



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

GLENN D. ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller G.E.
DATE: October 27, 2015
RE: Financial Audit of Office of Children & Youth Services' Representative Payee Accounts

The controller's office has completed a financial audit of the Office of Children & Youth Services' (OCYS) Representative Payee Accounts for the calendar year 2014. Our audit report number 15-14 is attached.

The results of our audit are:

- The *Statement of Selected Receipts and Disbursements* for the calendar year 2014 presents fairly, in all material respects, the financial activity arising from cash transactions of the representative payee accounts of the OCYS, Lehigh County.
- Personnel of the OCYS lack the ability to access or view a comprehensive client ledger that details all income sources and all classifications of expenses.

Attachment

AUDITS/CHILDREN AND YOUTH

COUNTY OF LEHIGH
OFFICE OF CHILDREN & YOUTH SERVICES
REPRESENTATIVE PAYEE ACCOUNTS

Financial Audit for the calendar year 2014

REPORT NO. 15-14

COUNTY OF LEHIGH, PENNSYLVANIA
OFFICE OF CHILDREN & YOUTH SERVICES
REPRESENTATIVE PAYEE ACCOUNTS

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COUNTY OF LEHIGH, PENNSYLVANIA
OFFICE OF CHILDREN & YOUTH SERVICES
REPRESENTATIVE PAYEE ACCOUNTS

Background

2014 Budget Narrative – Office of Children & Youth Services

The goal of the Office of Children and Youth Services is to ensure that each child in Lehigh County who is referred to the agency for services is assured a safe and permanent living arrangement that enhances the child's wellbeing, consistent with the Commonwealth of Pennsylvania and Department of Public Welfare standards. The number of children and families referred to the agency for services continues to rise and the agency makes every effort to approach these referrals effectively by providing ongoing training and support to staff as well as implementing best practice initiatives.

Representative Payee Function

The County of Lehigh's Office of Children and Youth Services provides a representative payee function for some of their clients that qualify for Social Security benefits. According to the *2011 Guide for Organizational Representative Payees*, a representative payee is "an individual or Organization appointed by the Social Security Administration (SSA) to receive and manage the Social Security or SSI benefits of another person. A representative payee must use the funds they manage for the exclusive use and benefit, and in the best interest of the beneficiary."



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COUNTY CONTROLLER

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Janice Link, County Fiscal Officer II
Lehigh County Office of Children & Youth Services (OCYS)
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101

We have audited the accompanying *Statement of Selected Receipts and Disbursements* of the representative payee accounts of the OCYS for the calendar year 2014 as listed in the Table of Contents. The financial statements are the responsibility of OCYS's management. Our responsibility is to express an opinion on the *Statement of Selected Receipts and Disbursements* based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements 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 financial statements present only the representative payee accounts of the Lehigh County OCYS's 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 calendar year 2014 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the *Statement of Selected Receipts and Disbursements* referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the representative payee accounts of the Lehigh County OCYS for the calendar year 2014, on the basis of accounting described in Note 1. However, we noted control deficiencies or other management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015 on our consideration of the representative payee accounts of the Lehigh County OCYS's management 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* and should be considered in assessing the results of our audit.



Glenn Eckhart
County Controller

October 9, 2015
Allentown, Pennsylvania

Audited by: Zachary Effting

xc: Kay Achenbach, Director, Human Services
Pamela Buehrle, Director, Children & Youth Services
Board of Commissioners
Thomas Muller, County Executive
Timothy Reeves, Fiscal Office

COUNTY OF LEHIGH, PENNSYLVANIA
OFFICE OF CHILDREN & YOUTH SERVICES
REPRESENTATIVE PAYEE ACCOUNTS

Statement of Selected Receipts and Disbursements
(Representative Payee Accounts ONLY)
for the Calendar year 2014
(NOTE 1)

Cash Receipts: (NOTE 2)	
State Reimbursement (NOTE 3)	\$ 132,373
Social Security Income	130,950
Federal Reimbursement	128,980
Parental Support	<u>7,640</u>
Total Cash Receipts	399,943
 Cash Disbursements: (NOTE 4)	
Maintenance	480,144
Non-Maintenance	291,420
Administrative	170,938
Other Costs	<u>36,997</u>
Total Disbursements	979,499

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

COUNTY OF LEHIGH, PENNSYLVANIA
OFFICE OF CHILDREN & YOUTH SERVICES
REPRESENTATIVE PAYEE ACCOUNTS

*Notes to Financial Statement
For the Calendar Year 2014*

1. Summary of Significant Accounting Policy

A. Reporting Entity

The OCYS management is responsible for the financial activity of the trustee account. The funds of the representative payee clients are maintained in one bank account with financial activity being tracked in sub-ledgers at the client level. This report is only for internal audit purposes.

B. Basis of Accounting

The accounting records of the County of Lehigh and the *Statement of Selected Receipts and Disbursements* 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.

C. Administrative Guidelines

Representative payment programs are organized and established by the Social Security Administration. The OCYS's management must adhere to the *Guide for Organizational Representative Payees*.

2. Cash Receipts

Program income for OCYS clients for whom the County of Lehigh is representative payee is primarily made up of Social Security income and parental support. The cost of care that is not covered by these two types of income are partially reimbursed by the federal government and the Commonwealth of Pennsylvania.

3. State Reimbursement

The amount of state reimbursements only represents the cash receipts of the representative payee clients under the management of Juvenile Probation. The OCYS elects not to record state reimbursements at the individual client level, and therefore, state reimbursements for OCYS representative payee clients are not shown.

4. Cash Disbursements

The costs reimbursed by the federal and state government are allocated into specific categories. Maintenance costs are directly related to the children's care and include things such as food, clothing, and shelter. Non-maintenance costs relate to recreational goods and expenses not directly related to the children's care. Administrative expenses are costs incurred by the County of Lehigh that are reimbursable and relate to the handling of a child's case. Other costs include client medical expenses and subsidized adoption payments.

COUNTY OF LEHIGH, PENNSYLVANIA
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REPRESENTATIVE PAYEE ACCOUNTS

Schedule of Audit Findings and Recommendations

1. No Comprehensive Client Ledger System

Condition: Personnel of the Office of Children and Youth Services (OCYS) lack the ability to access or view a comprehensive client ledger that details all income sources and all classifications of expenses. The ledger system currently in use by OCYS has not been updated to reflect recent changes in federal and state reimbursement requirements, and thus fails to portray various expenses. Moreover, the current ledger system does not show all income sources. According to the “Guide for Organizational Representative Payees,” maintaining clear and up-to-date records in the form of an account ledger are a primary duty as role of representative payee.

Recommendation: Since various sources of information can still be used to compile a complete and accurate ledger for each client, no immediate action is required at this time. However, management of OCYS should evaluate all income and expense items that would constitute a complete ledger system and convey the need for an upgrade when OCYS is introduced into the planning phase of Lehigh County’s new ERP system.

2. Notification to SSA for Change in Client Living Arrangement

Condition: A 2010 report from the local Social Security Administration (SSA) Office regarding a field visit to Lehigh County OCYS denoted a need to report changes in living arrangements, the actual residence of recipients receiving Social Security income, by fax to the local office. Testing of such notifications in the current audit revealed that OCYS personnel are not in complete compliance with this request. The current practice in OCYS is to inform SSA of changes in living arrangements on a fiscal basis concurrent with the annual reporting of Form SSA-623, Representative Payee Report.

Recommendation: The management of OCYS should consult the SSA as to whether or not their current form of reporting changes in living arrangements is acceptable.

3. Termination of Representative Payee Responsibilities

Condition: The testing of terminated accounts revealed that with three client accounts, OCYS was late in notifying SSA that their role as representative payee for a client had ceased. Consequently, OCYS continually received Social Security income on the terminated accounts, and was then required to reimburse SSA months later.

Recommendation: The management of OCYS should continue to enforce their policy that when the role of representative payee comes to an end, a letter is sent to the prospective guardians of the client informing that third party of their right to file for representative payee on the child’s behalf. SSA should also be included on the letter to inform them that Lehigh County OCYS will no longer serve as representative payee for the client mentioned in the letter.