

1922

# Uniform accounting system for general hospitals -- Instruction bulletin; Instruction bulletin -- A uniform accounting system for general hospitals

Pennsylvania. Department of Public Welfare

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Commonwealth of Pennsylvania  
Department of Public Welfare

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Bulletin 2

July, 1922

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# Instruction Bulletin

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## A Uniform Accounting System for General Hospitals

HARRISBURG, PA.

J. L. L. KUHN, PRINTER TO THE COMMONWEALTH

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## THE UNIFORM ACCOUNTING SYSTEM FOR HOSPITALS IN PENNSYLVANIA

An important function of the Department of Public Welfare is set forth in Section 15, of Act No. 425, P. L. 1921. It is as follows:

“Section 15. All state institutions and any charitable or other institutions under the supervision of the department, desiring to receive state aid, shall give notice to the department, at such time as may be prescribed by the rules and regulations thereof, of any application for state aid proposed to be made and of the several purposes to which the same is to be applied, together with the reasons in support of such application. It shall be the duty of the commissioner to examine carefully into such application and request and into all matters connected therewith, and set forth the result of his investigation in the biennial report of the department to the Governor. It shall also be the duty of the commissioner to make a specific and detailed report relative thereto to the General Assembly, with his recommendations thereupon.”

The Department of Public Welfare proposes to base its recommendations to the General Assembly primarily on the service actually rendered by the institutions with due regard for the quality of that service and the cost of rendering it. The unit of service is the day's hospital treatment; the unit of cost is the daily average cost per patient for hospital treatment. The application for aid must set forth the number of days of free service and a detailed statement of the cost of rendering such service. Such a procedure in recommending the amount of aid to be appropriated by the General Assembly necessitates adequate, reliable and uniform records and reports for the institutions desiring it.

While many of the hospitals of the State already had a complete accounting system, it was true that many others were not prepared to furnish the Department of Public Welfare with the data essential to a consideration of their applications for appropriations. It was for that reason that it was deemed essential that a uniform system of accounting be devised and furnished to all of the hospitals of the State which receive aid from the General Assembly.

At the same time it was fully appreciated that a uniform system of accounting would be of great value to the hospitals. Such a system enables a hospital to keep a careful check not only on its expenditures, but on its cost of service one month with another. Because all hospitals classify their items of expense in keeping with a uniform scheme, a comparison of costs, one hospital with another,

is possible. Such a comparison is often a revelation to a superintendent, resulting in marked changes in his policy of administration. Often it is the means of justifying a seemingly high cost, an argument for a greater expenditure, or the basis of an appeal to the public for more liberal financial support. For these and many other reasons the Department felt fully justified in providing each hospital with a uniform financial record book.

The accounting system conforms closely to the uniform scheme of accounting now in use in the State Normal Schools. Since the books of institutions receiving State aid are audited by representatives of the Auditor General's Department once in each quarter it was deemed essential to have the accounting systems used in different classes of institutions fairly uniform, at least in method. Such uniformity results in economy of time and effort on the part of the traveling auditors. Moreover, it is equally important that there be uniformity in the general scheme of quarterly reports received by the Auditor General from the institutions of the State.

On account of these limiting conditions it was deemed inexpedient to adopt in its entirety the method proposed by the Committee on Hospital Forms and Records of the American Hospital Association. The fact was fully appreciated that many of the arguments for State uniformity in accounting hold equally well for nation-wide uniformity. For that reason the report of the afore-mentioned Committee was closely followed in the preparation of the State accounting system. In the main, the Committee's Chart of Accounts has been adopted with reference to terminology and classification. In some instances it has been deemed advisable to make a more detailed analysis of expenditures than the Committee proposes. The records are so arranged, however, that no hospital superintendent will find it difficult to furnish statistics in conformity with any nation-wide scheme of uniform reporting.

In general, the system is a development of double entry bookkeeping whereby a hospital management is enabled not only to keep adequate, accurate financial records, but to determine the actual cost of operating the institution month by month. It is designed to present such data as the State may require in a study of an institution's financial needs and in a careful audit of its disbursements. The system makes it possible for a hospital executive to comply, so far as the bookkeeping is concerned, with all the regulations and requirements of the Auditor General as set forth in Appendix II.



## Distinction Between Operating Expenses and Capital Expenditures.

There is a clean-cut distinction to be made between Operating Expenses and Capital Expenditures. It is to the first class of disbursements that the State Appropriation is applicable. Moreover, it is only the Operating Expenses which properly enter into a computation of the cost of caring for patients. The index of the efficiency of a superintendent, as a business man, is the average daily cost of caring for a patient. Hence he will make a careful study of the classification of expenditures to the end that no expense be charged to the operation of the hospital which may be properly considered as Corporation Expense or Capital Outlay.

**Classification of Equipment:** There will be little difficulty in classifying such items of expense as Salaries, Provisions, Office Supplies, etc. It is not so easy, however, to classify the purchase of equipment which may be either a replacement or a capital outlay. When a worn-out direct cystoscope is displaced by a new direct cystoscope it is clearly a replacement. Likewise, when a worn-out steam heating system is replaced by a new boiler and steam lines of the same general type it is charged to Repair and Replacement. But when a direct cystoscope is displaced by an indirect cystoscope it is largely a matter of capital outlay. The value of the hospital plant has been increased by the purchase of the electrical cystoscope. If a hot air heating system is displaced by steam, the expenditure would be one of capital outlay because the identity of the old system is lost in the new.

**Repair and Replacement:** Repair and Replacement are necessitated by service wear on the equipment of plant. This repair or replacement cost should be distributed through a long period of time by a depreciation and repair charge, but this form of accounting cannot be attempted at this time. Only actual expenditures can be taken into consideration until there is a further development of the accounting system.

# VOUCHER REGISTER

CHECK NUMBER	DATE	TO WHOM ISSUED	Voucher Number	Amount	Stores Acct.	DISTRIBUTION											
						Dept. A. Administration	Dept. B. Household	Dept. C. Operation of Plant	Dept. D. Maintenance	Dept. E. Fixed Charges	Dept. F. Professional Care of Patients	Dept. G. Social Service	Dept. H. Out-Patient				
5129	May 15	Brought Forward	3758	2,815 00	500 00	375 00	400 00	425 00	165 00								
5133	15	Johnson & Johnson	3759	251 75	200 00		11 75										
5135	27	First National Bank	3760	30 00													
	31	Payroll	3761	1,750 00		300 00	200 00	375 00	100 00	30 00							
		Western Produce Co.	3762	300 00	300 00												
		Supplies Donated (Journal Vchr.)	3763	153 00*	100 00		53 00										
		Stores Disbursed from Store Room (Journal Vchr.)	3763	1,225 00*	1,225 00*												
		Totals for the month of May		5,206 75	1,160 00	675 00	719 75	925 00	335 00	30 00	2,340 00	75 00					
		Postings to General Ledger		Dr.	Cr.												
		Accounts Payable			5,206 75												
		Donations (Supplies)			1,160 00												
		Stores Account			1,225 00												
		Dept. A—Administration															
		B—Household															
		C—Operation of Plant															
		D—Maintenance															
		E—Fixed Charges															
		F—Professional Care of Patients															
		G—Social Service															
		H—Out-Patient															
		Totals			6,589 75	6,589 75											

## VOUCHERS FOR MONTH OF JUNE, 1922.

June 2	American Hospital Supply Co.	3764	923 25	250 00	12 25													100 00
--------	------------------------------	------	--------	--------	-------	--	--	--	--	--	--	--	--	--	--	--	--	--------

\*Enter in red

EXHIBIT A.

**List of Supplies and Equipment:** It will frequently be difficult to distinguish between supplies and instruments on the one hand and apparatus and equipment on the other. As has been stated, supplies and instruments are ordinarily consumed in the using and are recurrently purchased, while apparatus and equipment have relatively permanent value. The first class enter into the operating cost of the institution; the second, except for replacements, represent capital expenditures. A list of supplies and articles of equipment will be found in the Appendix.

**Capital Expenditure not to be Charged to Operating Expense:** Whenever, in the opinion of the Auditor General, a purchase of additional equipment or apparatus may be allowed as a charge against the State appropriation granted to a hospital, the expenditure should be classified as **Capital Outlay**. The money received from the State to cover that expenditure should be entered in Cash Receipts, **Capital Fund**. Under no circumstances should a capital expenditure be entered against the operating expenses of the hospital.

#### THE VOUCHER REGISTER

**Voucher System:** This accounting system is based on the voucher system. In such a system the Voucher Register is the book of original entry for all financial obligations of the hospital involving the purchase of services or supplies. It is in this respect a journal and serves all purposes of the ordinary journal with reference to payments. The Voucher Register is a development of the Purchase Journal which was devised by accountants to economize in book-keeping.

**The Voucher:** The voucher has been defined as any approved paper or document which is accepted as a truthful exhibit of a business transaction. In this accounting system the voucher consists of a Voucher Jacket to which are attached a copy of the order, the bill and the cancelled check. The Voucher Jacket provides for the signatures certifying to the correctness of the bill and a chart showing the classified items of expenditure. When the necessary papers are thus brought together and conveniently filed, auditing is made easy.

Posting is also less difficult if the expenditures are first analyzed and distributed on a convenient form, such as the Voucher Jacket. Some business concerns make the analytical distribution on the face of the bill by means of a rubber stamp. When several bills are included in one payment, such a procedure would seem to be difficult. All things considered, the Voucher Jacket is essential to efficient hospital accounting.

**Voucher Register:** Since the Voucher Register is the book of original entry for all purchases of supplies or service, it is evident that vouchers must be prepared for all such obligations. Ordinarily the voucher should be made out as soon as the bill for goods received or services rendered has been approved. When it is known that two or more bills will be received from the same firm during the month, the first bill or bills may be held until one voucher can be made for all, thus economizing time and effort. No bills, however, should be held over from one month to the next; the vouchers must be prepared regardless of the time of payment.

**Entering Vouchers:** The vouchers should be numbered serially and, ordinarily, in chronological order. They should, also, be entered in the Voucher Record in serial order whether immediate payment is contemplated or not. The amount of each voucher is recorded in the Total column. (Exhibit A.)

**Distribution of Amount of Voucher:** If the voucher covers the payment of salaries, services rendered or supplies used during the month its amount is extended or distributed on the same line to the proper column or columns at the right of the Stores Account column. The distribution on the Voucher Jacket will be your guide, the total for any department of expenditures on the voucher being entered in the corresponding column of the Voucher Register. (Exhibit A.)

**Distribution to Stores:** If the voucher covers the payment of supplies which are to be held in store for use at a future time or during a period of several months, then the amount of the voucher should be extended only to the Stores Account column. It is possible, of course, that supplies, some for stores and others for immediate use, might be purchased from a firm during one month. In such a case such part of the amount of the voucher as represents supplies to be held in stock would be entered in the Stores Account column, while the balance would be distributed to the appropriate columns. (Exhibit A.)

**Monthly Stores Journal Voucher:** At the close of each month the Stores Account voucher is entered in the Voucher Register. This might properly be a journal voucher, inasmuch as it represents a redistribution of that which has been purchased. It gives the summary of the value of supplies furnished to the different departments of the hospital. The amount is entered in red ink in the Stores Account column as a credit and the distribution made as for any other voucher.

**Closing the Voucher Register:** The Voucher Register is closed each month by totaling the several columns and posting these totals to the General Ledger as will be explained later.

## SUBSIDIARY RECORDS

There is a subsidiary record to accompany each distribution column of the Voucher Register. The purpose of these records is to give a detailed analysis of costs. This is essential to intelligent budget making and enables the hospital management to compare total expenditures at any time with the budgetary estimates. Moreover, such an analysis brings to light readily any abnormal increase in costs. Lastly, the preparation of quarterly reports is made comparatively easy since the report blank is designed to correspond item for item with these accounting records.

**Distribution of Expense to Departmental Records:** Entries are made in the departmental records directly from the distribution on the Voucher Jackets. If a careful distribution has been made little difficulty need be experienced in keeping accurate accounts. In general, the procedure is the same as is followed in entering vouchers in the Voucher Register. It might be added that one voucher may necessarily be entered in two or more departmental records. The payroll voucher, for instance, might carry entries for four departments: Dept. A—Administration; Dept. B—Household; Dept. C—Operation of Plant; and Dept. F—Professional Care of Patients.

### CHECKING FOR ACCURACY

The accuracy with which entries have been made in the several records can be checked at any time and should always be proved after making a series of entries. The footing of the Total column must always be the same as the sum of the footings of the distribution columns. Moreover, the footing of the Total column in a subsidiary record must correspond with the footing of the corresponding account column in the Voucher Register. Prove your entries frequently.

### EXPLANATION OF ACCOUNTS

The analysis and distribution of the items of expenditure are of the utmost importance. Uniformity in record forms does not necessarily mean uniformity in accounting. It is intelligent care used in classifying, coupled with accuracy in recording the receipts and expenditures, which make the accounting of real worth.

A detailed discussion of the departmental accounts and their subdivisions is given below. While it is not complete, yet it will enable the accountant to classify items of expense with reasonable certainty. In most instances the explanatory statements are taken directly from the Report of the Committee on Hospital Forms and Reports of the American Hospital Association.

As a general principle, consider transportation charges—freight, express, drayage, etc.,—as a part of the cost of the supply or article.

**Stores Account:** Through an oversight this item was omitted from the Voucher Jacket. When occasion for its use arises it may be written into the distribution just above Dept. A—Administration, or elsewhere. Enter here the amount of a bill for supplies which are to be held in store for distribution by internal requisition. When the amount of a bill is entered in Stores Account, no further distribution is made at the time to other classes of expenditure.

#### DEPT. A—ADMINISTRATION.

- A-1 Salaries of Superintendent and Assistant Superintendent.
- A-2 Salaries of Clerks employed in the general administrative offices on full or part time. If a stenographer or clerk is employed for a part of the day in another department of the hospital, the salary should be apportioned, part to Administration and part to the other activity.
- A-3 Office Supplies: Postage, letterheads, business blanks and forms, books, carbon paper, typewriter ribbons, and other supplies used only in the business office.
- A-4 Printing: The expense of forms printed specially for the administrative office.
- A-5 Telephone and Telegraph: Telephone rental and toll service.
- A-6
- A-7
- A-8 Miscellaneous: Traveling and hotel expenses of administrative officers and any other administrative expense which cannot be classified, after careful consideration, under one of the foregoing sub-divisions.
- A-9 Total Administration.

#### DEPT. B—HOUSEHOLD.

##### Housekeeping:

- B-1 Salaries and Wages: To include salary of matron or housekeeper, assistants, porters, scrubwomen and others engaged in housekeeping services in the hospital proper.
- B-2 Supplies: To include cost of soap, scouring powders, disinfectants, scrub pails, wringers and all cleaning materials; toilet paper, paper towels; gas mantels and electric light bulbs.
- B-3 Clothing and Bedding: To include all linen, bedding, mattresses, pillows, uniforms for employes (exclusive of nurses' uniforms) and other items of similar nature, used in the operation of the institution.

B-4 Miscellaneous: To include all expenses of housekeeping department not included under specific heads.

**Laundry:**

B-5 Salaries: To include salaries of head laundryman, and all employees used exclusively for laundry service, including the salaries of seamstresses, and of individuals used in delivering laundry from the laundry to the hospital proper. If laundry work is done by an outside agency, enter under Salaries all bills for such service.

B-6 Supplies: To include the cost of all supplies used in the laundry, exclusive of repair charges.

**Nurses' Home:**

B-7 Salaries: To include salaries of matron, housemothers, maids, porters, etc., whose services are used exclusively in the care of the Home. In the event that there are attaches in the institutions whose performances are dual, pro rata amount can be charged to this account.

B-8 Supplies: To include supplies incident to the operation of the Nurses' Home.

**Commissary:**

B-9 Salaries: To include salary of purchasing agent, storekeepers, clerks, storeroom helpers, etc.

B-10 Supplies: To include such supplies as are used in storeroom activity. Perpetual inventory forms, requisition blanks, etc.

**Dietary:**

B-11 Salaries: To include salaries of dietitian, assistants, cooks, kitchen help, diet kitchen maids, waitresses and all attaches of the Dietary Department.

B-12 Supplies: To include the cost of china, table linen, cooking utensils, and all supplies of a like nature.

B-13 Provisions: To include the cost of all foodstuffs, including transportation cost of such foodstuffs.

B-14 Miscellaneous: To include all items not properly chargeable to other headings of this account. The estimated cost of fuel used in cooking should be entered here. The estimate can be made by adopting some unit of measure such as a scuttle or coal truck.

B-15 Total Household.

**DEPT. C—OPERATION OF PLANT**

The heating, lighting and general care of buildings and grounds.

C-1 Wages of Engineers and other Employees. Wages paid engineers, watchmen, gardeners, groundsmen and others employed in heating and caring for the hospital properties.

**DEPT. C—OPERATION OF PLANT (Cont'd)**

- C-2 Fuel and Gas: Include coal, wood, and gas used for heating purposes. If buildings are heated by a city central heating plant, enter as fuel the charges made for heat.
- C-3 Water, Ice, Light and Power: If ice is manufactured in the hospital, enter the expenses of operating the apparatus. Include gas used for lighting purposes.
- C-4 Oil and Waste: Engine oil, cotton waste and engineers' supplies. Janitors' supplies, heretofore included under this head, enter under B-2.
- C-5 Miscellaneous: Include expenses which cannot be entered, after careful consideration, under any of the foregoing headings.
- C-6 Total Operation of Plant.

**DEPT. D—MAINTENANCE (Repair and Upkeep)**

This characterizes all payments made for the purpose of maintaining the hospital plant in its original architecture, capacity and good condition. (See Item No. 5 in Auditor General's regulations issued in August, 1921. Appendix II.)

- D-1 Salaries and Wages: To include the salaries of the maintenance men, electricians, plumbers, carpenters, painters, etc.
- D-2 Repair of Buildings: The cost of maintaining hospital structures in their original condition. Repairing walls, exteriors, roofing, spouting, etc. Repairing broken windows, doors and woodwork. Relaying floors, replacing roofing, spouting, etc. Use care in excluding the cost of alterations or changes in the architecture of buildings.
- D-3 Upkeep of Grounds: (Repairs) Include all payments for repairing walks, fences, drains and other non-structural improvements. Cost of materials and labor in regrading and resodding lawns broken by wagons, etc., or washed out by rain. Include cost of restoring lawns, walks, driveways, etc., to former condition but exclude cost of changes or improvements which add to the value of the hospital site.

**Repair and Replacement**

- D-4 Repair and Replacement of Heating, Lighting and Plumbing Equipment: The cost of maintaining the heating plant, its furnaces, boilers, steam lines, motors or engines, used to operate fans, ventilating systems or other equipment essential to the heating of the hospital buildings.



**DEPT. D—MAINTENANCE (Repair and Upkeep) (Cont'd)****Repair and Replacement: (Cont'd)**

The cost of keeping in good repair the lighting system, its wiring, piping, fixtures, etc. Electric bulbs and mantels, however, should be considered as housekeeping supplies.

Include repairs to plumbing—toilet fixtures, bath fixtures, drinking fountains, sinks and water pipes.

Include, also, the cost of replacing any of the above-mentioned equipment which was worn out. An extension of present equipment should be charged to Capital Outlay.

- D-5 Of Apparatus used in the Professional Care of Patients: The cost of repairing or replacing broken parts in laboratory apparatus, X-Ray apparatus and other scientific instruments. The replacing of apparatus worn out with pieces of a similar nature and for the same purpose as the old.
- D-6 Of Furniture: The cost of repairing and refinishing old furniture. Include the cost of broken parts and of new pieces of furniture which are to replace those now in use. Do not include the cost of furniture which increases the capacity of a room or building; such costs are charged to Capital Outlay. Classify rugs as furniture.
- D-7 Miscellaneous: The cost of repairing and replacing the numerous articles of equipment essential to the operation of a hospital, but not classifiable under the foregoing divisions of Dept. D—such articles as hammers, and other tools used by janitors or engineers, shovels, firing tools, suction, steam and garden hose, lawn mowers and other outside tools. Include only those items which cannot, after thoughtful consideration, be entered under the foregoing divisions of Dept. D.
- D-8 Total Expense of Maintenance of Plant.

**DEPT. E—FIXED CHARGES**

Expenses which recurrently consume a portion of the hospital funds.

- E-1 Rent paid for Additional Space or Land.

**Interest:**

- E-2 Interest on Mortgages: (Restricted) When approved by the Auditor General, interest will be allowed on a mortgage covering the cost of a structure actually devoted to hospital use, such as an addition to the hospital building or Nurses' Home. It does not apply to a mortgage given as security

**Interest: (Cont'd)**

for a loan to cover running expenses or debts incurred because of deficits in previous years. (See Auditor General's letter in Appendix II.)

- E-3 Interest on Short Term Loans: On account of delay in receiving local or State appropriations it is necessary at times for most hospitals to borrow in anticipation of the above-mentioned income. Interest on such short term loans is allowed, when the indebtedness is incurred during the appropriation period.

**Insurance:**

- E-4 Fire Insurance: Self-explanatory.  
 E-5 Employers' Liability Insurance: Self-explanatory.  
 E-6  
 E-7  
 E-8 Total Fixed Charges.

**DEPT. F—PROFESSIONAL CARE OF PATIENTS****Nursing:**

- F-1 Salaries: To include salaries of officers and head nurses, principal of school, assistants, instructors and head nurses in charge of various floors.  
 F-2 Salaries of Graduate Nurses on General Duty: Account is self-explanatory.  
 F-3 Allowance to Student Nurses: Account is self-explanatory.  
 F-4 Salaries of Attendants and Orderlies: This is to include salaries of orderlies, attendants, ward assistants, and others under the direction of the Principal of the School of Nursing or Directress of Nursing and not classified above.  
 F-5 Uniforms and Textbooks: This account is self-explanatory.  
 F-6 Special Courses and Lectures: To include any items chargeable to the department of nursing for special work done, such as special courses in massage, invalid occupations, etc.  
 F-7 Supplies: To include all expenses incident to stationery, supplies, circulars, advertising and expenses of a like nature.

**Pharmacy:**

- F-8 Salaries: To include salaries of pharmacists, assistant pharmacist and all drug room attaches.  
 F-9 Drugs purchased for general use of the hospital and not chargeable directly to any one department.  
 F-10 Pharmacy supplies such as beakers, funnels, rubber tubing, filter paper, and capsules.

## DEPT. F—PROFESSIONAL CARE OF PATIENTS (Cont'd)

**Medical and Surgical Supplies:**

- F-11 Instruments such as needles, knives and forceps: Bear in mind the distinction between supplies and equipment or apparatus. Supplies are consumed in the using, while apparatus has relatively permanent value. Repairs to instruments in this class should be charged here. Covers the sharpening of knives, repairs to forceps, etc.
- F-12 Supplies: To include the cost of gauze, adhesive, etc.
- F-13 Miscellaneous.

**Medical Services:**

- F-14 Salaries: To include salaries of medical officers, residents, part-time residents, assistant residents, internes, etc.
- F-15 Salaries of Medical Record clerks, etc.
- F-16 Supplies: To include the cost of Medical Record forms, etc.

**Anesthesia:**

- F-17 Salaries: To include salaries of anesthetists.
- F-18 Supplies: To include anesthesia material, and all supplies used.
- F-19 Fees: This account to include salaries or fees paid to Roentgenologist.
- F-20 Salaries: To include salaries paid to technicians, attaches, etc.
- F-21 Supplies: To include cost of X-Ray plates, etc.
- F-22 Miscellaneous: To include all items not properly chargeable to other divisions of this account.

**Special Therapy:**

- F-23 Salaries: To include salaries of special therapists and attendants.
- F-24 Supplies.

**Laboratory:**

- F-25 Salaries: To include salaries of head of laboratory, technicians, and all attaches of the department.
- F-26 Supplies: To include cost of chemicals, laboratory supplies and other expenses of a like nature.
- F-27 Miscellaneous: To include all items not properly chargeable to other divisions of this account.

**Motor Service:**

- F-28 Salaries: To include salaries of chauffeurs, mechanics, etc. If ambulance or automobile is not operated, enter here all charges for service rendered by an outside agency.
- F-29 Supplies: To include gasoline, lubricants, tires, etc.

**DEPT. F—PROFESSIONAL CARE OF PATIENTS ... (Cont'd)**

F-30

F-31

F-32 Total Professional Care of Patients.

**DEPT G—SOCIAL SERVICE**

G-1 Salaries: To include salaries of social workers, clerical assistants, etc.

G-2 Relief Accounts: To include all moneys expended for relief.

G-3 Transportation: To include carfare of workers, etc.

G-4 Supplies: To include cost of glasses, braces and other apparatus furnished.

G-5 Miscellaneous.

G-6 Total Social Service.

**DEPT. H—OUT-PATIENT**

H-1 Salaries.

H-2 Drugs.

H-3 Supplies.

H-4 Miscellaneous.

H-5 Total Out-Patient.

**CORPORATION OR CAPITAL ACCOUNTS****DEPT. I—CORPORATION EXPENSE**

I-1 Salaries of Officers: Salaries paid to the secretary or treasurer of the Board of Trustees, or other officers whose services are not gratuitous.

I-2 Salaries of Clerks: Payment of services rendered by stenographers and clerks on full or part time employment.

I-3 Office Supplies: Postage, letterheads, business blanks and forms, record books, carbon paper, typewriter ribbons, etc., used only in the office of the Board of Trustees.

I-4 Printing: Annual report and other bulletins for advertising or other purposes. The printing of forms, etc.

I-5 Expenses of Raising Funds: Advertising and building fund campaign expenses. Commissions paid for raising funds for Capital Outlay.

I-6 Solicitors' Commissions: Moneys paid to persons who canvass for hospital funds, particularly to meet current expenses.

I-7

**DEPT. I—CORPORATION EXPENSE (Cont'd)**

- I-8 Other Corporation Expense: Traveling and hotel expense of trustees when on official business; telephone and telegraph service; advertising for bids; auditing; and other expenses which cannot be included under the foregoing subdivisions.
- I-9 Total Corporation Expense.

**DEPT. J—CAPITAL OUTLAY (Acquisition and Construction)**

- Any expenditure which results in an increase in the value of hospital property. (See Item No. 4 in the regulations issued by the Auditor General, August, 1921. Appendix II.)
- J-1 New Land and Improvement of New Land: The purchase of new land and the expense of grading, seeding, laying walks and curbs, setting of shrubbery,—any expenditure made for the purpose of making a new hospital site suitable and attractive.
  - J-2 New Buildings: The cost of erecting new buildings: This covers the whole cost of the bare structure—the architect's fee, the advertising for bids, making of contracts, legal services, the traveling and hotel expenses incurred on inspection trips when made with the approval of the Board, and any other legitimate expense essential to the erection of the building. It includes the painting and decoration of interior and exterior.
  - J-3 Alteration of Old Buildings: This must not be confused with the cost of repairs. It covers tearing out or putting in walls; cutting windows or doorways; or any outlay of money which changes the original plan of the building. Minor additions to buildings should be considered as an alteration charge but the erection of a substantial addition to a building should undoubtedly be entered under new buildings.

**Equipment of New Buildings and Grounds:**

- J-4 Heating, Lighting, Plumbing and Electrical Wiring: Include the contract price for the installation of the same. Lighting fixtures, ventilating system, electrical signal and the time systems, sprinklers or other systems for fire protection, etc.
- J-5 Furniture: Beds, tables, chairs, office equipment and other pieces of furniture purchased for new buildings. Cabinets, cupboards, etc., are to be considered furniture if they are not built into the structure.

**DEPT. J—CAPITAL OUTLAY (Cont'd)****Equipment of New Buildings and Grounds: (Cont'd)**

- J-6 Apparatus: The equipment used in the professional care of patients. Operating room equipment, sterilizers, microscopes, X-Ray apparatus, instruments, etc. Draw the line closely between supplies which are consumed in the using and equipment which has reasonably permanent value.
- J-7 Other Equipment: Office equipment other than furniture. Include the cost of typewriters, adding and calculating machines, mimeographs, pencil sharpeners, etc., none of which is used for professional care of patients. Kitchen equipment, such as dishwashers. Equipment for housekeeping service, such as vacuum cleaners, lawn mowers, and other equipment used in the care of the hospital property.

**Equipment of Old Buildings and Grounds:**

- J-8 to 11, inclusive: Entries in these columns are of the same nature as those assigned to J-4 to 7, the distinction being one of location.
- J-12 Other Capital Outlay: The cost of vehicles for the transportation of children, delivery trucks, etc.
- J-13 Total Expenditure in Capital Outlay.

**DEPT. K—DEBT SERVICE****Payment of Indebtedness:**

- K-1 Redemption of Bonds.
- K-2 Payment of Mortgages.
- K-3 Payment of notes other than short term loans for current expenses.

**Payment of Interest: (See Dept. E—Fixed Charges)**

- K-4 On Bonds.
- K-5 On Mortgages. (Other than payments under E-2.)
- K-6 On Notes. (Other than payments under E-3.)
- K-7
- K-8 Refunds, etc. (Does not cover refunds under General Fund.)
- K-9 Total Debt Service.

GENERAL CASH DISBURSEMENTS

General Ledger

DATE	DESCRIPTION	Voucher Number	Check Number	Accounts Payable	Discount Earnings	Account	Amount	Total Disbursements Bank	Deposits Bank	Balance Bank
May 15	Brought Forward			3,685 50	56 20			8,629 30	9,411 06	5,761 76
15	Johnson and Johnson	3758	5129	251 75	5 03			246 73		5,535 04
23	Davis, Chas. T.,	3823	5130	162 50	3 25			159 25		5,375 79
27	Jones, John H.,	3850	5131	10 00				10 00		5,365 79
	First National Bank		5132			Notes Payable,	1,000 00	1,000 00		4,365 79
29	First National Bank		5133	30 00				30 00		4,335 79
	Smith, James, Executor Wm. Smith,		5134			Refunds to Patients,	45 00	45 00		4,290 79
31	Deposited, First National Bank Payroll		5135	1,750 00				1,750 00	565 00	3,105 79
				5,889 75	64 48	Postings to Gen. Ledger, Accounts Payable, Discount Earnings,	1,045 00	6,870 27	9,976 06	3,105 79
						Notes Payable, Refunds to Patients, Cash,	DB. 5,889 75	OR. 64 48		
						Total,	1,000 00	6,870 27		
							45 00	6,870 27		
							6,934 75	6,934 75		3,105 79

MONTH OF JUNE, 1922.

June 1 1922, Bank Balance

EXHIBIT B.

## THE HANDLING OF CASH RECEIPTS

**Capital Fund and General Fund:** Two basic divisions of hospital accounting are recognized: The recording of capital income and expense and the recording of operating income and expense. The first has to do in general with the purchase, construction and equipment of the hospital properties. The second relates to the service rendered by the hospital and includes receipts and expenditures popularly classified as "maintenance" and so reported to the Auditor General's Department. This accounting system has, accordingly, two distinct parts, the Corporation or Capital Fund Account and the General Fund Account.

**Cash Receipts:** Forms are provided for recording the receipt of moneys in these separate funds. Each form carries a sufficient number of columns to give an adequate analysis of income with reference to source. It is intended that the form, Cash Receipts, Capital Fund, should be a record of original entry. A Day Book, however, should be used in connection with the Record of Cash Receipts, General Fund, to show the moneys received from individual patients. It is not deemed economical to record the numerous receipts from patients on a form designed to show all classes of income in detail. By using a Day Book to show the individual payments, the daily totals can be entered in the Record of Cash Receipts, General Fund. The Day Book should be used only for receipts from patients. The Record of Cash Receipts, General Fund, should carry the original entries for all other receipts.

## GENERAL CASH DISBURSEMENTS

The record, General Cash Disbursements, represents the debit side of a Cash Book. In it are recorded all payments save refunds to patients. It provides also for a statement of the bank account showing deposits, withdrawals, and the resulting balance. The forms are intended for the Capital Accounts as well as the General Fund, the records being kept separately.

**Procedure:** Record is made by entering date of check, the payee, voucher number and check number. The total amount of the voucher is entered in Accounts Payable column and the discount, if any, in the Discount Earned column. The entry under Total Disbursements, Bank, with the resulting balance in the Bank Balance column completes the record so far as voucher payments are concerned. There are occasional payments, however, which do not affect costs and need not be entered in the Voucher Register. An example of such a transaction is the payment of a note or the purchase of bonds or other income producing securities. Such a pay-



ment is recorded in General Cash Disbursements under the caption General Ledger, but not under Accounts Payable. The account which is to be debited is named in the Account column, the amount of the payment in the Amount column and also under Total Disbursements, Bank. (Exhibit B.)

### PETTY CASH

In General, all payments should be made by check. It is convenient, however, and many times quite impossible, to pay bills of small amount by check. Postage and express are examples of such bills. To meet such obligations the Petty Cash system is recommended.

**Setting up Petty Cash System:** If the Petty Cash system is not in operation in your hospital, it may be started by setting aside a fixed amount, \$25, \$50 or \$100, in a Petty Cash Fund. A voucher is prepared showing the amount charged to Dept. A—Administration, Miscellaneous; or the charge may be against two or more departments. The check is drawn to the order of the person who is to be responsible for Petty Cash.

**Receipts Essential:** It is essential that a receipt be obtained for each expenditure. It is well to keep these receipts in the Petty Cash Drawer, until the end of the month or at such time as reimbursement is made.

**Restoring the Fund:** The fund is restored to its original amount by preparing a voucher for the items covered by the receipts and drawing a check for the amount expended. The receipts should be attached to the Voucher Jacket and the voucher entered in the Voucher Register, just as others representing actual expenditures.

### REFUNDS TO PATIENTS

**Refunds in Cash:** The necessity of refunding money to patients will occasionally arise. The simplest way of handling this is to refund in cash from the receipts of the day from patients. A refund slip should be made out giving the details of the transaction as supporting evidence for the book entry. The refund slips should be numbered serially. A column is provided in the Day Book for refunds. Not only should the entry be made in the Refund column, but a distribution should be made in red ink in the appropriate columns. The net receipts of the day, representing gross receipts from patients, less refunds, are then entered in the major Record of Cash Receipts, General Fund.

**Refunds by Check:** Refunds may be made by check. When this method is preferred an account called "Refunds" is set

up in the General Ledger, to which all refunds are posted as debits. The original entry is made in General Cash Disbursements, no entry being made in the Voucher Register. See Exhibit C for an example of a refund by check.

### THE GENERAL LEDGER

**Controlling Accounts:** While the Ledger is greatly reduced by the voucher system it is essential that a General Ledger be kept for each fund, the Capital Account and the General Fund. For the General Fund, the following may be considered essential accounts:

Cash	Discount Earned
Receipts from Full Pay Patients	Dept. A—Administration
Receipts from Part Pay Patients	Dept. B—Household
Miscellaneous Receipts	Dept. C—Operation of Plant
Local Aid	Dept. D—Maintenance (Repair and Replacement)
Fixed Income	Dept. E—Fixed Charges
State Appropriation	Dept. F—Professional Care of Patients
Surplus and Deficit	
Accounts Payable	Dept. G—Social Service
Stores Account	Dept. H—Out-Patient

On the Capital or Corporation side, the following is essential:

Cash	Accounts Payable
Legacies, Rents, Loans, etc.	Corporation Expense
Capital Endowment Accounts	Capital Outlay
Surplus and Deficit	Debt Service

**Subsidiary Ledger Accounts:** Many of the foregoing accounts may be subdivided into several subsidiary accounts. Each may be considered a controlling account. Accounts Payable, for instance, is a summary record of the bills owing the several firms from which supplies are purchased; Debt Service is a summary accounting of notes, mortgages and bonds outstanding.

**Accounts Receivable:** The Ledger and Journal sheets provided for the accounting system should be used, thus bringing the bookkeeping together in one book insofar as it is possible. It will be observed that Accounts Receivable is left out of this consideration. This system is one primarily of costs and expenditures and need not be complicated by any discussion of Accounts Receivable at this time.

## POSTING TO THE GENERAL LEDGER

**From Voucher Register:** In totaling the columns of the Voucher Register the footing of the Stores Account column represents the difference between the sum of the purchase vouchers and the Stores Account voucher. If the footing represents an excess of purchases over disbursements, the result is a **debit** and should be posted to the **debit** side of the Stores Account in the General Ledger. If, however, the amount of the monthly Stores Account voucher exceeds the amount of the purchase vouchers then the result is a **credit** and is to be posted to the **credit** side of the Stores Account. Accounts Payable in the General Ledger is **credited** with the amount of vouchers covering actual purchases. In totaling each of the distribution columns the entry from the Stores Account voucher is **added** in with the other items and **not** deducted as is done in totaling the Stores Account column. The footing of each column to the right of the Stores Account column is posted to the **debit** side of the corresponding account of the General Ledger. (Exhibit A.)

**From General Cash Disbursements:** Posting from General Cash Disbursements consists of crediting Cash in the General Ledger with the total of the column headed Total Disbursements, Bank, **crediting** Discount Earned with the total of that column, and debiting Accounts Payable with the total of the Accounts Payable column. (Exhibit B.)

**From Cash Receipts:** The Record of Cash Receipts should be closed each month by adding all of its columns. The footing of the Total column should then be posted to the **debit** side of the Cash account in the General Ledger. The General Ledger accounts for Full Pay Patients, Part Pay Patients, Miscellaneous Receipts, Local Aid, Fixed Income, and State Appropriation, should then be **credited** with the footings of their respective columns. These are control accounts for the numerous subsidiary accounts for which columns in the Record of Cash Receipts are provided. It is unnecessary to carry a General Ledger account for each column.

# RECORD OF CASH RECEIPTS

DATE	RECEIVED FROM	Receipt No. of Cash Book	TOTAL	For Board and General Service	Operating Room	Delivery Room	Nursery	Anesthetics	X-Ray	Special Therapy	Laboratory	Nurses Board
	Budget <del>for</del>			1								
May 30	Brought Forward		6,305 00	1,500 00	191 00	150 00	300 00	150 00	250 00	50 00	50 00	200 00
31	Receipts from Patients	OB 275	300 00	150 00	10 00	15 00	30 00	15 00	25 00	5 00	5 00	20 00
	Receipts from Dispensary Patients		5 00									
	Ladies Auxiliary	1576	75 00									
	Smith Room Fund	1577	10 00									
	First National Bank, Loan		1,000 00									
	Totals,		8,195 00	1,650 00	110 00	165 00	330 00	165 00	275 00	55 00	55 00	220 00

## RECORD OF CASH RECEIPTS (Continued).

DATE	Income from Patients (Continued)			RECEIPTS (Continued)								Income from Patients												
	Medical and Surgical	Ambulance or Auto.	Other Receipts from Patients.	TOTAL RECEIPTS FROM	Miscellaneous		Receipts		Local Aid		Fixed Income		State											
10	Drug.			10																				
11	Supplies.			11																				
				12																				
				13																				
				14																				
				15	Other Receipts from Patients.	Full Pay Patients.	Part Pay Patients.	15																
				16				16																
30	100 00			17	Sale of Materials.	Dispensary and Oth. Out - Patient Service.	Telephone, Telegraph and Sundries.	17																
31	5 00			18		5 00	7 00	18																
				19		12 00	7 00	19																
				20				20	Short Term Loans.															
				21				21	Total Miscellaneous.															
				22				22	Donations and Proceeds of Fairs, Fetes, etc.															
				23				23	Corporation and Other Subdies.															
				24				24	City, County & Poor District Appropriations.															
				25				25	Total Local Aid.															
				26				26	Endowment Earn- ing and Rents.															
				27				27	Income from Funds.															
				28				28																
33 00	105 00								1,000 00	1,000 00	1,104 00	75 00	100 00	83 00	258 00	650 00	110 00	2,850 00						

Postings to General Ledger,	DR.	CR.
Cash (Total) -----	8,195 00	
Receipts, Full Pay Patents, -----		2,200 00
Receipts, Part Pay Patents, -----		1,092 00
Miscellaneous Receipts, -----		1,164 00
Local Aid, -----		258 00
Fixed Income, -----		760 00
State Appropriation, -----		2,860 00
<b>Totals, -----</b>	<b>8,195 00</b>	<b>8,195 00</b>

EXHIBIT O

## CAPITAL ACCOUNTS

The procedure in making entries in and closing the Voucher Register, Record of Cash Receipts and General Cash Disbursements, is the same for Capital as for General Fund receipts and expenditures. For that reason Capital Accounts will not be discussed in this bulletin. An explanation of the accounts has already been given.

## PURCHASING SUPPLIES AND EQUIPMENT

A systematic procedure in purchasing supplies and equipment is fundamental to this system of accounting. A good portion of the funds of any institution is expended for supplies and equipment. Loose methods in ordering and purchasing are responsible too often for an inadequate or an excessive stock, for supplies of poor quality, and for the purchase of materials under unfavorable market conditions. The result of such an unbusinesslike procedure is a waste of the funds of the institution—funds derived from the income from patients, from contributions, and from the State appropriation.

**Purchase Requisition:** First of all, the need of additional supplies must be determined. In this matter it is important to observe a principle of good business and "put it in writing." The head of a department who is in need of an article of supply, not ordinarily carried in stock, makes out a purchase requisition (Exhibit D) on the purchasing agent of the institution. Before placing the order for the supplies, the storekeeper checks the requisition making sure that he does not have in stores that which is to be purchased. Since the superintendent is or should be held responsible for the expenditures of the hospital on a budgetary plan, his approval of the purchase must be gotten.

**Specifications:** Assuming that the purchase has been approved, the purchasing agent prepares specifications for those firms from which he desires prices. The proposal form sets forth the conditions under which purchase will be made. In submitting his proposal or bid, the vendor must agree to the conditions of the purchase by signing the proposal.

7"

**NAME OF INSTITUTION**  
**PURCHASE REQUISITION**

Requisition No. .... Date .....

The ..... Department  
is in need of the articles listed below on or before ..... 192..

Signed .....

On Hand	Needed	Unit	Name and Description of Article Ordered	Order No.

*The articles listed above are not in stock.*  
Signed .....  
Storekeeper.

*The articles listed above are approved for immediate purchase.*  
Signed .....  
Superintendent

8 1/2"

**EXHIBIT D**

**Purchase Order:** The proposal deemed best having been selected, the purchasing agent prepares a purchase order (Exhibit E.) This is prepared in triplicate: the original is sent to the vendor; the first copy is retained by the purchasing agent; and the second copy is sent to the receiving clerk. Note that the receiver's copy (Exhibit F) does not show the quantity ordered. Space is provided, however, in which the receiving clerk records the quantity of each supply received. This having been done, he sends the receiver's copy to the Accountant who checks the invoice as to quantity and price.

8 1/2"

**PURCHASE ORDER**

\* Put this order number on shipments and invoice No. ....  
(NAME OF INSTITUTION).

M \_\_\_\_\_, Pa. ....

Send us by \_\_\_\_\_ F.O.B. \_\_\_\_\_ Terms \_\_\_\_\_

Purchase Req. No.	Description.	Unit	Price Quoted.	Do not write in this column	Quantity.

\*Render Bill in Duplicate

This order is in accordance with your quotation of \_\_\_\_\_ Proposal No. ....  
Articles not in conformity with specifications will be returned to shipper at his expense.  
INCLUDE ONLY ABOVE ITEMS ON INVOICE

\*Shipping Directions: \_\_\_\_\_ (Name of Institution).

\* (Name of Institution)

\* By Freight via (R.R.Co.) to (Destination) By \_\_\_\_\_

\* By Express via (Ex.Co.) to (Destination) \_\_\_\_\_ Official Title.

(\* Print in Red).

( Duplicate same except it bears words "Office Copy" instead of "Purchase Order" )

7"

(Original perforated here Copies punched for post binder)

EXHIBIT E

**Receiving Clerk's Memorandum:** The receiving clerk also prepares a memorandum (Exhibit G) setting forth the quantity and condition of the supplies as received. He retains a copy of this memorandum and sends the original with the supplies to the store-room or to a department of the institution if the supplies are for immediate use. Note that space is provided for the purchase order number for identification purposes. This number should be written on each container or carton in order that supplies, found to be defective, can be identified with the vendor.



<p style="margin: 0;"><i>RECEIVERS COPY</i></p> <p style="margin: 0;"><i>This order number should appear on shipments and invoice. No. ....</i></p> <p style="margin: 0;"><i>Mark all packages for stores with this number for identification</i></p> <p style="margin: 0;"><i>(NAME OF INSTITUTION), Pa., .....</i></p> <p style="margin: 0;"><i>M. ....</i></p> <p style="margin: 0;"><i>Send us by ..... F.O.B. .... Terms .....</i></p>					
<i>Purchase Req. No.</i>	<i>Description</i>	<i>Unit</i>	<i>Price Quoted.</i>	<i>Quantity Received.</i>	
<p style="margin: 0;"><i>This Receiver's Copy should be sent to the bookkeeper for comparison with the invoice. After price and quantity have been verified, this copy is to be sent to the storekeeper for entry in "Stores Received Book."</i></p>					
<p style="margin: 0;"><i>Date Received ..... Received by .....</i></p> <p style="margin: 0;"><i>Weighed or Checked by ..... Delivered to .....</i></p> <p style="margin: 0;"><i>Price checked or corrected by ..... Entered in Stores Recd Book by .....</i></p>					

(Triplicate of Purchase Order)

**EXHIBIT F**

**Stores Received Record:** This is the book of original entry for all supplies received (Exhibit H.) The storekeeper records each item purchased or received as a donation when the same is to be placed in the storeroom. The entries are made from the Receiver's Copy of the Purchase Order (Exhibit F) which carries the quantity and price of each article as verified by the accountant. It is from this record that postings are made to the Stores Ledger accounts. (Exhibit I.)

**STORES SYSTEM**

It is considered good business to purchase at least a part of the supplies of an institution in a quantity sufficient to last several months. By watching the markets canned goods, vegetables, eggs, medical supplies, etc., can be purchased in quantity to better ad-

6"				
Date..... RECEIVING CLERK'S MEMORANDUM No.....				
Shipper..... Purchase Order No.....				
	Articles Received	Unit	Quantity	Condition
Received via..... Checked by.....				
Received by..... Recd. in Storeroom by.....				
Received in..... Dept by.....				
Approved by.....				

(In Duplicate.)

## EXHIBIT C

vantage than by purchasing from retailers as the supplies are needed. If provisions and supplies are purchased in large quantity it is essential that a central storeroom be established under the supervision of a responsible clerk. Supplies should be received into the storeroom and issued therefrom in a systematic way. The forms discussed below will be found essential to any well organized stores system.

**Stores Item Ledger:** A perpetual inventory of each article is kept by the storekeeper on this form (Exhibit I.) Each item entered in the Stores Received record is posted to the corresponding Stores Ledger sheet. On the other hand the Stores Ledger is charged with the quantity given out on requisition. The difference between the quantities of a given supply received and the amount disbursed is the balance or inventory. The sum of the entries in the Stores Received record over a given period should always equal the sum of the entries for supplies received as recorded on the Stores Ledger sheets for the same period. Moreover, the sum of the balances on the Stores Ledger sheets at the end of the month should always equal the balance of the Stores Account in the General Ledger.

**STORES RECEIVED RECORD.**

Date	Order No.	Shipper	Description	Unit	Price	Quantity	Value	Stores No.

Loose Leaf Form  
EXHIBIT H

88

(NAME OF ARTICLE)

Unit of Measure ..... Maximum ..... Minimum ..... Where Stored .....

From Whom Purchased	Date	Ident. No.	Received		Date	Disbursed		Balance		Account with Dept.
			Purchased Quantity	Produced Rate		Value	Req. No.	Quantity	Value	

Loose Leaf Card or Sheet  
EXHIBIT I

At the right of the Balance columns of the Stores Ledger sheet, provision can be made for several columns in which to localize the distribution of supplies. Thus a column can be provided for each ward, floor or department of an institution. Where there are many departments the opposite side of a sheet may be ruled for the distribution columns.

**Requisition on Storeroom:** It should be borne in mind that supplies represent the expenditure of the funds of the institution. Therefore, the same care should be exercised in handling supplies as is used in receiving, guarding and disbursing actual money. The institutional management which prides itself in being able to account for every dollar of money is unable, all too frequently, to account for the loss or waste of supplies. To guard against such a loss, supplies should be given out of the Storeroom only on requisition,

6"

**REQUISITION ON STOREROOM**

Date ..... Requisition No. ....

..... Department

*Requisition must be approved by Head of Department*

On Hand	Wanted.	Delivered.	Description	Unit	Rate	Value	Stock No.

8½"


Issued by ..... Received by .....

Date ..... Date .....

*I hereby approve requisition for articles listed above and certify that same are needed for use in this department.*

Signed .....

Approved ..... Superintendent.

Ordered by .....

*No request for supplies will be honored unless this form is used.*

EXHIBIT J

(Exhibit J) approved by the head of the department in which the supplies are to be used. This rule should be strictly adhered to; exceptions will prove costly, resulting in discrepancies and waste.

The Stores Ledger or Perpetual Inventory accounts should be charged with all supplies given out. The requisitions showing the price and value of each supply issued, serve as the basis for these entries. The purchase price of a supply should be used until the quantity, bought at that price, is exhausted. Opposite each item of a requisition, the Stores Ledger Account number should be recorded as a check on the accuracy of the entries.

**Monthly Summary Stores Account:** One of the purposes of the Stores System is to enable the hospital management to distribute the cost of supplies, purchased in quantity, over the period of their consumption. This purpose is attained by preparing a statement of the value of the supplies disbursed from Stores, classified by accounting divisions. This statement, Monthly Summary, Stores Account, is made up from the Stores Ledger or Perpetual Inventory records and from the requisitions sorted by accounting divisions. For example, the record for a particular kind of soap would be made from the Stores Ledger sheet for this soap and from the requisitions for soap sorted out for Housekeeping, Laundry, Nurses' Home, Dietary, etc.

When all items held in store have been entered, each value column is added to show the cost of all supplies issued by the accounting divisions. A Journal Voucher is then prepared by transferring the footings of the several columns of the Monthly Summary, Stores Account, to the appropriate items on a Voucher Jacket. Make the proper entries as to date, serial number, etc., and write on the face of the Jacket in red the words, Journal Voucher, to distinguish it from the usual Purchase Voucher. The voucher is then entered in the Voucher Register as shown in Exhibit A.

**Supplies Returned:** When a portion or all of a given supply is returned to Stores during the same month in which it was requisitioned, the deduction can be made before entering the item in the Monthly Summary, Stores Account. In that case, only the net amount retained would be charged.

It frequently happens that there have been no disbursements of a given supply during a month in which a return was made. In that case the entry should be made in **red ink** in the Monthly Summary, Stores Accounts, in the appropriate distribution column and in the Grand Total column. In footing the columns the red entries should be deducted, leaving the net disbursements. The quantity and value of the supply returned should be, in all cases, entered as a receipt on the Perpetual Inventory sheet.

Special consideration must be given to supplies which are donated. If the value of such supplies is not taken into consideration the average daily cost per patient is directly affected. It is highly important that the average daily cost per patient reflect with reasonable accuracy actual costs. The value of supplies donated can be brought into the accounting by preparing a voucher covering the gifts. Write across the face of the Voucher Jacket the words in red ink "Journal Voucher," and under remarks explain the nature and source of the donation. Prepare the voucher as for a purchase. If the supplies are for immediate use, make the entries on the Voucher Jacket in the proper department of expenditures. If, however, the supplies are to be put in store, make the entry on the Voucher Jacket under Stores Account. Enter the amount of the voucher in red ink in the Amount column of the Voucher Register, and make distribution to the other columns in black ink just as is done with any other voucher. Now open an account in the General Ledger, designate it Donations (Supplies.) At the end of the month post to the credit side of this Ledger account the amount of the Journal Vouchers covering donations. In footing the Total column of the Voucher Register these items must not be added with the other items representing actual disbursements. Thus, there may be two footings to the Total column, one to be posted to Accounts Payable, and the other, a red entry, to be posted to Donations, Supplies. (Exhibit A.)

### COST ANALYSIS

**Index of Efficiency:** There are several ways by which a hospital management may be judged. One index of efficiency is most certainly the average daily cost of caring for a patient, when compared with the cost of operation during a preceding month or year. With the Stores System the cost of operating a hospital should run quite uniformly throughout the year, quarter for quarter. Any marked change in the per capita cost should require an explanation. Uniform accounting makes the average daily cost per patient a highly important index of efficiency. Comparison is possible with costs in other hospitals of the same class.

**Cost Analysis:** The Monthly Cost Analysis sheet is designed to bring together those facts which are essential in computing the per capita cost. From the standpoint of the State it is important to know the cost of Free Patients and Part Pay Patients distinct from the cost of caring for Full Pay Patients. But since no patient shall be considered a legitimate charge against the State for part pay or free service who occupies a private or semi-private room, patients may be divided, for the determination of costs, into two classes, Private or Semi-Private and Ward Patients. To that end

the Cost Analysis Record provides a column for the expenditures necessitated by each class of patients. It cannot be claimed that the total costs can be apportioned to the several classes accurately with the new system of accounting. Complicated as it may seem, it is inadequate as a cost system. However, if good judgment and care are used in the computations, reasonably satisfactory results can be attained.

**Apportionment of Expenditures:** The entries in the Total Expenditure column are taken from the analytical records, (Dept. A, B, Etc.,) which are subsidiary to the Voucher Register. The total expenditure in each case is distributed to the several columns according to the Basis of Apportionment as indicated in the column bearing that caption. The Bases of Apportionment are set forth on the Cost Analysis sheet.

**Basis 1:** Apportioned arbitrarily by each hospital on the basis of the per cent of service rendered to each class of patients. Conditions vary greatly. In one hospital, Private and Semi-Private patients necessitate an unusual amount of administrative service; in another they require and receive no more administrative attention than do the Ward patients. In one hospital the Private and Semi-Private patients have on the average three times as much laundry per patient as do the Ward patients; in another there is little if any distinction made. No one can give a definite basis for apportioning such costs in the hospitals of the State with the data now at hand.

**Basis 2:** Apportioned on the per cent which Private or Semi-Private and Ward patient days treatment are of the whole number of days treatment. Nurses' Home, Commissary and Pharmacy may be considered general services rendered to the hospital with no regard for classes of patients. The apportionment could be made by dividing the total number of patient days into the total expenditure, getting the cost for one patient day. This unit would then be multiplied by the number of Private or Semi-Private days, and by the number of Ward days. A better plan is to determine what per cent Private and Semi-Private patients days are of the whole and also the per cent Ward Patient days are of the whole number of days. Having ascertained these percentages the expenditure can be readily apportioned.

The Department of Public Welfare does not recognize rent, interest on mortgage and interest on debts, incurred for operating expenses of a preceding biennium, as a part of the cost for caring for Part Pay and Free patients. Therefore, no part of such expenses should be apportioned to Ward patients.

**Basis 3:** Apportioned on the basis of the relative cost of that which is furnished to each class of patients. It is possible to determine exactly the cost of the food delivered to each group of patients

in the hospital. The value of the food returned on the trays, the unusable and waste, can also be determined. This plan is set forth in a bulletin, Institutional Food Conservation, issued by the United States Food Administration, and recently sent to the hospitals. Such a system makes possible the determination of the average daily cost of feeding each class of patients.

**Dietary:** If such an elaborate system cannot be installed, then the average daily cost of feeding each class of patient, should be estimated closely. The exact cost of meals can be computed for one week, periodically, and the findings used as the basis. It should be borne in mind that while an elaborate system is more costly, it often effects economies which greatly outweigh the added expense. Any cost system in a dietary which saves \$2.00 for every additional dollar expended justifies itself in the estimate of any intelligent business man.

Let us assume that it has been found in a certain hospital that it costs on the average during a month \$.75 a day to feed a Private or Semi-Private and \$.50 a Ward patient, and that there were 500 Private and Semi-Private and 300 Ward days service. A statement should be prepared as follows:

Private and Semi-Private, \$.75 multiplied by 500 equals	\$375.
Ward .....50 multiplied by 300 equals	150
Total cost of Feeding Patients .....	\$525

Reducing this to a percentage basis, Private and Semi-Private patients would bear 375/525 or 71½% and Ward 28½% of the total cost of Dietary which would include food for the staff, nurses and help.

**Medical and Surgical Supplies:** It is comparatively easy to apportion the cost of medical and surgical supplies. The records need not be elaborate. The procedure in computing the percentages is the same as was explained above for Dietary.

**Basis 4:** The basis of apportionment is the relative floor area. Determine the floor area of the rooms assigned to each class of patients. If the ceiling heights are not uniform, the cubage must be used instead of the floor area. Bear in mind that halls, offices, kitchens, etc., are considered non-productive floor space. The measurements apply only to rooms and wards used for patients. If it is found that the floor area of rooms used for the care of patients is 10,000 square feet, 4,000 square feet of which is devoted to Private and Semi-Private, and 6,000 square feet to Ward patients, then the percentages on which the total expense for Operation of Plant and for Maintenance is apportioned are 40% and 60%. When these figures are once gotten, they hold until some change is made in the floor plan of the hospital.



**Basis 5:** Apportionment based on the number of occasions on which service is rendered. If the Total expenditure for X-Ray is \$250 and the Service Summary shows 100 occasions on which service was rendered, 55 to Private and Semi-Private, and 45 to Ward, then \$137.50 or 55% should be apportioned to Private and Semi-Private and \$112.50 or 45% to Ward patients.

**Basis 6:** The basis of apportionment is the actual cost of service rendered. The total expenditure for Social Service is extended directly to the Social Service column; the same is true of the expenditure for the Out-Patient Department. If a part of the time of the Social Service employes is devoted to patients in the wards, then the expenditure for that phase of the work can be apportioned part to Ward patients, and part to Social Service.

**Computing the Per Capita:** Having apportioned the expenditures to the appropriate columns, each column should be added. The sum of the footings of the four columns to the right of the Total Expenditure column should equal the footings of that column. Transfer from the Service Summary the total days hospital treatment and the number of days treatment for each class of patients. Enter also, on the same line in the Social Service and Out-Patient columns the number of occasions of service by each Department. Next divide the total number of hospital days treatment into the total expenditure and record the dividend as the Average Daily Cost per patient for all classes of patients. The per capita for each class of patients is gotten in the same way. Likewise, divide the number of occasions of service for Social Service into the total expenditure for that work and the dividend is the Average Cost per visit. The procedure is the same for obtaining the average cost per treatment in the Out-Patient Department.

**Service Summary:** Record each day the number of occasions on which Anesthesia, X-Ray, Special Therapy and Laboratory service was rendered and the number of visits to the Out-Patient Department. Only the total days hospital treatment is recorded at the close of the month, transferring the same from the Patient Register.

## PATIENT REGISTER

**Purpose:** Primarily, the purpose of the Patient Register is to provide a record of service as measured by days' hospital treatment for the State; it must identify the patient, show the nature of his treatment and determine his classification.

**Identifying the Patient:** To fully identify a patient his address must be given, particularly the State in which he resides. The number which appears on the patient's history folder must be entered in the column headed Record Number. This enables an auditor to investigate the treatment given in any case. A further

check on this is the name of the physician attending the patient. The sponsor is the person, corporation or fraternal organization assuming responsibility in full or in part, for the care of a patient.

**Hospital Day:** The hospital day begins at midnight; it accordingly ends at midnight. A patient is recorded as being admitted on June 1st, if he is received on that day at 12:01 A. M., or at 11:59 P. M., or at any hour between those time limits. Such a patient is charged with a day's hospital treatment if he is discharged on June 2nd at any hour within the limits of that day. A patient who is admitted during the morning of one day and discharged during the afternoon of the next day is charged with one day's hospital treatment. Likewise, a patient who is received in the afternoon of one day and discharged the next morning may be said to have received a hospital day's treatment.

**Part Pay Patient:** An exception is made in the case of a bed patient who is admitted and discharged the same day. A tonsillectomy operation is an example of such a case. Ordinarily it is essential that a patient, who undergoes a so-called minor operation, be placed in bed for a few hours. Such a patient causes quite as much work as one who spends a night in the hospital. The principle is then to count as a hospital day's treatment the service rendered to bed patients who are admitted and discharged the same day.

**Classification of Patients:** All patients shall be divided into three classes:

- (a) Full Pay—Paying not less than the average daily cost of ward service as shown by the monthly cost analysis.
- (b) Part Pay—Paying some part of the average daily cost of caring for ward patients.
- (c) Free—Approved by the hospital's credit department for service without charge.

**When to Classify:** It is not always possible to classify a patient on admission. Many times it is only after the Credit Department has carefully investigated a case that the classification can be made. All patients, however, must be classified on or before discharge. Moreover, all patients shall remain in the classification shown on discharge, which means that collectible "Full Pay" or "Part Pay" accounts, lost through neglect or otherwise, are not to be transferred to the "Free" class.

**Classification Under Board of Public Charities:** It was the practice of the Board of Public Charities to classify on the basis of the number of days treatment paid for by the patient rather than to classify the patient himself. A patient states that he is able to pay

for three days' treatment, but that he must be considered a free patient for the remainder of the week of service. The record made under the old plan would be three days under "Part Pay" and four days under "Free." Under the present plan, the patient is classified as Full Pay, Part Pay or Free. The patient just referred to would be considered a Part Pay patient and seven days would be entered in the Part Pay column. Special note should be taken of this change in the procedure.

**Closing Patient Register:** For the purpose of making the Monthly Cost Analysis, it is essential to determine at the close of each month the number of days of treatment. The Patient Register should be closed by drawing a red line at the close of the last day of the month. Each patient remaining in the hospital whose classification has been determined should be considered as discharged at midnight on the last day of the month, the date recorded, however, should be the first day of the following month. In this way credit is received for the last day of the month. A patient remaining in the hospital whose classification has not been determined should be left out of consideration in computing the total number of days of treatment. Since the columns showing days of treatment need not be added until the tenth of the following month there will be very few patients whose status cannot be determined. The last step in closing the Patient Register is the entry of the totals at the foot of the columns headed "Patient Days: Full Pay, Part Pay, and Free." Exhibit "K" illustrates the procedure.

**Opening Patient Register:** The names of all patients who remain in the hospital at the close of a month should be re-entered in the Patient Register in the new month. These names should be the first ones entered and should be recorded in red ink to distinguish them from new admissions. These carry-over patients will be in two groups: Those whose classification has been determined and those whose status is doubtful. The date of admission recorded for patients of the first group should be the first day of the new month; the date for each patient of the second group must be the date of the actual admission during the preceding month. Exhibit "K" illustrates the procedure in opening the Patient Register.

PATIENT REGISTER

\*Credit is allowed for a full day's treatment when a bed patient is discharged on the day of admission.

PATIENT'S		Admission		Discharge		Patient Days *			Settlement		Sponsor	Physician
NAME	ADDRESS	Date	Hour A.M.   P.M.	Date	Hour A.M.   P.M.	Full Pay	Part Pay	Free	A- mount Paid	Bal- ance Due		
May, 1912—Continued												
Brought Forward,						200	125	17H				
Davis, Charles T.,	Harrisburg,	5/20	10	5/25	4				\$20.00		Self	Fisher.
Dickman, J.,	Harrisburg,	5/20	2	5/25	11	5			5.00	15.00	Self	L-scher.
Ermold, Mrs. Geo.,	Higsbire,	5/21	3	5/26	3	5			5.00		Ermold, Geo.	Rhodes.
Hart, Chas.,	Harrisburg,	5/22	9	5/28	10			6			Hunter, R. L.	Fisher.
Hunter, Samuel E.,	Lemoynne,	5/22	1	6/1	M	9			50.00		Hunter, R. L.	Jones.
Stanley, James,	Harrisburg,	5/23	11					18T				Jones.
To Close for May Total Days Treatment (\$30)												
June, 1912												
*Hunter, Samuel E.,	Lemoynne,	6/1	M								Hunter, R. L.	Jones.
*Stanley, James,	Harrisburg,	5/23	11						50.00			Jones.

Note that Hunter's classification has been determined. He was charged with 9 days' treatment in May. He is carried forward and entered in June, the date of admission being as of June 1st.

(Note that Stanley's classification has not been determined. He is carried over and entered in June, his date of admission being the original date, May 23rd.)

\*(Record in red ink)

## CREDIT DEPARTMENT

Following the establishment of a uniform and business-like accounting system the next logical and absolutely necessary step becomes the insistence that every hospital expecting to apply to the State for payment of its service establish a Credit Department in connection with its business, through which department all bills and collections should be handled. It is understood that the Credit Department should be operated on a high plane of social service and not degenerate into a mere collection agency. In a large city hospital it will necessitate the services of one or more thoroughly competent persons. The one to whom the work is assigned should be well acquainted with the field and with the facilities which are available for the purposes of investigation. In the smallest hospitals the work may be delegated to an employe of the hospital who should work through a Committee of the Board of Trustees. If there is any question about the ability of the patient to pay for the service he receives the matter should be referred to the Chairman of the Committee and a plan of investigation agreed upon. In both instances, the Social Service Department, where such exists, will fulfill an important function. Community social welfare agencies will also be able to render invaluable aid because of their acquaintance with local conditions.

The Credit Department should in all cases be distinct from the Department which admits patients. After the proper admitting authority of the hospital has conferred with the patient or with a responsible friend, without any interested intermediary such as the doctor, then at once the account should pass out of his or her hands into those of the Credit Department for investigation, final adjustment of costs and collection.

The duties of the Credit Department cannot be effectively performed if the accounts are not referred to it until after the patient has had the service and been discharged. It has been found by experienced credit men that seventy per cent of the chances of collecting a bill are lost if settlement is not made before the patient is discharged.

In the procedure of the hospital's Credit Department several very important points should be observed:

- 1—The dictum of no doctor associated with the patient should be taken as final—his opinion is often most valuable as information; but should be taken only as part of the evidence to be sought out.

- 2—Information should be sought from any and all sources as to the financial responsibility of the patient. Often-

times it will be found that there exists an estate, a parent or some other legally responsible relation well able to pay the bill.

3—Good judgment should be exercised at all times in passing on the ability of a patient or his relatives to pay for the service received. The credit man should be quite as reasonable and sympathetic with the self-respecting man of very limited means as he is severe with the one who wilfully attempts to avoid settlement. Serious consideration should be given to the laboring man with a family and modest home on whom a hospital bill would fall as a heavy burden, but whose self-respect forces him to cover up his real financial condition.

4—Except in emergencies, bills due weekly should be paid in advance when possible and not allowed to accumulate to the end of the term of service; the lapse of a day in payment after a bill is due creates a presumption of possible default in the end.

There are three classes of patients recognized in this accounting system, viz:—Full Pay, Part Pay and Free. A Full Pay patient pays not less than the average daily cost of free service as shown by the hospital's monthly cost analysis. A Part Pay patient pays some part of the average daily cost of caring for free patients. A Free patient is one who has been approved by the Credit Department for service without pay. But no patient shall be considered a legitimate charge against the State for free or part pay service:

- (a) Who occupies a private room.
- (b) Who occupies a semi-private room.
- (c) Whose treatment is paid for by his employer in compliance with the provisions of the Workmen's Compensation Act, or otherwise.
- (d) Who pays or whose sponsor or responsible relatives pay a fee to a doctor associated with the patient. The patient's first obligation is to the hospital and one of the chief functions of the Credit Department is to see that the hospital's interests are protected.
- (e) A patient whose credit has not been properly investigated.

In this connection a baby is not to be considered a patient apart from its mother. Mother and baby are to be reported as one in all reporting and computing of the average daily cost of caring for Part Pay or Free patients. For general statistical purposes a baby is recognized as a patient.

The introduction of a Credit Department will, in most instances, necessitate additional work and in many cases added expense, but an efficient person in charge of this Department will increase the receipts of a hospital sufficiently to far over-balance any additional expense. Such a Department is just as indispensable in a hospital as it is in a commercial enterprise. It were well for the finances of a hospital if this method be followed in relation to all classes of patients, but the department will look to see it enforced in the case of all Part Pay and Free patients.

## APPENDIX I

## ARTICLES OF EQUIPMENT AND SUPPLIES.

The distinction between equipment and supplies is not always clear. There will always be differences of opinion regarding some of the border line items. For the sake of uniformity in accounting, therefore, an arbitrary list of articles must be presented. The following lists do not include all articles of equipment and supplies but it is sufficiently large to cover most purchases.

Hospital accountants are urged to adhere strictly to these lists. The Department of Public Welfare will welcome constructive criticism and suggested additions to the lists.

## EQUIPMENT

Adding machine	Cabinet, instrument
addressing machine	cabinet, Sauerbruch's
adjustable handle with tools	calculating equipment
ambulance	call bell
anesthetizing apparatus	calibrater
angioscope	card holders
apparatus for laboratory	cardimeter
ash can	card pockets
autoclave	card racks
automobile	carpet
awning	cash box
	catheter trays
balances	centrifuges
barometer	chafing dish
barascope	chairs, wheel
basal metabolish apparatus	chair pad
basin stands	chart
bathroom fixings	check protector
battery	check writer
bed	clocks
bed springs	closet, drying
bell	clothes horse
bench	clothes wringer
billing machine	coal scuttle
blackboard	coal shovel
boiler	coffee grinder
book, bindery	coffee percolator
book cases	coffee pot
book racks	collapsible table
book supports	commode
bottle syphons	condenser
bread cutter	cooking equipment
brief cases	cooking stove
broiler	crockery
	cups (enamelware, etc.)



Cystoscopes  
 dating machine  
 desks  
 desk basket  
 desk lamp  
 dishwasher  
 door screen  
 document case  
 dressing jars  
 duplicator  
 electric fan  
 emersion tray  
 encyclopaedia  
 engineers' tools  
 fastening machine  
 feeding cup  
 filing cabinets  
 filing cases  
 fire alarm system  
 fire axe  
 fire grate  
 fire hook  
 fire hose  
 fire extinguisher  
 fireless cooker  
 flag  
 flag pole  
 flatiron  
 fluoroscope  
 foot bath  
 foot rest  
 funnel  
 furniture  
 furnace  
 garbage cans  
 garden equipment  
 gas light fixtures  
 grass shears  
 gymnasium equipment  
 hand bag  
 handy truck  
 heating equipment  
 hectograph  
 hose  
 hydrometer  
 hygrometer  
 ice box  
 ice chisel  
 ice chopper  
 ice tongs  
 ice pick  
 incubators  
 instrument trays  
 Ironing board  
 iron bucket  
 irrigators  
 irrigating table  
 laboratory equipment  
 ladder  
 lantern, stereopticon  
 lantern slides  
 laryngoscope  
 laundry equipment  
 lawn mower  
 lawn roller  
 lawn sprinkler  
 leather brief case  
 leather portfolio  
 lens  
 letter scales  
 lighting equipment  
 lockers  
 locks  
 machines  
 magazine cover  
 mail box  
 mail chute  
 mangles  
 measures  
 mechanics' tools  
 microscope  
 microtomes  
 mimeograph  
 needle box  
 negative rack, (photographic)  
 negative tank  
 numbering machine  
 operating table  
 ophthalmometer  
 ophthalmoscope  
 pails  
 pans  
 paper cutter  
 pencil sharpener  
 peeler, potato  
 perimeter  
 planes  
 plane cutters  
 printing frame, (photographic)  
 punches  
 rakes  
 reel for hose  
 refracting apparatus  
 refrigerators  
 retort, laboratory  
 rubbish cans

**Rulers, accurate**

salvarsan apparatus  
 scales  
 scoop shovel  
 scrapers  
 scoops  
 sectional book cases  
 serving trays  
 sewing machine  
 shovels  
 sink  
 soap dispensers  
 solution bowls  
 solution stands  
 spades  
 sponge bowl  
 sponge racks  
 sphygmomanometer  
 spoons  
 spring balance  
 sprinkling cans  
 stand, irrigating  
 steel measuring tape  
 stepladder  
 sterilizers  
 stereopticon  
 stereoscope  
 stoves  
 surgical dressing tables

**Tables**

tabulating machines  
 tea and coffee pots  
 thermometer  
 trays  
 toilet fixtures  
 tube stands  
 tumblers  
 typewriters  
 towel rack  
 umbrella stand  
 vase  
 vacuum cleaner  
 vehicle  
 ventilating fan  
 ventilator  
 view boxes  
 wagon, service  
 washing machines  
 wash basin  
 wash bowl  
 wash tub  
 waste baskets  
 water buckets  
 water cooler  
 water pitcher  
 X-Ray, bedside unit  
 X-Ray transformer  
 X-Ray Buchy diaphragm

**SUPPLIES**

Absorbant cotton  
 account books  
 adding machine paper  
 applicators  
 art gum  
 adhesive cloth  
 adhesive tape  
 aprons, laboratory  
 bandages  
 battery chemical  
 benzine  
 bill heads  
 binding chord  
 blackboard chalk  
 blankets  
 blotters  
 book plates  
 bristol board  
 calendar pads  
 carbon paper  
 candle

**Cards**

catgut  
 chalk crayon  
 cheese cloth  
 check book  
 clinical thermometers  
 clips, paper  
 contracts  
 cord  
 cotton  
 cotton waste  
 chart paper  
 class records  
 covers, leaf  
 diplomas  
 dry cells  
 envelopes  
 eraser, rubber  
 eraser, blackboard  
 filing cards  
 filing folders

## Films

fire extinguisher refiller  
 fountain pen ink  
 fuel  
 fumigators

## garments:

patient's gown  
 operating suit  
 operating garments  
 nurses' garments  
 laboratory coat  
 interne's suit

gas mantle

gasoline

gauze

glue

guide cards

gummed cloth

gummed tape

gummed seals

## household supplies:

dry goods  
 groceries  
 vegetables  
 fruit  
 glass jars, etc.

## housekeeper's supplies:

brooms  
 brushes  
 chamois  
 disinfectants  
 dusting cloths  
 engine oil  
 floor oil  
 gasoline  
 kerosene  
 mats, door  
 matches  
 mops  
 pails  
 paper towels  
 soap  
 sponges  
 sweeping compound  
 toilet paper  
 wash cloths

ice

incandescent lamps

ink

index tabs

ink pads

labels

## Letterheads

medicine

mucilage

muslin

## paper supplies:

collection bags  
 sputum bags  
 sputum tonsil napkins  
 tray covers  
 toilet paper  
 towels, paper

pathological laboratory supplies

paste

pencils

pens

periodicals

pharmacy supplies

pins

pillows

pillow slips

printed notices

push pins

record books

ribbon for office machines

ribbon, diploma

rubber bands

## rubber supplies:

operating pad  
 ear and ulcer syringe  
 abdominal water bottle  
 bed pans  
 catheters  
 syringe pipes  
 gloves  
 sheeting  
 tubing  
 blankets  
 stomach tubes

rulers

safety pins

scissors

sheets

sheeting

stencil

surgeons' splints

sutures

tablets

thumb tacks

tooth brushes

tooth paste

toweling

X-Ray material

## APPENDIX II.

COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF AUDITOR GENERAL  
Harrisburg

September 1, 1922.

ATTENTION OF BOARD OF TRUSTEES  
DIRECTORS OR MANAGERS.

In re: Maintenance and the State Appropriation.

Gentlemen:

1—The State appropriation for maintenance is made on the assumption that the receipts, in cash and in kind, of the institutions are insufficient to properly maintain it at the level reached and found necessary to fulfill the needs and purposes for which the institution was created or manifestly exists, hence the expression "State Aid." Of course the costs of operation should be commensurate with the quality and volume of output—service rendered, and be limited both in extent and in kind to its usual and proper activities.

2—While an appropriation, in the usual terms, names a maximum amount to cover a period of two years, the amount that may be lawfully asked for and received for such period is the actual sum necessary within the appropriation, to take care of what would otherwise be an actual deficit in maintenance and operating expenses for said two year period.

3—Moreover, be it kept in mind that State Aid for maintenance, during the continuance of such aid, precludes the possibility of the creation or building up of a capital, surplus or reserve fund, directly or indirectly, by or through earnings, receipts, incident to operation and maintenance, or ordinary income, because it takes—and it is necessary, as we have seen, to use and apply—all income to defray operating and maintenance expenses.

4—Furthermore, the cost of any addition, alteration, extension or improvement to buildings, plant or equipment likewise could not be met by payment from the general fund for the reason that such cost is not a part of the legitimate costs of maintenance and operation, but on the contrary, any such additions, alteration, extension or improvement constitutes an addition to "capital," not an "expense."

5—Any repair to property is an improvement but “repair” must be limited to the extent necessary to “restore”—not to “add to” the original value of the plant and equipment.

6—In line with the foregoing and in order to facilitate the work of audit and examination of your books and accounts, under the 1921 appropriation for maintenance, beginning June 1, 1921, it is hereby requested that in the management and operation of the institution you observe the following instructions, irrespective of what has hitherto been in practice.

7—All cash payments on account of maintenance should be made from the General Fund by cheques, signed by the Treasurer, and supported by a duly authorized voucher. The paid cheque will disclose this fact. Traveling auditors are directed to disallow any bill submitted for audit where the evidence shows it to have been paid in some other way or from another fund. The Department will insist on having all payments represented by cheques.

8—Where non-maintenance or otherwise improper bills have inadvertently been paid from the General (Maintenance) Fund, said fund must be promptly reimbursed to the amount of such non-maintenance or otherwise improper bills thus paid.

9—All money received whether in the form of cheques or cash should be deposited in the bank daily and all payments, therefore, must be made from the bank account—General Fund. Small payments that must be made in currency should be made from a petty cash fund set aside for that purpose.

10—Receipts or vouchers should be secured for all disbursements from the petty cash fund, and at stated intervals the cashier, (or superintendent or manager) should prepare a statement of disbursements made from the petty cash fund. Upon surrender of this statement accompanied by the vouchers or receipts and certified as to the correctness of the items, he should be reimbursed by cheque for the total amount shown by the statement—this means of course that the petty cash fund should be reimbursed from time to time. The foregoing should also be done at the close of every quarterly period.

11—Where money is contributed for the special purpose of the payment of a loan on account of maintenance it should be deposited in the General Fund and included in the total of receipts in the report to the Auditor General. Such gifts are contributions or donations for maintenance purposes, and must be so treated.

12—So-called loans from funds regarded as “special,” other than maintenance, which by the very nature of things will not or cannot be returned or repaid, must be treated as outright gifts and so reported in the regular reports to the Auditor General.

13—In any case where money is claimed to have been specially donated for a specific purpose, other than maintenance purposes, there must be tangible evidence submitted to substantiate fully such claim. Oral testimony or any testimony by a party interested other than the donor, is not evidence.

14—Traveling auditors are directed to disregard a claim for loan or temporary transfer (internal loan) unless it appears that such loan or transfer has been actually and properly made, and that such loan or transfer was duly authorized in the first instance by the Board of Trustees or Managers as shown by their Minutes.

15—The bank pass-books should be balanced at least quarterly, as of June 1st, September 1st, December 1st, and March 1st, of each year.

16—Bank pass-books should be submitted or audited together with cheque books and all paid, cancelled or spoiled cheques. Every cheque forming part of a series or bearing any distinguishing mark connecting it with the concern should be produced.

17—If the voucher system of payment is not used, the stub of the cheque should show sufficient information to identify the items paid.

18—Paid bank cheques and all other vouchers for the period should be taken from the files and arranged in a convenient and systematic way or as requested by the Auditor. Notes, if any, paid during the period under audit should be submitted as vouchers.

19—A list of outstanding cheques should be furnished the auditor, and the balance shown to be in bank should be reconciled with the balance called for by the cash book.

20—If it has been the practice to carry accounts—General Fund—in more than one bank, and you deem it necessary to continue such practice, the foregoing instructions will apply severally in respect to each bank.

21—The issuing of orders for the purchase of goods or materials is one of the most important duties to be performed in any organization. One person should be responsible for all purchases. Requisitions for goods and supplies of every nature should be sent to him and formal orders issued from his department. As a rule orders should state prices and the exact quantities required.

22—A careful record should be made of all goods received, and such record compared with the invoices by the accounting officer of the institution.

23—Before being sent to the Treasurer for payment, invoices should be approved by said accounting officer, and when the cheque is drawn this fact should be noted on the invoice in some place and convenient manner to avoid a second payment.

24—Where the element of labor cost (estimated) in the case of any repairs, etc., may reach \$300.00, competitive bids should be sought from not less than three responsible parties, either by mail or by advertising, in order that the board may avail itself of the lowest and best prices. Of course it is necessary to have specific data as to exactly what is wanted or required prepared in advance, to be available alike to all prospective bidders, so that each may bid on the same work. Moreover, the contract may or may not include the furnishing of the supplies or materials by the party engaged to do the work. It may be that the Board will find it can do better itself by furnishing the necessary materials and supplies.

25—Where bids are sought for and received for the performance of any specified work no bid should be accepted merely because it is the lowest, unless the board is satisfied that said bid is the lowest and best bid at which the work can be properly done. No party should be thus engaged except he be made and held responsible for his engagements.

26—Where at all practicable, a perpetual inventory of supplies on hand should be maintained and the quantities shown by this inventory should be verified from time to time by comparison with the actual goods and articles.

27—(See Auditor General's Letter, June 16, 1922.)

28—(See Auditor General's Letter, June 16, 1922.)

29—The quarterly report to be made in accordance with the foregoing instructions at the close of the quarterly period should be filed with the Auditor General within fifteen days after the close of such quarterly period.

30—(See Auditor General's Letter, June 16, 1922.)

31—These instructions apply also to those institutions which have heretofore filed monthly reports.

32—Traveling Auditors are directed to see that the foregoing instructions are adhered to, and regularly observed by each institution, and to render such additional advice as may be necessary in the premises, and to this end and view, you are respectfully requested to give the Traveling Auditor convenient access to all books, papers, accounts, memoranda and correspondence, bearing directly or indirectly, or connected in any wise with maintenance or financial operation of the institution or any part thereof, together with all necessary information and assistance.

Yours very truly,

S. S. LEWIS,  
Auditor General.

## COMMONWEALTH OF PENNSYLVANIA

Office of  
AUDITOR GENERAL  
Harrisburg

September 1, 1922.

Gentlemen:

In making up your quarterly reports to the Auditor General on account of the 1921 Appropriation for maintenance beginning June 1, you are respectfully requested to ADHERE STRICTLY to the FOLLOWING instructions:

- 1—Under the head of EXPENDITURES:
  - 1—Include bills paid DURING the period covered by report, FOR goods received and services rendered AFTER JUNE 1st, 1921.
  - 2—DO NOT include in report for the quarter ending August 31, 1921, "Excess expenses over receipts as per previous report." Debts contracted prior to June 1, 1921, form no part of this report and must be KEPT OUT.
  - 3—Interest will be allowed only on TEMPORARY LOANS FOR MAINTENANCE BEGINNING JUNE 1, 1921. Of course, such loans, when necessary, must be limited to the current needs of the institution.
- 2—Under the head of RECEIPTS:
  - 1—Any balance left after adjusting the receipts and expenses as of June 1, 1921, should be remitted by certified check to the Auditor General for deposit by him into the State Treasury as refunded cash. Said check should be drawn, payable to the order of "State Treasurer."
  - 2—Include all moneys received on account of maintenance BEGINNING June 1, 1921, for the period covered by the report.
  - 3—OMIT in your report for quarter ending August 31, 1921, the amount received from the State FOR the quarter ENDED May 31, 1921.—See No. 1 Receipts.
  - 4—Be sure to supply fully and accurately all data or information requested at the bottom of the blank used for quarterly report. Reports will be returned whenever this data is omitted or only in part supplied.
- 3—Classify as suggested by the blank form and as the facts indicate. If form does not admit thereof in some instances insert in ink the proper designation.

Respectfully yours,

A. H. SWING,  
Assistant DEPUTY AUDITOR GENERAL.