

Audit Report

Department of Health and Mental Hygiene

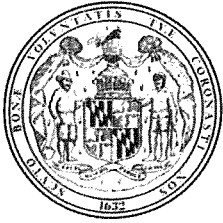
**Thomas B. Finan Hospital Center
and
Joseph D. Brandenburg Center**

May 2012



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

Bruce A. Myers, CPA
Legislative Auditor

May 23, 2012

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 audited the Thomas B. Finan Hospital Center and the Joseph D. Brandenburg Center of the Department of Health and Mental Hygiene for the period beginning July 1, 2008 and ending June 30, 2011. The Thomas B. Finan Center provides mental health services to adults in the State of Maryland. The Joseph D. Brandenburg Center provided residential care, treatment, and support to individuals who were developmentally disabled until June 30, 2011, at which time it was closed as a cost-containment effort and due to a reduction in the number of adults requiring services.

Our audit disclosed that the Thomas B. Finan Center did not always have adequate documentation justifying sole source or emergency procurements. In addition, corporate purchasing cards were not promptly cancelled by both Centers after employees were terminated.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Bruce A. Myers".

Bruce A. Myers, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Thomas B. Finan Hospital Center, located in Cumberland, Maryland, provides mental health services to adults in the State of Maryland. According to its records, during fiscal year 2011, the Thomas B. Finan Center had a licensed capacity of 110 resident patients, was budgeted for an average daily population of 88 resident patients, and had an actual average daily population of 82 resident patients. According to the State's records, fiscal year 2011 operating expenditures for the Finan Center totaled approximately \$17.9 million. The Thomas B. Finan Center provided various support services (for example, payroll, purchasing, and maintenance of accounting records) for the Joseph D. Brandenburg Center.

Prior to June 30, 2011, the Joseph D. Brandenburg Center, located on the grounds of the Thomas B. Finan Hospital Center, provided residential care, treatment, and support to citizens who were developmentally disabled. It had a licensed capacity of 25 resident patients, and a daily budgeted and actual population of 6 resident patients. During fiscal year 2011, the Department of Health and Mental Hygiene (DHMH) closed the Brandenburg Center and transferred the patient population to other facilities commensurate with individual patient needs. A decision was made to consolidate DHMH's mental hygiene facilities due to a reduction in the number of patients requiring services and to eliminate the costs to maintain these facilities. According to the State's records, fiscal year 2011 operating expenditures for the Brandenburg Center totaled approximately \$2.6 million.

Asset Liquidation

As of February 2, 2012, the liquidation of Joseph D. Brandenburg Center equipment was finalized and all equipment items were transferred to other Department of Health and Mental Hygiene facilities. Prior to the facility's closure, the Center's equipment had a total cost of approximately \$305,000.

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 December 17, 2008. We determined that the Centers satisfactorily addressed this finding.

Findings and Recommendations

Procurement of Goods and Services

Finding 1

The Thomas B. Finan Center lacked documentation, in certain instances, to support its compliance with State Procurement Regulations.

Analysis

The Thomas B. Finan Center lacked documentation, in certain instances, to support its compliance with State Procurement Regulations. Specifically, our test of 20 payments, totaling approximately \$263,000, disclosed that the Center did not have required documentation to support the procurement process, such as written solicitations and sole source justifications, for 10 payments totaling approximately \$96,000. We were advised by the Finan Center's management that these purchases were primarily awarded as sole source or emergency procurements; however, this determination and the basis for these procurements were not documented in writing, as required. The 10 payments ranged from \$5,100 to \$19,500 and the total value of the related procurements was approximately \$127,000.

Furthermore, for 4 of the aforementioned 10 payments, the Finan Center's representation that they were sole source procurements appeared questionable because we noted that other vendors provided similar goods or services.

State Procurement Regulations generally require that competitive bids be obtained for all procurements over \$5,000 and that the reasons for sole source and emergency procurements be documented in writing. According to the State's records, the Finan Center purchased goods and services totaling approximately \$3 million during fiscal year 2011. These purchases included procurements both over and under \$5,000.

Recommendation 1

We recommend that the Finan Center comply with the aforementioned requirements of the State Procurement Regulations.

Corporate Purchasing Cards

Finding 2

Corporate purchasing cards were not promptly cancelled for terminated employees.

Analysis

Corporate purchasing cards were not promptly cancelled for individuals who were no longer employed by the Centers. Our test of 33 cards issued to employees who terminated employment with the Centers during the audit period disclosed that 20 of the cards were not promptly cancelled. Specifically, these accounts remained active for at least 9 days and up to 8 months after the employees left the Centers. We determined that credit card charges were not incurred by these employees subsequent to their departures.

According to the bank's records, as of June 30, 2011, the Finan Center had 10 active corporate purchasing cards and the related expenditures for both Centers totaled approximately \$238,000 during fiscal year 2011.

Recommendation 2

We recommend that the Finan Center promptly cancel any corporate purchasing cards issued to individuals no longer employed by the Center.

Audit Scope, Objectives, and Methodology

We have audited the Thomas B. Finan Hospital Center and the Joseph D. Brandenburg Center of the Department of Health and Mental Hygiene for the period beginning July 1, 2008 and ending June 30, 2011. 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 State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Centers' financial transactions, records and internal control, and to evaluate compliance with applicable State laws, rules, and regulations. We also determined the status of the finding contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included disbursements for the Centers' operating expenditures, as well as payroll and pharmaceutical inventories. Since the Joseph D. Brandenburg Center closed on June 30, 2011, our audit also included a review of the procedures used by the Brandenburg Center and the Department of Health and Mental Hygiene with respect to its closing (such as equipment liquidation and discharged patient funds). Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Centers' operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

The Centers' managements are 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.

This report includes conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect the Centers' ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to the Centers that did not warrant inclusion in this report.

The response from the Department of Health and Mental Hygiene, on behalf of the Centers, to our findings and recommendations 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.



STATE OF MARYLAND

DHMH

APPENDIX

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

May 22, 2012

Mr. Bruce Myers, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street
Baltimore, MD 21201

Dear Mr. Myers:

Thank you for your letter regarding the draft audit report for the Department of Health and Mental Hygiene – Thomas B. Finan Center and Joseph D. Brandenburg Center. 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, Programs Directors, and Deputy Secretary to promptly address the audit exceptions. In addition, the Office of Inspector General'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 of my staff at 410-767-5862.

Sincerely,

Joshua M. Sharfstein, M.D.
Secretary

Enclosure

cc: Renata J. Henry, Deputy Secretary for Behavioral Health and Disabilities, DHMH
Valerie A. Roddy, Chief of Staff, Behavioral Health and Disabilities, DHMH
Brian Hepburn, M.D., Executive Director, Mental Hygiene Administration, DHMH
Judith Hott, R.N., Chief Executive Office, Thomas B. Finan Center
Patrick D. Dooley, Chief of Staff, Office of the Secretary, DHMH
Thomas V. Russell, Inspector General, DHMH
Ellwood L. Hall, Jr., Assistant Inspector General, DHMH
Frank W. Kirkland, Director, Developmental Disabilities Administration, DHMH
Ms. Mary Sheperd, Acting Deputy Director, Facilities Management, Mental Hygiene Administration, DHMH

Thomas B. Finan Center and Joseph D. Brandenburg Center
Legislative Draft Audit Report: Findings and Responses

Finding 1

The Thomas B. Finan Center lacked documentation, in certain instances, to support its compliance with State Procurement Regulations.

Auditor's Recommendation

We recommend that the Finan Center comply with the aforementioned requirements of the State Procurement Regulations.

Center's Response

The Center concurs with the recommendation. The Center will procure goods and services utilizing proper procurement methods and maintain appropriate records. Competitive bids, emergency purchases and sole justification will be properly utilized and appropriate records maintained. All current Maintenance contracts scheduled for renewal will be reviewed and appropriate records maintained by June 30, 2012. The major expense of \$19,500 was for anti-ligature doorknobs to replace the old style knobs that had become a patient safety issue. Examples of the other questionable procurements were for dietary equipment repairs, and fire alarm maintenance. The Center will do a better job of documenting the procurements and maintaining the proper paperwork for audit review.

Finding 2

Corporate purchasing cards were not promptly cancelled for terminated employees.

Auditor's Recommendation

We recommend that the Finan Center promptly cancel any corporate purchasing cards issued to individuals no longer employed by the Center.

Center's Response

We concur with the recommendation. The Center will promptly process the appropriate paper work through DHMH General Accounting to cancel any corporate purchasing card for any employee who separates from service at the Center. The Center did collect all cards before the employees departed and cut them into small pieces. No charges were placed on any of the cards that had not been cancelled. Lastly, there are no cards for departed personnel that have not been cancelled.

AUDIT TEAM

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