

DENMAR HOSPITAL
FOR THE PERIOD
JULY 1, 1983 - JUNE 30, 1985

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

The Joint Committee on 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 Denmark 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,

Theodore L. Shanklin
Theodore L. Shanklin, CPA, Director
Legislative Postaudit Division

TLS/tb

DENMAR HOSPITAL
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DENMAR HOSPITAL

EXIT CONFERENCE

We held an exit conference on May 15, 1989 with the Administrator and Assistant Administrator of Denmar Hospital and the Director of Financial Services Division and Director of the Office of Administration and Oversight of the West Virginia Department of Health. All findings and recommendations were reviewed and discussed. The Hospitals' responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

DENMAR HOSPITAL

INTRODUCTION

Located near Hillsboro, in Pocahontas County, Denmar Hospital is situated in the Allegheny Mountains on a hill overlooking the Greenbriar River.

Originally a hospital for the care of tuberculosis patients, the facility now accepts residents requiring skilled or intermediate care. Precedence is given to applicants who are legal residents of West Virginia and unable to pay for care in private nursing homes.

DENMAR HOSPITAL
IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS

In our prior audit covering the period July 1, 1978 through June 30, 1983 we had 14 recommendations. During our current audit period, we noted four of the recommendations had not been fully implemented. These recommendations are listed below:

1. Management reports be prepared monthly for all cash in the local accounts to provide management control over local bank account activity. (See page 14.)
2. Internal controls be strengthened and proper accounting practices be implemented for all change funds. (See page 15.)
3. Hospital management continue with the establishment of control records, all errors be located, corrected and internal controls be strengthened over patient accounts receivable. (See page 12.)
4. Hospital improve internal control over inventories. (See page 15.)

DENMAR HOSPITAL
ADMINISTRATIVE OFFICERS AND STAFF

The administrative officers and staff during the period were as follows:

Administrator During the Period

James W. Burke December 9, 1978 - Present

Other Administrative Officers and Staff at End of Period

Ivan W. Withers, Jr. Administrative Assistant
Wilma A. Walker, R.N. Assistant Clinical Director
Dorothy Johnson, R.N. Director of Nursing Services
Margaret S. Barlow Medical Records Supervisor
Janice G. McCoy Purchasing
Sandra Simmons Trust Fund Bookkeeper
Evelyn Kincaid Accounts Receivable and Canteen Clerk
William McCoy Inventory Control
Chis Wilfong Payroll/Personnel Clerk
Garnett Sharp Billings
Judy Cutlip Accounts Payable

DENMAR HOSPITAL

SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

AREAS OF NONCOMPLIANCE

Noncompliance with West Virginia Code Chapter 5, Article 8,
Section 9 - Failure to prepare Records of Appropriated Account Transactions

1. The Hospital did not have records documenting appropriated account transactions.

We recommend the Hospital comply with West Virginia Code Chapter 5, Article 8, Section 9 regarding preparation and maintenance of accounting records.

Denmar Hospital will comply by preparing and maintaining accounting records showing appropriations, expenditures and appropriation balances with a PC based system for general and cost accounting beginning with this current fiscal year, 1988-89. This accounting system will be reconciled to the BACTS report on a periodic basis.

Noncompliance with Department of Health Financial Management
Policy and Procedures 6046 - Patient Trust Funds

2. The Hospital had not complied with material aspects of Department of Health Financial Management Policy and Procedure 6046 concerning Trust Account record maintenance.

We recommend the Hospital comply with Department of Health Policy and Procedure 6046.

Denmar Hospital has taken steps to comply with Procedure #6046.

Noncompliance with Department of Health Financial Management
Policy 6060 - Patient Exonerations

3. The Hospital had not complied with Department of Health Financial Management Policy 6060 in that all exonerations had not been properly accounted for. The Hospital could not reconcile patient accounts receivable control ledgers to individual ledger balances.

We recommend the Hospital comply with Department of Health Policy 6060.

The WV Health Dept. is in the process of implementing a new Patient Charge, Billings, Collections and Bad debt policy to replace Policy 6060 dated 11/21/84.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

Failure to Prepare Management Reports Accounting
for All Cash in Local Accounts

4. Management reports were not prepared monthly during the audit period accounting for all cash in the local accounts as recommended in the prior legislative audit report.

We recommend Hospital management devise reports to provide management control over local bank account activity.

Denmar Hospital has complied.

Insufficient Internal Controls Over Inventories

5. Inventory counts are made by the storekeeper responsible for counted goods. Also, the inventory function is not denied access to receiving reports.

We recommend Hospital management improve internal control over inventories.

Denmar Hospital will comply with improved internal control over inventories with the implementation of the new WV Dept. of Health's Inventory Policy.

Insufficient Internal Controls Over Change Funds

6. Undocumented differences were present in all change funds. Employee check cashing was allowed in the Canteen Change Fund.

We recommend internal controls be strengthened and proper accounting practices be implemented for all Change Funds.

Denmar Hospital and the Department of Health will review the handling of change funds and the cashing of personal checks.

DENMAR HOSPITAL

GENERAL REMARKS

INTRODUCTION

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

APPROPRIATED ACCOUNTS

All expenditures required for the general operation of Denmar Hospital were made from the following accounts:

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>
4180-00 (1985)	Personal Services
4170-00 (1984)	Personal Services
4180-01 (1985)	Current Expenses
4170-01 (1984)	Current Expenses
4180-02 (1985)	Repairs and Alterations
4170-02 (1984)	Repairs and Alterations
4180-03 (1985)	Equipment
4170-03 (1984)	Equipment

SPECIAL REVENUE ACCOUNTS

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

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>
8500-05	Hospital Services Revenue - Various Capital Improvement Projects for Institutions
8500-26	Hospital Services Revenue - Contingency for repairs and Alterations, Equipment, Emergency Services and Miscellaneous
8500-32	Hospital Services Revenue - Renovation for Certification, Life Safety and Energy Conservation
9732-06	Water Line Sprinkler System

LOCAL ACCOUNTS

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

<u>DESCRIPTION</u>	<u>PURPOSE</u>
Patient Trust Account	Maintains patient funds. Receives funds from or for patients; disburses funds to or for patients.
Canteen Account	Receives funds from sales; disbursed for merchandise for resale, consumers' sales tax and benefit of all patients.
Craft and Benefit Fund	Receives funds from canteen profits and private donations; disbursed for benefit of indigent patients.
Collection Account	Receives funds from patient (closed April 13, 1984) maintenance, sale of meal tickets, refunds to appropriations and other sources; for transfer to the State Treasury.
State Treasurer's Receipts	Receives funds from patient maintenance, sale of meal tickets, refunds to appropriations and other sources; for transfer to the State Treasury.

AREAS OF NONCOMPLIANCE

West Virginia Department of Health Instructions, Handbook of Purchasing Procedures and West Virginia Code, Chapter 26, Articles 6, 9, 10 and 11; Chapter 25, Article 1; Chapter 16, Article 1; and Chapter 12, Article 2 generally govern Denmar Hospital. We tested applicable sections of the Department of Health Instructions, the Handbook of Purchasing Procedures and applicable chapters, articles and sections 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 - Failure to Prepare Records of Appropriated Account
Transactions

West Virginia Code Chapter 5, Article 8, Section 9 states, in part, "The head of each agency shall . . . Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency"

The Hospital did not have records documenting appropriations, expenditures and appropriation balances. The only record maintained was an incomplete and inaccurate listing of transmittals. The Hospital receives BACIS reports, detailing all transactions for the appropriated accounts, from the Department of Health. However, we were told by Hospital employees that the BACIS reports had never been utilized.

Ideally, a record showing appropriations, expenditures and appropriation balances should be maintained by the Hospital and this record reconciled to the BACIS reports on a periodic basis.

We recommend the Hospital comply with West Virginia Code Chapter 5, Article 8, Section 9 regarding preparation and maintenance of accounting records.

Denmar Hospital will comply by preparing and maintaining accounting records showing appropriations, expenditures and appropriation balances with a PC based system for general and cost accounting beginning with this current fiscal year, 1988-89. This accounting system will be reconciled to the BACIS report on a periodic basis.

Noncompliance with Department of Health Financial Management
Policy and Procedure 6046 - Patient Trust Funds

Department of Health Financial Management Policy and Procedure 6046 (DOH 6046), dated October 21, 1983, deals with the management of patient trust accounts. The Hospital had not complied with DOH6046 in that cash receipts and disbursements journals were not completed on a timely basis, patients were allowed to over-draw available trust fund balances, purchases in excess of fifty dollars

were not processed by the purchasing agent, financial statements were not prepared and adequate supervision was not provided for the patient trustee function.

DOH6046 states, as part of the trustee clerk's duties, "Post receipts to patient's individual ledger card and to the Cash Receipts Journal for a daily summation of counts on a daily basis.", and, " To provide effective and efficient record keeping, a cash disbursement journal is essential." These journals were not maintained for the period under audit. Hospital employees completed these journals, for our use, after we began the audit engagement. However, the journals were inaccurate and required reconciliation by the audit team.

A review of patient trust fund balances disclosed negative balances totaling \$5,619.99 as June 30, 1985 and \$10,176.39 as of June 30, 1984. DOH6046 states, as part of the trustee clerk's duties, "Ascertain that unencumbered funds are available in the patient's account to meet that requested on the voucher." Although patient trust accounts should never be over-drawn, we realize the situation cannot always be avoided. However, the amount of total over-drawn, or negative, balances noted above is excessive.

Purchases from patient trust funds for items costing in excess of fifty dollars were not, ". . . communicated to the person responsible for the purchasing office function to process under regular West Virginia State purchasing practices.", as required by DOH6046. Hospital personnel were unaware this was a required procedure.

DOH6046 states, in part, "The business office supervisor should prepare financial statements for the General Ledger and submit to the administrator for his/her review" No financial statements had been prepared.

Based upon the items noted above, it would appear supervisory control of the patient trustee function is very weak. Had effective managerial supervision been in place the problems noted above should not have occurred.

We recommend the Hospital comply with Department of Health financial Management Policy and Procedure 6046.

Denmar Hospital has complied by preparing and maintaining cash receipts and cash disbursements journals using a PC based system for trustee accounting that has been approved by the WV Health Dept. Central Office. This trustee accounting system with a monthly reconciliation and audit of the financial statement has been done from July, 1986 to the current date. Denmar will comply with 6046.

The overdrawn balances for 1984 audit report indicated	\$10,176.39
Less the negative balances carried from the 1983 audit	4,159.85
Less overdrafts covered by the Resident's own funds in the Consolidated Savings Account	<u>3,307.93</u>
Actual overdrawn balance as of June 30, 1984	\$ 2,708.61

This balance was carried forward to the next fiscal year.

The overdrawn balance from 1985 audit report indicated	\$ 5,619.99
Less the balance carried forward from the 1983 audit report (less \$990.65 erroneous transfers)	<u>3,169.92</u>
Actual overdrawn balance on 6/30/85	\$ 2,450.07

This balance was carried forward to the next fiscal year and cleared to a zero balance in 1986-87 fiscal year.

Auditor's Comment - The figures presented in the Hospital's response were not substantiated by us.

Noncompliance with Department of Health Financial Management
Policy 6060 - Patient Charges and Charge Exoneration

The Hospital could not reconcile control records for patient accounts receivable to individual patient records. The prior Legislative Audit did not include patient accounts receivable as a part of the Hospitals' financial statements due to this same problem. The audit recommended, ". . . management continue with the establishment of control records, all errors be located, corrected and internal controls be strengthened over patient accounts receivable." According to the accounts receivable clerk, an attempt to locate errors was not made. The

balance arrived at as of June 30, 1983 was utilized to begin accounts receivable records for the subsequent period.

Department of Health Financial Management Policy 6060 (DOH6060), dated November 21, 1984 deals with Patient Charges and charge exonerations. DOH6060 states, in part, "Each facility will account for each exoneration granted" It would appear the Hospitals' inability to reconcile accounts receivable control records to individual ledger balances is a result of failure to properly account for all patient charges and charge exonerations. Therefore, we are again unable to present patient accounts receivable as a part of the Hospital's financial statements.

We recommend the Hospital comply with Department of Health Financial Management Policy 6060 and give the necessary attention to patient accounts receivable records.

The WV Health Dept. is in the process of implementating a new Patient Charge, Billings, Collections and Bad debt policy to replace Policy 6060 dated 11/21/84.

Auditor's Comment - The Hospital made no response dealing with the condition of accounts receivable records.

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 in determining the nature, timing and extent of other auditing procedures that are 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 controls. 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 controls 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 material weaknesses.

FAILURE TO PREPARE MANAGEMENT REPORTS ACCOUNTING
FOR ALL CASH IN LOCAL ACCOUNTS

The two prior legislative audit reports recommended, "Management reports be prepared each month accounting for all cash in the local accounts." Management reports still have not been prepared resulting in a lack of managerial control over local account activity.

We recommend Hospital management devise reports to provide management control over local account activity.

Denmar Hospital has complied by completing a monthly reconciliation of each bank account statement. In addition, a monthly report is prepared and reviewed for the Store Account; Craft and Benefit Fund; and State Treasurer's Receipts. A monthly Patient Trustee Account report is prepared; reviewed; and submitted to the WV Dept. of Health's Central Office.

INSUFFICIENT INTERNAL CONTROLS OVER INVENTORIES

Inventory counts are made by the storekeeper responsible for counted goods. Also, the inventory function is not denied access to receiving reports.

We recommend Hospital management improve internal controls over inventories.

Denmar Hospital will comply with improved internal control over inventories with the implementation of the new WV Dept. of Health's Inventory Policy.

INSUFFICIENT INTERNAL CONTROL OVER CHANGE FUNDS

During the audit period the Hospital maintained a number of change funds. Our findings affecting these funds are as follows:

1. There were unexplained shortages and overages.
2. The cashing of employee checks was allowed from these funds.
3. The funds were not properly accounted for in that records were not maintained to document transactions within the funds.

We recommend internal controls be strengthened and proper accounting practices be implemented for all change funds.

The only shortage found was in the stamp fund that was reduced from a \$100 balance to a \$75 balance on 5/3/84. The twenty-five dollars was deposited through the store to the store bank account. The overages were from the proceeds from items sold before deposits were made to the store bank account.

The change funds are from the Denmar Store Account proceeds and are not directly state funds. The State of West Virginia Treasurer's office cashes personal checks with State funds. Denmar is miles away from any store for employees to cash small checks for personal items. Denmar has had a twenty-five dollar limit on these checks for cash and has a five dollar charge for returned checks. Denmar has not lost any money over the past ten years by providing this service to its employees.

Denmar Hospital and the Department of Health will review the handling of change funds and the cashing of personal checks.

AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have examined the financial statements of Denmar Hospital for the years ended June 30, 1985 and June 30, 1984, as listed in the foregoing table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

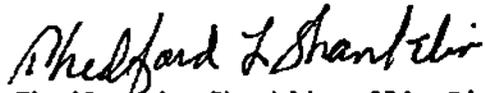
As more fully described in Note A, the Hospital's policy is to prepare its financial statements on the modified cash and cash basis. Accordingly, the accompanying financial statements are not intended to present financial position and results of operation in conformity with generally accepted accounting principles.

During the audit period, records on patient accounts receivable were not sufficient to establish verifiable balances during the audit. Accordingly, we were unable to confirm accounts receivable balances or to perform other audit procedures. For these reasons, we did not present patient accounts receivable as part of the financial statements.

In our opinion, subject to the omission of patient accounts receivable as referred to in the third paragraph, the financial statements of Denmar Hospital as listed in the aforementioned table of contents present fairly appropriations and expenditures, cash and trust accounts for the years ended June 30, 1985 and June 30, 1984 on a basis consistent with the preceding year.

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, 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

February 3, 1989

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

DENMAR 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	
Appropriations/Cash Receipts:				
Appropriations	\$3,142,702.00	\$235,000.00	\$ -0-	\$3,377,702.00
Trust Funds	-0-	-0-	1,802,717.68	1,802,717.68
Interest	-0-	-0-	3,650.60	3,650.60
	<u>3,142,702.00</u>	<u>235,000.00</u>	<u>1,806,368.28</u>	<u>5,184,070.28</u>
Expenditures/Disbursements:				
Personal Services	2,216,982.80	-0-	-0-	2,216,982.80
Current Expenses	528,980.24	191.50	84,928.81	614,100.55
Repairs and Alterations	14,455.24	46,219.38	-0-	60,674.62
Equipment	7,680.56	3,990.64	-0-	11,671.20
General Revenue Fund	-0-	-0-	32,365.60	32,365.60
Hospital Services				
Revenue Account	-0-	-0-	1,756,970.43	1,756,970.43
	<u>2,768,098.84</u>	<u>50,401.52</u>	<u>1,874,264.84</u>	<u>4,692,765.20</u>
Appropriations/Cash Receipts Over (Under) Expenditure/ Disbursements				
	374,603.16	184,598.48	(67,896.56)	491,305.08
Expenditures After June 30, and Expirations				
	(374,603.16)	-0-	-0-	(374,603.16)
	<u>-0-</u>	<u>184,598.48</u>	<u>(67,896.56)</u>	<u>116,701.92</u>
Beginning Balance	-0-	113,554.30	236,265.21	349,819.51
Ending Balance	<u>\$ -0-</u>	<u>\$298,152.78</u>	<u>\$ 168,368.65</u>	<u>\$ 466,521.43</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>		
\$2,709,389.00	\$ 90,000.00	\$ -0-		\$2,799,389.00
-0-	-0-	1,560,318.57		1,560,318.57
-0-	-0-	862.40		862.40
<u>2,709,389.00</u>	<u>90,000.00</u>	<u>1,561,180.97</u>		<u>4,360,569.97</u>
1,954,655.36	-0-	-0-		1,954,655.36
463,040.19	-0-	71,638.44		534,678.63
11,882.35	105,942.03	-0-		117,824.38
4,508.70	632.37	-0-		5,141.07
-0-	-0-	45,254.24		45,254.24
-0-	-0-	1,400,525.94		1,400,525.94
<u>2,434,086.60</u>	<u>106,574.40</u>	<u>1,517,418.62</u>		<u>4,058,079.62</u>
275,302.40	(16,574.40)	43,762.35		302,490.35
<u>(275,302.40)</u>	<u>-0-</u>	<u>-0-</u>		<u>(275,302.40)</u>
-0-	(16,574.40)	43,762.35		27,187.95
-0-	130,128.70	192,502.86		322,631.56
<u>\$ -0-</u>	<u>\$113,554.30</u>	<u>\$ 236,265.21</u>		<u>\$ 349,819.51</u>

DENMAR 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 in 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	\$ 97,007.41	\$ 85,618.94	\$54,957.79	\$37,930.70
Current Expenses	212,315.01	132,284.01	1,883.75	15,859.80
Repairs and Alterations	969.27	3,117.29	0.49	0.36
Equipment	<u>7,427.72</u>	<u>482.00</u>	<u>41.72</u>	<u>9.30</u>
Total	<u>\$317,719.41</u>	<u>\$221,502.24</u>	<u>\$56,883.75</u>	<u>\$53,800.16</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 that 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 Denmar Hospital reported the ending balance of the special revenue accounts, as of June 30, 1983, as \$125,228.70. Subsequent to that date, Denmar Hospital received a supplemental appropriation of \$4,900.00 in account 8500-05(F.Y. 1982 appropriation). The beginning balance of the special revenue accounts for this report was adjusted accordingly and reported as \$130,128.70.

Note D - Change in Presentation: Trust Funds

The prior audit of Denmar Hospital reported the balance of Trust Funds, as of June 30, 1983, as \$75,931.71. This figure excluded an amount of \$116,571.15 which represented the amount due, or payable, to individual patients as of June 30, 1983. This was done primarily so that such amounts would not be interpreted as an asset of Denmar Hospital. However, for purposes of presentation, on a current basis, the amount noted above has been included in the financial statement and the beginning balance is reported as \$192,502.86.

SUPPLEMENTAL INFORMATION

DENMAR HOSPITAL
 STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
 APPROPRIATED ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
<u>Personal Services - Account 4180-00 (1985)</u> <u>and 4170-00 (1984)</u>		
Appropriations	\$2,368,948.00	\$2,078,205.00
Expenditures	<u>2,313,990.21</u> 54,957.79	<u>2,040,274.30</u> 37,930.70
Transmittals Paid After June 30,	<u>97,007.41</u>	<u>85,618.94</u>
Balance	<u>\$ 151,965.20</u>	<u>\$ 123,549.64</u>
 <u>Current Expense - Account 4180-01 (1985)</u> <u>and 4170-01 (1984)</u>		
Appropriations	\$ 743,179.00	\$ 611,184.00
Expenditures	<u>741,295.25</u> 1,883.75	<u>595,324.20</u> 15,859.80
Transmittals Paid After June 30,	<u>212,315.01</u>	<u>132,284.01</u>
Balance	<u>\$ 214,198.76</u>	<u>\$ 148,143.81</u>
 <u>Repairs and Alterations - Account 4180-02 (1985)</u> <u>and 4170-02 (1984)</u>		
Appropriations	\$ 15,425.00	\$ 15,000.00
Expenditures	<u>15,424.51</u> 0.49	<u>14,999.64</u> 0.36
Transmittals Paid After June 30,	<u>969.27</u>	<u>3,117.29</u>
Balance	<u>\$ 969.76</u>	<u>\$ 3,117.65</u>

DENMAR HOSPITAL
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 APPROPRIATED ACCOUNTS

<u>Equipment - Account 4180-03 (1985)</u> <u>and 4170-03 (1984)</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Appropriations	\$ 15,150.00	\$ 5,000.00
Expenditures	<u>15,108.28</u>	<u>4,990.70</u>
	41.72	9.30
Transmittals Paid After June 30,	<u>7,427.72</u>	<u>482.00</u>
Balance	<u>\$ 7,469.44</u>	<u>\$ 491.30</u>

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

	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
<u>Hospital Services - Account 8500-05</u>		
<u>Various Capital Improvement Projects for Institutions</u>		
Disbursements:		
Current Expense	\$ 191.50	\$ -0-
Repairs and Alterations	14,500.00	101,656.03
Equipment	3,990.64	-0-
	<u>18,682.14</u>	<u>101,656.03</u>
Cash Receipts (Under) Disbursements	(18,682.14)	(101,656.03)
Beginning Balance	<u>23,210.67</u>	<u>124,866.70</u>
Ending Balance	<u>\$ 4,528.53</u>	<u>\$ 23,210.67</u>
 <u>Hospital Services Revenue - Account 8500-26</u>		
<u>Contingency for Repairs and Alterations, Equipment</u>		
<u>Emergency Services and Miscellaneous</u>		
Cash Receipts:		
Appropriations	\$ 50,000.00	\$ 40,000.00
Disbursements:		
Repairs and Alterations	<u>31,375.75</u>	<u>-0-</u>
Cash Receipts Over Disbursements	18,624.25	40,000.00
Beginning Balance	<u>40,000.00</u>	<u>-0-</u>
Ending Balance	<u>\$ 58,624.25</u>	<u>\$ 40,000.00</u>

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

	Year Ended June 30,	
	1985	1984
<u>Hospital Services - Account 8500-32</u>		
<u>Capital Outlay - Renovation for Certification, Life Safety and Energy Conservation</u>		
Cash Receipts:		
Appropriations	\$185,000.00	\$ 50,000.00
Disbursements	-0-	-0-
Cash Receipts Over Disbursements	185,000.00	50,000.00
Beginning Balance	50,000.00	-0-
Ending Balance	\$235,000.00	\$ 50,000.00
 <u>Water Line for Sprinkler System - Account 9732-06</u>		
Disbursements:		
Repairs and Alterations	\$ 343.63	\$ 4,286.00
Equipment	343.63	4,918.37
Equipment		632.37
Cash Receipts (Under) Disbursements	(343.63)	(4,918.37)
Beginning Balance	343.63	5,262.00
Ending Balance	\$ -0-	\$ 343.63

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

LOCAL

<u>Collection Account</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Hospital Service Revenue	\$1,684,574.46	\$1,465,526.62
General Revenue	-0-	2,145.50
Refunds to Appropriations	<u>32,182.04</u>	<u>38,185.70</u>
	1,716,756.50	1,505,857.82
Disbursements:		
Hospital Service Revenue	1,756,970.43	1,400,525.94
General Revenue	-0-	8,990.35
Refunds to Appropriations	32,441.65	36,395.89
State Tax Department - Consumer Sales Tax	<u>2,153.10</u>	<u>2,948.11</u>
	1,791,565.18	1,448,860.29
Cash Receipts (Under) Over Disbursements	(74,808.68)	56,997.53
Beginning Balance	<u>120,040.48</u>	<u>63,042.95</u>
Ending Balance	<u>\$ 45,231.80</u>	<u>\$ 120,040.48</u>

<u>Ending Balance:</u>	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Cash in Local Checking Account	\$ -0-	\$ -0-	\$ 8,958.65
Cash in State Treasurer's Receipts Account	44,940.80	3,992.14	54,084.30
Cash on Hand	<u>291.00</u>	<u>116,048.34</u>	<u>-0-</u>
	<u>\$45,231.80</u>	<u>\$120,040.48</u>	<u>\$63,042.95</u>

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

LOCAL

<u>Patient Trust Fund</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Contribution from Patient, Committees, or Third Party Agencies	\$666,782.53	\$679,987.29
Interest on Investments	3,650.60	862.40
Transfer from Craft and Benefit Fund	1,126.41	-0-
Transfer from Canteen	-0-	500.00
	<u>671,559.54</u>	<u>681,349.69</u>
Disbursements:		
Payments on Behalf of Patients	53,178.91	39,925.73
Transfer to Collection Account for Patient Maintenance	598,066.04	642,114.49
Transfer to Canteen	10,240.52	13,764.33
Transfer Craft and Benefit Fund	-0-	548.53
	<u>661,485.47</u>	<u>696,353.08</u>
Cash Receipts Over (Under) Disbursements	10,074.07	(15,003.39)
Beginning Balance	<u>109,573.29</u>	<u>124,576.68</u>
Ending Balance	<u>\$119,647.36</u>	<u>\$109,573.29</u>

Ending Balance:	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Cash in Bank	\$ 72,451.47	\$ 86,451.51	\$121,967.30
Cash in Consolidated Investment Fund	47,195.89	23,121.78	2,609.38
	<u>\$119,647.36</u>	<u>\$109,573.29</u>	<u>\$124,576.68</u>

DENMAR 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>
Cash Receipts:		
Sales	\$18,368.19	\$19,253.55
Transferred from Patient Trust Fund	10,240.52	13,764.33
Transferred from Craft and Benefit Fund	717.46	117.28
	<u>29,326.17</u>	<u>33,135.16</u>
Disbursements:		
Merchandise for Resale	25,774.80	27,796.72
Transfer of Sales Tax to Collection Account	1,170.45	2,578.60
Current Expenses	424.00	172.31
Transfer to Patient Trust Fund	-0-	500.00
Transfer to Craft and Benefit Fund	3,000.00	1,300.00
Cable System Insurance Premiums	-0-	300.00
Repairs to Cable System	2,102.76	-0-
	<u>32,472.01</u>	<u>32,647.63</u>
Cash Receipts (Under) Over Disbursements	(3,145.84)	487.53
Beginning Balance	<u>5,370.76</u>	<u>4,883.23</u>
Ending Balance	<u>\$ 2,224.92</u>	<u>\$ 5,370.76</u>

Ending Balance:	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Cash in Bank	\$1,331.53	\$4,836.37	\$3,309.47
Cash on Hand	-0-	-0-	1,039.37
Change Funds	893.39	534.39	534.39
	<u>\$2,224.92</u>	<u>\$5,370.76</u>	<u>\$4,883.23</u>

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

LOCAL

<u>Craft and Benefit Fund</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Transferred from Canteen Fund	\$3,000.00	\$1,300.00
Donations	55.00	45.00
Transferred from Patient Trust Fund	-0-	548.53
Refund of Expenditure	68.00	-0-
	<u>\$3,123.00</u>	<u>\$1,893.53</u>
Disbursements:		
Patient Benefits	1,295.24	495.57
Transferred to Canteen Fund	717.46	117.28
Transfer to Patient Trust Fund	1,126.41	-0-
	<u>3,139.11</u>	<u>612.85</u>
Cash Receipts (Under) Over Disbursements	(16.11)	1,280.68
Beginning Balance	<u>1,280.68</u>	<u>-0-</u>
Ending Balance	<u>\$1,264.57</u>	<u>\$1,280.68</u>

Ending Balance:	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Cash in Bank	<u>\$1,264.57</u>	<u>\$1,280.68</u>	<u>\$ -0-</u>

DENMAR HOSPITAL
RECONCILIATIONS
SPECIAL REVENUE
JUNE 30, 1985

Hospital Services Revenue - Account 8500-05
Various Capital Improvement Projects for Institutions

Balance per Hospital and Department of Health \$ 4,528.53

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

Balance per Hospital and Department of Health \$ 58,624.25

Hospital Services Revenue - Account 8500-32
Capital Outlay - Renovation for Certification, Life
Safety and Energy Conservation

Balance per Hospital and Department of Health \$235,000.00

Water Line Sprinkler System - Account 9732-06

Balance per Hospital and State Treasury \$ -0-

DENMAR HOSPITAL
 BANK RECONCILIATION
 JUNE 30, 1985

Patient Trust Fund

Balance per Bank \$75,530.99

Less:

Checks Outstanding

Check Number

Amount

2072	\$	1.72
2075		35.97
2078		25.34
2090		30.46
2094		7.00
2097		50.69
2100		607.76
2149		565.61
2151		294.00
2170		7.50
2171		13.94
2175		100.00
2176		31.49
2177		1,392.04
2178		<u>161.00</u>

3,324.52

Deposit in Transit

245.00

Balance per Book

\$72,451.47

DENMAR HOSPITAL
BANK RECONCILIATIONS
JUNE 30, 1985

Canteen Account

Balance per Bank \$3,688.47

Less:

Checks Outstanding

Check Number

Amount

3149

\$530.37

3150

134.85

3151

453.40

3152

76.32

3153

612.00

3154

550.00

2,356.94

Balance per Book

\$1,331.53

Craft and Benefit Fund

Balance per Bank and Book

\$1,264.57

DENMAR HOSPITAL
PATIENT COST SUMMARY

	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Average Population	166	166
Patient Days	60687	60456
Total Appropriated Expenditures	\$3,085,818.25	\$2,655,588.84
Cost per Patient Day	\$ 50.85	\$ 43.93
Average Cost per Patient Year	\$ 18,560.25	\$ 16,034.45

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, Director, 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 23rd day of May,
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 Hopemont Hospital; West Virginia Department of Health; Attorney General; Governor; and, State Auditor.