

## **CITY OF ALLENTOWN**

### **Review of Contract: Lehigh Valley Hospital - Lease Agreement**

**Date of Report: January 06, 2021**

Lehigh Valley Hospital is based in Allentown, Pennsylvania and is the largest hospital in the Lehigh Valley and the flagship hospital of Lehigh Valley Health Network (LVHN).

LVHN includes four full-service hospitals: Lehigh Valley Hospital-Cedar Crest in Salisbury Township with clinical campuses at LVH-17th Street in Allentown and LVHN-Tilghman in west Allentown, LVH-Muhlenberg in Bethlehem, LVH-Hazleton in the Greater Hazleton area, and LVH-Pocono in East Stroudsburg with clinical campuses throughout Monroe County. LVHN also includes Children's Hospital at Lehigh Valley Hospital, Community Health Centers, primary care and specialty physicians, pharmacy, imaging, home health, hospice, and laboratory services.

#### **OBJECTIVE**

The objective of the review was to determine whether the payments due to the City of Allentown (City) for fees and services were received in compliance with the Lehigh Valley Hospital (LVH) lease agreement dated October 14, 2019 and whether proper insurance was included with the agreement.

The period selected for testing include payments for September 2019 thru December 2020.

#### **PROCEDURES**

This audit was conducted in accordance with generally accepted governmental auditing standards and utilized an approach that included staff interviews, reviews of documents and reports, and examinations of individual financial transactions.

## **FINDINGS, RECOMMENDATIONS AND RESPONSES**

### **PAYMENT DEFICIENCIES/ INTERNAL CONTROL WEAKNESSES**

#### **1. Storm Water Fee Payment**

Per the Lehigh Valley Hospital (LVH) dated 10/14/2019,

##### **“Section 2. Rents**

b. In addition to rent, the Lessee shall be responsible for the properties’ portion of stormwater fees in the amount of \$400.00 annually due by July 15<sup>th</sup> of each year. The impervious surface formula for this property is 10,085 square feet, equaling 20 units times \$20 = \$400.00.”

The stormwater fee receivable was not recorded in EDEN’s Accounts Receivable module.

LVH paid the stormwater fee on 08/24/2020.

Since the payment could not be matched to anything outstanding, Treasury posted the money to the General Fund Miscellaneous account. After our inquiry and research, the payment was reclassified to the Rental Revenue account. Because the reclassification was done as a journal entry the contract receivable in EDEN is incorrect.

##### **Recommendation**

Annually, the Storm Water Fee should be posted as part of the contract’s Receivable in EDEN to insure payment and proper classification of the fee.

##### **Administration’s Response**

The Administration agrees with this recommendation. Going forward an invoice for the Stormwater Fee will be created in the Accounts Receivable Module in Eden.

#### **2. Insurance Compliance**

Per the Lehigh Valley Hospital dated 10/14/2019,

##### **Section 10. Insurance**

“a. Lessee shall submit a certificate of insurance (COI) to the City Finance Department as evidence that it has obtained and that such insurance is valid and in forces for the term of the lease, and any extensions, comprehensive general liability insurance in a combined single limit for bodily injury and property damage of \$300,00.00 minimum per occurrence and \$1,000,000 aggregate, or such other limits

as specified by the City Risk Manager naming the City as an additional insured. Such insurance should not be reduced or canceled without thirty (30) days prior notice to the Lessor...

- e. Lessee shall provide: a copy of all certificates of insurance and all other insurance related documents to:

City of Allentown  
Attn: Finance Directors Office, Room 227  
435 Hamilton Street  
Allentown, PA 18101”

The last COI in EDEN is from 2019. After our inquiry, a current COI was obtained.

### **Recommendation**

A process should be developed to ensure COIs on file are current and if not, COIs should be obtained.

### **Administration’s Response**

The city Risk office requested the required certificate of insurance (COI) from the lessee during the Controller’s audit process, prior to this report. The COI process needs a complete overhaul that will better capture vendors and lessees that are required by contractual obligation to provide the city with a valid COI during the term of the contract. Purchasing and Risk Management have recently implemented an expiring COI report that will assist in capturing occurrences such as the one outlined in this audit. Admittedly, there is room for improvement and fine tuning the process regarding timeliness, follow-up, and updating the ERP system (EDEN). This will be a process change during this calendar year.