



**TO:** Timothy Reeves, Fiscal Officer, Office of Fiscal Affairs  
**FROM:** Mark Pinsley, County Controller *TP*  
**DATE:** August 10, 2020  
**RE:** Compliance Audit – 2019 Vendor Payments

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We have completed an audit of vendor payment activity for the calendar year ending December 31, 2019. The Office of Fiscal Affairs is responsible for the preparation 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 20-09 is attached.

The results of our current (2019) audit are:

- Approximately 23,000 vendor payments amounting to \$211 million were issued by the Office of Fiscal Affairs during calendar year ending December 31, 2019. Fiscal staff should be commended for their efforts to process payments with minimal issues.
- Departmental payment review procedures should be strengthened.
- Policy needed for petty cash transactions.
- Potential cost savings opportunities.
- Prior audit findings are being reviewed for future implementation

xc: Jason Cumello, Cedarbrook Administrator

Attachments (2)

AUDITS/VENDORPAYMENTS

**COUNTY OF LEHIGH, PENNSYLVANIA**  
**VENDOR PAYMENTS**

*Compliance Audit of Vendor Payments  
For the Calendar Year 2019*

REPORT NO. 20-09

COUNTY OF LEHIGH, PENNSYLVANIA  
COMPLIANCE AUDIT OF VENDOR PAYMENTS

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**Lehigh County**  
Pennsylvania

**OFFICE OF THE CONTROLLER**

Mark Pinsley, MBA    Thomas Grogan, CPA  
COUNTY CONTROLLER    DEPUTY CONTROLLER

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

**Compliance**

We have audited the Office of Fiscal Affairs management’s compliance with the County of Lehigh Home Rule Charter and Administrative Code (as amended) requirements for vendor payments for the calendar year 2019. Compliance with the requirements referred to above is the responsibility of the Office of Fiscal Affairs management. Our responsibility is to express an opinion on the Office of Fiscal Affairs management’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on vendor payment activity. An audit includes examining, on a test basis, evidence about the Office of Fiscal Affairs management’s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Office of Fiscal Affairs management’s compliance with those requirements.

In our opinion, the Office of Fiscal Affairs management complied, in all material respects, with the compliance requirements referred to above that are applicable to vendor payment activity for the calendar year 2019 except for the management issues that are described in the accompanying “*Schedule of Audit Findings and Recommendations*” and “*Schedule of Prior Audit Findings and Recommendations*”.

**Internal Control Over Compliance**

Management of the Office of Fiscal Affairs is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Office of Fiscal Affairs management’s internal control over compliance to determine the auditing procedures for the purposes of expressing an opinion on compliance, but not for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Office of Fiscal Affairs management’s internal control over compliance.

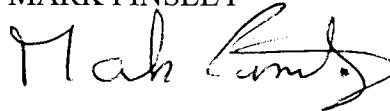
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance, such that there is reasonable possibility that a material noncompliance with a compliance requirement will not be prevented or detected and corrected on a timely basis.

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

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

This report is intended solely for the information and use of management, Phillips Armstrong, County Executive; Edward Hozza, Director of Administration; Board of Commissioners; others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

MARK PINSLEY



Lehigh County Controller

August 5, 2020  
Allentown, Pennsylvania

Audited by: Stephen Berndt

xc: Kay Achenbach, Human Services Director  
Phillips Armstrong, County Executive  
Board of Commissioners  
Jason Cumello, Cedarbrook Administrator  
Janine Donate, Director of Corrections  
Joseph Hanna, Sheriff  
Edward Hozza, Director of Administration  
James Martin, District Attorney  
Eric Minnich, Coroner  
Richard Molchany, General Services Director  
George Nader, Procurement Officer  
Andrea Naugle, Clerk of Judicial Records  
The Honorable Edward Reibman, President Judge  
John Sikora, Deputy Court Administrator  
Kerry Turtzo, Court Administrator

COUNTY OF LEHIGH, PENNSYLVANIA  
COMPLIANCE AUDIT OF VENDOR PAYMENTS

*Schedule of Current Audit Findings and Recommendations*

1. Payment Review Procedures Should Be Strengthened

Condition: The controller's office secondary review of vendor payments uncovered 14 requests for payments delivered to the Fiscal Office without authorized signatories. Authorized signatures were obtained and the checks released.

There were an additional 8 out of 23,000 vendor payments, or .0003% of the total payments issued during 2019 found during the weekly vendor payment review process by the Controller's office that were voided or reissued.

- One payment (\$775.92) was voided due to missing a signature on the expense report. The payment was voided and a corrected request was made.
- One payment (\$551.90) was voided due to a non-county expense. The payment was voided and a corrected request was made.
- One payment (\$178) was voided due to a contract limit which had been exceeded. The payment was voided and a corrected request was made.
- One payment (\$4,517.70) was issued to the incorrect vendor. The payment was voided and reissued to the correct vendor.
- One payment (\$1,670) was voided due to the lease amount owed being less than the amount requested. The payment was voided and a corrected request made.
- One payment (\$135) was voided due to a missing certificate of attendance at an out-of-county training seminar. The payment was voided and reissued after receiving proof of attendance.
- One payment (\$1,000) was voided due to the amount being paid to the employee being greater than the amount the employee actually expensed.
- One burial expense payment (\$100) was voided due to the deceased being a Northampton County resident. The payment was voided and not reissued.

Recommendation: Fiscal office staff should be commended for their efforts to process 23,000 vendor payments during 2019 with minimal issues. However, management of each department should document and review with staff, departmental payment processing procedures to ensure payment requests are in compliance with county policy and approved by authorized personnel, prior to submission to the Fiscal Office. Any requests not in compliance with Fiscal Office procedures, or the Lehigh County Administrative Code, should be returned to the requesting department.

2. Lack of Adequate Control Over Vendor Insurance Coverage Compliance

Condition: We were unable to locate "Certificates of Insurance" for 7 out of 19 randomly selected vendors. Terms of our contracts require the vendor to provide Certificates of Insurance no later than ten calendar days before work is begun.

Recommendation: The current Office of Fiscal Affairs contract viewing screens include a field to indicate receipt of the Certificate of Insurance. Management should keep Certificates with contracts and file all documents in an electronic format. Future implementation of the ERP system will give consideration to the tracking and storing of insurance certificates.

3. Using a Purchase Order for Low Dollar Professional Service Agreements

Condition: Procedures for using a purchase order for contracting professional services less than \$4,000/year are not documented. Written policies and procedures should be developed and formally authorized to facilitate the proper processing of the affected transactions.

Recommendation: County Administration should document the use of the Administrative Form #1 (Using a Purchase Order for Professional Services Agreements) procedures and establish authorization for the procedures via Administrative Notice.

4. Using a Credit Card for Fiscal Vendor Payments

Condition: The Fiscal Office issued over 23,000 vendor check payments in excess of \$87 million dollars during 2019. If a number of payments can be made, via credit card, potential cost savings exist through the use of credit card reward programs or discount pricing.

Recommendation: The Fiscal Office should explore the feasibility of making credit card payments, in lieu of check payments, for any vendor that is in agreement with those type of transactions. This will result in vendors receiving payments for services faster than the current check processing procedures permit and will allow cost savings opportunities for the county.

COUNTY OF LEHIGH, PENNSYLVANIA  
COMPLIANCE AUDIT OF VENDOR PAYMENTS

*Schedule of Prior Audit Findings and Recommendations*  
(Report #19-11 dated June 5, 2019)

1. Inadequate Controls over Cedarbrook Investment Advisory Spending

Condition: Controls are not adequate to monitor Cedarbrook Investment Advisory accounts spending compliance.

Background: Over the years cash donations have been made to the county for the benefit of Cedarbrook residents. In addition, profits from canteen and craft sales have been earmarked for the benefit of the residents as well. Available funds from these sources amounted to \$412,413 as of December 31, 2018 (per the county trial balance for fund 3204, not audited by the Controller's Office).

In 1993 a policy was issued by Cedarbrook Administration providing guidelines for the use of these funds. This policy has been updated several times with the latest version revised in September 2013. Per the policy, funds shall be utilized to enhance the quality of life and activities for the residents of Cedarbrook - Allentown and Cedarbrook – Fountain Hill. Specific activities include out of facility trips, entertainment, decorations, flowers for memorial services, etc. Dollar limits for entertainment have been set for each location and performance. Per the policy, requests for expenditures are reviewed and approved by Cedarbrook Administration and the Therapeutic Recreation Director. Expenditures in excess of \$2,000 shall be approved by the County Executive. Purchases and payments are to be made in accordance with established purchasing procedures.

This activity occurs outside the county budget approval and tracking process resulting in avoidance of automated controls ensuring compliance with spending guidelines. In addition, most of the approvals come from Cedarbrook Management which creates a possible conflict of interest in determining if an expenditure is a resident quality of life expense or a nursing home operation cost.

Recommendation: The Cedarbrook Investment Advisory Funds should be placed in a separate fund subject to annual budgeting oversight and approval. A new investment advisory committee should be formed including County Administration, Cedarbrook Administration, and Cedarbrook resident representation. Without proper oversight these funds could be used to subsidize nursing home operations instead of resident quality of life enhancements.

Current Status: Recommendation has not been implemented. However, current audit testing revealed no instances of non-compliance with the Cedarbrook Investment Advisory Policies set forth by management.

2. Policy Needed for Petty Cash Transactions

Condition: Petty cash expenditures for sundry office and cleaning supplies are not in compliance with existing county policy. While it may be efficient to use petty cash for small dollar purchases the current administrative code requires managers to make such purchases through the Office of Procurement. This option is not always practical, especially for remote locations.



Recommendation: We recommend establishing a policy for low dollar petty cash transactions. The resulting policy should be added to the administrative code.

Current Status: Recommendation has not been implemented at this time but is being considered for the future.

3. Cost Savings Opportunity

Condition: In 2018 the county issued 2,754 employee expense reimbursement checks amounting to \$498,705. Employee expense reimbursement checks should be added to payroll direct deposit payments which would reduce the number of paper checks issued by the fiscal office.

Recommendation: Employee expense reimbursements should be made via direct deposit payroll system instead of paper vendor checks. The county would see a cost savings in using less paper and postage. Management should also pursue an automated expense reporting system to improve legibility and accuracy for effective review and approval.

Current Status: Fiscal is in the process of upgrading payroll processes and further consideration has been given toward implementing direct expense reimbursements in the near future.