

Mark Pinsley, MBA Thomas Grogan, CPA

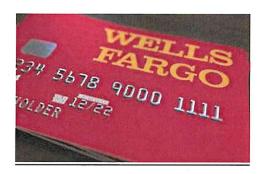
COUNTY CONTROLLER

DEPUTY CONTROLLER



Lehigh County Implements Credit Card Payment System Including Cash Rebates

Non-audit Services Report # NAS 2021-03 Prepared by John A. Falk



Executive Summary:

Thanks to the efforts of the Offices of Information Technology, the Fiscal Office and the Controller's Office, the County of Lehigh has initiated a cooperative effort to streamline the accounts payable process and realize cash rebates to lower the cost of county government through paying select vendors via credit card. Initial estimates project first year cash rebates to approximate over \$150,000 that will increase in the future with additional vendor participation.

Switching to a virtual card payment system reduces county workload, the cost of issuing checks and provides the ability for the county to participate in cash rebates and will result in faster payment for participating county vendors.

> Lehigh County Controller MARK PINSLEY, MBA

17 S 7th Street, Allentown, PA, 18101



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Board of Commissioners County of Lehigh 17. S Seventh St. Allentown, PA 18101-2400

November 8, 2021

In February 2021, the Office of Fiscal Affairs and the Office of the Controller initiated a joint effort to explore the feasibility of initiating credit card payments for payments to county vendors. Our objective was to take advantage of the benefits of using a "virtual commercial credit card" (CC) process for vendors who accept credit card payments. Major advantages of using a CC include reduced administrative cost (check processing cost, reduced check stock purchase, check printing and mailing/postage costs) and the ability to take advantage of cash back revenue (cash rebates). The estimate for cash rebates exceeds \$150,000 for the first year with the expectation additional amounts can be realized as additional vendors are included in the CC payment program.

The county has partnered with the Wells Fargo Treasury Management and Payment Solution team to develop the feasibility of using a CC process. Wells Fargo has historically been the county's major banking partner for operating fund banking accounts (accounts payable, payroll, etc.). With the assistance of county IT personnel, we shared our 2020 accounts payable / vendor payment information with Wells Fargo IT personnel. Using our actual recent history of vendor payment activity, Wells Fargo Treasury management determined which vendors, currently being paid by county check, could be expected to accept the CC for payment. Some additional vendors, currently being paid by direct deposit, are also expected to participate. Their first year cash rebate estimate is a conservative estimate. Actual cash rebates are anticipated to increase as more vendors are included in the CC process.

Over the past 10 years, the county accounts payable system has evolved from making only check payments to vendors to a mix of check payments and direct deposit payments to vendors (there are also a small percentage of ACH – automated clearing house and wire transfer payments made). For example, in 2015, 75% of accounts payable payments were made by paper check and 25% were made via direct deposit. In 2020, paper checks amounted to 49% of payments made while direct deposit increased to 51% (refer to the attachment for historical payment detail). The primary benefits to county vendors accepting electronic payments are a streamlined, less costly



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receivables processing option and faster cash flow. The CC payment system provides county vendors currently receiving paper check payments to take advantage of electronic payment benefits.

Implementation of the CC process will be transparent to county offices submitting invoices for payment. There will be no changes to the existing flow of invoices to the Fiscal Office. The entire CC process will be performed within the Fiscal Office. Currently, invoices are classified by Fiscal personnel as a check or a direct deposit payment type. The CC process will add a third CC type. According to the county IT management, only minor changes were required in the county accounts payable IT system to facilitate CC processing.

We wish to express our appreciation for the cooperative effort of the Office of Fiscal Affairs, the Office of Information Technology and the Wells Fargo Treasury Management and Payment Solution team. The use of a virtual commercial credit card will increase accounts payable efficiency, lower internal costs, enhance transactional security and provide for cash rebates to lower the cost of Lehigh County government.

Sincerely,

Mark Pinsley

Lehigh County Controller

County of Lehigh Feasibility Study Participants:

Tim Reeves, Fiscal Officer

Rob Fenstermaker, Accounts Payable Manager

Julie Kehres, Fiscal Office Treasurer

Kathleen Warren, Information Technology Manager

John Falk, Controller's Office Representative



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XC: Karina Alcazar, Operations Implementation Consultant, Wells Fargo Carlo Borgia, Relationship Manager, Wells Fargo Alicia Ellwein, Implementation Consultant, Wells Fargo Edward Hozza Jr., Director of Administration, County of Lehigh Mary Johnson, Treasury Management Sales Consultant, Wells Fargo Robert Kennedy, Information Technology Manager, County of Lehigh A.B. Leyva, Payment Optimization and Strategy Consultant, Wells Fargo Kip Reybitz, Payables Consultant, Wells Fargo Treasury Management Christine Russell, Dedicated Supplier Enrollment Consultant, Wells Fargo Ilonka Weida, Treasury Merchant Account Manager, Wells Fargo

2020	DIR DEPS	AMT	47	1 100	116 016	7 460	20,100	29,300	493,124	7 442 270	2,113,379	3 276 773	103,620,426	113,082,313		CHECKS	AMT	2.682	26.732	45 713	115.961	764.513	673,993	1 140 793	3 153 179	5 036 807	6 404 669	91 030 981	108,396,023		221,478,336	51%	49%	100%
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		Q.	11	41	2,460	8	192	1,263	1,912	1,664	630	537	1,245	10,045	Ċ	CN CN	2	706	5,447	1,970	2,920	7,153	3,589	2,685	2,443	1,272	751	1,017	30,199	7,700,7	40,244	25%	75%	100%
		DOLLAK KANGE	0 - 9.99	10 - 24.99	25 - 49.99	50 - 99.99	100 - 249.99	250 - 499.99	200 - 999.99	1,000 - 2,499.99	2,500 - 4,999.99	5,000 - 9,999.99	TO, UND AND UP			DOLLAR RANGE		10 01 00	10 - 24.99	25 - 49.99	50 - 99.99	100 - 249.99	250 - 499.99	88.888 - DDC	1,000 - 2,499.99	2,500 - 4,999.99	\mathbf{r}	10,000 AND UP	YTD	TOTAL	IOIAL	DIR DEPS	CHECKS	TOTAL