COUNTY OF LEHIGH
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GLENN ECKHART
COUNTY CONTROLLER

THOMAS GROGAN
DEPUTY CONTROLLER

TO: Final Report Distribution

FROM: Glenn Eckhart, County Controller G.E.

DATE: July 31, 2019

RE: Audit of Brookview Independent Living

We have completed a financial audit of Brookview Independent Living for the period January 1, 2017 to December 31, 2017. Our audit report number 19-13 is attached.

We made the following observation 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 2017.

Attachment

AUDITS/BROOKVIEW INDEPENDENT LIVING

COUNTY OF LEHIGH, PENNSYLVANIA

BROOKVIEW INDEPENDENT LIVING

Financial Audit
for the Period January 1, 2017 to December 31, 2017

REPORT NO. 19-13

COUNTY OF LEHIGH, PENNSYLVANIA
BROOKVIEW INDEPENDENT LIVING

Table of Contents

	Page
Background	1
OPINION OF GLENN ECKHART, LEHIGH COUNTY CONTROLLER	2-3
Statement of Receipts and Disbursements and the Changes in Cash Balance for the period January 1, 2017 to December 31, 2017	4
Notes to Financial Statement	5
Comments on Compliance/Internal Control	6-7
Schedule of Audit Findings and Recommendations	8
Cedarbrook Senior Care and Rehabilitation Administrator's Response	No Response

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

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GLENN ECKHART
COUNTY CONTROLLER

THOMAS GROGAN
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, 2017 to December 31, 2017 (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, 2017 to December 31, 2017, 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, 2017 to December 31, 2017 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 July 15, 2019 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.

GLENN ECKHART
County Controller

July 15, 2019
Allentown, Pennsylvania

Audited by: Thomas Grogan and Daniel Aquilino

xc: Phillips Armstrong, County Executive
Board of Commissioners
David Crook, Supervisory Accountant, Cedarbrook Senior Care and Rehabilitation
Edward Hozza, Director of Administration
Tim Reeves, Fiscal Officer
Michelle Reichard, Financial Services Supervisor, 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, 2017 to December 31, 2017
(NOTE 1)

Fund Balance January 1, 2017				$ 466,718
Revenues:				
Rent		$ 301,335		
Other Earnings		45,851		
Interest-Money Market		3,433		
Total Revenues			$ 350,619	
Expenses:				
Operating Supplies	$ 49,399			
Electricity	40,852			
Maintenance/Repair Services	25,124			
Water/Sewer	13,353			
General Insurance	3,000			
		$ 131,728		
Direct Cost Allocations to Cedarbrook: (NOTE 2)				
Maintenance to CB fund	$ 49,317			
Social Services to CB fund	37,511			
Housekeeping to CB fund	15,671			
Business Office to CB fund	8,612			
Indirect Cost Allocation	6,378			
		$ 117,489		
Total Expenses			$ 249,217	
Net Operating Profit (Loss):			$ 107,780	
Net Profit (Loss):			$ 101,402	
Fund Balance December 31, 2017				**$ 568,120**

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, 2017 to December 31, 2017

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 2017 approved budget included financing uses consisting of the transfer of $111,111 in direct cost allocations and $6,378 in indirect cost allocations from Brookview Independent Living to the Cedarbrook Senior Care and Rehabilitation Fund.

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THOMAS GROGAN
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 2017 (hereinafter referred to as the Schedules) and have issued our report thereon dated July 15, 2019.

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, Fiscal Officer; David Crook, Supervisory Accountant, Cedarbrook Senior Care and Rehabilitation; Michelle Reichard, Financial Services Supervisor, 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.

GLENN ECKHART
County Controller

July 15, 2019
Allentown, PA

Schedule of Audit Findings and Recommendations

1. Increase in apartment vacancy time

   CONDITION: In the absence of extended repairs, apartment vacancies typically are filled within one month of vacancy. In 2017, four apartments were vacant for two months and one apartment was vacant for three months. As a result, $4,140 of rental income was lost due to the apartments remaining vacant for more than one month. Brookview maintains a waiting list for the apartments, and vacancies are filled from the waiting list.

   RECOMMENDATION: Management should closely monitor vacancies with the objective of filling the vacancies within one month.