

Audit Report

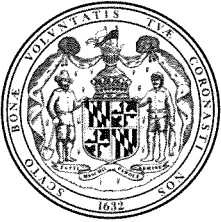
**Department of Health and Mental Hygiene
Office of the Chief Medical Examiner**

August 2014



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

August 11, 2014

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Office of the Chief Medical Examiner (OCME) of the Department of Health and Mental Hygiene for the period beginning May 6, 2011 and ending March 30, 2014. OCME investigates violent and suspicious deaths and those deaths unattended by a physician. OCME also keeps reports of all investigated deaths and performs autopsies, when necessary, to determine the cause and manner of death.

Our audit disclosed that OCME did not always obtain competitive bids and enter into written contracts when procuring medical supplies, as required by State procurement regulations.

The Department's response to this audit, on behalf of OCME, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us by OCME during the course of this audit.

Respectfully submitted,

Thomas J. Barnickel III, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Office of the Chief Medical Examiner (OCME) investigates violent and suspicious deaths and those deaths unattended by a physician. OCME also keeps reports of all investigated deaths and performs autopsies, when necessary, to determine the cause and manner of death, and makes these records available to the courts, family members, and others. Furthermore, OCME furnishes the State's Attorneys with records relating to deaths for which, in the judgment of the Medical Examiner, further investigation is deemed advisable. According to the State's records, during fiscal year 2013, OCME investigated 10,556 deaths and performed 3,915 autopsies; OCME's expenditures totaled approximately \$10.6 million.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated July 25, 2011. We determined that this finding was not satisfactorily addressed and is repeated in this report.

Findings and Recommendations

Finding 1

The Office of the Chief Medical Examiner did not comply with State procurement regulations when purchasing certain medical supplies.

Analysis

The Office of the Chief Medical Examiner (OCME) purchased certain medical supplies without obtaining competitive bids and entering into written contracts, as required by State procurement regulations. Our review of corporate purchasing card transactions made during the period from May 2011 to May 2014 disclosed repeated purchases for medical supplies from three vendors, totaling \$496,000, for which OCME did not obtain competitive bids and did not have a written contract. Consequently, there is a lack of assurance that the State obtained these items at the lowest cost. OCME purchased the vast majority of its medical supplies from the three aforementioned vendors using the corporate purchasing card. A similar condition was commented upon in our preceding audit report.

State procurement regulations generally specify that contracts in excess of \$25,000 shall be awarded by competitive sealed bidding, and that procurements exceeding \$5,000 must also have written contracts.

Recommendation 1

We recommend that OCME comply with State procurement regulations by soliciting competitive bids and executing written contracts, where applicable (repeat).

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Office of the Chief Medical Examiner (OCME), a unit of the Department of Health and Mental Hygiene, for the period beginning May 6, 2011 and ending March 30, 2014. The audit was conducted 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.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine OCME's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included procurements, disbursements, and corporate purchasing cards. We also determined the status of the finding contained in our preceding audit report.

To accomplish our objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the OCME's operations, and tests of transactions. We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as expenditure data) and from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these

various sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

Our audit did not include certain support services provided to OCME by the Department of Health and Mental Hygiene's Office of the Secretary and related units. These support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audits of the Office of the Secretary.

OCME's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

Our audit did not disclose any conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect OCME's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit disclosed a significant instance of noncompliance with applicable laws, rules, or regulations.

The Department's response, on behalf of OCME, to our finding and recommendation is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Department regarding the results of our review of its response.

APPENDIX



STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene

201 W. Preston Street • Baltimore, Maryland 21201

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – Joshua M. Sharfstein, M.D., Secretary

July 31, 2014

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street
Baltimore, MD 21201

Dear Mr. Barnickel:

Thank you for your letter regarding the draft audit report for the Department of Health and Mental Hygiene – Office of the Chief Medical Examiner for the period beginning May 6, 2011 through March 30, 2014. Enclosed you will find the Department's response and plan of correction that addresses each audit recommendation.

I will work with the appropriate Administration Directors, Program Directors, and Deputy Secretary to promptly address the audit exceptions. In addition, the OIG's Division of Internal Audits will follow-up on the recommendations to ensure compliance.

If you have any questions or require additional information, please do not hesitate to contact Thomas V. Russell, Inspector General, at 410-767-5862.

Sincerely,

Joshua M. Sharfstein, M.D.
Secretary

cc: Laura Herrera, M.D, Deputy Secretary for Public Health Services, DHMH
David Fowler, M.D., Chief Medical Examiner, DHMH
Thomas V. Russell, Inspector General, DHMH
Ellwood L. Hall, Assistant Inspector General, DHMH

Finding 1

The Office of the Chief Medical Examiner did not comply with State procurement regulations when purchasing certain medical supplies.

Auditor's Recommendation:

We recommend that OCME comply with State procurement regulations by soliciting competitive bids and executing written contracts, where applicable (repeat).

Administration's Response:

We concur with the finding. The PIN for the OCME Agency Buyer position was abolished in January, 2011 as a result of the Voluntary Separation Program (VSP). OCME requested that a new Agency Buyer PIN be created through the budget process. This request was denied. Even without the Agency Buyer position, with the assistance of the DHMH Office of Procurement and Support Services (OPASS), OCME was able to maintain compliance for a significant number of service contracts during this period including: neuropathology contract, biological medical waste removal contract, forensic anthropology contract, Cisco Smartnet contract, CT scanner maintenance contract, HVAC service contract, janitorial services contract, and Lodox full-body X-ray contract. OCME has continued to act in the best interest of the State to keep the facility properly supplied and operating efficiently, while continuing to maintain National Association of Medical Examiners (NAME) and American Board of Forensic Toxicology (ABFT) accreditation.

To rectify the finding going forward, OCME will submit a reclassification request for an existing vacant position in another classification to recreate an Agency Buyer position. Anticipated timeframe to submit reclassification paperwork, obtain a freeze exception, complete a recruitment, and have an Agency Buyer position filled is by 12/31/14. In the meantime, OCME will conduct an audit of all corporate purchasing card expenditures and identify by categories all items where purchases are expected to exceed \$5,000. With the assistance of OPASS, we will begin developing contracts for these goods following State procurement regulations by soliciting competitive bids and executing written contracts where applicable. The contracts will be developed from the highest expenditures to the lowest that exceed the \$5,000 threshold. It is anticipated that this process will begin immediately with existing resources and be fully implemented with the hiring of the Agency Buyer.

AUDIT TEAM

Joshua S. Adler, CPA, CFE
Audit Manager

W. Thomas Sides
Senior Auditor