

Audit Report

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**Department of Health and Mental Hygiene  
Walter P. Carter Community Mental Health Center**

April 2010

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**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

April 12, 2010

Senator Verna L. Jones, Co-Chair, Joint Audit Committee  
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Walter P. Carter Community Mental Health Center (WPCC), a unit of the Department of Health and Mental Hygiene, for the period beginning August 1, 2006 and ending September 30, 2009, the date that WPCC was closed. WPCC provided acute psychiatric care for residents of Baltimore City.

Our audit disclosed that the WPCC did not maintain current tenant lease agreements and did not have adequate collection efforts for the related rent. There were no plans to collect outstanding accounts receivable that totaled \$247,000 when WPCC closed.

The Department of Health and Mental Hygiene's response to this audit, on behalf of WPCC, 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 WPCC.

Respectfully submitted,

**Bruce A. Myers, CPA**  
Legislative Auditor



## **Background Information**

### **Agency Responsibilities**

The Walter P. Carter Community Mental Health Center (WPCC) is located in Baltimore City and, until its closure in September 2009, was part of the Department of Health and Mental Hygiene's (DHMH's) Mental Hygiene Administration. The facility provided acute psychiatric care for up to 30 days for residents of Baltimore City. During fiscal year 2009, a decision was made to consolidate DHMH's mental hygiene facilities due to a reduction in the number of residents requiring services and to eliminate the costs to maintain these facilities. As a result, the Administration initiated procedures to close WPCC and, as of September 30, 2009, all residents had been transferred from WPCC to alternative living facilities (such as to other State facilities) commensurate with their needs.

### **Asset Liquidation**

DHMH plans to declare the WPCC building as surplus property, and refer it to the Department of Planning for disposition. As of December 15, 2009, two lessees were still located at WPCC with plans to remain until the end of fiscal year 2010.

The liquidation of certain WPCC equipment had not been finalized. Specifically, according to its detail records, WPCC had 279 capital equipment items totaling \$250,663 as of January 15, 2010. We were advised by WPCC management that the Central Services Division of DHMH is overseeing the transfer and disposal of WPCC equipment, and that the disposition of WPCC equipment should be completed over the next several months.

### **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the three findings included in our preceding audit report dated January 8, 2007. We determined that WPCC satisfactorily addressed these findings.

## Findings and Recommendations

### Accounts Receivable

#### **Finding 1**

**The Walter P. Carter Community Mental Health Center's (WPCC) accounts receivable procedures for tenants were inadequate.**

#### **Analysis**

WPCC's accounts receivable procedures for its two tenants and five former tenants were inadequate. Additionally, the related lease agreements and accounting records were not adequately maintained. Tenants included a crisis hotline center and several units or clinics of the University of Maryland Medical System. According to WPCC's records, during fiscal year 2009, tenant billings and the related collections totaled \$566,743 and \$320,233, respectively. Specifically, we noted the following conditions:

- Tenant lease agreements were not modified to reflect increased rent payments, which were anticipated in the *2008 Joint Chairmen's Report (JCR)*. Specifically, the *JCR* reduced \$330,000 of WPCC's fiscal year 2009 appropriation and recommended that WPCC start charging tenants for certain maintenance costs. WPCC notified tenants of annual maintenance fees in October 2008; however, it did not follow up with further billings of those charges until May 2009 when the tenants were collectively billed \$362,000 for these maintenance fees and any other amounts due. We were advised that the majority of these billings related to the maintenance charges, even though WPCC did not modify any of the tenant's lease agreements to require the tenants to remit these additional charges. Finally, WPCC did not prepare aging reports for these accounts receivable, and did not have signed lease agreements for five of the seven tenants.
- Unpaid accounts were not subject to adequate collection efforts. Specifically, WPCC had no procedures to refer delinquent accounts to the State's Central Collection Unit (CCU), as required by State regulations. For example, as of October 15, 2009, an unpaid May 2009 bill totaling \$36,000 had not been referred to CCU. A similar condition was noted by the DHMH – Office of Inspector General, in a June 2009 report. In this regard, we were advised by appropriate personnel that there was no plan to collect, or forward for collection, outstanding delinquent accounts receivable that totaled \$247,000 on October 1, 2009 when WPCC closed, which largely related to the aforementioned maintenance payments.

State regulations require agencies to refer delinquent accounts to CCU. Additionally, the State Comptroller's *Accounting Procedures Manual* requires maintaining adequate accounts receivable records, including control accounts and aging reports.

#### **Recommendation 1**

##### **We recommend that DHMH**

- a. consult with the Office of the Attorney General regarding the collectability of the maintenance billings, given the lack of revised leases; and**
- b. take immediate collection action for those accounts deemed to be collectable, including referral of delinquent accounts to CCU, in accordance with State regulations.**

## **Audit Scope, Objectives, and Methodology**

We have audited the Walter P. Carter Community Mental Health Center (WPCC) of the Department of Health and Mental Hygiene for the period beginning August 1, 2006 and ending September 30, 2009. 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 WPCC'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 materiality and risk. The areas addressed by the audit included cash receipts, purchases and disbursements, equipment, payroll, and bank accounts. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of WPCC's 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.

WPCC'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.

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

The Department's response to our findings and recommendations, on behalf of WPCC, 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 – John M. Colmers, Secretary

April 9, 2010

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 on the Department of Health and Mental Hygiene – Walter P. Carter Community Mental Health Center for the period beginning August 1, 2006 and ending September 30, 2009. I will work with the appropriate Administration Directors, Program Directors, and Deputy Secretary to promptly address the audit exception. In addition, the 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 me at 410-767-4639 or Thomas V. Russell of my staff at 410-767-5862.

Sincerely,

John M. Colmers  
Secretary

Enclosure

cc: Renata Henry, Deputy Secretary Behavioral Health & Disabilities, DHMH  
Valerie A. Roddy, Chief of Staff, BHD, DHMH  
Brian Hepburn, M.D., Executive Director, MHA, DHMH  
Arlene H. Stephenson, Deputy Director, Facilities Management, MHA, DHMH  
Thomas V. Russell, Inspector General, DHMH  
Ellwood L. Hall, Jr., Assistant Inspector General, DHMH

## **Findings and Recommendations**

### **Finding 1**

**The Walter P. Carter Community Mental Health Center's (WPCC) accounts receivable procedures for tenants were inadequate.**

### **Recommendation**

**We recommend that DHMH**

- a. Consult with the Office of the Attorney General regarding the collectability of the maintenance billings, given the lack of revised leases; and**
- b. Take immediate collection action for those accounts deemed to be collectable, including referral of delinquent accounts to CCU, in accordance with State regulations.**

### **Department's Response:**

- a. The Department concurs with the recommendation that we consult with our Assistant Attorney General regarding the collectability of the maintenance billings, given the lack of revised leases. The Attorney General's Office is currently reviewing the files and will provide the Department with its legal options regarding the collectability of the accounts.
- b. The Department concurs with the recommendation and will take immediate action for those accounts deemed to be collectable, including referral of delinquent accounts to CCU, in accordance with State regulations. I anticipate that this process will be completed no later than May 31, 2010. If it is decided that the WPCC does not have the legal authority to bill the tenants, notification of such will be made to MHA, DHMH and to the Department of Legislative Services, Office of Legislative Audits.

AUDIT TEAM

**Joshua S. Adler, CPA, CFE**  
Audit Manager

**Menachem Katz, CPA**  
Senior Auditor

**Ramin M. Niknava**  
Staff Auditor