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TMH accepts 2009 audit

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It was no ordinary year for The Memorial Hospital in 2009, and Certified Public Accountant Mike Rowe, of Stockman Kast Ryan, didn't expect an ordinary financial audit.

The cost abnormalities of moving into a new \$42.6 million facility, as well as heavy turnover in the financial department, caused a few deficiencies in the audit, Rowe said as he presented the audit to the TMH board at its monthly meeting Wednesday.

But, he touted TMH for its compliance and material strength throughout the process.

"We got full cooperation from all the staff and had full access to anything we asked for," said Rowe, prefacing his presentation to the board. "We had some unique challenges this year in finance with the construction of the facility and your regulatory agreement. But, we did get through it and we have a few findings but

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none that are material weaknesses or compliance issues, which is important.”

TMH board members accepted the audit in a 6-0 vote.

Obvious changes in the audit from 2008 to 2009 were reflected by TMH's capital assets and long-term debt, both of which can be attributed to the new facility, which was completed and moved into ahead of schedule in November 2009.

Capital assets increased from \$17.8 million to more than \$47 million, however the debt increased accordingly, reaching \$36 million by the end of 2009.

Despite these adjustments, Rowe said the hospital's net assets remained relatively steady from 2008 to 2009, decreasing by \$111,000.

On a positive note, Rowe said TMH made improvements in collecting on patient accounts and increased its patient service revenue by 9 percent.

The audit identified three “significant deficiencies,” which Rowe said are common among hospital financial audits.

First, the audit report states the hospital did not adjust employee health insurance accruals on a periodic basis, and an adjustment was made during the audit.

Second, the loan for the new hospital was guaranteed by the U.S. Department of Housing and Urban Development, which requires certain financial reporting practices throughout the year. Rowe said some of these practices were not met.

Also, the Facilities Corporation failed to enter capital asset acquisitions into the hospital's appropriate software.

However, the final two issues can both be attributed to turnover in the financial department, which went through three controllers and two chief financial officers in 2009.

Chief financial officer Bryan Chalmers started at TMH just weeks before the hospital move in November.

Rowe said the changes in personnel, as well as the difficulty and time consuming nature of the hospital move, could account for some of the deficiencies.

“Transitioning to a new hospital, it takes a little bit to get it filled up and get operations going,” Rowe said.

As for the one significant deficiency found in 2008’s audit, the report said TMH implemented the recommendations appropriately in 2009.

In other action, The Memorial Hospital board:

- Approved, 6-0, a 2009 Medicare cost report provided by Don Hoerl, an accountant based in Colorado Springs. TMH is slated to receive \$541,599 in reimbursements from Medicare and \$15,340 from Medicaid.
- Approved, 6-0, a recommendation by the finance committee to sign a two-year lease for the TMH Rehab Center to retain its physical therapy space in Centennial Mall. Rent will cost \$1,278.25 per month for the first year and \$1,339.20 per month for the second.
- Heard an annual status report from Quorum Health Resources representative Mitch Edgeworth. Edgeworth sought to put a tangible dollar amount on the benefits QHR provides for its clients. TMH paid QHR \$263,791 in 2009.

The report estimated QHR services at a value of \$1.7 million for enhancing revenue and cash flow, expense reduction and Medicare and Medicaid compliance.