

# Audit Report

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## **Maryland Department of Health State Psychiatric Hospital Centers**

**Clifton T. Perkins Hospital Center  
Eastern Shore Hospital Center  
Spring Grove Hospital Center  
Springfield Hospital Center and  
Thomas B. Finan Hospital Center**

May 2024

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

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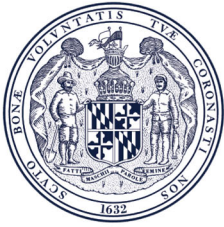
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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA  
Legislative Auditor

May 29, 2024

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee  
Delegate Jared Solomon, 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 Maryland Department of Health's (MDH) five State Psychiatric Hospital Centers (SPHCs). This audit of the SPHCs included the following units for the periods noted:

- Clifton T. Perkins Hospital Center (CTPHC) for the period beginning May 15, 2019 and ending June 30, 2022,
- Eastern Shore Hospital Center (ESHC) for the period beginning May 21, 2018 and ending June 30, 2022,
- Spring Grove Hospital Center (SGHC) for the period beginning February 19, 2019 and ending June 30, 2022,
- Springfield Hospital Center (SHC) for the period beginning May 30, 2018 and ending June 30, 2022, and
- Thomas B. Finan Hospital Center (TBFHC) for the period beginning October 22, 2018 and ending June 30, 2022.

These SPHCs provide a wide range of comprehensive health and psychiatric services to patients throughout the State including inpatient treatment, competency and criminal responsibility evaluations, long-term inpatient services, and services to individuals in a maximum-security environment.

In our previous audits of the SPHCs we issued separate audit reports for each hospital center. Effective May 31, 2019, the MDH transferred oversight of the SPHCs from the Behavioral Health Administration budgetary unit to the MDH

Operations Administration budgetary unit. To promote audit efficiency, we have consolidated our review of the SPHCs into one audit. Consequently, this report contains findings common to each of the five hospital centers, as well as those applicable to individual or specific centers, with our recommendations for the SPHCs being made to the MDH Healthcare System unit under the MDH Operations Administration.

Our audit disclosed that the SPHCs did not use the appropriate payment method for \$28.7 million in contractual services. This resulted in payments issued without the control of matching an invoice to the corresponding contract/purchase order prior to payment. We also found that CTPHC did not adequately monitor its housekeeping vendor. For example, CTPHC could not document that it conducted inspections of vendor work required by the contract between August 2019 and December 2021 and did not perform 10 of 13 required inspections between December 2021 and September 2022.

We also noted the SPHCs did not ensure amounts paid for pharmaceuticals were consistent with related contracts. The SPHCs did not have comprehensive price lists to verify purchases totaling \$20.2 million during the respective audit periods. The SPHCs also did not have adequate controls over disposed controlled dangerous substances (CDS). For example, access to CDS, which may be abused or cause addiction, were not always adequately restricted while awaiting disposal and SPHCs did not always maintain a list of CDS to verify against the disposal vendor records.

Additionally, the SPHCs had not established adequate controls over the propriety of payroll transactions. For example, the SPHCs were unable to provide documentation that payroll adjustments had been reviewed prior to submission for Statewide Personnel System processing. In addition, the SPHCs did not have procedures in place to ensure the propriety of time recorded by timekeepers on behalf of direct care workers who complete physical timesheets.

Furthermore, SGHC and CTPHC did not have adequate controls over collections and funds. For example, CTPHC had not reconciled the aggregate balance of its patient fund accounts against bank records. As of August 2022, we found the aggregate fund balance exceeded the bank balance by \$49,800.

Finally, our audit included a review to determine the status of the nine findings contained in our preceding reports of the five SPHCs. We determined that two CTPHC findings and one finding in the SGHC report are repeated in this report. The remaining six findings were satisfactorily addressed by the respective hospital center.

MDH Healthcare System's response to this audit, on behalf of the SPHCs, 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 course of this audit by the SPHCs. We also wish to acknowledge MDH's and the SPHC'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, flowing style.

Gregory A. Hook, CPA  
Legislative Auditor



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## Background Information

### Agency Responsibilities

The Maryland Department of Health (MDH) operates five State psychiatric hospital centers (SPHCs).

- Clifton T. Perkins Hospital Center (CTPHC) provides comprehensive psychiatric evaluation and treatment services to individuals in a maximum security environment.
- Eastern Shore Hospital Center (ESHC) provides comprehensive psychiatric care and related services to patients from the nine counties on Maryland's Eastern Shore. The services provided include inpatient treatment and community service programs.
- Spring Grove Hospital Center (SGHC) provides a wide range of comprehensive mental health services to residents of Baltimore City, and Baltimore and Harford Counties.

**Figure 1**  
**SPHC Details for Fiscal Year 2022**

Hospital	Location	Licensed Capacity	Average Daily Inpatients
CTPHC	Jessup	298	265
ESHC	Cambridge	84	82
SGHC	Catonsville	639	396
SHC	Sykesville	522	240
TBFHC	Cumberland	119	84
<b>Total</b>		<b>1,662</b>	<b>1,067</b>

Source: MDH records, State financial records

- Furthermore, SGHC provides inpatient competency and criminal responsibility evaluations and long-term inpatient and domiciliary care to patients found not criminally responsible. In addition, SGHC provides ancillary services to the Maryland Psychiatric Research Center, a joint program between MDH and the University of Maryland, School of Medicine.
- Springfield Hospital Center (SHC) provides acute, sub-acute, and long-term inpatient services for persons with mental illness throughout the State.
  - Thomas B. Finan Hospital Center (TBFHC) provides mental health services to adults throughout the State of Maryland.

The SPHCs are accredited by The Joint Commission, which evaluates and monitors health care organizations nationwide to promote safe, high-quality care, treatment, and services. As noted in Figure 1, during fiscal year 2022 these facilities had a licensed total capacity of 1,662, and average daily inpatients of

1,067. Expenditures at these facilities in fiscal year 2022 totaled \$326.8 million (see Figure 2 for SPHC Positions, Expenditures, and Funding Sources).

**Figure 2**  
**SPHC Positions, Expenditures, and Funding Sources**

	CTPHC	ESHC	SGHC	SHC	TBFHC	
<b>Full Time Equivalent Positions as of June 30, 2022</b>						
Filled	490	151	617	634	191	88.8%
Frozen <sup>1</sup>	1	0	2	1	0	0.2%
Vacant	71	27	97	60	4	11.0%
<b>Total</b>	<b>562</b>	<b>178</b>	<b>716</b>	<b>695</b>	<b>195</b>	
<b>Fiscal Year 2022 Expenditures</b>						
Salaries, Wages and Fringe Benefits	\$70,996,216	\$18,191,056	\$83,556,398	\$72,260,409	\$20,122,421	81.2%
Technical and Special Fees	843,722	1,785,885	7,634,292	2,225,686	1,323,118	4.2%
Operating Expenses	9,822,546	3,809,430	18,482,793	11,246,506	4,408,413	14.6%
<b>Total</b>	<b>\$81,662,484</b>	<b>\$23,786,371</b>	<b>\$109,673,483</b>	<b>\$85,732,601</b>	<b>\$25,853,952</b>	
<b>Fiscal Year 2022 Funding Sources</b>						
General Fund	\$79,531,063	\$23,262,898	\$104,335,538	\$83,839,985	\$24,488,932	96.6%
Special Fund	10,525	163	2,247,153	121,271	947,904	1.0%
Federal Fund			26,551			0.0%
American Rescue Plan Act of '21	2,120,896	523,310	2,411,707	1771,345	417,116	2.2%
Reimbursable Fund			652,534			0.2%
<b>Total</b>	<b>\$81,662,484</b>	<b>\$23,786,371</b>	<b>\$109,673,483</b>	<b>\$85,732,601</b>	<b>\$25,853,952</b>	

Source: State financial and personnel records

<sup>1</sup> Prior to December 1, 2021, a hiring freeze resulted in certain positions being frozen. Frozen positions were unauthorized to be filled according to budgetary instructions from the Department of Budget and Management. Any position that is currently marked as frozen has not been filled since the freeze was lifted; however, these positions now are available to be filled.

## **Organizational and Audit Approach Changes**

Effective May 31, 2019, MDH transferred oversight of the SPHCs from the Behavioral Health Administration budgetary unit to the MDH Healthcare System under the MDH Operations Administration budgetary unit. In our previous audits of the SPHCs, we issued separate audit reports for each SPHC. In response to the change in oversight and to promote audit efficiency, we have consolidated our review of the SPHCs into one audit. Consequently, our audit report recommendations will be made to the MDH Healthcare System.

A listing of the most recent Office of Legislative Audits' fiscal compliance audits of MDH units performed during the current audit cycle can be found in Exhibit 1 of this report.

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

Our audit included a review to determine the status of the two findings contained in our preceding audit report of CTPHC dated March 17, 2020; the one finding contained in our preceding audit report of ESHC dated November 19, 2018; the four findings contained in our preceding audit report of SGHC dated April 22, 2020; the one finding contained in our preceding audit report of SHC dated December 6, 2018; and the one finding contained in our preceding audit report of TBFHC dated March 26, 2019.

As disclosed in Figure 3 on the following page, we determined that the SPHCs collectively satisfactorily addressed six of these nine findings. The remaining three findings are repeated in this report and appear as two findings.

**Figure 3**  
**Status of Preceding Findings**

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
<b>CTPHC</b>		
Finding 1	CTPHC did not adequately monitor its housekeeping vendor to ensure that services totaling approximately \$4.2 million were performed in accordance with the contract.	<b>Repeated</b> (Current Finding 2)
Finding 2	CTPHC did not reconcile the balance of its patient fund accounts with the corresponding records maintained by the Comptroller of Maryland.	<b>Repeated</b> (Current Finding 7)
<b>ESHC</b>		
Finding 1	ESHC did not have adequate procedures in place to ensure the propriety of time recorded by one individual into the Statewide Personnel System on behalf of numerous other employees.	Not repeated
<b>SGHC</b>		
Finding 1	The invitation for bid for the purchase of dietary equipment costing \$800,000 appeared to be tailored to a particular vendor.	Not repeated
Finding 2	SGHC circumvented State procurement regulations and MDH procurement policies by artificially dividing procurements for goods and services to keep them under certain solicitation and delegation thresholds. In addition, SGHC did not always competitively procure or verify amounts paid on certain purchases, resulting in certain questionable activity and overpayments.	Not repeated
Finding 3	SGHC hired six summer interns who were family members of SGHC employees, including a management employee involved in the intern-hiring process.	Not repeated
Finding 4	SGHC did not effectively safeguard and account for its collections and ensure collections were deposited.	<b>Repeated</b> (Current Finding 7)
<b>SHC</b>		
Finding 1	SHC did not procure fresh produce and certain medical supplies in accordance with State procurement regulations and MDH policies.	Not repeated
<b>TBFHC</b>		
Finding 1	TBFHC did not use an available statewide contract and/or competitively procure fuel and security equipment, in accordance with State regulations.	Not repeated

## Findings and Recommendations

### Purchases and Disbursements

#### **Finding 1**

**The State Psychiatric Hospital Centers (SPHCs) did not always use the appropriate payment method for certain contractual services.**

#### **Analysis**

The SPHCs did not always use the appropriate payment method for certain contractual services. Based on State records, our review of the approximately \$60.4 million in contractual service payments which were made during each SPHC's respective current audit period, disclosed that \$28.7 million or 47 percent were made using the direct payment method. The direct payment method, which was used by each of the five SPHCs, bypasses the critical automated document matching control found in other payment methods. Specifically, the direct payment method does not include the control of matching an invoice to the corresponding contract/purchase order prior to payment, to ensure amounts paid are consistent with the related contract and do not exceed contract maximums.

Our review of seven payments, using the direct payment method relating to three of the SPHCs and totaling approximately \$574,000, found that for five payments totaling \$455,300, the services were received and the amounts paid were consistent with the related contracts/purchase orders. The remaining two payments, totaling \$118,700 related to the housekeeping contract in which the related services were not adequately monitored (see Finding 2).

The Department of Information Technology's *Internal Control and Security Policy and Procedures Manual* restricts the direct payment method to specific types of transactions, such as utilities, tuition reimbursements, or travel. We determined that the aforementioned \$28.7 million payments did not include the allowable types of transactions.

#### **Recommendation 1**

**We recommend that the Maryland Department of Health (MDH) Healthcare System ensure that the SPHCs use the payment method that provides the most appropriate measure of processing controls in accordance with State policy.**

**Finding 2**

**Clifton T. Perkins Hospital Center (CTPHC) did not adequately monitor its housekeeping vendor to ensure that services totaling approximately \$2.1 million were performed in accordance with the related contract.**

**Analysis**

CTPHC did not adequately monitor its housekeeping vendor to ensure that services were performed in accordance with the contract. The services under the current vendor were procured by the Department of General Services (DGS) on behalf of CTPHC and covered the period of August 2019 through July 2024 for a total contract value of \$3.6 million. CTPHC is responsible for monitoring vendor performance by conducting inspections of housekeeping services, and for making the related vendor payments. As of June 30, 2022, expenditures on the contract to date totaled \$2.1 million.

- CTPHC could not document that it conducted the required inspections prior to December 2021 and did not perform 10 of 13 inspections for the period December 2021 through September 2022. Further, CTPHC personnel advised that the three inspections performed were not conducted in the presence of the vendor, which is contrary to contract requirements. Finally, when inspections were performed, CTPHC did not communicate problems identified during the inspections in writing to the vendor.
- CTPHC did not take action when the inspections identified that services were not being performed as required by the contract. Specifically, one inspection performed in August 2022 identified ten deficiencies, such as insufficient staffing, which CTPHC believed contributed to unsatisfactory performance. The contract provides for reducing the payments by two percent for any uncorrected or a repetitive deficiency. However, since the required routine inspections were not performed, CTPHC was unable to determine whether the deficiencies were ongoing (that is, repetitive) nor was it in a position to determine if payment reductions were warranted.

Similar conditions regarding inadequate monitoring of the prior housekeeping vendor were commented upon in our preceding CTPHC audit report. In response to that report, CTPHC indicated that it would establish procedures to perform monthly inspections in the presence of the vendor effective December 2019, develop a checklist to ensure that the vendor performs all tasks per the contract, and document communications with the vendor through a dedicated email address. We were advised by CTPHC personnel that procedures were not established, and the inspections were not implemented for the new vendor because of insufficient CTPHC staffing.

## **Recommendation 2**

**We recommend that the MDH Healthcare System ensure CTPHC adequately monitor its housekeeping vendor. Specifically, we recommend that the MDH Healthcare System ensure CTPHC**

- a. perform documented inspections of the housekeeping vendor in accordance with the contract to ensure all required services were provided (repeat),**
- b. report any deficiencies noted during the inspection to the vendor (repeat), and**
- c. apply the allowed two percent reduction on invoices for uncorrected or repetitive deficiencies.**

## **Pharmaceuticals**

### **Finding 3**

**The SPHCs did not ensure amounts paid for pharmaceutical purchases were in accordance with contract terms.**

### **Analysis**

The SPHCs did not ensure amounts paid for pharmaceutical purchases were consistent with the related contracts. According to State records, during each respective SPHC's current audit period, the SPHCs pharmaceutical expenditures totaled approximately \$20.2 million (see Figure 4). DGS entered into an intergovernmental cooperative purchasing agreement for pharmaceutical purchases which was utilized by each of the SPHCs. The rates charged to the SPHCs for pharmaceuticals were based on a price list in the vendor's system that changed weekly.

CTPHC, Eastern Shore Hospital Center (ESHC), Spring Grove Hospital Center (SGHC), and Springfield Hospital Center (SHC) did not determine the accuracy of pharmaceutical charges in accordance with the agreement's pricing process. Furthermore, although Thomas B. Finan Hospital Center (TBFHC) compared amounts billed to the vendor price list on a test basis, it did not document the actions taken when the vendor lacked support for the specific amounts billed. Our test of the 387 pharmaceuticals purchased for the month of June 2022 by all SPHCs, totaling approximately \$430,100, disclosed that 144 pharmaceuticals with billed charges totaling \$115,000 (27 percent) could not be verified for accuracy because the SPHCs did not obtain a complete price list weekly from the vendor. The \$115,000 included charges from each of the five SPHCs. For example, two SPHCs made 15 purchases of one medicine, with an average charge of \$852 per dose totaling approximately \$12,800, without the price of the specific medicine being listed on the price list. Since the SPHCs did not adequately compare the accuracy of prices charged, they were unaware that price lists were incomplete. The Comptroller of Maryland's *Accounting Procedures Manual* requires the establishment of sufficient internal controls over disbursements including the verification of invoice documentation to procurement documents to ensure the propriety of billings.

**Figure 4**  
**SPHC Pharmaceutical**  
**Expenditures**  
**During Current Audit**  
**Periods**

Hospital Center	Pharmaceutical Purchases
CTPHC	\$4,603,951
ESHC	1,846,722
SGHC	5,838,653
SHC	5,859,360
TBFHC	2,007,258
<b>Total</b>	<b>\$20,155,944</b>

Source: State financial records

### **Recommendation 3**

**We recommend that the MDH Healthcare System**

- a. ensure that amounts paid by SPHCs for pharmaceutical purchases are in accordance with the related contract, including comprehensive weekly vendor price lists; and**
- b. document the actions taken when the vendor lacks support for the specific amounts billed.**



**Finding 4**

**The SPHCs had not established adequate controls over disposed controlled dangerous substances.**

**Analysis**

The SPHCs had not established adequate controls over disposed controlled dangerous substances (CDS). CDS are drugs or other substances that are tightly regulated by the federal government under the Controlled Substances Act because they may be abused or cause addiction including opioids, stimulants, depressants, hallucinogens, and anabolic steroids. When CDS are to be disposed (such as when no longer needed) they are removed from the SPHC inventory and picked up by a vendor who reimburses the SPHC for certain CDS. According to vendor records, during fiscal year 2022 the five SPHCs' expenditures for CDS totaled \$125,600.

We reviewed disposal of CDS at each of the five SPHCs and found that each SPHC had deficiencies in at least two key controls, such as employee access to CDS not being restricted (see Figure 5 on the following page). Consequently, there was a lack of assurance that all CDS was properly disposed and applicable reimbursements were received. For example, our test of five disposals at two SPHCs found that perpetual inventory records at one SPHC did not always document the removal of drugs reported by the vendor. At the other SPHC, inventory disposal records were not available to compare to vendor records of disposals.

**Figure 5**  
**Summary of Inadequate Internal Controls**

Description of Inadequate Internal Controls	Hospital Center				
	CTPHC	ESHC	SGHC	SHC	TBFHC
SPHC did not restrict access to CDS awaiting disposal	●	●	●		
SPHC did not maintain a list of CDS removed from inventory awaiting disposal	●		●		●
SPHC did not review vendor disposal records to ensure all CDS were accounted for.	●	●	●	●	●
SPHC did not verify that amount refunded by vendor for returned CDS was received and proper.	●	●	●	●	●
<b>Total Inadequate Internal Controls</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>3</b>

**Recommendation 4**

We recommend that the MDH Healthcare System establish comprehensive procedures and controls over disposed CDS. Specifically, we recommend that the MDH Healthcare Systems

- a. ensure that CDS are maintained in a secure, restricted location until collected by the vendor;
- b. maintain a comprehensive listing of CDS removed from inventory awaiting disposal and reconciled to vendor records; and
- c. ensure all applicable refunds are received and properly applied.

## Payroll

### **Finding 5**

**The SPHCs had not established adequate controls over payroll and leave adjustments processed on the Statewide Personnel System (SPS).**

### **Analysis**

The SPHCs had not established adequate controls over payroll and leave balance adjustments on the SPS. During the timeframe of each of the five SPHCs' respective audit periods, collectively the SPHCs processed 4,002 payroll adjustments (such as retroactive payroll payments) that changed employee pay by a total of approximately \$1.32 million (increase of \$1.2 million and decrease of \$120,000), and 5,238 leave adjustments (such as leave bank enrollments) that changed employee leave balances by 170,100 hours (increase of 118,900 hours and decrease of 51,200 hours).

- The SPHCs did not have a procedure to verify the propriety of payroll adjustments prior to or following submission to the MDH Office of Human Resources (OHR) for processing in SPS. Our test of 12 SPHC payroll adjustments (with at least one from each SPHC) totaling approximately \$153,300, disclosed that there was no documented independent review and approval for all 12 adjustments and no support for 6 of the adjustments totaling \$121,600. Our review of the remaining 6 payroll adjustments disclosed that the adjustments appeared proper.
- The SPHCs did not have a procedure to verify the propriety of leave balance adjustments made by SPHC employees directly in SPS or by OHR on behalf of the SPHCs. Our test of 11 leave balance adjustments for 3,197 hours processed by the SPHCs (with at least one from each SPHC) disclosed that there was no independent review documented for all adjustments tested and 4 adjustments totaling 836 hours were either not supported or were not corrected. For example, one person was awarded 632 hours of sick leave without support to justify the adjustment.

As a result of these conditions, there is a lack of assurance that the SPHCs' payroll and leave adjustments recorded in SPS were authorized adjustments. Prudent business practices dictate that a documented, independent review of payroll and leave adjustments should be made for validity, completeness, authorization, accuracy, and proper classification.

### **Recommendation 5**

**We recommend that the MDH Healthcare System establish procedures to**

- a. ensure that payroll and leave adjustments are reviewed and approved by independent supervisory personnel, and that this approval is documented;**
- b. independently verify SPS output reports of payroll and leave balance adjustments to ensure only authorized adjustments had been processed and investigate the propriety of discrepancies; and**
- c. maintain supporting documentation for payroll and leave adjustments.**

### **Finding 6**

**The SPHCs did not have adequate procedures to ensure the propriety of time recorded by timekeepers into SPS on behalf of direct care employees.**

### **Analysis**

The SPHCs did not have adequate procedures in place to ensure the propriety of time recorded by timekeepers in SPS on behalf of 1,411 direct care employees<sup>2</sup>. Direct care employees recorded their time on physical timesheets which were approved by their supervisors. These approved physical timesheets were provided to timekeepers to record in SPS, where they were subject to a final approval to ensure propriety of posting. However, individuals responsible for electronically approving the records posted to SPS did not review the physical timesheets as part of the review and approval process. Because of this condition, there was a lack of assurance that the time recorded in SPS for these employees was proper. According to the State's records, payroll-related expenditures of the SPHCs totaled approximately \$279 million during fiscal year 2022. In calendar year 2022 payroll expenditures related to direct care employees totaled approximately \$102.4 million.

We tested time entries for one pay period in fiscal years 2021 and 2022 for 18 direct care employees among the five SPHCs whose time was entered by a timekeeper. Our test disclosed 9 instances of unsupported differences, at four SPHCs, between hours recorded in SPS and the hours on the corresponding physical timesheet. For example, we noted 4 individuals with an additional combined 15.1 overtime hours added to SPS that were not supported by the physical timesheet (ranging from 0.5 hours to 7.25 hours). Applicable SPHC management personnel were unable to explain these differences. While these differences were relatively insignificant, they support the need for an adequate

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<sup>2</sup> Direct care employees are 24/7 shift workers who are in charge of taking care of the patients.

verification of time recorded by timekeepers to supporting documentation (supervisor approved physical timesheets).

#### **Recommendation 6**

**We recommend that the MDH Healthcare System**

- a. ensure that the individuals responsible for electronically approving the records posted to SPS review the approved physical timesheets as part of the review and approval process, and**
- b. review the aforementioned time records and take appropriate corrective action for any unsupported time posted to SPS.**

### **Cash Receipts and Patient Funds**

#### **Finding 7**

**Both SGHC and CTPHC had not established adequate accountability and control over certain collections and funds.**

#### **Analysis**

SGHC and CTPHC had not established adequate accountability and control over certain collections and funds. Consequently, errors or other discrepancies could occur without timely detection. Specifically, our review disclosed the following conditions:

#### Spring Grove Hospital Center (SGHC)

- SGHC did not perform documented independent verifications that collections were deposited using the initial record of receipt. Our test of collections for 15 days between April 2019 and April 2022, totaling approximately \$96,100, disclosed SGHC could not document that deposit verifications had been performed for any of the days tested. A similar condition regarding SGHC not using the initial record of receipt was commented upon in our three preceding SGHC audit reports dating back to 2012. In its response to the most recent report, SGHC stated a newly appointed Accounts Clerk Supervisor had begun to perform an independent verification; however, this position has been vacant as of August 2021 and SGHC did not assign this responsibility to other employees. The Comptroller of Maryland's *Accounting Procedure Manual* requires an independent verification of collections from the initial point of recordation to amounts deposited.
- SGHC did not establish sufficient accountability over and restrict access to collections. Specifically, separate cash drawers and individual userids were

not used by the two employees in the Patient Funds<sup>3</sup> Office to establish accountability over the funds received. In addition, checks received by mail and forwarded to the Patient Funds Office from other SGHC locations were left in an unsecured location accessible to any SGHC Finance Office employee prior to deposit preparation. Furthermore, collections were stored in an unlocked safe prior to deposit accessible to all 11 employees in the Finance Office. The aforementioned *Manual* requires separate cash drawers and other similar controls for each employee to affix individual responsibility and accountability over collections until deposit. The *Manual* also requires adequate facilities to store and safeguard collections until deposit.

Similar conditions were commented upon in our preceding SGHC audit report. In its response to that report, SGHC indicated that a separate secure cash drawer had been installed in the Patient Fund Office as of June 30, 2020 and it was preparing a policy for the use of separate cash drawers and userids. Further, SGHC responded that no more than three individuals would have access to the safe, implying it would be locked. As of March 2024, SGHC indicated that staff turnover in the Patient Fund Office has delayed implementation of a new policy.

According to State records, SGHC cash receipt collections processed during the audit period totaled \$2.7 million, including patient funds totaling \$386,800.

#### Clifton T Perkins Hospital Center (CTPHC)

CTPHC did not reconcile its patient fund accounts with the corresponding bank records, as required by the aforementioned *Manual*. Our review disclosed that, as of August 31, 2022, the aggregate patient fund account balance according to CTPHC's automated records (\$336,600) exceeded the corresponding bank records (\$286,800) by \$49,800. CTPHC could not readily explain this difference. In addition, CTPHC had not obtained the Comptroller of Maryland reports to reconcile with automated patient fund accounts and bank records. Consequently, assurance was lacking that CTPHC's patient fund records were accurate.

A similar condition was commented upon in our preceding audit report. In response to that finding CTPHC advised that it would continue to investigate differences and was continuing to perform monthly reconciliations. However, CTPHC was not able to provide documentation of reconciliations during our audit period.

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<sup>3</sup> Patient funds include amounts earned by or received on behalf of the SPHC's patients. Patients may use these funds for certain discretionary purchases or may direct the SPHC to pay the funds to third parties. It is the SPHC's responsibility to maintain accurate records on behalf of its patients.

**Recommendation 7**

**We recommend that the MDH Healthcare ensure that**

- a. SGHC perform an independent deposit verification for all collections using the initial record of receipt (repeat);**
- b. SGHC implement separate cash drawers and userids for all cashiers (repeat);**
- c. SGHC restrict access to collections prior to preparation of the deposit and restrict access to the safe to only those employees who require access to perform their assigned job duties (repeat); and**
- d. CTPHC reconcile the aggregate balance of its patient fund accounts with the corresponding records maintained by the bank and Comptroller of Maryland and investigate any differences, including the one noted above (repeat).**

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

We have conducted a fiscal compliance audit of the following units of the Maryland Department of Health (MDH):

- Clifton T. Perkins Hospital Center (CTPHC) for the period beginning May 15, 2019 and ending June 30, 2022,
- Eastern Shore Hospital Center (ESHC) for the period beginning May 21, 2018 and ending June 30, 2022,
- Spring Grove Hospital Center (SGHC) for the period beginning February 19, 2019 and ending June 30, 2022,
- Springfield Hospital Center (SHC) for the period beginning May 30, 2018 and ending June 30, 2022, and
- Thomas B. Finan Hospital Center (TBFHC) for the period beginning October 22, 2018 and ending June 30, 2022.

These units are collectively referred to as the State Psychiatric Hospital Centers (SPHCs).

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 respective SPHC'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 certain procurements and disbursements for operating expenditures, corporate purchasing cards, cash receipts, materials and supplies, and certain payroll activities. We also determined the status of the findings included in our preceding audit reports of CTPHC, ESHC, SGHC, SHC, and TBFHC.

Our audit did not include certain support services provided to the SPHCs by MDH - 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 - Office of the Secretary and Other Units.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period, as detailed above for the SPHCs audited, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of operations at the SPHCs. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us 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 revenue and 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.

We also extracted data from the controlled dangerous substances vendor for the purpose of testing disposals. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the 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.

Under the MDH Healthcare System, a part of the MDH Operations Administration, the SPHCs' 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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to the SPHCs, were considered by us during the course of this audit.

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 SPHCs' 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 SPHCs that did not warrant inclusion in this report.

The response from the MDH Healthcare System, on behalf of the SPHCs, 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.

**Exhibit 1**  
**Listing of Most Recent Office of Legislative Audits**  
**Fiscal Compliance Audits of Maryland Department of Health Units**  
**As of March 2024 (Page 1 of 2)**

Name of Audit		Programs Covered	Date of Most Recent Audit Report
1	Health Regulatory Commissions	<ul style="list-style-type: none"> <li>• Maryland Health Care Commission</li> <li>• Health Services Cost Review Commission</li> <li>• Maryland Community Health Resources Commission</li> </ul>	01/25/2024
2	Medical Care Programs Administration – Managed Care Program	Managed Care Program, known as HealthChoice including oversight of the nine private Managed Care Organizations	12/14/2023
3	Medical Care Programs Administration	Medical Care Programs Administration	11/02/2023
4	Office of the Secretary and Other Units	<ul style="list-style-type: none"> <li>• Office of the Secretary</li> <li>• Deputy Secretary and Executive Director for Behavioral Health</li> <li>• Deputy Secretary for Developmental Disabilities</li> <li>• Deputy Secretary for Public Health</li> <li>• Deputy Secretary for Health Care Financing and Chief Operating Officer</li> <li>• Deputy Secretary for Operations</li> </ul>	10/19/2023
5	Chronic Care Hospital Centers	<ul style="list-style-type: none"> <li>• Deer’s Head Center</li> <li>• Western Maryland Center</li> </ul>	5/10/23
6	Developmental Disabilities Administration	Developmental Disabilities Administration	10/26/22
7	Behavioral Health Administration and Medical Care Programs Administration - Administrative Service Organization for Behavioral Health Services	<ul style="list-style-type: none"> <li>• Behavioral Health Administration</li> <li>• Medical Care Programs Administration</li> <li>• Administrative Service Organization for Behavioral Health Services</li> </ul>	10/25/22
8	Intellectual Disabilities Residential Centers	<ul style="list-style-type: none"> <li>• Holly Center</li> <li>• Potomac Center</li> <li>• Secure Evaluation and Therapeutic Treatment Program</li> </ul>	10/24/22
9	Regional Institute for Children and Adolescents	<ul style="list-style-type: none"> <li>• John L. Gildner Regional Institute for Children and Adolescents</li> <li>• Regional Institute for Children and Adolescents – Baltimore</li> </ul>	07/13/22
10	Office of the Chief Medical Examiner	Office of the Chief Medical Examiner	05/12/22
11	Prevention and Health Promotion Administration Office of Population Health Improvement Office of Preparedness and Response, and Office of Provider Engagement and Regulation	<ul style="list-style-type: none"> <li>• Prevention and Health Promotion Administration</li> <li>• Office of Population Health Improvement</li> <li>• Office of Preparedness and Response</li> <li>• Office of Provider Engagement and Regulation – Office of Controlled Substances Administration</li> <li>• Office of Provider Engagement and Regulation – Prescription Drug Monitoring Program</li> </ul>	02/23/21
12	Regulatory Services	<ul style="list-style-type: none"> <li>• 22 Health Professional Boards and Commissions</li> <li>• The Office of Health Care Quality</li> </ul>	01/19/21
13	Vital Statistics Administration	Vital Statistics Administration	11/10/20

**Exhibit 1**  
**Listing of Most Recent Office of Legislative Audits**  
**Fiscal Compliance Audits of Maryland Department of Health Units**  
**As of March 2024 (Page 2 of 2)**

Name of Audit		Programs Covered	Date of Most Recent Audit Report
14	Pharmacy Services	Pharmacy Services for <ul style="list-style-type: none"> <li>• Medicaid Managed Care Program</li> <li>• Maryland Medicaid Pharmacy Program</li> <li>• Kidney Disease Program</li> <li>• Maryland AIDS Drug Assistance Program</li> <li>• Breast and Cervical Cancer Diagnosis and Treatment Program</li> </ul>	08/31/20
15	Laboratories Administration	Laboratories Administration	04/10/20

## APPENDIX



Wes Moore, Governor · Aruna Miller, Lt. Governor · Laura Herrera Scott, M.D., M.P.H., Secretary

May 15, 2024

Mr. Gregory A. Hook, CPA  
Legislative Auditor  
Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore, MD 21201

Dear Mr. Hook:

Enclosed, please find the responses to the draft audit report on the Maryland Department of Health – State Psychiatric Hospital Centers with the following units for the periods noted:

- Clifton T. Perkins Hospital Center (CTPHC) for the period beginning May 15, 2019, and ending June 30, 2022,
- Eastern Shore Hospital Center (ESHC) for the period beginning May 21, 2018, and ending June 30, 2022,
- Spring Grove Hospital Center (SGHC) for the period beginning February 19, 2019, and ending June 30, 2022,
- Springfield Hospital Center (SHC) for the period beginning May 30, 2018, and ending June 30, 2022, and
- Thomas B. Finan Hospital Center (TBFHC) for the period beginning October 22, 2018 and ending June 30, 2022.

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,



Laura Herrera Scott, MD, MPH  
Secretary

Enclosures

Erin K. McMullen, Chief of Staff, MDH  
Marie Grant, Assistant Secretary for Health Policy, MDH  
Emily Berg, Deputy Chief of Staff, MDH

Bryan I. Mroz, Deputy Secretary, Operations, MDH  
Frederick D. Doggett, Director, Internal Controls, Audit Compliance &  
Information Security, MDH  
Annie C. Olle, Director, State Hospital Administration  
Deneen Toney, Deputy Director, Audit & Compliance, MDH  
Carlean Rhames-Jowers, Audit Supervisor, Internal Controls, Audit Compliance &  
Information Security, MDH

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**Purchases and Disbursements**

**Finding 1**

**The State Psychiatric Hospital Centers (SPHCs) did not always use the appropriate payment method for certain contractual services.**

**We recommend that the Maryland Department of Health (MDH) Healthcare System ensure that the SPHCs use the payment method that provides the most appropriate measure of processing controls in accordance with State policy.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 1	Agree	Estimated Completion Date:	7/1/23
Please provide details of corrective action or explain disagreement.	<p>The MDH Healthcare System has developed additional training for staff as well as regular reviews by the Healthcare System Chief Financial Officer to ensure proper processing of payments in accordance with the State Policy.</p> <p>Additionally, the MDH Healthcare System Chief Financial Officer meets with the individual facilities' fiscal team each month to provide guidance, review processes, and to provide training and technical assistance as needed. Included in these monthly team meetings is a check to ensure that State policy procedures are being followed. A checklist for the facilities' fiscal teams has been developed to ensure that financial tasks are completed appropriately each month. Quarterly</p>		

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	operations reviews take place with each facility to ensure financial procedures are being followed and process control is in place.
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**Finding 2**

**Clifton T. Perkins Hospital Center (CTPHC) did not adequately monitor its housekeeping vendor to ensure that services totaling approximately \$2.1 million were performed in accordance with the related contract.**

**We recommend that the MDH Healthcare System ensure CTPHC adequately monitor its housekeeping vendor. Specifically, we recommend that the MDH Healthcare System ensure CTPHC**

- a. perform documented inspections of the housekeeping vendor in accordance with the contract to ensure all required services were provided (repeat),**
- b. report any deficiencies noted during the inspection to the vendor (repeat), and**
- c. apply the allowed two percent reduction on invoices for uncorrected or repetitive deficiencies.**

<b>Agency Response</b>			
<b>Analysis</b>	<b>Factually Accurate</b>		
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 2a</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>9/30/22</b>



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<b>Please provide details of corrective action or explain disagreement.</b>	Routine inspections to assess vendor performance are occurring, including rounding and cleanliness checks by the environment of care department. The MDH Healthcare System in coordination with CTPHC will continue to monitor vendor performance as required by the contract and the Maryland Procurement Manual and ensure that these inspections are documented in accordance with the contract.		
<b>Recommendation 2b</b>	Agree	<b>Estimated Completion Date:</b>	9/30/22
<b>Please provide details of corrective action or explain disagreement.</b>	Routine inspections to assess vendor performance are occurring. The MDH Healthcare System in coordination with CTPHC will continue to monitor vendor performance as required by the contract and the Maryland Procurement Manual and ensure that these inspections are documented in accordance with the contract. Any deficiencies will be reported to the vendor.		
<b>Recommendation 2c</b>	Agree	<b>Estimated Completion Date:</b>	9/30/23
<b>Please provide details of corrective action or explain disagreement.</b>	The steps outlined above that the MDH Healthcare System has in place ensures that the vendor is notified of any deficiencies. If deficiencies are identified the 2% reductions will be applied.		

**Pharmaceuticals**

**Finding 3**

**The SPHCs did not ensure amounts paid for pharmaceutical purchases were in accordance with contract terms.**

**We recommend that the MDH Healthcare System**

- a. ensure that amounts paid by SPHCs for pharmaceutical purchases are in accordance with the related contract, including comprehensive weekly vendor price lists; and**

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- b. document the actions taken when the vendor lacks support for the specific amounts billed.

Agency Response			
<b>Analysis</b>	<b>Factually Accurate</b>		
Please provide additional comments as deemed necessary.			
<b>Recommendation 3a</b>	Agree	<b>Estimated Completion Date:</b>	8/1/23
Please provide details of corrective action or explain disagreement.	<p>The Chief Financial Officer of the MDH Healthcare System will assist with monitoring this pharmacy contract for the SPHCs. The CFO will review invoices for accuracy against the contract before approving invoices for payment.</p> <p>Up until April 1, 2021 all pharmacy vendor invoices were audited by a 3rd party vendor. The contract was not renewed.</p> <p>The SPHC invoice auditing process is done in-house by the pharmacy program in conjunction with the facility's fiscal team. Invoiced prices charged are compared with the contracted price. If a discrepancy is found, the team works with the pharmacy vendor to resolve the discrepancy. This follow up is tracked via spreadsheet and can be supplied.</p> <p>Starting August 2023, the MDH facilities started receiving a monthly report of the pricing audit conducted by the SPHCs. This will be reviewed by the Pharmacy, fiscal departments, and MDH Healthcare System CFO.</p>		
<b>Recommendation 3b</b>	Agree	<b>Estimated Completion Date:</b>	10/1/24

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<b>Please provide details of corrective action or explain disagreement.</b>	The MDH Healthcare System is currently developing a standard operating procedure to ensure documentation of the actions taken when the vendor lacks support for the specific amounts billed.
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**Finding 4**

**The SPHCs had not established adequate controls over disposed controlled dangerous substances.**

**We recommend that the MDH Healthcare System establish comprehensive procedures and controls over disposed CDS. Specifically, we recommend that the MDH Healthcare Systems**

- a. ensure that CDS are maintained in a secure, restricted location until collected by the vendor;**
- b. maintain a comprehensive listing of CDS removed from inventory awaiting disposal and reconciled to vendor records; and**
- c. ensure all applicable refunds are received and properly applied.**

<b>Agency Response</b>			
<b>Analysis</b>	<b>Factually Accurate</b>		
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 4a</b>	Agree	<b>Estimated Completion Date:</b>	10/1/24
<b>Please provide details of corrective action or explain disagreement.</b>	The MDH Healthcare System SPHCs,, will document a procedure that ensures controlled dangerous substances (CDS) that are expired/damaged are removed from inventory and recorded in control substance logs both on physical paper and/or electronically. The CDS that are expired/damaged are stored in a locked area within the pharmacy in a		

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	separate location from the non-expired/damaged inventory until it can be collected by the vendor. The SPHCs will all ensure appropriate access control to all CDS and will ensure only appropriate personnel have access to such areas.		
<b>Recommendation 4b</b>	Agree	<b>Estimated Completion Date:</b>	10/1/24
<b>Please provide details of corrective action or explain disagreement.</b>	The MDH Healthcare System, including SPHCs, will maintain a comprehensive listing (including drug name, strength, dosage form, and quantity) of CDS removed from inventory awaiting disposal and reconciled to vendor records. All CDS are recorded upon receipt from the supplier into inventory both electronically and/or physically. All CDS are checked monthly by rotating staff for accurate inventory and recorded. When CDS is removed from inventory, it is recorded both physically and/or electronically by two separate staff members and placed out of normal inventory until it can be picked up by the vendor. The vendor's website is available to track the product's return & refund status, if applicable (received, processed, invoiced, credited, destroyed). The removal from inventory is confirmed with the vendor who provides a listing when the CDS is picked up for disposal. The pharmacy list and the vendor list are both reviewed and reconciled by the pharmacy.		
<b>Recommendation 4c</b>	Agree	<b>Estimated Completion Date:</b>	10/1/24
<b>Please provide details of corrective action or explain disagreement.</b>	The MDH Healthcare System SPHCs will document a procedure that ensures that all CDS that have been separated from normal inventory are currently logged both physically and/or electronically until disposal vendor arrives. At that time, the vendor will count all CDS, reconcile and invoice against records in the pharmacy, then CDS are secured in a shipping container and sent out to the vendor. For all schedule 2 medications, a DEA 222 record is generated at the time of transfer to the vendor. All other CDS records are also generated at the time of shipping and kept both physically and/or electronically. Once the vendor receives inventory, CDS is recorded as received and maintained until disposal or credit occurs. Pharmacy keeps copies of records for disposal/credits both physically and/or electronically and the Fiscal office keeps records of		

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	any credit invoices on file as well. Once the pharmacy receives the credit invoice from the vendor, this invoice is forwarded to Fiscal. Fiscal completes a reconciliation between the invoices.
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**Payroll**

**Finding 5**

**The SPHCs had not established adequate controls over payroll and leave adjustments processed on the Statewide Personnel System (SPS).**

**We recommend that the MDH Healthcare System establish procedures to**

- a. ensure that payroll and leave adjustments are reviewed and approved by independent supervisory personnel, and that this approval is documented;**
- b. independently verify SPS output reports of payroll and leave balance adjustments to ensure only authorized adjustments had been processed and investigate the propriety of discrepancies; and**
- c. maintain supporting documentation for payroll and leave adjustments.**

<b>Agency Response</b>			
<b>Analysis</b>	<b>Factually Accurate</b>		
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 5a</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>10/1/2024</b>

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<b>Please provide details of corrective action or explain disagreement.</b>	<p>The MDH Office of Human Resources has recently created and implemented standard operating procedures at the Headquarters level for leave and payroll adjustment review. The SOPs fully cover the review of all such adjustments by HQ Payroll supervisory personnel and leadership (up to and including the Chief of Payroll). Payroll leadership reviews all such transactions and audits the documentation for leave adjustments in a 10% random sampling. This sampling percentage is consistent with general auditing practices. All documentation for pay adjustments are reviewed by Payroll leadership. These reviews are documented in shared drives for future review and auditing as necessary. Rollout of these policies and procedures to the healthcare facilities is imminent, and after an implementation period allowing for minor adjustments each individual facility may have, will be in effect at the facility level. Payroll leadership of each facility will be conducting the reviews as described above and will be documenting appropriately. MDH HQ Payroll will conduct random audits of the facilities to ensure compliance.</p>		
<b>Recommendation 5b</b>	Agree	<b>Estimated Completion Date:</b>	10/1/2024
<b>Please provide details of corrective action or explain disagreement.</b>	<p>The MDH Office of Human Resources will independently verify SPS output reports of payroll and leave balance adjustments to ensure only authorized adjustments had been processed and investigate the propriety of discrepancies. In addition, the MDH Office of Human Resources will ensure documentation will be stored for all such payroll and leave adjustments. As part of the supervisory review process above, documentation for these adjustments will be reviewed secondarily by payroll leadership in each facility, and, through random sampling, at MDH HQ Payroll.</p>		
<b>Recommendation 5c</b>	Agree	<b>Estimated Completion Date:</b>	10/1/2024
<b>Please provide details of corrective action or explain disagreement.</b>	<p>The MDH Office of Human Resources will ensure documentation will be stored for all such payroll and leave adjustments. As part of the supervisory review process above, documentation for these adjustments will be reviewed secondarily by payroll leadership in each facility, and, through random sampling, at MDH HQ Payroll.</p>		

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**Finding 6**

**The SPHCs did not have adequate procedures to ensure the propriety of time recorded by timekeepers into SPS on behalf of direct care employees.**

**We recommend that the MDH Healthcare System**

- a. ensure that the individuals responsible for electronically approving the records posted to SPS review the approved physical timesheets as part of the review and approval process, and**
- b. review the aforementioned time records and take appropriate corrective action for any unsupported time posted to SPS.**

<b>Agency Response</b>			
<b>Analysis</b>	<b>Factually Accurate</b>		
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 6a</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>10/1/2024</b>
<b>Please provide details of corrective action or explain disagreement.</b>	MDH Payroll HQ will be issuing communications to each MDH Healthcare System facility requiring the development and submission of an SOP or other equivalent policy which includes mandatory review of physical timesheets by payroll approvers in facilities. To allow for individual facility operational differences, each facility may present a process which works best for them, providing it meets all standards set by MDH Payroll HQ, including the above-mentioned maintenance and usage of physical timesheets by timekeepers and timekeeper approvers. All such timesheets will be properly stored for future review and audit as necessary.		
<b>Recommendation 6b</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>10/1/2024</b>

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<b>Please provide details of corrective action or explain disagreement.</b>	The MDH Healthcare System facilities will conduct a review of the potential erroneous timesheet approvals with MDH HQ Payroll oversight. Should erroneous payments be discovered, MDH HQ Payroll will, in tandem with the facility, take the appropriate corrective action to recover funds as required.		

**Cash Receipts and Patient Funds**

**Finding 7**

**Both SGHC and CTPHC had not established adequate accountability and control over certain collections and funds.**

**We recommend that the MDH Healthcare ensure that**

- a. SGHC perform an independent deposit verification for all collections using the initial record of receipt (repeat);**
- b. SGHC implement separate cash drawers and userids for all cashiers (repeat);**
- c. SGHC restrict access to collections prior to preparation of the deposit and restrict access to the safe to only those employees who require access to perform their assigned job duties (repeat); and**
- d. CTPHC reconciles the aggregate balance of its patient fund accounts with the corresponding records maintained by the bank and Comptroller of Maryland and investigate any differences, including the one noted above (repeat).**



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Agency Response			
<b>Analysis</b>	<b>Factually Accurate</b>		
Please provide additional comments as deemed necessary.			
<b>Recommendation 7a</b>	Agree	<b>Estimated Completion Date:</b>	6/30/24
Please provide details of corrective action or explain disagreement.	The task of independent deposit verification for all collections using the initial record of receipt will be assigned to the individual in the Accountant II position in the Finance department. The position was filled on January 10, 2024. All FY 2023 and FY 2024 verification processes will be completed as of 06/30/2024 <sup>3</sup>		
<b>Recommendation 7b</b>	Agree	<b>Estimated Completion Date:</b>	7/14/23
Please provide details of corrective action or explain disagreement.	The Finance Department has documented a procure to ensure the following controls are implemented and maintained. SGHC has multiple lockable cash drawers at the Finance department. One cashier in the Cash Receipts section of the department handles cash/drawers. A separate secure cash drawer, with an imprest cash/change funds for four hundred dollars (\$400), is kept in the safe. On an as needed basis the backup cashier at the patient cash window can access it. Separate user IDs are used by the cashiers operating the independent program for the patient accounting.		
<b>Recommendation 7c</b>	Agree	<b>Estimated Completion Date:</b>	4/30/24
Please provide details of corrective action or explain disagreement.	Currently all checks received for deposits are secured in the cash drawers, restricting unauthorized access until deposited to the bank. The newly hired Office Secretary III now receives all mailed in collections, endorse, and record them in the check log and deliver them to the cashier for further processing for the bank deposit.		
<b>Recommendation 7d</b>	Agree	<b>Estimated Completion Date:</b>	06/30/24

**Maryland Department of Health –  
State Psychiatric Hospital Centers**

**Clifton T. Perkins Hospital Center  
Eastern Shore Hospital Center  
Spring Grove Hospital Center  
Springfield Hospital Center and  
Thomas B. Finan Hospital Center**

**Agency Response Form**

<b>Please provide details of corrective action or explain disagreement.</b>	The MDH Healthcare System in coordination with CTPHC reconciles the balance and provides an adjustment journal entry to reconcile the aggregate balance maintained by the bank and the Comptroller. Reconciliation was completed and CTPHC will ensure monthly balance reconciliation with the bank records and the comptroller records. Also, CTPHC has reconciled the aggregate balance of its patient fund accounts with the corresponding records maintained by the bank and Comptroller of Maryland as at 12/31/22 and 12/31/2023. An investigation of the differences from 2020 through 2022 is still ongoing, after the investigation a JE will be done in FMIS for the differences of \$62k before FY24 closeout.
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