

Audit Report

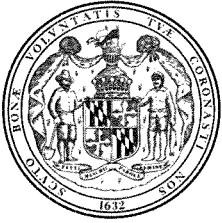
**Department of Health and Mental Hygiene
Western Maryland Hospital Center**

November 2012



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

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Executive Director

November 2, 2012

Bruce A. Myers, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Western Maryland Hospital Center (WMHC) of the Department of Health and Mental Hygiene for the period beginning July 1, 2009 and ending May 6, 2012. WMHC provides chronic care and treatment to patients requiring a hospital-level rehabilitation program, long-term nursing home care, and inpatient and outpatient renal dialysis services.

Our audit did not disclose any findings that warrant mention in this report.

We wish to acknowledge the cooperation extended to us during the course of this audit by WMHC.

Respectfully submitted,

A handwritten signature in black ink that reads "Thomas J. Barnickel III".

Thomas J. Barnickel III, CPA
Acting Legislative Auditor

Background Information

Agency Responsibilities

The Western Maryland Hospital Center (WMHC), which is located in Hagerstown, provides chronic care and treatment to patients requiring a hospital-level rehabilitation program, long-term nursing home care and inpatient and outpatient renal dialysis services for the residents of Maryland. During fiscal year 2012, WMHC had a licensed capacity for 123 inpatients and an average daily population of 61 inpatients. WMHC is accredited by The Joint Commission (formerly the Joint Commission on Accreditation of Healthcare Organizations). According to the State's records, WMHC's expenditures totaled approximately \$23.9 million during fiscal year 2012.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the six findings contained in our preceding audit report dated April 23, 2010. We determined that WMHC satisfactorily addressed all six of the findings.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of WMHC's internal control. Nor did our audit disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

A draft copy of this report was provided to WMHC. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have audited Western Maryland Hospital Center (WMHC) of the Department of Health and Mental Hygiene (DHMH) for the period beginning July 1, 2009 and ending May 6, 2012. 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 WMHC's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by our audit included cash receipts, pharmaceuticals, equipment, working funds, patient funds, procurements, disbursements, and payroll. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of WMHC's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include billing and collection support services provided to WMHC by Deer's Head Center for renal dialysis and by DHMH's Division of Reimbursement for inpatient/outpatient care services. These support services are included in the scope of our audits of the Deer's Head Center and DHMH Office of the Secretary.

WMHC'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 the 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.

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