

AUDIT REPORT

Not-for-Profit Hospital Corporation
Management Recommendations
Fiscal Year 2024
OIG No. 24-1-25HW(a)

January 31, 2025



DANIEL W. LUCAS
INSPECTOR GENERAL



OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.






DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

To: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas 
Inspector General

Date: January 31, 2025

Subject: **Not-for-Profit Hospital Corporation Management
Recommendations**
OIG No. 24-1-25HW(a)

This memorandum transmits the final report *Not-for-Profit Hospital Corporation Management Recommendations* for fiscal year 2024. McConnell Jones, LLP (MJ) provided this report to the Office of the Inspector General as part of the annual audit of the District of Columbia's general-purpose financial statements for fiscal year 2024.

On January 3, 2025, MJ issued one recommendation intended to improve the effectiveness of internal controls over Not-for-Profit Hospital Corporation (NPHC) operations and programs. When addressed, this improvement can increase assurances that the agency runs its operations efficiently and effectively, reports reliable operational information, and complies with applicable laws and regulations.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

**NOT-FOR-PROFIT HOSPITAL CORPORATION
DBA UNITED MEDICAL CENTER
(A Blended Component Unit of the Government of
the District of Columbia)**

MANAGEMENT RECOMMENDATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2024



McConnell Jones

January 3, 2025

To the Mayor, Members of the Council of the District of Columbia,
the Executive Director, and the Executive Board of
the District of Columbia Not-for-Profit Hospital Corporation and
the Inspector General of the District of Columbia

In planning and performing our audit of the financial statements of the District of Columbia Not-for-Profit Hospital Corporation, commonly known as United Medical Center (“the Medical Center”), a blended component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Medical Center’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain matters involving the internal control and other operational matters, which are summarized below.

Our findings and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We believe that the implementation of these recommendations will provide the Medical Center with a stronger system of internal control while also making its operations more efficient. The successor auditor will review the implementation status of our findings and recommendations during the next audit engagement.

This letter does not affect our independent auditor’s report, or our report issued under *Government Auditing Standards*, dated January 3, 2025, on the financial statements of the Medical Center.

This communication is intended solely for the information and use of management, Executive Board, others within the organization, the Mayor and members of the Council of the District of Columbia, and the Inspector General of the District of Columbia, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Washington, D.C.
January 3, 2025

5101 Wisconsin Ave., NW
Suite 210
Washington, DC 20016
Phone: 202.207.3570

WWW.MCCONNELLJONES.COM

TABLE OF CONTENTS

I. CURRENT YEAR FINDINGS

UMC 2024-001 – Ineffective Review of Capital Asset Depreciation Expense	2
---	---

I. CURRENT YEAR FINDINGS

NOT-FOR-PROFIT HOSPITAL CORPORATION (DBA UNITED MEDICAL CENTER)

Finding UMC 2024-001 – Ineffective review of capital asset depreciation expense.

The Medical Center is required to conduct multiple reviews, authorizations, monitoring and reconciliations to ensure the information presented in its basic financial statements represent its underlying books and records, in accordance with its Financial Reporting Cycle – Year End Policy number; CFO 1002.

During our testing of capital assets depreciation, we found that the total fiscal year 2024 capital assets depreciation was understated, which resulted in an overstatement of capital assets. We proposed an adjusting entry, which the Medical Center booked, to correct the understatement of depreciation.

Management did not perform adequate review procedures during the financial statement close process, resulting in the depreciation for the impacted assets being calculated using the incorrect useful life. As a result, there is a risk that the Medical Center's financial statements and disclosures may not be fairly stated.

Recommendation

Management should strengthen their financial monitoring controls in order to ensure that adequate review and approval is completed.

Management Response

Management concurred with the finding and recommendation and noted it was due to a clerical error.

REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.

 (202) 724-TIPS (8477) and (800) 521-1639

 <https://oig.dc.gov>

 oig@dc.gov

