




TO: Final Report Distribution
FROM: Mark Pinsley, County Controller 
DATE: March 31, 2023
RE: Audit of Brookview Independent Living

We have completed a financial audit of Brookview Independent Living for the period January 1, 2021 to December 31, 2021. Our audit report number 23-09 is attached.

The results of our audit are:

- The “Statement of Receipts and Disbursements and Changes in Cash Balance” present fairly in all material respects, the financial activity of Brookview Independent Living in 2021.
- Excessive apartment vacancy time resulting in a loss of \$13,531 in rent revenue for the year 2021.
- Wages Allocated from Cedarbrook Nursing to Brookview IL were double the actual hours reported resulting in an overstatement of wages of \$115,688.
- Bank reconciliations should be performed to ensure all bank transactions are properly recorded in Brookview’s PCC accounting system.
- Outdated ACH authorization forms for resident ACH transactions could potentially increase the county’s liability exposure to unauthorized/fraudulent ACH transfers and is non-compliant with state contract law.

See “Schedule of Audit Findings and Recommendations” for further discussions and details

Attachment



COUNTY OF LEHIGH, PENNSYLVANIA

BROOKVIEW INDEPENDENT LIVING

Financial Audit
for the Period January 1, 2021 to December 31, 2021

REPORT NO. 23-09

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

Table of Contents

	Page
Background	1
OPINION OF MARK PINSLEY, LEHIGH COUNTY CONTROLLER	2-3
Statement of Receipts and Disbursements and the Changes in Cash Balance for the period January 1, 2021 to December 31, 2021	4
Notes to Financial Statement	5
Comments on Compliance/Internal Control	6-7
Schedule of Audit Findings and Recommendations	8-9
Schedule of Prior Audit Findings and Recommendations	10
Cedarbrook Senior Care and Rehabilitation Administrator's Response	11-12

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

Background

Brookview apartments were created as the result of eliminating 141 licensed nursing facility beds at Cedarbrook Senior Care and Rehabilitation 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 a single or double occupancy. There are 27 single units ranging from 260 to 347 sq. ft., and 15 double units ranging from 494 to 593 sq. ft. 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, 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: Cedarbrook website



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA Nanton John, CFE
COUNTY CONTROLLER DEPUTY CONTROLLER

Mr. Jason Cumello, Administrator
Cedarbrook Senior Care and Rehabilitation Administration
350 S. Cedarbrook Road
Allentown, PA 18104

Report on Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements and Changes in Cash Balance of Brookview Independent Living for the period January 1, 2021 to December 31, 2021 (hereinafter referred to as the Schedules) and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the 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 the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Schedules, whether due to human error or fraud. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of management's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Schedules

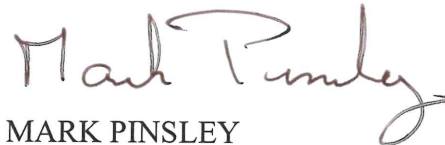
In our opinion, the Schedules referred to above present fairly, in all material respects, the financial activity arising from cash transactions of Brookview Independent Living for the period January 1, 2021 to December 31, 2021, in accordance with the U.S. generally accepted accounting principles. **However, we noted control deficiencies or other management issues that are described in the accompanying “Schedule of Audit Findings and Recommendations”.**

As discussed in Note 1, the Schedules were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the Schedules present only Brookview Independent Living financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the period January 1, 2021 to December 31, 2021 in conformity with the cash receipts and disbursements basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023 on our consideration of Brookview Independent Living’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering management’s internal control over financial reporting and compliance.



MARK PINSLEY
County Controller

March 28, 2023
Allentown, Pennsylvania

Audited by: Nam Tran

xc: Phillips Armstrong, County Executive
Board of Commissioners
David Crook, Supervisory Accountant, Cedarbrook Senior Care and Rehabilitation
Edward Hozza, Director of Administration
Tim Reeves, Chief Fiscal Officer
Adam Boandl, Accountant II, Cedarbrook Senior Care and Rehabilitation
Deborah Smitreski, Admissions Coordinator, Brookview Independent Living

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

*Statement of Receipts and Disbursements
and Changes in Cash Balance
For the period January 1, 2021 to December 31, 2021
(NOTE 1)*

Fund Balance January 1, 2021			\$ 878,125
Revenues:			
Rent		\$ 293,309	
Other Earnings		54,938	
Interest-Money Market		<u>1,404</u>	
Total Revenues			\$ 349,651
Expenses:			
Operating Supplies	\$ 74,002		
Electricity & Heat	36,257		
Maintenance/Repair Services	3,959		
Water/Sewer	<u>12,567</u>		
		\$ 126,785	
Direct Cost Allocations to Cedarbrook: (NOTE 2)			
Maintenance to CB fund	\$ 50,496		
Social Services to CB fund	124,949		
Housekeeping to CB fund	39,956		
Business Office to CB fund	15,975		
Indirect Cost Allocation	<u>33,970</u>		
Total Expenses		\$ 265,346	<u>\$ 392,131</u>
Net Operating Profit (Loss):			\$ (8,510)
Net Profit (Loss):			\$ (42,480)
Fund Balance December 31, 2021			<u>\$ 835,645</u>

The accompanying notes to financial statement are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

*Notes to Financial Statements
for the Period January 1, 2021 to December 31, 2021*

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Brookview Independent Living's financial activity is a part of the County of Lehigh's reporting entity, included in the general fund and is subject to annual financial audit by external auditors. This report is only for internal audit purposes.

B. Basis of Accounting

The accounting records of the County of Lehigh and the Statement of Receipts and Disbursements and the Changes in Cash Balance are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting.

2. Transfer to Cedarbrook Fund

The 2021 approved budget included financing uses consisting of the transfer of \$231,376 in direct cost allocations and \$33,970 in indirect cost allocations from Brookview Independent Living to the Cedarbrook Senior Care and Rehabilitation Fund.



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA

Nanton John, CFE

COUNTY CONTROLLER

DEPUTY CONTROLLER

Mr. Jason Cumello, Administrator
Cedarbrook Senior Care and Rehabilitation
350 S. Cedarbrook Road
Allentown, PA 18104

We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States; the accompanying Statement of Receipts and Disbursements and Changes in Cash Balances of Brookview Independent Living for the year ended 2021 (hereinafter referred to as the Schedules) and have issued our report thereon dated March 28, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered Brookview Independent Living's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. Accordingly, we do not express an opinion on the effectiveness of Brookview Independent Living's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brookview Independent Living’s Schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable.

Management’s Response to the Audit

We noted certain matters that we reported to management of Brookview Independent Living in a separate section titled “*Schedule of Audit Findings and Recommendations*”. If provided, Brookview Independent Living’s response to our audit is included in this report. We did not audit Brookview Independent Living’s response and, accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, others within the entity, and Phillips Armstrong, County Executive; Edward Hozza, Director of Administration; Board of Commissioners; Timothy Reeves, Chief Fiscal Officer; David Crook, Supervisory Accountant, Cedarbrook Senior Care and Rehabilitation; Adam Boandl, Accountant II, Cedarbrook Senior Care and Rehabilitation; and Deborah Smitreski, Administrations Coordinator, Brookview Independent Living 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
County Controller

March 28, 2023
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

Schedule of Audit Findings and Recommendations

1. Wages Allocation Exceeds Actual Hours Reported

CONDITION: Brookview IL is operated by Cedarbrook employees whose hours of service there are allocated to Brookview monthly. While testing the monthly allocations, the audit revealed that the hours allocated to Brookview were twice the actual hours reported by Cedarbrook employees as hours worked at Brookview. This resulted in an overstatement of expenses of \$115,688 which was the main driver of Brookview IL's net operating loss. Brookview management indicated this was due to a previously conducted paystudy, but was unable to provide documentation supporting the calculation of this allocation.

RECOMMENDATION: Brookview IL should allocate the actual hours reported or provide documentation that explains why the hours are being allocated at two times the actual hours worked.

2. Excessive Vacancy

CONDITION: Audit testing concluded that eight rooms were vacant for periods of 2 months or longer totaling 22 months of total vacancy and \$13,531 of lost revenue. The Controller's Office recognizes that 2021 presented unique challenges due to the Covid-19 Pandemic which impacted supply chain and staffing. However, it appears that management does not possess a mechanism to actively monitor the turnaround of vacant apartments.

RECOMMENDATION: Management should implement a process to closely monitor vacancies to achieve their goal of filling vacancies within two months. This mechanism should possess a means of tracking weekly maintenance and supply status updates.

3. Lack of Bank Reconciliation

CONDITION: There is currently no procedure to reconcile bank transactions to Brookview's PointClickCare (PCC) accounting system. Audit testing revealed one instance where a bounced rent payment was not reversed out resulting in PCC reporting the rent as paid. Audit testing also revealed bank transactions for rent payments that were never recorded and applied in the PCC accounting system resulting in the resident being billed twice for the months of April and May during 2021.

RECOMMENDATION: Management should implement a process to reconcile Brookview's PCC accounting system to their bank account on a timely basis.

4. Outdated and Missing ACH Authorizations

CONDITION: Upon admission, residents provide signed authorization agreement forms to facilitate the monthly ACH transfers of rent payments from their bank to Brookview IL. Subsequent changes to banking information are made using cancelled checks or verbally. Audit testing revealed 13 of 30 sampled Rent ACH transfers throughout 2021 were either missing ACH authorization agreement forms or had outdated ACH authorization agreement forms that lacked current banking information. State commercial contract law requires all ACH transactions to be properly authorized. Since there is no system control in the Wells Fargo ACH processing system that prevents unauthorized changes from management, signed authorization forms are necessary to prove all changes are authorized by the resident. In the absence of authorized forms, the county would be unable to prove that ACH changes were approved by the resident and may be held liable for unauthorized or fraudulent funds transferred. The current practice implemented by Brookview IL does not require the resident to provide an updated signature approved authorization form.

RECOMMENDATION: Management should require residents to submit new authorization forms prior to the entry of any banking changes.

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

Schedule of Prior Audit Findings and Recommendations
(From Audit Report #2019-16)

1. Allocation Expense Not Recorded

CONDITION: Since Brookview is its own wing of the Cedarbrook Allentown campus, expense allocations for utilities and staff are calculated and transferred to Cedarbrook, based on the monthly census. In reviewing the expense allocations for 2018, it appears that there was not an allocation expense transfer in April 2018 for a total of \$19,128. This leads to an inaccurate general ledger, as well as inaccurate year-end reports.

RECOMMENDATION: Management should closely monitor the expense allocations to confirm their accuracy and ensure that they are transferred on a timely basis.

CURRENT STATUS: During the preliminary review of general ledger activity for year 2021, it appeared that all twelve months were allocated within the correct year. No further consideration required.

**COUNTY OF LEHIGH
CEDARBROOK SENIOR CARE AND REHABILITATION**

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

March 28, 2023

TO: Mark Pinsley, County Controller
FROM: Adam Boardl, Accountant II
DATE: March 28, 2023
RE: Schedule of Audit Findings and Recommendations- 2021 Brookview

1. Wages Allocation Exceeds Actual Hours Reported
 - a. Correction has been made to the formula on the Brookview allocation worksheet. Wages will no longer be doubled.

2. Excessive Vacancy
 - a. Management closely monitors vacancy in the building and will review on an ongoing basis. The pandemic put a strain on the ability of the building to turn over rooms after discharge. Staff from Cedarbrook was needed to maintain the nursing home and provide current Brookview tenants the needed services. Nationwide material shortages also made turning over rooms for new tenants next to impossible for a period of time.

3. Lack of Bank Reconciliation
 - a. The Accountant will request a copy of the bank statement monthly from fiscal to reconcile cash deposits to PCC. This is part of the month end close process as of 04/01/2023.

"A Community with Hearth Offering Individualized Care and Excellent Service"

4. Outdated and Missing ACH Authorizations

- a. The Accountant will audit the ACH forms of all tenants in the building by 05/31/2023. Any missing or out of date forms will be updated. Ongoing, new forms are obtained as part of the admission agreement. Any updated banking info will be placed with the ACH forms kept in financial services.

Should you have any question, we are available to assist you in answering your concerns.

X 

Phone: 610 336 5652

FAX: 610 395 4737

EMAIL: adamboandl@lehighcounty.org



Phone: 610 336 5621

FAX: 610 395 4737

EMAIL: davidcrook@lehighcounty.org