



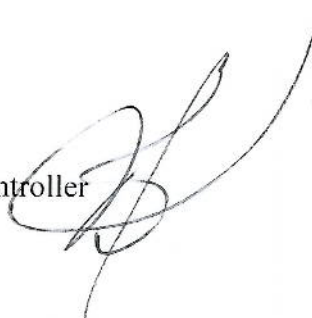
COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 871-2897

THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Thomas Slonaker, County Controller
DATE: December 8, 2011
RE: Audit of Brookview Independent Living



We have completed a performance audit of Brookview Independent Living for the period January 1, 2010 to June 30, 2011. Our audit report number 11-63 is attached.

We made the following observations:

- Internal control over cash handling was generally adequate.
- Changes to cost allocations will more accurately reflect facility profit and loss.

Attachment

12/8/11
AA

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

*Performance Audit
for the Period January 1, 2010 to June 30, 2011*

REPORT NO. 11-63

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

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COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

Background

Brookview Independent Living Apartments is owned and operated by the County of Lehigh. The apartments were created as the result of eliminating 141 licensed nursing facility beds at Cedarbrook Nursing Homes in Allentown, PA. Construction was made possible through a grant from the County Commissioners Association of Pennsylvania (CCAP) in cooperation with the Department of Public Welfare. The 42 studio and efficiency apartments occupy a three-story wing of the nursing facility, enables Cedarbrook to provide independent living within the security of the Cedarbrook campus. Brookview has its own secure entrance separate from the nursing home, as well as a designated parking lot located to the rear of the building.

On each of the three floors, there is a community dining room, living room/activity room, storage area, lounges, and public restrooms. Eligible applicants have a choice of single or double occupancy. There are 27 single units ranging from 260 to 347 square feet and 15 double units ranging from 494 to 593 square feet. All apartments are equipped with a kitchenette with refrigerator, two burner stove, and microwave oven, handicap accessible bathroom with shower, bedroom, and sitting area. An emergency call system in each apartment connects the tenant with the switchboard of the nursing home in the event of an emergency.

The apartments are affordably priced. The rent includes: cable, heat, air conditioning, electricity, water, sewage, and trash collection. Tenants of Brookview can also access a variety of services from Cedarbrook Nursing Home, such as meals, activities, laundry, housekeeping, barber/beauty, pharmacy, clinics, transportation (medical appointments only), and physical, occupational and speech therapies. Some services may be covered by third party insurance, including Medicare and Medicaid. Brookview does not provide medical care or personal care services on a 24-hour basis. Brookview tenants will have priority for admission to Cedarbrook if short-term rehabilitation or long-term care is needed. (Source: Lehigh County website)



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LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 871-2897

THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Mr. Larry Epting, Chief Financial Officer
Cedarbrook Nursing Home Administration
350 S. Cedarbrook Road
Allentown, PA 18104

We have recently completed a performance audit of cash handling at Brookview Independent Living. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our detail audit testing focused on transactions occurring between January 1, 2010 and June 30, 2011. We believe transactions during this period provide a reasonable basis to conclude on our audit objective. Our consideration of internal control was limited to audit testing required to meet the audit objective and would not necessarily identify all deficiencies in internal control that might be significant or material weaknesses.

Our audit objective was to determine the adequacy of internal control over cash handling (cash receipts activity, billings and recordkeeping). In addition, we determined whether Brookview application, admission, rent determination and collection procedures were being adhered to. Our office performed this audit at this time based on our evaluation of county-wide risk assessment. During the audit, we amended the scope to also include a cost analysis of rental amounts for Brookview and other similar living arrangements.

Audit criteria and standards included compliance with established County of Lehigh, Cedarbrook Nursing Home, and Brookview Independent Living policies and practices such as admission rules, regulations, and guidelines including compliance to form MA-51 and a resident financial assessment. Audit standards applied in performing the audit included generally accepted government auditing standards, and *Government Auditing Standards* (July 2007 revision) issued by the Comptroller General of the United States.

We achieved our objectives by comparing the established criteria and standards to actual practice, reviewing revenue-related transactions, re-performing resident admission procedures, and analyzing rental and service costs provided to Brookview Independent Living and other similar living arrangements. We believe that the audit evidence obtained by performing the following procedures and analyses provide a reasonable basis for our findings and conclusions based on our audit objective. Audit procedures included tests of:

- Compliance to admission requirements
- Expense allocations and methods
- Interest allocations
- Internal control process for laundry revenues and move-outs/ins
- Service and rental cost analysis
- Bank deposits / cash composition / bank statements
- Security deposits, cash, ACH, and laundry receipt postings
- Tenant rental and service billings
- Third party and Pre-payments

Our audit included examination of the accounting records, documentation, discussions with Brookview office and other county personnel, and such other auditing procedures we considered necessary in the circumstances.

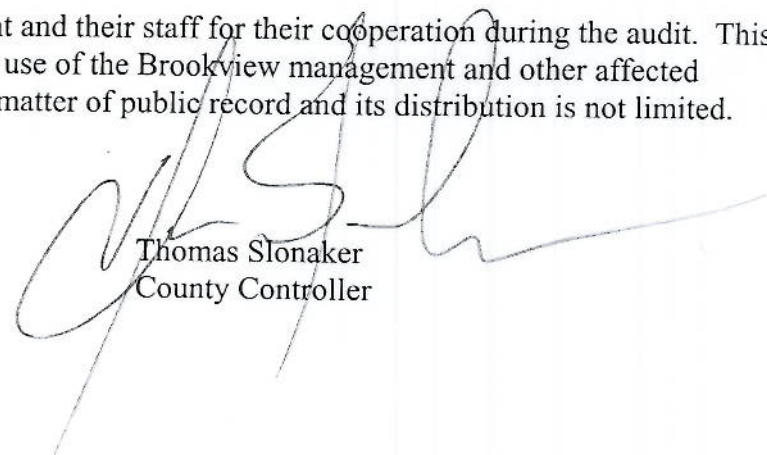
We concluded that internal control over cash handling was adequate; however, we noted several issues that should be addressed by Brookview Independent Living management:

- Brookview management does not provide allocations for maintenance expenses related to apartment preparation and general insurance on a timely basis;
- Rent payments for one resident was submitted by a third party in varying intervals;
- Security deposit amounts are not high enough to cover any costs associated with apartment damage that may occur;
- One prior audit recommendation was not implemented;
- Costs for housekeeping and maintenance services are not covering county costs

Also, based on our analysis of rental rates charged to residents, we concluded the monthly rents are reasonable in comparison to other similar living arrangements in Lehigh County.

A complete description of our recommendations is detailed in the accompanying "*Schedule of Audit Findings and Recommendations*".

We wish to thank Brookview management and their staff for their cooperation during the audit. This report is intended for the information and use of the Brookview management and other affected county offices. However, this report is a matter of public record and its distribution is not limited.



Thomas Slonaker
County Controller

December 2, 2011
Allentown, Pennsylvania

Final Distribution

Donald T. Cunningham, Jr., County Executive
Board of Commissioners
Mary A. Hazzard, Administrator, Cedarbrook

Brian L. Kahler, Fiscal Officer
Terry D. Lopus, Director, Cedarbrook
Thomas S. Muller, Director of Administration

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

Schedule of Audit Findings and Recommendations

1. Missing Expense Allocation - Maintenance

Condition: Brookview management uses Cedarbrook maintenance staff when performing services for Brookview residents prior to, during, and subsequent to resident vacancies. These costs are not being reported or expensed.

Recommendations: Management should consider requiring the Cedarbrook Facilities Director report the number of maintenance hours spent on each apartment for preparation, remodeling, and clean up on a monthly basis. These hours should be the basis for reporting and expensing maintenance allocations each month.

2. Improper Expense Allocation – General Insurance

Condition: Brookview management did not provide an insurance allocation for general insurance expense for the audit period.

Recommendations: Management should properly allocate costs to Brookview accounts including the above insurance expense.

3. Third Party Payments Not Submitted Timely

Condition: Third party payments for one resident were not billed and submitted in a timely manner. These payments were submitted in intervals over a period of 18 months and ultimately recovered.

Recommendation: Management should ensure billing occurs on a timely basis and consider requiring the third party payee to submit resident payment via, electronic funds transfer (ACH).

4. Security Deposits Requirements

Condition: Security deposit amounts of \$75 are not high enough to cover any damages that may occur as a result of neglect or damage caused by residents. Industry standards for apartment security deposits are at least one month's rent.

Recommendation: Security deposit amounts should be increased to cover costs that may result from neglect and damage caused by residents.

5. Prior Audit Finding Not Implemented (Report 08-56, issued July 30, 2008)

Condition: A decrease in water expense allocation of \$39,073 from 2007 was never corrected.

Recommendation: Management should properly allocate costs to Brookview accounts.

6. County Cost of Services Not Covered

Condition: Brookview charges \$14 per hour and \$17 per hour for housekeeping and maintenance services, respectively. However, pay grades, inclusive of benefit costs, for housekeeping and maintenance staff are between \$17.36 - \$22.64 per hour and \$21.02 and \$27.43 per hour, respectively.

Recommendation: Costs for housekeeping and maintenance services should be equal to or greater than the highest paid position for that grade of work and include 35.1% for benefits, in order to fully reflect county costs. Furthermore, management should periodically review these rates and subsequently change the rate for service to ensure the cost of providing these services are covered.

**COUNTY OF LEHIGH
CEDARBROOK NURSING HOMES**

CEDARBROOK - ALLENTOWN
350 S. CEDARBROOK ROAD
ALLENTOWN, PA 18104

(610) 395-3727
FAX (610) 395-0412



CEDARBROOK - FOUNTAIN HILL
724 DELAWARE AVENUE
BETHLEHEM, PA 18015

(610) 691-6700
FAX (610) 867-2332

To : Thomas Slonaker - Lehigh County Controller
From : Larry Epting - CFO

Date : December 1, 2011

Ref: Brookview IL Audit Report – January 1, 2010 to June 30, 2011
Cedarbrook Management Response to Audit Findings & Recommendations

1. Missing Expense Allocation - Maintenance

- No maintenance expenses for audit period. **At the end of every month, the Facilities Director will be supplying the CFO with Maintenance hours worked at BV to be included with the monthly allocation process.**

2. Improper Expense Allocation – General Insurance

- No insurance allocation for 2011. **JE will be completed to allocate insurance monies from the Cedarbrook insurance line 070131.46611.**

3. Third Party Payments Not Submitted Timely

- One resident's third party payments were not billed and submitted on a timely basis. **Most residents of Brookview are currently billed and payment made by electronic funds transfer (ACH). One resident is paid through the Pennsylvania CAT Fund and two others pay by check. The billing to the CAT Fund and the private pay residents will be done by the 10th of each month. The payments are monitored for timeliness.**

4. Security Deposits Requirements

- Security deposit amount should be increased to cover costs resulting from neglect and damage. **Recommend increasing Security deposit from \$75.00 to \$100.00 as an amount greater than \$100.00, according to the PA Landlord-Tenant Law, would require establishing an escrow account and interest distribution annually in addition to other legal requirements.**

5. Prior Audit Finding Not Implemented (Report 08-56, issued July 30, 2008)

- Decrease in water expense from 2007 not corrected. **Water expense in 2011 has been allocated properly and process will be continued monthly as appropriate.**

6. County Cost of Services Not Covered

- Costs for Housekeeping and Maintenance services should be increased and reviewed periodically. **Recommend Housekeeping, Maintenance, Social Services and Business Office rates will be increased to reflect County costs and benefits for 2012.**