

STATE OF WEST VIRGINIA

AUDIT REPORT OF

HUNTINGTON HOSPITAL

For The Period

JULY 1, 1985 - JUNE 30, 1996



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0619

HUNTINGTON HOSPITAL

FOR THE PERIOD

JULY 1, 1985 - JUNE 30, 1996

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division
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CHARLESTON, WEST VIRGINIA 25305-0844

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 Huntington Hospital.

Our examination covers the period July 1, 1985 through June 30, 1996. 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, 1996 and June 30, 1995 are included in this report. The financial statements covering the period July 1, 1985 through June 30, 1994 are included in our audit workpapers.

Respectfully submitted,

Theford L. Shanklin
Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

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HUNTINGTON HOSPITAL

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HUNTINGTON HOSPITAL

EXIT CONFERENCE

We held an exit conference on January 7, 1998 with the Clinical Director, Director of Fiscal Services and other officials of Huntington Hospital and all findings and recommendations were reviewed and discussed.

HUNTINGTON HOSPITAL

INTRODUCTION

The Huntington Hospital was established in 1897 by an act of the West Virginia Legislature. The Hospital serves patients from the following thirteen counties: Boone, Cabell, Clay, Kanawha, Lincoln, Logan, Mason, McDowell, Mercer, Mingo, Putnam, Wayne and Wyoming. Huntington Hospital's goal is to provide inpatient acute psychiatric care for the adult citizens of southern West Virginia. This care is provided in a therapeutic environment that strives to restore all patients to an optimal level of wellness, utilizing ongoing activities to continue improving the quality of care.

In 1988, Huntington Hospital became the first state hospital in West Virginia to become accredited by the Joint Commission on Accreditation of Healthcare Organizations and was Medicare certified by the federal Health Care Financing Administration in December 1990. The Hospital is governed by a nine-member board which oversees the hospital operations and approves all policies and procedures. The Board is composed of representatives from the West Virginia Department of Health and Human Resources, mental health consumers and their families, mental health professionals and the community.

At the present time, there is only one patient building in operation at Huntington Hospital known as Building II or the Admissions Building. This building consists of three 30 bed

units, totaling 90 acute psychiatric beds. The average length of stay at the Hospital is 31 days. The Hospital provides the following clinical support programs: Medicine & Psychiatry, Nursing, Psychology, Social Work, Occupational Therapy, Recreational Rehabilitation, Pastoral Care, Laboratory, Pharmacy, Case Management, Patient Advocacy and Staff Development. It also provides the following support services: Administration Services, Human Resources Services, Safety/Security, Fiscal, Laundry, Housekeeping, Volunteers, Quality Assurance/Risk Management, Dietary, Admissions/Medical Records, Environmental/Maintenance and Auxiliary.

HUNTINGTON HOSPITAL

ADMINISTRATIVE OFFICERS AND STAFF

JUNE 30, 1996

Desmond Byrne, MHA	Hospital Administrator
William Todd Deal, CPA	Fiscal Services Director
Mildred Bateman, MD	Clinical Director
Lou Hammond, RN	Assistant Clinical Director
Rhonda Fields, MA	Dietary Services Director
Sue Selbee	Environmental Services Director
M. Rebecca McVey, RN, MSN	Nursing Services Director
Mickey Runkle	Health Information Manager Director
Keith Anne Dressler	Human Resources Director
Ava Patterson	Pharmacy Director
Patricia Pauly, MA	Psychology Director
Patricia Franz, RN	Quality Assurance/Risk Management
Susan Winters-Shaulis	Rehabilitation Director
Robin Walton, RN, MSN	Staff Development Director
Sanford Morgan, MSW	Social Work Services Director

HUNTINGTON HOSPITAL

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Patient Trustee Account

1. We estimated 790 cash vouchers were not signed by the patient or a witness totaling \$37,541.94 for the period July 1, 1994 through September 30, 1996, meaning no evidence exists to indicate the patients did in fact receive the money.

We recommend Huntington Hospital comply with Chapter 5, Article 25, Section 1 of the West Virginia Code.

Patient Welfare Account

2. Four donations totaling \$590.00 made payable to Huntington Hospital were deposited into the Patient Welfare local bank account instead of the appropriate special revenue account. Also, patients who are not indigent are being allowed to receive funds from the Patient Welfare Account.

We recommend the Hospital comply with Chapter 27, Article 1A, Section 4 (g) of the West Virginia Code and utilize the Patient Welfare Account for the purposes set out in the State Board of Investments Approved Outside Bank Accounts Listing.

Accounts Receivable Collections

3. Huntington Hospital did not follow departmental policies relating to \$2,940,478.74 in write-offs of accounts receivable during the period July 1, 1994 through May 20, 1997.

We recommend Huntington Hospital comply with Chapter 27, Article 8, Section 1 of the West Virginia Code, as amended, and the West Virginia Department of Health and Human Resources Policy #3501, Section 6.2.

Duplicate Payments

4. Huntington Hospital made overpayments totaling \$296.00 for automobile repairs and gasoline.

We recommend the Hospital comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, and attempt to collect the \$296.00 in overpayments.

Improper Hiring Procedure

5. The Hospital hired an employee on August 19, 1996 without approval from the Central Office. The employee worked from the hire date until the Central Office approved the hiring on September 16, 1996. To compensate the employee for the time worked, the employee's time records were falsified by personnel within the Hospital's Payroll Office.

We recommend the Hospital comply with Chapter 61, Article 4, Section 1, and Chapter 6b, Article 2, Section 5(b) of the West Virginia Code, and Series 1, Section 9.02 of the West Virginia Division of Personnel Administrative Rules.

Payment of Salary Before Services Were Rendered

6. We noted one employee went from full-time equivalent of 100% to 75% effective March 1, 1996, however, the Payroll Department did not show the change being effective until May 1, 1996. As a result the employee was overpaid \$237.00.

We recommend the Hospital comply with Chapter 12, Article 3, Section 13 of the West Virginia Code.

Pharmacy Inventory (Controlled Drugs)

7. The Hospital's inventory records indicated 720 Clonazepam, 2.0 Mg. tablets on hand, however, there were none available for our physical count. Pharmacy personnel said the tablets had been destroyed in the presence of the State Board of Pharmacy. We were unable to obtain written evidence from the State Board of Pharmacy confirming the destruction of the drugs.

We recommend the Hospital comply with Chapter 60A, Article 3, Section 306 of the West Virginia Code.

Sick Leave Buy Back

8. We noted two employees overpaid Huntington Hospital a total of \$92.65 and two employees underpaid the Hospital a total of \$177.77 for their restoration of sick leave benefits.

We recommend the Hospital refund \$92.65 to the employees that overpaid, and collect \$177.77 from the employees that underpaid for the restoration of their sick leave benefits.

Hospital Policy on Annual and Sick Leave

9. We noted sick or annual leave taken by employees was reduced when the employee worked overtime in the same workweek.

We recommend the Hospital comply with the West Virginia Division of Personnel's Administrative Rules.

Overtime Calculation

10. Employees were paid overtime after 37.5 hours worked in a workweek.

We recommend the Hospital comply with Chapter 21, Article 5C, Section(a) of the West Virginia Code, and Title 42, Series 8, Section 9 of the West Virginia Department of Labor Legislative Rules.

Meal Reimbursement for Single-Day Travel

11. We noted that employees are being reimbursed for meals when no overnight stay is involved. The amounts of the reimbursements are not being included on the employees' W-2 form.

We recommend the Hospital comply with Chapter 11, Article 21, Sections 12 and 72 of the West Virginia Code, as amended.

Unauthorized Petty Cash Funds

12. We noted the Hospital operates five unauthorized imprest funds.

We recommend the Hospital comply with Chapter 12, Article 2, Section 2(d) of the West Virginia Code, as amended.

Late Deposits

13. We noted lunch ticket receipts dated from January 23, 1995 through June 15, 1995, totaling \$899.90 were not deposited until June 15, 1995.

We recommend the Hospital comply with Chapter 27, Article 2, Section 6 of the West Virginia Code.

Annual Increment

14. We noted an employee was paid annual increment while on medical leave without pay status, and other employees were paid incorrect amounts for their increment payments.

We recommend the Hospital comply with Chapter 5, Article 5, Section 1 of the West Virginia Code, and the Attorney General's Opinion dated June 27, 1990.

Lack of Proper Payroll Records

15. We were unable to adequately review overtime calculations for calendar year 1994 because of a lack of records.

We recommend the Hospital comply with Title 42, Series 8, Sections 5 and 5.1 of the Department of Labor's Minimum Wages and Maximum Hours Standards Regulations.

Dietary Services

16. We noted free meal tickets were given to interns and physicians at Huntington Hospital.

We recommend the Hospital comply with Chapter 27, Article 2, Section 2 of the West Virginia Code and the Department of Health and Human Resources' Policy #7560.

Supplies Inventory

17. We were unable to reconcile differences between actual supplies on hand and the current supplies listing totals.

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

Asbestos Abatement Program

18. Huntington Hospital has performed asbestos abatement jobs and other related tasks for other State agencies and one non-state agency. We could find no statutory authority that permitted these services.

We recommend the Hospital obtain statutory authority to operate the asbestos abatement program.

Payroll Authorizations

19. The payroll section withheld taxes at the wrong filing status for a limited number of employees.

We recommend the Hospital determine State and Federal tax to be withheld in accordance with Circular E, Employer's Tax Guide and the West Virginia Employer's Withholding Instructions Manual.

Sick Leave Usage

20. We projected the results of 29 employees that we examined to the total of 342 Hospital employees who earned sick leave during the period July 1, 1994 through June 30, 1996. The results of the examination shows the cost of sick leave was \$788,124.02 for the period, or an average of \$460,890.24 per year.

We recommend the Hospital continue to monitor employee sick leave usage.

Leave Accruals and Balances

21. We noted several annual and sick leave balances were overstated or understated due to clerical errors and incorrect calculation rates.

We recommend the Hospital comply with Sections 3, 15.03 (a) and (f) and 15.04 (a) and (e) of the West Virginia Division of Personnel's Administrative Rule and restate the employee's leave records to reflect accurate balances.

Strengthen Internal Controls Over Compliance

22. We believe Huntington Hospital should strengthen internal controls in the area of compliance with the West Virginia Code and various rules and regulations which control the Hospital's operations.

We recommend the Hospital strengthen or establish the necessary internal controls to better ensure compliance with the West Virginia Code and other administrative rules and regulations which govern the operations of the Hospital.

HUNTINGTON HOSPITAL

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of Huntington Hospital. The audit covered the period July 1, 1985 through June 30, 1996.

GENERAL REVENUE ACCOUNTS

Huntington Hospital maintained the following general revenue accounts for conducting general operation.

<u>FUND NUMBER</u>	<u>DESCRIPTION</u>
0525-335	Personal Services Current Expenses Equipment Repairs and Alterations
0525-010	Employee Benefits

SPECIAL REVENUE ACCOUNTS

During our audit period, Huntington Hospital maintained three special revenue accounts. These accounts represent funds from proceeds of specific activities as required by law or administrative regulations. These funds were deposited with the State Treasurer in the following special revenue accounts:

<u>FUND NUMBER</u>	<u>DESCRIPTION</u>
5156-335	Institutional Facilities Operations Current Expenses Equipment Repairs and Alterations
5156-566	Broad Based Provider Tax
5191-099	Huntington Chapel Fund Building Repairs and Alterations

LOCAL ACCOUNTS

During the audit period, Huntington Hospital maintained four local accounts which are described as follows:

Superintendent's Trustee Fund

To maintain trustee funds for patients/clients such as Social Security checks, personal checks, cash, etc., which is used for their personal expenses, medicine and maintenance.

Patient Welfare Account

To provide those patients/clients who are indigent with items needed.

Commissary Account

To maintain funds from the sales in the Canteen/Commissary and to replenish the Patient Welfare Account for indigent clients.

Detainee Account

To maintain funds for those individuals detained at Huntington Hospital until the individual's competency to stand trial or criminal responsibility is determined through observation and examination at the Hospital. This account was closed April 29, 1994.

COMPLIANCE MATTERS

Chapter 29, Articles 1A, Sections 2 and 8 of the West Virginia Code and West Virginia Department of Health and Human Resources Policies generally govern Huntington Hospital. We tested applicable sections of the above and applicable chapters,

articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Patient Trustee Account

We noted 2,565 transactions involving cash vouchers totaling \$100,108.50 were made from the Huntington Hospital Trustee Account during the period July 1, 1994 - September 30, 1996. We tested 1,148 cash vouchers totaling \$32,653.16 and observed 352 instances totaling \$11,342.14 where cash vouchers were not signed by the patient or a witness. We projected the results of our sample to the total trustee cash voucher population.

Based on our sample, we estimate 790 instances occurred where cash vouchers were not signed by the patient or a witness totaling \$37,541.94 for the period July 1, 1994 through September 30, 1996 meaning approximately 31% of all cash transaction vouchers were not adequately documented. Because the vouchers were not signed by the respective patients or a witness, no evidence exists to indicate the patients did in fact receive the money.

Chapter 5, Article 25, Section 1 of the West Virginia Code states in part:

"All state institutions including, but not limited to, those institutions under the control of the department of veterans affairs, the department of health, or the department of human services which provide custodial care for any person for any purpose whatsoever

shall establish resident trustee accounts for all persons resident at the institution who request such accounts or who are unable to manage their own funds. The administrator in charge of the institution shall take possession of all money or other valuables on the person of or sent to each resident for whom a trustee account has been established....

...The administrator shall credit such money and valuables to the resident entitled thereto and shall keep an accurate record of all moneys and valuables received or disbursed....

...The administrator shall ensure that proper disbursements are made from the "resident trustee account" when required for the maintenance of the resident or when agreed to by the resident...."

Hospital personnel said they did not know why the vouchers were not signed by the patient or a witness. As stated earlier, we believe due to the lack of the patient or witness signature, the possibility exist the patients may not have received their trustee withdrawals. We did note that some Hospital employees who handled trustee withdrawals consistently followed established procedures while other employees usually failed to follow the procedures. Since some employees always or almost always followed procedures, it appears Hospital employees had knowledge of the controls to be exercised when handling patient cash withdrawals.

The Hospital initiated the use of a revised HH-18 voucher form on October 1, 1993. During our test of the patient's trustee account, we noted 210 cash withdrawals amounting to \$7,704.95 were made using voucher form HH-18 that had been discontinued by the

Hospital. The discontinued HH-18 form had no place for the patient or a witness to sign indicating that the patient had received money from Hospital personnel who had withdrawn the money from the Trustee Office for the patient. Hospital staff stated some of the patient wards used all of the discontinued HH-18 voucher forms on hand before beginning use of the revised voucher forms.

We noted employees of the Substance Abuse Unit (SAU) of Huntington Hospital and the organization known as New Directions which is affiliated with the Prestera Community Mental Health Center were authorized to approve withdrawals from individual patient's trustee accounts and to deliver monies to the patients. However, we were unable to obtain a comprehensive list of SAU or New Directions' employees during the period July 1, 1994 - September 30, 1996. The Hospital maintains the trust account for the SAU patients, but not those patients who have been transferred to New Directions. New Directions' employees approve vouchers and receive patients funds when a patient is being transferred from the Hospital to New Directions.

Also, we were unable to trace seven cash vouchers totaling \$932.61 to the Huntington Hospital ledgers. The vouchers were dated June 30, 1996. We were told the entries were made erroneously by the Central Office, and the entries were corrected. However, we were not able to find the error corrections in the accounting ledgers.

We recommend Huntington Hospital comply with Chapter 5, Article 25, Section 1 of the West Virginia Code.

Patient Welfare Account

We noted four donations for a total of \$590.00 were deposited into the Patient Welfare local bank account. The checks for the donations were made payable to Huntington State Hospital. We noted the Hospital deposits donated monies into the Patient Welfare account instead of the Institutional Facilities Account-Fund 5156-335. Chapter 27, Article 1A, Section 4(g) of the West Virginia Code, as amended, states in part:

"...The commissioner is hereby authorized and empowered to accept and use for the benefit of a state hospital, center or institution, or for any other mental health purpose specified in this chapter, any gift or devise of any property or thing which lawfully may be given. If such a gift or devise is for a specific purpose or for a particular state hospital, center or institution, it shall be used as specified. Any gift or devise of any property or thing which lawfully may be given and whatever profit may arise from its use or investment shall be deposited in a special revenue fund with the state treasurer, and shall be used only as specified by the donor or donors...."

Hospital personnel told us the donations were deposited into the Patient Welfare account because the donors specified that the money was to be used for patients' needs, such as parties and items purchased at the Canteen.

The Hospital provides every patient \$1.25 per day from Patient Welfare funds to be used at the Commissary. The Hospital does not require the patients be indigent to receive these funds.

However, we believe the use of Patient Welfare monies by patients that are not indigent does not fall within the intended purpose of Patient Welfare funds as designated in the State Board of Investments Approved Outside Bank Accounts Listing. The account was established to provide those patients who are indigent with items needed. As a result, patients who are not indigent are benefiting from the Patient Welfare Account monies.

A memorandum dated June 30, 1993 from the former Administrator, to the former Director of Fiscal Services, stated:

"Following extensive discussion of the issues involved by a Continuing Quality Improvement (CGI) focus team, I am directing that the Patient Welfare Account/Cafe cards be made available to all Huntington State Hospital patients, effective July 1, 1993. This means that each patient, irrespective of whether or not they have money in the Trustee Account, will receive \$1.25 per day Cafe credit....Also, note that individuals who have personal monies may also continue to access that, in addition to the \$1.25 per day...."

We recommend the Hospital comply with Chapter 27, Article 1A, Section 4(g) of the West Virginia Code, as amended. We also recommend Huntington Hospital utilize the Patient Welfare Account for the purposes described in the State Board of Investments Approved Outside Bank Accounts Listing.

Account Receivable Collections

Chapter 27, Article 8, Section 1 of the West Virginia Code, as amended, states in part:

"...In exercising this right of reimbursement, the director of health may, whenever it is

deemed just and expedient to do so, exonerate any 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 on him or on those dependent upon him...."

According to accounts receivable records, Huntington Hospital had a total of \$2,940,478.74 in write-offs of accounts receivable during the period July 1, 1994 through May 20, 1997. We noted the Hospital did not comply with the requirements of West Virginia Department of Health and Human Resources Policy #3501, Section 6.2 for Reasonable Collection Efforts. The policy states:

"The facility will make a REASONABLE collection effort, as defined in Medicare Provider Reimbursement Manual (HIM 15) Section 310, to collect all amounts due. Such efforts must include the following:

- 6.2.1. The issuance of an initial bill.
- 6.2.2. The issuance of a past due bill or statement.
- 6.2.3. The issuance of a "final" bill or statement.
- 6.2.4. A phone call is to be made to the responsible party after a five (5) days of issuance of the final bill. The phone call is to be documented and records maintained by the facility.

If contact was made by phone and there has not been any previous conversation concerning the bill, a contact letter will be sent. This correspondence will advise them of the past due amount and to respond by phone. If the amount is \$100.00 or more, this contact letter must be sent Certified Return Receipt Requested.

- 6.2.5. If no response is received within seven (7) days of phone contact or

receipt of certified mail, and balance due is \$200.00 or more, the account will then be referred to the designated statewide debt collection agency.

- 6.2.6. Each facility's efforts must be genuine rather than a token gesture. All such efforts must be fully documented in the patient's financial file. This will include copies of the "final" billings, demand letters, other follow-up letters; records of telephone calls and personal contacts or meetings.

After reviewing the account, and based on peripheral types of knowledge and experience with a particular payer, these minimum levels can be amended at the discretion of the facility administrator."

From the accounts we tested, we were unable to obtain documentation from the Hospital indicating this policy had been carried out. We were told by Hospital personnel the policy has not been followed because the office is understaffed. We noted a Billing Supervisor was hired on June 2, 1997 who we were told was to implement the policy. We believe that with a serious effort at collecting outstanding receivables, Huntington Hospital could significantly decrease the amounts of future write-offs.

We recommend Huntington Hospital comply with Chapter 27, Article 8, Section 1 of the West Virginia Code, as amended, and the procedures as set out in the West Virginia Department of Health and Human Resources Policy #3501, Section 6.2 for collections of accounts receivables.

Duplicate Payments

We noted one minor vehicle repair charge and two gasoline charges were each paid twice by Huntington Hospital. The Hospital received invoices from PHH Vehicle Management Services dated December 1, 1995 and March 1, 1996 for \$273.25 for an alternator replacement. The Hospital transferred \$273.25 to the West Virginia Department of Administration's Travel Management Office on December 13, 1995 and March 27, 1996 for the vehicle repairs.

Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, states in part,

"Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purpose for which it was appropriated..."

We also noted gas charges payable to the West Virginia Division of Highways for \$14.93 were charged twice on an invoice dated December 1, 1995. A gas charge for \$7.82 was charged twice on a March 1, 1996 invoice. Payments for the gas were transferred to the Travel Management Office on December 13, 1995 and March 27, 1996, respectively, for the gasoline purchases.

The Hospital made overpayments totaling \$296.00 for the alternator repair and gas charges. The Hospital receives the PHH card invoices from the Central Office of the Department of Health and Human Resources in Charleston. Therefore, we were told Hospital personnel believed Central Office personnel reviewed the

billing and they did not review the PHH card invoices before payment was made.

We recommend the Hospital comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended. We also recommend the Hospital attempt to collect the \$296.00 in overpayments.

Improper Hiring Procedure

An employee was hired as a Word Processor at the Hospital without proper approval by the Central Office of the Department of Health and Human Resources, or an approved Personnel Action Form(WV-11). In an attempt to compensate the employee for the period worked before the official appointment date, we were told the employee's time records were falsified by personnel within the Hospital's Payroll Office to show her as having worked a significant amount of overtime hours during the period September 15, 1996 - September 28, 1996, when in fact she did not work the overtime hours claimed during this period.

The employee worked without Central Office authorization from August 19, 1996 through September 14, 1996. Subsequently, the employee was officially hired with Central Office approval on September 16, 1996. During the period August 19, 1996 to September 14, 1996, the employee worked a total of 18 days and was off on one paid holiday, September 2, 1996. Due to the fact the employee's official appointment was not until September 16, 1996, the Payroll Department was unable to submit time sheets for the employee for the period from August 19, 1996 through September 14,

1996 because their submission would have been questioned by the Central Office. As a result, the time sheets were falsified by Payroll Office personnel for the weeks beginning September 15, 1996 and September 22, 1996 in an effort to compensate the employee for time worked previous to the official appointment.

The following schedule depicts the actual hours worked by the employee:

<u>WEEKS</u>	<u>ACTUAL HOURS WORKED</u>
08/18/96 - 08/24/96	31.40
08/25/96 - 08/31/96	44.80
09/01/96 - 09/07/96	32.58
09/08/96 - 09/14/96	39.65
09/15/96 - 09/21/96	40.00
09/22/96 - 09/28/96	39.75

The falsified time sheets showed the following:

Hours Reported by Human Resources

<u>Weeks</u>	<u>Straight Time</u>	<u>Overtime</u>
09/15/96 - 09/21/96	40.00	40.25
09/22/96 - 09/28/96	40.00	24.25

Chapter 61, Article 4, Section 1 of the West Virginia Code which states in part:

"If any person forge a public record or certificate, return or attestation may be received as legal proof, or utter or attempt to employ as true such forged record, certificate, return or attestation may be received as legal proof, or utter or attempt

to employ as true such forged record, certificate, return or attestation, knowing the same to be forged, he shall be guilty of a felony, and upon conviction, shall be confined in the penitentiary not less than two nor more than ten years."

In addition, Chapter 6b, Article 2, Section 5(b) of the West Virginia Code states:

"Use of public office for private gain - (1) A public official or public employee may not knowingly and intentionally use his or her office or the prestige of his or her office for his or her own private gain or that of another person. The performance of usual and customary duties associated with the office or position or the advancement of public policy goals or constituent services, without compensation, does not constitute the use of prestige of office for private gain."

The manipulated records created inaccurate documentation of the employee's actual hours worked and official appointment date, which is used to determine leave accrual and annual increment rates. Failure to follow the proper procedures also delayed paying the affected employee for services performed in good faith as an employee of Huntington Hospital.

We further noted the employee was not chosen from an appropriate job register as set out in Series 1, Section 9.02 of the West Virginia Division of Personnel Administrative Rules which states in part:

"(a) Appointing authorities shall make all original appointments to classified positions in accordance with this rule. An appointing authority shall select for each position first from the eligibles on an appropriate preference register. Upon exhaustion of the preference register, the appointing authority shall select for each position from the top

ten names on the register, including any persons scoring the same as the tenth name, or any persons scoring at or above the ninetieth percentile on the competitive examination, as provided by Section 8.02 of this rule. The appointing authority may exclude the names of those eligibles who failed to answer or who declined appointment or of those eligibles to whom the appointing authority offers and objection in writing based on Section 6.04 of this rule which objection is sustained by the Director."

We recommend Huntington Hospital comply with Chapter 61, Article 4, Section 1, and Chapter 6b, Article 2, Section 5(b) of the West Virginia Code. We also recommend the Hospital comply with Series 1, Section 9.02 of the West Virginia Division of Personnel Administrative Rules.

Payment of Salary Before Services Were Rendered

During the test of payroll, we noted one employee went from full time equivalent of 100% to 75% effective March 1, 1996. The Payroll Department did not show the change being effective until May 1, 1996. At that time, the Payroll Department began underpaying the employee for several pay periods apparently in an effort to recover the overpayments; however, \$237.00 was not recovered. We calculated the amount of overpayment as follows:

<u>Pay Dates</u>	<u>Amount Paid</u>	<u>Audited Amount Paid</u>	<u>Difference</u>	<u>Total Difference</u>
3/29/96	\$948.00	\$711.00	\$237.00	\$237.00
4/15/96	948.00	711.00	237.00	\$474.00
4/30/96	948.00	711.00	237.00	\$711.00
5/16/96	553.00	711.00	(158.00)	\$553.00

<u>Pay Dates</u>	<u>Amount Paid</u>	<u>Audited Amount Paid</u>	<u>Difference</u>	<u>Total Difference</u>
5/31/96	553.00	711.00	(158.00)	\$395.00
6/14/96	553.00	711.00	(158.00)	\$237.00
6/28/96	<u>711.00</u>	<u>711.00</u>	<u>0.00</u>	\$237.00
	<u>\$5,214.00</u>	<u>\$4,977.00</u>	<u>\$237.00</u>	

We believe the overpayment noted above is not in compliance with Chapter 12, Article 3, Section 13 of the West Virginia Code which states,

"No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered."

We recommend the Hospital comply with Chapter 12, Article 3, Section 13 of the West Virginia Code. We further recommend the Hospital collect the overpayment of \$237.00.

Pharmacy Inventory (Controlled Drugs)

Chapter 60A, Article 3, Section 306 of the West Virginia Code states,

"Persons registered to manufacture, distribute, or dispense controlled substances under this chapter shall keep records and maintain inventories in conformance with the record-keeping and inventory requirements of federal law and with any additional rules the said state board of pharmacy or said appropriate department, board, or agency, as the case may be, issues"

Controlled substances at Huntington Hospital are drugs considered to have potential for abuse. Huntington Hospital maintains a computer perpetual inventory system along with a hand-

written control sheet to record the inventory of controlled substances in the pharmacy. The Pharmacy Inventory Sheet accounts for 61 controlled substances. We tested a sample of 37 controlled substances. We also judgementally tested five Clonazepam drugs. The results of the test were as follows:

<u>Description of Drug</u>	<u>Amount Shown on Inventory</u>	<u>Physical Count</u>	<u>Difference Over/ (Under)</u>
Alprazolam, 0.25 Mg. Tablets	121	120	(1)
Lorazepam, 0.50 Mg. Tablets	194	195	1
Lorazepam, 1.0 Mg. Tablets	112	110	2
Phenobarbital 30 Mg. Tablets	187	388	201
Phenobarbital 60 Mg. Tablets	120	142	22
Clonazepam, 2.0 Mg. Tablets*	720	-0-	(720)
Clonazepam, 0.5 Mg. Tablets*	26	-0-	(26)
Clonazepam, 1.0 Mg. Tablets*	15	-0-	(15)

* - According to the PSYweb Internet Site, Clonazepam (Klonopin) is an anticonvulsant primarily used in the treatment of seizure disorders. Clonazepam (Klonopin) is a member of a class of drug known as benzodiazepines. This drug may also be used as an anti-anxiety, for the short-term relief of mild to moderate anxiety. Clonazepam (Klonopin) may also be used to treat movement disorders (e.g., Tourette's Syndrome), panic disorder, drug-induced mania, to help resistant depression, nocturnal myoclonus, relieve trigeminal neuralgia, bipolar affective disorder, and to help control certain types of petit mal, atypical, akinetic, myoclonic, or absence seizures. The habit-forming potential is high. Psychological and physical dependence is common. It is possible to become dependent in only two to four weeks.

Pharmacy personnel were not able to explain the differences between the amounts shown in their inventory system and our physical counts. They did tell us the 720 Clonazepam 2 Mg. tablets had been destroyed in the presence of officials from the State Board of Pharmacy; however, Pharmacy personnel were unable to supply us with written evidence from the State Board of Pharmacy confirming the destruction of the drugs. Also, we were told the 26 Clonazepam 0.5 Mg tablets and 15 Clonazepam 1.0 Mg. tablets had been dispensed, but they had failed to record the usage in the inventory records. We noted the Pharmacy did not maintain separate hand-written perpetual inventory records as required by their own internal policies for some of the controlled drugs.

Chapter 60, Article 4, Section 402 of the West Virginia Code specifies the penalty for failing to maintain records for controlled drugs and states in part,

"(a) It is unlawful for any person:...

(3) To refuse or fail to make, keep, or furnish any record, notification, order form, statement, invoice, or information required under this chapter;...

(b) Any person who violates this section is guilty of a misdemeanor and upon conviction may be confined in the county jail for not less than six months nor more than one year, or fined not more than twenty-five thousand dollars, or both,..."

We recommend the Hospital comply with Chapter 60A, Article 3, Section 306 of the West Virginia Code.

Sick Leave Buy Back

During our test of sick leave we selected five employees that used sick leave while waiting for their Workers' Compensation Temporary Total Disability benefits to begin. Chapter 23, Article 4, Section 1 of the West Virginia Code states in part:

"Subject to the provisions and limitations elsewhere in this chapter set forth, the commissioner shall disburse the workers' compensation fund to the employees of employers subject to this chapter, which employees have received personal injuries in the course of and resulting from their covered employment...Provided, That in the case of any employees of the state and its political subdivisions, including ...who have received personal injuries in the course of and resulting from their covered employment, such employees are ineligible to receive compensation while such employees are at the same time and for the same reason drawing sick leave benefits. Such state employees may only use sick leave for non-job related absences consistent with sick leave utilization, and may draw workers' compensation benefits only where there is a job related injury...Provided, however, That such employees may collect sick leave benefits until receiving temporary total disability benefits. The division of personnel shall promulgate rules pursuant to chapter twenty-nine-a [SA-1-1 et seq.] of this code relating to use of sick leave benefits by employees receiving personal injuries in the course of and resulting from covered employment: Provided further, That in the event an employee in the course of and resulting from covered employment injured in the course of and resulting from covered employment and such injury results in lost time from work, and such employee for whatever reason uses or obtains sick leave benefits and subsequently receives temporary total disability benefits for the same time period, such employee may be restored sick leave time taken by him or her as a result of the compensable injury by paying to his or her employer the temporary

total disability benefits received or an amount equal to the temporary total disability benefits received. Such employee shall be restored sick leave time on a day for day basis which corresponds to temporary disability benefits paid to the employer....That since the intent of this paragraph is to prevent an employee of the state or any of its political subdivisions from collecting both temporary total disability benefits and sick leave benefits for the same time period,..."

One of the five employees tested resigned, therefore, this employee did not restore the sick leave. Below, we have listed the results of the test relating to the other four employees.

<u>Employee</u>	<u>Workers' Compensation Benefits Paid</u>	<u>Employee's Buy Back of Sick Leave</u>	<u>Audited Buy Back Amount</u>	<u>Overpaid (Underpaid)</u>
#1	\$ 366.77	\$ 357.20	\$ 349.48	\$ 7.72
#2	2,480.51	1,274.85	1,189.92	84.93
#3	232.85	169.05	232.85	(63.80)
#4	<u>1,271.00</u>	<u>1,157.63</u>	<u>1,271.00</u>	<u>(113.37)</u>
Total	<u>\$4,351.13</u>	<u>\$2,958.73</u>	<u>\$3,043.25</u>	<u>(\$ 84.52)</u>

The second column, Workers' Compensation Benefits Paid represents the amount of the temporary total disability benefits received by the employee during the time the employee was off on sick leave. The third column, Employee's Buy Back of Sick Leave, represents the amount paid to Huntington Hospital by the employee for restoration of sick leave benefits. The fourth column is the amount we believe the employee should have paid to the Hospital.

The last column shows the difference between what was paid to the Hospital and what we calculated should have been paid to the Hospital.

We noted Employee #1 and Employee #2 overpaid the Hospital \$7.72 and \$84.93, respectively, for their restoration of sick leave benefits. Employee #1 took sick leave from July 1, 1996 through July 11, 1996 and employee #2 took sick leave from December 14, 1995 through January 19, 1996. From our review of the Hospital records, we believe errors were made calculating the respective daily rates of pay for the sick leave days taken by these employees.

Meanwhile, Employee #3 and Employee #4 underpaid the Hospital \$63.80 and \$133.37, respectively, for their restoration of sick leave benefits. Employee #3 was on sick leave from March 25, 1994 through April 4, 1995 and employee #4 was on sick leave from December 2, 1993 through January 11, 1994.

The Hospital based their calculations of sick leave restoration for Employees' #3 and #4 on a policy issued by the West Virginia Division of Personnel, which was not approved or passed by the Legislative Rule-Making Review Committee or by the Legislature. The policy changed the method of reimbursement to the net value of leave used and not an amount equal to the Temporary Total Disability benefits as set out in Chapter 23 of the West Virginia Code. The effective date of the Division's policy was May 1, 1993; however, the policy did not become an Administrative Rule until June 1, 1995.

We recommend the Hospital refund the \$7.72 and \$84.93 to Employees' #1 and #2, respectively, and collect \$63.80 and \$113.37 from Employees' #3 and #4, respectively. We also recommend the Hospital recompute all other buy back calculations in an effort to determine the correct amounts for the restoration of the affected employees' sick leave benefits.

Hospital Policy on Annual and Sick Leave

We noted 64 instances where sick or annual leave taken by an employee was reduced when the employee worked overtime in the same work week. Huntington Hospital Policy Section Number 45H2 for covered employees states in part:

"...Any overtime worked during the normal work week will be substituted for any leave time taken within the same work week unless the Human Resources department receives an approved request for overtime payment...."

Policy Section Number 45H2 for exempt employees states in part:

"...Any overtime worked during the normal work week will be substituted for any leave time utilized within the same work week and in the following week. The portions of the regularly scheduled annual, sick, or holiday would then be carried forward."

The West Virginia Division of Personnel's Administrative Rules makes no provision for reducing sick or annual leave taken by working overtime. Section 15.03., Subsection (a) of the West Virginia Division of Personnel's Administrative Rules states in part:

"...Amount, Accrual: Except as otherwise noted in this rule, each employee is entitled to annual leave with pay and benefits...."

Section 15.14., Subsection (a) of the Division of Personnel's Administrative Rules also states in part:

"Accrual: Except as otherwise provided in this section, each employee shall receive accrued sick leave with pay and benefits..."

According to the Division of Personnel Rules, an employee is entitled to pay and benefits for sick leave and approved annual leave. We found nothing in the employees' files to indicate the leave was not approved by appropriate supervisory personnel. We believe this policy has the effect of denying an employee of his or her leave benefits.

We recommend the Hospital comply with the West Virginia Division of Personnel's Administrative Rules.

Overtime Calculation

Chapter 21, Article 5C, Section 3 of the West Virginia Code states in part:

"(a) On and after the first day of July, one thousand nine hundred eighty, no employer shall employ any of his employees for a workweek longer than forty hours, unless such employee receives compensation for his employment in excess of the hours above specified at a rate of not less than one and one-half times the regular rate at which he is employed...."

We noted the Hospital paid overtime to employees after 37.5 hours per week during the period July 1, 1994 through June 30, 1996. Title 42, Series 8, Sections 9.2 and 9.3 of the West Virginia Division of Labor's Legislative Rules defines work and non-work time as follows:

"9.2. Nonwork time.-- Periods during which an employee is completely relieved from duty and which are long enough to enable him to use the time effectively for his own time are not hour worked.

9.3. Work time.-- The employee whose time is spent in physical or mental exertion under control and direction of the employer constitutes hours worked."

We noted the Hospital utilizes the full eight-hour work day when computing employee overtime. According to the Hospital's policies, the basic work week is 40 hours. However, during the period July 1, 1994 through June, 1996, the employees were required to work seven and one-half hours per day or 37.5 hours per week. The office work day includes a one hour lunch period and two 15- minute breaks. Thirty minutes of the lunch period is considered paid work time by the Hospital.

"9.8. Mealtime.-- Bona fide meal periods are not work time.

9.9. Rest Periods.-- Rest periods of short duration, running from five (5) to twenty (20) minutes, must be counted as hours worked."

We believe the inclusion of the 30 minute paid portion of the lunch period in the Hospital's computations of hours worked is an **extravagant** method of compensating employees for hours worked in excess of their normal work week. Also, based upon the definition of non-work time, we believe the entire one hour lunch period should be classified as non-work time and should not be used in the calculation of hours worked.

We determined from the West Virginia State Auditor's Office Payroll Register that 19 of the 51 employees tested were

paid a total of \$2,176.74 in overtime pay during the period July 1, 1994 through June 30, 1996. We calculated employees were paid \$478.46 in overtime due to one-half hour of the one hour lunch period being treated as work time.

Based on our calculations, we believe approximately 22% of the total overtime paid to employees during this period may be attributable to one-half hour of the lunch period being used to compute the employees' hours worked.

We recommend the Hospital comply with Chapter 21, Article 5C, Section 3, Subsection (a) of the West Virginia Code. We also recommend the Hospital comply with Title 42, Series 8, Section 9 of the West Virginia Department of Labor Legislative Rules in determining hours worked.

Meal Reimbursement for Single-Day Travel

Chapter 11, Article 21, Section 72 of the West Virginia Code states in part,

"Every employer required to deduct and withhold tax under this article from the wages of an employee, or who would have been required so to deduct and withhold tax if the employee had claimed no more than one withholding exemption, shall furnish to each such employee ... a written statement as prescribed by the tax commissioner showing the amount deducted and withheld as tax, and such other information as the tax commissioner shall prescribe."

Huntington Hospital employees were reimbursed for meal expenses incurred during the audit period where the trips involved did not require an overnight stay (single-day travel); however,

these amounts were not reported to these employees on a Form W-2 (Employees Withholding Statement). The Hospital's Payroll Clerk told us she was unaware meal reimbursements for single day travel were taxable income or that the Hospital was responsible for providing information to the State Auditor's Office so the income could be included on the respective employees' Form W-2. Paragraphs (d) (2) and (c) (5) of §1.62 of the Internal Revenue Services' Income Tax Regulations states:

"(d) (2) *Other bona fide expenses.* If an arrangement provides advances, allowances, or reimbursements for business expenses described in paragraph (d) (1) of this section (i.e., deductible employee business expenses) and for other bona fide expenses related to the employer's business (e.g., travel that is not away from home) that are not deductible under Part VI (section 161 and the following), subchapter B, Chapter 1 of the Code, the payor is treated as maintaining two arrangements. The portion of the arrangement that provides payments for the deductible employee business expenses is treated as one arrangement that satisfies this paragraph (d). The portion of the arrangement that provides payments for the nondeductible employee expenses is treated as a second arrangement that does not satisfy this paragraph (d) and all amounts paid under this second arrangement will be treated as paid under a nonaccountable plan. See paragraphs (c) (5) and (h) of this Section."

"(c) (5) *Treatment of Payments under nonaccountable plans.* Amounts treated as paid under a nonaccountable plan are included in the employee's gross income, must be reported as wages or other compensation on the employee's Form W-2, and are subject to withholding and payment of employment taxes (FICA, FUTA, RRTA, RURT and income tax)....Expenses attributable to amounts included in the employee's gross income may be deducted, provided the employee can substantiate the full amount of his or her expenses (i.e., the amount of the expenses, if any, the reimbursement for which is treated as

paid under an accountable plan as well as those for which the employee is claiming the deduction) in accordance with §1.162-17, but only as a miscellaneous itemized deduction subject to the limitations applicable to such expense...."

Further, Chapter 11, Article 21, Section 12 of the West Virginia Code, as amended, states in part,

"(a) General - The West Virginia adjusted gross income of a resident individual means his federal adjusted gross income as defined in the laws of the United States for the taxable year with the modifications specified in this section...."

Therefore, any reimbursement received for non-deductible travel expenses are considered as taxable income under both Federal and West Virginia tax law.

We recommend the Hospital comply with Chapter 11, Article 21, Sections 12 and 72 of the West Virginia Code, as amended.

Unauthorized Petty Cash Funds

Huntington Hospital operates the following five imprest funds: trustee change fund, stamp fund, lunch ticket fund, greenhouse change fund and the canteen/cafe change fund. Because we could find no evidence where the State Board of Investments authorized the use of these accounts, we believe the Hospital's establishment and operation of these funds to be in noncompliance with Chapter 12, Article 2, Section 2(d) of the West Virginia Code which states in part,

"The state board of investments shall have the authority to establish an imprest fund or funds in the office of any state agency or

institution making proper application to the board...."

We were unable to determine why the imprest funds were established without proper approval from the State Board of Investments. Due to the lack of proper authorization for these accounts, the Hospital would not have authority to carry on financial activities in these accounts.

We recommend the Hospital comply with Chapter 12, Article 2, Section 2(d) of the West Virginia Code, as amended.

Late Deposits

Chapter 27, Article 2, Section 6 of the West Virginia Code states in part,

"All moneys and funds belonging to the state which shall come into the possession or under the control of the superintendent or other officer of a state hospital or facility under the control of the department of health shall be paid to the director [of Health] or his designee twice a month, on or before the first and fifteenth or every month, but not more than twenty days from the time such moneys or funds were received...."

For the period July 1, 1994 through June 30, 1996 deposits were made an average of once every two months. However, we noted receipts dated from January 23, 1995 through June 15, 1995, which totaled \$899.90, were not deposited until June 15, 1995. The Trustee Clerk stated she tries to deposit the lunch ticket receipts once a month. Based upon the documentation and records provided to us, we were unable to determine the amount of interest loss to the State of West Virginia because of the late deposits.

We recommend the Hospital comply with Chapter 27, Article 2, Section 6 of the West Virginia Code.

Annual Increment

We noted an employee was paid annual increment while on medical leave without pay status. The employee was paid \$108.00 and \$150.00 in increment payments in July 1995 and July 1996, respectively. However, the employee went on medical leave on January 31, 1995 and remained on medical leave until dismissal on September 26, 1996. The employee's hire date was April 1, 1991. We believe the employee should have received \$84.00 for the July 1995 increment payment, and we believe the employee should not have received any payment for the July 1996 increment. Therefore, the employee was overpaid a total of \$174.00. Hospital personnel stated they believed the employee was entitled to receive increment pay for time on medical leave without pay, because they believed the person was still considered an employee of Huntington Hospital.

Also, we noted one employee was overpaid \$36.00 for her fiscal year 1995 increment. We scheduled the employee's periods of leave taken and suspensions without pay and the period she was laid off from the Hospital. As a result, we calculated the employee's eligible years of service at July 1, 1995 as five years. The increment was calculated by the Hospital based on six years of service.

Chapter 5, Article 5, Section 1 of the West Virginia Code states in part,

"... "Eligible employee" means any regular full-time employee of the state or any spending unit thereof who is eligible for membership in any state retirement system of the state of West Virginia or other retirement plan authorized by the state:..."

Also, the West Virginia Division of Personnel's Annual Increment Policy which states in part,

"An eligible employee who is or has been on a leave of absence without pay during a fiscal year shall be paid concurrently with all other eligible State employees a pro rata share for the portion of time for which he/she worked regardless of whether or not the employee has returned to duty at the time the annual increment is paid."

We noted five employees ceased employment with the Hospital during the period July 1, 1994 through June 30, 1996, and were not paid the correct pro rata amount of increment in accordance with the Attorney General's Opinion dated June 27, 1990.

Three employees were underpaid a total of \$33.50 for the July 1996 increment. We noted two employees were underpaid a total of \$119.36 for their fiscal year 1995 increment and their pro rata share of fiscal year 1996 increment. This resulted in a total underpayment of \$152.86 for the period July 1, 1994 through June 30, 1996. These underpayments were a result of the Hospital following Section III.B.(2) of the West Virginia Division of Personnel's Annual Increment Policy dated March 1, 1992. The Policy states in part:

"The pro rata portion an employee receives upon separation prior to June 30, shall be based on his past full years increment

payment, and shall not include a pro rata amount for the months of service in the year in which he terminated."

We believe the Division of Personnel's Annual Increment Policy dated March 1, 1992 is in violation of the Attorney General's Opinion dated June 27, 1990. The Opinion states in part,

"...Considering that the W.Va. Code §5-5-2 incremental increase constitutes part of an eligible state employee's regular pay for services previously rendered, any such employee has a statutory right to any accrued pro rata share of that increment owing but not due on his final day of employment. By entitlement to a pro rata share, it is meant that an employee who does not work an entire fiscal year is entitled to a fractional portion of the total increment to which the employee would have been entitled had he been employed during the entire fiscal year. The fraction would have as a numerator the number of pay periods employed, and as a denominator the number twenty-four if the employing agency pays its employees twice monthly..."

We recommend the Hospital comply with Chapter 5, Article 5, Section 1 of the West Virginia Code and the Attorney General's Opinion dated June 27, 1990. We recommend the Hospital collect \$174.00 and \$36.00 for the 1995 fiscal year increment overpayments. We also recommend the Hospital make payments to three employees that were underpaid a total of \$33.50 for their 1996 increment, and two employees that were underpaid a total of \$119.36 for their July 1995 and pro rata share of fiscal year 1996 increment payment.

Lack of Proper Payroll Records

During our test of sick and annual leave accrual/balances, we noted the Hospital did not keep and preserve the *Attendance and Leave Record* for one employee and as a result, we could not recalculate his sick and annual leave balances. We noted during the test of overtime, we were unable to review the *Request for Overtime Pay, Forms (PO-20A) and Request for overtime for Non-Exempt Employees Forms*, for eight of 22 employees for calendar year 1994. As a result, we were unable to accurately recalculate overtime for calendar year 1994 payrolls. Hospital personnel told us they were uncertain of the location of the documents requested. We believe the lack of the payroll documents above does not meet the requirements as specified in Title 42, Series 8, Sections 5 and 5.1 of the Department of Labor's Minimum Wages and Maximum Hours Standards Regulations which states in part,

"Records to be kept and reserved for a period of not less than two (2) years. Records to Be Kept. -- All records of the employer directly relating to wages and hours of persons employed by him shall be kept and preserved."

We recommend the Hospital comply with Title 42, Series 8, Sections 5 and 5.1 of the Department of Labor's Minimum Wages and Maximum Hours Standards Regulations.

Dietary Services

We noted on June 9, 1993 and July 2, 1993, the former Clinical Director received 40 lunch tickets on each day at no

charge. On April 30, 1996, a total of 28 tickets were issued to the Clinical Services Secretary for the hospital interns. Further, we noted the Canteen and Dietary Services caters several functions at the Hospital. The following are examples of the various functions catered by Dietary Services: birthday parties, picnics, and holiday parties for patients, once every two months the Governing Board meeting, and once a year the Volunteer Recognition Program honors volunteers from the community. The Canteen provides lunches once a month for the Executive Meeting, grievance hearings and three or four times a year for other special functions. As a result, some of the Hospital employees and interns received free meals that were paid with State monies.

Chapter 27, Article 2, Section 2 of the West Virginia Code, as amended, states in part:

"...no meals or other emoluments of any kind shall be furnished, given or paid to such superintendents, officers and employees (of each state hospital or center) 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 director of the department of mental health [director of health]."

Furthermore, the Department Of Health and Human Resources's Policy #7560 states in part:

"Charges to authorized non-residents for sandwiches, snacks, meals, etc., shall incorporate the total actual cost for materials and a reasonable labor cost..."

Hospital personnel told us the lunch tickets issued on

July 2, 1993 were used by interns during the period July 7, 1993 through April 24, 1996 and a listing was kept of the interns that used the tickets. We were also told the Hospital Administrator permitted the free tickets to two physician interns who were in the middle of their rotations and had already known about the free tickets. It was stated that the April 30, 1996 issuance of lunch tickets for interns would be the last time free lunch tickets were given to interns. Canteen/Commissary personnel told us they do not keep the purchase orders for the functions they cater.

We were unable to determine the labor cost involved in the preparation of the food and in the subsequent clean-up operations which should be included in the calculation, as stated in Policy #7560. As a result, the total food costs for meals computed monthly by Dietary Services do not represent actual costs associated with the preparation of food. The Director of Dietary Services stated she was not aware of Policy #7560. She also told us due to all employees being full time at Dietary Services, the labor costs would be a standard fixed labor cost. From the documentation we were provided, we were unable to determine the reasonable cost of the meals.

We recommend the Hospital comply with Chapter 27, Article 2, Section 2 of the West Virginia Code and the Department of Health and Human Resources's Policy #7560.

Supplies Inventory

Chapter 5A, Article 8, Section 9 of the West Virginia Code 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 designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities..."

During our physical count of the medical supplies inventory, we noted 45 large sterile gloves and 45 two-inch needles on hand, while the current inventory listing indicated 38 gloves and 44 needles on hand, respectively. As a result, the amounts of large sterile gloves and two inch needles on hand in the medical supply room were understated. Also, we were unable to reconcile the differences between the actual supplies on hand and the current medical supplies listing totals. The Medical Supply Room Supervisor told us there are instances where employees request a larger amount of medical supply items than usual. When this occurs, the Medical Supply Room Supervisor said she goes to the location where the medical supplies were being used and if the items were not needed, she takes them back to the medical supply room; however, she does not put the items back on her inventory listing. The Medical Supply Room Supervisor also said she does not add the unused medical supplies retrieved from the units back to her inventory listing because the inventory system does not allow her to credit the return of unused medical supply items back to the total amount of supplies issued to the units. Therefore, some medical supply items would show a smaller balance on her inventory system than are actually on hand.

Also during our physical count of the storeroom supplies inventory, we could not locate a Sears Craftsman tool box at its assigned location and we could not locate four cases of men's deodorant, one case of soda pop and two Bic cigarette lighters which should have been in the store room. Further, the amounts of men's deodorant, soda pop and Bic lighter's were overstated and it appears the Hospital is not receiving the benefit of the Sears Craftsman tool box purchased by the Hospital at a cost of \$152.00. The Medical Supply Room Supervisor stated there was a partial case of soda pop in the store room which he believed was counted as one whole case during the last physical inventory count conducted and he did not know where the four cases of deodorant and two Bic lighters were. He made adjustments to his inventory by subtracting one case of soda pop, four cases of deodorant and two Bic lighters. Also, the Medical Supply Room Supervisor stated there have been instances where Hospital security escorts Hospital personnel to the store room on weekends when employees need supplies, and the Hospital personnel do not complete a report of items requisitioned. The Medical Supply Room Supervisor stated other Hospital personnel had told him the room where the tool box was last located had been cleaned out to make room for other items and the tool box had been thrown away.

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

Asbestos Abatement Program

We noted Huntington Hospital has operated an asbestos abatement program since approximately September 1989. The asbestos abatement crew consists of six Hospital employees. The crew performs asbestos abatement jobs, and other related tasks for other State agencies. From the records reviewed, the abatement crew, since its inception, has performed jobs for nine different State agencies, numerous jobs for Huntington Hospital and one for a non-state agency. We could find no statutory authority that permitted Huntington Hospital to provide the asbestos abatement service or related jobs, such as obtaining samples for testing.

We also noted the Hospital is compensated for the asbestos abatement services on a cost-reimbursement basis through expense-to-expense transfers. However, the Hospital did not recover direct costs totaling \$374.94 associated with services performed at the non-state agency, labor costs for three employees and a charge to have 11 samples tested by an private agency. In addition, the following direct costs of labor were not figured into the costs of services performed for other State agencies: the employer's share of retirement (9.5%); FICA (7.65%); Workers' Compensation premiums; Public Employees Insurance Agency premiums; and, other miscellaneous fringe benefits. There were also indirect costs that were never recovered by the Hospital. The asbestos crew individuals are required to participate in training courses for initial licensure and recertification courses. For

fiscal years 1994, 1995 and 1996, the cost of training for the team was \$5,930.00.

In addition, we noted when an employee works a certain number of hours in asbestos removal, they are required by law to have a special physical at an approximate cost of \$200.00. Two employees during fiscal years 1995 and 1996 received the special physicals at the expense of Huntington Hospital. Additionally, during one of the asbestos abatement jobs performed at another State agency, the Hospital charged the agency for the overtime the Hospital employee worked, but did not charge for the regular hours the employee worked. Agency personnel stated the reason the other State agency was not billed for the regular work hours of the employee, was that the employee would be paid by Huntington Hospital on the regular payroll for the regular hours worked.

We recommend the Hospital cease performing asbestos abatement services until such time as they obtain statutory authority to operate the program. We further recommend the Hospital seek reimbursement for the direct and indirect costs the Hospital did not charge the other State agencies and the non-state agency.

Payroll Authorizations

During the test of payroll, we noted five instances where the amount withheld for federal taxes was not the amount indicated to be withheld on the respective employees' Form W-4. First, one of the five employee's W-4 indicated a filing status of single; however, the amount withheld from the employee's pay

was at the married filing status rate. Second, one employee's W-4 indicated three withholding allowances, but only two withholding allowances were deducted. Third, one employee's W-4 indicated an additional withholding allowance of \$8.00 per pay period, but the additional amount withheld was \$15.00. Fourth, two employee's W-4 indicated filing status of married, but the amount withheld was at a single filing status rate.

Federal income tax withholdings are determined from the tables in the Circular E, Employer's Tax Guide provided by the Internal Revenue Service. State income tax withholdings are determined from the tax tables in the West Virginia Employer's Withholding Instructions Manual issued by the West Virginia Department of Tax and Revenue.

These errors may cause employees to over or under pay taxes during the year, thus creating a tax liability or an excessive refund at the end of the tax year. We believe these discrepancies occurred due to human error and oversight. With a periodic review of authorizations, we believe these errors could be minimized.

We recommend the Hospital determine State and Federal tax to be withheld in accordance with Circular E, Employer's Tax Guide and the West Virginia Employer's Withholding Instructions Manual.

Sick Leave Usage

During our audit we performed an examination of sick leave used by Huntington Hospital employees. We conducted a detailed review of leave earned and taken between July 1, 1994 and

June 30, 1996. We randomly selected 30 Hospital employees who earned sick leave during the study period. However we were only able to obtain documentation for 29 of the employees. We projected the results of the 29 employees tested to the total of 342 Hospital employees who earned sick leave during the study period.

The results of the test shows Hospital employees took a total of 7,255 days of sick leave costing \$788,124.02 during the study period or an average of \$460,890.24 per year. The average cost was determined by dividing the total cost of \$788,124.02 by 1.71 (the average length of service during the study period). Our review of Hospital records indicated the average salary for the employees earning leave benefits was \$24,009.66 per year. Employees whose salaries were above average took an average of 13.54 sick leave days, while employees whose salaries were below the average took an average of 9.44 days of sick leave per year.

Sick leave taken based on tenure shows employees with between 10 and 15 years of service had the highest average sick leave usage. These employees took an average of 15.63 days of sick leave per year. Employees with less than five years and employees with 15 or more years of service took the least amount of sick leave. These employees took an average of 11 sick leave days per year. Overall, Huntington Hospital employees took an average 12.41 sick leave days per year at a cost of \$1,347.64 per employee annually.

We noted in an earlier finding in this report sick leave taken may be reduced when the employee works overtime in the same week the sick leave is taken. Therefore, we believe these balances may not reflect the actual sick leave taken by the employees of the Hospital.

We recommend the Hospital continue to monitor employee sick leave usage for patterns which may be indicative of excessive use of sick leave.

Leave Accruals and Balances

During our test of sick and annual leave accruals/balances, we noted 36 instances where Hospital employee's leave balances were overstated or understated by as little as .01 of a day to as large as 12 days. We noted one instance where the Hospital carried forward an incorrect monthly ending balance as the beginning balance for the following month. As a result, the employee's sick leave balance was understated by 12 days. Also, we noted three employee's annual and sick leave were not accrued in accordance with Sections 3, 15.03 and 15.04 of the West Virginia Division of Personnel's Administrative Rule and resulted in overstatements falling in the range of 1.01 - 3.50 days. First, the Hospital accrued 1.75 for four months when an employee had less than ten years of service. Second, the Hospital accrued two days per month for eight months when one employee had less than 15 years of service. Third, the Hospital continued to accrue sick and annual leave for the period February 7, 1996 through March 28, 1996, after the employees' resignation date of February

6, 1996. When an employee separates from employment the employee is entitled to compensation for all accrued annual leave. Therefore, if an employee's annual leave balance is over or understated the employee may be over or under compensated at the time of separation.

A Timekeeper employed by the Hospital told us an audit is performed each year on the Hospital employees' leave accruals and balances and the errors we noted were attributable to clerical errors. Also, we noted, the overstatements and understatements fall in the range of 0.00 - one hour, for example, there was a discrepancy on one employee's monthly employee time record which indicated she had worked 2.5 hours on 1/28/95; however, her sign-in sheet indicated she worked from 6:45a.m. to 8:15 a.m. or 1.5 hours. The sign-in sheet is signed by the employee and the employee time record is prepared by the timekeeping staff from the sign-in-sheets.

We recommend the Hospital comply with Sections 3, 15.03 (a) and (f) and 15.04 (a) and (e) of the West Virginia Division of Personnel's Administrative Rule and restate the employee's leave records to reflect the accurate balances. We further recommend the agency review the leave records of all other employees to ascertain their balances are correct.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by general accepted

in considering the potential effectiveness of any system of internal 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 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, 1985 to June 30, 1996, 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.

STRENGTHEN INTERNAL CONTROLS OVER COMPLIANCE

As indicated by the items noted in the "Compliance Matters" section of this report, we believe Huntington Hospital should strengthen internal controls in the area of compliance with the West Virginia Code and various rules and regulations which control the Hospital's operations. We believe weaknesses in the internal control structure exist in the following areas as

evidenced by the compliance findings: 1. Patient's Trustee Account; 2. Pharmacy Inventory (Controlled Drugs); 3. Accounts Receivable Collections; 4. Unauthorized Petty Cash Funds; 5. Improper Hiring Procedures; 6. Equipment Inventory; 7. Payment of Salary Before Services Were Rendered; and, 8. Lack of Proper Payroll Records.

We recommend Huntington Hospital strengthen or establish the necessary internal controls to better ensure compliance with the West Virginia Code and other administrative rules and regulations which govern the operations of the Hospital.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations/cash receipts expenditures/disbursements and changes in fund balances of Huntington Hospital for the years ended June 30, 1996 and June 30, 1995. The financial statement is the responsibility of the management of Huntington Hospital. Our responsibility is to express an opinion on the financial statement based on our audit.

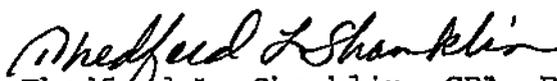
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit included examining, on a test basis, evidence supporting 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.

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, the financial statement referred to above presents fairly, in all material respects, the appropriations and expenditures and revenues collected and expenses paid of Huntington Hospital for the years ended June 30, 1996 and June 30, 1995, on the bases of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purpose 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 audit 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,



Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

June 19, 1997

Auditors: Michael E. Sizemore, CPA, Supervisor
Ethelbert Scott, Jr., Auditor-in-Charge
Donna F. Simmers
Rhonda L. Combs
Jason A. Haught

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

	<u>Year Ended June 30, 1996</u>			<u>Combined Totals</u>
	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Trust Accounts</u>	
Appropriations/Cash Receipts:				
Appropriations	\$9,248,905.00	\$ 0.00	\$ 0.00	\$ 9,248,905.00
Hospital Services Revenue	0.00	10,546,969.44	0.00	10,546,969.44
Trust Funds	<u>0.00</u>	<u>0.00</u>	<u>254,962.68</u>	<u>254,962.68</u>
	9,248,905.00	10,546,969.44	254,962.68	20,050,837.12
Expenditures/Disbursements:				
Personal Services	5,960,249.37	0.00	0.00	5,960,249.37
Employee Benefits	2,199,794.16	46,619.56	0.00	2,246,413.72
Current Expenses	450,933.34	1,847,434.37	250,677.70	2,549,045.41
Repairs and Alterations	0.00	101,378.87	0.00	101,378.87
Equipment	0.00	193,884.52	0.00	193,884.52
Claims	0.00	0.00	0.00	0.00
Remittance of Taxes	0.00	352,106.04	0.00	352,106.04
Transfers to Institutional Facilities Fund	<u>0.00</u>	<u>8,006,251.08</u>	<u>0.00</u>	<u>8,006,251.08</u>
	<u>8,610,976.87</u>	<u>10,547,674.44</u>	<u>250,677.70</u>	<u>19,409,329.01</u>
Appropriations/Cash Receipts Over (Under) Expenditures/ Disbursements	637,928.13	(705.00)	4,284.98	641,508.11
Expirations and Expenditures After June 30	(637,928.13)	0.00	0.00	(637,928.13)
Beginning Balance	<u>0.00</u>	<u>710.08</u>	<u>73,006.70</u>	<u>73,716.78</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 5.08</u>	<u>\$ 77,291.68</u>	<u>\$ 77,296.76</u>

See Notes to Financial Statement

<u>General Revenue</u>	<u>Year Ended June 30, 1995</u>			<u>Combined Totals</u>
	<u>Special Revenue</u>	<u>Trust Accounts</u>		
\$9,565,748.57	\$ 0.00	\$ 0.00		\$ 9,565,748.57
0.00	8,985,801.65	0.00		8,985,801.65
<u>0.00</u>	<u>24,100.17</u>	<u>0.00</u>		<u>24,100.17</u>
9,565,748.57	9,009,901.82	248,935.35		18,824,585.74
6,359,204.28	2,535.08	0.00		6,361,739.36
2,405,700.22	0.00	0.00		2,405,700.22
0.00	2,507,332.59	239,082.62		2,746,415.21
0.00	129,870.94	0.00		129,870.94
0.00	148,254.50	0.00		148,254.50
0.00	400.00	0.00		400.00
0.00	328,038.17	0.00		328,038.17
<u>0.00</u>	<u>5,892,760.46</u>	<u>0.00</u>		<u>5,892,760.46</u>
<u>8,764,904.50</u>	<u>9,009,191.74</u>	<u>239,082.62</u>		<u>18,013,178.86</u>
800,844.07	710.08	9,852.73		811,406.88
(800,844.07)	0.00	0.00		(800,844.07)
<u>0.00</u>	<u>0.00</u>	<u>63,153.97</u>		<u>63,153.97</u>
<u>\$ 0.00</u>	<u>\$ 710.08</u>	<u>\$ 73,006.70</u>		<u>\$ 73,716.78</u>

HUNTINGTON 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 31-day carry-over period is provided at the end of each fiscal 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 31-days after the fiscal year-end; 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 revenues 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>July 31, July 31,</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Employee Benefits	\$164,510.47	\$239,163.73	\$134,600.37	\$0.00
Institutional Facilities Operations	<u>311,639.79</u>	<u>561,680.34</u>	<u>27,177.50</u>	<u>0.00</u>
	<u>\$476,150.26</u>	<u>\$800,844.07</u>	<u>\$161,777.87</u>	<u>\$0.00</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 4.5% of their annual compensation and employees have vested rights under certain circumstances. Huntington Hospital matches contributions at 9.5% of the compensation on which the employees made contributions.

Huntington Hospital's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
General Revenue	<u>\$459,149.69</u>	<u>\$596,094.77</u>

SUPPLEMENTAL INFORMATION

**HUNTINGTON HOSPITAL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
<u>Employee Benefits - Fund 0525-010</u>		
Appropriations	\$2,498,905.00	\$2,644,526.01
Expenditures:		
Employee Benefits	<u>2,364,304.63</u>	<u>2,644,526.01</u>
	134,600.37	0.00
Transmittals Paid After June 30	<u>164,510.47</u>	<u>239,163.73</u>
Balance	<u>\$ 299,110.84</u>	<u>\$ 239,163.73</u>
 <u>Institutional Facilities Operations- Fund 0525-335</u>		
Appropriations	\$6,750,000.00	\$6,921,222.56
Expenditures:		
Personal Services	6,216,216.33	6,613,620.46
Current Expenses	506,606.17	306,563.91
Repairs and Alterations	0.00	979.19
Equipment	<u>0.00</u>	<u>59.00</u>
	<u>6,722,822.50</u>	<u>6,921,222.56</u>
	27,177.50	0.00
Transmittals Paid After June 30	<u>311,639.79</u>	<u>561,680.34</u>
Balance	<u>\$ 338,817.29</u>	<u>\$ 561,680.34</u>

**HUNTINGTON HOSPITAL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
<u>Institutional Facilities Operations -</u>		
<u>Fund 5156-335</u>		
Appropriations	\$3,052,000.00	\$3,052,000.00
Reappropriations:		
Fiscal Year 1993	0.00	3,555.12
Fiscal Year 1994	26,608.28	255,080.10
Fiscal Year 1995	<u>544,705.53</u>	<u>0.00</u>
	3,623,313.81	3,310,635.22
Expenditures		
Personal Services	0.00	2,535.08
Employee Benefits	46,619.56	0.00
Current Expenses	1,847,434.37	2,507,196.75
Repairs and Alterations	100,673.87	106,616.69
Equipment	193,884.52	148,254.50
Claims	<u>0.00</u>	<u>400.00</u>
	<u>2,188,612.32</u>	<u>2,765,003.02</u>
	1,434,701.49	545,632.20
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$1,434,701.49</u>	<u>\$ 545,632.20</u>

**HUNTINGTON HOSPITAL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
<u>Broad Based Provider Tax - Fund 5156-566</u>		
Appropriations	\$352,106.00	\$352,106.00
Reappropriations:		
Fiscal Year 1994	0.00	5,274.30
Fiscal Year 1995	<u>29,342.17</u>	<u>0.00</u>
	381,448.17	357,380.30
Expenditures:		
Remittance of Taxes	<u>352,106.04</u>	<u>328,038.17</u>
	29,342.13	29,342.13
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 29,342.13</u>	<u>\$ 29,342.13</u>

**HUNTINGTON HOSPITAL
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
CASH CONTROL - FUND 5156-999**

	<u>Year Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
Beginning Balance:		
State Treasury	\$ 0.00	\$ 0.00
Cash Receipts:		
Third Party Payors	7,208,152.19	5,715,031.86
Acute Care - Medicaid	963,210.61	102,159.63
Medicare A	2,237,990.14	2,551,048.86
Medicare B	108,858.24	101,731.89
Other - Medicaid	0.00	484,897.14
Other Private Pay	0.00	17,785.80
Individual (Patient/Family)	<u>28,758.26</u>	<u>13,146.47</u>
	<u>10,546,969.44</u>	<u>8,985,801.65</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$10,546,969.44</u>	<u>\$8,985,801.65</u>
Disbursements:		
Personal Services	\$ 0.00	\$ 2,535.08
Employee Benefits	46,619.56	0.00
Current Expenses	1,847,434.37	2,507,196.75
Repairs and Alterations	100,673.87	106,616.69
Equipment	193,884.52	148,254.50
Claims	0.00	400.00
Remittance of Taxes	352,106.04	328,038.17
Transfers to Institutional Facilities Fund	<u>8,006,251.08</u>	<u>5,892,760.46</u>
	<u>10,546,969.44</u>	<u>8,985,801.65</u>
Ending Balance:		
State Treasury	<u>0.00</u>	<u>0.00</u>
TOTAL CASH ACCOUNTED FOR	<u>\$10,546,969.44</u>	<u>\$8,985,801.65</u>

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

	<u>Year Ended June 30</u>	
	<u>1996</u>	<u>1995</u>
<u>Chapel Fund - Fund 5191-640</u>		
Cash Receipts:		
Donations	\$ 0.00	\$24,100.17
Disbursements:		
Current Expenses	0.00	135.84
Repairs and Alterations	<u>705.00</u>	<u>23,254.25</u>
	705.00	23,390.09
Cash Receipts (Under) Over Disbursements	(705.00)	710.08
Beginning Balance	<u>710.08</u>	<u>0.00</u>
Ending Balance	<u>\$ 5.08</u>	<u>\$ 710.08</u>

**HUNTINGTON HOSPITAL
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
LOCAL ACCOUNT**

	<u>Year Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
<u>Commissary Account</u>		
Cash Receipts:		
Sales	\$113,937.73	\$125,924.34
Disbursements:		
Merchandise for Resale	79,419.80	82,554.56
Taxes and Licenses	6,457.05	7,059.89
Transfers to Patient Welfare Account	25,000.00	15,000.00
Miscellaneous Expenses	<u>1,662.16</u>	<u>6,105.36</u>
	112,539.01	110,719.81
Cash Receipts Over Disbursements	1,398.72	15,204.53
Beginning Balance	<u>70,085.60</u>	<u>54,881.07</u>
Ending Balance	<u>\$ 71,484.32</u>	<u>\$ 70,085.60</u>

**HUNTINGTON HOSPITAL
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
LOCAL ACCOUNT**

	<u>Year Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
<u>Patient Welfare Account</u>		
Cash Receipts:		
Sales and Commissions	\$17,402.00	\$18,213.04
Donations	1,596.62	2,346.76
Transfers from Commissary Account	25,000.00	15,000.00
Miscellaneous	<u>579.84</u>	<u>386.93</u>
	44,578.46	35,946.73
Disbursements:		
Recreational Therapy and Other Expenditures Benefitting All Patients or Specific Indigent Patients	<u>40,711.48</u>	<u>41,320.48</u>
Cash Receipts Over (Under) Disbursements	3,866.98	(5,373.75)
Beginning Balance	<u>339.04</u>	<u>5,712.79</u>
Ending Balance	<u>\$ 4,206.02</u>	<u>\$ 339.04</u>

**HUNTINGTON HOSPITAL
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
LOCAL ACCOUNT**

	<u>Year Ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
<u>Superintendent's Trustee Fund</u>		
Cash Receipts:		
Contributions from Residents, Relatives or Third-Party Agencies	\$96,446.49	\$87,064.28
Disbursements:		
Withdrawals for Patient Use Patient Commissary Charges Pay Patient Maintenance	<u>97,427.21</u>	<u>87,042.33</u>
Cash Receipts (Under) Over Disbursements	(980.72)	21.95
Beginning Balance	<u>2,582.06</u>	<u>2,560.11</u>
Ending Balance	<u>\$ 1,601.34</u>	<u>\$ 2,582.06</u>

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit 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 11th day of January,
1998.



Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Secretary of the Department of Health and Human Resources; Huntington Hospital; Governor; Attorney General; and, State Auditor.



**STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**Cecil H. Underwood
Governor**

**Office of the Secretary
State Capitol Complex
Building 3 - Room 206
Charleston, West Virginia 25305
Telephone: (304) 558-0884 Fax: (304) 558-1130**

**Jean E. Ohi
Secretary**

**Response of Department of Health and Human Resources
to Legislative Audit of Huntington Hospital
January 9, 1998**

The Legislative Audit Report for Huntington Hospital covered the period July 1, 1985 through June 30, 1996. The actual audit testing activities appear to focus on a twenty-seven month period from July 1, 1994 through September 30, 1996.

The Audit findings generally fall into two categories: (1) situations in which Hospital management and staff complied with existing regulations promulgated by controlling State departments or divisions, such as the Department of Health and Human Resources, the Division of Personnel or the Tax Department, but in which the Auditors nonetheless determined the Hospital's actions to be faulty; and (2) instances in which Hospital management or staff failed to comply with existing State statutes, regulations or policies. The Department of Health and Human Resources (the "Department") must respond to both categories of findings but considers the second category most alarming. (With the first category, the Department may need to seek legal opinions or clarifications from other departments within State government.)

The Department and its hospitals seek to learn and improve from every audit, survey and review. In late 1997, the stringent Joint Commission on Accreditation of Healthcare Organizations (JCAHO) surveyed Huntington Hospital and reaccruited the Hospital for three years. Although the Hospital received an excellent score (92 of 100), there were isolated deficiencies and the Hospital is in route towards correcting those deficiencies.

The Hospital will respond in the same manner to this Audit. In fact, because the Audit covers an

eleven year span ending June 30, 1996, the Hospital has already implemented many policies, practices and technological advancements that address issues raised in the Audit.

This does not imply, however, that the Hospital's continuous quality improvement program is complete or that the Hospital has corrected – or even identified – every concern present in the Audit Report. The Department will insist that the Hospital cure every relevant and significant defect in operations that the Audit reveals.

The Department's section-by-section response to the Audit Report follows:

Patient Trust Account

The Audit reveals non-compliance with Huntington Hospital's internal procedures for monitoring disbursements from Patient Trustee Accounts. The failure to secure signatures on a significant number of the cash disbursement vouchers does not constitute a violation of an explicit statutory requirement but of a Hospital policy implementing Chapter 5, Article 25, Section 1 of the West Virginia Code, which establishes Resident Trustee Accounts.

The Administration at Huntington Hospital has taken some action to reduce the levels of non-compliance discovered by the Auditors. On February 12, 1997, Huntington Hospital revised Policy HHA42, Patient Trustee Account, to include a requirement that cash vouchers be placed in the patient's medical record after the patient or witness signs the voucher. The Hospital also notes that its records indicate that a large portion of the non-compliance resulted from the employees at the substance abuse programs that were operated upon the grounds of Huntington Hospital were not directly managed by Huntington Hospital's administration. These substance abuse programs have been discontinued.

Although the Department recognizes that the above changes in policy and programs at Huntington Hospital should have reduced the levels of non-compliance, given the levels of that non-compliance (projected at 31%), the Department does not believe the Hospital's actions to be sufficient. The Hospital

will therefore immediately revise the voucher form to provide for signature in triplicate, with one copy to be maintained with the patient's chart, one copy to be retained by the patient, and one copy to be returned to the office of fiscal services. This last step provides a feedback loop to require the Hospital's Chief Financial Officer to monitor compliance with the Hospital's signature requirement.

Pharmacy Inventory (Controlled Drugs)

The Audit report indicates discrepancies between amounts noted in the inventory system and the physical counts for several controlled substances in the Pharmacy. The Department is investigating these serious allegations raised by this portion of the Audit Report. To complete its investigation, the Department is requesting further information both from the Pharmacy at Huntington Hospital and the Legislative Audit team.

The Hospital's Pharmacy and administration have presented some evidence to support its contention that the discrepancies noted in the Audit Report resulted wholly from a computer entry error that occurred while the Pharmacy was implementing a new pharmacy software system. In addition to the computer inventory, the Pharmacy maintains a perpetual paper inventory record of all controlled substances. The Pharmacy contends there was no discrepancy between amounts of the designated controlled substances shown on the paper inventory and the physical count of said substances. The Pharmacy also asserts that all discrepancies found in the computer inventory were reconciled at month-end and year-end inventories.

At present, Huntington Hospital claims that its Pharmacy can account for all controlled substances and that both its physical and computer inventories accurately reflect the available amounts of controlled substances. The Hospital also notes that its Pharmacy passed all audits conducted by the West Virginia Board of Pharmacy during the time period covered by the Audit.

At a minimum, the Audit shows temporary inventory discrepancies which should not be tolerated in a sophisticated inventory system. Clearly, more serious inferences arise where Pharmacy inventories do not match physical counts for controlled substances. Unless the Hospital Pharmacy, with the cooperation of

the Legislative Auditors, can present unequivocal evidence on these issues by Friday, January 16, we will refer this matter to our Department's Inspector General and, if warranted, to the State Board of Pharmacy.

Sick Leave Buy Back

The Hospital admits to the minor errors in calculating sick leave restoration for four employees covered by the Audit. To assure compliance with West Virginia Division of Personnel policies, the Department's Office of Personnel Services will oversee the provision of additional training for Hospital staff who perform this and related functions.

Patient Welfare Account

The Audit reveals either (1) a misplacement of \$590.00 into the Patient Welfare local bank account instead of the Institutional Facilities Account; or (2) improper documentation of the donors' intent to place the \$590.00 in the Patient Welfare Account. Hospital personnel claim that the donors specified that the money be used for patient needs, which would make placement into the Patient Welfare local bank account appropriate. If this was the case, however, the personnel should have been able to provide the Auditors with written documentation of this charitable intent.

Huntington's Chief Financial Officer will establish and implement procedures for obtaining written documentation of charitable intent for any funds deposited into the Patient Welfare Account. The simplest method is for the check to be made to "Huntington Hospital Patient Welfare Account". A fall-back method is a separate letter from the donor establishing the donor's intent to earmark funds for this account.

The Audit also reveals that Huntington Hospital uses the patient Welfare Account to fund each and every patient with \$1.25 per day credit at the Cafe for food and beverage. The Auditors opine that the State Board of Investments' Approved Outside Bank Accounts listing contemplates that only indigent patients may benefit from the Patient Welfare Account.

We have sought a legal opinion on whether current Board of Investment policy prohibits use of Patient Welfare Account funds for non-indigent patients. If so, the Hospital has two options: (1) seek an

exception from the Board of Investment; or (2) change the current practice of granting the \$1.25/day Cafe credit for all patients. While awaiting a decision from the Board of Investments, Huntington Hospital's Management Committee will consider the administrative and clinical repercussions from excluding the non-indigent from receipt of the Cafe credit.

Accounts Receivable Collections

Huntington Hospital acknowledges deficiencies in its compliance with Chapter 27, Article 18, Section 1, of the West Virginia Code and the procedures set forth by the West Virginia Department of Health and Human Resources Policy No. 3501, Section 6.2 for reasonable collection of accounts receivable. Huntington Hospital has not had abundance of resources to pursue these accounts; in the last budget cut, Huntington Hospital lost 21 positions, including a billing clerk. Recently, however, the Hospital hired a new billing supervisor to address accounts receivable. Moreover, the Hospital has engaged private collection agencies to pursue accounts receivable in instances where clients may have the ability to pay.

Duplicate Payments

The Hospital acknowledges overpayments to other State agencies totaling \$296.00 during the twenty-seven month audit period.

Improper Hiring Procedure

The Hospital acknowledges that one of its Personnel Department employees failed to follow proper procedures with respect to a hiring that occurred in September 1996. Management at the Hospital identified this incident and promptly took appropriate disciplinary action (twenty-one (21) working days suspension without pay) against the offending employee.

Although we have generally acknowledged this improper hiring incident, we dispute the assertion in the Audit Report that "the employee was not chosen from an appropriate job register as set out in Series 1, Section 9.02 of the West Virginia Division of Personnel Administrative Rule..." The West Virginia Division of Personnel has verified that the employee in question was properly hired from a Civil Service register effective September 16, 1996.

Payment Of Salary Before Services Were Rendered.

The Hospital acknowledges a salary overpayment that occurred during 1996. With the overpaid employee's knowledge, the Hospital's personnel unit made an inartful attempt to recover the overpayment by deducting from the employee's paychecks but fell short by \$237.00. The Hospital's personnel unit now has more appropriate methods to recover overpaid amounts.

Hospital Policy On Annual and Sick Leave

The Audit Report suggests that the West Virginia Division of Personnel's Administrative Rule Section 15.03(a) does not allow the agency to adjust an employee's use of sick and annual leave to prevent the employee from incurring in excess of 40 payroll hours within a work week. This finding conflicts with the West Virginia Division of Personnel's interpretation of their own administrative rule. The West Virginia Division of Personnel has advised the Department that the action in question is appropriate.

Overtime Calculations

Huntington Hospital's method of calculating overtime conforms to the Department's policy on meal periods, as articulated at least since January 16, 1991, and as approved by the West Virginia Personnel Board: "The 30-minute meal period is regarded as compensable working time." This practice on lunch periods is identical to policies throughout large portions of State government, including the West Virginia Department of Administration. (The Department of Highways is a notable exception.)

The Audit Report concludes that Huntington Hospital has overstated total overtime worked by its employees due to a practice of including thirty minutes of a one hour lunch break as work time. The meal period, however, does not meet the definition of "nonwork time" as set forth in Section 9.2 of the West Virginia Division of Labor's Legislative Rule: "Periods during which an employee is completely relieved from duty and which are long enough to enable him to use the time effectively for his own time are not hours worked." (Emphasis added.) Under current policy, Huntington Hospital employees must remain available for work during the meal period if work is required and may be required to forego the meal period without

additional compensation of any form. The employees are not completely relieved from duty and are not free to use the time effectively for personal reasons.

Meal Reimbursement for Single-Day Travel

The Audit states that meal reimbursement for single-day travel is taxable income and that Huntington Hospital is responsible for providing information to the State Auditor's Office so that income can be included on the respective employee's W-2 form (Employee Withholding Statement).

Huntington Hospital's procedures with respect to single day travel conforms with the State of West Virginia Travel Policy, as approved by the State Tax Department. Based on this State Travel Policy, the Department has not considered meal reimbursement for single day travel as taxable income and will refer this issue to the State Tax Department for clarification.

Unauthorized Petty Cash Funds

The Audit indicates that the establishment and operation of five separate petty cash funds (trustee change fund, stamp fund, lunch ticket fund, greenhouse change fund, and the Cafe change fund) violate Chapter 12, Article 2, Section 2 (d) of the West Virginia Code.

These accounts have been audited by outside accountants, Arnett and Foster, and no problems were identified in their operation. They are maintained separately and have been used to assist in daily operations for many decades. Unlike true imprest funds, these accounts are not funded through State Funds, but from discrete income-generating operations, such as the Cafe. Huntington Hospital will petition for appropriate authority to continue to operate these accounts with the State Board of Investments.

Late Deposits

The Audit indicates that for the period July 1, 1994 through June 30, 1996, deposits from lunch ticket receipts were made an average of every two months.

In February 1997, Huntington Hospital revised the procedure for deposit of lunch ticket receipts into the appropriate State account and will ensure that these receipts are deposited at least once each month,

regardless of the amount to be deposited.

Annual Increments

The Audit identified possible overpayments of \$174.00 and \$36.00 for the 1995/96 fiscal year in annual increments. Huntington Hospital will review the annual increment payments in question to ensure compliance with the West Virginia Division of Personnel Annual Increment Policy. Huntington Hospital has revised its method of calculating the amount of the increment. The new method reflects changes in the West Virginia Division of Personnel Annual Increment Policy, revised May 15, 1997.

Sick Leave Usage

The audit recommended Huntington Hospital monitor employee sick leave usage for patterns which may indicate the excessive usage of sick leave. Huntington Hospital's Management Committee did initiate review of sick leave usage patterns in 1995 and approved Policy HHC16, "Leave Authorization and Absence Control" on February 8, 1996. Sick leave usage is reported monthly at the Managers/Budget meetings and every other month to the Governing Board.

Leave Accruals and Balances

The Audit identified 36 instances of errors in the calculation of employee leave balances. Currently, timekeeping is processed manually by clerks in Human Resources who are trained for that function. An automated timekeeping system, operating on the Hospital's AS-400 computer mainframe, is under development and has actually been tested on one unit since March 1, 1997. This automated timekeeping system should reduce errors, when it becomes ready for Hospital-wide implementation.