



OFFICE OF THE CONTROLLER


Mark Pinsley, MBA

Nanton John, CFE

COUNTY CONTROLLER

DEPUTY CONTROLLER

TO: Final Report Distribution

FROM: Mark Pinsley, County Controller 

DATE: August 11, 2023

RE: Compliance Audit – 2022 Vendor Payments

We have completed an audit of vendor payment activity and for the calendar year ending December 31, 2022. The Office of Fiscal Affairs is responsible for the preparation and authorization 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 23-15 is attached.

The results of our audit include:

- Approximately 26,000 vendor payments amounting to \$265 million were issued by the Office of Fiscal Affairs during calendar year ending December 31, 2022. The Accounts Payable staff should be commended for their efforts in processing the payments with minimal issues.
- Controls over payment review, system processing, approvals, and the identification of duplicate payments should be strengthened.
- Controls over changes to the Vendor Master File should be strengthened.
- Vendor payments through a county credit card was initiated and later terminated during 2022. End to end testing was not adequately performed with our banking partner to validate receipt of payments by our vendors.
- Departmental processes in forwarding copies of current executed vendor contracts and related certificates of insurance to the Office of Fiscal Affairs to ensure accurate payment processing 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.

Attachment



COUNTY OF LEHIGH, PENNSYLVANIA

VENDOR PAYMENTS

*Compliance Audit of Vendor Payments
For the Calendar Year 2022*

COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

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COUNTY OF LEHIGH, PENNSYLVANIA

VENDOR PAYMENTS

Background:

Vendor Payment Compliance:

All demands for payments are received, reviewed and approved by applicable departments and business units of the County. Once authorized for payment, the approved demand is forwarded to the Office of Fiscal Affairs where the following is performed in compliance with the *County of Lehigh Administrative Code (as amended)*:

Section 604.3. No bill, demand, or claim shall be paid unless it contains an itemized statement of the items or services, stating by the party claiming payment that it is correct, and is certified that the items have been received, or the services rendered to the County.

Section 604.4. All bills, claims and demands against the County shall be approved in accordance with action of the Director of the Department of Administration. A voucher, on a form prescribed by the Director of the Department of Administration, shall be presented for each bill, claim or demand and shall be paid only upon the audit, warrant and approval of the Director of the Department of Administration.

When demands are reviewed, audited and approved for payment by the Office of Fiscal Affairs, the Controller's Office, in compliance with the County's Home Rule Charter and Administrative Code noted below, performs a final review prior to payment.

Lehigh County Home Rule Charter (as amended):

§ 503: The Controller shall examine the records, files, and procedures pertaining to the receipt and expenditures of County funds by all officers, agents, and employees of the County and all agencies thereof, to determine if they are in accordance with law, and the provisions of this Charter...

County of Lehigh Administrative Code (as amended):

Section 502: The Office of the Controller shall have and exercise all powers and duties stated in Article V, Section 503 of the Charter. The duties of the office shall be organized to perform the following functions:

- (b) Review all warrants for the expenditures of County monies and review the bidding, contract and other documents constituting the basis for the expenditures and if satisfied that such expenditures are within the budget allotment pertaining thereto and otherwise conform to the applicable legal requirements, shall sign said warrant before it is paid.



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, and validated compliance with the submission of required campaign finance forms for applicable contracts in accordance with the County of Lehigh Administrative Code, for the calendar year 2022. 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 2022 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.

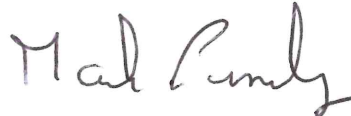
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Management's Response to the Audit

The Office of Fiscal Affairs management did not provide a written response to our audit. However, we did receive verbal confirmation that our recommendations will be taken under advisement. Cedarbrook management did provide a written response and is included in this report. We did not audit management's responses 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

July 21, 2023

Allentown, Pennsylvania

Audited by: Joseph Buick and Brian O'Donnell

Final Distribution:

Kay Achenbach, Human Services Director
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Board of Commissioners
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Edward Hozza, Director of Administration
The Honorable J. Brian Johnson, President Judge

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COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

Schedule of Current Audit Findings and Recommendations

1. Strengthening Controls Over Payment Review Procedures

Conditions:

- Based on an analytical review of 2022 payment transactions, we identified 35 duplicate payments totaling approximately \$290k. Payment support for five additional potential duplicates, totaling \$2.4k, could not be located.
- When documenting the Office of Fiscal Affairs' invoice review and payment processing workflow, six opportunities in the payment intake, payment entry, and positive pay areas were identified for consideration to strengthen controls.

Recommendations:

- The Chief Fiscal Officer should communicate the need to strengthen countywide department controls pertaining to the review and submission of valid invoices for payment. Management of each department should document and review with staff, departmental payment processing procedures to ensure payment requests are in compliance with county policy approved by authorized personnel, and was not previously paid, prior to submission to the Office of Fiscal Affairs. Any requests not in compliance with the Office of Fiscal Affairs procedures, or the Lehigh County Administrative Code, should be returned to the requesting department.
- The Office of Fiscal Affairs should validate the receipt of refunds/credits for all identified duplicate payments and determine the validity of the five potential duplicate payments.
- The Office of Fiscal Affairs should consult with the Information Technology department to create a weekly edit report identifying possible duplicate entries prior to the processing of payments. Criteria should include matching on vendor, invoice number, invoice date, and amount.
- The Office of Fiscal Affairs' management should review and assess the identified areas of opportunities to strengthen workflow review and payment controls in relationship to potential cost benefits.
- The Chief Fiscal Officer should consider evaluating the benefits of a comprehensive accounts payable solution to enhance payment controls, integrations, accessibility, and processing efficiencies. Consideration of invoice imaging system would expediate review from all offices/departments in determining/validating submitted invoices.

Management's Response: Office of Fiscal Affairs management did not provide written comments in response to our report. However, as per discussions with Management, the recovery of the duplicate payments will be pursued, as well as the creation of a weekly edit report. The other recommendations will be taken into consideration and pursued based on assessed risk.

2. Strengthening Controls Over Vendor Master File Changes

Conditions: As noted in the 2021 Vendor Payment audit report, we identified the following where controls over changes to the vendor master file changes can be strengthened:

- Lack of segregated duties: Changes to the Vendor Master are performed by personnel responsible for vendor payment review and processing.

- Changes to the Vendor Master, both newly added and changes to existing vendors, are not reviewed by management outside of the personnel responsible for vendor payment review and processing.
- The Vendor Master does not contain edits requiring the entry of certain vendor fields or an audit trail identifying the individual performing the entry.
- Identified 18 vendors in the Vendor Master file that contains no names or additional information (14 entered in 2022). It appears that no payments were issued in 2022 to those vendor numbers. This gives the appearance that the integrity of the vendor master file is not being periodically reviewed for completeness.

Recommendations:

- 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 to ensure the entry and capturing of required fields to support an adequate audit trail.
- The Vendor Change report should be reviewed and initialed weekly by the Chief Fiscal Officer or Assistant Fiscal Officer ensuring proper oversight of all changes.
- Oversight/Review of the Vendor Master file should be enhanced to ensure file integrity and appropriate access.

Management's Response: Office of Fiscal Affairs management did not provide written comments in response to our report. However, as per discussions with Management, the recommendations will be taken into consideration and pursued based on assessed risk.

3. **Vendor Payment Processing: Credit Card**

Condition:

An initiative was undertaken in early 2022 to begin paying various vendor invoices using a credit card. The benefit of this initiative was to reduce costs associated with check processing, and receive cashback incentive for the credit card payments. The Office of Fiscal Affairs began credit card payment processing on 4/28/2022, and ended it 6/16/2022 due to miscommunication between Well Fargo and the Office of Fiscal Affairs pertaining to the execution of the transactions. This was discovered when vendors who signed-up for credit card payments contacted the Office of Fiscal Affairs to say they had not received payment of their invoices.

Recommendation:

Complete end to end testing should be performed and validated prior to going-live with credit card payments. This would include vendor confirmation of payment receipt.

Management's Response: Office of Fiscal Affairs management did not provide written comments in response to our report. However, as per discussions with Management, the recommendations will be taken into consideration when credit card process is reinstated.

4. Strengthening Vendor Contracts and Certificate of Insurance Controls

Conditions: As noted in the 2021 Vendor Payment audit report, 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. Although greatly improved over 2021 testing, we noted 5 out of 43 contracts not entered into the Accounts Payable system

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. The Office of Fiscal Affairs did not have certificates of insurance for 10 out of 14 sampled Professional Service Agreements exceeding \$25k. Non-compliance may put the County at risk for potential liability.

Recommendation:

Consideration should be given by the Chief Fiscal Officer to partner with the Risk Officer, Department of Law, and Executive Office, for the creation of a central database of all vendor contracts when executed, ensuring accuracy, completeness, and accessibility. The database can also be utilized to monitor and report on the receipt of applicable vendor certificates of insurance.

Management's Response: Office of Fiscal Affairs management did not provide written comments in response to our report. However, as per discussions with Management, the recommendations will be taken into consideration and pursued based on assessed risk.

5. Lack of Adequate Control Over Care Cost Account Reconciliations

Condition:

As noted in the 2021 Vendor Payment audit report, when reconciling the Cedarbrook Allentown and Fountain Hill Care Cost Accounts to the General Ledger, we identified numerous journal entry mis-postings. 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. Management should actively review to ensure accuracy of entries and the timeliness of the account reconciliations.

Management's Response: See page 10 of this report for Cedarbrook management's response.

COUNTY OF LEHIGH, PENNSYLVANIA
COMPLIANCE AUDIT OF VENDOR PAYMENTS

Schedule of Prior Audit Findings and Recommendations
(Report #22-09 dated August 2, 2022)

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.

Current Status:

No action was taken by management regarding recommendations. See Schedule of Current Audit Findings and Recommendations #4 on page 6 of this report.

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.

Current Status:

No action was taken by management regarding recommendations. See Schedule of Current Audit Findings and Recommendations #5 on page 6 of this report.

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.

Current Status:

No action was taken by management regarding recommendations. See Schedule of Current Audit Findings and Recommendations #2 on page 4 and 5 of this report.

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.

Current Status:

No action was taken by management regarding recommendations. Testing 2022 administrative fees confirmed the lack of participant review for billed fees. The results were discussed with the newly hired Director of Human Resources. Informed that action plans to enhance controls over the administration of healthcare invoices will be implemented.

**COUNTY OF LEHIGH
CEDARBROOK SENIOR CARE AND REHABILITATION**

CEDARBROOK - ALLENTOWN

350 S. CEDARBROOK ROAD
ALLENTOWN, PA 18104

(610) 395-3727
FAX (610) 395-0412



CEDARBROOK - FOUNTAIN HILL

724 DELAWARE AVENUE
BETHLEHEM, PA 18015

(610) 691-6700
FAX (610) 867-2332

TO: Mark Pinsley County Controller, Nanton John Deputy Controller, Joseph Buick Asst.
Deputy Controller

FROM: Adam Boardl, Accountant II

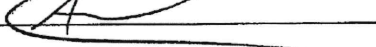
DATE: 07/28/2023

RE: 2022 Vendor Payment Audit

The following procedures are being followed in response to the audit findings: Lack of Adequate Control Over Care Cost Account Reconciliations.

1. Daily, Fiscal sends an ACH report for the Care Cost account to Cedarbrook. KEA transmittals are then being prepared by the accountant and sent to Fiscal for posting.
2. Cedarbrook accountant then will post Care Cost account payments to PCC with the necessary backup documentation.
3. Monthly Care Cost account reconciliations are being completed by the accountant by the 20th of every month for the previous month.
4. During the Care Cost reconciliation, the Cedarbrook accountant is reconciling payments posted to PCC, payments posted to KEA and the TD Care Cost account bank statement.

Should you have any question, we are available to assist you in answering your concerns.

X 

Phone: 610 336 5652

FAX: 610 395 4737

EMAIL: adamboardl@lehighcounty.org

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