



## CITY OF HAMILTON

*City Manager's Office*  
Audit Services

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	March 24, 2014
<b>SUBJECT/REPORT NO:</b>	AUDIT REPORT 2013-16 - Community and Emergency Services - Homes for the Aged - Accommodation Fees and Trust Funds (AUD14007) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Ann Pekaruk 905-546-2424 x4469
<b>SUBMITTED BY:</b>	Ann Pekaruk Director, Audit Services City Manager's Office
<b>SIGNATURE:</b>	

### RECOMMENDATION

- (a) That the Management Action Plans, as detailed in Appendix "A" of Report AUD14007 be approved; and
- (b) That the Acting General Manager of Community and Emergency Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "A" to Report AUD14007) implemented.

### EXECUTIVE SUMMARY

The 2013 Internal Audit work plan approved by Council included an audit of accommodation fees and trust funds at the City's two Homes for the Aged – Macassa and Wentworth Lodges. The audit scope included the determination, billing and collection of residents' fees and the administration of the residents' trust funds. Expenditures through the Heritage Trust Account were also reviewed for reasonableness and proper approval. Recommendations were made to strengthen controls, safeguard funds and identify opportunities for administrative efficiencies and management oversight.

The results of the audit are presented in a formal Audit Report (2013-16) containing observations, recommendations and management responses. Audit Report 2013-16 is attached as Appendix "A" to Report AUD14007.

***Alternatives for Consideration – Not Applicable***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)**

Financial: Pursuing the reimbursement of 50% of the eligible bad debts (unpaid accommodation fees) from the Local Health Integration Network would help to offset the expense.

Staffing: None.

Legal: The disclosure of residents' personal and financial information to other than formally authorized parties could result in some legal issues.

**HISTORICAL BACKGROUND (Chronology of events)**

The audit was scheduled as part of the 2013 Internal Audit work plan approved by Council. The audit fieldwork was completed in December, 2013. The results of this audit are attached as Appendix "A" of Report AUD14007.

The Audit, Finance and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Long Term Care Homes Act, 2007 and Ontario Regulation 79/10

Community Services, Lodges, Business Office Manual

**RELEVANT CONSULTATION**

Appendix "A" to Report AUD14007 includes action plans which reflect the responses of management responsible for the administration of accommodation fees and trust funds at Macassa and Wentworth Lodges, under the Community and Emergency Services Department.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION  
(Include Performance Measurement/Benchmarking Data if applicable)**

The City of Hamilton operates two long term care homes, Macassa Lodge (270 bed facility) and Wentworth Lodge (160 bed facility) which provide services through both permanent admission and short-stay programs for adults with varying degrees of physical frailties, cognitive impairment and complex care needs. The Ministry of Health and Long Term Care (MOHLTC) sets the monthly rates for various types of accommodations (Basic Ward, Semi-Private and Private). In 2013, the City billed

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accommodation fees amounting to approximately \$9.6 million (excluding the subsidy for accommodations with rate reductions). Accommodation fees are mostly paid by pre-authorized payment but some are paid by cheque (by residents or their families), through the resident's personal trust account or are billed and paid by outside agencies.

Each resident who resides at one of the Lodges has the opportunity to open a personal trust account. The account is administered by the City on site and residents can deposit or withdraw money for personal spending.

The Lodges also maintain a Heritage Trust Account (from a large donation of a past resident). Funds are used for lodges' expenditures upon approval of a committee.

The audit focused on controls relating to billing and collecting accommodation fees and the administration of residents' trust funds.

The audit identified opportunities to improve controls, strengthen management oversight, safeguard funds and increase administrative efficiency.

A formal Audit Report (2013-16) containing observations, recommendations and resulting management action plans was issued. Sixteen recommendations were included in Audit Report 2013-16 and the Addendum (attached as Appendix "A" of Report AUD14007).

Among the recommendations are:

- Protection of residents' personal and financial information;
- Management review and sign off of documentation related to deposits and withdrawals from residents' personal trust accounts;
- Use of a locked drop box for personal trust deposits made outside regular hours;
- Immediate endorsement of cheques upon receipt;
- Added management oversight of daily trust account reconciliations to provide adequate segregation of duties; and
- Updated accommodation agreements for changes in accommodation type.

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that Audit Services plan and perform the audit to obtain sufficient, appropriate evidence to support the findings and conclusions based on the audit objectives. Audit Services believes that the work performed provides a reasonable basis for the audit findings and conclusions.

## **ALTERNATIVES FOR CONSIDERATION**

**(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)**

Not applicable

## **ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN**

### **Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

### **Strategic Objective**

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

### **Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

### **Strategic Objective**

- 3.4 Enhance opportunities for administrative and operational efficiencies.

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report AUD14007.

ap:jg