

Audit Report

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**Maryland Department of Health  
Clifton T. Perkins Hospital Center**

March 2020

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**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

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Victoria L. Gruber  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA  
Legislative Auditor

March 17, 2020

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee  
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee  
Members of Joint Audit and Evaluation Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Clifton T. Perkins Hospital Center of the Maryland Department of Health (MDH) for the period beginning April 29, 2015 and ending May 14, 2019. The Center provides comprehensive psychiatric evaluation and treatment services to individuals in a maximum security environment.

Our audit disclosed that the Center did not adequately monitor its \$4.2 million housekeeping contract to ensure the required level of services were performed. In addition, the Center lacked sufficient controls over certain patient fund accounts.

Our audit also included a review to determine the status of the finding contained in our preceding audit report. We determined that the Center satisfactorily addressed this finding.

MDH's response to this audit, on behalf of the Center, is included as an appendix to this report. We reviewed the response and noted general agreement to our findings and related recommendations, and while there are other aspects of MDH's response which will require further clarification, we do not anticipate that these will require the Joint Audit and Evaluation Committee's attention to resolve.

We wish to acknowledge the cooperation extended to us during the audit by the Center. We also wish to acknowledge MDH's and the Center's willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, stylized 'G' and 'H'.

Gregory A. Hook, CPA  
Legislative Auditor

## **Background Information**

### **Agency Responsibilities**

The Clifton T. Perkins Hospital Center, located in Jessup, Maryland, provides comprehensive psychiatric evaluation and treatment services to individuals in a maximum security environment. The Center has a licensed capacity of 298 resident patients and, during fiscal year 2019, had a budgeted average daily population of 284 residents and an actual average daily population of 269 residents. The Center is accredited by The Joint Commission, which evaluates and monitors health care organizations nationwide to promote safe, high-quality care, treatment, and services. According to the State's records, Center expenditures totaled approximately \$73.4 million during fiscal year 2019.

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

Our audit included a review to determine the status of the finding contained in our preceding audit report dated September 18, 2015. We determined that the Center satisfactorily addressed this finding.

## **Findings and Recommendations**

### **Contractual Services**

#### **Finding 1**

**The Clifton T. Perkins Hospital Center did not adequately monitor its housekeeping vendor to ensure that services totaling approximately \$4.2 million were performed in accordance with the contract.**

#### **Analysis**

The Center did not adequately monitor its housekeeping vendor to ensure that services were performed in accordance with the contract. The Center entered into the contract on May 16, 2013, which was extended through renewal options and contract modifications through July 31, 2019 for a total contract amount of \$4.2 million. As of June 30, 2019, expenditures on the contract totaled \$4.17 million.

Our review disclosed that the Center did not perform documented monthly inspections to ensure the vendor was providing the required services in accordance with its contract. Rather, the Center relied on periodic inspections it performed that were primarily intended to monitor overall environmental and

safety conditions. In addition, Center management advised us that none of its inspections were performed in the presence of the vendor as required by the contract and that any problems identified during the inspections were not communicated in writing to the vendor.

#### **Recommendation 1**

**We recommend that the Center**

- a. perform documented monthly inspections of the housekeeping vendor in accordance with the contract to ensure all required services were provided, and**
- b. report any deficiencies noted during the inspections to the vendor.**

#### **Patient Funds**

##### **Finding 2**

**The Center did not reconcile the balance of its patient fund accounts with the corresponding records maintained by the Comptroller of Maryland.**

##### **Analysis**

The Center did not reconcile the aggregate balance of its patient fund accounts with the corresponding records maintained by the Comptroller of Maryland. The Center records its patient fund activity in an automated system. Although the Center compared the account balances in its automated records to the corresponding amounts in the Comptroller's records each month, it did not investigate differences between the two account balances. Consequently, assurance was lacking that the Center's patient fund records were accurate.

Our review disclosed that, as of June 30, 2019, the aggregate patient fund account balance, according to the Center's automated records (\$70,296), exceeded the corresponding balance in the Comptroller's records (\$66,896) by \$3,400. Conversely, for the month ending March 31, 2019, the balance in the Comptroller's records (\$81,792) exceeded the corresponding account balance in the Center's automated records (\$71,449) by \$10,343. The Center could not readily explain these differences.

Patient funds include amounts earned by or received on behalf of the Center's patients. Patients may use these funds for certain discretionary purchases or may direct the Center to pay the funds to third parties. It is the Center's responsibility to maintain accurate records on behalf of its patients.

## **Recommendation 2**

**We recommend that the Center reconcile the aggregate balance of its patient fund accounts with the corresponding records maintained by the Comptroller of Maryland and investigate any differences, including those noted above.**

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

We have conducted a fiscal compliance audit of the Clifton T. Perkins Hospital Center of the Maryland Department of Health (MDH) for the period beginning April 29, 2015 and ending May 14, 2019. 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 the Center'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 cash receipts, patient funds, payroll, procurements and disbursements, and materials and supplies. We also determined the status of the finding contained in our preceding audit report.

Our audit did not include certain support services provided to the Center by MDH's Office of the Secretary. These support services (such as certain payroll and purchasing functions, maintenance of accounting records, and related fiscal functions) are included within the scope of our audits of MDH's Office of the Secretary and Other Units.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Center's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the

tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as expenditure data) and the State's Central Payroll Bureau (payroll data), as well as 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 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 audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

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

The response from MDH, on behalf of the Center, 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 MDH regarding the results of our review of its response.

## APPENDIX



*Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Robert R. Neall, Secretary*

March 5, 2020

Mr. Gregory A. Hook, CPA  
Legislative Auditor  
Office of Legislative Audits  
State Office Building, Room 1202  
301 West Preston Street  
Baltimore, MD 21201

Dear Mr. Hook:

Enclosed are the responses to the Draft Audit Report from your Maryland Department of Health Clifton T. Perkins Hospital Center for the period beginning April 29, 2015 and ending May 14, 2019.

If you have any questions, please contact Frederick D. Doggett at 410-767-0885 or email at [frederick.doggett@maryland.gov](mailto:frederick.doggett@maryland.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Rob R. Neall", written over a horizontal line.

Robert R. Neall, Secretary  
Maryland Department of Health

cc: Gregg Todd, Deputy Secretary of Operations, MDH  
Marian G. Fogan, Chief Executive Officer, Clifton T. Perkins Hospital Center

**Maryland Department of Health  
Clifton T. Perkins Hospital Center**

**Agency Response Form**

**Contractual Services**

**Finding 1**

**The Clifton T. Perkins Hospital Center did not adequately monitor its housekeeping vendor to ensure that services totaling approximately \$4.2 million were performed in accordance with the contract.**

**We recommend that the Center**

- a. perform documented monthly inspections of the housekeeping vendor in accordance with the contract to ensure all required services were provided, and**
- b. report any deficiencies noted during the inspections to the vendor.**

<b>Agency Response</b>			
<b>Analysis</b>	<b>Factually Accurate</b>		
<b>Please provide additional comments as deemed necessary.</b>	While the hospital did make periodic inspections of the housekeeping vendor's performance, it was not fully documented. Deficiencies with the vendor were communicated verbally as needed.		
<b>Recommendation 1a</b>	Agree	<b>Estimated Completion Date:</b>	12/1/2019
<b>Please provide details of corrective action or explain disagreement.</b>	The current contract states that "inspections may be conducted at any time and as frequently as determined necessary by the Hospital to ensure compliance with the terms and conditions set forth in this contract". The hospital does agree that documented monthly inspections in the presence of the vendor are a good idea and is implementing them effective December 2019. We are also developing a checklist to ensure the vendor performs all tasks as per the contract.		
<b>Recommendation 1b</b>	Agree	<b>Estimated Completion Date:</b>	12/1/2019
<b>Please provide details of corrective action or explain disagreement.</b>	We are communicating with our current housekeeping vendor via a dedicated email address for documentation.		

**Maryland Department of Health  
Clifton T. Perkins Hospital Center**

**Agency Response Form**

**Patient Funds**

**Finding 2**

**The Center did not reconcile the balance of its patient fund accounts with the corresponding records maintained by the Comptroller of Maryland.**

**We recommend that the Center reconcile the aggregate balance of its patient fund accounts with the corresponding records maintained by the Comptroller of Maryland and investigate any differences, including those noted above.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	While the hospital has reconciled our patient fund accounts balance with the Patients' Account Cash balance on the monthly DAFRG110 report since 2012, we have been unable to discover the difference between the hospital balance and FMIS balance.		
<b>Recommendation 2</b>	Agree	<b>Estimated Completion Date:</b>	Ongoing
<b>Please provide details of corrective action or explain disagreement.</b>	The hospital agrees and is continuing to reconcile our patient fund accounts balance with the Comptroller of Maryland's records monthly by working with MDH General Accounting staff to determine the correct monthly transactions using the DAFRA220 report. The hospital will continue to investigate any differences.		

AUDIT TEAM

**Heather A. Warriner, CPA**  
Audit Manager

**Jonathan H. Finglass, CPA**  
Senior Auditor

**Thomas J. Kraemer**  
Staff Auditor