




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: August 29, 2023
RE: 2022 Performance Audit of Year-End Payroll - Executive Summary

We have completed our performance audit of year-end payroll for the year 2022. Our report number 23-18 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:

- Fifteen County employees worked in excess of 1,000 hours of overtime in 2022, earning a total of \$1,134,444 in overtime pay.
- Two employees, a Cedarbrook RN Unit Manager and a Corrections Officer, worked a combined 5,580 overtime hours, earning \$195,467 and \$128,564 in overtime pay, respectively.
- Outdated Personnel Policies & Procedures Manual (not updated since 2008). Outdated policies can cause inconsistent application amongst department managers, and in some instances, may not align with current federal regulations.
- There is currently no process in place to reverify employee dependents for the County healthcare plan.
- Though improvements have been made in this area, not all required County Conflict of Interest forms and State of Pennsylvania Disclosure of Financial Interest forms were distributed to and received from County employees.
- It is recognized that even with the increased cost of purchased personnel at Cedarbrook, management was able to stay within their budget, in the aggregate, for full-time and part-time employees and purchased personnel.

See “*Schedule of Audit Findings and Recommendations*” for further details pertaining to the above areas, and other identified items where controls should be strengthened.

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 2022*

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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We have recently completed a performance audit evaluating the effectiveness of Lehigh County's year-end payroll processing for the year 2022. 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 detailed audit testing was payroll periods ending in calendar year 2022. 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 and effectiveness for the 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 objectives focus on both internal management and external requirements:

Internal Management

The objective of the Internal Management portion of the audit was to compile reports and evaluate the effectiveness of internal management of employee pay increases, county-wide overtime payments and purchased personnel, on-call reporting, compensatory time reporting, retirees working over 750 hours, part-time employees exceeding 1,000 hours, excessive short-term sick leave, negative sick leave, vacation day accumulation, inactive employees, manual payroll checks, the use of Administrative Leave (AL) days, vacation day accruals and adjustments, donated leave, annual performance evaluations, salaries of elected officials, proof of dependents for County health care, required Conflict of Interest (COI) and Financial Disclosure forms, and updates to the County of Lehigh Personnel Policies & Procedures Manual.

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 to assess risk and determine areas that may require additional testing.

Audit criteria and standards included compliance with *County of Lehigh Personnel Policies and Procedures* as established by the Department of Administration and approved by the Board of Commissioners. We also compared 2022 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 Payroll Payments

In 2022, the County of Lehigh, paid approximately \$5.8 million in overtime wages, a 4.81% increase over 2021. However, total regular wage payments decreased by approximately \$3 million in comparison to 2021. Overtime hours, overtime cost, regular hours, and regular payroll costs from 2019 through 2022 are presented below:

Year	2019	2020	'19 – '20 % Change	2021	'20 – '21 % Change	2022	'21 – '22 % Change
Overtime Hours	117,666	121,388	3.16%	138,661	14.23%	142,140	2.51%
Overtime Dollars	\$4,365,904	\$4,811,852	10.21%	\$5,577,878	15.92%	\$5,846,016	4.81%
Regular Payroll Hours	5,345,451	5,457,849	2.10%	5,036,065	-7.73%	4,642,322	-7.82%
Regular Payroll Dollars	\$114,684,677	\$115,157,895	0.41%	\$115,993,157	0.73%	\$112,954,999	-2.62%

The departments listed below represent those with the highest paid overtime:

DOB	2021 O/T Pay	2022 O/T Pay	% Change In Pay	2021 O/T Hours	2022 O/T Hours	% Change In Hours
Jail	\$2,281,554	\$2,408,414	5.56%	55,755	56,914	2.08%
CB-AL - Nursing	\$1,298,057	\$1,158,042	-10.79%	32,279	28,532	-11.61%
CB-FH – Nursing	\$559,415	\$611,923	9.39%	15,231	15,408	1.16%
Communication Ctr.	\$527,925	\$569,256	7.83%	13,447	14,669	9.08%
Corrections Center	\$310,082	\$208,622	-32.72%	6,686	4,395	-34.27%

The same 5 departments' regular payroll dollars are as follows:

DOB	2021 Regular Pay	2022 Regular Pay	% Change In Pay	2021 Regular Hours	2022 Regular Hours	% Change In Hours
Jail	\$11,974,064	\$11,432,004	-4.53%	428,052	396,788	-7.30%
CB-AL – Nursing	\$18,539,058	\$15,185,411	-18.09%	745,218	586,463	-21.30%
CB-FH – Nursing	\$7,826,960	\$7,453,210	-4.78%	322,143	297,280	-7.72%
Communication Ctr.	\$3,102,812	\$2,793,114	-9.98%	122,163	107,600	-11.92%
Corrections Center	\$1,095,713	\$671,723	-38.70%	37,224	21,809	-41.41%

The same 5 departments' combined regular and overtime payroll dollars are as follows:

DOB	2021 Combined Pay	2022 Combined Pay	% Change In Pay	2021 Combined Hours	2022 Combined Hours	% Change In Hours
Jail	\$14,255,618	\$13,840,418	-2.91%	483,807	453,703	-6.22%
CB-AL – Nursing	\$19,837,115	\$16,343,454	-17.61%	777,497	614,996	-20.90%
CB-FH – Nursing	\$8,386,375	\$8,065,133	-3.83%	337,374	312,688	-7.32%
Communication Ctr.	\$3,630,737	\$3,362,369	-7.39%	135,610	122,268	-9.84%
Corrections Center	\$1,405,795	\$880,345	-37.38%	43,910	26,204	-40.32%

The top 5 overtime earning departments are those with 24-hour operations.

- In 2022, there was an overall decrease in regular hours worked due to the hiring and retention difficulties faced by all of the top five departments.
 - In October of 2021, the County took steps to improve employee retention at the Jail, and in April, 2022 at the 911 Communication Center, by implementing a supplemental wage of \$200 per week for employees who worked a minimum of 40 hours per week. The amounts paid for supplemental wages at the Jail and the Communication Center in 2022 was \$1,266,400, and \$258,000, respectively. The supplemental wage payment was continued into 2023.
 - Employee hiring and retention difficulties are also contributing factors to the increase in purchased personnel at the nursing home as discussed later in the report.
- Analysis of employee overtime revealed 15 employees (all from the departments listed above) who exceeded 1,000 hours of overtime. The total overtime dollars paid to these 15 employees in 2022 was \$1,134,444. Two of these employees, a Cedarbrook RN Unit Manager and a Corrections Officer, worked 2,894 and 2,686 overtime hours earning \$195,467 and \$128,546 in overtime pay, respectively. The highest earning Lehigh County employee in 2022 was the aforementioned Cedarbrook RN Unit Manager whose 2,894 overtime hours and \$195,467 in overtime pay is a decrease from 2021 when they were also the highest earning Lehigh County employee with 3,461 overtime hours and \$224,772 in overtime pay.

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 2022 totaled \$4,613,722. This represents a \$3,529,299 (325.45%) increase over 2021.

Total purchased personnel costs from 2019 through 2022 are presented below:

Year:	2019	2020	2021	2022
Allentown	\$576,275	\$394,731	\$843,474	\$3,115,429
Fountain Hill	\$179,577	\$286,332	\$240,949	\$1,498,293
Total	\$755,852	\$681,063	\$1,084,423	\$4,613,722

Various factors contributed to the increase of purchased personnel in 2022. Management noted:

- The increase in purchased personnel was out of necessity caused by the general nationwide nursing staffing shortage which is particularly affecting the long-term care industry.
- An increasing number of healthcare workers, particularly the younger demographics, do not want the commitments of a full-time job and prefer the flexibility allowed by staffing agencies.
- Cedarbrook’s recruitment and retention efforts have allowed Cedarbrook to outperform the national and state averages in these areas:
 - CB total nursing staff turnover is 37.7% compared to National average of 53.5% and state average of 50.3%
 - CB RN turnover is 22.5% compared to national average of 51.3% and Pennsylvania average of 47.8%
- The 2021 and 2022 resident count at both Cedarbrook facilities remained consistent.

Nursing staff turnover at Cedarbrook was outside the scope of this audit, and as such, management’s assertions have not been verified.

With a preference to keep budget dollars available for salaries, Cedarbrook budgeted accordingly. Cedarbrook Administration stated their preference to hire full-time and part-time employees as it is beneficial to the efficiency of their operations and to their residents to do so as opposed to using staffing agencies for long-term care. It is noted that even while budgeting more for full-time and part-time employees than for purchased personnel, in the aggregate, Cedarbrook stayed within their budget in 2022 for salaries and purchased personnel, at both the Allentown and Fountain Hill locations, providing an economical solution to current staffing shortages.

3. Outdated Personnel Policies Manual

When performing various tests in compliance with The County of Lehigh Personnel Policies & Procedures Manual (PPPM), it was noted that the manual has not been formally updated since December, 2008. Outdated policies can cause inconsistent and inequitable 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 #2*.

Findings in four of the areas that we tested for compliance (Compensatory Time Accumulation; On-Call Compensation; Vacation Accruals; Employee Performance Evaluations) demonstrate the need for an update to the PPPM:

Compensatory (Comp) Time Accumulation

By testing compliance to the PPPM regarding the maximum allowed balance of comp time, we identified comp time balances of 11 employees which exceeded the limit of 80 hours set forth by management. This is compared to 14 employees in 2021. The cumulative overage of compensatory in 2022 is 445 hours compared to 381 hours in 2021.

In 2022, the Controller's Office submitted a Legal Service Requisition (LSR) to the County's Law Department for their evaluation of our findings and recommendations in the prior year related to comp time.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #3*.

On-Call Compensation

On-call compensation is typically addressed in union contracts. However, audit testing identified non-union employees who work on-call. The PPPM does not address on-call pay for non-union employees.

Please refer to the *Schedule of Audit Findings and Recommendations – Finding #4*.

Vacation Accruals for Non-Classified Employees

The rate at which County employees accrue vacation time coincides with their years of service to the County as a full-time or regular part-time employee. Testing of employees' accrual rates identified one employee whose time worked as non-classified was counted towards their vacation accrual once they became a full-time employee. Therefore, the employee accrued vacation time at a rate higher than they should have based on their time of service to the County as a full-time employee. While the PPPM does specify vacation accrual rates for full-time and regular part-time employees, it does not address vacation accrual for non-classified employees.

Performance Evaluations

Regarding performance evaluations, the PPPM states that department supervisors are encouraged to regularly evaluate the work performance of employees. A random sample of 22 employees were selected to determine if their supervisor completed a performance evaluation on them in 2022. Of those tested, five received evaluations in 2022, and one received an evaluation in 2021. The other 16 did not have a recent performance evaluation in their employee file. 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., they have no bearing on annual pay increases).

4. Proof of Dependent Verification (Health Insurance)

Proof of dependents is a requirement for participation in the County's healthcare plan. Human Resources (HR) has implemented an enrollment checklist to ensure that these documents are collected when an employee is hired. As noted in the prior year, while HR currently has a process

in place to identify employees' dependents who may "age out" of their health plan, there is no reverification process that would identify ex-spouses, and children who are no longer dependents.

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

5. Conflict of Interest Forms

All County employees who are authorized to sign vendor invoices are required to complete a County COI form annually. Additionally, they are required by the State of Pennsylvania to complete a Statement of Financial Interest form. Department leaders may also identify other employees in sensitive positions who may be required to complete the forms. Audit testing revealed that seven employees who are authorized signors on vendor invoices did not complete or return either one or both of the forms. Testing also revealed that COI forms and Statement of Financial Interest forms were not distributed to Cedarbrook employees until auditor inquiry in October of 2022. No follow-up was performed by HR. The forms were, however, subsequently completed and submitted to HR.

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

6. 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 29 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 (2020, 2021, 2022); seven 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 stated in the Plan Description.

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

7. Retirees Working Part-Time Over 750 Hours

Retirees who return to work for the County as part-time employees are required to obtain signed approval from the County Executive if they exceed or expect to exceed 750 hours. Audit testing revealed that only one of the 13 retirees who worked over 750 hours did not receive written authorization from the County Executive.

Additionally, in accordance with PA Act 96 of 1971, part-time retirees that work in excess of 1,000 hours in the 12-month period between their rolling dates of employment must have their retirement payments reduced, dollar for dollar, in an amount equal to the amount paid for the time worked in excess of 1,000 hours. Testing identified three part-time retirees, working in excess of

1,000 hours in their respective rolling year of employment, who did not have their retirement payments reduced.

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

8. Short-Term Sick Leave

By compiling and analyzing the data from the County’s financial and payroll system (KEA), we identified 106 employees who used 10 or more days of short-term sick leave in 2022; this was a 2.75% decrease when compared to 109 employees in 2021. Of these employees, 93.32% of the sick leave taken was done so in episodes of two days or fewer.

Using 2022 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 – 2022							
	1 Day or Less	2 Days	3 Days	4 Days	5 Days	6 + Days	Total # of Episodes
Number of Episodes:	1,119	209	55	17	23	0	1,423
Percentage of Total: (rounded)	79%	15%	4%	1%	1%	0%	100%

The Office of Children and Youth Services (OCYS) had the highest number of sick-day episodes with 452 (31.76% of the total).

Per the PPPM, no doctor’s excuse is required until an employee takes three consecutive days off. Our testing revealed that 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.

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, HR’s review of quarterly unemployment compensation reports and payment, exempt employee compliance with the Fair Labor Standards Act, and reporting requirements associated with the Affordable Care Act.

The results of our testing disclosed instances of non-compliance for external reporting in 2022; we noted management issues below that should be addressed:

1. Exempt/Non-Exempt Status of County Employees (Impacting Overtime and Comp Time)

To ensure compliance with the Fair Labor Standards Act (FLSA), employees must be classified as exempt or non-exempt. Exempt means that an employee is not eligible for overtime pay (exempt from overtime pay); non-exempt means they are entitled to overtime pay (not exempt from overtime pay).

HR maintains a report called “Class Info” that lists all County job classes and their exempt/non-exempt status for overtime pay. Audit procedures revealed that this report does not contain an indicator of the exempt/non-exempt status for 89 County job codes.

In lieu of overtime, employees are eligible to receive comp time if chosen by the employee and authorized by the supervisor. In reviewing the accuracy of the recording and payment of comp time, it was discovered that the County’s financial and payroll system (KEA) does not record comp time at the overtime rate for employees who are in pay grade 23 or higher regardless of their exempt/non-exempt status for overtime.

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

2. Affordable Care Act Compliance - Patient-Centered Outcomes Research Institute (PCORI) Fee and Form 720 Federal Excise Tax Return:

The Affordable Care Act imposes fees on issuers of specific health insurance policies and plan sponsors of applicable self-insured health plans to help fund the Patient-Centered Outcomes Research Institute (PCORI). This fee is reported once a year and is based on the average number of lives covered by the plan in the previous calendar year. The deadline for reporting and payment for the prior year is July 31.

The 2021 PCORI fee was paid after its due date of July 31, 2022. The fee was paid in February of 2023; therefore, fees and penalties may be assessed. The PCORI fee was calculated by McGriff (the County’s insurance broker) in a timely manner, and the tax return was signed by the County Executive on February 8, 2022.

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, Office of Information Technology, 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.

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.

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. However, this report is a matter of public record and its distribution is not limited. If you have any questions, please feel free to contact Nanton John, Joseph Buick, or myself.



MARK PINSLEY
County Controller

August 15, 2023
Allentown, Pennsylvania

Audited by: Brian O'Donnell and Nam Tran

Final Distribution:

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COUNTY OF LEHIGH, PENNSYLVANIA
2022 YEAR-END PAYROLL AUDIT

Schedule of Audit Findings and Recommendations

1. Excessive Overtime Hours

Condition: Testing of overtime pay showed that there were 49 employees with at least 520 hours of overtime worked in 2022. Of these, 15 employees exceeded 1,000 hours (3 employee exceeded 2,000 hours - two at the Jail, and one at Cedarbrook Allentown-Nursing). The total overtime dollars paid to these 15 employees in 2022 was approximately \$1,134,444. Large overtime payments will increase County pension obligations to employees who accumulate excessive overtime balances. Current efforts by HR management in the area of recruitment should help to mitigate future excessive overtime pay.

Recommendation: As noted in the 2021 year-end payroll audit report, it is recommended that a formal evaluation and approval process be established for employees who exceed 520 hours of overtime in a calendar year, and a signed authorization must be obtained from the Director of Administration. This process will bring awareness of the need for overtime to executive management.

2. Outdated Policies Manual

Condition: As noted in the 2021 year-end payroll audit report, the PPPM 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. See #3 in the **Internal Management** section above for areas that demonstrate the need for an update to the PPPM.

Recommendation: It is recommended that HR Management, Administration, and the Law Department perform a thorough review of the PPPM and present an updated version to the Commissioners for their approval.

3. Compensatory (Comp) Time Accumulation

Condition: Compensatory time balances for 11 employees exceeded the limits set forth by the PPPM. An LSR was submitted to the County's Law Department for their evaluation of our findings and recommendations related to comp time in the 2021 payroll audit. The response with their recommendations was received by the Director of Administration in 2022.

Recommendation: As noted in the 2021 year-end payroll audit report, HR Management, Administration, and the County Executive should review the Law Departments response to the above-referenced LSR, and the FLSA One of the recommendations put forth in the LSR should be adopted and implemented. Also, the PPPM should be brought into compliance with the FLSA if deemed necessary by management.

4. On-Call Pay for Non-Union Employees

Condition: Testing of on-call pay identified non-union employees who work on-call. While union contracts will address on-call pay for those employees covered by their contract, the PPPM does not address on-call for non-union employees.

Recommendation: It is recommended that HR determine how comp-time is to be paid to non-union employees, and that the PPPM be updated to address the on-call rates for non-union employees.

5. Reverification of Employee Dependents for County Healthcare Plan

Condition: While HR currently has a process in place to identify employees' dependents 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. This condition was communicated to the Administration during the 2021 payroll audit. Administration indicated that a vendor was selected to perform a periodic reverification. To date, this reverification process has not been implemented.

Recommendation: As noted in the 2021 year-end payroll audit report, it is recommended that HR implement a process to periodically reverify the dependents and spouses currently enrolled in each employee's County healthcare plan.

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

Condition #1: 2021 Conflict of Interest forms were not distributed to Cedarbrook employees until auditor inquiry in October of 2022, as no follow-up was performed by HR.

Condition #2: In accordance with Lehigh County Resolution 1978-No. 6, employees who are authorized to sign vendor invoices must complete, and submit to HR, the required COI forms. Testing identified seven employees, who are authorized to sign vendor invoices, who did not sign and submit required COI forms to HR.

Recommendation: Department heads should ensure timely distribution and completion of annual COI forms. Additionally, it is recommended that HR compare the list of employees authorized to sign vendor invoices to their COI tracking spreadsheet to ensure that all required forms are received from authorized signors and follow up with department heads if necessary.

Condition #3: HR and Administration do not have a complete understanding of all employees' responsibilities and areas of influence, or their external involvement and activities that may directly or indirectly have the appearance of a conflict of interest.

Recommendation: HR and Administration should consider requiring all County employees to complete COI forms.

7. Exempt/Non-Exempt Status of County Employees (Impacting Overtime and Comp Time)

Condition #1: The “Class Info” report maintained by HR which denotes the exempt/non-exempt status of all County employees does not contain an indicator of the status for 89 job classes. At year end, there were 94 employees who worked in these job classes, 90 of which were part-time employees.

Recommendation: It is recommended that HR review the “Class Info” report and evaluate the exempt/non-exempt status of all employee classes in compliance with the FLSA, and update as they deem appropriate. HR should document the criteria by which employee classes are evaluated. An exempt/non-exempt indicator should be applied to all job classes to ensure that all County employees are properly compensated for any overtime hours worked.

Condition 2 #: Testing showed that the County’s financial system (KEA) does not allow comp time entry and payment at the overtime rate to employees in pay grade 23 and higher regardless of their exempt/non-exempt status.

Recommendation: After HR reviews and evaluates the exempt/non-exempt status of all employee classes the Office of Information Technology (IT) should review and revise system programming related to comp time to reflect compliance with HR’s evaluation.

8. Affordable Care Act Compliance – Patient-Centered Outcomes Research Institute (PCORI) Fee

Condition: The 2021 PCORI fee was paid in February of 2023, past its due date of July 31, 2022, subjecting the County to an IRS penalty. The PCORI fee was calculated by McGriff (the County’s insurance broker) in a timely manner, and approved by the County Executive on February 8, 2022. Management failed to submit the fee in a timely manner.

Recommendation: It is recommended that the PCORI fee is paid prior to its due date to avoid any penalty assessments.

9. Part-time Employees Working in Excess of 1,000 Hours

Condition: Testing identified 29 instances of part-time employees working more than 1,000 hours during their respective, rolling year of employment. One employee worked over 1,000 hours in each of the last three years (2020, 2021, and 2022). 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 #1: As noted in the 2021 year-end payroll audit report, 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. 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. It is the department heads’ responsibility to modify their schedules accordingly, and possibly consider the need for a full-time position if a part-time employee consistently exceeds 1,000 hours.

Recommendation #2: It is recommended that Fiscal and HR work with IT create a system alert to notify those entering timesheets of any part-time employees approaching 1,000 hours. Examples include an alert in the KEA timesheet entry screen, or an automatic bi-weekly email alert.

10. Retirees Working Part-Time Over 750 Hours

Condition: Testing identified three part-time retirees who worked in excess of 1,000 hours in their respective rolling year of employment. In accordance with PA Act 96 or 1971, any part-time retiree who exceeds 1,000 hours must have their retirement payments reduced, dollar for dollar, in an amount equal to the amount paid for time worked in excess of 1,000 hours. It was only after audit testing and inquiry that the Office of Fiscal Affairs reduced the retirement payments for these employees.

Recommendation: It is recommended that HR track the 1,000-hour alert report on a bi-weekly basis, and notify the pension accountant on a timely basis if any retiree exceeds 1,000 hours. The retirees pension payment will then be reduced by the corresponding amount.