




TO: Final Report Distribution

FROM: Mark Pinsley, County Controller 

DATE: September 11, 2023

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, 2022. 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 23-19 is attached.

The results of our current (2022) audit are:

- The department of administration has complied, in all material aspects, with the requirements per the Administrative Code, Section 801.2, paragraphs section (B) through (E), of the county of Lehigh Administrative Code.

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, 2022*

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

Table of Contents

	Page(s)
Background – Section 801.2, paragraphs (B) through (E) County of Lehigh Administrative Code	1
OPINION OF MARK PINSLEY LEHIGH COUNTY CONTROLLER	2-3
Schedule of Prior Audit Findings and Recommendations..... (Report #21-09 dated June 7, 2022)	4
Copy of the Fiscal Officer’s February 23, 2023 memo	5
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
COUNTY CONTROLLER

Nanton John, CFE
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, 2022. Compliance with the requirements referred to above is the responsibility of the Office of Fiscal Affairs' management (a copy of the Fiscal Officer's February 23, 2023 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 the County of Lehigh's Administrative Code Section 801.2, paragraph (B) – (E) for the calendar year ending December 31, 2022.

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.



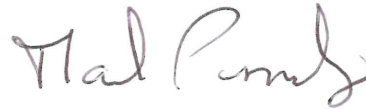
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance on a timely basis. A material weakness in internal control over compliance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

If provided, the Fiscal Officer's response to our audit is included in this report. 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



Lehigh County Controller

September 7, 2023
Allentown, Pennsylvania

Audited by: Rachel Wolff

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 Prior Audit Findings and Recommendations
(Report #22-05 dated September 15, 2022)

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, 4, “The Department of Administration shall issue written notice to the Board within 60 days of the end of the fiscal year if a vendor 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 Response: 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.

Current Year Status: The annual report to the board of commissioners was filed timely, within the 60 days of the end of the fiscal year. Additionally, fiscal added safeguards as was recommended last year.

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 KEA. 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 certificates of insurance. 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.

Current Year Status: No action was taken by management per our recommendation. Current testing revealed no missing contracts, however all contracts reviewed were not maintained in a central location.



COUNTY OF LEHIGH
Office of Fiscal Affairs

Timothy A. Reeves
Fiscal Officer

TO: Commissioner Geoff Brace

FROM: Timothy A. Reeves,
Fiscal Officer

DATE: February 27, 2023

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>
American Rescue Funds	Shadi Bitar-Builders & Management Plus	305.71
American Rescue Funds	Juan Mera-Juan Radiator	704.51

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

Government Center
17 South Seventh Street
Allentown, Pennsylvania 18101-2400