



TO: Final Report Distribution

FROM: Mark Pinsley, County Controller

DATE: August 19, 2022

RE: Compliance Audit – 2021 Vendor Payments

We have completed an audit of vendor payment activity for the calendar year ending December 31, 2021. 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 22-09 is attached.

The results of our current (2021) audit are:

- Approximately 29,000 vendor payments amounting to \$242 million were issued by the Office of Fiscal Affairs during calendar year ending December 31, 2021. Fiscal staff should be commended for their efforts in processing the payments with minimal issues.
- Departmental processes in forwarding copies of current executed vendor contracts to the Office of Fiscal Affairs to ensure accurate payment processing should be strengthened.
- Departmental processes in requesting, receiving and forwarding of applicable vendor certificates of insurance should be strengthened.
- The reconciliations of Cedarbrook Allentown and Fountain Hill Care Cost Accounts should be performed timely and include the validation of accurate financial entries.
- Controls over changes to the Vendor Master File should be strengthened.
- Improve controls over the administration of AblePay invoices.

Attachment

AUDITS/VENDORPAYMENTS

COUNTY OF LEHIGH, PENNSYLVANIA

VENDOR PAYMENTS

*Compliance Audit of Vendor Payments
For the Calendar Year 2021*

REPORT NO. 22-09

COUNTY OF LEHIGH, PENNSYLVANIA

COMPLIANCE AUDIT OF VENDOR PAYMENTS

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Management Response	No response



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 management’s compliance with the County of Lehigh Home Rule Charter and Administrative Code (as amended) requirements for vendor payments for the calendar year 2021. 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 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 management'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

August 2, 2022

Allentown, Pennsylvania

Audited by: Joseph Buick and Brian O'Donnell

xc: Kay Achenbach, Human Services Director
Phillips Armstrong, County Executive
Board of Commissioners
Jason Cumello, Cedarbrook Director/Administrator
Janine Donate, Director, Department of Corrections
Joseph Hanna, Sheriff
Edward Hozza, Director of Administration
The Honorable J. Brian Johnson, President Judge
James Martin, District Attorney
Daniel Buglio, Coroner
Richard Molchany, Director of General Services
George Nader, Chief Procurement Officer
Andrea Naugle, Clerk of Judicial Records
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. Strengthening Vendor Contracts and Certificate of Insurance Controls

Conditions: 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 addition, a current certificate of insurance from the vendor, validating required insurance coverage limits, must accompany the contract when executed and must be obtained for each year of the contract.

Vendor Contracts: Out of a sample of 46 contracts, we noted 19 that were not entered into the Accounts Payable system (including 5 that did not have the current contract term). Either the contracts are not being forwarded to the Office of Fiscal Affairs, or if they are, the contracts are misplaced and not being entered into the Accounts Payable system.

Vendor Certificates of Insurance: When validating receipt of vendor certificates of insurance, two departments needed to request copies of the certificates from the vendors, and one was not found. Current certificates of insurance should be requested for each year of the contractual period and maintained by the applicable departments. There appears to be no central oversight, or verification process to ensure the receipt of vendor certificates of insurance. Non-compliance may put the County at risk for potential liability.

Recommendations:

- The Chief Fiscal Officer should communicate to all departments a reminder that copies of all executed contracts must be forwarded to the Office of Fiscal Affairs to ensure accurate payment processing. If payments are submitted without the support of a current contract, the payments should be held until contract is provided. In addition, the Fiscal office should review their internal processes to validate the timely entry of executed contracts received.
- 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. The database can also be utilized to monitor and report on the receipt of applicable vendor certificates of insurance.

2. Lack of Adequate Control Over Care Cost Account Reconciliations

Condition: When reconciling the Cedarbrook Allentown and Fountain Hill Care Cost Accounts to the General Ledger, we identified numerous journal entry mis-postings. The Office of Fiscal Affairs personnel responsible for the entries transitioned into the department in 2021, and understands the entry mistakes. However, the mis-postings were not identified through the monthly account reconciliation process performed by the Cedarbrook Financial Services department.

Recommendation:

Monthly Cedarbrook Allentown and Fountain Hill Care Cost Account reconciliations should be performed timely and include the validation of applicable general ledger accounts ensuring the accuracy of the postings.

3. Strengthening Controls Over Vendor Master File Changes

Conditions: When reviewing the addition of new vendors in 2021, we noted the following where controls can be strengthened:

- Changes to the Vendor Master does not contain edits requiring the entry of certain vendor fields or an audit trail identifying the individual performing the entry.
- Changes to the Vendor Master can be performed by personnel responsible for vendor payment processing.
- Changes to the Vendor Master are not reviewed by management outside of the AP personnel.

Recommendations:

- The Vendor Change Report should be reviewed to ensure the capturing of necessary fields to support an audit trail and the entry of required data.
- Chief Fiscal Officer to evaluate vendor payment responsibilities and ensure changes performed to the vendor master file are properly segregated.
- The Vendor Change report should be reviewed and initialed weekly by the Fiscal Officer or Assistant Fiscal Officer ensuring proper oversight of all changes.

4. Lack of Adequate Control Over the Review of AblePay Invoices

Condition: The County was incorrectly billed monthly Administrative Fees for certain employees enrolled in the healthcare discount consultant AblePay. Audit testing revealed 18 (15 from 2020, and 3 from 2021) terminated employees incorrectly listed on the provider's subscription roster.

Recommendation:

The Office of Human Resources (HR) should reconcile the current AblePay roster to ensure accuracy and pursue reimbursements from incorrectly paid administrative fees and, if applicable, co-insurance claim payments. In addition, HR 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 invoice submitted is accurate.

COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

Schedule of Prior Audit Findings and Recommendations
(Report #21-07 dated May 7, 2021)

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.**

Current Status: Through testing of 2021 vendor payments, a marked improvement was noted with the review and validation of authorized signatures in comparison to 2020 (16 instances in 2020 compared to 5 in 2021).

The Chief Fiscal Officer indicated that updated departmental signature approval requests were mistakenly excluded from the 2022 annual budget communication. The request will be added to the 2023 budget process.

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.

Current Status:

- United Concordia: Monthly administration invoices were processed by the Office of Fiscal Affairs in 2021, and noted discrepancies were communicated to Human Resources for correction. Based on this process, there was a marked improvement with the updating of the employee roster in comparison to prior year. In addition, a daily employee change file was created in November 2021 updating United Concordia of changes to plan participants statuses (terminations and additions).
- AblePay: The process of reviewing and approving administration fees for AblePay participants can be strengthened. See Schedule of Current Audit Findings and Recommendations.