




Lehigh County
Pennsylvania

OFFICE OF THE CONTROLLER

Mark Pinsley, MBA
COUNTY CONTROLLER

Nanton John, CFE
DEPUTY CONTROLLER

TO: Final Distribution
FROM: Mark Pinsley, County Controller 
DATE: July 15, 2022
RE: Performance Audit of Year-End Payroll - Executive Summary

We have completed our performance audit of year-end payroll for the year 2021. Our report number 22-06 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 items identified during our audit included:

- Twelve County employees, each with over 1,000 hours of overtime worked in 2021, earned a total of approximately \$1 million in overtime pay.
- Two of these employees, a Cedarbrook RN Unit Manager worked 3,461 overtime hours, earning \$224,772 in overtime pay, and a Corrections Officer worked 2,530 overtime hours, earning \$117,722 in overtime pay.
- Outdated Personnel Policies & Procedures Manual (not updated since 2008).
- Part-time employees working in excess of 1,000 hours resulting in possible non-compliance with the County's pension plan. One part-time employee worked over 1,000 hours in each of the prior three years. Five part-time employees worked over 1,000 hours in two of the last three years.
- There is currently no process in place to reverify employee dependents for the County healthcare plan. Only at the time of hire are dependents verified.

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 2021*

COUNTY OF LEHIGH, PENNSYLVANIA
YEAR-END PAYROLL

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OFFICE OF THE CONTROLLER

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

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

We have recently completed a performance audit of year-end payroll for the year 2021. 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 2021. 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. We considered the concept of accountability for use of public resources and government authority while assessing audit risk associated with internal controls and incorporated appropriate risk-based testing in our audit.

Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted that are material to the audit objectives, however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable. Any findings of waste, even though not material to the audit objectives, are included in writing and were brought to the attention of those in charge of governance.

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, excessive short-term sick leave, vacation day accumulation, inactive employees, manual payroll checks issued in 2021, the testing of controls and application of negative sick time, and annual performance evaluations. Additionally, we compiled a summary of audit procedures, performed as part of Lehigh County's bi-weekly payroll process, which was used in our planning and determination of areas that may require additional testing.

Audit criteria and standards included compliance with *County of Lehigh Personnel Policies and Procedures*. We also compared 2021 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. 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 2021, experienced an increase in overtime hours of 14.23%, resulting in a 15.92% overtime pay increase. There was 7.73% decrease in regular payroll wages, and 0.73% increase in regular payroll hours. Overtime hours, overtime cost, regular hours, and regular payroll costs for the last four years are:

Year	2018	2019	'18 – '19 % Change	2020	'19 – '20 % Change	2021	'20 – '21 % Change
Overtime Hours	98,623	117,666	19.31%	121,388	3.16%	138,661	14.23%
Overtime Dollars	\$3,652,188	\$4,365,904	19.54%	\$4,811,852	10.21%	\$5,577,878	15.92%
Regular Payroll Hours	5,299,167	5,345,451	0.87%	5,457,849	2.10%	5,036,065	-7.73%
Regular Payroll Dollars	\$111,240,229	\$114,684,677	3.10%	\$115,157,895	0.41%	\$115,993,157	0.73%

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

DOB	2020 O/T Pay	2021 O/T Pay	% Change In Pay	2020 O/T Hours	2021 O/T Hours	% Change In Hours
Jail	\$1,146,139	\$2,281,554	99.06%	28,637	55,755	94.70%
CB-AL - Nursing	\$1,253,873	\$1,298,057	3.52%	33,392	32,279	-3.33%
CB-FH – Nursing	\$667,938	\$559,415	-16.25%	19,541	15,231	-22.06%
Communication Ctr.	\$997,726	\$527,925	-47.09%	20,679	13,447	-34.97%
Corrections Center	\$151,911	\$310,082	104.12%	3,325	6,686	101.08%

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

DOB	2020 Regular Pay	2021 Regular Pay	% Change In Pay	2020 Regular Hours	2021 Regular Hours	% Change In Hours
Jail	\$12,671,983	\$11,974,064	-5.51%	473,136	428,052	-9.53%
CB-AL - Nursing	\$19,829,271	\$18,539,058	-6.51%	838,253	745,218	-11.10%
CB-FH – Nursing	\$7,694,378	\$7,826,960	1.72%	330,822	322,143	-2.62%
Communication Ctr.	\$3,014,427	\$3,102,812	2.93%	117,587	122,163	3.89%
Corrections Center	\$1,429,495	\$1,095,713	-23.35%	49,285	37,224	-24.47%

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

DOB	2020 Combined Pay	2021 Combined Pay	% Change In Pay	2020 Combined Hours	2021 Combined Hours	% Change In Hours
Jail	\$13,818,121	\$14,255,618	3.17%	501,773	483,807	-3.58%
CB-AL - Nursing	\$21,083,144	\$19,837,115	-5.91%	871,645	777,497	-10.80%
CB-FH – Nursing	\$8,362,316	\$8,386,375	0.29%	350,362	337,374	-3.71%
Communication Ctr.	\$4,012,153	\$3,630,737	-9.51%	138,267	135,610	-1.92%
Corrections Center	\$1,581,406	\$1,405,795	-11.10%	52,610	43,910	-16.54%

Analysis shows that the top 5 DOBs are locations with 24-hour operations.

- In 2021, there was an overall decrease in regular hours worked due to the staffing/hiring difficulties faced by all of the top five DOB's. This is a contributing factor to the increase in overtime, as well as the increase in purchased personnel as discussed later in the report.
- The most notable increase amongst the departments was the Jail, which experienced a significant increase in overtime hours and pay of roughly 95% and 99%, respectively. In October, 2021, a weekly \$200 supplemental wage was offered to all bargaining unit staff at the Jail if they worked a minimum of 40 hours per week. This was done in order to maintain minimum staffing requirements. The total amount paid for the supplemental wage from its implementation on 10/8/2021 through the end of the year was \$363,800. The supplemental wage payment has been extended through 1/13/2023.
- Analysis of employee overtime revealed 12 employees (all from the DOB's listed above) who exceeded 1,000 hours of overtime. Of these, one worked over 2,000 hours of overtime, and one worked over 3,000 hours of overtime. The total overtime dollars paid to these 12 employees in 2021 was \$997,052. The highest earning Lehigh County employee in 2021 worked at Cedarbrook Allentown-Nursing as an RN Unit Manager. This employee worked 3,461 hours of overtime and received \$224,772 in overtime pay; of the County's other seven RN Unit Managers, six worked fewer than 100 overtime hours in 2021, and one worked fewer than 400 overtime hours in 2021.

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

2. Cedarbrook’s Purchased Personnel (outside contractors)

Cedarbrook’s purchased personnel (predominantly contract nursing) for the calendar year 2021 cost \$1,084,423. This represents a \$403,360 (59.23%) increase from 2020.

Year:	2018	2019	2020	2021
Allentown	\$416,706	\$576,275	\$394,731	\$843,474
Fountain Hill	\$255,756	\$179,577	\$286,332	\$240,949
Total	\$672,462	\$755,852	\$681,063	1,084,423

The combined total increase of both overtime and purchased personnel at CB-Allentown in 2021 was \$492,927. CB-Fountain Hill experienced a decrease in overtime and purchased personnel in 2021 of (\$153,906). Various factors contributed to these amounts:

- Historic labor shortages, particularly in healthcare (specifically long-term care)
- Increased employee sick time due to COVID.
- Cedarbrook-Allentown was unable to fill all of their budgeted positions.
- Recruitment efforts by other nursing facilities/agencies – use of sign-on bonuses and increased pay are common in this labor environment, per Cedarbrook management.
- Use of overtime hours and purchased personnel have decreased at Cedarbrook’s Fountain Hill location due to its location in a residential neighborhood (allowing employees easier travel to work), per Cedarbrook management.
- The resident count at Cedarbrook remained consistent at both facilities from 2020 throughout 2021.

The average purchase order rate for purchased personnel increased from \$47.29 to \$58.05, a 23% increase from 2020 to 2021.

It should be noted that even with the increased cost of purchased personnel, Cedarbrook Administration was able to utilize purchased personnel to navigate labor shortages and hiring difficulties without a negative financial impact to the County.

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

3. Conflict of Interest (2020)

Employees deemed to be in sensitive positions are required to complete Conflict of Interest (COI) forms annually. Audit testing revealed 71 employees who did not complete or return COI forms.

In comparing the employee names under the “authorization of vendor invoices” (Authorizations) section of the employee signature approval sheets to the Human Resources’ (HR) Conflict of Interest (COI) control spreadsheet, we identified seven individuals (employees and non-employees) listed in the Authorizations that did not complete the COI form.

One employee identified as an authorized signor for vendor invoices was not included on the HR COI control spreadsheet, nor was a form submitted by the employee. A total of 63 employees on the HR COI Control spreadsheet did not return a 2020 COI form.

If a conflict of interest is indicated on a COI form, there is currently no review by the Legal Department before approval and sign-off from the County Executive.

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

4. Outdated Personnel Policies Manual

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

Findings in two of the areas that we tested (Employee Performance Evaluations; Compensatory Time accumulation) demonstrate the need for an update to the PPPM:

Performance Evaluations

A random sample of 22 employees were tested for annual performance evaluations; two of the 24 employees were newly hired in 2021. Of the remaining 20 employees, we were only able to validate that four employees received evaluations in 2021, seven employees had no evaluation on file; nine employees had outdated evaluations on file from prior years.

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.).

Compensatory (Comp) Time Accumulation

Compensatory time balances for 14 employees (comprised of union and non-union employees) exceeded the limit set forth by management in the Lehigh County PPM or the employee's respective union contract if applicable. This is compared to 42 employees in 2020 – a marked improvement. The cumulative overage of compensatory time for the 14 employees is 381 hours compared to 1,299 hours in 2020.

There were three exempt employees who were over the comp time limit – these employees accumulated their excessive comp balances prior to being promoted to an Exempt position and the amount remains unchanged since the prior audit. None of these employees used their accumulated comp time balances in 2021.

A Legal Service Requisition (LSR) was submitted to the County's Law Department for their evaluation of our findings and recommendations related to comp time.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #3* for our finding regarding the Personnel Policies & Procedures Manual.

Also, refer to the *Schedule of Audit Findings and Recommendations – Finding #4* for our finding regarding comp time.

5. Part-Time Employees Exceeding 1,000 Hours

Based on the Lehigh County Employees Retirement System Summary Plan Description, part-time employees do not participate in the pension plan due to the expectation of completing less than 1,000 hours of service during a 12-month period. Audit testing revealed 17 instances of part-time

employees exceeding 1,000 hours worked. One employee was identified as working over 1,000 hours in each of the last three years (2019, 2020, 2021); five employees were identified as working over 1,000 hours in two of the last three years.

All employees with the expectation of working over 1,000 hours are required to participate in the County pension plan as per the Plan Description.

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

6. Proof of Dependent Verification (Health Insurance)

Proof of dependents is a requirement for participation in the County’s healthcare plan. HR has implemented an enrollment checklist to ensure that these documents are collected. Testing revealed two employees whose personnel file did not contain the proper documentation to support dependent coverage.

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

7. Retirees Working Part-Time Over 750 Hours

Retirees who return to work for the County part-time are required to obtain signed approval from the County Executive authorizing them to work over 750 hours. Audit testing revealed that only nine of the 14 retirees, who worked over 750 hours, received written authorization from the County Executive.

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

8. Short-Term Sick Leave

There were 109 employees who used 10 or more days of short-term disability time in 2021; this was a 65.15% increase when compared to 66 employees in 2020. Of these employees, 91.96% 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. Our testing revealed that, in general, HR is receiving doctor’s notes when employees are on sick leave for three or more consecutive days, or are otherwise following up with employees to obtain those doctors notes (by bi-weekly review of leave reports).

Using 2021 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.

Number of Days per Episode – 2021							
	1 Day or Less	2 Days	3 Days	4 Days	5 Days	6 + Days	Total # of Episodes
Number of Episodes:	1184	222	48	34	39	2	1529
Percentage of Total: (rounded)	77%	15%	3%	2%	2%	1%	100%

The Office of Children and Youth Services (OCYS) had the highest number of sick-day episodes with 603 (39.43% of the total).

9. On-call Compensation

Two departments – the OCYS and Adult Probation were selected for testing of their on-call process and procedures for compliance with established Collective Bargaining Agreements.

One discrepancy was noted in the testing of OCYS’ on-call process:

- The rate paid to the backup weekend and holiday Rank & File, and Supervisor on-call employees did not match the contracted rate per the PSSU Collective Bargaining Agreement (effective 1/1/2019 to 12/31/2022). Several periodic contracted increases of \$2.50 were missed during the period, which caused employees to be underpaid. As a result of this audit, a cumulative retroactive payment is due to affected employees in the amount of \$3,190.00.

10. Vacation Day Accumulation Testing

There were 167 employees with vacation balances over 35 days. This was allowed for 2021 by a directive from the County Executive extending the 2020 exception, to the 35-day cap, due to COVID travel restrictions. The balances must be brought back in to compliance with the 35-day cap by 12/31/2022.

11. Employee Pay Increases

Auditing software, Audit Command Language (ACL), was used to test all 27 biweekly payroll entries made into the KEA personnel system during calendar year 2021.

All exceptions observed by the auditors during the bi-weekly audit of the County payroll were addressed and corrected within a reasonable time.

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 the correct rate increases during the beginning of 2021. Satisfactory performance reviews were not required for these increases.

12. Inactive Employees

There was a total of 23 employees that were active in the personnel system but had not received a paycheck in calendar year 2021. It was verified that all 23 employees were part-time employees and had no hours worked in 2021.

Of these 23 employees:

- Three have since been terminated from the personnel system
- Eight employees may return to work and will be kept “Active” in the personnel system for now; nine employees were identified as not returning to work and will be terminated in the payroll system; three are yet to be determined.

13. Negative Sick Pay

In consideration of the potential effects of a COVID-19 related illness, the county allowed qualifying employees to claim sick time regardless of their sick leave balance. To facilitate the entry of negative sick time, timesheet controls were adjusted beginning in April of 2020. Employees would continue to accrue their sick leave time as usual, reducing any negative balances over time.

In April of 2021, the control was reimplemented preventing employees from accumulating negative sick leave time. Our testing verified that no additional negative sick time balances occurred after 4/1/2022, and that sick leave was accruing back to employees’ balances correctly.

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 an analysis of the VERIS SSN verification report, quarterly payroll tax return filings, W-2 (employee wage) reporting – including a review of the efforts made by Fiscal and HR to re-deliver returned W-2 and 1095-C forms, form I-9 compliance, unemployment compensation, exempt employee compliance with the Fair Labor Standards Act, and reporting requirements associated with the Affordable Care Act.

The results of our testing disclosed no material instances of non-compliance for external reporting in 2021; however, we noted a management issue below that should be addressed:

1. Unemployment Compensation to Employees:

Unemployment Compensation (UC) in the amount of \$136,382.48 was paid to 69 active County employees in 2021. Of these 69 instances, there were 49 instances identified as cases of fraudulent claims filed using the employee’s information. These cases were referred by HR to Interstate Tax Service, who in turn reported them to the State. Additionally, affected employees were asked to file a police report. The remaining 20 instances were all identified by HR as being legitimate claims.

Due to a staffing shortage in HR, an in-depth review of UC claims in the first three quarters of 2021 was not performed. HR did review UC claims in more detail beginning in Q4, however payment was not submitted timely, and the County was assessed interest penalties.

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

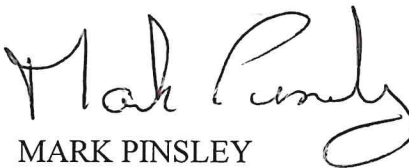
We believe that the audit evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit included examination of the accounting records, documentation, discussions with the management of the Office of Human Resources (HR), the Office of Fiscal Affairs and other county personnel, and such auditing procedures we considered necessary in the circumstances.

We concluded that, while many of the controls in place on the payroll process are adequate, there are areas which controls should be strengthened. Please refer to the *Schedule of Audit Findings and Recommendations* for further information.

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

The Director of Administration did not provide a written response to our audit. However, he did provide verbal confirmation that our recommendations will be taken under advisement. We did not audit the Director of Administration's response and, accordingly, we do not express an opinion on it.

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, Joseph Buick, or myself.



MARK PINSLEY
County Controller

July 05, 2022
Allentown, Pennsylvania

Audited by: Brian O'Donnell, Nam Tran

Final Distribution:

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COUNTY OF LEHIGH, PENNSYLVANIA
2021 YEAR-END PAYROLL AUDIT

Schedule of Audit Findings and Recommendations

1. Excessive Overtime Hours

Condition #1: Testing of overtime pay showed that there were 45 employees with at least 520 hours of overtime worked. Of these, 12 employees exceeded 1,000 hours (one employee exceeded 2,000 hours and one exceeded 3,000 hours – at the Jail, and Cedarbrook Allentown-Nursing, respectively). The total overtime dollars paid to these 12 employees in 2021 was approximately \$1 million. Large overtime payments will increase County pension obligations to employees who accumulate excessive overtime balances.

Condition #2: The highest earning Lehigh County employee in 2021 was a Cedarbrook RN Unit Manager who worked 3,461 hours of overtime and earned \$224,772 in overtime pay. The risk of an individual working this excessive amount of overtime hours could potentially increase the liability exposure to the County. Of Cedarbrook's seven other RN Unit Managers, one worked fewer than 400 overtime hours, and six worked fewer than 100 overtime hours in 2021. Many of the staffing vendors used by Cedarbrook for purchased personnel offer a Nursing Supervisor or comparable position, which could be used to reduce overtime paid to employees.

Recommendation #1: It is recommended that a formal evaluation and approval process be put in place for employees to exceed 520 hours of overtime in a calendar year, and that signed authorization must be obtained from the Director of Administration.

Recommendation #2: As recommended in prior years, County Administration should continue to analyze the cost/benefit of paying overtime and/or, in the case of Cedarbrook, purchased personnel versus hiring additional employees at locations with 24-hour operations. Cedarbrook management should consider the allocation of overtime hours among all applicable staff to reduce the reliance on one employee and the potential impact to the County's pension obligation.

Recommendation #3: Human Resources (HR) and Administration should take a more active role in assisting the County's 24/7 operations (Jail, Cedarbrook, Communication Center, and Corrections Center) with recruitment and retention concerns. The additional \$200 a week supplemental wage compensation should be periodically assessed to validate intended results, and whether the incentive could be utilized more effectively for longer-term recruitment and/or retention initiatives.

2. Annual Conflict of Interest (COI) Forms Not Completed

Condition #1: A total of 71 employees identified as being in sensitive positions, requiring a COI form to be signed and kept on file with HR, did not complete or return COI forms.

Recommendation #1: It is recommended for HR to follow up with identified individuals for the completion of COI forms. The Controller's Office will follow up in two months with HR to review the status of their requests.

Condition #2: Currently, only the County Executive reviews COI forms on which an actual conflict of interest has been identified.

Recommendation #2: When a conflict of interest is indicated, we recommend that it is reviewed by the Law Department prior to final approval and sign-off from the County Executive.

3. Outdated Policies Manual

Condition: As noted in prior audits, 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, working with Management, should form a committee to do a thorough review of the Policies & Procedures Manual and present an updated version to the Commissioners for their approval.

4. Compensatory Time Accumulation

Condition: Compensatory time balances for 14 employees exceeded the limits set forth by The County of Lehigh Personnel Policies & Procedures Manual.

A Legal Service Requisition (LSR) was submitted to the County's Law Department for their evaluation of our findings and recommendations related to comp time. The following two recommendations are supported by the LSR:

Recommendation #1: Compensatory time could be reduced by doing a payout to employees for all comp time that they have accumulated over their allowable limit.

Recommendation #2: The Lehigh County Personnel Policies & Procedures Manual could be amended to adopt the Fair Labor Standard Act's limit on compensatory time of 240 hours. This may be accomplished by the Administrative Notice rule-making process or by Resolution of the Board of Commissioners.

5. Part-time Employees Working More Than 1,000 Hours

Condition: There were 17 instances in which part-time employees worked more than 1,000 hours during their respective, rolling year of employment. Of these, 16 worked at Cedarbrook, and 1 in Voter Registration. One employee worked over 1,000 hours in each of the last three years (2019, 2020, and 2021). Five employees worked over 1,000 hours in two of the last three years. This can give the appearance that the expectation exists that these employees will work over 1,000 hours which, according the Lehigh County Employees Retirement System Summary Plan Description, would require these employees to participate in the pension plan.

Recommendation: It is recommended that HR review the 1,000-hour alert report on a bi-weekly basis, and that they notify department heads of part-time employees who are approaching 1,000 hours (part-time employees begin to appear on the report when they go over 800 hours). It is

recognized, however, that the department heads are to act as the first line of defense in identifying part-time employees who are approaching 1,000 hours and to modify their schedules accordingly. It is also recommended that department heads be required to obtain signed approval from the Director of Administration for any part-time employees who are expected to go over 1,000 hours.

6. Reverification of Employee Dependents for County Healthcare Plan

Condition: While HR currently has a process in place to identify employees' children who may "age out" of their health plan, there is no process in place to identify ex-spouses, and children who are no longer eligible dependents for healthcare purposes due to divorce.

Recommendation: It is recommended that HR implement a process to periodically reverify the dependents and spouses currently on each employee's County healthcare plan.

7. Retirees Working Part-Time Over 750 Hours

Condition: There were 14 instances of retirees, who came back to work part time, that exceeded 750 hours. These retired part-time employees are required to obtain signed authorization from the County Executive allowing them to exceed 750 hours. This acts as a safeguard preventing them from going over 1,000 hours, at which point their pension payment would be reduced on a dollar-for-dollar basis, coinciding with the number of hours worked over 1,000. Of the 14 employees, nine received signed authorization from the County Executive; five did not. No employee exceeded 1,000 hours.

Recommendation: It is recommended that HR review the 1,000-hour alert report on a bi-weekly basis, and that they notify department heads of part-time retired employees who are approaching 750 hours (same report as in Finding #1 - part-time retirees appear on the report when they are at 600 hours or more). Again, it is recognized that department heads must be actively monitoring the hours worked by their employees and act as the first line of defense for mitigating this issue.

8. Quarterly Review of Unemployment Compensation (UC) Claims Reports

Condition: HR did not perform an in-depth review of the UC claims reports for the first three quarters of 2021. This was due to a staffing shortage in HR, as well as a lack of time, and the experience required to perform such a review. In Q4, HR began to perform a more detailed review of the UC claims reports. However, it should be noted that the Q4 employer portion of the unemployment compensation payment due to the Commonwealth was paid late, causing a penalty in the form of interest in the amount of \$1,742.66 to be added to the Q1, 2022 invoice.

Recommendation: The employer portion of the UC claims payment to the state must be made in a timely manner. This requires that any review and research of individual cases and adjustments to claims, be performed and reconciled in order to make payments on time and avoid penalties for late payments. It is recommended that management assign the responsibility of quarterly UC claims review to an individual with the knowledge and experience to perform such a review. HR also has Interstate Tax Service at their disposal to assist with the review and research into individual cases.