

**STATE OF WEST VIRGINIA**

**AUDIT REPORT**

**OF**

**PINECREST HOSPITAL**

**FOR THE PERIOD**

**JULY 1, 1983 - JUNE 30, 1985**



**OFFICE OF THE LEGISLATIVE AUDITOR**

**CAPITOL BUILDING**

**CHARLESTON, WEST VIRGINIA 25305-0610**

PINECREST HOSPITAL

AUDIT REPORT

JULY 1, 1983 - JUNE 30, 1985



**LEGISLATIVE AUDITOR**

**CHARLESTON**

The Joint Committee of Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of Pinecrest Hospital.

Our examination covers the period July 1, 1983 through June 30, 1985. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

  
Theodora L. Shanklin, CPA, Director  
Legislative Postaudit Division

TLS/ela

PINECREST HOSPITAL

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PINECREST HOSPITAL  
EXIT CONFERENCE

We held an exit conference on October 2, 1989 with the Director of the Financial Services Division, Director of Accounting and Assistant Director of Accounting of the West Virginia Department of Health and Human Resources Division of Health and various representatives of Pinecrest Hospital. All findings and recommendations were reviewed and discussed. The above officials' responses are included in italics in the Summary of Findings, Recommendations and Responses and in the General Remarks sections of this report.

## PINECREST HOSPITAL

### INTRODUCTION

Located in Raleigh County, Pinecrest Hospital was authorized by an Act of the Legislature in 1927 and opened in March 1930. Pinecrest Hospital provides comprehensive geriatric services to residents requiring intermediate care as well as services for those persons in need of custodial care. Pinecrest offers a wide range of services for the residents including physical therapy, speech therapy, audiology services and dental services. Pinecrest also offers respite care for those persons in need of temporary medical care. Precedence for admission to the facility is given to applicants who are legal residents of West Virginia and to those who are unable to pay for care in private nursing homes. Although, Pinecrest is primarily a long-term care facility, it is also the only State Facility to provide an inpatient unit for tubercular patients.

Renovations to "C" unit were completed in June 1981, and the 93-bed unit was certified as an Intermediate Care Facility effective October 1, 1981, for participation in the Medicaid Program. During the 1982 Legislative Session, money was allocated for renovation, which began in June 1984, on "B" unit in order to meet Medicaid certification standards for an additional 107 beds.

Plans for the future at Pinecrest include offering a senior day care program and construction of a greenhouse to be utilized by both the residents of Pinecrest and by those persons participating in the senior day care program. In addition, it is hoped that "D" unit will be renovated into a 65-unit apartment complex for the elderly.

In the spring of 1983, vacant space in the building was made available to other agencies. Since that time Veterans Affairs, West Virginia Department of Human Services, United Fund, Consumer Credit Counseling, and the Hope Outreach Center have located on the grounds of Pinecrest. Environmental Health Regional Office is also located at Pinecrest.

PINECREST HOSPITAL  
IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS

In the prior audit covering the period from April 1, 1978 through June 30, 1983, there were nine recommendations. During the current audit period, we noted that two of the recommendations had not been fully implemented. These recommendations are listed below:

1. Cost of meals sold to employees in excess of related revenue.  
(See pages 11-13.)
2. Deficiency in Internal Control over cash receipts. (See pages 15-16.)

PINECREST HOSPITAL  
ADMINISTRATIVE OFFICERS AND STAFF

Kyle Baker . . . . . Administrator  
Jerri L. Hartsock . . . . . Assistant Administrator  
Jannette Drafton . . . . . Patient Advocate  
Dorothy Combs . . . . . Business Office Supervisor  
Pauline Clemons . . . . . Collections  
Catherine Bradberry . . . . . Accounts Payable  
Linda Walker . . . . . Purchases  
Margaret Godbey . . . . . Inventory Control



PINECREST HOSPITAL  
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

COMPLIANCE MATTERS

Noncompliance With West Virginia Code, Chapter 5,  
Article 8, Section 9

1. Certain records needed for our examination were either unavailable or were inadequate for audit purposes. These records included employee time sheets and leave records as well as control records for the Hospital's general revenue and special revenue accounts.

We recommend the Hospital comply with the West Virginia Code, Chapter 5, Article 8, Section 9.

*We are now in compliance with this audit recommendation. (See page 10.)*

Noncompliance With the West Virginia Code, Chapter 25,  
Article 1, Section 11, as amended, and Chapter 11, Article 21,  
Section 71

2. Employees were receiving emoluments by not paying the reasonable cost of meals, housing and utilities made available to them. Also, a review of events after June 30, 1985 showed maintenance employees were allowed to rent housing at the rate of \$1.00 per month in exchange for a minimum of 16 overtime hours per month. Records documenting such overtime were unavailable for our review and there was no withholding of taxes from wages exchanged for rent.

We recommend the Hospital comply with the West Virginia Code, Chapter 25, Article 1, Section 11 and Chapter 11, Article 21, Section 71.

*We will comply with this audit recommendation. (See pages 11-13.)*

Noncompliance With West Virginia Department of Health  
Financial Management Procedure No. 6046, October 21, 1983 -  
Patient Trustee Accounts Management Procedures

3. The Hospital is not complying with material aspects of West Virginia Department of Health Financial Management Procedure No. 6046 as follows:
- (1) Patient financial evaluation forms were not available for our review;
  - (2) Cash receipts and disbursement journals were not maintained for the Chronically Ill Patients' Account, the Recreation Account and the Canteen Account and financial statements were not prepared for these accounts; and,
  - (3) Cash receipts for patient trust funds and patient maintenance were commingled and not always deposited intact into the account in which the funds should have been placed.

We recommend the Hospital comply with West Virginia Department of Health Financial Management Procedure No. 6046.

*We will comply with this audit recommendation. (See pages 13-14.)*

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

Deficiency in Internal Control Over Cash Receipts

4. Mail containing cash receipts is not opened and prelisted by an employee with no other cash duties.

We recommend the Hospital improve internal controls over cash receipts.

*We are now in compliance with the audit recommendation. (See pages 15-16.)*

Deficiency in Internal Control Over Local Accounts  
Through Separation of Duties

5. We noted a lack of sufficient internal control over the local accounts as follows: (1) Pre-numbered checks and receipt forms are not used in the

Recreation Account; (2) Checks were made payable to cash from the Canteen Account; (3) Personal checks for employees and others were cashed from the Canteen Account and Chronically Ill Patients' Account; (4) The Hospital did not have on file all the necessary Department of Health Policies and Procedures; and, (5) Patient account ledger transactions are posted by the cashier.

We recommend the Hospital improve internal controls over the postings to patient trust accounts.

*We will comply with this audit recommendation. (See pages 16-17.)*

PINECREST HOSPITAL

GENERAL REMARKS

INTRODUCTION

We have completed a financial and compliance audit of Pinecrest Hospital. The audit covered the period July 1, 1983 through June 30, 1985.

APPROPRIATED ACCOUNTS

All expenditures required for the general operation of Pinecrest Hospital during the audit period were made from the following accounts:

<u>Number</u>	<u>Description</u>
4180-00 (1985) . . . . .	Personal Services
4170-00 (1984) . . . . .	Personal Services
4180-01 (1985) . . . . .	Current Expense
4170-01 (1984) . . . . .	Current Expense
4180-02 (1985) . . . . .	Repairs and Alterations
4170-02 (1984) . . . . .	Repairs and Alterations
4180-03 (1985) . . . . .	Equipment
4170-03 (1984) . . . . .	Equipment

SPECIAL REVENUE ACCOUNT

During the audit period, Pinecrest Hospital maintained the following special revenue accounts:

<u>Number</u>	<u>Description</u>
8237-06 . . . . .	Insurance Claims Refunds.
8500-05 . . . . .	Various Capital Improvement Projects for Institutions.
8500-08 . . . . .	Pinecrest Hospital Outlay and Renovation.
8500-12 . . . . .	Construction from Hospital Services Revenue.
8500-26 . . . . .	Contingency for Repairs and Alterations, Equipment, Emergency Services and Miscellaneous.
8500-34 . . . . .	Capital Outlay for Certifica- tion, Life, Safety and Energy.

9715-10 . . . . . Repair, Renovation and Equipment.

LOCAL ACCOUNTS

During the audit period, Pinecrest Hospital maintained several local accounts which are described as follows:

<u>Description</u>	<u>Purpose</u>
Chronically Ill Patients' Account . . . . .	Receives funds from or for patients for maintenance and personal care, interest earned, sale of meal tickets, rents and refunds to appropriations; disbursed for support of patients and transfer to State Treasury.
Collection Account . . . . .	Receives funds from refunds to appropriations and other sources for transfer to State Treasury.
Canteen Account . . . . .	Receives funds from sale of food and sundries; disbursed for merchandise for resale and for benefit of patients.
Recreation Fund Account . . . . .	Receives funds from donations and fund raising activities. Disbursements made to benefit all patients.

COMPLIANCE MATTERS

West Virginia Department of Health Instructions, Handbook of Purchasing Procedures, and West Virginia Code, Chapter 26, Articles 5, 10 and 11; Chapter 25, Article 1 generally govern Pinecrest Hospital. We tested applicable sections of the Department of Health Instructions, Handbook of Purchasing Procedures, and applicable chapters, of the West Virginia Code as they pertain to fiscal matters. Our findings follow:

Noncompliance With West Virginia Code, Chapter 5,  
Article 8, Section 9

West Virginia Code, Chapter 5, Article 8, Section 9 states in part:

"The head of each agency shall: . . . (b) make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency activities."

Sufficient supporting documentation was not available for our review in the following areas:

1. Hospital Appropriated and Special Revenue Account control records were inaccurate and incomplete;
2. Employee sick and annual leave records prepared prior to November 1, 1984 were not available for review; and,
3. Employee time sheets were not available for 16 of the 54 employees selected for our review.

We recommend the Hospital comply with Chapter 5, Article 8, Section 9 of the West Virginia Code.

*The facility has taken corrective action which is reflected by the current Fiscal Year 1988-89 records. The books have detailed budgetary control records that track budget amounts, transmittals and transmittal payments and encumbrances. The reports generated are by line item and transmittal listings are also listed. In addition, cost center departmental costs are tracked by computer as a spin-off of the budgetary control system.*

*The facility has taken corrective action. The Administrator has directed the business manager to maintain the records in a professional and timely order based on a procedures manual that lists the 2000 series of personnel related policies. Accurate records of employee sick and annual leave are kept in the files of the personnel supervisor and the clerical assistant.*

The present personnel supervisor has a complete and accurate record of all employee time sheets. All work is now being completed in a professional and timely manner.

Noncompliance With West Virginia Code, Chapter 25, Article 1, Section 11, as amended and West Virginia Code Chapter 11, Article 21, Section 71

West Virginia Code, Chapter 25, Article 1, Section 11, as amended, states:

"The superintendents, other officers, and employees of each of such institutions shall be paid salaries commensurate with their duties and responsibilities, but no meals or other emoluments of any kind shall be furnished, given or paid to such superintendents, officers, or employees as all or part of their salary; however, such superintendents, officers, and employees may be provided meals, household facilities and supplies as may be necessary for them to perform their duties, if such superintendents, officers, and employees agree to pay the reasonable cost thereof as established by the commissioner of public institutions . . . ."

1. Employees purchasing meals from the Hospital were, in our opinion, receiving emoluments in violation of the aforementioned section of the Code since we believe they were not paying the reasonable cost of meals made available to them.

A summary of estimated meal costs incurred and revenues collected by the Hospital for each meal sold to employees is shown as follows:

	<u>Estimated Cost and Revenue</u>	
	<u>For Each Meal for the</u>	
	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Estimated Food Costs	\$0.77	\$0.51
Estimated Labor Costs	<u>1.30</u>	<u>0.89</u>
Total Estimated Costs	2.07	1.40
Portion of Meal Cost Paid By Employee	<u>0.95</u>	<u>0.95</u>
Estimated Loss Per Meal	<u>\$1.12</u>	<u>\$0.45</u>

2. Employees renting housing from the Hospital were, in our opinion, receiving emoluments in violation of the aforementioned section of the Code since we believe they were not paying the reasonable cost of housing, utilities and services made available to them.

A summary of rental income, estimated utility costs and estimated loss is shown as follows:

<u>Fiscal Year</u>	<u>Total Rent Charged</u>	<u>Estimated Utility Cost</u>	<u>Estimated Loss</u>
1985	<u>\$8,105.00</u>	<u>\$11,088.11</u>	<u>(\$2,983.11)</u>
1984	<u>\$5,505.00</u>	<u>\$ 8,646.21</u>	<u>(\$3,141.21)</u>

The estimated costs associated with providing rental units includes only utilities. Had maintenance and other services provided been included, the losses could have been much greater.

In a review of events subsequent to the financial statement date, we noted maintenance employees being allowed to rent housing at the rate of \$1.00 per month with the understanding that each employee is required to work a minimum of 16 overtime hours per month. Records documenting such overtime were unavailable for our review and there was no withholding of taxes from wages exchanged for rent.

The above situation does not appear to comply with Chapter 11, Article 21, Section 71 of the West Virginia Code which states,

"Every employer maintaining an office or transacting business within this State and making payment of any wage taxable under this article to a resident or nonresident individual shall deduct and withhold from such wages for each payroll period a tax computed in such manner as to result, so far as practicable, in withholding from the employee's wages during each calendar year an amount substantially equivalent to the tax reasonable estimated to be due under this article resulting from the inclusion in the employee's West Virginia adjusted gross income of his wages received during such calendar year. . . ."

We recommend the Hospital comply with Chapter 25, Article 1, Section 11 and Chapter 11, Article 21, Section 71 of the West Virginia Code.

*The cost of employee meals shall be increased to equal the actual cost which will cover both the food costs and labor costs. This shall be implemented on November 1, 1989.*



*Effective October 1, 1989, the experimental procedure whereby Pinecrest Hospital was attempting to reduce expensive overtime in the maintenance department has been terminated. The individuals involved in the rental of Pinecrest Hospital housing shall henceforth be paying rent commensurate with actual cost.*

Noncompliance With West Virginia Department of Health  
Financial Management Procedure No. 6046, October 21, 1983 -  
Patient Trustee Accounts Management Procedures

Department of Health Financial Management Procedure No. 6046, dated October 21, 1983, was issued to provide facility administrators and employees with guidelines for the proper management and safeguarding of patient funds. The Hospital apparently had not complied with Procedure No. 6046 in the following areas.

Patient financial evaluation forms were not available for our review. Cash receipt and disbursement journals were not maintained for the Chronically Ill Patients' Account, the Recreation Account and the Canteen Account. Financial statements were not prepared for the above accounts and the employees responsible for the bookkeeping duties were performing bank reconciliations.

Cash receipts for patient trust funds and patient maintenance were commingled and not always deposited intact to the specific account for which such funds were received. Patient trust monies were to be deposited into the Chronically Ill Patients' Account and patient maintenance monies were to be deposited into the State Treasurer's remote deposit account. Since some checks received contained both trust and maintenance monies, checks were diverted into whichever account was necessary to create the correct deposit amount for each account. This practice destroyed the audit trail of funds received for deposit.

We recommend the Hospital comply with West Virginia Department of Health Financial Management Procedure No. 6046.

*Patient financial evaluation forms are being prepared on all residents of Pinecrest Hospital, as well as for new residents at the time of admission. All financial profiles will be updated on an annual basis.*

Sufficient separation of duties are as follows by account:

Recreation Fund:

Betty Harford, Cash Receipts  
Kathy Lilly, Cash Disbursements  
Larry Huffman, Reconciliations  
Iris Moran, Reconciliations

Trust Fund:

Kay Darby, Cash Disbursements  
Diana Way, Cash Receipts  
Larry Huffman, Reconciliations  
Iris Moran, Reconciliations

Canteen Fund:

Diana Way, Cash Receipts  
Kay Darby, Cash Disbursements  
Linda Smith, Purchasing  
Larry Huffman, Reconciliations  
Iris Moran, Reconciliations

A new procedure for depositing checks and cash received as payment for patients' maintenance and trust accounts has been implemented. Except for the miscellaneous account (e.g., rent, utilities), all monies are deposited into the patient trust account. A check is then written and deposited into the maintenance account.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As a part of our examination, we reviewed and tested the system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal

accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the period July 1, 1983 through June 30, 1985, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be weaknesses and are listed as follows.

#### Deficiency in Internal Control Over Cash Receipts

Pre-numbered cash receipt forms were not used for the Recreation Account and personal checks for employees and others were cashed from the Canteen and Chronically Ill Patients' Accounts. The check cashing function caused the Hospital to cash checks which were returned for non-sufficient funds.

For the Chronically Ill Patients' Account, Recreation Account and the Canteen Account, the mail was not opened by someone other than the person who performed the cashier function. Also, there was no record of receipts prepared by an employee independent of the cashier function.

We recommend sufficient internal controls be established over cash receipts for local accounts.

*Pre-numbered cash receipts are now being used for the Recreation Fund. Personal checks will no longer be cashed at Pinecrest Hospital effective with a September 19, 1989, memorandum distributed to all employees of the facility.*

*Mail for the Chronically Ill Patients' Account, Recreation Account and Canteen Account is being opened by the business manager of Pinecrest Hospital.*

Deficiency in Internal Control Over Local Accounts  
Through Separation of Duties

Transactions in the patients' trust account ledger were posted by the cashier who also reconciled the individual patient ledger cards to the control ledger and the control ledger to the local bank account records. All accounting duties for the Recreation Fund were performed by one person in the Recreation Department. There was insufficient separation of duties in the Recreation Department since this employee performed all of the following for the Recreation Fund; cash receipts, cash disbursements and bank reconciliations.

Accounting duties for the Canteen Account were performed by one person who operates the canteen. There was insufficient separation of duties in the canteen since this employee performed all of the following functions for the Canteen Account; cash receipts, cash disbursements, bank reconciliations and purchasing for the canteen. Because of insufficient separation of duties, the persons who controlled these functions could have diverted cash to personal use and concealed such diversion by unauthorized changes in records or documents under their control.

We recommend there be a sufficient separation of the functions noted above to assure an appropriate level of internal control.

*The facility is taking corrective action to separate financial functions to assure an appropriate level of internal control will be maintained.*

## INDEPENDENT AUDITORS' OPINION

The Joint Committee of Government and Finance:

We have audited the financial statement of Pinecrest Hospital for the years ended June 30, 1985 and June 30, 1984 as listed in the foregoing table of contents. The financial statement is the responsibility of the management of Pinecrest Hospital. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

During our examination, time sheets for a significant number of employees were unavailable for our review. Also, leave records for the period July 1, 1984 through October 31, 1984 were unavailable for our review. We were unable to apply alternative procedures to satisfy ourselves as to the fairness of the amounts shown as personal services expenditures.

As described in Note A, the financial statement was prepared on the cash and modified cash basis of accounting, which are comprehensive bases of accounting other than generally accepted accounting principles.

In our opinion, except for the effects, if any, of the unavailability for our review of certain employee time sheets and leave records referred to in paragraph three, the financial statement referred to above presents fairly, in all material aspects, the appropriations and expenditures, revenue collected and expenses paid and patient trust fund transactions of Pinecrest Hospital for the years ended June 30, 1985 and June 30, 1984 on the bases of accounting described in Note A.

Our examination was made for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statement and, in our opinion, except for the effects, if any, of the matters discussed in paragraph three above, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



Thedford L. Shanklin, CPA, Director  
Legislative Postaudit Division

May 5, 1989

Auditors: Leonard H. Lewis, Auditor-in-Charge  
Ronald F. Osmianski  
Thomas G. Diehl

PINECREST HOSPITAL  
 STATEMENT OF APPROPRIATIONS/CASH RECEIPTS EXPENDITURES/  
 DISBURSEMENTS AND CHANGES IN FUND BALANCES

	Year Ended June 30, 1985			Combined Totals
	General Revenue	Special Revenue	Trust Funds	
<b>Appropriation/Cash Receipts:</b>				
Appropriations	\$4,899,432.00	\$ -0-	\$ -0-	\$4,899,432.00
Trust Funds	-0-	-0-	169,333.82	169,333.82
Accounts Receivable				
Billings	-0-	3,186,228.45	-0-	3,186,228.45
Hospital Services				
Revenue	-0-	55,000.00	-0-	55,000.00
Insurance Claims Refunds	-0-	-0-	-0-	-0-
Interest	-0-	-0-	17,501.21	17,501.21
	<u>4,899,432.00</u>	<u>3,241,228.45</u>	<u>186,835.03</u>	<u>8,327,495.48</u>
<b>Expenditures/Disbursements:</b>				
Personal Services	3,177,874.16	-0-	-0-	3,177,874.16
Current Expenses	1,195,486.55	15,320.00	124,281.55	1,335,088.10
Repairs and Alterations	66,862.55	319,046.58	-0-	385,909.13
Equipment	12,753.35	24,066.71	-0-	36,820.06
General Revenue	-0-	-0-	40,967.55	40,967.55
Hospital Services				
Revenue Account	-0-	1,375,291.17	-0-	1,375,291.17
Exonerations	-0-	1,886,376.36	-0-	1,886,376.36
	<u>4,452,976.61</u>	<u>3,620,100.82</u>	<u>165,249.10</u>	<u>8,238,326.53</u>
Appropriations/Cash Receipts Over (Under) Expenditures/ Disbursements	446,455.39	(378,872.37)	21,585.93	89,168.95
Expenditures After June 30 and Expirations	<u>(446,455.39)</u>	<u>-0-</u>	<u>-0-</u>	<u>(446,455.39)</u>
	-0-	(378,872.37)	21,585.93	(357,286.44)
Beginning Balance	-0-	3,168,094.18	182,599.31	3,350,693.49
Ending Balance	<u>\$ -0-</u>	<u>\$2,789,221.81</u>	<u>\$ 389,466.30</u>	<u>\$2,993,407.05</u>

See Notes to Financial Statement

<u>General Revenue</u>	<u>Year Ended June 30, 1984</u>			<u>Combined Totals</u>
	<u>Special Revenue</u>	<u>Trust Funds</u>		
\$4,195,195.00	\$ -0-	\$ -0-	\$4,195,195.00	
-0-	-0-	230,787.16	230,787.16	
-0-	2,622,199.91	-0-	2,622,199.91	
-0-	90,300.00	-0-	90,300.00	
-0-	10,400.00	-0-	10,400.00	
-0-	-0-	11,534.92	11,534.92	
<u>4,195,195.00</u>	<u>3,535,599.91</u>	<u>242,322.08</u>	<u>7,973,116.99</u>	
2,704,672.77	-0-	-0-	2,704,672.77	
1,091,264.83	4,990.57	129,071.36	1,225,326.76	
69,408.81	29,524.43	-0-	98,933.24	
14,272.25	20,424.10	-0-	34,696.35	
-0-	-0-	74,257.13	74,257.13	
-0-	1,200,600.65	-0-	1,200,600.65	
-0-	1,217,586.76	-0-	1,217,586.76	
<u>3,879,618.66</u>	<u>2,473,126.51</u>	<u>203,328.49</u>	<u>6,556,073.66</u>	
315,576.34	1,062,473.40	38,993.59	1,417,043.33	
(315,576.34)	-0-	-0-	(315,576.34)	
-0-	1,062,473.40	38,993.59	-0-	
-0-	<u>2,105,620.78</u>	<u>143,605.72</u>	<u>2,249,226.50</u>	
<u>\$ -0-</u>	<u>\$3,168,094.18</u>	<u>\$ 182,599.31</u>	<u>\$3,350,693.49</u>	



PINECREST HOSPITAL

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 30-day carry-over period is provided at the end of the fiscal year ended June 30, 1985 and a 90-day carry-over period is provided at the end of the fiscal year ended June 30, 1984 for the payment of obligations incurred in those years. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 30 days after the fiscal year ended June 30, 1985 and 90 days after the fiscal year ended June 30, 1984; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by all other funds. Therefore, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Expenditures paid after June 30 during the carry-over period and expirations were as follows:

	<u>Expenditures</u>		<u>Expirations</u>	
	<u>Paid After June 30,</u> <u>1985</u>	<u>1984</u>	<u>July 31,</u> <u>1985</u>	<u>September 30,</u> <u>1984</u>
Personal Services	\$142,403.96	\$122,957.48	\$ 75,148.88	\$114,029.75
Current Expenses	191,456.60	64,690.18	25,243.85	5,886.99
Repairs and Alterations	4,059.34	2,076.81	708.11	144.38
Equipment	7,429.28	5,339.28	5.37	451.47
Total	<u>\$345,349.18</u>	<u>\$195,063.75</u>	<u>\$101,106.21</u>	<u>\$120,512.59</u>

Combined Totals: The combined totals contain the totals of similar accounts of the various funds. Since the appropriations and cash receipts of certain funds are restricted by various laws, rules and regulations, the totaling of the accounts is for memorandum purposes only and does not indicate that the combined totals are available in any manner other than provided by such laws, rules and regulations.

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4½% of their annual compensation and contributions by the West Virginia Public Employees' Retirement Board are 9½% of the employees' annual compensation.

Note C - Change in Special Revenue Account Balance

The prior audit of Pinecrest Hospital reported the ending balance of the special revenue accounts, as of June 30, 1983, as \$1,936,010.78. Subsequent to that date, Pinecrest Hospital received a supplemental appropriation of \$169,610.00 in account 8500-05 (FY 1982 appropriation). The beginning balance of the special revenue accounts for this report was adjusted accordingly and reported as \$2,105,620.78.

Note D - Change in Appropriated Account Balance

The prior audit of Pinecrest Hospital reported the ending balance of the appropriated accounts, as of June 30, 1983, as \$3,762.96. Subsequent to that date, Pinecrest Hospital Account 4311-17 expired (FY 1983 expiration). The beginning balance of the appropriated accounts for this report was adjusted accordingly and reported as \$0.00.

Note E - Change in Presentation: Trust Funds

The prior audit report of Pinecrest Hospital excluded the transactions and balances of patient trust funds. This was done primarily so that such amounts would not be interpreted as an asset of Pinecrest Hospital. However, for purposes of presentation, on a current basis, the transactions and balances of patient trust funds are included in the financial statement for this reporting period.

SUPPLEMENTAL INFORMATION

PINECREST HOSPITAL  
 STATEMENTS OF APPROPRIATIONS AND EXPENDITURES  
 GENERAL REVENUE

<u>Personal Services - Account 4170-00 (1984)</u> <u>and Account 4180-00 (1985)</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Appropriations	\$3,395,427.00	\$2,941,660.00
Expenditures	<u>3,320,278.12</u> 75,148.88	<u>2,827,630.25</u> 114,029.75
Transmittals Paid After June 30	<u>142,403.96</u>	<u>122,957.48</u>
Balance	<u>\$ 217,552.84</u>	<u>\$ 236,987.23</u>
<u>Current Expenses - Account 4170-01 (1984)</u> <u>and Account 4180-01 (1985)</u>		
Appropriations	\$1,412,187.00	\$1,161,842.00
Expenditures	<u>1,386,943.15</u> 25,243.85	<u>1,155,955.01</u> 5,886.99
Transmittals Paid After June 30	<u>191,456.60</u>	<u>64,690.18</u>
Balance	<u>\$ 216,700.45</u>	<u>\$ 70,577.17</u>
<u>Repairs and Alterations - Account 4170-02 (1984)</u> <u>and Account 4180-02 (1985)</u>		
Appropriations	\$ 71,630.00	\$ 71,630.00
Expenditures	<u>70,921.89</u> 708.11	<u>71,485.62</u> 144.38
Transmittals Paid After June 30	<u>4,059.34</u>	<u>2,076.81</u>
Balance	<u>\$ 4,767.45</u>	<u>\$ 2,221.19</u>

PINECREST HOSPITAL  
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
 GENERAL REVENUE

<u>Equipment - Account 4170-03 (1984)</u> <u>and Account 4180-03 (1985)</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Appropriations	\$20,188.00	\$20,063.00
Expenditures	<u>20,182.63</u> 5.37	<u>19,611.53</u> 451.47
Transmittals Paid After June 30	<u>7,429.28</u>	<u>5,339.28</u>
Balance	<u>\$ 7,434.65</u>	<u>\$ 5,790.75</u>

PINECREST HOSPITAL  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCE  
SPECIAL REVENUE

<u>Insurance Claims Refunds - Account 8237-06</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Insurance Claims Refunds	\$ -0-	\$ 10,400.00
Disbursements:		
Repairs and Alterations	1,370.21	5,607.05
Equipment	<u>2,582.50</u>	<u>-0-</u>
	3,952.71	5,607.05
Cash Receipts (Under) Over Disbursements	(3,952.71)	4,792.95
Beginning Balance	<u>4,792.95</u>	<u>-0-</u>
Ending Balance	<u>\$ 840.24</u>	<u>\$ 4,792.95</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Ending Balance:			
State Treasury	<u>\$840.24</u>	<u>\$ 4,792.95</u>	<u>\$ -0-</u>

PINECREST HOSPITAL  
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCE  
 SPECIAL REVENUE

<u>Various Capital Improvement Projects for Institutions - Accounts 8500-05</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:	\$ -0-	\$ -0-
Disbursements:		
Current Expense	5,325.00	4,990.57
Repairs and Alterations	111,218.10	23,917.38
Equipment	15,001.49	-0-
	<u>131,544.59</u>	<u>28,907.95</u>
Cash Receipts (Under) Disbursements	(131,544.59)	(28,907.95)
Beginning Balance	<u>140,702.05</u>	<u>169,610.00</u>
Ending Balance	<u>\$ 9,157.46</u>	<u>\$140,702.05</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Ending Balance: State Treasury	<u>\$9,157.46</u>	<u>\$140,702.05</u>	<u>\$169,610.00</u>

Pinecrest Hospital Capital Outlay and  
Renovation - Account 8500-08

Beginning Balance	<u>\$1,300,000.00</u>	<u>\$1,300,000.00</u>
Ending Balance	<u>\$1,300,000.00</u>	<u>\$1,300,000.00</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Ending Balance: State Treasury	<u>\$1,300,000.00</u>	<u>\$1,300,000.00</u>	<u>\$1,300,000.00</u>

PINECREST HOSPITAL  
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS  
AND CHANGES IN CASH BALANCE

<u>Construction from Hospital Service Revenue - Account 8500-12</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:	\$ -0-	\$ -0-
Disbursements:		
Current Expense	9,995.00	-0-
Repairs and Alterations	176,021.77	-0-
Equipment	6,482.72	-0-
	<u>192,499.49</u>	<u>-0-</u>
Cash Receipts (Under) Disbursements	(192,499.49)	-0-
Beginning Balance	<u>535,000.00</u>	<u>535,000.00</u>
Ending Balance	<u>\$342,500.51</u>	<u>\$535,000.00</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Ending Balance:			
State Treasury	<u>\$342,500.51</u>	<u>\$535,000.00</u>	<u>\$535,000.00</u>

Contingency for Repairs and Alterations,  
Equipment, Emergency Services and  
Miscellaneous - Account 8500-26

Cash Receipts:		
Hospital Services Revenue	\$ -0-	\$ 33,000.00
Disbursements:		
Repairs and Alterations	<u>30,000.00</u>	<u>-0-</u>
Cash Receipts (Under) Over Disbursements	(30,000.00)	33,000.00
Beginning Balance	<u>33,000.00</u>	<u>-0-</u>
Ending Balance	<u>\$ 3,000.00</u>	<u>\$ 33,000.00</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Ending Balance:			
State Treasury	<u>\$3,000.00</u>	<u>\$ 33,000.00</u>	<u>\$ -0-</u>



PINECREST HOSPITAL  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCE  
SPECIAL REVENUE

<u>Capital Outlay and Renovations for Certification, Life, Safety and Energy - Account 8500-34</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Hospital Services Revenue	\$ 55,000.00	\$870,000.00
Disbursements:		
Repairs and Alterations	<u>436.50</u>	<u>-0-</u>
Cash Receipts Over Disbursements	54,563.50	870,000.00
Beginning Balance	<u>870,000.00</u>	<u>-0-</u>
Ending Balance	<u>\$924,563.50</u>	<u>\$870,000.00</u>

	<u>1985</u>	<u>Year Ended June 30,</u> <u>1984</u>	<u>1983</u>
Ending Balance:			
State Treasury	<u>\$924,563.50</u>	<u>\$870,000.00</u>	<u>\$ -0-</u>

PINECREST HOSPITAL  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCE  
SPECIAL REVENUE - REVENUE SHARING

<u>Repair, Renovation and Equipment - Account 9715-10</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:	\$ -0-	\$ -0-
Disbursements: Equipment	<u>-0-</u>	<u>20,424.10</u>
Cash Receipts (Under) Disbursements	-0-	(20,424.10)
Beginning Balance	23,879.04	44,303.14
Ending Balance	<u>\$23,879.04</u>	<u>\$23,879.04</u>

PINECREST HOSPITAL  
 STATEMENT OF CHANGES IN FUND BALANCE  
 CHRONICALLY ILL PATIENTS' ACCOUNT - LOCAL

Years Ended June 30, 1985

	<u>Cash</u>	<u>Accounts Receivable</u>	<u>Total</u>
<b>Additions:</b>			
Contributions from Patients, Responsible Payees or Third Party Agencies	\$ 102,582.18	\$ -0-	\$ 102,581.18
Interest on Investments	17,277.99	-0-	17,277.99
Meal Sales	19,278.35	-0-	19,278.35
Rental and Utility Receipts	15,642.00	-0-	15,642.00
Sales Tax	1,013.85	-0-	1,013.85
Refunds to Appropriations	5,657.84	-0-	5,657.84
Accounts Receivable Receipts and Billings	1,375,291.17	3,186,228.45	4,561,519.62
Hospital Services Revenue - Miscellaneous Collections	45.00	-0-	45.00
	<u>1,536,787.38</u>	<u>3,186,228.45</u>	<u>4,723,015.83</u>
<b>Deductions:</b>			
Hospital Services Revenue Account	1,383,085.44	-0-	1,383,085.44
General Revenue	3,316.51	-0-	3,316.51
State Treasurer (Unclaimed Money)	166.62	-0-	166.62
Transfer to Canteen	6,201.17	-0-	6,201.17
Settlement of Patient Accounts	5,337.57	-0-	5,337.57
Patient Maintenance Refunds	29,415.59	-0-	29,415.59
Patient Benefits	49,735.89	-0-	49,735.89
Refunds to Appropriations	37,651.04	-0-	37,651.04
State Tax Commission	1,024.25	-0-	1,024.25
Accounts Receivable Receipts Exonerations	-0-	1,375,291.17	1,375,291.17
	<u>-0-</u>	<u>1,886,376.36</u>	<u>1,886,376.36</u>
	<u>1,515,934.08</u>	<u>3,261,667.53</u>	<u>4,777,601.61</u>
Additions Over (Under) Deductions	20,853.30	(75,439.08)	(54,585.78)
Beginning Balance	<u>172,966.48</u>	<u>260,720.14</u>	<u>433,686.62</u>
Ending Balance	<u>\$ 193,819.78</u>	<u>\$ 185,281.06</u>	<u>\$ 379,100.84</u>

Year Ended June 30,

	<u>1985</u>	<u>1984</u>	<u>1983</u>
<b>Ending Balance:</b>			
Cash on Hand	\$ 557.00	\$ 8,706.03	\$ -0-
Cash in Bank	28,624.95	36,689.35	34,944.06
Consolidated Investment Fund	164,637.83	127,571.10	94,605.31
	<u>\$ 193,819.78</u>	<u>\$ 172,966.48</u>	<u>\$ 129,549.37</u>

Year Ended June 30, 1984

<u>Cash</u>	<u>Accounts Receivable</u>	<u>Total</u>
\$ 125,667.64	\$ -0-	\$ 125,667.64
11,329.97	-0-	11,329.97
24,260.75	-0-	24,260.75
14,880.24	-0-	14,880.24
1,276.85	-0-	1,276.85
35,610.00	-0-	35,610.00
1,200,600.65	2,622,199.91	3,822,800.56
220.00	-0-	220.00
1,413,846.10	2,622,199.91	4,036,046.01
1,192,624.38	-0-	1,192,624.38
7,678.84	-0-	7,678.84
-0-	-0-	-0-
5,050.88	-0-	5,050.88
49,944.60	-0-	49,944.60
6,045.51	-0-	6,045.51
41,245.54	-0-	41,245.54
66,578.29	-0-	66,578.29
1,260.95	-0-	1,260.95
-0-	1,200,600.65	1,200,600.65
-0-	1,217,586.76	1,217,586.76
1,370,428.99	2,418,187.41	3,788,616.40
43,417.11	204,012.50	247,429.61
129,549.37	56,707.64	186,257.01
\$ 172,966.48	\$ 260,720.14	\$ 433,686.62

PINECREST HOSPITAL  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCE

LOCAL

<u>Canteen Account</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
<b>Cash Receipts:</b>		
Sales	\$23,237.95	\$19,933.97
Transfer from Chronically Ill Patients' Account	6,201.17	5,050.88
Sales Tax	1,046.63	961.44
Interest	223.22	204.95
	<u>30,708.97</u>	<u>26,151.24</u>
<b>Disbursements:</b>		
Merchandise for Resale	28,170.34	28,679.86
State Tax Commission	982.42	930.03
Patient Benefits	244.70	606.52
Improper Disbursements	725.00	-0-
	<u>30,122.46</u>	<u>30,216.41</u>
<b>Cash Receipts Over (Under) Disbursements</b>	586.51	(4,065.17)
<b>Beginning Balance</b>	<u>9,166.89</u>	<u>13,232.06</u>
<b>Ending Balance</b>	<u>\$ 9,753.40</u>	<u>\$ 9,166.89</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
<b>Ending Balance:</b>			
Cash in Bank	\$ 5,266.30	\$ 4,903.01	\$ 9,173.13
Savings Account	4,177.10	3,953.88	3,748.93
Change Funds	310.00	310.00	310.00
	<u>\$ 9,753.40</u>	<u>\$ 9,166.89</u>	<u>\$13,232.06</u>

PINECREST HOSPITAL  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCE

LOCAL

<u>Recreation Fund Account</u>	Year Ended June 30,	
	1985	1984
Cash Receipts:		
Donations	\$876.02	\$-0-
Disbursements:		
Patient Benefits	729.90	358.35
Cash Receipts Over (Under) Disbursements	146.12	(358.35)
Beginning Balance	465.94	824.29
Ending Balance	\$612.06	\$465.94
	Year Ended June 30,	
	1985	1984
Ending Balance:		1983
Cash in Bank	\$612.06	\$465.94
		\$824.29

PINECREST HOSPITAL

RECONCILIATIONS

JUNE 30, 1985

Insurance Claims Refunds - Account 8237-06

Balance in State Treasury and Hospital \$ 840.24

Various Capital Improvement Projects for  
Institutions - Account 8500-05

Balance in State Treasury and Hospital \$ 9,157.46

Pinecrest Hospital Outlay and Renovation -  
Account 8500-08

Balance in State Treasury and Hospital \$1,300,000.00

Construction from Hospital Services Revenue -  
Account 8500-12

Balance in State Treasury and Hospital \$ 342,500.51

Contingency for Repairs and Alterations, Equipment,  
Emergency Services and Miscellaneous - Account 8500-26

Balance in State Treasury and Hospital \$ 3,000.00

Capital Outlay for Certification, Life, Safety and  
Energy - Account 8500-34

Balance in State Treasury and Hospital \$ 924,563.50

Repair, Renovation and Equipment - Account 9715-10

Balance in State Treasury and Hospital \$ 23,879.04

PINECREST HOSPITAL  
 BANK RECONCILIATIONS  
 JUNE 30, 1985

Chronically Ill Patients Account

Balance per Bank		\$37,936.17
Less: Outstanding Checks	<u>Check Numbers</u>	
	11633	57.76
	11614	277.79
	11645	197.71
	11649	55.00
	11663	108.71
	11669	34.75
	11671	65.00
	11672	8,350.00
	11673	164.50
		<u>9,311.22</u>
Balance per Book		<u>\$28,624.95</u>

Canteen Account

Balance Per Bank		\$ 3,001.00
Less: Outstanding Checks	<u>Check Numbers</u>	
	8159	4.92
	8160	7.45
		<u>12.37</u>
Balance per Book		<u>\$ 2,988.63</u>

Recreation Fund Account

Balance per Bank and Book		<u>\$ 612.06</u>
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PINECREST HOSPITAL

PATIENT COST

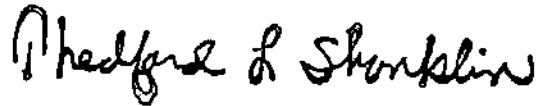
	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Average Population	220	216
Patient Days	80,374	79,119
Total Appropriated Expenditures	\$4,798,325.79	\$4,074,682.41
Cost per Patient Day	\$59.70	\$51.50
Average Cost per Patient Year	\$21,790.50	\$18,849.00

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director, of the Legislative Postaudit Division, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 17<sup>th</sup> day of October, 1989.



Thedford L. Shanklin, CPA, Director  
Legislative Postaudit Division

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the Pinecrest Hospital; West Virginia Department of Health and Human Resources; West Virginia Department of Health and Human Resources, Division of Health; Governor; Attorney General; and State Auditor.