



TO: Final Report Distribution
FROM: Mark Pinsley, County Controller *MP*
DATE: May 21st, 2021
RE: Compliance Audit – 2020 Vendor Payments

We have completed an audit of vendor payment activity for the calendar year ending December 31, 2020. 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 21-07 is attached.

The results of our current (2020) audit are:

- Approximately 29,000 vendor payments amounting to \$221 million were issued by the Office of Fiscal Affairs during calendar year ending December 31, 2020. Fiscal staff should be commended for their efforts to process payments with minimal issues.
- Departmental payment review procedures should be strengthened.
- Improve control and transparency over the review of Healthcare invoices.
- Potential cost savings opportunities using credit card for vendor payments.
- Prior audit findings are being reviewed for future implementation.

Attachment

AUDITS/VENDORPAYMENTS

COUNTY OF LEHIGH, PENNSYLVANIA

VENDOR PAYMENTS

*Compliance Audit of Vendor Payments
For the Calendar Year 2020*

REPORT NO. 21-07

COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

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Fiscal Officer's Response	No Response



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA Thomas Grogan, CPA
COUNTY CONTROLLER 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 2020. 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 2020 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.



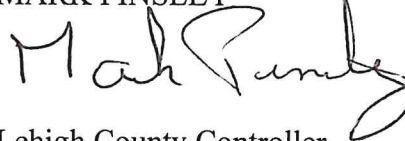
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance on a timely basis. A material weakness in internal control over compliance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

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

May 7th, 2021
Allentown, Pennsylvania

Audited by: Nanton John

xc: Kay Achenbach, Human Services Director
Phillips Armstrong, County Executive
Board of Commissioners
Jason Cumello, Cedarbrook Administrator
Janine Donate, Director of Corrections
Joseph Hanna, Sheriff
Edward Hozza, Director of Administration
The Honorable J. Brian Johnson, President Judge
James Martin, District Attorney
Eric Minnich, Coroner
Richard Molchany, General Services Director
George Nader, Procurement Officer
Andrea Naugle, Clerk of Judicial Records
Marc Redding, Human Resources Director
John Sikora, Deputy Court Administrator
Kerry Turtzo, Court Administrator

COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

Schedule of Current Audit Findings and Recommendations

1. Payment Review Procedures Should Be Strengthened

Condition: The controller's office secondary review of vendor payments uncovered 16 requests for payments delivered to the Fiscal Office without authorized signatories. Authorized signatures were obtained and the checks released.

There were an additional 8 vendor payments totaling \$31,840, found during the weekly vendor payment review process by the Controller's office that were voided or reissued.

Recommendation: Fiscal office staff should be commended for their efforts to process 29,000 vendor payments during 2020 with minimal issues. Management of each department should document and review with staff, departmental payment processing procedures to ensure payment requests are in compliance with county policy and approved by authorized personnel, prior to submission to the Fiscal Office. Any requests not in compliance with Fiscal Office procedures, or the Lehigh County Administrative Code, should be returned to the requesting department. **The Fiscal Office should also consider annually requesting updated signature approval forms from every department to ensure authorized signature approval forms are current.**

2. Lack of Adequate Control Over the Review of Healthcare Invoices

Condition: The County was incorrectly billed monthly Administrative Fees for certain employees enrolled in the dental insurance plan (United Concordia) and the healthcare discount consultant AblePay. Audit testing performed on recent invoices of both vendors in the audit period, revealed several terminated/retired employees incorrectly listed on the provider's subscription roster. There were 31 terminated employees identified on the United Concordia roster, and 14 identified on the AblePay roster. The Office of Human Resources restricts the Controller's Office from access to claims files. Therefore, we were unable to determine if any of these former employees were paid for claims on dates of service for which they were ineligible to receive benefits.

Recommendation:

- The Office of Human Resources should adopt a timely approach to updating the employee rosters of these providers, as well as reconciling employees listed on invoices billed to the county. This procedure should be documented and reviewed monthly so the invoices submitted by each vendor is accurate.
- Management should request a credit of accumulated administrative fees incorrectly billed for employees identified.
- The Office of Human Resources should provide supporting claim information, excluding PHI data, on all future requests for payments for healthcare invoices. Failure to provide the supporting documentation could result in non-payment of invoices until such time that sufficient and appropriate evidence of county incurred expenditures is obtained.

COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

Schedule of Prior Audit Findings and Recommendations
(Report #20-09 dated August 10, 2020)

1. Lack of Adequate Control Over Vendor Insurance Coverage Compliance

Condition: We were unable to locate “Certificates of Insurance” for 7 out of 19 randomly selected vendors. Terms of our contracts require the vendor to provide Certificates of Insurance no later than ten calendar days before work is begun.

Recommendation: The current Office of Fiscal Affairs contract viewing screens include a field to indicate receipt of the Certificate of Insurance. Management should keep Certificates with contracts and file all documents in an electronic format. Future implementation of the ERP system will give consideration to the tracking and storing of insurance certificates.

Current Status: Recommendation has not been implemented. However, current audit testing revealed no instances of non-compliance. While certificates are not all maintained in one central location, auditor received all insurance certificates sampled with the collaboration of various departments.

2. Using a Purchase Order for Low Dollar Professional Service Agreements

Condition: Procedures for using a purchase order for contracting professional services less than \$4,000/year are not documented. Written policies and procedures should be developed and formally authorized to facilitate the proper processing of the affected transactions.

Recommendation: County Administration should document the use of the Administrative Form #1 (Using a Purchase Order for Professional Services Agreements) procedures and establish authorization for the procedures via Administrative Notice.

Current Status: Recommendation has not been implemented at this time but is being considered for the future. Current audit testing revealed similar instances of non-compliance.

3. Using a Credit Card for Fiscal Vendor Payments

Condition: The Fiscal Office issued over 23,000 vendor check payments in excess of \$87 million dollars during 2019. If a number of payments can be made, via credit card, potential cost savings exist through the use of credit card reward programs or discount pricing.

Recommendation: The Fiscal Office should explore the feasibility of making credit card payments, in lieu of check payments, for any vendor that is in agreement with those type of transactions. This will result in vendors receiving payments for services faster than the current check processing procedures permit and will allow cost savings opportunities for the county.

Current Status: A feasibility study is currently being performed as a Non-Audit Service (NAS) by the Controller’s Office, in a joint effort with the Fiscal Office and the Office of Information Technology. The goal is for implementation this year.