




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: September 16, 2024
RE: 2023 Performance Audit of Year-End Payroll - Executive Summary

We have completed our performance audit of year-end payroll for the year 2023. Our report number 24-20 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:

- Outdated Personnel Policies & Procedures Manual (not updated since 2008). Outdated policies can cause inconsistent application amongst department managers, and in some instances, may not align with current federal regulations.
- Nine County employees worked in excess of 1,000 hours of overtime in 2023, earning a total of \$690,826 in overtime pay.
- Three employees at the jail who exceeded 2,000 hours of overtime, worked a combined 6,890 overtime hours, earning \$118,291, \$104,324, and \$100,254 in overtime pay, respectively.
- 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.
- 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 received from County employees.

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 2023*

AUDIT REPORT NO. 24-20

COUNTY OF LEHIGH, PENNSYLVANIA
YEAR-END PAYROLL

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COUNTY OF LEHIGH, PENNSYLVANIA
2023 YEAR-END PAYROLL AUDIT

Background

The payroll system is a function shared by Human Resources (HR), Office of Fiscal Affairs, Department of Information Technology (IT), and the County’s third-party payroll vendor, iSolved. The disbursements are reviewed by the Controller’s Office throughout the year, with additional testing performed at year-end.

HR assists department managers in the recruitment, selection, retention, and various employee changes. With the information provided by the department, HR assumes the ownership of personnel records and transactions, and the planning, development, and administration of Personnel Policies and Procedures.

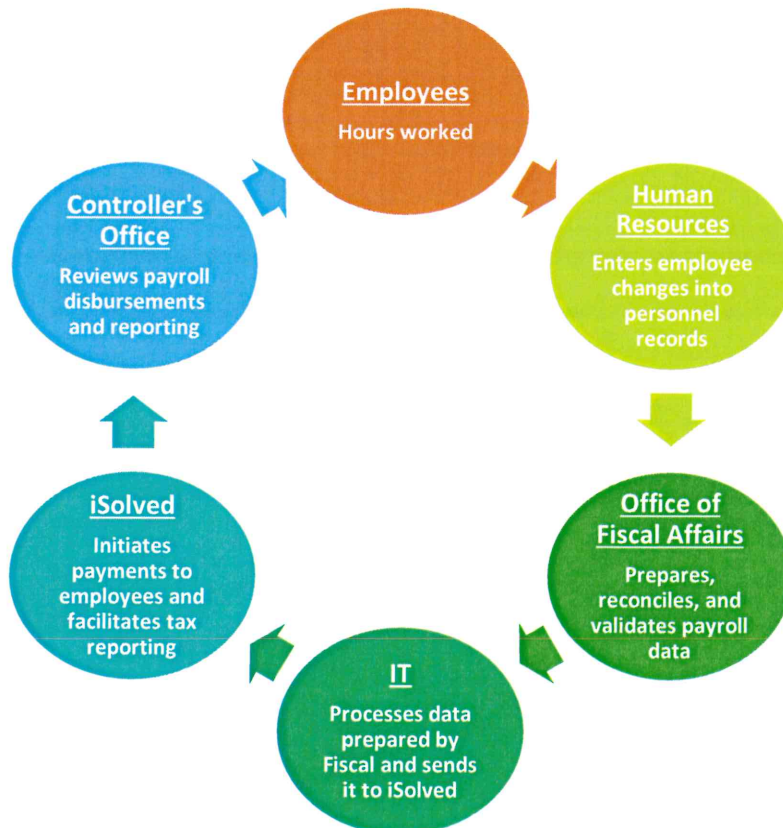
Office of Fiscal Affairs, in maintaining the sound financial position of the County, is primarily responsible for the preparation and validation of payroll data provided by the various departments.

IT is responsible for maintenance of the payroll edits, timesheets, and the payroll and personnel database. IT processes the data prepared by Office of Fiscal Affairs and sends it to iSolved.

iSolved is the County’s third-party cloud-based payroll processor who initiates payments to employees and prepares payroll tax reporting for the County.

As mandated by the County charter, the Controller’s Office performs audits of revenue and expenditures to measure financial integrity and provide oversight on County management's compliance with applicable laws/regulations. Payroll disbursements are reviewed on a bi-weekly basis.

Bi-weekly Payroll Process:





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 evaluating the effectiveness of Lehigh County's year-end payroll processing for the year 2023. 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 2023. 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 system access, 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 2023 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

To determine if large and/or unusual variances were monitored and justified, the cumulative overtime hours and dollars were compared to regular payroll hours and dollars for the current year as well as to prior years. In 2023, the County of Lehigh, paid approximately \$5.8 million in overtime wages, a 1% decrease over 2022. However, total regular wage payments increased by approximately \$2.3 million in comparison to 2022. Overtime hours, overtime cost, regular hours, and regular payroll costs from 2020 through 2023 are presented below:

| Year | 2020 | 2021 | '20 – '21 % Change | 2022 | '21 – '22 % Change | 2023 | '22 – '23 % Change |
|-------------------------|---------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|
| Overtime Hours | 121,388 | 138,661 | 14.23% | 142,140 | 2.51% | 139,854 | -1.61% |
| Overtime Dollars | \$4,811,852 | \$5,577,878 | 15.92% | \$5,846,016 | 4.81% | \$5,798,243 | -0.82% |
| Regular Payroll Hours | 3,938,055 | 3,852,383 | -2.18% | 3,592,154 | -6.76% | 3,565,944 | -0.73% |
| Regular Payroll Dollars | \$109,906,402 | \$111,287,186 | 1.26% | \$107,060,553 | -3.80% | \$109,335,889 | 2.13% |

The departments listed below represent those with the highest paid overtime in 2023:

| Department | 2022 O/T Pay | 2023 O/T Pay | % Change In Pay | 2022 O/T Hours | 2023 O/T Hours | % Change In Hours |
|--------------------|-----------------|-----------------|--------------------|-------------------|-------------------|----------------------|
| Jail | 2,470,220 | 2,524,128 | 2.18% | 56,914 | 59,800 | 5.07% |
| CB-AL – Nursing | 1,158,110 | 973,818 | -15.91% | 28,532 | 24,499 | -14.13% |
| Communication Ctr. | 569,256 | 704,378 | 23.74% | 14,669 | 17,358 | 18.34% |
| CB-FH – Nursing | 611,923 | 634,006 | 3.61% | 15,408 | 15,358 | -0.32% |
| Children and Youth | 126,891 | 239,986 | 89.13% | 2,752 | 5,005 | 81.90% |

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

| Department | 2022 Regular Pay | 2023 Regular Pay | % Change In Pay | 2022 Regular Hours | 2023 Regular Hours | % Change In Hours |
|--------------------|------------------|------------------|-----------------|--------------------|--------------------|-------------------|
| Jail | 11,420,979 | 11,806,880 | 3% | 396,709 | 408,495 | 3% |
| CB-AL – Nursing | 8,476,556 | 7,797,212 | -8% | 349,067 | 306,413 | -12% |
| Communication Ctr. | 2,869,652 | 2,940,159 | 2% | 110,624 | 107,851 | -3% |
| CB-FH – Nursing | 4,793,231 | 4,611,521 | -4% | 193,755 | 174,680 | -10% |
| Children and Youth | 6,706,866 | 6,630,498 | -1% | 221,074 | 213,022 | -4% |

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

| Department | 2022 Combined Pay | 2023 Combined Pay | % Change In Pay | 2022 Combined Hours | 2023 Combined Hours | % Change In Hours |
|--------------------|-------------------|-------------------|-----------------|---------------------|---------------------|-------------------|
| Jail | 13,891,199 | 14,331,008 | 3% | 453,623 | 468,294 | 3% |
| CB-AL – Nursing | 9,634,666 | 8,771,030 | -9% | 377,599 | 330,913 | -12% |
| Communication Ctr. | 3,438,908 | 3,644,537 | 6% | 125,292 | 125,209 | 0% |
| CB-FH – Nursing | 5,405,154 | 5,245,526 | -3% | 209,162 | 190,038 | -9% |
| Children and Youth | 6,833,756 | 6,870,483 | 1% | 223,826 | 218,027 | -3% |

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

- In 2023, there overall overtime hours and dollars have stayed relatively the same in comparison to the three years prior.
- The top five departments were:
 - The Jail saw overtime hours increased by 5% and overtime dollars increased by 2%. Comparing the actuals to budget revealed the Jail was within budget despite the increase in overtime year-over-year.
 - Cedarbrook Allentown saw a decrease of 15.91% in overtime dollars and a 14.13% decrease in overtime hours year-over-year. Cedarbrook Fountain Hill saw an increase of 3.61% in overtime dollars and no change in overtime hours year-over-year. Comparing the actuals to budget revealed that both Cedarbrook campuses were within budget for payroll expenses and addressed their vacancies with purchased personnel.
 - The 911 communication center saw an increase of 23.74% in overtime dollars and an 18.34% increase in overtime hours year-over-year. The 911 continues to struggle with filling full-time positions for 2023 and used overtime to maintain sufficient coverage for its operations.
 - Children and Youth was understaffed during 2023. Comparing actuals to budget revealed an excess regular salary budget due to vacancies. Overtime was paid using the excess from the vacancies.
- Analysis of employee overtime revealed nine employees (all from the departments listed above) who exceeded 1,000 hours of overtime. The total overtime dollars paid to these nine employees in 2023 was \$690,826.

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

2. Cedarbrook’s Purchased Personnel (outside contractors)

To determine if large and/or unusual variances were monitored and justified, purchased personnel expense was compared with regular pay and overtime for the current and prior years. Cedarbrook’s purchased personnel (predominantly contract nursing) for the calendar year 2023 totaled \$9,240,858.57. This represents a \$4,627,136.63 (100%) increase over 2022.

Total purchased personnel costs from 2020 through 2023 are presented below:

| Year: | 2020 | 2021 | 2022 | 2023 |
|---------------|------------------|--------------------|--------------------|--------------------|
| Allentown | \$394,731 | \$843,474 | \$3,115,429 | \$6,257,022 |
| Fountain Hill | \$286,332 | \$240,949 | \$1,498,293 | \$2,983,837 |
| Total | \$681,063 | \$1,084,423 | \$4,613,722 | \$9,240,859 |

Various factors contributed to the increase of purchased personnel in 2023. Management noted:

- The increase in purchased personnel was out of necessity caused by the general nation-wide 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 appears to be using the excess payroll budget to pay for purchased personnel.

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 2023 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

During our testing of bi-weekly and year-end payroll, we identified potential gaps in the current version of the Personnel Policies & Procedures Manual (PPPM) as it pertains to regulations and various employment practices, and communicated such gaps to the HR department as recommendations for potential updates to the current version of the PPPM. 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 #1*.

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 accumulated comp time balance limits, we identified comp time balances of 14 employees which exceeded the limits set forth by the PPPM and respective union contracts. This is compared to 14 employees in 2022. The cumulative overage of compensatory time in 2023 is 497 hours compared to 445 hours in 2022.

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 2021 audit related to comp time. The Law Department provided various options for the County to modify its comp time policy. Management should adopt one of the recommendations.

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

On-Call Compensation

On-call compensation is typically addressed in applicable union contracts. The purpose of our review was to determine compliance with union contract rates. While there were no exceptions found in the sampled employee on-call pay to union contracts, audit testing revealed non-union employees who also worked and received on-call compensation. The PPPM does not address on-call pay for non-union employees which results in inconsistent interpretation and application by departments.

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

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. 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. There were 33 non-classified employees during the last pay of 2023.

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 a performance evaluation was performed during 2023. Of those tested, three received evaluations in 2023. The other 19 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., 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 #3*.

5. Conflict of Interest Forms (COI)

In accordance with Lehigh County Resolution 1978-No. 6, 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. To determine compliance, procedures were performed to verify that the forms were submitted and that the HR department was properly monitoring the collection of the forms. Audit testing revealed that 32 employees who are authorized signors on vendor invoices did not complete or return either one or both of the forms. No follow-up was performed by HR for 24 employees.

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

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. To determine compliance, procedures were performed to determine if the hours worked by part-time employees were being reviewed and monitored during the 12-month period. Audit testing revealed five instances of part-time employees exceeding 1,000 hours worked.

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 #8*.

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 during a 12-month period. To validate compliance, procedures were performed to determine if the hours worked by the part-time retirees were being reviewed and monitored during the 12-month period. Audit testing revealed that eight part-time 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 one part-time retiree, 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 #7*.

8. Sick Leave Analysis

The PPPM requires a physician's certificate (doctor's note) when absent from work for three or more consecutive work days due to illness or disabling injury. By compiling and analyzing the data from the County's financial and payroll system (KEA), we identified 88 employees who used 10 or more days of short-term sick leave in 2023; this was a 17% decrease when compared to 106 employees in 2022. Of these employees, 71% of the sick leave taken was done so in days of two days or fewer.

Per the PPPM, no doctor's excuse is required until an employee takes three, full consecutive days off. Our testing revealed that HR is receiving doctor's notes when employees are on sick leave for three or more consecutive work days, or are otherwise following up with employees or their supervisors to obtain those doctor's 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 general compliance for external reporting in 2023; however, we noted a management issue 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 65 County job codes. To determine if the county payroll system has proper controls to prevent the payment of overtime to exempt employees, a sample of exempt employees were examined to determine if they received overtime during the year. Testing revealed five instances of exempt employees receiving overtime. Per Director of Human Resources, HR's goal is to move away from class codes and utilize the job titles and positions field in the new iSolved platform to control the payment of overtime to exempt/non-exempt employees.

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

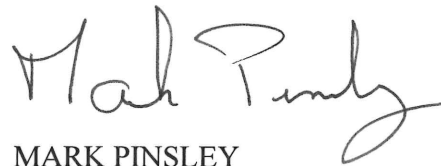
We believe that the audit evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit included examination of the accounting records, documentation, discussions with the management of the Office of Human Resources, Office of Information Technology, 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

September 5, 2024
Allentown, Pennsylvania

Audited by: Nam Tran, Allan Vavra, and Daniel Aquilino

Final Distribution:

Kay Achenbach, Human Services Director
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COUNTY OF LEHIGH, PENNSYLVANIA
2023 YEAR-END PAYROLL AUDIT

Schedule of Audit Findings and Recommendations

1. Outdated Policies Manual

Condition: As noted in the 2022 and other year-end payroll audit reports, 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 of this report 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 approval.

Current Status: HR is currently working on a major update to the County Policies Manual. The current manual will be split into two separate volumes: one for employees and one for managers.

2. Excessive Overtime Hours

Condition: Testing of overtime pay showed that there were 56 employees with at least 520 hours of overtime worked in 2023. Of these, nine employees exceeded 1,000 hours (three Jail employees exceeded 2,000 hours). The total overtime dollars paid to these nine employees in 2023 was \$690,826. 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 2022 and other year-end payroll audit reports, 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.

Current Status: Monitoring of overtime is being performed by the department heads and HR on a bi-weekly basis.

3. 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 2022 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 2022 and other year-end payroll audit reports, it is recommended that HR implement a process to periodically reverify the dependents and spouses currently enrolled in each employee's County healthcare plan.

Current Status: HR intends to implement this process in the new iSolved platform that would require employees to reverify on a periodic basis.

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

Condition #1: 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 32 employees, who are authorized to sign vendor invoices, who did not sign and submit required COI or Statement of Financial Interest 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 #2: 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 annually.

Current Status: HR is considering a process to request missing conflict of interest forms from retiring/terminating employees before they separate from the county.

5. 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 65 job classes. At year end, there were 16 employees who worked in these job classes. Overtime was paid to two of these employees during the last pay of 2023.

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: The "Class Info" field in KEA does not appear to prevent the payment of overtime. Testing revealed five exempt employees who received overtime during 2023.

Recommendation: After HR reviews and evaluates the exempt/non-exempt status of all employee classes in compliance with FLSA, the Office of Information Technology (IT) should review and

revise system programming related to comp time and overtime to ensure compliance with HR's evaluation.

Current Status: HR is planning to discontinue the class codes in the new iSolved platform. Exempt or non-exempt status will be determined by position and job in the new platform.

6. Compensatory (Comp) Time Accumulation

Condition: Compensatory time balances for 14 employees exceeded the limits set forth by the PPPM and respective union contracts. 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 was not implemented.

Recommendation: As noted in the 2022 and other year-end payroll audit reports, HR Management, Administration, and the County Executive should review the Law Departments response to the above-referenced LSR, and the FLSA requirements. 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 by either raising the comp time cap or paying out hours in excess of cap.

7. Retirees Working Part-Time Over 750 Hours

Condition: Testing identified one 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.

Recommendation: As recommended in the prior audits, HR should 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 should then be reduced by the corresponding amount.

Current Status: HR has assigned personnel to review and monitor the 1,000-hour alert report.

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

Condition: Testing identified five instances of part-time employees working more than 1,000 hours during their respective, rolling year of employment which is in violation of the PPPM. This gives the appearance of an expectation that employees will work over 1,000 hours which, according to 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 2022 and other year-end payroll audit reports, it is recommended that HR review the 1,000-hour alert report on a bi-weekly basis, and notify department heads of part-time employees who are approaching 1,000 hours. It is recognized, however, that department heads are the first line of defense in identifying part-time employees who are approaching 1,000 hours. Department heads are responsible for modifying part-time employee

schedules accordingly, and should consider the need for a full-time position if a part-time employee consistently exceeds 1,000 hours. HR should communicate to departments their responsibility in monitoring the cumulative hours of the part-timers.

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

Current Status: HR has assigned personnel to review and monitor the 1,000-hour alert report.

9. 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 which results in inconsistent interpretation and application by departments.

Recommendation: It is recommended that HR determine the allowance and rate of on-call to non-union employees, and that the PPPM be updated to address the on-call rates for non-union employees.

Current Status: The new PPPM updates will address the on-call rates for non-union employees.