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**For Information**

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**REPORT TITLE: Long Term Care Resident Trust Accounts Audit**

**FROM: Jennifer Weinman, Interim Director, Enterprise Risk and Audit Services**

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**OBJECTIVE**

To inform the Audit and Risk Committee of the results of the Long Term Care Resident Trust Accounts audit.

**REPORT HIGHLIGHTS**

- The Long Term Care Resident Trust Accounts audit was added to the 2020 Enterprise Audit Services Risk Based Work Plan to assess the administration of the resident trust accounts across the Long Term Care homes.
  - There are effective controls in place to establish and maintain a non-interest-bearing trust account for the deposits of all money entrusted to the long term care homes on behalf of the residents. Trust funds are available to meet residents' needs.
  - There is a need to strengthen internal controls to manage the risk of fraud and inaccuracy of residents' trust accounts.
  - Management has developed action plans and timelines to address the risks identified.
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**DISCUSSION****1. Background**

The Revised 2020 Enterprise Audit Services Risk Based Work Plan included an audit of the administration of the resident trust accounts across all the long term care homes due to the risks related to the handling of cash.

The Long Term Care division operates five long term care homes (Homes) within the Region of Peel: two in Mississauga (Sheridan Villa and Malton Village), two in Brampton (Tall Pines and Peel Manor) and one in Caledon (Vera M Davis). The operation of these Homes is governed by the *Long-Term Care Homes Act, 2007* and Ontario Regulation 79/10. The regulation outlines the details for the operation of "Trust Accounts" on behalf of the residents of the Homes and the regulation has been embodied within policies and procedures for the Homes.

A trust account is maintained by the Region of Peel where up to \$5,000 can be held on behalf of each resident. The trust account funds are to be available to meet the daily cash needs of the residents. As of the end of November 2020, the Region of Peel held about \$230,000 in total in the trust account on behalf of 624 residents of the Homes.

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### 2. Audit Objectives and Scope

The overall objective of the audit was to determine whether management had implemented effective controls to manage the risks associated with the following business objectives:

- Establish and maintain a non-interest-bearing trust account for the deposits of all money entrusted to the Homes on behalf of the residents
- Ensure that trust funds are available in the Homes to meet residents' needs
- Ensure that trust account balances are accurate

Specifically, the audit focused on assessing the controls over the risks of:

- Non-compliance with legislation, and internal policies and procedures
- Funds not being available to meet residents' daily cash needs because of inaccurate trust account balances
- Lack of safeguarding and/or incomplete recording of the receipt of cheques and cash
- Misappropriation of funds, theft or errors going undetected
- Inadequate monitoring and oversight of staff, administration, and financial processes in the Homes

The scope of the audit reviewed data between October 2019 to November 2020. Testing was conducted on the transactions and data of three of the Homes with the results being applicable across all five Homes. The audit covered the following three homes:

- Peel Manor
- Sheridan Villa
- Malton Village

This audit was conducted in conformance with the *International Standards for Professional Practice of Internal Auditing*.

### 3. Audit Observations and Management Response

Overall, there are effective controls in place to establish and maintain a non-interest-bearing trust account for the deposits of money entrusted to the Homes on behalf of the residents. Trust funds are available in the Homes to meet residents' needs.

There is a need to strengthen the internal controls to help mitigate the risks associated with the managing and administration of resident trust accounts, in particular, the risks of inaccurate balances and misappropriation of funds. The specific areas where there is a need to strengthen controls are noted below.

#### a. Fiduciary Duty Over Residents' Trust Accounts

The *Long-Term Care Homes Act* requires the Region to establish and govern the administration of the trust accounts for residents. The Region is responsible for holding, administering, and protecting funds on behalf of the residents of the Homes and has a fiduciary duty, an obligation to act in the best interest of the residents, in carrying out that administration.

Supervisory staff assigned the responsibility to oversee the day-to-day handling of trust accounts should have the appropriate financial knowledge, skills, and

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experience to carry this out. This includes accounting knowledge in the areas of account reconciliation and reporting, cash handling and banking procedures as well as an understanding of the internal controls needed for protecting funds on behalf of the residents.

Without the appropriate level of financial and accounting related knowledge, skills, and experience, there is a very high risk (see Appendix I for the Risk Profile Descriptions) that effective internal controls may not be in place to protect the residents' trust account funds. Further, there is a high risk that the funds may be improperly accounted for or may be misappropriated.

### **Management Response**

The Director of Long Term Care will work with the Director of Human Resources to transfer the oversight of the staff responsible for cash handling to the Administrator of each long term care home. The Administrators will be provided with training on the Financial Program Manual and their responsibilities. This management action plan will be completed and implemented by May 31, 2022.

#### **b. Segregation of Duties**

Segregation of duties is a key control in cash handling and record-keeping process. It requires that one person is not responsible for all key activities such as receiving and receipting of funds, recording of funds, custody of funds, and reporting related to funds in order to prevent and/or identify potential errors, thefts and misappropriation.

There is a need to ensure appropriate segregation of duties are in place for cash handling. Presently, there are two staff members carrying out the duties related to the cash handling and recording processes. At times, when providing coverage for vacations and other absences from work, one staff member will carry out all the related duties.

With one person responsible for all the key activities in the cash handling process, there is a very high risk of misappropriation of funds. Detection of misappropriated funds would be difficult as the one person could forgo steps such as receipting and recording funds.

### **Management Response**

The Director of Long Term Care, in collaboration with the Director of Business and Financial Planning, will revise the job descriptions for the staff responsible for cash handling to include segregation of duties for the management of resident trust accounts on a daily basis and when providing coverage for these positions. Training will be provided on any changes to roles and responsibilities. This management action plan will be completed and implemented by May 31, 2022.

#### **c. Standardizing Practices Across the Homes**

Standardized practices for the cash handling and expense recording processes help to ensure that trust account transactions are handled consistently, and resident account balances are accurate. Further, standardized practices help to ensure there is a compliance with applicable legislation and procedures.

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The audit identified various inconsistencies across the three Homes in the receipt, banking and resident expense processes. Specifically, sample testing identified that:

- Receipts were not properly completed with required information
- Bank deposits were not made in a timely manner
- Supporting documents for residents' expenses were missing

If standardized practices are not consistently followed, there is a medium risk that errors may go undetected and there may be an increased risk of misappropriation of funds.

### **Management Response**

The Director of Long Term Care will ensure the Financial Program Manual identifies the processes to ensure:

- Accurate and complete information is recorded upon receipt of funds
- Resident funds are deposited in a timely manner
- Supporting documents are retained for all expenses

These processes will be included as part of the supervisory audit tool to ensure compliance to standardized processes. This management action plan will be completed and implemented by May 31, 2022.

### **d. Updated Job Descriptions and New Staff Training**

To support staff in effectively carrying out their job responsibilities, there should be up-to-date job descriptions, procedures, and other training material available. For new staff and staff with new responsibilities, management should ensure appropriate training and development is undertaken.

There is a need to review and update job descriptions of staff to ensure responsibilities are clearly defined for all positions having a role in the administration of the resident trust accounts. Further, there is a need to ensure that staff are provided with relevant training for new job roles, properly documented procedures and role clarity to be successful in performing their jobs.

There is a high risk that without clear guidance through formal or informal training and development and up-to-date job descriptions, staff may not be able to effectively carry out their job responsibilities.

### **Management Response**

The Director of Long Term Care in collaboration with the Director of Business and Financial Planning will review and revise the Financial Program Manual in alignment with the revised job descriptions to clearly outline roles and responsibilities. Training will be developed to support rollout of the updated Financial Program Manual. The Financial Program Manual will be reviewed yearly and revised as required. Refresher training will be provided on a yearly basis and with revisions to the program. This management action plan will be completed and implemented by May 31, 2022.

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### **e. Supervisory Oversight**

Supervisory oversight is one of the integral internal controls that help ensure accurate maintenance of trust fund accounts for residents. This includes:

- Overseeing work of the clerk to ensure all receipt and expenses are accurately recorded
- Reviewing bank reconciliation to ensure any time differences, errors and omissions are identified
- Conducting audits periodically to ensure that processes are followed, and internal controls are effective

There is a need to strengthen supervisory oversight over the activities related to resident trust fund accounts. In all three Homes, supervisors are responsible to oversee the work of clerk, however, they need appropriate training to provide adequate supervision over accounting processes.

There is a high risk that errors or misappropriation may go unnoticed if appropriate supervisory oversight is not carried out.

### **Management Response**

The Director of Long Term Care will work with the Director of Business and Financial Planning to review and revise the Financial Program Manual to ensure effective supervisory controls are embedded within the accounting and financial control processes. This includes:

- Creating a process to review resident trust account balances to ensure accuracy
- Developing escalation process for outstanding items from the reconciliation
- Developing audit tools that review key areas of the Financial Program Manual

The responsibility to oversee staff responsible for resident trust accounts will be transferred to the Administrator and appropriate training will be provided to effectively carry out supervisory oversight. This management action plan will be completed and implemented by May 31, 2022.

## **CONCLUSION**

Overall, there are effective controls in place to establish and maintain a non-interest-bearing trust account for the deposits of all money entrusted to the Homes on behalf of the Resident. Trust funds are available in the Homes to meet residents' needs.

There is a need to strengthen internal controls to mitigate the risk of theft, misappropriation, and inaccuracy of residents' trust accounts.

Enterprise Audit Services has reviewed management's action plans and is satisfied the actions developed will address the risks identified. Enterprise Audit Services will follow up on the status of these management action plans and will report back to the Audit and Risk Committee on the status of all management action plans semi-annually.

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### APPENDICES

#### Appendix I – Risk Profile Description

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*For further information regarding this report, please contact Jennifer Weinman, Interim Director, Enterprise Risk and Audit Services, via email at [jennifer.weinman@peelregion.ca](mailto:jennifer.weinman@peelregion.ca).*

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***Reviewed and/or approved in workflow by***  
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