

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2013-16
COMMUNITY AND EMERGENCY SERVICES – HOMES FOR THE AGED – ACCOMMODATION FEES AND TRUST FUNDS
FOLLOW UP**

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JUNE 2015)
<p><u>Power of Attorney (POA) for Property</u> Residents may have appointed a POA for Property who is legally authorized to make decisions regarding the resident's finances and receive financial information.</p> <p>Residents have the option to maintain a Personal Trust Account (PTA) administered by the home. This acts as a bank account to withdraw funds or charge for optional services authorized on the Purchases of Services Agreement. A review of ten residents' PTAs at each Lodge identified:</p> <ul style="list-style-type: none"> • Three PTA statements sent to and two Purchases of Services Agreements signed by a POA for Property without legal documentation supporting the appointment of the individual. • One Purchases of Services Agreement signed by and sent to an individual other than the POA for Property on record. 	<p>1. That legal documentation supporting the appointment of the POA for Property be required on admission and signing of the Purchase of Services Agreement.</p>	<p>Disagreed. Not all residents have assigned a POA for Property on Admission. Residents may request that family members or friends be responsible for ensuring that their finances are managed when they are no longer able. These family members and friends are privy to the transactions through the Personal Trust Accounts and deposit funds into the residents' accounts, as required. The family member or friend cannot withdraw any funds without the POA for Property.</p>	<p>Alternative Implemented. Per Council's direction, Legal Services and Lodges developed a "Consent to Disclose" form and process, as outlined in Report CES14049, dated September 22, 2014.</p> <p>Per management, "Consent to Disclose" forms are prepared for all new admissions, should they agree. Since not all residents agree, not all residents have a "Consent to Disclose Form". Further, the "Consent to Disclose" form has been applied to only new residents, and has not been completed retroactively for all 430 residents at both homes.</p>

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<p><u>Power of Attorney (POA) for Property (Cont'd)</u></p> <ul style="list-style-type: none"> PTA statements sent to the residents' billing contacts who, on occasion, differ from the POAs for Property. <p>Without adequate legal documentation supporting the individuals' appointment as POA for Property, residents' confidential financial information may be released to or decisions on behalf of residents made by unauthorized parties.</p>	<p>2. That all PTA statements be addressed only to the resident or POA for Property.</p>	<p>Disagreed. The PTA statements are addressed to the billing contacts who may not be the POAs for Property. The billing contact is the person that the resident has chosen to manage his/her finances. The billing contact needs to know what transactions have occurred every quarter and is requested to deposit funds into the PTA for those expenses agreed to on the Purchase of Services Agreement.</p>	<p>Alternative Implemented. Per Council's direction, Legal Services and Lodges developed a "Consent to Disclose" form and process, as outlined in Report CES14049, dated September 22, 2014.</p> <p>Per management, "Consent to Disclose" forms are prepared for all new admissions, should they agree. Since not all residents agree, not all residents have a "Consent to Disclose Form". Further, the "Consent to Disclose" form has been applied to only new residents, and has not been completed retroactively for all 430 residents at both homes.</p>

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<p><u>Power of Attorney (POA) for Property (Cont'd)</u> Further, family or friends may make deposits into residents' PTAs. They are provided receipts showing the trust account balances. This results in residents' confidential financial information being released to unauthorized parties.</p>	<p>3. That resident account balances be blacked out on deposit receipts provided to individuals other than the resident or POA for Property.</p>	<p>Partially disagreed. For the same reasons as noted above, the regular person depositing funds who is either a family member or friend and who does not hold a POA for Property should see the balance to ensure there are sufficient funds for ongoing charges. Other individuals simply depositing funds for the resident (e.g. as gifts) will not be provided with the trust account balance on the receipt.</p>	<p><u>Macassa</u> Completed. A Consent to Disclose process was implemented which allows staff to provide or withhold account balances based on consent by blacking out balances for those individuals not identified on a POA or Consent to Disclose form.</p> <p><u>Wentworth</u> Not Completed. At the date of follow up testing, staff indicated that the Consent to Disclose process is not consistently being applied when handling deposits. Staff are not consistently blacking out balances in the event that an individual making a deposit was not identified as a POA or identified on a Consent to Disclose form.</p>

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<p><u>Power of Attorney (POA) for Property (Cont'd)</u></p>			<p>Expected Completion: Management indicated that this process would be revised immediately, however this action has not yet been verified by Audit Services. This verification will take place during Summer 2015 as part of the Annual Follow Up Audit.</p>

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<p><u>Authorized Services</u> On admission, the Admissions Counsellor enters into Point Click Care (PCC) the authorized optional services allowed to be charged to a resident's PTA from the authorization provided by the signed Purchase of Services Agreement. One resident at Macassa Lodge and three residents at Wentworth Lodge were identified with services authorized / not authorized in PCC that differed from their signed Agreement. In fact, two residents in the sample tested at Wentworth Lodge had charges to their PTA for services that were not authorized on their signed Agreement.</p> <p>For certain services, a listing of authorized residents is provided to the service provider, using information from PCC. The Business Office Clerk also checks the PCC when service providers request confirmation of resident authorization for services. If this information is not accurate, it can result in unauthorized services being charged to resident accounts.</p>	<p>4. That the Business Office Clerk sign off on the verification of authorizations on the Purchase of Services Agreement against entries in Point Click Care to confirm the accuracy of information entered by the Admissions Counsellor.</p>	<p>Agreed. The Business Office Clerk will verify (initial) the services indicated on the Purchase of Services Agreement against the services entered into PCC. To be implemented by February 2014.</p>	<p><u>Macassa</u> Completed. The Business Office Clerk is reviewing the Purchase of Services Agreement against PCC records and signing off.</p> <p><u>Wentworth</u> Not Completed. At the date of follow up testing, there was no evidence of review by the Business Office Clerk.</p> <p>Expected Completion: Management indicated that this process would be revised immediately, however this action has not yet been verified by Audit Services. This verification will take place during Summer 2015 as part of the Annual Follow Up Audit.</p>

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<p><u>Sequential Ordering</u> Deposits and withdrawals made to/from a resident's PTA are supported by a signed slip or batch. The slips and batches are automatically pre-numbered by Point Click Care, the system used to track PTA balances and transactions.</p> <p>The Business Office Clerk records the sequences on the daily reconciliations. During the month of July, one slip and nine deposit batches at Macassa and two deposit batches at Wentworth were omitted from the recorded sequence listing. However, they were attached as supporting documentation. There was no evidence of review to ensure slips and batches were accounted for in sequential order.</p>	<p>5. That the month end review of slips and batches include checking their sequential ordering. Spot checks should be performed to ensure sequences recorded agree to supporting documentation.</p>	<p>Agreed. The month-end review will include the checking of the sequential ordering of slips and batches and will ensure that they match supporting documentation. To be implemented by February 2014.</p>	<p><u>Macassa & Wentworth</u> Not Completed. No evidence was found that sequential ordering was reviewed as part of the month-end process. Expected Completion: September 2015.</p>

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<p><u>Sequential Ordering (cont'd)</u> In addition, the sequential ordering of withdrawal batches is not consistently recorded or reviewed. These batches are not signed off as evidence of management review for items paid from cash.</p>	<p>6. That the sequential ordering of withdrawal batches be recorded on the daily reconciliation.</p>	<p>Agreed. The sequential ordering of withdrawal batches will be recorded on the daily reconciliation. Has been implemented in January 2014.</p>	<p><u>Macassa</u> Completed. The sequential ordering of batches is consistently being recorded on the daily reconciliation.</p> <p><u>Wentworth</u> In Progress. The sequential ordering of batches is being recorded on the daily reconciliation. However, it is not being done consistently.</p> <p>Expected Completion: Management indicated that this process would be revised immediately, however this action has not yet been verified by Audit Services. This verification will take place during Summer 2015 as part of the Annual Follow Up Audit.</p>

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<p><u>Sequential Ordering (cont'd)</u> When the sequence of transactions is not reviewed, the risk of fraudulent transactions being posted through PCC to cover misappropriated resident funds increases.</p>	<p>7. That management signoff on withdrawal batches for items paid by cash as evidence of review.</p>	<p>Agreed. The Business Office Supervisor will sign off on withdrawal batches for items paid by cash. Has been implemented in January 2014.</p>	<p><u>Macassa</u> Completed. Cash withdrawal batches are being signed off as evidence of review.</p> <p><u>Wentworth</u> In Progress. Cash withdrawal batches are being signed off as evidence of review. However, it is not being done consistently.</p> <p>Expected Completion: Management indicated that this process would be revised immediately, however this action has not yet been verified by Audit Services. This verification will take place during Summer 2015 as part of the Annual Follow Up Audit.</p>

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<p><u>Cash Box Maximums</u> Funds are available for residents requesting withdrawals from their PTAs through the use of a cash box at each Lodge. The Cash Box Maximum policy states that no more than \$2,000 and \$1,500 are to be kept in the cash tray at Macassa and Wentworth Lodges respectively. Cash tray balances exceeded the maximum at Macassa Lodge for 13 days during the test month of July 2013.</p> <p>Excess cash available to clerks increases the risk of misappropriation, lapping or theft of funds.</p>	<p>8. That the Business Office Supervisor transfer funds exceeding the cash box maximums (as per policy) into the safe.</p>	<p>Agreed. A new practice was introduced in late 2013 whereby the Business Office Clerks email their final closing cash balances daily to the Business Office Supervisor to ensure that the cash boxes do not exceed the maximum as per policy. On occasion, the cash box may exceed the amount if there is, for example, a shopping trip planned for the next day for residents and additional cash may be required. Has been implemented in October 2013.</p>	<p><u>Macassa & Wentworth</u> Not Completed. The prescribed maximums are not being adhered to.</p> <p>Expected Completion: Management is considering a procedure revision to better reflect operational needs in July 2015.</p>

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<p><u>Security - Personal Trust Deposits</u> Residents or families may place cash or cheques for deposit in the residents' PTAs through the mail slot of the Business Office outside regular business hours. These amounts land on the desk inside the Business Office. Management and maintenance and housekeeping staff all have access to this area outside regular business hours. In addition, at Wentworth, all clerks with a key can access the office after hours.</p> <p>When access is not restricted, the potential for unauthorized entry and misappropriation of cash and cheques is increased.</p>	<p>9. That a locked drop box be used to collect deposits outside regular business hours.</p>	<p>Agreed. The purchase/ installation of locked boxes at both locations is currently being investigated. To be completed by March 2014.</p>	<p>Completed. Locked drop boxes have been installed and are in use at both locations.</p>

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<p><u>Safeguarding of Cheques</u> Accommodation cheques, whether received at Macassa or Wentworth Lodge, are endorsed when the payment is processed (approximately weekly). Even though the cheques are kept locked up, the potential for loss, theft or misappropriation is increased when cheques are not endorsed when received.</p> <p>Accommodation payments for both Lodges are processed by the Financial Assistant (FA) at Macassa Lodge. Cheque payments for accommodation invoices may be mailed or dropped at the Lodge. When payments are received at Wentworth Lodge, they are not logged and are subsequently placed in interoffice mail to be delivered to the Financial Assistant at Macassa Lodge for processing.</p> <p>When cheques received are not logged and handled by multiple parties, in addition to not being endorsed as noted above, the risk of misappropriation or loss is increased. Additional time may be spent trying to track misplaced cheques.</p>	<p>10. That accommodation cheques are restrictively endorsed immediately upon receipt.</p> <p>11. That a log of all accommodation cheques received at Wentworth Lodge be kept by the Business Office Clerk. The date the cheques are sent through interoffice mail should also be noted.</p>	<p>Agreed. Cheques are now endorsed upon receipt. Has been implemented in January 2014.</p> <p>Agreed. A Log Sheet is forwarded from the Lodge Clerk at Wentworth Lodge to the FA at Macassa as cheques are received. The Log Sheet is initialed and retained by the FA. Has been implemented in January 2014.</p>	<p>Completed. Accommodation cheques are being restrictively endorsed upon receipt.</p> <p>Alternative Implemented. A log of accommodation cheques received at Wentworth is sent to the FA at Macassa and utilized to track receipt of these cheques.</p>

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<p><u>Segregation of Duties - Administration</u> The Business Office Supervisor (BOS) reviews the cheque receipts for accommodation payments (as recorded by the Financial Assistant (FA)), prepares the deposit and takes it to the bank. When the BOS is away, the FA prepares and makes the deposit. The FA also prepares invoices, posts payments in Point Click Care and records journal entries in the PeopleSoft accounts.</p> <p>This does not provide adequate segregation of duties as the FA would bill, collect, record and deposit accommodation funds when she fills in for the BOS.</p>	<p>12. That accommodation payments and deposits be prepared and reviewed by another staff (independent of the FA) in the absence of the BOS.</p>	<p>Agreed. In the absence of the BOS, another member of the Management Team will sign off on accommodation payments and deposits. To be implemented in February 2014.</p>	<p>Completed. Deposits for accommodation payments are being reviewed and signed off by a member of the Management Team.</p>

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<p><u>Segregation of Duties – Personal Trust Accounts</u> A part-time clerk performs monthly reviews of residents’ PTAs which include reviewing daily and monthly reconciliations and backup. On occasion, the same part-time clerk fills in for the Business Office Clerk and receives / distributes cash to residents and prepares daily reconciliations. As a result, the part-time clerk could review his/her own reconciliations and transactions at the end of the month.</p> <p>When there is no independent review of daily reconciliations, the clerk has the opportunity to change documentation, conceal shortages and misappropriate funds.</p>	<p>13. That the Business Office Supervisor review and signoff on daily reconciliations prepared by the part-time clerk.</p>	<p>Agreed. The Business Office Supervisor signs off on those daily reconciliations completed by the Lodge Clerk responsible for monthly audits. Has been implemented in December 2013.</p>	<p>Not Completed. At the date of follow up testing, no change had been made to the current process. The Business Office will determine the appropriate staff and process to use to ensure adequate segregation of duties.</p> <p>Expected Completion: Management indicated that this process would be revised immediately, however this action has not yet been verified by Audit Services. This verification will take place during Summer 2015 as part of the Annual Follow Up Audit.</p>

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<p><u>Updated Accommodation Agreements</u> When residents internally transfer from one accommodation type to another (e.g. basic to semi private), the Business Office Supervisor will run a report in PCC of internal transfers and prepare and send an updated accommodation agreement to be signed by the resident or the POA for Property. If a resident does not physically change rooms but the room he/she resides in changes types, it does not show on the PCC report and the BOS will not be alerted to send an updated agreement. One instance was noted of this occurring in the sample testing.</p> <p>Updated agreements are required as evidence of the accommodation type and rate agreed to by the resident or his/her representative.</p>	<p>14. That the BOS review the Monthly Census Report for internal transfers to ensure new agreements are requested for all changes.</p>	<p>Agreed. The Business Office Supervisor will review the Monthly Census Report and the PCC Action Summary report to ensure new Accommodation Agreements are completed, as required. To be implemented in February 2014.</p>	<p>Initiated. The Business Office Supervisor is reviewing the Monthly Census Report, however Accommodation agreements are not being updated consistently.</p> <p>Expected Completion: Management indicated that this process would begin be revised immediately with an expected completion date of September 2015.</p>

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ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues and can address them appropriately.

Bad Debt Reimbursement

The Local Health Integration Network (LHIN) will reimburse one half (50%) of eligible bad debt expenses. Bad debts are to be reported on the annual return prepared by the long term care Home. Bad debts were reported for reimbursement on the 2011 annual return - \$10,536 at Macassa and \$71,194 at Wentworth (there were no write offs during 2012 and 2013 has not yet been completed). The 2011 reimbursement was denied by the Ministry in 2013 as the original charges were not billed for the 2011 year (but were approved by Council for write off in 2011).

It is recommended:

15. That the Business Administrator obtain clarification on the timing of filing bad debts for reimbursement to ensure criteria are met on future submissions.

Management Response:

Agreed. Ministry procedure regarding write-offs was ambiguous and further clarification regarding the timing of filing of bad debts for reimbursement has been obtained. A cost benefit analysis will be undertaken for 2012 returns to determine if amendments are required. Current City practices regarding the reporting of bad debts now reflect Ministry guidelines.

It is recommended:

16. That the Business Administrator follow up with the Ministry of Health and Long-Term Care to determine if previous annual returns can be amended and bad debts submitted for reimbursement.

Management Response:

Agreed. Amounts reported on the 2011 annual returns were historical prior year amounts and could not be settled with the Ministry of Health and Long Term Care for 50% reimbursement. Years prior to 2012 cannot be amended.

FOLLOW UP COMMENT:

In Progress. Recognition of bad debt expenditures has been updated to reflect Ministry guidelines and will be verified in the next assessment by the Ministry. Amendment of previous year returns was disallowed by the Ministry.