and Executive Office to address this issue.

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

Schedule of Prior Audit Findings and Recommendations

(Report #21-09 dated June 7, 2021)

1. Missed Matches on Yearly Review

Condition: While reviewing the yearly review of vendor, contract, and purchase orders for possible matches for delinquent taxpayers, we discovered two matches that were missed during fiscal's yearly review. The two matches are Donald M. Rice and Steven J. Ring Concrete Construction. Steven J. Ring Concrete Construction has already paid their delinquent taxes as of the date of testing. Donald M. Rice is still delinquent as of the date of testing.

Recommendation: We recommend to be more thorough in the next yearly review. Among the matches, the one that was still delinquent on their tax payments should be put on hold.

Current Status: Vendor Donald M. Rice delinquent taxes were paid to the County as of the time of this draft audit report. Furthermore, there were no missed matches discovered in the 2021 review of the vendor, contract, and purchase orders to vendor reports by fiscal.



COUNTY OF LEHIGH
Office of Fiscal Affairs

Timothy A. Reeves
Fiscal Officer

TO: Commissioner Geoff Brace

FROM: Timothy A. Reeves, 
Fiscal Officer

DATE: July 25, 2022

RE: Ordinance 1992-#119

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

<u>Contract #/Services Provided</u>	<u>Vendor</u>	<u>Amount</u>
Cedarbrook Resident Performer	Marvin Navarre	191.00

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.

For the vendors listed, payments will be withheld until the County taxes are paid in full.

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

TAR/rmf

xc: To All Commissioners
xc: Phillips Armstrong
xc: Mark Pinsley

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*Fiscal Administration
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