

HOPEMONT HOSPITAL
FOR THE PERIOD
JULY 1, 1982 - 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 Hopemont Hospital.

Our examination covers the period July 1, 1982 through June 30, 1985. The results of this examination are set forth on the following pages of this report; however, only the financial statements for the years ended June 30, 1984 and June 30, 1985 are included in this report.

Respectfully submitted,

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

TLS/dws

HOPEMONT HOSPITAL

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HOPEMONT HOSPITAL
EXIT CONFERENCE

We held an exit conference on May 15, 1989 with the Administrator and Business Manager of Hopemont 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.

HOPEMONT HOSPITAL

INTRODUCTION

Hopemont Hospital is located near Terra Alta in Preston County. The Hospital was founded in 1913 as Hopemont Sanitarium to provide treatment for tubercular patients. Legislation enacted in 1965 changed the name of the institution to Hopemont Hospital and designated the Hospital as a long-term care facility for the chronically ill.

Residents of West Virginia who are unable to pay for care in a private nursing home and need skilled or intermediate care are admitted to Hopemont Hospital.

Medical and nursing care are provided in conjunction with laboratory, pharmaceutical and radiological services. Special activity programs include physiotherapy, craft occupational therapy, speech therapy and recreational activities.

HOPEMONT HOSPITAL
ADMINISTRATIVE OFFICERS AND STAFF

SUPERINTENDENT OR ADMINISTRATOR DURING THE PERIOD

William N. Mitchell January 1, 1980 - May 30, 1984
Charles S. Forsythe June 1, 1984 - October 31, 1986

ADMINISTRATIVE OFFICERS AND STAFF AT END OF PERIOD

Charles S. Forsythe Assistant Administrator
January 16, 1980 - May 30, 1984
Hilton C. Rocha, M.D. Clinical Director
Cynthia R. Wolfe Business Office Supervisor
Harris Britton Technical Assistant

HOPEMONT HOSPITAL
DISPOSITION OF PRIOR AUDIT FINDINGS

AREAS OF NONCOMPLIANCE

1. Cost of Household Facilities Rented to Employees and Meals Furnished to Employees or Visitors in Excess of Related Revenues

The revenue derived from the sale of meals and rental of housing to employees does not cover the estimated costs of providing such services and those receiving such services are considered as receiving emoluments.

We recommend the Hospital comply with the West Virginia Code, Chapter 25, Article 1, Section 11 which prohibits emoluments.

The Hospital has not complied with the West Virginia Code, Chapter 25, Article 1, Section 11 which prohibits emoluments. The Hospital was still providing meals to employees and others at an amount far below the estimated cost of meals served. Rental of housing to employees existed, at amounts below the cost of providing such services, during the audit period; however, rental of housing to employees ceased January 1, 1988.

2. Reasonable Fees for Maintenance Not Being Charged

Reasonable fees for patient maintenance were not being charged as required by the West Virginia Code based upon our determination of costs per patient day.

We recommend the Hospital comply with the West Virginia Code, Chapter 26, Article 10, Section 1.

The Hospital did not comply with West Virginia Code, Chapter 26, Article 10, Section 1 as of the ending date, June 30, 1985, of the audit period. Patient charges continued to be exonerated down to a daily charge of \$5.00. This practice was changed in January 1986 when the Hospital began utilizing an actual per diem rate charge and making collections accordingly.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

3. Insufficient Internal Control Over Local Accounts Through Separation of Duties

The Hospital had insufficient separation of duties and lack of internal control over local accounts for two employees in the Patient Accounting Office.

We recommend reassignment of certain duties currently assigned to employees in the Patient Accounting Office to provide for improvement in internal control over local accounts.

The Patient Accounting Office did not comply with the above recommendation due to lack of personnel. An additional employee was hired in December 1988. Office duties are currently being reassigned to comply with this recommendation.

4. Lack of Sufficient Internal Control Over Cash Receipts into Local Accounts

There was insufficient internal control over cash receipts into local accounts.

We recommend improved internal controls be established over cash receipts into local accounts.

The Patient Accounting Office did not comply with the above recommendation due to lack of personnel. An additional employee was hired in December 1988. Official duties are currently being reassigned to comply with this recommendation.

5. Insufficient Internal Control Over Cash Disbursements from Local Accounts

There was insufficient internal control over disbursements from local accounts.

We recommend adequate internal controls be instituted over cash disbursements from local accounts,

Checks made payable to cash for patients' disbursements occurred during the 1984 fiscal year. This practice has been stopped by the Hospital. An additional employee was hired in December 1988. Official duties are currently being reassigned to comply with this recommendation.

6. Insufficient Internal Control Over Patient Accounts Receivable

There was inadequate control by the Hospital over patient accounts receivable.

We recommend internal control be improved over patient accounts receivable.

Monthly billings are now being made to all residents on the Medicaid certified floors. Others receive quarterly billings at present, but will receive monthly billings when additional staff is assigned to these duties.

Patient charges are based on ability to pay determined by use of financial investigation and yearly financial questionnaires. New financial questionnaires are completed, due to changes in income, when necessary.

Division of duties will be implemented with the addition of new staff in December 1988.

HOPEMONT HOSPITAL

SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

AREAS OF NONCOMPLIANCE

Noncompliance with West Virginia Code Chapter 25, Article 1, Section 11
Housing and Meals Furnished to Employees

1. The Hospital provided housing and meals to employees at a cost in excess of related revenues.

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

Employee housing was discontinued as of December 31, 1987.

Employees and visitors are now charged for the cost of food and a reasonable cost of labor for all meals.

The hospital has made numerous attempts to collect the rent. Notices of back due rent will be sent to the two employees by May 12, and arrangements will be negotiated. If the employees do not pay, their cases will be referred to the Department of Health for disposition.

Noncompliance with West Virginia Code, Chapter 26, Article 10, Section 1 -
Patient Maintenance Charges

2. The Hospital had not charged reasonable fees for patient maintenance.

We recommend the Hospital comply with West Virginia Code, Chapter 26, Article 10, Section 1.

The hospital is now charging each resident a rate based on a cost analysis by Revenue Management. The daily rate for non-certified residents is \$76.40, and the daily rate for medicaid certified residents is \$102.40. When cases of non-payment occur, they are sent to the Director, Department of Health for disposition.

Noncompliance with Department of Health Financial Management
Procedure #6046 - Patient Trustee Accounts

3. The Hospital had not complied with certain requirements of Procedure #6046.

We recommend the Hospital comply with Procedure #6046.

The Hospital is taking the necessary steps to comply with Procedure #6046.

Noncompliance with West Virginia Code Chapter 5, Article 8,
Section 17 - Disposal of Records

4. A Hospital employee had discarded doctor's slips documenting sick leave usage for the period under audit.

We recommend the Hospital comply with West Virginia Code, Chapter 5, Article 8, Section 17.

The hospital Business Manager will monitor all records periodically to ensure compliance.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

5. The Hospital had insufficient separation of duties and lack of internal control over local accounts for two employees in the Patient Accounting Office.

We recommend reassignment of certain duties currently assigned to employees in the Patient Accounting Office to provide for improvement in internal control over local accounts.

In an effort to comply with these deficiencies, the Business Office has reorganized job duties for each person.

6. There was insufficient internal control over cash receipts into local accounts.

We recommend improved internal controls be established over cash receipts into local accounts.

In an effort to comply with these deficiencies, the Business Office has reorganized job duties for each person.

7. There was insufficient internal control over disbursements from local accounts.

We recommend adequate internal controls be instituted over cash disbursements from local accounts.

In an effort to comply with these deficiencies, the Business Office has reorganized job duties for each person.

8. There was insufficient internal control over patient accounts receivable.

We recommend internal control be improved for patient accounts receivable.

In an effort to comply with these deficiencies, the Business Office has reorganized job duties for each person.

HOPEMONT HOSPITAL

GENERAL REMARKS

INTRODUCTION

We have completed a financial and compliance audit of Hopemont Hospital. The audit covered the period July 1, 1982 through June 30, 1985.

APPROPRIATED ACCOUNTS

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

<u>Account Number</u> <u>Fiscal Year 1983</u>	<u>Account Number</u> <u>Fiscal Year 1984</u>	<u>Account Number</u> <u>Fiscal Year 1985</u>	<u>Description</u>
4300-00	4170-00	4180-00	Personal Services
4300-01	4170-01	4180-01	Current Expenses
4300-02	4170-02	4180-02	Repairs and Alterations
4300-03	4170-03	4180-03	Equipment

SPECIAL REVENUE ACCOUNTS

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

<u>Account Number</u>	<u>Description</u>
8500-05	Various Capital Improvement Projects for Institutions.
8500-14	Hopemont Hospital, Capital Outlay (Renovation and Equipment).
8500-26	Contingency for Repairs and Alterations, Equipment, Emergency Services and Miscellaneous.

<u>Account Number</u>	<u>Description</u>
8500-29	Hopemont Hospital, Capital Outlay and Renovations for Certification, Life Safety and Energy Conservation.

LOCAL ACCOUNTS

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

<u>Description</u>	<u>Purpose</u>
Patient Trustee Account	Receives funds for patient maintenance and personal care, from donations and interest earned; disbursed funds for support of patients.
Collection Account	Receives funds from patient maintenance, rent income from employees, sale of meal tickets, refunds to appropriations and other sources; for transfer to the State Treasury.
Bookstore Account	Receives funds from bookstore sales, sale of newspapers, vending machine commissions and donations made for specific projects; disbursed for merchandise for resale or for bookstore operation.
Donations Account	Receives donations from individuals, groups, families of patients who have expired and other patients. Disburses donations made for specific patients to the Patient's Trustee Account and used other donations for the general benefit of all patients.
Patient Welfare Account	Receives profits from Bookstore Account. Disburses for the benefit of all patients or for indigent patients.

AREAS ON NONCOMPLIANCE

West Virginia Department of Health Instructions and the West Virginia Code, Chapter 26, Articles 9, 10 and 11; Chapter 25, Article 1; Chapter 16, Article 1; Chapter 12, Article 2; and, Chapter 14, Article 1 generally govern Hopemont Hospital. We tested applicable sections of the Department of Health Instructions and applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings follow.

Cost of Household Facilities Rented to Employees and Meals Furnished to Employees or Visitors in Excess of Related Revenues

West Virginia Code, Chapter 25, Article 1, Section 11 states,

"The superintendents and 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 costs thereof as established by the director of health."

Employees renting household facilities from the Hospital and purchasing and using meal tickets 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 household facilities or meals made available to them.

A summary of these costs and revenues follows:

<u>Fiscal Year Ended</u>	<u>Household Facilities Rented to Employees</u>		
	<u>Estimated Cost of Utilities for Facilities Rented to Employees</u>	<u>Rents Received</u>	<u>Facility Cost in Excess of Rent Charged</u>
June 30, 1985	\$103,940.66	\$16,400.00	\$87,540.66
June 30, 1984	\$110,776.83	\$15,705.40	\$95,071.43

<u>Fiscal Year Ended</u>	<u>Meals Provided for Visitors and Employees</u>		
	<u>Food and Dietary Labor Cost for Meals Provided</u>	<u>Revenues from Meals for Employees and Visitors</u>	<u>Cost in Excess of Meal Revenues</u>
June 30, 1985	\$93,972.96	\$25,092.35	\$68,880.61
June 30, 1984	\$81,502.38	\$21,475.40	\$60,026.98

The Hospital discontinued the practice of renting housing to employees January 1, 1988; however, there are two former tenants, currently employed by the Hospital, who owe a combined total of \$520.00 in rental charges.

We recommend the Hospital comply with, Chapter 25, Article 1, Section 11 of the West Virginia Code. We also recommend the Hospital collect the rent due from the two employees noted above.

Employee housing was discontinued as of December 31, 1987.

Employees and visitors are now charged for the cost of food and a reasonable cost of labor for all meals.

The hospital has made numerous attempts to collect the rent. Notices of back due rent will be sent to the two employees by May 12, and arrangements will be negotiated. If the employees do not pay, their cases will be referred to the Department of Health for disposition.

Reasonable Fees for Maintenance Not Being Charged

Chapter 26, Article 10, Section 1 of the West Virginia Code states,

"Notwithstanding any limitation contained in this chapter or any provision therein to the contrary, the director of health is authorized to establish and charge the inmate or patient reasonable fees for the maintenance of each person admitted to a hospital, home or sanitarium under his jurisdiction and control: Provided, that the director of health may, whenever it is deemed just and expedient to do so, exonerate any such person chargeable with such maintenance from the payment thereof, in whole or in part, if the director finds that such person is unable to pay or that payment would work an undue hardship upon him."

In our opinion, reasonable fees for patient maintenance were not being charged as required by the West Virginia Code based upon our determination of costs per patient day. In the years ended June 30, 1985 and June 30, 1984 the cost per patient day was \$71.21 and \$75.73, respectively. The maximum billing rate for patient maintenance at this Hospital was \$5.00 per patient day for those fiscal years as established by the Department of Health. The Hospital was

prevented from recovering all or a reasonable portion of costs per patient day since the Hospital could not bill more than the established daily rate of \$5.00.

In January 1986, the Hospital began charging a rate based upon actual costs of supplying services to patients.

We recommend the Hospital comply with Chapter 26, Article 10, Section 1 of the West Virginia Code.

The hospital is now charging each resident a rate based on a cost analysis by Revenue Management. The daily rate for non-certified residents is \$76.40, and the daily rate for medicaid certified residents is \$102.40. When cases of non-payment occur, they are sent to the Director, Department of Health for disposition.

Noncompliance with Department of Health Financial Management
Procedure #6046 - Patient Trustee Accounts

On October 1, 1983 the Department of Health issued Procedure #6046, a comprehensive instruction dealing with the proper management and handling of patient funds. It appears that the Hospital has not complied with the following requirements of Procedure #6046:

1. Purchases of items costing in excess of \$50.00 were not routed through the purchasing office to be processed under regular West Virginia State purchasing practices.
2. Receipts obtained during patient shopping trips were not, in all cases, submitted to the trustee clerk by the employee accompanying the patient. This resulted in a failure to fully document such purchases and could result in misuse of patient funds.
3. Patients were allowed to overdraw personal trust fund balances. At June 30, 1985, negative trust fund balances totaled \$340.48.
4. Mail containing cash or checks was not opened or prelisted by an employee with no other cash duties.
5. The cashier function received the monthly bank statements and cancelled checks for the local checking account and performed bank reconciliations instead of that work being performed by an employee with no other cash duties.

We recommend the Hospital comply with Department of Health Financial Management Procedure #6046.

The hospital will develop a revised policy/procedure to ensure that all purchases in excess of \$50 follow state purchasing procedures. This policy has been difficult to enforce because residents feel that this is their money and they do not have to follow state purchasing procedures.

The hospital will develop a revised policy/procedure to ensure that receipts for purchases are remitted to the trustee clerk. This procedure, in the past, has been difficult to enforce because residents have refused to give receipts to the hospital or have lost those receipts.

A new policy/procedure will be implemented to monitor expenditures by resident to ensure positive balances.

In the reorganization of job duties in the business office, an employee with no cash responsibilities will open all mail and document cash and checks received. Cash and checks will then be forwarded to the cashier.

In the reorganization of job duties in the business office, monthly reconciliation of bank statements and cancelled checks will be completed by the facility Business manager rather than the cashier.

Noncompliance with West Virginia Code, Chapter 5, Article 8, Section 17 - Disposal of Records

Chapter 5, Article 8, Section 17 of the West Virginia Code states:

"No record shall be destroyed or otherwise disposed of by any agency of the state, unless it is determined by the administrator and the director of the division of archives and history of the department of culture and history that the record has no further administrative, legal, fiscal, research or historical value."

A Hospital employee had discarded doctors slips documenting sick leave usage for the period under audit. This made it impossible to adequately test such leave usage.

We recommend the Hospital comply with Chapter 5, Article 8, Section 17 of the West Virginia Code.

The hospital Business Manager will monitor all records periodically to ensure compliance.

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 of 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, where 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 transaction 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, 1982 to 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.

Insufficient Internal Control Over Local Accounts
Through Separation of Duties

Accounting duties for local accounts were performed by two persons in the Patient Accounting Office. There was insufficient separation of duties in the Patient Accounting Office since one or both employees performed some or all of the following functions for each of the local accounts:

1. Cash receipts function;
2. Cash disbursements function;
3. Accounts receivable function;
4. Exoneration function;
5. Purchasing function except for Bookstore Account; and,
6. Bank reconciliation function.

Because of insufficient separation of duties in the Patient Accounting Office, the persons who controlled the above functions could divert cash to personal use and conceal such diversion by unauthorized changes in records or documents.

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

In an effort to comply with these deficiencies, the Business Office has reorganized job duties for each person.

Insufficient Internal Control Over Cash
Receipts into Local Accounts

The mail containing cash for all local accounts was opened by the cashier and not by an employee who had no other cash duties. Cash received through the mail was not prelisted by the person receiving the mail and that record used, independent from the cashier, to verify proper recording of receipts.

Deposits were taken to the bank by the accounts payable clerk, who was also the cashier, instead of being taken to the bank by a person who had no other cash duties. Bank debit advices were delivered to the cashier and were not sent to an accounting function independent of the cashier.

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

In an effort to comply with these deficiencies, the Business Office has reorganized job duties for each person.

Insufficient Internal Control Over Cash
Disbursements from Local Accounts

Checks were drawn payable to "cash" for many disbursements from the local accounts for patient shopping or other patient benefits. This practice was discontinued after June 30, 1984.

Disbursements from local accounts have been made by the cashier function responsible for the account rather than by an accounts payable function.

Standard State purchasing procedures had not been followed for many expenditures from local accounts. Checks, when signed, were returned to the cashier who drew the local account checks rather than being returned to and mailed by another employee. The cashier received the monthly bank statements and cancelled checks for local accounts and performed bank reconciliations rather than an employee who had no other cash duties doing such reconciliations.

We recommend adequate internal controls be instituted over cash disbursements from local accounts.

In an effort to comply with these deficiencies, the Business Office has reorganized job duties for each person.

Insufficient Internal Control Over Patient Accounts Receivable

Monthly billings for patient maintenance were not generated by the Hospital but an amount is established upon admission to the Hospital which the patient is expected to pay without further notice for maintenance each month. Where monthly billings are not prepared, there is insufficient documentation for monthly charges to patient accounts receivable. However, the number of patients who owe for care at the end of each month is small.

Individual patient accounts receivable cards were maintained by employees who had access to cash receipts instead of cashier and accounts receivable functions being separated. Differences in accounts receivable reported for the patient were given to the cashier for investigation instead of a separate accounting function. The cashier prepared the requests for exonerations based on the financial evaluation questionnaire. With such duties being combined, the cashier had the ability to divert cash by preparing incorrect exoneration documents.

We recommend improved internal control be established over patient accounts receivable.

In an effort to comply with these deficiencies, the Business Office has reorganized job duties for each person.

Donations Account

The Hospital utilizes two local checking accounts to maintain donated funds. These two funds, the Donations Account and the Patient Welfare Account, cannot be differentiated in purpose, according to Hospital employees. Therefore,

to simplify record keeping and to reduce the costs involved in maintaining both accounts, we recommend the Hospital close the Donations Account into the Patient Welfare Account.

The hospital will close the Donations Account into the Patient Welfare Account.

AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have examined the financial statements of Hopemont 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.

In our opinion, the financial statements of Hopemont Hospital as listed in the aforementioned table of contents present fairly appropriations and expenditures, cash, accounts receivable and trust account transactions 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 statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,


Theford L. Shanklin, CPA, Director
Legislative Postaudit Division

January 27, 1989

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

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

	Year Ended June 30, 1985			
	General Revenue	Special Revenue	Trust Funds	Total
Appropriations/Cash Receipts:				
Appropriations	\$3,679,016.00	\$ -0-	\$ -0-	\$3,679,016.00
Trust Funds	-0-	-0-	350,998.92	350,998.92
Interest	-0-	-0-	14,606.36	14,606.36
Accounts Receivable				
Billings	-0-	249,149.00	-0-	249,149.00
Sales, Commissions and				
Sales Tax	-0-	-0-	62,066.26	62,066.26
Hospital Services Revenue	-0-	597,000.00	-0-	597,000.00
	<u>3,679,016.00</u>	<u>846,149.00</u>	<u>427,671.54</u>	<u>4,952,836.54</u>
Expenditures/Disbursements:				
Personal Services	2,567,666.78	-0-	-0-	2,567,666.78
Current Expenses	701,254.10	94.50	119,410.24	820,758.84
Repairs and Alterations	31,783.39	32,122.33	-0-	63,905.72
Equipment	12,538.89	9,414.82	-0-	21,953.71
General Revenue	-0-	-0-	16,468.68	16,468.68
Hospital Services Revenue				
Account	-0-	-0-	174,621.37	174,621.37
Refunds	-0-	-0-	27,607.46	27,607.46
Exonerations	-0-	58,651.54	-0-	58,651.54
Accounts Receivable Payments	-0-	189,656.37	-0-	189,656.37
Rent Receivable Payments	-0-	-0-	16,325.00	16,325.00
State Tax Commission	-0-	-0-	3,085.08	3,085.08
	<u>3,313,243.16</u>	<u>289,939.56</u>	<u>357,517.83</u>	<u>3,960,700.55</u>
Appropriations/Cash Receipts Over				
Expenditures/Disbursements	365,772.84	556,209.44	70,153.71	992,135.99
Thirty-Day Expenditures and				
Expirations	(365,772.84)	-0-	-0-	(365,772.84)
	<u>-0-</u>	<u>556,209.44</u>	<u>70,153.71</u>	<u>626,363.15</u>
Beginning Balance	<u>-0-</u>	<u>376,370.06</u>	<u>126,092.48</u>	<u>502,462.54</u>
Ending Balance	<u>\$ -0-</u>	<u>\$932,579.50</u>	<u>\$196,246.19</u>	<u>\$1,128,825.69</u>

See Notes to Financial Statement

<u>Year Ended June 30, 1984</u>			
<u>General Revenue</u>	<u>Special Revenue</u>	<u>Trust Funds</u>	<u>Total</u>
\$3,326,862.00	\$ -0-	\$ -0-	\$3,326,862.00
-0-	-0-	288,261.44	288,261.44
-0-	-0-	8,352.74	8,352.74
-0-	214,580.00	-0-	214,580.00
-0-	-0-	57,941.81	57,941.81
-0-	340,000.00	-0-	340,000.00
<u>3,326,862.00</u>	<u>554,580.00</u>	<u>354,555.99</u>	<u>4,235,997.99</u>
2,334,131.41	-0-	-0-	2,334,131.41
693,742.15	321.83	96,761.35	790,825.33
52,576.22	42,087.94	-0-	94,664.16
12,453.01	3,591.00	-0-	16,044.01
-0-	-0-	15,625.12	15,625.12
-0-	-0-	187,160.00	187,160.00
-0-	-0-	25,833.07	25,833.07
-0-	39,800.00	-0-	39,800.00
-0-	174,728.00	-0-	174,728.00
-0-	-0-	15,480.40	15,480.40
-0-	-0-	2,842.54	2,842.54
<u>3,092,902.79</u>	<u>260,528.77</u>	<u>343,702.48</u>	<u>3,697,134.04</u>
233,959.21	294,051.23	10,853.51	538,863.95
(233,959.21)	-0-	-0-	(233,959.21)
-0-	294,051.23	10,853.51	304,904.74
-0-	82,318.83	115,238.97	197,557.80
<u>\$ -0-</u>	<u>\$376,370.06</u>	<u>\$126,092.48</u>	<u>\$ 502,462.54</u>

Exhibit A

HOPEMONT 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 1985 fiscal year, and a 90-day carry-over period is provided at the end of the 1984 fiscal year for the payment obligations incurred in that year. 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 1985 fiscal year ends and 90 days after the 1984 fiscal year ends; however, appropriations for buildings and land remain in effect until three years or 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 during the 30-day carry-over period for 1985 and 90-day carry-over period for 1984 and expirations were as follows:

	<u>Expenditures</u>		<u>Expirations</u>	
	<u>July 1-30 1985</u>	<u>July 1- Sept. 29 1984</u>	<u>July 31, 1985</u>	<u>Sept. 30, 1984</u>
Personal Services	\$110,378.42	\$102,434.60	\$120,346.80	\$ 48,269.99
Current Expenses	90,698.25	50,924.98	9,071.65	27,358.87
Repairs and Alterations	32,224.72	1,733.29	591.89	690.49
Equipment	<u>2,395.18</u>	<u>2,232.14</u>	<u>65.93</u>	<u>314.85</u>
Total	<u>\$235,696.57</u>	<u>\$157,325.01</u>	<u>\$130,076.27</u>	<u>\$76,634.20</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 Presentation: Trust Funds

The prior audit report of Hopemont 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 Hopemont 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

HOPEMONT 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	\$2,798,392.00	\$2,484,836.00
Expenditures	<u>2,678,045.20</u> 120,346.80	<u>2,436,566.01</u> 48,269.99
Transmittals Paid After June 30,	<u>110,378.42</u>	<u>102,434.60</u>
Balance	<u>\$ 230,725.22</u>	<u>\$ 150,704.59</u>
<u>Current Expenses - Account 4180-01 (1985)</u> <u>and 4170-01 (1984)</u>		
Appropriations	\$ 801,024.00	\$ 772,026.00
Expenditures	<u>791,952.35</u> 9,071.65	<u>744,667.13</u> 27,358.87
Transmittals Paid After June 30,	<u>90,698.25</u>	<u>50,924.98</u>
Balance	<u>\$ 99,769.90</u>	<u>\$ 78,283.85</u>
<u>Repairs and Alterations - Account 4180-02 (1985)</u> <u>and 4170-02 (1984)</u>		
Appropriations	\$ 64,600.00	\$ 55,000.00
Expenditures	<u>64,008.11</u> 591.89	<u>54,309.51</u> 690.49
Transmittals Paid After June 30,	<u>32,224.72</u>	<u>1,733.29</u>
Balance	<u>\$ 32,816.61</u>	<u>\$ 2,423.78</u>
<u>Equipment - Account 4180-03 (1985)</u> <u>and 4170-03 (1984)</u>		
Appropriations	\$ 15,000.00	\$ 15,000.00
Expenditures	<u>14,934.07</u> 65.93	<u>14,685.15</u> 314.85
Transmittals Paid After June 30,	<u>2,395.18</u>	<u>2,232.14</u>
Balance	<u>\$ 2,461.11</u>	<u>\$ 2,546.99</u>

HOPEMONT 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>Various Capital Improvement Projects for</u>		
<u>Institutions - Account 8500-05</u>		
Disbursements:		
Equipment	\$ 2,280.00	\$ -0-
Receipts (Under) Disbursements	(2,280.00)	-0-
Beginning Balance	<u>3,350.00</u>	<u>3,350.00</u>
Ending Balance	<u>\$ 1,070.00</u>	<u>\$ 3,350.00</u>
 <u>Hopemont Hospital, Capital Outlay (Renovation</u>		
<u>and Equipment) Account 8500-14</u>		
Disbursements:		
Current Expenses	\$ -0-	\$ 321.83
Repairs and Alterations	32,122.33	42,087.94
Equipment	-0-	3,591.00
	<u>32,122.33</u>	<u>46,000.77</u>
Cash Receipts (Under) Disbursements	(32,122.33)	(46,000.77)
Beginning Balance	<u>32,455.06</u>	<u>78,455.83</u>
Ending Balance	<u>\$ 332.73</u>	<u>\$32,455.06</u>
 <u>Contingency for Repairs and Alterations, Equipment,</u>		
<u>Emergency Services and Miscellaneous Account 8500-26</u>		
Cash Receipts:		
Appropriations	\$20,000.00	\$40,000.00
Disbursements:		
Equipment	<u>7,134.82</u>	<u>-0-</u>
Cash Receipts Over Disbursements	12,865.18	40,000.00
Beginning Balance	<u>40,000.00</u>	<u>-0-</u>
Ending Balance	<u>\$52,865.18</u>	<u>\$40,000.00</u>

HOPEMONT HOSPITAL
 STATEMENT OF CASH RECEIPTS/DISBURSEMENTS AND
 CHANGES IN CASH BALANCE
 SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
<u>Hopemont Hospital, Capital Outlay and</u>		
<u>Renovations for Certification, Life Safety</u>		
<u>and Energy Conservation - Account 8500-29</u>		
Cash Receipts:		
Appropriations	\$577,000.00	\$300,000.00
Disbursements:		
Current Expenses	<u>94.50</u>	<u>-0-</u>
Cash Receipts Over Disbursements	576,905.50	300,000.00
Beginning Balance	<u>300,000.00</u>	<u>-0-</u>
Ending Balance	<u>\$876,905.50</u>	<u>\$300,000.00</u>

HOPEMONT HOSPITAL
STATEMENT OF CASH RECEIPTS/DISBURSEMENTS AND
CHANGES IN CASH BALANCES

<u>Patient Trust Fund</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Contributions from Patients, Responsible Payers or Third Party Agencies	\$314,719.80	\$251,508.96
Interest on Investments	14,606.36	8,352.74
Transfers from Donations Account	2,056.35	1,429.47
Total Cash Receipts	<u>331,382.51</u>	<u>261,291.17</u>
Disbursements:		
Payments on Behalf of Patients	70,640.23	50,221.94
Transfer to Collection Account for Patient Maintenance	189,656.37	174,728.00
Transfer to Bookstore for Patient Purchases	19,052.57	12,363.05
Transfer to Donation Account	38.80	49.17
Total Disbursements	<u>279,387.97</u>	<u>237,362.16</u>
Cash Receipts Over Disbursements	51,994.54	23,929.01
Beginning Balance	<u>117,076.56</u>	<u>93,147.55</u>
Ending Balance	<u>\$169,071.10</u>	<u>\$117,076.56</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Cash in Bank	\$ 11,220.32	\$ 22,827.01	\$ 18,616.59
Consolidated Investment Fund	157,850.78	94,249.55	58,062.40
Patient's Passbook Savings Account	-0-	-0-	16,468.56
	<u>\$169,071.10</u>	<u>\$117,076.56</u>	<u>\$ 93,147.55</u>

HOPEMONT HOSPITAL
 STATEMENT OF CASH RECEIPTS/DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 LOCAL ACCOUNT

<u>Collection Account</u>	<u>Year Ended June 30, 1985</u>			<u>Total</u>
	<u>Cash</u>	<u>Accounts Receivable</u>	<u>Rent Receivable</u>	
Additions:				
Accounts Receivable Receipts and Billings	\$189,656.37	\$249,149.00	\$ -0-	\$438,805.37
Meal Ticket Sales	25,092.35	-0-	-0-	25,092.35
Sales Tax	1,320.65	-0-	-0-	1,320.65
Employee Rental Receipts and Billings	16,325.00	-0-	16,360.00	32,685.00
Telephone Commissions	501.49	-0-	-0-	501.49
Refunds to Appropriations	2,157.30	-0-	-0-	2,157.30
	<u>235,053.16</u>	<u>249,149.00</u>	<u>16,360.00</u>	<u>500,562.16</u>
Deductions:				
General Revenue	16,468.68	-0-	-0-	16,468.68
Hospital Services Revenue Account	174,621.37	-0-	-0-	174,621.37
Refunds to Appropriations	27,607.46	-0-	-0-	27,607.46
Sales Tax	1,320.65	-0-	-0-	1,320.65
Exonerations	-0-	58,651.54	-0-	58,651.54
Accounts Receivable Receipts	-0-	189,656.37	-0-	189,656.37
Rent Receivable Receipts	-0-	-0-	16,325.00	16,325.00
	<u>220,018.16</u>	<u>248,307.91</u>	<u>16,325.00</u>	<u>484,651.07</u>
Additions Over (Under) Deductions	15,035.00	841.09	35.00	15,911.09
Beginning Balance	10.00	565.00	(407.00)	168.00
Ending Balance	<u>\$ 15,045.00</u>	<u>\$ 1,406.09</u>	<u>(\$ 372.00)</u>	<u>\$ 16,079.09</u>

Year Ended June 30, 1985

<u>Cash</u>	<u>Accounts Receivable</u>	<u>Rent Receivable</u>	<u>Total</u>
\$174,728.00	\$214,580.00	\$ -0-	\$389,308.00
21,475.40	-0-	-0-	21,475.40
1,128.60	-0-	-0-	1,128.60
15,480.40	-0-	15,781.34	31,261.74
609.07	-0-	-0-	609.07
3,893.32	-0-	-0-	3,893.32
<u>217,314.79</u>	<u>214,580.00</u>	<u>15,781.34</u>	<u>447,676.13</u>
15,625.12	-0-	-0-	15,625.12
187,160.00	-0-	-0-	187,160.00
25,833.07	-0-	-0-	25,833.07
1,128.60	-0-	-0-	1,128.60
-0-	39,800.00	-0-	39,800.00
-0-	174,728.00	-0-	174,728.00
-0-	-0-	15,480.40	15,480.40
<u>229,746.79</u>	<u>214,528.00</u>	<u>15,480.40</u>	<u>459,755.19</u>
(12,432.00)	52.00	300.94	(12,079.06)
<u>12,442.00</u>	<u>513.00</u>	<u>(707.94)</u>	<u>12,247.06</u>
<u>\$ 10.00</u>	<u>\$ 565.00</u>	<u>(\$ 407.00)</u>	<u>\$ 168.00</u>

HOPEMONT HOSPITAL
STATEMENT OF CASH RECEIPTS/DISBURSEMENTS AND
CHANGES IN CASH BALANCES
LOCAL ACCOUNT

<u>Bookstore</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Sales, Commissions and Sales Tax	\$35,653.26	\$35,337.81
Transfers from Patient Trust Fund	19,052.57	12,363.05
Transfers from Patient Welfare Fund	<u>476.58</u>	<u>23.34</u>
Total Cash Receipts	55,182.41	47,724.20
Disbursements:		
Merchandise for Resale	44,098.27	41,268.25
State Tax Commissioner	1,764.43	1,713.94
Transfer to Patient Welfare Fund	8,445.04	5,353.21
Current Expenses	<u>746.40</u>	<u>968.10</u>
Total Disbursements	<u>55,054.14</u>	<u>49,303.50</u>
Cash Receipts Over (Under) Disbursements	128.27	(1,579.30)
Beginning Balance	<u>955.70</u>	<u>2,535.00</u>
Ending Balance	<u>\$ 1,083.97</u>	<u>\$ 955.70</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Ending Balance:			
Cash in Bank	\$ 933.97	\$ 880.70	\$2,500.00
Change Fund	<u>150.00</u>	<u>75.00</u>	<u>35.00</u>
	<u>\$1,083.97</u>	<u>\$ 955.70</u>	<u>\$2,535.00</u>

HOPEMONT HOSPITAL
STATEMENT OF CASH RECEIPTS/DISBURSEMENTS AND
CHANGES IN CASH BALANCE
LOCAL ACCOUNT

<u>Donation Account</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipt:		
Donations	\$ 932.00	\$ 325.00
Transfer from Patient Trust Fund	<u>38.80</u>	<u>49.17</u>
	970.80	374.17
Disbursements:		
Patient Benefit	218.83	51.00
Transfer to Patient Trust Fund	<u>2,056.35</u>	<u>1,429.47</u>
	<u>2,275.18</u>	<u>1,480.47</u>
Cash Receipts (Under) Disbursements	(1,304.38)	(1,106.30)
Beginning Balance	<u>2,052.39</u>	<u>3,158.69</u>
Ending Balance	<u>\$ 748.01</u>	<u>\$2,052.39</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Ending Balance:			
Cash in Bank	<u>\$ 748.01</u>	<u>\$2,052.39</u>	<u>\$3,158.69</u>

HOPEMONT HOSPITAL
STATEMENT OF CASH RECEIPTS/DISBURSEMENTS AND
CHANGES IN CASH BALANCE
LOCAL ACCOUNT

<u>Patient Welfare Fund</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Transfers from Bookstore Account	\$ 8,445.04	\$ 5,353.21
Reimbursement of Improper Disbursements	-0-	658.35
Other	3.33	5.00
	<u>8,448.37</u>	<u>6,016.56</u>
Disbursements:		
Patient Benefit	3,600.43	3,593.71
Transfer to Bookstore Account	476.58	23.34
Improper Disbursements	102.75	658.35
Other	3.33	-0-
	<u>4,183.09</u>	<u>4,275.40</u>
Cash Receipts Over Disbursements	4,265.28	1,741.16
Beginning Balance	<u>6,404.83</u>	<u>4,663.67</u>
Ending Balance	<u>\$10,670.11</u>	<u>\$ 6,404.83</u>

	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Ending Balance:			
Cash in Bank	\$10,670.11	\$ 6,404.83	\$ -0-
Cash on Hand	-0-	-0-	4,663.67
	<u>\$10,670.11</u>	<u>\$ 6,404.83</u>	<u>\$ 4,663.67</u>

HOPEMONT HOSPITAL
RECONCILIATIONS
JUNE 30, 1985
SPECIAL REVENUE

Various Capital Improvement Projects for
Institutions - Account 8500-05

Balance per Hospital and Department of Health \$1,070.00

Hopemont Hospital Capital Outlay (Renovation
and Equipment) - Account 8500-14

Balance per Hospital and Department of Health \$332.73

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

Balance per Hospital and Department of Health \$52,865.18

Hopemont Hospital, Capital Outlay and Renovations for
Certification, Life Safety and Energy Conservation
Account 8500-29

Balance per Hospital and Department of Health \$876,905.50

HOPEMONT HOSPITAL
BANK RECONCILIATIONS
JUNE 30, 1985
LOCAL ACCOUNT

Patient Trust Fund

Balance per Bank

\$31,114.76

	<u>Check Number</u>	<u>Amount</u>
Checks Outstanding:	11924	\$ 1.78
	12310	5.00
	12320	57.90
	12321	20.00
	12322	25.00
	12323	10.00
	12324	25.00
	12326	20.00
	12327	10.00
	12328	10.00
	12330	25.00
	12331	25.00
	12332	50.00
	12333	74.94
	12334	5.00
	12335	18.26
	12336	2,000.00
	12337	45.70
	12338	25.00
	12340	25.00
	12341	12.00
	12343	13.58
	12346	13.86
	12347	50.00
	12349	50.00
	12350	34.95
	12352	25.00
	12355	10.00
	12359	50.00
	12360	40.00
	12363	23.35
	12364	16.00
	12365	20.00
	12366	23.30
	12367	85.00
	12368	168.80
	12369	226.00
	12371	5.00
	12372	1,321.77
	12374	100.05
	12375	51.28
	12376	15.00
	12377	9.42

Patient Trust Fund - Cont.

12378	3.08
12379	13.42
12381	<u>15,035.00</u>

19,894.44

Balance per Book

\$11,220.32

Bookstore Account

Balance per Bank

\$4,869.03

<u>Check Number</u>	<u>Amount</u>
-------------------------	---------------

Checks Outstanding:

8280	7.20
8281	7.20
8282	2,247.11
8283	247.50
8284	56.42
8285	41.50
8286	60.90
8287	32.40
8288	349.15
8289	367.20
8290	177.00
8291	110.00
8292	133.15
8293	41.93
8294	16.25
8295	<u>40.15</u>

Balance per Book

3,935.06

\$ 933.97

Donation Account

Balance per Bank and Book

\$748.01

Patient Welfare Account

Balance per Bank

10,764.01

<u>Check Number</u>	<u>Amount</u>
-------------------------	---------------

Checks Outstanding:

232	50.85
239	23.25
240	<u>19.80</u>

Balance per Bank

93.90
\$10,670.11

HOPEMONT HOSPITAL
PATIENT COST

	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Average Population	136	117
Patient Days	49836	42916
Total Appropriated Expenditures	\$3,548,939.73	\$3,250,227.80
Cost per Patient Day	\$ 71.21	\$ 75.73
Cost per Patient Year	\$ 25,991.65	\$ 27,641.45

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, Director, Legislative Postaudit, 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.