




COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
(610) 782-3082 FAX: (610) 820-3335

TO: Final Report Distribution  
FROM: Thomas Slonaker, County Controller   
DATE: July 30, 2008  
RE: Audit of Brookview Independent Living

---

We have completed an internal audit of the financial records of Brookview Independent Living for the period January 1, 2007 to March 31, 2008. Our audit report number 08-56 is attached.

We made the following observations:

- There were several areas of improvement since our previous audit including: automatic deduction for rent and other expenses from tenant bank accounts; a separate bank account was established for Brookview and key personnel were relocated to provide increased efficiency to Brookview's operations.
- There were several expenses that were not properly allocated to Brookview and will require adjusting journal entries.
- There are some manual and off-the-books records being done by the Brookview accountant.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA

BROOKVIEW INDEPENDENT LIVING

*Internal Audit*

*For the Period January 1, 2007 to March 31, 2008*

REPORT NO. 08-56

COUNTY OF LEHIGH, PENNSYLVANIA  
BROOKVIEW INDEPENDENT LIVING

*Table of Contents*

	Page
Brookview Independent Living - Background Information .....	1
OPINION OF THOMAS SLONAKER, LEHIGH COUNTY CONTROLLER .....	2
Schedule of Audit Finding and Recommendations .....	3-4
Chief Financial Officer's Response .....	5-6

COUNTY OF LEHIGH, PENNSYLVANIA  
BROOKVIEW INDEPENDENT LIVING

*Background Information*

Brookview Independent Living Apartments opened its doors to tenants in November of 2004. Three levels of apartments were created as the result of eliminating 141 licensed nursing facility beds at Cedarbrook Nursing Homes. Construction was made possible through a grant from the County Commissioners Association of Pennsylvania in cooperation with the Department of Public Welfare. Applicants must be sixty-two years of age or older, or disabled. All applicants are screened by the Lehigh County Area Agency on Aging in order to determine ability to live independently. Lehigh County residency is considered a requirement, but exceptions are made on a case-by-case basis.

There are a total of 42 apartments at Brookview. Monthly rent is based on size of the apartment. As of March 31, 2008 there are 6 single small efficiencies; 18 single studio; 3 single large efficiencies and 15 double efficiencies with monthly rental fees of \$250, \$575, \$650 and \$725 respectively. Rent includes heat, air conditioning, electricity, water, sewage, trash collection and cable. A minimal number of apartments may be rented to low-income tenants for a reduced rate. Upon lease signing, each tenant pays a \$75 security deposit; extra room keys and a pet fee may also be applicable.

Through Cedarbrook Nursing Home, Brookview offers its tenants additional services such as meals, housekeeping, barber/beauty, and maintenance. Tenants have access to coin-operated laundry facilities on each floor at Brookview. Tenants receive a monthly bill for rent and prior month's services. Most tenants are set-up to have their bank accounts directly charged each month.

Other services available to tenants that are paid directly to the provider include phone, pharmacy, clinic, transportation, therapy, and various activities.





COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
(610) 782-3082 FAX: (610) 820-3335

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

We have recently completed an internal audit of the financial records of Brookview Independent Living. The scope of our detail testing was January 1, 2007 to March 31, 2008. Our objectives were to determine whether application, admission, rent determination, and collection procedures are adequate and being adhered to; and whether an internal accounting control system exists over cash receipts, cash disbursements, accounts receivable, and reported cash balances.

We conducted our audit in accordance with the "*Standards for the Professional Practice of Internal Auditing*", promulgated by the Institute of Internal Auditors. Our audit included examination of the accounting records, documentation, discussions with Brookview management and other county personnel, and such other auditing procedures we considered necessary in the circumstances.

We concluded that Brookview management had greatly strengthened the efficiency and internal control of their operations after our previous audit by separating Cedarbrook and Brookview bank accounts, implementing automated charges to tenant bank accounts for monthly bills and relocating key personnel for easier accessibility to management and tenants. However, we did note several areas where expenses were not allocated properly. A complete description of our recommendations is detailed in the accompanying "*Schedule of Audit Findings and Recommendations*". We also discussed other matters with Brookview management in a separate memo dated July 10, 2008. These items were included in a separate memo because additional study is required by management.

We wish to thank the Brookview management and staff for their cooperation during the audit. This report is intended for the information and use of 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

July 24, 2008  
Allentown, Pennsylvania

Final Distribution:

Donald T. Cunningham, Jr., County Executive  
Board of Commissioners  
Brian L. Kahler, Fiscal Officer

Terry D. Lopus, Director, Cedarbrook  
Mary A. Hazzard, Administrator, Cedarbrook

COUNTY OF LEHIGH, PENNSYLVANIA  
BROOKVIEW INDEPENDENT LIVING

*Schedule of Audit Findings and Recommendations*

1. Additional Expenses and Misallocations

**Condition:** The following Brookview expenses were not properly allocated:

- No insurance expense allocated to Brookview for 2007.
- No maintenance or supplies expense allocated to Brookview for the expansion and renovation of three apartment units during the audit period.
- No maintenance expenses allocated to Brookview for painting and minor maintenance done to the apartments by the Cedarbrook maintenance department during the audit period. (Unable to determine cost increase).
- Dietary food expenses were allocated based on revenues instead of actual costs. (Difference is immaterial)
- Water was expensed monthly instead of every four months.

<u>Expense Type</u>	<u>Adjustment Amount</u>
Insurance Expense	\$ 17,000.00
Room Renovations	9,500.00
Water Expense	<u>(39,000.00)</u>
Total Expense Adjustment	\$ (12,500.00)

**Recommendation:** Brookview management should make adjusting entries to Brookview accounts to reflect the above expenses.

2. Manual Recordkeeping

**Condition:** The Brookview accountant is currently keeping separate manual records for the following accounts:

- A tenant who has moved out continues to have an outstanding balance. According to Lehigh County's Office of Information Technology (IT), the current computerized accounting system does have the capability to track this type of account; however, it is not being used.

- A tenant who fell behind on his monthly payments and was put on a payment plan to catch up. The current system is not set-up for payment plans and automatically prints monthly invoices requesting the entire amount due.

Good internal control and record keeping systems track all revenues and receivables in one centralized system.

**Recommendation:** Brookview staff should meet with IT to discuss the proper way of tracking these types of accounts in the current system.

### 3. Security Deposit Tracking

**Condition:** The Brookview security deposit liability account is short \$75 or one tenant's security deposit. Testing showed that all current tenants have properly paid their \$75 security deposit.

**Recommendation:** Brookview should adjust the security deposit liability account to make it whole and implement a process to begin periodically reconciling the account.



**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: July 25, 2008

Ref: Brookview IL Audit Report – January 1, 2007 to March 31, 2008  
Cedarbrook Management Response to Audit Findings

**1. Additional Expenses and Misallocations**

- No insurance allocation for 2007. (JE completed to allocate insurance monies from the Cedarbrook insurance line 070131.46611. The JE will be booked in 2008.)
- No maintenance labor and or supplies allocated to BV for the renovation of the three apartments. (Based on the labor and expense data supplies by the Facilities Director for the renovation, the JE was completed. The electronic PO system has been modified to include BV as a drop-down line option. In addition, at the end of every month, the Facilities Director will be supplying to the CFO with Maintenance hours worked at BV to be included with the monthly allocation process.)
- Dietary food expenses were allocated based on the revenues instead of the actual costs. (The monthly food allocation will be adjusted to reflect to actual food and paper supply cost.)
- Water was expensed monthly instead of quarterly. (This is correct and a JE will be made to correct the overcharge.)

**2. Manual Recordkeeping**

- The Brookview accountant is currently keeping separate manual records for the following reasons: a tenant that has moved out continues to have an outstanding balance; according to IT, the current computerized accounting system does have the capability to track this type of account, however it is not being used. (This situation will be reviewed with IT to process accordingly.)
- A tenant who fell behind on his monthly payments and was put on a payment plan to catch up. The current system is not set-up for payment plans and automatically prints monthly invoices requesting the entire amount due. (We will work with the IT Department to configure the total outstanding amount due on the monthly invoice and not just the monthly amount due.)



### 3. Security Deposit Tracking

- The Brookview security deposit liability account is short \$75 or one tenant's security deposit. Testing showed that all current tenants have properly paid their \$75 security deposit. (We will review this information with the Fiscal Department and make whole .)