




TO: Final Distribution
FROM: Mark Pinsley, County Controller 
DATE: August 6, 2021
RE: Performance Audit of Year-End Payroll - Executive Summary

We have completed our performance audit of year-end payroll for the year 2020. Our report number 21-13 is attached. We wish to thank the Office of Human Resources, Office of Information Technology, and Office of Fiscal Affairs for their cooperation during the audit.

Significant issues raised during our audit included:

- Federal tax reporting non-compliance/late payment.
- Denied access to information needed to validate whether working employees were also paid Pennsylvania unemployment compensation (UC).
- UC costs/eligibility not properly monitored.
- Payments made to third-party vendor for UC consulting services without a current county contract.
- Part-time employee's hours not being monitored resulting in a potential violation of Pennsylvania county pension law.
- Overtime and compensatory time increased from 2020 – 2021.

See "*Schedule of Audit Findings and Recommendations*" for further discussion and details.

Other areas, detailed in the attached report, remain open for discussion and continued improvement.

Please feel free to contact me if you have any questions.

AUDITS/YEAR END PAYROLL



COUNTY OF LEHIGH, PENNSYLVANIA

YEAR-END PAYROLL

*Performance Audit of Year-End Payroll
For the Year 2020*

COUNTY OF LEHIGH, PENNSYLVANIA
YEAR-END PAYROLL

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Edward Hozza, Jr., Director of Administration
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101-2400

We have recently completed a performance audit of year-end payroll for the year 2020. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we evaluate and determine that staff performing the audit are independent per the generally accepted government auditing standards for internal auditors. Those standards also require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our detail audit testing was payroll periods ending in calendar year 2020. In addition to audit procedures performed for each bi-weekly payroll during the year, selected audit procedures are performed at year-end. Our consideration of internal control was limited to audit testing required to meet our audit objectives and would not necessarily identify all deficiencies in internal control that might be significant or material weaknesses.

Our office performed this audit at this time based on our evaluation of county-wide risk assessment. The year-end payroll audit focuses on both internal management and external requirements:

Internal Management

The first objective of the audit was to compile reports and evaluate internal management of: employee pay increases, bi-weekly payroll processing including longevity payments, county-wide overtime payments and purchased personnel (at the nursing homes), on-call reporting, compensatory time reporting, retirees working over 750 hours, part-time employees exceeding 1,000 hours, short-term sick leave accumulation, vacation day accumulation, inactive employees, annual performance evaluations, and other various payroll deductions. We also performed limited testing in other areas including manual payroll checks issued in 2020, payments made to elected officials, verifying the validity of employee social security numbers, and the testing of controls and application of negative sick time.

Audit criteria and standards included compliance with *County of Lehigh Personnel Policies and Procedures*. We also compared 2020 activity to prior period's performance. Audit standards applied in performing the audit included generally accepted government auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States.

We achieved our objectives by comparing the established criteria and standards to actual practice. We believe that the audit evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit included examination of the accounting records, documentation, discussions with the management of the Office of Human Resources, the Office of Fiscal Affairs and other county personnel and such auditing procedures we considered necessary in the circumstances. The key audit results relating to internal management are as follows:

1. Overtime and Regular Wage Payments

- The County of Lehigh, during the calendar year 2020, experienced an increase in overtime hours 3%, costs 10%, a .4% increase in regular payroll wages, and 2% increase in regular payroll hours. Overtime hours, overtime cost, regular hours, and regular payroll costs for the last four years are:

Year	2017	2018	2019	2020
Overtime Hours	86,146	98,623	117,666	121,388
Overtime Dollars	\$3,125,241	\$3,652,188	\$4,365,904	\$4,811,852
Regular Payroll Hours	5,315,906	5,299,167	5,345,451	5,457,849
Regular Payroll Dollars	\$110,005,893	\$111,240,229	\$114,684,677	115,157,895

- The top 5 department-office-bureaus (DOBs) overtime dollars and hours are as follows:

DOB	2019 O/T Pay	2020 O/T Pay	% Change In Pay	2019 O/T Hours	2020 O/T Hours	% Change In Hours
CB – AL – Nursing	\$1,283,482	\$1,253,873	-2%	36,730	33,392	-9%
Jail	\$1,235,071	\$1,146,139	-7%	31,658	28,637	-10%
Communication Ctr.	\$604,176	\$997,726	65%	15,847	20,679	30%
CB – FH – Nursing	\$562,690	\$667,938	19%	16,631	19,541	17%
Corrections Center	\$142,108	\$151,911	7%	3,209	3,325	4%

- The same 5 department-office-bureaus (DOBs) regular payroll dollars are as follows:

DOB	* 2019 Regular Pay	* 2020 Regular Pay	% Change In Pay	* 2019 Regular Hours	* 2020 Regular Hours	% Change In Hours
CB – AL – Nursing	\$20,661,729	\$19,829,271	-4%	886,401	838,253	-5%
Jail	\$12,941,005	\$12,671,983	-2%	487,278	473,136	-3%
CB – FH – Nursing	\$8,039,681	\$7,694,378	-4%	352,253	330,822	-6%
Communication Ctr.	\$3,395,238	\$3,014,427	-11%	133,486	117,587	-12%
Corrections Center	\$1,190,495	\$1,429,495	20%	43,376	49,285	14%

- The same 5 department-office-bureaus (DOBs) combined regular and overtime payroll dollars are as follows:

DOB	* 2019 Combined Pay	* 2020 Combined Pay	% Change In Pay	* 2019 Combined Hours	* 2020 Combined Hours	% Change In Hours
CB – AL – Nursing	\$21,945,211	\$21,083,144	-4%	923,131	871,645	-6%
Jail	\$14,176,076	\$13,818,121	-3%	518,936	501,773	-3%
CB – FH – Nursing	\$8,602,371	\$8,362,316	-3%	368,883	350,362	-5%
Communication Ctr.	\$3,999,414	\$4,012,153	0.3%	149,333	138,267	-7%
Corrections Center	\$1,332,603	\$1,581,406	19%	46,585	52,610	13%

- Analysis shows that the top 5 DOBs are, for the most part, locations with 24-hour operations.
 - The most notable increase amongst these departments was by the Communication Center. The Communication Center experienced a significant increase in OT hours and pay of roughly 30% and 65%, respectively. An emergency OT protocol for Communication Center employees was approved by the County Executive in January 2020, which authorized the payment of Double OT to these employees. This declaration remained in effect through January 2021. Regular payroll hours decreased by 12%.
 - Analysis of employee overtime revealed 6 employees who exceeded 1,000 hours of OT, of which the highest earning employee in 2020 worked at Cedarbrook-Nursing. This employee worked 1550 hours of overtime and received \$97,819 in overtime pay.
 - Reduction of overtime costs may be possible by hiring additional personnel and scheduling sufficient additional coverage where known absences occur (24/7 operations).

** Corrections Management noted that employee overtime is reviewed, but is in part based on seniority and governed by collective bargaining agreements. Furthermore, the hiring of corrections officers has been difficult, due to an increasingly competitive employment market, compared to prior years. Management also took measures to close a housing unit, due to decreasing inmate populations, but were constrained by minimum staffing requirements and unforeseen operational needs, such as inmate hospitalizations. Additionally, COVID-19 had a significant impact on operations. A 14-day minimum quarantine period for new inmates along with the spreading out of the population to decrease the number of inmates per housing unit required the maintenance and operation of additional housing units. During November and December, the COVID-19 outbreak at the jail required existing staff to work overtime in order to fill the gaps of those who were out for COVID-19 **

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #7*.

2. Cedarbrook’s Purchased Personnel (outside contractors)

- Cedarbrook’s purchased personnel (predominantly contract nursing) for the calendar year 2020 cost \$681,063. This represents a \$74,789 (10%) decrease from 2019.

Year:	2017	2018	2019	2020
Allentown	\$261,666	\$416,706	\$576,275	\$394,731
Fountain Hill	\$216,952	\$255,756	\$179,577	\$286,332
Total	\$478,618	\$672,462	\$755,852	\$681,063

- The combined total increase of both overtime and purchased personnel at both Cedarbrook locations in 2020 was \$1,648,604 and \$954,270 for CB-Allentown and CB-Fountain Hill, respectively. This was an increase from 2019 and could be a result of:

- An increase in the medical needs of Cedarbrook residents; and
 - Difficulties in retaining employees and filling vacant positions, particularly during the COVID-19 pandemic.
 - The resident count at CB-Allentown decreased significantly, while the count at CB-Fountain Hill remained consistent throughout 2020.
- All of the Purchased Personnel vendor contracts, except two, were renewed in September 2020 with one-year terms. Most of these contracts have maintained the same rates as the prior year for purchased personnel.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #7*.

3. Part-Time Employees Exceeding 1,000 Hours

- Audit testing revealed 19 instances of part-time employees exceeding 1,000 hours worked; 1 of whom was a retiree working part-time.
- Employees who work over 1,000 hours are required to participate in the county pension plan, according to The Lehigh County Employee’s Retirement System.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #5*.

4. Retirees Working Part-Time Over 750 Hours

- Audit testing revealed only 9 of the 17 sampled retired part-time employees received written authorization to work greater than 750 hours. This is compared to the 6 of 15 sampled retired part-time employees in 2019. Also, 1 of these employees exceeded the 1,000-hour limit set by management. This represents a noncompliance of county personnel policy by the office of Human Resources.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #6*.

5. Short-Term Sick Leave

- There were 66 employees who used 10 or more days of short-term disability time in 2020; this was a 19% decrease when compared to 81 employees in 2019.
- Of these employees, 89% of the sick leave taken was done so in episodes of 2 days or fewer. No doctor’s excuse is required until an employee takes three consecutive days off.
- Using 2020 sick time data, we compiled the number of sick “episodes.” We defined an episode as the following:
 - Any full or partial sick day from work as scheduled was defined as an episode;
 - Any consecutive number of sick days was defined as one episode; and
 - Non-consecutive absences were considered separate episodes.
- The Office of Children and Youth Services (OCYS) had the highest number 212 of the above episodes 26% of sick leave time.

Number of Days per Episode – 2020							
	1 Day or Less	2 Days	3 Days	4 Days	5 Days	6 + Days	Total # of Episodes
Number of Episodes:	690	36	25	41	10	15	817
Percentage of Total: (rounded)	85%	4%	3%	5%	1%	2%	100%

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #9*.

6. On-call Compensation

- 2 departments were selected for testing of their on-call process. Audit testing did not reveal material inconsistencies with department policies.

7. Compensatory Time Accumulation

- Compensatory time balances for 42 employees (comprised of both union and non-union employees) exceeded the limit set forth by management in the Lehigh County Policies and Procedures Manual or the employee’s respective union contract if applicable. This compared to 31 employees in 2019. The cumulative overage of compensatory time for the 42 employees is 1,299 hours compared to 1,265 hours in 2019.
- There were 4 Exempt employees who were over the comp time limit, 3 of which accumulated their excessive comp balances prior to being promoted to an Exempt position. The fourth exempt employee received authorization from Human Resources and their department head prior to accruing 100 comp hours during 2019. None of these employees used their accumulated comp time balances in 2020.
- Compensatory time could be reduced by mandating employees to use compensatory time accrued prior to using vacation time or any other form of PTO where possible.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #8*.

8. Performance Evaluations

- A random sample of 24 employees were tested for annual performance evaluations; 2 of the 24 employees were disqualified due to being elected officials or new hires in 2020. Of the remaining 22 employees, we were only able to validate that 6 employees received evaluations in 2020, 1 did not, and 15 employee performance evaluations could not be validated due to being denied access to personnel files.
- Many departments do not complete these evaluations because performance evaluations are **not** required by County Administration and because there is no incentive for them to be completed (i.e. merit increases, step increases, etc.).

9. Vacation Day Accumulation Testing

- There were 155 employees with vacation balances of over 35 days at year-end 2020 which carried over into 2021, compared to none in 2019. This was allowed by the county executive who invoked a one-year exemption to the vacation policy due to COVID-19 travel restrictions. The balances must be back in compliance with personnel policies by December 31, 2021.

10. Employee Pay Increases

- Auditing software, Audit Command Language (ACL), was used to test all 26 biweekly payroll entries made into the KEA personnel system during calendar year 2020.
- Employees governed by a Collective Bargaining Agreement received their wage increases according to the terms of their respective Collective Bargain Agreement. Non-union employees all received step-ups during the beginning of 2020. Satisfactory performance reviews were not required for these increases.
- There was one employee hired during the year at an 8-grade increase above the approved/budgeted pay grade without commissioner approval.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #10*.

11. Inactive Employees

- There was a total of 19 employees that were active in the personnel system but had not received a paycheck in calendar year 2020. Of these 19 employees, 5 were associated with the Hazardous Materials Unit (Hazmat) – Hazmat employees are kept active to facilitate payroll payments when incidents occur. The remaining 14 inactive employees' department heads were notified, of which 1 was confirmed inactive and removed by their respective departments.

12. Negative Sick Pay

- In consideration of the potential effects of a COVID-19 related illness, the county allowed qualifying employees to claim sick hours if they suffered from a COVID-19 illness. This was regardless of whether the employee had sufficient accumulated sick pay balances. To facilitate the entry of negative sick, timesheet controls were relaxed.
- There was a total of 71 employees with negative PTO balances as of year-end 2020. Of those 71, 6 Cedarbrook, and 6 non-Cedarbrook were sampled for testing. 3 employees had negative short-term sick balances despite having other positive PTO balances to offset it. These employees with negative sick-balances should have their other positive PTO adjusted to offset the negative short-term sick.

13. Conflict of Interest (2019)

- In comparing the employee names under the “authorization of vendor invoices” (Authorizations) section of the employee signature sheets to the Human Resources Conflict of Interest control spreadsheet, we identified 5 individuals (employees and non-employees) listed in the Authorizations that did not sign the conflict-of-interest form. In addition, 4 employees listed on Authorizations were termed/retired prior to 2019.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #11*.

14. Outdated Personnel Policies Manual

- The County of Lehigh Personnel Policies & Procedures Manual has not been formally updated since December, 2008. Outdated policies cause inconsistent application amongst department managers, and in some instances, may not align with current federal regulations.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #12*.

External Requirements

The objective of the external requirement portion of the audit was to measure compliance with established federal and state procedures and regulations for various reports including, among others, quarterly payroll tax return filings, W-2 (employee wage) reporting, Form I-9 compliance, unemployment compensation payments, and reporting requirements associated with the Affordable Care Act.

The results of our testing disclosed material instances of non-compliance for external reporting in 2020; we noted the management issues below:

1. Patient-Centered Outcomes Research Institute (PCORI) Fee and Form 720 Quarterly Federal Excise Tax Return:

- The county failed to file the Form 720 Quarterly Federal Excise Tax Return with the IRS and pay the PCORI fees by the July 31, 2020 due date. Form 720 Quarterly Excise Tax Return and PCORI fee was subsequently paid and filed on May 13, 2021. County Administration should be aware there may be penalties and interest assessed that will need to be paid as a result.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #1*.

2. Unemployment Compensation to Employees:

- Unemployment Compensation (UC) totaling \$775,033 was paid by the state to approved employees in 2020, which is an increase of \$525,786 from 2019. UC claims paid in the amount of \$177,165 to active employees represents an increase of \$148,726 from 2019. There were 97 active employees who received UC in 2020, which is an increase of 79 compared to 18 employees in 2019.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #2*.

We concluded that controls on the overall payroll process are adequate. However, controls over unemployment costs, the federal excise tax filing, authorizations for exceeding caps on part time hours worked need to be improved. For further information see “Schedule of Audit Findings and Recommendations”.

We wish to thank the Office of Human Resources, Office of Information Technology, and Office of Fiscal Affairs for their cooperation during the audit.

This report is intended for the information and use of the Department of Administration and other affected county offices. This restriction is not intended to limit the distribution of this report, which is a matter of public record. If you have any questions, please feel free to contact Nanton John, Thomas Grogan, or me.



MARK PINSLEY
County Controller

July 15, 2021
Allentown, Pennsylvania

Audited by: Nam Tran, Joseph Buick

Final Distribution:

Kay Achenbach, Human Services Director
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Board of Commissioners
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Timothy Reeves, Fiscal Officer
The Honorable J. Brian Johnson, President Judge
Kerry Turtzo, Court Administrator

COUNTY OF LEHIGH, PENNSYLVANIA
2020 YEAR-END PAYROLL AUDIT

Schedule of Audit Findings and Recommendations

1. PCORI Fee and Quarterly Federal Excise Tax Filing

Condition: The quarterly federal excise tax form 720 was not filed by its deadline on July 31, 2020 nor was the associated Patient-Centered Outcomes Research Institute (“PCORI”) fee paid. In prior years the Human Resources department was responsible for completing the Form 720 and completing the request for payment. The tax filing and PCORI payment was subsequently made on May 13, 2021 as a result of this audit. The fee paid was \$10,061.

Recommendation: County Administration needs to assign responsibility for complying with the annual filing and payment requirement of the PCORI tax. Failure to file a return timely could lead to penalty and interest assessments by the IRS.

2. Testing Limitations for Validity of Paid Unemployment Claims and Proof of Dependents for Employee Benefits

Condition: We identified 7 full time employees who received unemployment payments for a period they were actively working. We could not document the validity of the claims. The HR director instructed Interstate Tax Services and the Controller’s staff not to have direct contact. The HR director then did not provide adequate documentation for the claims. Though the Controller has the contractual right to audit the vendor, we decided instead to proceed with the audit.

Separately, we could not document the existence of dependents claimed for employee benefits because the HR director would not allow us to view relevant documents.

Recommendation: County Administration should ensure transparency during the audit process and to see that testing of the County’s internal controls is allowed to proceed. Unemployment claims paid in 2020 were \$775,033 which is 211% higher than the previous year. Ensuring proper controls over unemployment costs should be a priority.

3. County’s Unemployment Payments to State Do Not Reconcile with State

Condition: The UC benefit reimbursement payments made by the county for 2020 unemployment claims paid by the state do not reconcile to the actual claims paid per the Interstate Tax Service. The county paid the State \$597,612 in 2020. The claims paid by the state in 2020 per Interstate totaled \$775,033.

Recommendation: County Administration needs to assign responsibility for regularly reconciling quarterly State UC invoice payments and special State COVID-19 reimbursements.

4. Contract with Interstate Tax Service expired December 31, 2019

Condition: Interstate Tax Service provides consulting services to the county regarding compliance and maximum savings under U.C. Law. The expired contract contained a provision stating that it could not be extended. Interstate continues to provide service without a contract. We requested guidance from the Law Department.

Recommendation: Contracts protect the County in cases of vendor dispute or non-compliance. The Law Department issued Legal Service Requisition #2021-156 and recommended a new contract with a start date of January 1, 2020 be prepared. We recommend County Administration comply with this so payments of vendor invoices from this vendor are not denied.

5. Part-time Employees Working More Than 1,000 Hours (Need for Central Review of Part Time Hours Worked)

Condition: There were 19 instances in which part-time employees worked more than 1,000 hours (compared to 8 in 2019) during their respective, rolling year of employment. 17 employees worked in Cedarbrook, 1 worked in Drug and Alcohol, and 1 worked in Voter Registration. County personnel policy stipulates a 1000-hour annual limit for part-time employees. There is no longer a single department responsible for tracking part-time hours worked.

Recommendation: County Administration should assign responsibility to a single department for tracking part-time hours worked. Also, management should adopt an hour limit that is less than 1,000 hours (i.e. 950 hours) to safeguard against violations of the “County Pension Law.” If possible, there should be an extra layer of control added by IT that both alerts management when employees are nearing their limit and prevents them from earning more than the established limit.

6. Retirees Working Part-Time Over 750 Hours (Need for Central Review of Hours Worked by Part-Time Retirees)

Condition: There were 17 of 21 sampled retirees working part-time hours who exceeded the 750-hour threshold set forth by management. Written approval from the County Executive is required for part-time retired employees exceeding the 750-hour limit. Detailed audit testing revealed only 9 of the 21 tested retirees had an authorization letter on file. This is a noncompliance with county policy. There was one employee in particular who exceeded the 1,000 hour limit on a rolling date basis which may impact their pension obligation. Prior to 2020 the Controller’s department was able to verify that the Human Resources department was tracking county-wide compliance with management’s 750-hour threshold. In 2020 we could verify that tracking was done only by Cedarbrook’s HR department who obtained written approvals from the county executive.

Recommendation: County Administration needs to assign responsibility for tracking part-time retirees’ hours worked to a single department. Human Resources should work with IT to create a formal process for notification and authorization of any part-time retiree working in excess of the 750-hour limit.

7. Overtime and Purchased Personnel (Increasing Overtime Costs)

Condition: Countywide overtime hours and payments increased by 3,722 (3%) and \$445,948 (10%) from 2019, respectively. There were 30 employees who worked more than 520 hours of overtime, compared to 34 employees in 2019. Of these 30 employees, 6 employees worked over 1,000 overtime hours. Large overtime payments will increase county pension obligations for employees who accumulate excessive overtime balances. There was also a combined total increase in OT and purchased personnel costs at Cedarbrook compared to 2019.

Recommendation: County Administration should continue to analyze the cost/benefit of paying overtime and/or purchased personnel expenses versus hiring additional employees at locations with 24-hour operations. Consideration also needs to be made during contract negotiations in regards to limiting the amount of overtime an employee is allowed to accrue, in any one period.

8. Compensatory Time Accumulation

Condition: Compensatory time balances for 42 employees (comprised of both union and non-union employees) exceeded the limits set forth by management. There were 31 employees in 2019 whose balances exceeded the limit. Also, there were 4 non-exempt employees with excessive comp time balances (3 exceeding 100 hours) which were accrued prior to their non-exempt status. These employees did not use any comp time during 2020, and instead used their other PTO balances. Comp time payouts will increase with time as wage increases.

Recommendation: Consideration should be given to allow for the advanced payment of accumulated compensatory balances which exceed respective limits set forth by the Lehigh County Policies and Procedures Manual or the employee's respective union contract. Also, County Administration should mandate employees who exceed their respective limits, use their comp time hours before any other form of PTO where possible.

9. Sick Time Abuse

Condition: Many of the 66 employees who took 10 or more sick days in 2020 (compared to 81 employees in 2019) avoided needing a doctor's excuse by limiting their absence to 2 or fewer consecutive days.

Recommendation: Consideration should be given to provide employees with paid-time-off (PTO) balances, as opposed to defined sick time balances.

10. Employee Hired At 8 Grade Increase Over Approved Pay Grade

Condition: During our bi-weekly payroll reviews, we noted an employee was hired into a vacant position that was reclassified without required approval to another title and a pay grade that was 8 grades higher than the vacant position. This was a violation of Ordinance 1993 – No. 139 which requires notification and prior approval by the county Commissioners of any pay grade increase exceeding 3 grades. We requested guidance from the Law Department.

Recommendation: The Law Department issued Legal Service Requisition #2020-423 recommending approval be obtained from the Board of Commissioners which County Administration subsequently did.

11. Annual Conflict of Interest Forms Not Completed

Condition: Conflict of Interest Forms are requested from employees listed as authorized to sign on vendor invoices. There were 5 employees who did not return the forms. We also noted authorized signor lists included 4 employees who termed/retired prior to 2019.

Recommendation: HR should attempt to obtain Conflict of Interest forms, and submit an updated authorized list. In addition, updated signature sheets listing authorized vendor invoice signers should be requested when employees move between departments, terminate employment or retire.

12. Outdated Policies Manual

Condition: The County of Lehigh Personnel Policies & Procedures Manual has not been formally updated since December, 2008. Outdated policies cause inconsistent application amongst department managers, and in some instances, may not align with current federal regulations.

Recommendation: County Administration should revise and issue an updated version of the Personnel Manual this year. Also, a process should be established for the review and update of policies on an annual basis to ensure alignment with Federal regulations and promote a competitive edge in the employment market.



COUNTY OF LEHIGH
Department of Administration

Edward D. Hozza, Jr.
Director of Administration

TO: Mark Pinsley, Lehigh County Controller
Thomas Grogan, Lehigh County Deputy Controller
Nam Tran, Audit Associate

FROM: Edward D. Hozza Jr., Lehigh County Director of Administration *E.H.*

DATE: July 15, 2021

RE: Response to 2020 Performance Audit of Year-End Payroll

Due to the Global Covid-19 Pandemic, a State of Emergency declaration was declared by the County Executive and approved by the Board of Commissioners in March of 2020 which continued into 2021. The Administration, in order to maintain the core function of the County Government during the State of Emergency, enacted necessary changes to ensure the Continuity of necessary County services.

Overtime and Regular Wage Payments. During the Covid-19 Pandemic Our Critical Essential workers had to report to work at Cedarbrook Senior Care and Rehabilitation South Whitehall and Fountain Hill, the Jail, 911 Communications Center and the Community Corrections Center. To keep the facilities staffed, overtime was a necessity to keep all Critical Essential Locations operational.

Findings

- 1. Patient-Centered Outcomes Research Institute (PCORI) Fee and Quarterly Federal Excise Tax Filing**
Due to a reorganization of the Human Resource Department the payment of these two taxes were delayed. The processing and payment of the IRS filings has been addressed and rectified.
- 2 & 3. Unemployment** The County Human Resources Department contracts with a third-party vendor to monitor our Unemployment Claims. During the Covid-19 pandemic it was discovered that County employees who were furloughed at a secondary employer were appearing as unemployed by Lehigh County. The Human Resources Department is working closely with Interstate to monitor the accuracy of legitimate unemployment claims by former Lehigh County employees.
- 4. Contract with Interstate expired December 31, 2019.** This was an oversight due to the reorganization of the Human Resources Department.

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5 & 6 Part-Time Employees working more than 1,000 hours. During the Covid-19 Pandemic the County Executive approved a change for Cedarbrook employees not to exceed 1,200 hours. The responsibility of monitoring the 1,000-hour rule lies with each Department Head. Information Technology is investigating whether the KEA/Admins system can be programmed to issue an alert to Department Heads.

7 & 8 in 2020 the majority of overtime hours and payments was Covid-19 Pandemic generated.

9. Sick Time Abuse. The number of employees who took sick time in 2020 vs. 2019 is attributable to many who worked from home and mask wearing when inside County Buildings. A change to the current sick time policy would need to be renegotiated in our Collective Bargaining Contracts (CBA's) and would need Board of Commissioners approval.

10. Employee Hired at an 8 Grade Increase over approved Pay Grade. As stated, the Administration did seek and receive Board of Commissioners approval.

11. Annual Conflict of Interest Forms Not Completed. Due to a reorganization of the Human Resources Department not all forms were returned to the department. A new HR employee now has responsibility for the return of all forms.

12. Outdated Policies Manual. The Human Resources Department did send updates to the Board of Commissioners in 2020, they were not approved.