

Audit Report

**Maryland Department of Health
Thomas B. Finan Hospital Center**

March 2019



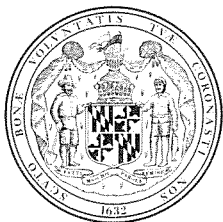
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

March 26, 2019

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate Shelly L. Hettleman, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Thomas B. Finan Hospital Center of the Maryland Department of Health (MDH) for the period beginning September 22, 2014 and ending October 21, 2018. The Center is a State-operated psychiatric facility within MDH's Behavioral Health Administration and provides mental health services to adults in the State of Maryland.

Our audit disclosed that the Center did not comply with procurement laws and regulations. Specifically, the Center made repeated fuel purchases, totaling \$627,000, from one vendor and repeated purchases of security equipment, totaling \$165,000, from another vendor without conducting competitive procurements. In addition, the Center should have used a Department of General Services statewide master contract for the fuel purchases.

MDH's response to this audit, on behalf of the Center, is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

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 Thomas B. Finan Hospital Center is a State-operated psychiatric facility located in Cumberland, Maryland. The Center, a unit of the Maryland Department of Health's Behavioral Health Administration, provides mental health services to adults in the State of Maryland. 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. During fiscal year 2018, the Center had a licensed capacity of 110 inpatients, a budgeted average daily population of 88 inpatients, and an actual average daily population of 82 inpatients. According to the State's records, the Center's expenditures totaled approximately \$20.9 million during fiscal year 2018.

Findings and Recommendations

Purchases of Fuel and Security Equipment

Finding 1

The Center did not use an available statewide contract and/or competitively procure fuel and security equipment, in accordance with State regulations.

Analysis

The Center did not use an available statewide contract and/or competitively procure fuel and security equipment, in accordance with State regulations. Specifically, during the period from July 1, 2015 through June 30, 2018, the Center made repeated purchases of heating oil and gasoline, totaling \$627,000, from one vendor and repeated purchases of security and computer equipment, totaling \$165,000, from another vendor. These purchases were made without conducting public solicitations, obtaining competitive bids, executing written contracts, and obtaining control agency approvals, as required by State regulations. In addition, the Center did not use a Department of General Services (DGS) statewide fuel contract, which was available for these heating oil and gasoline purchases.

State procurement regulations generally require the use of available statewide commodity contracts for purchases and DGS approval for commodity purchases over \$10,000. The regulations further require a competitive procurement and publication of the solicitation on *eMaryland Marketplace* for procurements

exceeding \$15,000, as well as Board of Public Works and/or control agency approval for larger procurements.

Recommendation 1

We recommend that the Center

- a. use the available statewide fuel contract; and**
- b. use public solicitation, competitive bids, and written contracts, and obtain control agency approvals, as required by State regulations.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Thomas B. Finan Hospital Center of the Maryland Department of Health (MDH) for the period beginning September 22, 2014 and ending October 21, 2018. 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 procurements and disbursements, payroll, and pharmaceutical inventories.

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 audit 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 a 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.

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.

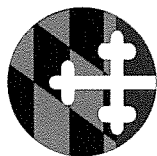
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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 a finding relating to conditions that we consider to be significant instances of noncompliance with applicable laws, rules, or regulations. Our audit did not disclose any 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. 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 the MDH regarding the results of our review of its response.

APPENDIX



MARYLAND
Department of Health

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

March 19, 2019

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:

We are providing the attached responses to the draft report from your fiscal compliance audit of the Thomas B. Finan Hospital Center for the period beginning September 22, 2014 and ending October 21, 2018. If you have any questions, please feel free to contact me or Inspector General Frederick D. Doggett at 410-767-0885.

Robert R. Neall, Secretary

3/25/19

Date

cc. Frederick D. Doggett, Inspector General, MDH
Sha S. Brown, Assistant Inspector General – Audits, MDH
John Cullen, CEO, Thomas B. Finan Hospital Center

**Maryland Department of Health
Thomas B. Finan Hospital Center**

Agency Response Form

Purchases of Fuel and Security Equipment

Finding 1

The Center did not use an available statewide contract and/or competitively procure fuel and security equipment, in accordance with State regulations.

Recommendation 1

We recommend that the Center

- a. use the available statewide fuel contract; and**
- b. use public solicitation, competitive bids, and written contracts, and obtain control agency approvals, as required by State regulations.**

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.	None.		
Recommendation 1a	Agree	Estimated Completion Date:	03/19/2019
Please provide details of corrective action or explain disagreement.	The Center concurs with the recommendation. The Center will begin utilizing the DGS statewide contract for fuel for all future purchases. Procurement and maintenance personnel responsible for ordering fuel were advised of the new process and told to cease utilizing the current vendor on March 19, 2019.		
Recommendation 1b	Agree	Estimated Completion Date:	03/19/2019
Please provide details of corrective action or explain disagreement.	The Center concurs with the recommendation. The Center will use public solicitation, competitive bids, and written contracts, and obtain control agency approvals when purchasing equipment in the future. Procurement personnel were instructed to utilize this process on March 19, 2019.		

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