



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 ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller G.E.
DATE: September 15, 2017
RE: Audit of Brookview Independent Living

We have completed a financial audit of Brookview Independent Living for the period January 1, 2016 to December 31, 2016. Our audit report number 17-13 is attached.

We made the following observations:

- The "Statement of Receipts and Disbursements and Changes in Cash Balance" present fairly in all material respects, the financial activity of Brookview in 2016.
- All prior findings were addressed or are now being addressed by management.

Attachment

AUDITS/BROOKVIEW INDEPENDENT LIVING

COUNTY OF LEHIGH, PENNSYLVANIA

BROOKVIEW INDEPENDENT LIVING

Financial Audit
for the Period January 1, 2016 to December 31, 2016

REPORT NO. 17-13

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

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COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

Background

Brookview 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 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



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

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance of Brookview Independent Living for the period January 1, 2016 to December 31, 2016 as listed in the Table of Contents. The financial statements are the responsibility of the Brookview Independent Living's management. Our responsibility is to express an opinion on the Statement of Receipts and Disbursements and the Changes in Cash Balance 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 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, 2016 to December 31, 2016 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the Statement of Receipts and Disbursements and the Changes in Cash Balance referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Brookview Independent Living for the period January 1, 2016 to December 31, 2016, 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 Prior Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017 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* and should be considered in assessing the results of our audit.



Glenn Eckhart
County Controller

September 11, 2017
Allentown, Pennsylvania

Audited by: Daniel Aquilino

xc: Board of Commissioners
Jason Cumello, Administrator, Cedarbrook Homes
Thomas Muller, County Executive
Timothy Reeves, County Fiscal Officer
Michelle Reichard, Financial Services Supervisor, Cedarbrook Homes
Joseph Shadid, Director, Cedarbrook Homes
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, 2016 to December 31, 2016
(NOTE 1)

Fund Balance January 1, 2016 \$ 363,295

Revenues:

Rent	\$ 306,993
Interest-Money Market	1,599
Other Earnings	<u>41,393</u>

Total Revenues \$ 349,985

Expenses:

Electricity	\$ 52,067
Operating Supplies	51,127
Water/Sewer	25,038
Maintenance/Repair Services	7,657
General Insurance	<u>3,200</u>
	\$ 139,089

Direct Cost Allocations to Cedarbrook: (NOTE 2)

Social Services to CB fund	\$ 37,443
Maintenance to CB fund	24,234
Housekeeping to CB fund	13,644
Business Office to CB fund	<u>7,712</u>
	\$ 83,033

Total Expenses 222,122

Net Operating Profit (Loss): \$ 127,863

Indirect Cost Allocation 24,440

Net Profit (Loss): 103,423

Fund Balance December 31, 2016 \$ 466,718

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, 2016 to December 31, 2016*

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 2016 approved budget included financing uses consisting of the transfer of \$83,033 in direct cost allocations and \$24,440 in indirect cost allocations from Brookview to the Cedarbrook Fund.



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Cedarbrook Nursing Home Administration
350 S. Cedarbrook Road
Allentown, PA 18104

We have audited the financial statements of Brookview Independent Living for the period January 1, 2016 to December 31, 2016 and have issued our report thereon dated September 11, 2017. 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.

In planning and performing our audit, we considered Brookview Independent Living's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Receipts and Disbursements and the Changes in Cash Balance, but not for the purpose of expressing an opinion on the effectiveness of the Brookview Independent Living's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 misstatements 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 by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such as 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether Brookview Independent Living's financial statements 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*.

We noted certain matters that we reported to management of Brookview Independent Living in a separate section titled "*Schedule of Prior Audit Findings and Recommendations*".

This report is intended solely for the information and use of management, others within the entity, and Thomas Muller, County Executive; Board of Commissioners; Tim Reeves, Fiscal Officer; Jason Cumello, Administrator, Cedarbrook Homes; Joseph Shadid, Director, Cedarbrook Homes; Michelle Reichard, Financial Services Supervisor, Cedarbrook Homes; and Deborah Smitreski, Admissions 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.

A handwritten signature in dark ink, appearing to read 'Glenn Eckhart', with a long horizontal stroke extending to the right.

Glenn Eckhart
County Controller

September 11, 2017
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

Schedule of Prior Audit Findings and Recommendations
(Audit Report #14-28 issued November 17, 2014)

1. Adjusted Financial Statement Expenses

Condition: Brookview implemented a benefits charge for Social Services in January and February 2016 and none for the remaining 10 months of the year. A sewer bill issued in 2016 was expensed in 2014 but no bill from 2012 was included in the 2016 financial statements. Both conditions required adjustment of the 2016 financial statements:

A. Social Services expenses of \$28,581.80 per the trial balance were adjusted to \$37,103.19. The adjustment uses a 37.15% benefits charge in addition to the social services expense.

B. Water/Sewer expenses of \$9,112.87 per the trial balance were adjusted to \$11,375.52.

Recommendation: Include the annual benefit percentage for employee benefits charges in addition to the usual monthly expense rate when calculating Social Services expense. Additionally, management should include a prorated charge for sewer bill(s) in the water/sewer line item 1209.070900.000.46114.

Management's Response:

A. Social Services Expenses – All expense allocations for 2014 included an add-on for benefits to any labor abased expenses. This add-on is calculated as a percentage of the wage dollars. This percentage will be updated periodically based on input from the County Fiscal Department.

B. Water/Sewer Expenses – The Chief Financial Officer reviews all expense recorded to utility accounts for Cedarbrook and records allocations of a portion to Brookview. Any amounts that are utility expense to Cedarbrook Allentown will be included in the calculation of the expense allocated to Brookview.

Current Status:

A. Resolved. Benefits are added to the allocation expense each month.

B. Resolved. All utility bills are entered by Fiscal, who sends the information to Cedarbrook to be allocated.

2. Prior Audit Finding Not Addressed (Report 11-63, issued December 8, 2011)

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). Brookview management should reconcile payments monthly for all third-party payees.

Management's Response: Brookview management now reviews expected rent payments each month and pursues collection on a timely basis when required.

Update: County Cost of Services Not Covered

- i. The hourly rates utilized to charge Brookview for services provided by Cedarbrook staff will be reviewed each year and updated as required to more adequately cover the cost incurred by the county to provide services to Brookview tenants.
- ii. A benefits add-on will be used every month to include benefits expense in the expense allocation to Brookview.

Current Status: Resolved. Bills are submitted on time and paid within a 60-day window.