

CITY OF ALLENTOWN

Account 37 Review Memo

Date of Report: November 11, 2021

The RISK MANAGEMENT FUND is where transactions associated with the City of Allentown's self-insurance program are recorded. It is supported by other City funds to pay for all claims and premiums, and to hold in trust those reserves required to fund anticipated losses. Costs involved with the self-insurance program include loss payments, excess insurance premiums, claims adjustments service, and loss prevention services.

Account 37 is for Insurance – Dental, Life, Drug and is the expense account used to post premium, claims and administrative costs of these programs, including COBRA. Currently, the HR Benefits Manager has oversight over invoices and payments made against this account.

On 09/01/2021, RISK began reporting to Finance. At that time, invoice payment responsibility was to be transferred to RISK from Human Resources (HR).

Due to EDEN permission changes requested by HR, the invoice payment function currently remains in HR.

In anticipation of the invoice payment changes, RISK performed a review of the total payments made and outstanding as of 10/21/2021.

OBJECTIVE

The objective of the review was to verify the analysis on unposted invoices performed by RISK, ensure the accuracy of the findings, and formally report the outstanding findings.

PROCEDURES

This review 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 AND RESOLUTIONS

1. Unposted Invoices

For Invoices Paid by Wires, the payment is made and deducted out of the City's bank account.

For the invoice to post to the EDEN General Ledger, the invoice must be entered in EDEN, go thru the EDEN approval queue, and finalized in EDEN.

Per the review performed by RISK, as of 10/21/2021 the following invoices had not been submitted for processing in EDEN:

United Concordia – Vendor #00026085

- For the period: 10/01/2021 – 10/08/2021, **\$4,876.99**.
Posted on Bank on 10/14/2021.
Entered in EDEN on 10/27/2021.

- For the period: 08/01/2021 – 08/31/2021, **\$1,350.25**.
Posted on Bank on 08/30/2021.
Entered in EDEN on 10/27/2021.
Returned on 10/27/2021 for incorrect description.

Additionally, after comparing the wires posted on the bank statement, the Controller's Office identified:

As of 10/27/2021, 2 (two) Capital Blue invoices totaling **\$1,020,244.07** were not recorded in EDEN:

- For the period 09/05/2021 – 09/18/2021 for **\$394,889.17**.
Posted on Bank on 09/24/20021.

- For the period 09/19 – 10/02/2021 for **\$625,354.90**.
Posted on Bank on 10/08/2021.

As of 10/27/2021, 1 (one) 32BJ invoice and 1(one) United Concordia invoice for a total of **\$444,527.86** remained in unposted status in EDEN:

- For the period 09/01 – 10/01/2021 for **\$444,505.86**
Posted on bank on 10/15/20021.
Entered in EDEN on 10/15/2021.
Returned on 10/19/2021 for invoice date correction.

- For the period 09/01 – 09/30/2021 for **\$11.00**.
Entered in EDEN on 11/05/2021.
As of 10/27/2021 the invoice had NOT posted to the bank.

Resolution

The Administration has been repeatedly advised of these issues and concerns.

An appeal was made to Administration for the permission changes requested by HR to be expedited so that RISK may begin to process the 37 account invoices immediately.

Currently, RISK does not have access to the bank information. It was recommended to RISK that their review also include the bank wire review.

2. Erroneous Vendor Payment

On 02/12/2021, HR processed a payment for **\$7,761.41** to HealthEquity for ACH payments for FSA. The payment was not for an invoice and should not have been paid.

Per the review performed by RISK, as of 10/21/2021 the overpayment had not been identified by either the vendor or HR.

Resolution

Upon receipt of the review performed by RISK, the HR Benefits Manager requested a refund of the overpayment from the vendor.

The vendor applied part of the overpayment to 2 (two) open invoices and planned to remit the difference to the City.

The Controller's Office recommended that the 2 (two) open invoices and the gross overpayment amount be entered into EDEN to insure a proper audit trail.

3. Tracking Report Inconsistency

The HR Benefits Manager maintains an internal tracking report of invoices and amounts due for benefit payments.

Per the review performed by RISK, as of 10/21/2021 the tracking report contained an entry for United Concordia COBRA for the period 02/01/2021 – 02/28/2021 for **\$22.00**. There is no record of this amount entered in either EDEN or posted to the bank.

Per EDEN an invoice for United Concordia COBRA for the period 02/01/2021 – 02/28/2021 was processed for **\$16.50** on 03/02/2021.

RISK also identified several input errors to the Tracking report that did NOT impact the EDEN financial records and were NOT reviewed by the Controller's Office.

Resolution

The Controller's Office recommended the **\$22.00** entry be verified by HR and either the tracking report be corrected, or the vendor contacted for the correct information.