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Audit Report

**GRACEDALE
AGENCY FUND**

As of
12/31/11

**Office of the Controller
County of Northampton
Pennsylvania**



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June 28, 2012

Members of the Northampton County Council
John Stoffa, County Executive
County of Northampton, Pennsylvania

We have completed an audit of the Gracedale Agency Fund as of December 31, 2011.

The Executive Summary on page 1 summarizes the audit results and identifies opportunities for improvement, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from Gracedale employees. Their help was essential to the performance of this audit.

Our report was discussed with management before its release. Management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Stephanie Rath-Tickle
Lead Auditor

Table of Contents

	<u>PAGE</u>
EXECUTIVE SUMMARY - OPPORTUNITIES FOR IMPROVEMENT	1
INTRODUCTION	2
PURPOSE AND SCOPE.....	3
METHODOLOGY	3
AUDIT RESULTS	4
<i><u>Section A - Compliance with Laws and Regulations</u></i>	
1. SSI High Balance Notifications.....	4

EXECUTIVE SUMMARY - OPPORTUNITIES FOR IMPROVEMENT

The following is a summary of the content of the enclosed report. See report references noted below for full detail.

Section A – Compliance with Laws and Regulations

1. Running a high balance notification report for the Resident Account on a monthly basis will ensure compliance with laws and regulations. (See A-1, page 4)

INTRODUCTION

Gracedale is a county-owned and operated nursing home that is part of the Department of Human Services, and is one of the largest facilities in Pennsylvania. The Gracedale facility is licensed to provide long term nursing care to residents appropriate to their individual needs. Registered nurses, licensed practical nursing, and certified nurses' aides provide services under the direction of in-house physicians. Since 2011, Gracedale has been administered by a contracted third-party nursing home administration company, Premier Healthcare Resources.

Residents of Gracedale have the option of having Gracedale manage their personal funds. Gracedale's responsibilities in this regard are governed by federal and state regulations. Generally, Gracedale maintains two checking accounts for the management of resident funds: 1) a resident checking account, which is used to segregate funds that are owned by residents and can be accessed for their personal use, and 2) an income checking account, which is also owned by the residents but can be accessed by Gracedale to pay for facility charges such as room and board. Typically, pension and Social Security checks are deposited into this account. Separate accounts are established on Gracedale's computer system to segregate funds within the checking accounts. These accounts are reconciled daily. Gracedale also maintains a burial account for resident funds earmarked for burial expenses. This account will be depleted over time, as the facility is no longer accepting new burial accounts.

For Financial Statement presentation, the County of Northampton has established the Gracedale Residents Agency Fund. An agency fund is a separate accounting entity within the government. It is used to account for assets held solely in a custodial capacity for individuals, private organizations, other governments, and other funds. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. In addition to the burial funds and the resident and income checking account funds, the Gracedale Residents Agency fund includes separate accounts for interest earned checking and money market accounts for activity funds.

PURPOSE AND SCOPE

This audit is one in a series of periodic audits of all agency funds performed for the purpose of supplementing the year-end work prescribed by the County's external auditor. The focus of the audit was on the receipt and disbursement functions and on compliance with laws and regulations regarding the handling of resident funds.

The purpose of the audit was:

- To determine the adequacy of internal controls.
- To test compliance with laws, regulations, policies and procedures.

Our tests were conducted on transactions occurring in December, 2011.

METHODOLOGY

Our methodology included:

- Interviewing Gracedale personnel to document receipt, disbursement, billing and other processes.
- Identifying applicable policies, procedures, laws and regulations.
- Identifying and assessing controls.
- Testing transactions for adequacy of internal controls and compliance with regulations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Section A – Compliance with Laws and Regulations

1. SSI High Balance Notifications

OBSERVATION

The report used for high balance notifications was not run in three out of 12 months during 2011, one of which was due to the report malfunctioning. Gracedale is required to notify residents when the balance in the Resident Account comes within \$200 of the Supplemental Security Income (SSI) resource limit. According to procedures, staff should run a report that lists accounts approaching the limit on a monthly basis so that resident accounts remain in compliance with the SSI resource limit. This high balance report is typically run after the Guest Account Overage report is run, overages researched, and transfers made from the Guest Account to the Resident Account if necessary. If there is a delay in determining whether overages should be transferred to the Resident Account, this can prevent high balance notifications from being performed on a monthly basis.

RECOMMENDATION

Gracedale staff should run the high balance notification report on a monthly basis, regardless of whether transfers have been made from the Guest Account to the Resident Account, to ensure that residents are notified of high balances in a timely manner.

MANAGEMENT RESPONSE

Dave Pinter, Fiscal Administrator – Gracedale

Procedures have been implemented for the Resident Funds staff to run a monthly High Balance resident report. Notices will be sent to residents whose balance is approaching the Supplemental Security Income (SSI) resource limit. The Accountant I will perform a monthly verification that the High Balance report has been run.