



## Lehigh County Pennsylvania

### OFFICE OF THE CONTROLLER

Mark Pinsley, MBA

COUNTY CONTROLLER

Nanton John, CIA, CFE

DEPUTY CONTROLLER

**TO:** Final Report Distribution

**FROM:** Mark Pinsley, County Controller

**DATE:** July 31st, 2025

**RE:** Compliance Audit – 2024 Vendor Payments

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We have completed an audit of vendor payment activity and for the calendar year ending December 31, 2024. 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 25-22 is attached.

The results of our audit include:

- Approximately 26,000 vendor payments amounting to \$253 million were issued by the Office of Fiscal Affairs during calendar year ending December 31, 2024.
- 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.
- 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.

Attachment



COUNTY OF LEHIGH, PENNSYLVANIA

INDEPENDENT AUDITOR'S REPORT

*Compliance Audit of Vendor Payments  
For the Calendar Year 2024*

REPORT NO. 25-22

COUNTY OF LEHIGH, PENNSYLVANIA  
COMPLIANCE AUDIT OF VENDOR PAYMENTS

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COUNTY OF LEHIGH, PENNSYLVANIA  
COMPLIANCE AUDIT OF 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 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):*

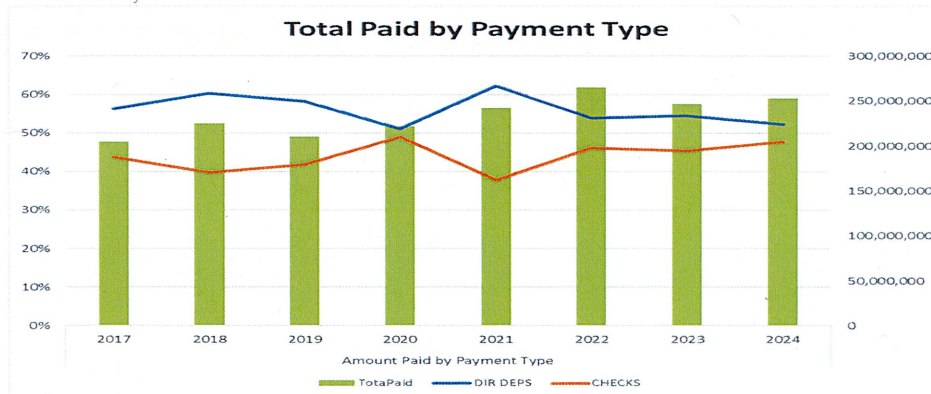
Section 502: The Office of the Controller shall have and exercise all powers and duties stated in Article V, Section 503 of the Charter. The duties of the office shall be organized to perform the following functions:

- (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.

Additionally, the Office of the Controller is responsible to audit the receipt of submitted campaign finance forms as described in Section 801.5(D) of the County of Lehigh Administrative Code.

*County of Lehigh Administrative Code (as amended):*

Section 801.5.E: The Lehigh County Controller shall, on an annual basis, audit the campaign finance disclosure forms for all County Vendors to ensure the form is affixed to the contract and that the form is facially complete, and shall be authorized to perform any other audits he/she deems appropriate, as set forth in Section 801.4, including review of the disclosure forms required by Section 801.5.C.3, herein.







## OFFICE OF THE CONTROLLER

Mark Pinsley, MBA  
COUNTY CONTROLLER

Nanton John, CIA, CFE  
DEPUTY CONTROLLER

### INDEPENDENT AUDITOR'S REPORT

Timothy Reeves, Chief Fiscal Officer  
Office of Fiscal Affairs  
Lehigh County Government Center  
17 South Seventh Street  
Allentown, PA 18101-2400

#### **Report on Compliance**

##### **Opinion**

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 Section 502, for the calendar year 2024.

In our opinion, Office of Fiscal Affairs complied, in all material respects, with the County of Lehigh Home Rule Charter and Administrative Code (as amended) requirements for vendor payments, and with the submission of required campaign finance forms for applicable contracts in accordance with the County of Lehigh Administrative Code, for the calendar year 2024.

##### **Basis for Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Office of Fiscal Affairs and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Office of Fiscal Affairs compliance with the applicable compliance requirements.

##### **Responsibilities of Management for Compliance**

Management of Office of Fiscal Affairs is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Office of Fiscal Affairs management's government programs.



## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the applicable compliance requirements occurred, whether due to fraud or error, and to express an opinion on the entity's compliance with the applicable compliance requirements based on the compliance audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the applicable compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Office of Fiscal Affairs management's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the entity's compliance with applicable compliance requirements and performing such other procedures as the auditor considered necessary in the circumstances.
- Obtain an understanding of Office of Fiscal Affairs management's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with County of Lehigh Home Rule Charter and Administrative Code (as amended) requirements for vendor payments, but not for the purpose of expressing an opinion on the effectiveness of Office of Fiscal Affairs management's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that the auditor identified during the audit

## **Other Matter**

We noted compliance deficiencies or other management issues that are described in the accompanying "**Schedule of Audit Findings and Recommendations**".

## **Report on 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 and correct, 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 a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

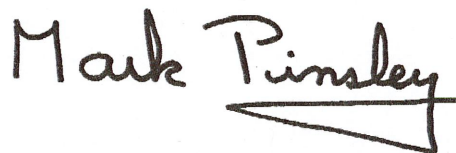
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

***Management's Response to the Audit***

If provided, the Office of Fiscal Affairs response to our audit is included in this report. We did not audit the Office of Fiscal Affairs response and, accordingly, we do not express an opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on County of Lehigh Home Rule Charter and Administrative Code (as amended) requirements for vendor payments. Accordingly, this report is not suitable for any other purpose.

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 25, 2025  
Allentown, Pennsylvania  
Audited by: Nam Tran

**Final Distribution:**

Kay Achenbach, Human Services Director  
Phillips Armstrong, County Executive  
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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

**Condition:**

- When documenting the Office of Fiscal Affairs' invoice review and payment processing workflow and, subsequently, during the review of vendor payments, several areas were identified for consideration to strengthen controls, including the following:
  - Prior to processing, all payments are not reviewed to confirm authorized signature approval, which could lead to the processing of unauthorized or fraudulent payments.
  - The Controller's Office weekly review of vendor payments uncovered 14 requests for payments delivered to the Fiscal Office without authorized signatures. These 14 payments account for \$3.28 million of the \$4.89 million payments held by the Controller's Office during 2024.
  - Additionally, pricing compliance to applicable contracts is not validated for all payments, which could lead to the processing of incorrect payment amounts.

**Recommendations:**

- The Office of Fiscal Affairs' management should review and assess the identified areas of opportunities to strengthen controls over vendor payment processing. The opportunities should be communicated with the various departments requesting payments.
- 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 an invoice imaging system would expedite review from all offices/departments in validating submitted invoices resulting in a more efficient process along with effective prevention and earlier detection of errors.

**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.

2. Strengthening Controls Over Vendor Master File Changes

**Condition:** As noted in prior Vendor Payment audit reports, we identified the following areas where controls over changes to the vendor master file changes should be strengthened:

- Lack of adequate segregated duties: Due to personnel and budgetary restrictions, changes to the Vendor Master are performed by personnel responsible for vendor payment review and processing. This lack of segregation of duties increases the risk of fraudulent activity or errors going undetected, such as creation of fictitious vendors or unauthorized changes, which could lead to misappropriation of funds. Testing revealed 27 of the 65 sampled new vendors were added by these individuals.
- 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.

**Recommendations:**

- The Chief Fiscal Officer should review staff responsibilities regarding vendor file maintenance to ensure that changes performed to the vendor master file are properly segregated. Additionally, the weekly Vendor Change Report should be reviewed by the Chief Fiscal Officer, or their designee, ensuring proper oversight of all changes, file integrity, and appropriate access. This review should be properly documented.



**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. **Strengthening Vendor Contracts (Certificate of Insurance Controls)**

**Condition:** As noted in prior Vendor Payment audit reports, 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. While the current process restricts contracts from becoming effective without proper evidence of required insurance limits, there is no ongoing verification of insurance for the duration of the contract term. The Office of Fiscal Affairs did not possess certificates of insurance for 6 out of 8 sampled Professional Service Agreements exceeding \$25k during 2024. Non-compliance may put the County at risk for potential liability.

**Recommendation:**

- The Chief Fiscal Officer should partner with Risk Management, the Department of Law, and the Executive Office to consider the creation of a central database of all vendor contracts and certificates of insurance. This will assist in ensuring accuracy, completeness, and accessibility to executed contracts. The database can also be utilized to monitor and document the receipt of applicable vendor certificates of insurance. Management should assign the duty of monitoring expired certificates of insurance to ensure renewal verification is received annually as required by applicable contract terms.

**Management's Response:** Office of Fiscal Affairs management did not provide written comments in response to our report. Per our discussions during the exit conference, management is collaborating with the relevant departments to develop a process that will address the finding and recommendation.

COUNTY OF LEHIGH, PENNSYLVANIA  
COMPLIANCE AUDIT OF VENDOR PAYMENTS  
*Schedule of Prior Audit Findings and Recommendations*  
(Report #24-22 dated September 13, 2024)

1. Strengthening Controls Over Payment Review Procedures

**Condition #1:**

- Based on an analytical review of 2023 payment transactions, we identified 7 duplicate payments over \$500.00 totaling approximately \$538k. A list of additional potential duplicate invoice payments was provided to the Accounts Payable Manager for review.

**Recommendations:**

- The Office of Fiscal affairs should validate the receipt of refunds/credits for all identified duplicate payments and determine the validity of the additional 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 Chief Fiscal Officer should continue to reinforce the needs to strengthen countywide department controls, and to follow policies and procedures regarding the review and submission of invoices for payment. Management of each department should document and review departmental payment processing procedures with their staff. This will help to mitigate duplicate payment of invoices.

**Current Status:** The Controller's Office held two duplicate payments during the 2024 weekly vendor payment review, totaling \$23,241.83, which were subsequently voided. Based on an analytical review of 2024 payment transactions, we identified 26 possible duplicate payments greater than \$1k totaling approximately \$393k. Corrective action was taken by operational staff, however, the issue highlights a need for potential enhancement of preventative system controls. Office of Fiscal Affairs management and the Office of Information Technology are currently working together to develop a system edit for duplicate payment processing and identification that will serve as a detective control during each weekly vendor check run.

**Condition #2:**

- When documenting the Office of Fiscal Affairs' invoice review and payment processing workflow, several areas were identified for consideration to strengthen controls, including the following:
  - Prior to processing, all payments are not reviewed to confirm authorized signature approval, which could lead to the processing of unauthorized or fraudulent payments.
  - Additionally, pricing compliance to applicable contracts is not validated for all payments, which could lead to the processing of incorrect payment amounts.

**Recommendations:**

- The Office of Fiscal Affairs' management should review and assess the identified areas of opportunities to strengthen controls over vendor payment processing.
- 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 an invoice imaging system would expedite review from all offices/departments in validating submitted invoices.



**Current Status:** No action was taken by management regarding recommendations. See Schedule of Current Audit Findings and Recommendations #1 on page 5 of this report.

2. Strengthening Controls Over Vendor Master File Changes

**Condition:** As noted in prior Vendor Payment audit reports, we identified the following areas 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.
- Audit testing identified 30 new vendors in the Vendor Master file, entered in 2023, that contains no names or additional information. It appears that no payments were issued to those vendors during the year, however, this gives the appearance that the integrity of the vendor master file is not being periodically reviewed for completeness.

**Recommendations:**

- The Chief Fiscal Officer should review staff responsibilities regarding vendor file maintenance to ensure that changes performed to the vendor master file are properly segregated. Additionally, the weekly Vendor Change Report should be reviewed by the Chief Fiscal Officer, or their designee, ensuring proper oversight of all changes, file integrity, and appropriate access. This review should be properly documented.

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

3. Strengthening Vendor Contracts (Certificate of Insurance Controls)

**Condition:** As noted in prior Vendor Payment audit reports, 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. While the current process restricts contracts from becoming effective without proper evidence of required insurance limits, there is no ongoing verification of insurance for the duration of the contract term. The Office of Fiscal Affairs did not possess certificates of insurance for 6 out of 20 sampled Professional Service Agreements exceeding \$25k during 2023. Non-compliance may put the County at risk for potential liability.

**Recommendation:**

- The Chief Fiscal Officer should partner with Risk Management, the Department of Law, and the Executive Office to consider the creation of a central database of all vendor contracts and certificates of insurance. This will assist in ensuring accuracy, completeness, and accessibility to executed contracts. The database can also be utilized to monitor and document the receipt of applicable vendor certificates of insurance. Management should assign the duty of monitoring expired certificates of insurance to ensure renewal verification is received annually as required by applicable contract terms.

**Current Status:** No action was taken by management regarding recommendations. See Schedule of Current Audit Findings and Recommendations #3 on page 6 of this report.

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

**Condition:** The County is charged a monthly administrative fee for every employee who has enrolled in the healthcare discount consultant, AblePay. The invoices for these fees were paid without review and confirmation of the eligibility of the participants by the Office of Human Resources. A roster of participating employees for who the fee was charged was not provided by the vendor when invoiced, and there was no evidence of departmental inquiry or review. As such, the County may be paying the administrative fee for ineligible individuals.

**Recommendation:**

- It is recommended that AblePay invoices for administrative fees and claims be reviewed timely by the Office of Human Resources when invoiced to ensure that the amount billed is accurate, and payments are made for eligible employees only. This procedure should be documented and reviewed prior to approving requests for payment of related invoices.

**Current Status:** Management has implemented a process to review and confirm the eligibility of the participants of AblePay which should control against the paying of administrative fees for ineligible individuals. Furthermore, Administration has switched from a per-participant pricing plan to a flat fee model in the 2025 AblePay contract.