COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER
LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
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GLENN D. ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

**TO:** Final Report Distribution

**FROM:** Glenn Eckhart, County Controller G.E.

**DATE:** August 31, 2015

**RE:** Financial Audit of Area Agency on Aging/Adult Services

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The controller's office has completed a financial audit of the Area Agency on Aging/Adult Services (AAA/AS) office trustee accounts for the period October 1, 2013 to September 30, 2014. Our audit report number 15-6 is attached.

The results of our audit are:

- The management of AAA/AS maintains dormant client accounts which total $65,663.76 as of September 30, 2014. AAA/AS management is working with the Law Department to alleviate the aforementioned liability and consequent risk.

- The management of AAA/AS has not allocated monthly bank account interest and service charges to client accounts properly due to an error in the computer program that allocates the interest and bank service charges. AAA/AS management does not have a monitoring process in place to ensure the allocation is completed correctly.

Attachment

AUDITS/AGING-ADULT SVCS

# COUNTY OF LEHIGH

# AREA AGENCY ON AGING/ADULT SERVICES

# REPRESENTATIVE PAYEE ACCOUNTS

***Financial Audit for The period October 1, 2013 to September 30, 2014***

REPORT NO. 15-6

COUNTY OF LEHIGH, PENNSYLVANIA
AREA AGENCY ON AGING/ADULT SERVICES
REPRESENTATIVE PAYEE ACCOUNTS

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COUNTY OF LEHIGH, PENNSYLVANIA
AREA AGENCY ON AGING/ADULT SERVICES
REPRESENTATIVE PAYEE ACCOUNTS

## *Background*

2014 Budget Narrative – Area Agency on Aging/Adult Services

Aging/Adult Services is a consolidated budget. This consolidation enables the office to review all programmatic items and to coordinate availability of comprehensive services to the 18 year-old through 60+ population. Services include Assessment, Care Management, Case Planning, Home and Community Based Care, Protective Services and Guardianship. Comprehensive assessment and case planning provide supportive assistance and care in a community setting for each individual. Developing a case plan involves accessing the full spectrum of available community resources, both directly and contractually, to enable the best use of Federal, State and local funding in each care plan and case situation. In addition to the wide variety of other services offered, CHORE Services are available to provide semi-skilled home maintenance, home modification and minor household repair for eligible individuals.

There has been an increasing community demand for Aging/Adult Services due to the increasing local demographics of those 60 years and older. State Waiver programs provided through Aging and Adult services enable individuals who are clinically eligible for nursing home care to continue to reside in their community with supportive services. The office also implements state initiatives at the local level, for example, Enhanced Nursing Home Transition. Aging and Adult Services Administration develops and presents a clear blueprint for providing high quality, individualized and cost effective systems for Lehigh County residents who require supportive services to maintain their personal independence. The Agency is committed to providing supportive services, as well as educating the public concerning available community resources, programs and entitlements through individualized contact as well as the participation in area health fairs and through the sponsorship and coordination of conferences.

Representative Payee Function

Lehigh County Aging/Adult Services (AAA/AS) serves as a representative payee organization, which is appointed by the Social Security Administration for someone who cannot manage his or her money. The main responsibility, primarily directed and monitored by county caseworkers, is to assist in the financial matters of the AAA/AS clients. AAA/AS management maintains a detailed, financial recordkeeping system and makes required, periodic reports to the Social Security Administration.

As of December 31, 2010, AAA/AS was the representative payee for 32 active clients (balance $144,218.79) and 61 inactive clients (balance $170,900.86) with total client funds of $315,119.65.

As of December 31, 2014, AAA/AS was the representative payee for 23 active clients (balance $92,107.19) and 57 inactive clients (balance $65,663.76) with total client funds of $157,770.95.

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GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Kay Achenbach, Director of Human Services
Lehigh County Area Agency on Aging/Adult Services
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101

We have audited the accompanying Statement of Receipts and Disbursements and Changes in Cash Balance of the representative payee accounts of the Lehigh County Area Agency on Aging/Adult Services (AAA/AS) for the period October 1, 2013 to September 30, 2014 as listed in the Table of Contents. The financial statements are the responsibility of AAA/AS's management. Our responsibility is to express an opinion on the statement of receipts and disbursements and 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 representative payee accounts of the Lehigh County AAA/AS'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 period October 1, 2013 to September 30, 2014 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the Statement of Receipts and Disbursements and Changes in Cash Balance 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 AAA/AS for the period October 1, 2013 to September 30, 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 April 8, 2015 on our consideration of the representative payee accounts of the Lehigh County AAA/AS'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

April 8, 2015
Allentown, Pennsylvania

Audited by: Zachary Effting

xc: Board of Commissioners
Keller Kline, III, Esquire, Law Department
Donald Lipson, Esquire, Law Department
Thomas Muller, County Executive
Todd Nelson, Software Development Manager
Timothy Reeves, Fiscal Office
The Honorable Edward Reibman, Administrative Judge, Orphan's Court
Janet Thwaites, Director, Orphans Court

COUNTY OF LEHIGH, PENNSYLVANIA
AREA AGENCY ON AGING/ADULT SERVICES
REPRESENTATIVE PAYEE ACCOUNTS

***Statement of Receipts and Disbursements***
***And Changes in Cash Balance***
***For the Period October 1, 2013 to September 30, 2014***
(NOTE 1)

| | |
|---|---|
| Receipts: | |
| Social Security Income | $ 270,766 |
| Pension Income | 29,188 |
| Trustee Deposits | 5,100 |
| Tax Refunds/Rebates | 2,408 |
| Consumer Refunds | 340 |
| Total Receipts .............................................. | 307,802 |
| Disbursements: | |
| Disbursement to Trustee's Estate | 129,590 |
| Rent Expense | 107,146 |
| Personal Spending | 73,902 |
| Medical Expense | 34,732 |
| Funeral Expense | 21,333 |
| Phone/Cable Expense | 21,297 |
| Utilities Expense | 17,046 |
| Insurance Expense | 9,707 |
| Professional Services Expense | 9,347 |
| Retirement Overpayment Refunds | 5,973 |
| Meals & Entertainment Expense | 5,514 |
| Real Estate/Income Tax Expense | 3,653 |
| Trustee and Guardianship Fees | 2,749 |
| Bank Services Charges, Net | 1,747 |
| Transportation Expense | 976 |
| Total Disbursements ........................................ | 444,712 |
| Receipts Over (Under) Disbursements .................... | (136,910) |
| Cash Balance, October 1 ........................................ | 298,918 |
| Cash Balance, September 30 ................................... | $ 162,008 |

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

***Notes to Financial Statement***
***For the Period October 1, 2013 to September 30, 2014***

## 1. Summary of Significant Accounting Policy

### A. Reporting Entity

The County of Lehigh Area Agency on Aging/Adult Services (AAA/AS) 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 Receipts and Disbursements and 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.

### C. Administrative Guidelines

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

## *Schedule of Audit Findings and Recommendations*

1. Dormant Client Accounts

***Condition:*** The management of the AAA/AS maintains dormant client accounts which total $65,663.76. A majority of these accounts have been closed for more than 10 years. Many of these accounts may be subject to escheatment to the state as required by the Disposition of Abandoned and Unclaimed Property Act (DAUPA), 72 P.S. Section 1301.9. According to the act, unclaimed property is any financial asset that has become dormant which no contact has been made with the owner after a statutory time period.

***Recommendation:*** Since prudent efforts to properly disburse these funds have been exhausted by AAA/AS management for many of the dormant accounts, the funds should be transferred to the Fiscal Office. The management of the AAA/AS, working with the county Fiscal Officer and law department, should escheat the dormant client accounts. For dormant accounts where AAA/AS management is the court-appointed guardian, we recommend petitioning the court to release the county from guardianship prior to the escheatment of the dormant funds.

2. Bank Account Interest /Service Charges Not Allocated Properly to Client Accounts

***Condition:*** The management of the AAA/AS has not allocated monthly bank account interest and service charges to client accounts properly due to an error in the computer program that allocates the interest and bank service charges. The management of AAA/AS does not have a monitoring process in place to ensure the allocation is completed correctly.

***Recommendation:*** After the escheatment of dormant accounts mentioned above, the management of AAA/AS, should contact IT to have the automated allocation program repaired. The management of Information Technology has corroborated the issues with allocations and has agreed to program the necessary changes. The management of AAA/AS should monitor the allocation for mathematical correctness on a monthly basis.

3. Late Fees Incurred on Client Disbursements

***Condition:*** The testing of client vendor checks provided evidence of late fees and penalties being assessed to the client's bill. Vendor payments should be made timely, and documentation should be kept for cases where late fees are incurred. We realize many times late fees are incurred due to causes outside the control of AAA/AS management.

***Recommendation:*** AAA/AS should include on their "Representative Payee Voucher" a section denoting if late fees have been assessed and the reasons as to why such late fees have been incurred. Documentation of late fee causes will allow management to address any controllable causes and minimize questions from the office of Fiscal Affairs/Controller's Office during payment processing/approval.

4. Update Procedures for Assessing Clients a Monthly Fee

***Condition:*** The management of the AAA/AS should update their written policy as to when a client should be assessed a monthly fee and when the client is exempt. AAA/AS past practices indicate that a $10 monthly fee is charged for handling their finances and a client is exempt from such a fee if their client balance is less than $500 or if the client resides in a personal care boarding home. This practice has been applied consistently but no current written procedure exists.

***Recommendation*****:** The management of the AAA/AS should update and disseminate the written procedures for assessing clients a monthly fee and the circumstances as to when a client is exempt. These procedures should also coincide with the ones already established by the Social Security Administration (SSA) in the "Guide for Organizational Representative Payees."

***Schedule of Prior Audit Findings and Recommendations***
*(From Report # 11-35 dated June 29, 2011)*

1. Dormant Client Accounts

***Condition:*** The management of the AAA/AS has dormant client accounts which total $170,900.86 with the majority closed longer than 7 years. Many of these accounts are currently able to be escheated to the state as required by the Disposition of Abandoned and Unclaimed Property Act (DAUPA), 72 P.S. Section 1301.1. According to the act, unclaimed property is any financial asset that has become dormant which no contact has been made with the owner after a statutory time period.

***Recommendation:*** If prudent efforts to properly disburse these funds have been exhausted by AAA/AS management, the funds should be transferred to Fiscal Office control. The management of the AAA/AS working with the county Fiscal Officer, should escheat the dormant client accounts according to the state law.

***Management's Response***: AAA/AS Management agrees with the audit recommendation that there is a need for a policy and procedure for dormant representative payee accounts. Most dormant accounts are a result of the consumer's death in which there is no will and/or no known next of kin willing or able to probate the estate. According to Orphans' Court dormant accounts of previous guardianship clients should be processed through Orphans' Court. A legal requisition has been prepared to request the assistance of the law department to determine if there is indeed a difference in how dormant representative payee accounts of guardianship consumers and dormant representative payee accounts of non guardianship consumers need to be handled. The hope and expectation is that the law department will develop a clear and concise procedure that permits the agency to resolve these cases in a timely manner so they can be escheated to the state properly.

***Current Status:*** Most dormant accounts not escheated.

2. Bank Account Interest /Service Charges Not Allocated Properly to Client Accounts

***Condition:*** The management of the AAA/AS has not allocated monthly bank account interest and service charges to dormant client accounts. All interest and service charges were allocated the active clients. The Social Security Administration's (SSA) Guide for Organizational Representative Payees states for collective accounts you should "*prorate interest earned based on each beneficiary's portion of a collective account balance*".

***Recommendation:*** The management of AAA/AS should allocate monthly bank account interest and service charges to all client accounts (active and dormant) beginning with the next monthly interest and service charges.

***Management's Response***: The bank statement does not reflect interest on the accounts for the years being audited because the bank service charge exceeded the interest. The bank showed only the net bank service charge. Since the net bank service charges were a reduction in the overall bank account, AAA/AS did not believe that dormant (deceased consumers) accounts were allowed to be reduced by these prorated service charges. This issue will also be addressed in the previously indicated legal requisition to determine the appropriate method of allocation of service charges accordingly based on the response to the legal requisition. If it is necessary to reduce the dormant accounts by monthly prorated service charges, the AAA/AS Management will need to have the County's Office of Information Technology change the program in how the service fees will be prorated to the consumer.

***Current Status:*** Bank charges and interest earned are not being allocated properly.

3. Periodic Verification of Client Income Sources

***Condition:*** Current practices do not require periodic verification of client Social Security/ Supplemental Security Income/pension amounts. Proper monitoring of client financial activity includes annual verification of amounts received to respective award letters/payer confirmations.

***Recommendation:*** AAA/AS fiscal accountant should remind supervisors and caseworkers to verify amounts on an annual basis.

***Management's Response***: A written policy has been developed to address a number of issues including this one. Case workers have been advised to submit annual award letters as well as letters indicating any changes. The Accountant 1 will maintain a spreadsheet that will be reviews and updated as needed.

***Current Status:*** Management has adequately addressed the condition.

4. Identity Theft Protection/Credit Cards

***Condition:*** AAA/AS management currently does not routinely obtain client credit histories to identify any unknown, newly established credit. Obtaining periodic credit reports will identify any unknown client credit obligations.

***Recommendation:*** We suggest obtaining permission from each client to obtain free annual credit reports on an annual basis.

***Management's Response***: The Accountant 1 had previous difficulty obtaining credit reports because specific requested information concerning the consumer was not known to the agency. The Accountant 1 is presently testing new free credit reports websites to determine if the information is now more easily accessible.

***Current Status:*** Management has adequately addressed the condition.

# County of Lehigh
## Aging and Adult Services

Donna M. Zimmerman
Executive Director

**TO:** Glenn Eckhart, Country Controller

**FROM:** Donna M. Zimmerman, Executive Director Donna M. Zimmerman

**DATE:** April 8, 2015

**RE:** Response to Audit Findings

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Attached please find the Office of Aging and Adult Services written response to the financial audit of the trustee accounts for the period of October 1, 2013 to September 30, 2014.

Also included are two attachments that supplement the written response.

Please contact me at 610-782-3251 should you have any questions.

Attachments: Representative Payee Policies – Updated March, 2015
Representative Payee Voucher – new

xc: Kay Achenbach, Director of Human Services
Joel Pattison, Administrative Officer

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# County of Lehigh, Pennsylvania
# Area Agency on Aging/Adult Services
# Representative Payee Accounts

### Response to Audit Findings and Recommendations
### April 8, 2015

Lehigh County Office of Aging and Adult Services appreciates the time personnel from the Controller's Office spent to work with staff from our office during the internal audit. We look forward to collaborating with your office as we work towards resolution of the issues identified.

1. **Dormant Client Accounts**

   AAA/AS has been working with Attorneys from the Department of Law to resolve the distribution of funds from dormant client accounts. There is a distinction between dormant accounts for whom the agency was named as legal guardian and those which were representative payee only clients. A recent meeting with AAA/AS, the Controller's office and Attorney Keller Kline from the Law Department was held. AAA/AS will follow Attorney Kline's direction for the distribution of these funds. Hopefully this issue can be resolved in a timely manner and a specific process for distribution will be developed for AAA/AS to follow going forward.

2. **Bank Account Interest/Service Charges Not Allocated Properly to Client Accounts**

   This finding is due to the inaccuracy of the County computer system and not because of an error on the part of the Agency. IT is aware of this problem and according to the Controller's office has agreed to program the necessary changes. It is hopeful that this change will occur in a timely manner as manually reconciling the allocation for mathematical correctness does not appear to be a prudent use of limited staff time.

3. **Late Fees Incurred on Client Disbursements**

   The testing of the client checks found a small number of bills that actually reflected a late fee was charged. The Representative Payee Voucher has been modified to include a section that indicates if there is a late fee assessed and an explanation as to why a late fee has been incurred. Form is attached.

## 4. Update Procedures for Assessing Clients a Monthly Fee

Procedures for Assessing Clients a Monthly Fee will be resubmitted to agency staff. All clients will pay the $10.00 monthly fee unless they have less than $500 in savings or are in a personal care boarding home under the SSI Boarding Home Supplement and have less than $500 in savings. Clients who are receive medical assistance in a nursing home will not be charged if they also have less than $500. If a client is charged for guardianship services they will not be charged the $10.00 monthly fee. The Executive Director will review account balances and account activity of a client if the care manager expresses concern about the client's ability to pay the fee. According to the Social Security Administration a beneficiary's basic needs must be met before a fee can be charged.

**Representative Payee Policies**

**Updated March, 2015**

1. A new "Representative Payee Voucher" has been developed – see attached. Please start using these vouchers once any already printed ones are depleted. As a result of the Controller's office audit of the Representative Payee program the voucher must denote if late fees have been assessed and the reason why the late fees have been incurred. Colleen will complete that section of the voucher.

2. It is imperative that all bills/invoices received on behalf of consumers are immediately vouchered for payment to avoid late fees being incurred. All recurring bills must be sent to the agency address to facilitate payment.

3. The agency has been left with account balances for a number of consumer's representative payee accounts upon their death. While you are working with your consumers please make an effort to identify family members who we can notify upon the consumer's death so they can possibly open an estate to receive this money.

4. Review of procedures for assessing clients a monthly fee:

   All clients will pay the $10.00 monthly fee unless they have less than $500 in savings, are in a personal care boarding home under the SSI Boarding Home Supplement with less than $500 or are under medical assistance in a nursing home and have less than $500. If a client is charged for guardianship services they will not be charged the $10.00 monthly fee.

   If a care manager expresses concern about a consumer's ability to pay the fee the Executive Director will review the consumer's account balances and account activity in order to make a determination about the fee. A beneficiary's basic needs must be met before a fee can be charged according to the Social Security Administration.

5. Care Managers must immediately notify Social Security and Joel or Colleen of any change of a client's address. This will allow for a timely verification with Social Security if there are any changes in Social Security or SSI payments.

DMZ 4/08/15

# Lehigh County Aging and Adult Services

Representative Payee Voucher

140506.000.25361

Please disburse funds from the Lehigh County Area Agency on Aging Trustee Account on behalf of the Client named, and information delineated below:

| | |
|---|---|
| **Make Check Payable to:**<br>(Documentation of expense must be attached) | |
| **Amount of Check:** | |
| **Name of Client:** | |
| **Reason for Disbursement of Funds:** | |
| **LATE FEE:**<br>**Circle: YES or NO**<br>If **YES**, please explain: | |
| **Time period covered:** | |

*I have determined this disbursement to be appropriate to the best of my knowledge and therefore authorize the disbursement of funds on behalf of, and according to, the information identified above.*

| | |
|---|---|
| **Signature of Caseworker Authorizing Payment; and Date Authorized** | |

RepPayee Voucher.xls
cab 4/2015