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IN
HOSPITAL MANAGEMENT



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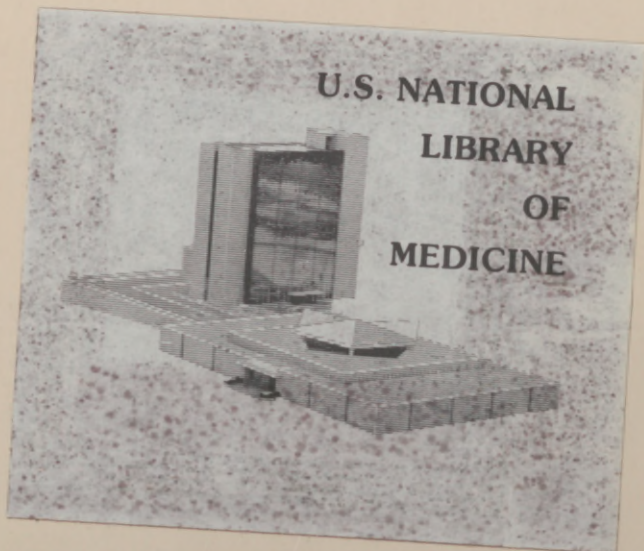
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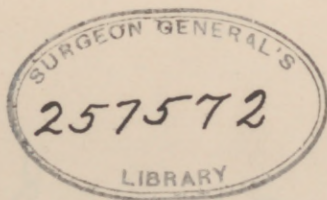
HOSPITAL

MANAGEMENT

✓
IMPROVED METHODS
IN
HOSPITAL
MANAGEMENT ✓

A Treatise on the Introduction of Business Methods
in the Management of Modern Hospitals

BY
G. W. CURTIS
Superintendent of Santa Barbara Cottage Hospital
Santa Barbara, California



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To
WILLIAM EVERETT MUSGRAVE, M. D.

A
FRIEND OF HOSPITALS.

NOTE: The principles of management, business routine and business forms described in this book have been applied by the author personally in the reorganization of a considerable number of hospitals in California with unqualified success and at great financial saving to the hospitals. The plan or organization set forth, therefore, is known to be workable in hospitals of varying size and type.

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INTRODUCTION

Institutional management may be considered from two distinct angles; first, the professional and second, the strictly economic or business aspect. No attempt will be made to cover the first of these two important subjects; but the second, the business or economic side of institutional management, will be dealt with fully.

In many institutions the two phases of management are combined in one executive head, but recently numerous attempts have been made at a division of these functions. Where a combination executive is obtained, usually the professional side of institutional management is stressed and the importance of the economic phase is minimized. It is perfectly logical and natural that the professional side should be recognized first as the institution in reality exists for a professional purpose rather than for an economic one. Hospitals originated and have developed for the purposes of caring for the sick, educating trained technical help to assist physicians in their work, and cooperating with social organizations and agencies in the relief offered to the unfortunate members of their communities. Institutions cannot be run with high professional standards and produce certain desired results with an utter disregard for the economic phase of management. The costs of institutional treatment are extremely high and are increasingly so as new diagnostic facilities are being discovered and utilized. It has been stated recently that the costs of hospital care are becoming so enormous that hospitals today offer their services only to the extremely wealthy and the unfortunate, indigent poor. In the one case, the wealthy can afford to pay any price and in the other, most hospitals have endowed funds or contributions from time to time available for this type of service. It is the middle class which suffers, as a sickness to them is a calamity. They have a certain reputation to maintain and feel they must pay their bills that their pride, self-respect, and standing in the community may

not be impaired. With the increasing costs of hospital operation, the increasing complexity of diagnostic equipment and the demands made upon hospitals for furnishing the most modern facilities for diagnosis and treatment, the economic aspect of hospitals is becoming an important one and is receiving at the present time more attention than ever before.

Believing that there is a need for a simple treatise on the economic or business aspect of hospital management, the author has undertaken to cover the subject in as brief a manner as possible, yet completely outlining a course of procedure which covers most of the routine economic or business phases of hospital work. It is realized that no two institutions are exactly alike, yet all are so similar that it is not difficult to standardize their business routine. For this reason few alternatives will be submitted, as alternate plans lead to confusion and the attempt is made to treat the subject in a simple manner. It is hoped that this book will be of some little assistance to executives who are called upon to face the complex business problems of the modern hospital.

IMPROVED METHODS IN
HOSPITAL MANAGEMENT

CHAPTER I.

SCIENTIFIC MANAGEMENT

Necessity for Business Manager

The modern hospital of today is a complex institution. In many respects a hospital is similar to a hotel. It is recognized that a hotel of any size must of necessity employ a good business manager to head the institution and yet hospitals are often run by nurses and physicians who have accepted their positions not through any interest in the work, nor through any particular qualifications they might have which would fit them for a business manager, but through some peculiar turn of circumstances which required them to head an institution purely because of their professional ability.

Extensive Scope of Modern Hospital

All the departments of a hotel are duplicated in a hospital. The engineering department of a hospital is similar to that of a hotel. The buildings are extensive and require a supply of various utilities such as heat, light, water, gas, and telephone and with these services comes the usual work of repair and maintenance. In addition to this, the hospital has several items of importance not found in the hotel. For instance high pressure steam must be taken to many parts of the building for sterilization; some institutions at present are piped for anesthesia. The grounds are usually extensive and require the attention of expert gardeners. The subsistence and dietary department is of even greater importance than that of a hotel. The hotel furnishes food to people when they are in an attitude of being easily pleased; the hospital finds people at their worst when they are ill. Food, therefore, is usually not appetizing in its ordinary forms, and extra skill must be used in its selection and preparation. The matter of serving food is a difficult problem in hospital work. Patients cannot be gathered into a central dining room which is of easy access to a large and well-equipped kitchen, but food of necessity must be delivered hot to every nook and corner of the

building. The housekeeping department is of considerable importance and not only must fulfill the ordinary requirements of a similar department in a hotel, but must also understand how to clean in a manner which meets the sanitary requirements of hospital work. The laundry is not only called upon to do plain laundry work, but must also know how to remove difficult stains from linen and still preserve the linen as long as possible. The purchasing department not only buys the ordinary commissary supplies used by a hotel, but must also enter the markets for such commodities as drugs, surgical instruments, rubber goods, scientific apparatus, and laboratory supplies. Not only are the departments of a hotel duplicated in a hospital, but those of the latter are more elaborate and require expert help and attention, and in addition the hospital must maintain a trained medical staff, a large nursing staff, numerous trained technicians, and extensive laboratories for diagnostic purposes. These departments of the institution are greater in number and of necessity more complicated than the departments of any well-managed modern hotel. If the hotel, as a business, recognizes the importance of expert management, hospitals should call for an even greater degree of efficiency in the direction of their business.

Professional Workers Not Competent Business Managers

A physician or a graduate nurse is often selected to head a hospital organization. He is usually chosen because of the reputation he has made in a medical or nursing field, rather than for any particular qualification which would fit him to run a complex business. In addition to carrying the details of the work of a business manager, he is also asked to perform certain professional functions as well. Not only has he insufficient time to do both properly, but the very fact that he has been successful in a professional way usually unfits him for the duties of a business manager. Under such guidance it is no wonder that only recently has the economic phase of hospital work become recognized.

Interpretation of Operating Deficit

Few hospitals are run for profit. Most of them are run for the good which they can do in their particular community

in the way of furnishing a convenient and needed place for caring for the sick and a laboratory for the education of trained scientific workers who cooperate with and assist physicians in their work. The majority of hospitals which are not run for profit meet their operating expenses through public subscription, and where a large deficit is incurred, the natural assumption is that the institution is doing much free, research, or educational work. Where this assumption is made, the larger the deficit, the greater the extent and scope of their work must of necessity be; and if the management is well organized, usually the subscriptions will have increased in proportion to the operating deficit. These assumptions are not always correct and the large operating deficit is many times due to the fact that the institution is being run by a physician or a graduate nurse who has not had sufficient training or experience for this work and is devoting the large majority of his time to the professional work of the hospital. Where this is the case, one often finds that there is no recognized business head of the institution. The duties which he is called upon to perform, of necessity cause him to delegate to several people without a means of close supervision, the business work of the institution. In many instances purchasing is being done by numerous employees. No one is recognized as being in charge of the storeroom supplies and a "help yourself" plan in issuing stores is apt to prevail. No particular records are kept of goods which are received, exchanged or returned for credit, and memory is relied upon in approving bills for payment. The employment of help is done by the heads of departments without approval by a recognized business head, for this reason rates are likely to be continually increased; vacation leaves and sick leaves are seldom recorded or accounted for in a central business office. Consequently the two phases of hospital management which deal with the expenditure of large sums of money namely, the purchasing of supplies and the employment of help, are neglected. As a result, the costs of the institution mount higher and higher and the service instead of improving as might be expected, becomes, as a corollary to that type of management, worse rather than better.

Recent Origin of Scientific Management

Scientific management in the business world is of relatively recent origin. Competition in the smaller communities and sparsely settled regions of the country is not of great importance, but as population increases and large industrial centers develop, it is of ever increasing significance. Where complexity does not play an important part in industry, big profits can be made and the volume of business is not of prime consequence. However, as competition increases, it necessarily reduces the amount of profit received and business must be ever-increasing in order to increase profits. Wherever the margin of profit is reduced, the importance of scientific management is increased, for the margin of safety is very small in a business doing a large volume of work on a small margin of profit. A few unwise business decisions can entirely wipe out a small margin of profit. Science in business grows in importance as our industrial and business life increases in complexity.

Scientific Management in Selling

Competition also has brought about selling organizations and here again the scientific sales manager who knows how to present his product, how to select his men, and organize his territory and sales force, is in great demand. Along with scientific selling has developed scientific advertising and again the advertising manager is called upon not only to know the business which he advertises, but also must be a student of psychology and human nature.

Business Trained Men to Lead Business Organizations

Business recognizes that any reduction in the cost of production means increased margin of safety and increased profits for the business. Therefore business today of any importance recognizes that men of sound training should head its institutions. In many instances it means that business is obsessed with the idea of efficiency and scientific management. "Efficiency in business" in the last few years, are words which have become so commonly used that people are even beginning to shun them. People begin to feel a natural dislike for efficiency and that for

which it stands. It is associated in many instances with mechanical precision. Employees feel that it kills all individuality and they sometimes associate the efficiency expert with the man who is apt to make machines of the entire personnel of a business organization. However, competition in business has brought efficiency methods to stay, whether liked or disliked, and wise methods of production and distribution mean in the long run not only more profits for the producer but also more goods to the consumer, the people who buy the products of industry.

Scientific Management in a Manufacturing Plant

As an illustration of what efficiency methods can do for business organizations, the case of a large machine shop is recalled. In this particular plant large machines were made and sold for several hundreds of dollars each for the purpose of cutting gears for automobiles. The industry had grown for several years as rapidly as the automobile was being developed and at the same time the profits of the institution were without limit. Several accessories were sold with this machine and replacement of parts were supplied from time to time. All prices in this plant had for many years been set on foremen's estimates, or better, on *foremen's guesses*. At the time of reorganization of this plant, an attempt was made to put the factory on a scientific basis and a cost accounting system was installed which supplied data on the cost of manufacture of each piece of machinery which was produced. The findings of this system were startling, as it was discovered that the various parts and accessories to the main machine were sold in many instances at a great loss, and had been sold at a great loss for a period of several years.

Scientific Management in a Printing Establishment

Another illustration to show what scientific management can do for business is the case of a printing shop which had been run for many years at a modest profit. This printing shop conducted two departments, one for job printing and one for book binding. Upon careful analysis of the business, it was found that the job printing department had been making a considerable profit for a number of years, but that the book bind-

ing department had always been operated at a loss. Scientific management, of course, for this institution increased its profits materially.

Scientific Management in a Foundry

Yet another illustration is in the case of a large foundry where men were employed to carry ingots of iron short distances. Every job in this foundry was analyzed and more efficient methods of doing the work were instituted. In this particular instance it was found that men were carrying these heavy iron bars all day long. A man would place one on his shoulder and walk slowly for a certain distance and deposit it in the proper pile. The efficiency expert recommended that the men pick up these bars and run with them the distance required. This was done until five bars were carried and then the men were allowed to sit down and rest for a certain period of time without physical exertion of any sort. In this manner it was found that a man could carry several times the number of bars he had carried before and still was not nearly as exhausted as he had been under the former method of working steadily all day long with a heavy weight on his shoulder continuously.

Scientific Management Applicable to Hospitals

These illustrations are typical of what can be done in business organization. Is it not reasonable to expect that with proper training and thought the same thing can be accomplished in institutional management? The hospital is a business as much as is a retail store or a manufacturing plant. It is a business of caring for the sick. As great economies may be expected through careful business management of institutions as are accomplished in other lines of work, but if a private business or undertaking is poorly managed, the results are disastrous to the stockholders only. In hospital work the disaster is generally shared by the entire community for it is the entire community which supports the average hospital. The contributing public, as well as the people who are cared for in the hospital as patients, are therefore entitled to an institution not only run successfully from the point of view of its professional work, but also well managed from the business point of view.

Problems of Hospital Management

The problems of hospital management are numerous. Purchasing must be done economically. Goods must be bought at the right time and in the proper quantities. Help must be employed and the rate of pay versus the qualifications offered must enter into each transaction. The institution must be well organized with a recognized business executive supervising all departments and seeing that their work is properly correlated. The financing of the institution must be met and solved in the most expeditious manner. The matter of collections is a problem for the business manager, and considering the manner in which patients must many times be admitted without regard to their financial rating, collections consequently are difficult. Proper publicity, or as it might be called, advertising, is another problem which must be faced by the business manager.

“Rule of Thumb” Methods in Discard

“Rule of thumb” methods are still employed in many business undertakings and the method of running the institution is by guess and intuition more than by facts. The man who runs his own business after the “rule of thumb” fashion must suffer the consequences, but the hospital which is more or less of a public nature should not be subjected to the consequences of poor or insufficient management. The public during the world war was educated to give and not question the purpose of the gift or impeach the method used in managing the various war relief agencies. Many an institution since the war has taken this attitude of the public, which was created through unusual circumstances, as an opportunity to solicit promiscuously and feel that their demands should be met without question. The public, however, is demanding protection, and social and charitable institutions are being called upon to look to their policies of business management; if efficiency methods are used the agency and the support of it are seldom questioned.

Hospital is a Business Undertaking

Hospitals must not be made an exception and must be run similarly to other business undertakings. The business executive

of a large hospital necessarily must have a well organized corps of assistants. He must control all the activities of the institution and yet he cannot be buried in detail or do all the work. In other words, he must protect himself in such a manner that he will know all that is going on in the institution and yet do the minimum amount of detail work, thereby saving his energy and time for the more important decisions which must be made daily. The routine business of any institution may be controlled largely through five forms which will be discussed in another chapter. However, it will be well to mention here that through the means of the *Purchase Order*, the *General Requisition*, the *Engineering Department Work Order*, the *Employee Record* card, and the *Rate Agreement*, the ordinary business routine of the institution can be controlled and supervised with the minimum amount of time and energy. No reflection on hospital executives who are looking after both the professional and business aspects of an institution is intended, but rather the difficulties of such a position and the qualifications necessary properly to fulfill such a position are pointed out.

Use of Forms

Any systematic business procedure necessitates the use of business forms. It is possible to have too few business forms or too many. I have known of hospitals in which forms appeared to have been spread through the institution as confetti is spread at a carnival, in fact they have so many forms that it is necessary to institute additional ones to keep track of those which are in use. The method of adding and adding from time to time becomes a serious evil and the only remedy in such a case is to start at the bottom and do away with the entire burdensome machinery, instituting a system as simple as possible and yet as complete as necessary to secure the proper control and information for the management of the organization. It will therefore be seen that complexity is as grave an error as omission, and with this in view the scientific manager who walks the middle ground, keeping his system simple and yet effective is the one to be preferred and the one to whom we should look for guidance.

Demand for Business Methods in Hospitals

There is a growing demand for hospital executives who know modern business methods and can put them into practice, and also a demand on the part of the hospital executive for a knowledge of the best business practices applicable to hospitals. The important phases of hospital management will be discussed in detail, keeping in view the fact that simplicity is to be desired and yet any system of business management should be complete in every respect.

CHAPTER II.

ADMINISTRATIVE ORGANIZATION

How Accomplished

Administrative organization means the division of the institution into its various component parts thereby simplifying the duties and responsibilities of the several people held accountable for the smooth operation of the plant. In the organization of a hospital by departments, much the same process is used as in solving any difficult situation. Where such confronts us we arrive at our conclusions through certain definite steps. First, through that of analysis, which means a division of the subject or problem into its different parts. The next step is to classify the information in a manner which seems logical and as we arrange it, we arrive at certain conclusions and have solved the problem we set out to accomplish. An institution has certain definite functions to perform and these functions after they have been analyzed, logically fall into certain groups and may be classified under various departments each having a recognized head. The scope of the modern hospital is too extensive for any one person or group of persons to be proficient in all its activities. Skilled technical help is essential. After the work is organized according to functions, and a competent person is placed in charge of each department with the necessary technical help, a qualified executive must be selected to preside over the various units of the organization.

Attributes of Good Executive

A good executive has ability to select good departmental heads, to keep them hard at work and at the same time, contented. Contentment does not necessarily limit itself to concessions in the way of salaries, or in the amount of work which is supposed to be accomplished. There are other conditions of employment which are as important to the employee as the amount of work he has to do or the salary which he receives.

Salaries which can be paid in any position are somewhat controlled by the amounts which are paid in other places for similar work. The executive head of an institution can, however, do many things other than the paying of unusually high salaries to create an atmosphere of contentment on the part of the employees. Executives use various means of controlling their organizations, but the one who has a kind word and consideration for his employee is usually the one who is able to hold together a permanent organization, and in the long run accomplishes the greatest amount of work and maintains the respect of outside critics.

Essentials in Organization

Not only must an organization be well planned, but its functions and responsibilities must be clear cut and understood; not only must the heads of departments be well selected and trained in their particular duties or work, but other considerations are necessary before it can be considered a satisfactory institution.

Cooperation

Some of the essentials referred to are the following. First, there must be cooperation between the various departments of an organization or little can be accomplished. The functions of each unit must be clearly defined and outlined so there is no misunderstanding as to who should do a piece of work. There must be as little over-lapping as possible. With duties clearly defined and a unity of purpose, that is, of accomplishing their work for the best interest of the institution as a whole and of their department as a secondary matter, cooperation is secured. No hospital can accomplish its purpose or do good work with departmental heads who are continually quarreling with each other; and an executive should early recognize that the sooner such people sever their connections with the institution, the sooner will it be able to do its work in a satisfactory manner.

Departments must work together and not in opposition to one another. An illustration to emphasize this point is the story told of a certain feeding station for stock being shipped from

western to eastern points. At this particular feeding station the stock was allowed to be removed from the cars and not only given food and water, but was permitted to roam around and secure a certain amount of relaxation from its long journey before proceeding to its destination. No enclosure was provided to keep the stock from wandering great distances away from the point of loading and unloading. Halters were placed over the heads of each animal, these halters being in pairs so that each animal was attached to another, the theory being that when one calf wished to go in a certain direction, his mate was sure to decide at that particular moment he wished to go in the opposite and as a result the stock never strayed but short distances from the trains. Had these calves been able to agree on a certain destination, they could have gone a great distance and it would have been impossible for the tenders to return them to the proper cars. It takes cooperation and unity of purpose to accomplish any given task and as long as people work in opposite directions in their respective departments, the work of the institution stands still, regardless of any amount of effort they may put forth.

Another illustration is that of the guard at an asylum for the insane who is able to care for fifteen or twenty demented persons who, if they could organize and cooperate, might easily overpower the guard and make their escape, but it is a well recognized fact in these sanitariums that insane people cannot cooperate and cannot agree on any given procedure, hence twenty people are helpless even though guarded by a single person who has a definite task to accomplish, and who never wavers for an instant from his purpose of caring for his charges. Cooperation is a word which has been much overworked, yet it expresses in a way better than any other, the ability to work together, an essential in any well run institution.

Definite Policies Necessary

Second, the policies of the institution must be clearly defined and definite purposes set for accomplishment. It is not difficult for the executive to define clearly what is expected of

each departmental head. It is a duty which he owes to each department, for it is impossible to work satisfactorily and accomplish much unless some course of action is laid out in advance. Some executives believe in not committing themselves to any given course of action as it frequently causes them to reverse certain decisions which have been made and they feel their prestige in the institution has been thereby diminished. It is not necessary to look very far to find executives who are willing to place all blame for wrong doing or for bad judgment upon their various subordinates, and as long as their directions, instructions, and course of procedure are so vague and indefinite, it is possible for them to shift their responsibility to their departmental heads, usually to the dissatisfaction of the people who are supposed to help them in the affairs of the institution. An executive should not be afraid to admit in certain instances that he has been in the wrong. It does not jeopardize his position or his prestige; in many instances it secures the admiration and good will of his employees because they feel that he is as human as any of them and that he is willing to recognize that his judgments are not always perfect and are therefore subject to change and revision as circumstances warrant.

Loyalty

Loyalty is an essential in any institution. Employees must be loyal to one another, respect one another, and fair dealing should prevail between employees and between departments. The administrator who does not value and cherish the loyalty of his departments is overlooking one of the most valuable forms of assistance he can possibly secure. It is not unusual for executives to secure the loyalty of their employees to the extent that they have implicit faith in their employer and are willing to follow instructions even though contrary to their better judgment. The most successful executive is the one who not only has the loyalty of his departmental heads, but also secures their respect, admiration, and even love.

Use of Official Bulletins

There are various means of disseminating information

after business routine and procedure have been established. One of the most valuable takes the form of the official bulletin. Any established routine business procedure should be put in writing and be of enough importance to be published and circulated throughout the organization. On all matters of importance, such published decisions should be made. The executive should put them in writing and stand by these decisions until they have been proved unwise by test. These bulletins as they accumulate from time to time should be kept in a loose leaf binder by each departmental head. They may be mimeographed to save time in preparation and issued as often as necessary. If the old routine or procedure is changed, the bulletin may be re-edited and new ones issued to take the place of the ones which have become obsolete. If these are kept in a loose leaf binder they may be inserted as issued and every departmental head will thereby have a book containing all important business procedures of the hospital. These are valuable, especially where new employees come into the organization; they can turn frequently to a set of official bulletins for guidance in the various hospital matters. Bulletins of this sort become quite numerous as time goes on and they may form a nucleus for a hospital handbook should the size of the institution ever warrant putting the same in more permanent form. This should not be done, however, until the procedures have been thoroughly tried out and until the administration is relatively sure that the instructions which are to be in permanent form are of such a nature as to require few changes thereafter.

Administrative Meetings

Another valuable form of disseminating information is to hold meetings at which all departments are represented. These conferences can well be of an hour's duration if not held more frequently than once a month. The following are offered as suggestions for discussion: care of property, loyalty, cooperation, and other matters which are of interest to the various department heads. Hospital problems in the concrete may be discussed such as noise, the serving of trays, and the misuse of linen. It is well to select items for discussion that pertain to more than one

department as otherwise the program does not hold the proper interest that it should. Sometimes outside talent may be secured to address these meetings, a member of the board of directors, or a doctor on the staff might be willing to talk on some subject of general interest. After department heads have returned from various professional conventions, a required report of attendance may be given at the next administrative gathering. Various announcements as to policies can be made and matters of general interest discussed at such times. One of the objects of these meetings is to get together and get acquainted. People do better work after they meet frequently and realize that there are many problems in the institution other than those they are called upon to face. As a result, they recognize the relative importance of their particular department and do not over emphasize it or the problems which confront them in their work. These meetings should not be considered a proper place to single out any particular department and hold it up for criticism before the entire group. Department heads who are criticised before their fellow workers lose their self-respect and their interest in their work; this is, of course, fatal as respect of self and ability to do ones work well are characteristics which should be greatly valued.

Conclusions

A definite administrative organization, therefore, is essential in any large undertaking; and in order to secure a well working machine, it is necessary to bring about certain conditions such as loyalty, definiteness of purpose and cooperation before satisfactory results can be obtained.

CHAPTER III.
BUDGET MAKING
What Is a Budget?

Recently there has been a tendency in state and national governmental units to budget their activities a year in advance. Educational, charitable, and penal institutions depending upon governmental support must budget their income and expenditures and substantiate their demands in this form before receiving consideration. The figures in a budget must be based on past experience coupled with a reasonable knowledge of the trend of development of the institution and of its future wants and income. A budget is merely a plan, as near as it is humanly possible to produce one, covering a given period of time. All smoothly running procedures whether private or institutional must be planned in advance.

In making a journey from San Francisco to New York, the man of experience and wisdom will arrange his itinerary in advance, study routes of travel and length of time consumed in route, find out about the accommodations offered by various railroads and trains; probably he will inquire about the scenery along the various lines, and ascertain the rates. He will also make arrangements for the uninterrupted conduct of his business during his absence. Compare the advantages of such a journey and the peace of mind entertained by the man taking it to those of a person who has to make a last minute decision, who has neglected his plans and dropping his work rushes to the train accepting the accommodations offered because of lack of time to make inquiry and accepting the route of travel because it is the one first suggested. Some institutions are run after the manner of the unfortunate traveler, without much thought given to any program for the future, all efforts being confined to the problems of the present.

A budget to an institution is a plan of operation. Instead of drifting along from month to month and year to year, solicit-

ing funds at the end of the year to meet a deficit in operation, it is better to balance expected income against estimated expenditures and thus determine a year in advance the operating deficit, take it before the directors and ask them to authorize the plan. They will then know the amount of funds needed and can make their arrangements accordingly.*

Budget Appreciated by Governing Boards

In buying a suit of clothes or a new hat a man usually asks the price and thus is guided in his selection. Why not try it on a hospital board of directors? Tell them in advance the costs of operation of the institution and if they object, suggest that they do the cutting. Doubtless they will appreciate this opportunity. It is more businesslike to offer a program at the beginning of the year and make any adjustments necessary to suit the directors than it is at the end of the year to hand them a bill of costs of operation.

A budget also enables a board of directors to determine questions pertaining to salaries, building repairs and alterations, additions to plant, purchase of equipment, and other similar matters, at the beginning of each new year. After the budget is passed, the manager having received his instructions is able to relieve the directors of hospital financial troubles for the remainder of the year.

Fundamentals in Budget Making

When a budget is once authorized the manager should accept or reject it; and if he accepts, he should do all in his power to live up to it in every respect. The manager, therefore, must be sure of his budget, and to be sure, it is essential that he keep several fundamentals in mind. They are:

1. Accuracy in past accounts and records.
2. Support of departmental organization.
3. Careful study of a program for the future.
4. Underestimated rather than overestimated income.
5. Storeroom and stock records.

Accurate Records

The accounting and records department is to the hospital manager what the compass is to the mariner. Without accurate statistical and financial data he is lost. Good accounting involves accounts arranged to reflect precisely the departmental organization of the institution, so that the costs of operation may be kept by departments. Also the income or earnings accounts should be kept by departments. By so doing, each unit can be looked upon as a business in itself.

Departmental Support

The department head should be called in consultation when his budget is arranged. For instance, the engineer should be consulted about his salary and that of his assistants for the following year. After salaries are adjusted, the matter of supplies is taken up to decide what is needed. Then it is important to consider new equipment or alterations necessary to engine room and plant. This must be done with all departments, floor supervisors, operating room supervisor, dietitian, and gardener. After the affairs of all are settled individually and the head of each department agrees that his allowance is sufficient, the manager is safe in the expenditure side of the budget, for the total expenditures as presented to the board of directors is backed up by the sub-totals to which the departmental heads have agreed.

These departmental totals as the year begins should be divided by twelve and each month as the cost statements are issued the costs should be checked against the budget, and at an administrative meeting the status of each department in relation to the budget should be exhibited. Great discrepancies should be followed by private consultations. The result is that the responsibility of the institution is placed upon departmental heads; in this way the cares and responsibilities of the manager are greatly reduced.

As an illustration of what a budget will do for an institution, the following instance will serve:

Last January, a hospital of 125 beds was placed on a budget control basis. It had six nursing units. The supplies for each unit were budgeted, using as a basis the supplies consumed.

for the previous months of October and November. (No longer period could be utilized as figures were not available. It is preferable in drawing up a budget to have about ten months figures of the previous year for guidance.) In January, every unit was above the budget allowance. This was discussed at an administrative meeting. In February, five units were under their quota and one was over. All budgets for nursing units for the following months up to July were under their quota. Then two supervisors went on their vacations. During this time one of these budgets was exceeded. This was very significant of course, but it was of greater import when the manager visited the storeroom a few days after the return of this supervisor to have the storekeeper point out a large pile of supplies which had just been returned, saying, "Miss Grant just sent back these supplies. They were ordered while she was away, she stated she didn't need them, that she wanted to return them and that he was to be sure that she received credit."

I cite this illustration to show to what extent departmental heads can be interested in programs of useful management and economy.

Careful Analysis of Institution

A budget to be of value must not be arranged hurriedly. It should be the guide and test of all expenses of operation and in order to be of value it must be a reasonable budget based on facts of past operation of the institution and must also reflect a program of development and expansion. The careful manager will make a study of the trend of development of several years and strike an average of these years before making prognostications of what contingencies the coming year will produce. An inadequate budget carelessly cast aside early in the year will tend to result in lack of due consideration and respect on the part of departmental heads of the benefits derived from a budget and the support desired will be withheld.

Do Not Overestimate Earnings

A fatal mistake in budget making is to overestimate earnings. There is a tendency in presenting a program a year in advance to wish to make as favorable a report as possible. The

expenditures of the institution may have received very careful consideration, even to the extent that they form a perfect basis of operation for the entire year. The income, however, has been fully anticipated or perhaps inflated to produce a low paper deficit. Then some unforeseen contingency may arise which will prevent the institution from producing its assigned income. Salaries are set for the year and only by breaking faith with the employees can this phase of expense be curtailed. Sometimes the contingency which curtails the income may cause excess costs in the supply and expense budgets. An epidemic may cause an influx of free cases into the institution which reduces earnings without a comparable reduction in expense of operation. Many unforeseen events control the income. In arranging such estimate it is therefore better to underestimate rather than overestimate. Study the income for a period of several years, and if a growing, healthy institution exists, the manager will note a normal rate of increase over a given period of time. Suppose the normal rate of increase for the past ten years has been ten per cent over each preceding year. If the receipts last year were \$200,000 he can therefore figure they would be \$220,000 for the coming year. After arriving at this conclusion the manager should cut this estimate in half and base his calculations on an income of \$210,000 rather than one of \$220,000. This will mean that when he goes before a board of directors he has a paper deficit of more than he expects. His operating expense budget is based on a program of income which is safe and which probably, if it varies at all, will be greater than anticipated. This has a tendency to keep the institution within bounds; it prevents wild spending ahead of the demands of the organization; in other words, the manager keeps *within his income by underestimating his income.*

At the end of the year, the directors will be pleased to learn that there was a saving on the budget; in fact, they have raised a little more money than was needed and the manager closes the year with bills paid and a balance to make some of those innumerable betterments which are always necessary in a hospital of any size.

Need for Storeroom and Stock Records

Budget control necessitates a properly conducted storeroom. This is not an evil but a blessing. All institutions of 50 beds or more should have complete storeroom records. They assist in ascertaining wants when supplies are purchased. It is not unusual to hear of an unscrupulous salesman selling a supply of his line sufficient to last the buyer several years. Sometimes this has proved a service in disguise and luck was better than judgment. This has been possible for several years due to rising markets. However, it more often happens in overbuying that the goods deteriorate with age, storage, and handling, and that the interest on the money invested more than offsets any appreciation in value. Storeroom records are therefore indispensable in intelligent buying as well as a necessity when operating on a budget control basis. All purchase of supplies must be assigned as a charge against a storeroom account until issued to the actual consumer. Cotton may be used by seven departments in the institution each having an operating budget. Six months' to a year's supply is purchased at a time. It is obvious that when a six months' supply is delivered it should not be charged against one month's operating expense. It must be charged to stores or stock temporarily and as issued to the various departments each can be debited according to its consumption and the operating costs are thereby accurately determined. If such procedure were not carried out, the monthly cost statements for each department could not be checked with one-twelfth of the yearly budget since they would occasionally carry several months' expenditures and the following statements would be correspondingly light. The value of the monthly check would then be destroyed and interest by department heads would be lost.

Collective Responsibility Helpful

An administrator cannot run an organization successfully without the support of his employees. A good manager, therefore, is one who is able to make each department feel its responsibility for the financial success of its own activity. This collective responsibility means better organization, a spirit of cooperation, and a better institution.

Budget Control Produces Economy

Budget control of hospitals and institutions is synonymous with economical operation. It produces careful spending and has saved thousands of dollars annually even in small organizations. It is the type of management demanded by men of business.

To summarize: the fundamentals essential to the successful operation of an institution on a budget basis are accurate accounts and records, departmental support and enthusiasm, establishment of a program of future development, a careful study and estimate of future growth and income, and a properly conducted storeroom with records.

A Typical Budget

A typical budget is given in detail except that in submitting such a budget names of persons occupying the various positions designated under "Section One, Salaries" should be included. The budget submitted is purely an operating budget and does not contain any program for purchase of equipment, additions, or betterment of plant. An additional section might therefore be added to cover expenditures contemplated in such a program.

SUMMARY OF BUDGET

1924

Section I—Salaries	\$137,144.00	
Section II—Supplies and Expense	115,233.00	
		252,377.00
Less—		
Operating Expense of Research Laboratories met from special funds		
Salaries	26,740.00	
Supplies and Expense	18,000.00	44,740.00
		207,637.00
Section III—Income	190,500.00	
		\$ 17,137.00

*Estimated operating deficit for Hospital.....\$ 17,137.00

*This deficit includes the costs of a contemplated amount of free work of \$20,000.00 and costs of operating the dispensary of \$1,160.00.

SECTION I—SALARIES

	Budget 1923	Budget 1924	Increase	Decrease
<i>SUMMARY</i>				
Administrative Offices....	9,000.00	10,000.00	1,000.00	
Accounting and Record				
Offices	6,540.00	7,800.00	1,260.00	
Property and Supplies	1,200.00	1,200.00		
Engineering and				
Buildings	5,280.00	5,340.00	60.00	
Garden and Grounds....	3,324.00	4,800.00	1,476.00	
Dietetics and				
Subsistence	14,400.00	16,380.00	2,520.00	540.00
Housekeeping, Linen and				
Dormitories	9,130.00	10,140.00	1,440.00	430.00
Laundry	10,322.00	10,374.00	208.00	156.00
Roentgen Department..	8,600.00	8,600.00		
Research Laboratories..	23,155.00	26,740.00	4,080.00	495.00
Clinical Laboratory.....	1,620.00	1,500.00		120.00
Dispensary	720.00	810.00	90.00	
Department of Nursing	28,020.00	32,860.00	4,840.00	
Internes	1,380.00	600.00		780.00
	<hr/>	<hr/>	<hr/>	<hr/>
	122,691.00	137,144.00	16,974.00	2,521.00

ADMINISTRATIVE OFFICES

Executive Officers	9,000.00	10,000.00	1,000.00	
	<hr/>	<hr/>	<hr/>	<hr/>
	9,000.00	10,000.00	1,000.00	

ACCOUNTING AND RECORDS

Secretary	1,500.00	1,500.00		
Bookkeeper	1,500.00	1,500.00		
Stenographer	1,200.00	1,500.00	300.00	
Clerk	*	900.00	900.00	
Telephone Operator	900.00	900.00		
Telephone Operator	840.00	900.00	60.00	
Librarian	600.00	600.00		
	<hr/>	<hr/>	<hr/>	<hr/>
	6,540.00	7,800.00	1,260.00	

*No Budget.

IMPROVED METHODS IN

	Budget 1923	Budget 1924	Increase	Decrease
<i>PROPERTY AND SUPPLIES</i>				
Storekeeper	1,200.00	1,200.00		
	<u>1,200.00</u>	<u>1,200.00</u>		
<i>ENGINEERING AND BUILDINGS</i>				
Chief Engineer	1,800.00	1,800.00		
Assistant	1,440.00	1,500.00	60.00	
Assistant	1,380.00	1,380.00		
Night Engineer (six months).....	660.00	660.00		
	<u>5,280.00</u>	<u>5,340.00</u>	60.00	
<i>GARDENS AND GROUNDS</i>				
Head Gardener	1,800.00	1,800.00		
Assistant	1,380.00	1,500.00	120.00	
Assistant	144.00	1,500.00	1,356.00	
	<u>3,324.00</u>	<u>4,800.00</u>	1,476.00	

	Budget 1923	Budget 1924	Increase	Decrease
<i>DIETETICS AND SUBSISTENCE</i>				
Chief Dietitian	1,200.00	1,500.00	300.00	
Assistants				
No. 1	1,020.00	1,200.00	180.00	
No. 2	1,200.00	1,200.00		
Chef	1,800.00	1,800.00		
Second Cook	1,200.00	1,200.00		
Vegetable Man	720.00	720.00		
Pot Washer	600.00	660.00	60.00	
Tray Man	600.00	660.00	60.00	
Tray Girl	540.00	600.00	60.00	
Diet Cook	780.00	1,020.00	240.00	
Relief Maids				
No. 1	540.00	600.00	60.00	
No. 2	*	420.00	420.00	
No. 3	*	300.00	300.00	
No. 4	*	600.00	600.00	
No. 5	540.00**	660.00	120.00	
Vegetable Woman	540.00	600.00	60.00	
Waitresses				
Head Waitress.....	1,200.00**	780.00		420.00
Assistant	720.00	600.00		120.00
Assistant	600.00	600.00		
Night Cook	600.00	660.00	60.00	
	<hr/>	<hr/>	<hr/>	<hr/>
	14,400.00	16,380.00	2,520.00	540.00

*No Budget.

**\$5 allowance per month for rooming outside.

IMPROVED METHODS IN

	Budget 1923	Budget 1924	Increase	Decrease
<i>HOUSEKEEPING, LINEN AND DORMITORIES</i>				
Housekeeper	900.00	960.00	60.00	
Seamstress	840.00	780.00		60.00
Floor Maids				
No. 1	540.00	540.00		
No. 2	540.00	540.00		
No. 3	250.00	240.00		10.00
House Mother	*	900.00	900.00	
Maid—Nurses' Home	780.00	660.00		120.00
Porter—Nurses' Home	540.00	660.00	120.00	
Porters				
No. 1	600.00	720.00	120.00	
No. 2	720.00	720.00		
No. 3	660.00	720.00	60.00	
No. 4	600.00	660.00	60.00	
No. 5	660.00	720.00	60.00	
No. 6	900.00	660.00		240.00
No. 7	600.00	660.00	60.00	
	<hr/> 9,130.00	<hr/> 10,140.00	<hr/> 1,440.00	<hr/> 430.00
 <i>LAUNDRY</i>				
Foreman	1,820.00	1,820.00		
Forelady	1,560.00	1,560.00		
Washer	1,300.00	1,144.00		156.00
Ironer	1,118.00	1,118.00		
Mangle				
No. 1	988.00	988.00		
No. 2	884.00	936.00	52.00	
No. 3	884.00	936.00	52.00	
No. 4	832.00	936.00	104.00	
Press	936.00	936.00		
	<hr/> 10,322.00	<hr/> 10,374.00	<hr/> 208.00	<hr/> 156.00

*No Budget.

	Budget 1923	Budget 1924	Increase	Decrease
<i>ROENTGEN DEPARTMENT</i>				
Director	5,000.00	5,000.00		
Technician				
No. 1	1,200.00	1,200.00		
No. 2	1,200.00	1,200.00		
Secretary	1,200.00	1,200.00		
	<hr/>	<hr/>	<hr/>	<hr/>
	8,600.00	8,600.00		

RESEARCH LABORATORIES

Director	4,000.00	4,000.00		
Assistant Director	3,000.00	3,000.00		
Chief Chemist	3,000.00	3,000.00		
Assistants				
No. 1	1,800.00	1,800.00		
No. 2	1,200.00	1,200.00		
No. 3	1,560.00	1,800.00	240.00	
No. 4	*	1,620.00	1,620.00	
No. 5	1,080.00	900.00		180.00
No. 6	480.00	1,500.00	1,020.00	
No. 7	600.00	1,800.00	1,200.00	
Secretary	2,115.00	1,800.00		315.00
Assistant Dietitian	1,200.00	1,200.00		
Laboratory Assistants				
No. 1	1,200.00	1,200.00		
No. 2	1,200.00	1,200.00		
Dish Washer	720.00	720.00		
	<hr/>	<hr/>	<hr/>	<hr/>
	23,155.00	26,740.00	4,080.00	495.00

CLINICAL LABORATORY

Bacteriologist	1,500.00	1,500.00		
Caretaker of Animals....	120.00	*		120.00
	<hr/>	<hr/>	<hr/>	<hr/>
	1,620.00	1,500.00		120.00

*No Budget.

IMPROVED METHODS IN

	Budget 1923	Budget 1924	Increase	Decrease
<i>DISPENSARY</i>				
Social Worker	720.00	810.00	90.00	
	<hr/>	<hr/>	<hr/>	<hr/>
	720.00	810.00	90.00	
<i>NURSING DEPARTMENT</i>				
Superintendent				
of Nurses.....	1,800.00	1,800.00		
Night Supervisor.....	1,200.00	1,200.00		
Assistant	*	1,080.00	1,080.00	
Graduates				
13 at \$1,020.00.....	12,240.00	13,260.00	1,020.00	
Floor Supervisors				
No. 1	*	1,200.00	1,200.00	
No. 2	1,200.00	1,200.00		
No. 3	1,200.00	1,200.00		
No. 4	1,200.00	1,200.00		
No. 5	1,200.00	1,200.00		
School of Nursing				
Instructor	1,500.00	1,500.00		
Pupil Nurses				
33 1/3 at \$120....	2,880.00	4,000.00	1,120.00	
Operating Rooms				
Supervisor	1,500.00	1,500.00		
Assistant	1,020.00	1,200.00	180.00	
Anesthetist	1,080.00	1,320.00	240.00	
	<hr/>	<hr/>	<hr/>	<hr/>
	28,020.00	32,860.00	4,840.00	
<i>INTERNES</i>				
Five at \$120.00 a year..	1,380.00	600.00		780.00
	<hr/>	<hr/>	<hr/>	<hr/>
	1,380.00	600.00		780.00
*No Budget.				

SECTION II

SUPPLIES AND EXPENSE

	Budget 1923	Budget 1924	Increase	Decrease
<i>ADMINISTRATIVE OFFICES</i>				
Supplies and Expense	144.00	600.00	456.00	
Traveling Expense..	*	800.00	800.00	
Car Allowance	*	360.00	360.00	
<i>ACCOUNTING AND RECORDS</i>				
Supplies and Expense	1,548.00	2,000.00	452.00	
<i>PROPERTY AND SUPPLIES</i>				
Supplies and Expense	50.00	72.00	22.00	
<i>GENERAL MAINTENANCE</i>				
Supplies and Expense	1,356.00	1,200.00		156.00
Fuel Oil	3,600.00	4,200.00	600.00	
Gas	1,140.00	900.00		240.00
Electricity	2,646.00	2,646.00		
Water	2,500.00	2,200.00		300.00
Telephone	1,440.00	1,075.00		365.00
Taxes	3,600.00	5,700.00	2,100.00	
Insurance	1,200.00	1,800.00	600.00	
Buildings, Repairs and Alterations....	1,800.00	800.00		1,000.00
Painting	*	2,400.00	2,400.00	
Garden and Grounds	*	300.00	300.00	
<i>ENGINEERING AND BUILDINGS</i>				
**Supplies and Expense	2,000.00	*		2,000.00
<i>MAINTENANCE OF TRUCK</i>				
**Supplies and Expense	500.00	*		500.00

IMPROVED METHODS IN

	Budget 1923	Budget 1924	Increase	Decrease
<i>DIETETICS AND SUBSISTENCE</i>				
Supplies and Expense	1,800.00	3,000.00	1,200.00	
Milk and Cream.....	6,000.00	7,000.00	1,000.00	
Meat, Fish, Poultry	7,200.00	10,500.00	3,300.00	
Butter	3,600.00	4,000.00	400.00	
Eggs	3,600.00	3,000.00		600.00
Bread and Pastry....	1,140.00	1,140.00		
Fruit and Vegetables	9,600.00	8,000.00		1,600.00
Groceries	3,060.00	8,700.00	5,640.00	
Tea and Coffee.....	540.00	1,000.00	460.00	
<i>HOUSEKEEPING, LINEN AND DORMITORIES</i>				
Supplies and Expense	2,670.00	3,600.00	930.00	
<i>LAUNDRY</i>				
Supplies and Expense	1,500.00	1,800.00	300.00	
<i>ROENTGEN DEPARTMENT</i>				
Supplies and Expense	3,000.00	4,800.00	1,800.00	
<i>RESEARCH LABORATORIES</i>				
Supplies and Expense	12,000.00	18,000.00	6,000.00	
<i>CLINICAL LABORATORY</i>				
Supplies and Expense	1,000.00	1,000.00		
<i>PATHOLOGICAL LABORATORY</i>				
Supplies and Expense	100.00	200.00	100.00	
<i>OPERATING ROOMS</i>				
Supplies and Expense	4,050.00	3,800.00		250.00
<i>PHARMACY</i>				
Supplies and Expense	200.00	200.00		
Drugs	2,550.00	1,800.00		750.00
Prescriptions	600.00	1,800.00	1,200.00	
<i>ELECTRO-CARDIOGRAPH</i>				
Supplies and Expense	*	120.00	120.00	

	Budget 1923	Budget 1924	Increase	Decrease
<i>NURSING SERVICE</i>				
No. 1	*	120.00	120.00	
No. 2	1,500.00	800.00		700.00
No. 3	1,230.00	900.00		330.00
No. 4	1,470.00	800.00		670.00
No. 5	1,000.00	900.00		100.00
No. 6	1,200.00	1,100.00		100.00
<i>SCHOOL OF NURSING</i>				
Supplies and Expense	500.00	900.00	400.00	
<i>INTERNES</i>				
Supplies and Expense	100.00	200.00	100.00	
<i>RESEARCH</i>				
Supplies and Expense	*	250.00	250.00	
<i>DISPENSARY</i>				
Supplies and Expense	390.00	350.00		40.00
	<u>95,124.00</u>	<u>116,833.00</u>	<u>31,410.00</u>	<u>9,701.00</u>
Less Garden Supplies Furnished Kitchen		1,600.00		1,600.00
	<u>95,124.00</u>	<u>115,233.00</u>	<u>31,410.00</u>	<u>11,301.00</u>

*No Budget.

**Included Elsewhere.

SECTION III—INCOME

EARNINGS

	1923	1924
January	16,933.95	
February	14,234.07	
March	17,539.19	
April	15,151.58	
May	17,848.12	
June	15,109.81	
July	15,640.89	
August	15,275.79	
September	14,790.39	
October	13,746.35	
November	14,184.82	
December (Estimate)	13,000.00	
Total	*183,454.96	**190,500.00

*Includes \$2,700 income on Endowment Funds.

**The increase of approximately \$7,000 in earnings is based upon the lowest percentage of increase in hospital earnings for the period of the past eight years: The patient day increase of 1922 over the year 1921 was an average increase of three per day. This is the increase contemplated for next year.

CHAPTER IV.

ACCOUNT CLASSIFICATION AND GENERAL LEDGER

Accounts Should Keep Pace With Growth

Many hospitals have attained their present size and scope of activity through years of growth and development. Architecturally they have perhaps passed through several periods of alteration, patching, and addition. In some instances the old plant has even been discarded and a modern building has been erected which announces to all observers that here is an institution which accepts as its standards only the best in structure and equipment.

But how about its accounting department, its methods of business routine, its records? Are these phases of the institution still struggling along in the alteration, patched-up, built-on era? If so, it is time to discard and rebuild. An accounting system has a foundation the same as a building, and there comes a time in all growing institutions when even foundations must be discarded and its system of records and accounts must be rebuilt from the ground up.

Steps Necessary in Reorganization

Several steps are worthy of consideration in such a process. They are:

1. A careful analysis of the physical organization.
2. A study of its administrative organization.
3. Decide the type of information desired; the results to be obtained.
4. Designing of the system and forms.
5. Installation of new system.

Diagnosis of Needs

A physician does not attempt to lay out a course of treatment for a patient until a careful diagnosis has been made. Neither should a record system be devised or installed until a

careful study of the institution has been made. From such a study it will be discovered that the differences in hospitals are in matters of detail only, that in the fundamentals they are essentially the same. All hospitals admit patients, conduct ledger accounts with patients, render bills, and collect and receipt for cash. The sources from which charges originate may vary in number and type but the procedure in handling charges is fundamental and subject to standardization. Help must be employed, time records kept, and wages paid at stated intervals. Supplies are purchased, goods received, stored and issued in all institutions, bills paid, and appropriate records in connection with their payment kept.

Standardization of Forms

In promoting forms for institutions, it will be seen, therefore, that first they are general in application and second they are adaptable to the varying circumstances under which they are to be installed. The forms recommended in this book may be divided into two groups namely, those which are so general in their character and application that they may be completely standardized; and second, those that can be standardized in principle, but the various headings used must conform to the requirements of each institution. Of the first group the following are included: *Daily Financial Report, Telephone Exchange Daily Report, Rate Agreement, Employee Record, Purchase Order, Stock Card, Vendor's Index, General Requisition, Engineering Department Work Order, Journal Voucher, Petty Cash Fund Voucher, Request for Quotation and General Ledger Sheet.* The *Patient's Ledger Card, Cash Receipt, Bill Form, Earnings and Rebate Record, Payroll Check, Vacation and Leave Record, Voucher Check, Diet and Food Requisition, Linen Requisition, Voucher Distribution Book* and *Internal Requisition Distribution Book* are changed slightly to meet varying conditions in different hospitals.

In securing the data necessary for this last group of forms and deciding the precise routine in which all forms are to be handled, the steps necessary in such a reorganization, which are

enumerated at the first of this chapter, will be discussed at greater length.

Analysis of Plant

All departments and subdepartments in the institution should be noted. This data becomes the basis for building up the account classification, a typical illustration of which will follow. Future plans as to the enlargement of existing facilities and the addition of new activities should be observed. The location of the storeroom in relation to the departments to be served and to the receiving entrance should be given consideration. Its position should also be noted with reference to the other administrative offices. The entrance to the hospital in relation to the information desk, the guests' waiting room, the admission desk, telephone exchange, cashier's desk and bookkeeping department should all be arranged with the view of granting the greatest amount of service with the least possible number of employees and effort.

Study of Administrative Organization

All departments of the institution should have administrative heads, their positions should be well defined and the channels of authority and responsibility clearly outlined and thoroughly understood. Such business functions as employment of help, reduction of published hospital rates, admission and discharge of patients, collection of accounts, purchasing, receiving, and issuing of supplies should be traced and the procedure in each case determined.

Type of Information Desired

It is imperative to decide the kind of information the record system will be called upon to yield. Is it an institution with a multitude of endowments and charity obligations which are to be accounted for and reported? Does the institution belong to a chain of organizations which make certain demands of the institution in the way of statistical data? Are certain departments abnormal in size and business activity and warrant special or unusual consideration? Has the Board of Directors specified data which must be secured, and lastly, has the administrator

certain hobbies which should be reflected in the arrangement of the business routine?

These preparatory steps are enumerated at length because, first, there seems to be a growing tendency to feel that all hospitals are fundamentally alike, and that, therefore, the same business forms and procedure may be carried out with success in all institutions; second, that a series of articles, dealing with hospital accounting and records illustrated with forms which have been successfully employed in certain hospitals, is of value in a general way only and cannot be embodied wholesale by an institution without regard to its particular needs and peculiarities. Conditions vary in different institutions and should, therefore, receive consideration in designing its business forms and procedure.

Designing of Forms

With the preliminary data in mind, work may proceed on the designing of forms. This particular step has been simplified, the forms being completely standardized wherever possible, and in all other instances a minimum amount of supplementary facts, to make the form workable, is required.

A complete set of tools does not make a good mechanic. A complete set of hospital forms does not make a smoothly running business organization. Forms to be valuable must be used properly and the business routine through which they pass well regulated. Many times it is found that a form is not being utilized as intended. The mechanical procedure only is being followed without securing proper results. The efforts expended are wasted and no form at all is better than one incorrectly used or one used at the improper time. Book keeping and form keeping are means to an end and of themselves are valueless unless certain definite results are accomplished.

Installation

A complete set of new accounts cannot be put into operation over night. It is a task which will occupy several months. It is not meant that the mechanical use of forms requires that

long for installation, but before all procedure is operating smoothly, before statements are being secured promptly and as required, and before tabulated data for stated fiscal periods is available, the full benefits are not obtained. Even then eternal vigilance is the formula for properly kept records as employees many times find "easier" methods but which do not produce desired results.

Account Classification

The structure of an accounting system is built around the account classification. By proper arrangement of the ledger accounts and by embodying this arrangement in all the business forms and procedure, many hours of time each month may be saved the bookkeeping force.

The following classification is typical, and the six main divisions may be utilized in any set of accounts.

ACCOUNT CLASSIFICATION

1 FIXED ASSETS

- 11 Real Estate
 - 111 Real Estate (Hospital Site)
 - 112 Real Estate Improvements
- 12 Buildings
 - 121 Hospital Buildings
 - 1211 Main Building
 - 1212 Metabolic Wing
 - 1213 Maternity Wing
 - 1214 Children's Wing
 - 1215 X-ray Wing
 - 122 Other Buildings
 - 1221 Heating Plant
 - 1222 Laundry
 - 1223 Nurses' Home
 - 1224 Dispensary
 - 1225 Transformer Vault Building
 - 1226 Tank House
- 13 Equipment
 - 131 Equipment
 - 1311 Furniture and Furnishings
 - 1312 Scientific

- 1313 Office
- 1314 Machinery and Tools
- 1315 Kitchen Appliances
- 132 Automobile

2 CURRENT ASSETS

- 21 Cash Accounts
 - 211 Commercial Bank, General Account
 - 212 First National Bank, Research Funds
 - 213 County National Bank, Dispensary
 - 214 Petty Cash
- 22 Accounts Receivable
- 23 Stores
- 24 Investments Control
- 25 Deferred Charges and Accruals
 - 251 Insurance
 - 252 Taxes
 - 253 Endowment Fund Income Accrued

3 LIABILITIES

- 31 Accounts Payable
- 32 Donations for Specific Purposes
- 33 Endowment Fund Income Control

4 CAPITAL AND SURPLUS

- 41 Surplus
- 42 Endowment Funds Control
- 43 Profit and Loss
- 44 Reserves
 - 441 Bad Debts

5 EARNINGS

- 51 Hospital Service
- 52 Surgery
 - 521 Operating Room
 - 522 Anesthetic
 - 523 Surgical Supplies
- 53 Subsistence
 - 531 Nurses' Board
 - 532 Meals and Trays
- 54 Roentgen Department
 - 541 Picture Work
 - 542 Treatment
 - 543 Radium

- 55 Laboratories
 - 551 Chemical
 - 552 Clinical
 - 553 Pathological
- 56 Pharmacy Supplies
- 57 Consulting Fees
- 58 Miscellaneous
 - 581 Telephone and Telegrams
 - 582 Laundry
 - 583 Out Patient Department
 - 584 Other Items
- 59 Rebates
 - 591 General Relief
 - 592 Courtesy
 - 593 Endowment Funds
 - 594 Research

6 EXPENDITURES

- 61 Administration
 - 611 Administrative Offices
 - 6111 Salaries
 - 6112 Supplies and Expense
 - 6113 Traveling Expense
 - 612 Accounting and Record Offices
 - 6121 Salaries
 - 6122 Supplies and Expense
 - 613 Property and Supplies
 - 6131 Salaries
 - 6132 Supplies and Expense
- 62 General Maintenance
 - 621 Salaries
 - 622 Supplies and Expense
 - 623 Fuel Oil
 - 624 Gas
 - 625 Electricity
 - 626 Water
 - 627 Telephone
 - 628 Taxes
 - 629 Insurance
 - 629-a Rents
 - 629-b Interest
 - 629-c Building Repairs and Alterations
- 63 General Service Department
 - 631 Engineering and Buildings
 - 6311 Salaries
 - 6312 Supplies and Expense

IMPROVED METHODS IN

- 6313 Maintenance of Truck
- 6314 Work Done for Other Departments
- 632 Grounds and Gardens
 - 6321 Salaries
 - 6322 Supplies and Expense
 - 6323 Supplies Furnished or Sold
- 633 Dietetics and Subsistence
 - 6331 Salaries
 - 6332 Supplies and Expense
 - 6333 Milk and Cream
 - 6334 Meat, Fish and Poultry
 - 6335 Butter
 - 6336 Eggs
 - 6337 Bread and Pastry
 - 6338 Fruit and Vegetables
 - 6339 Groceries
 - 6339-a Coffee and Tea
- 634 Housekeeping, Linen and Dormitories
 - 6341 Salaries
 - 6342 Supplies and Expense
- 635 Laundry
 - 6351 Salaries
 - 6352 Supplies and Expense
 - 6353 Work Done for Outsiders
- 64 Public Utility Departments
 - 641 Roentgen Department
 - 6411 Salaries
 - 6412 Supplies and Expense
 - 642 Research Laboratories
 - 6421 Salaries
 - 6422 Supplies and Expense
 - 6423 Laboratory Equipment
 - 6424 Laboratory Expense
 - 6425 Diet Kitchen Expense
 - 6426 Library Expense
 - 6427 Office Expense
 - 643 Clinical Laboratory
 - 6431 Salaries
 - 6432 Supplies and Expense
 - 644 Pathological Laboratory and Morgue
 - 6441 Salaries
 - 6442 Supplies and Expense
 - 645 Operating Rooms
 - 6451 Salaries
 - 6452 Supplies and Expense
 - 646 Pharmacy

- 6461 Salaries
- 6462 Supplies and Expense
- 6463 Drugs
- 6464 Prescriptions
- 6465 Supplies Furnished Other Departments
- 647 Dispensary
 - 6471 Salaries
 - 6472 Supplies and Expense
- 65 Nursing Service
 - 651 General
 - 6511 Salaries
 - 6512 Supplies and Expense
 - 652 First Floor
 - 6521 Salaries
 - 6522 Supplies and Expense
 - 653 Second Floor
 - 6531 Salaries
 - 6532 Supplies and Expense
 - 654 Metabolic Wing
 - 6541 Salaries
 - 6542 Supplies and Expense
 - 655 Maternity Wing
 - 6551 Salaries
 - 6552 Supplies and Expense
 - 656 Children's Wing
 - 6561 Salaries
 - 6562 Supplies and Expense
- 66 School of Nursing
 - 661 Salaries
 - 662 Supplies and Expense
- 67 Internes
 - 671 Salaries
 - 672 Supplies and Expense
- 68 Research

Division of Account Classification and Ledger

The six groups of accounts namely, (1) Fixed Assets, (2) Current Assets, (3) Liabilities, (4) Capital and Surplus, (5) Earnings, and (6) Expenditures are distinct divisions of the general ledger. The classification is flexible, accounts may be added or taken away at will and yet not disturb the general arrangement. This manner of handling accounts permits of ease in preparation of a statement, the ordinary trial balance being eliminated.

Preparation of Statements

In taking off a statement the fifth division or earnings group is prepared first, listing the accounts with the current month's earnings opposite each account. Next, the expenditure or sixth group is listed with the current month's operating expenses opposite each account. The difference between group five and group six is the net profit or net loss for the period. This figure, together with the accumulated total profit or loss of all previous months of the current fiscal period, is the balancing figure for the asset and liability statement which can now be copied in the exact order as the accounts appear under Sections (1), (2), (3), and (4) of the ledger.

Physical Division of Ledger

The six divisions of the ledger should be separated physically with tabs placed conveniently for locating the various accounts under each division.

Expenditure Accounts

Note that the grouping of accounts under (6) Expenditures is by departments and should correspond to the administrative organization. If this is done it will assist materially in the operation of an institution on a budget basis, which was discussed in chapter III. It is not necessary to open separate ledger accounts for each account under expenditures. A typical expenditure account is noted in the illustration on page 131 showing the total for the department on the right hand opening of the page and the total of each subaccount under the department on the left hand opening of the page.

General Ledger

Postings into the ledger are made from columnar books specially designed to secure segregation of earnings and expenses by various accounts so that no detail is carried into the general ledger and no account receives more than two postings a month, or less, as a rule. The general ledger should be a loose leaf book thereby facilitating the addition to or the removal of pages. As certain accounts grow in size, pages may be trans-

ferred to a transfer ledger, the order of accounts being the same in both ledgers so that old entries may be traced with ease.

Account Number and Name

It should also be noted that the pages in the general ledger are not numbered except to indicate the number of sheets occupied by an account. The account classification acts as a means of locating an account in the ledger and the various pages occupied by an account in each instance begin with the numeral one and as many numbers used as there are pages required. Each account should be headed with the account number and name. In the case of expenditure accounts where a division of the main account is shown at the left hand opening of the page, each column used should be headed with the subaccount number and name.

Control Accounts

There are several control accounts which appear in the general ledger, the detail of which is carried in subsidiary files. This is true of the stores account and of accounts receivable. The detail of the stores account is kept on a stock record card. These stock cards may be reconciled with the control account regularly, at least once every year. The use of this form and its reconciliation with the control account for stores will be considered in chapter V.

Accounts Receivable Control

The detail of the accounts receivable control is kept on the patients' ledger cards. This file is maintained in the general office and the detail cards reconciled monthly with the control account. This also will be discussed further in its proper place.

Accounts Payable Control

Accounts payable control should also be reconciled monthly with the unpaid voucher file which represents the detail of this account.

Miscellaneous Control Accounts

In order to simplify the general ledger it may be advisable under certain conditions to open up other control accounts. If the detail of these accounts is not bulky, they may be handled in the back part of the general ledger under special sections. An illustration of this is the handling of endowment funds where they are numerous. A control account may be opened in the general ledger and each fund receive special consideration and stand as a separate account in the back portion of the ledger immediately following division six. When this method is employed, all transactions must be posted twice, once to the control account and once to the detail account, thereby keeping the control in perpetual balance with its subsidiary accounts. Investments of endowment funds may also be treated similarly.

Use of Left Hand Opening of Ledger Page

It should be borne in mind that the left hand opening of the page is for distribution of debit postings only; this is especially desirable in the sixth section of the ledger. However, it is feasible to utilize these columns for memorandum purposes in other instances.

Further Explanation of Ledger Unnecessary

More could be said about the arrangement and construction of accounts in the general ledger, but only the more important features have been mentioned. The handling of general ledger accounts is a subject familiar to most people as it is common to any form of account records.

Ledger Is Foundation to Accounting System

In conclusion, it will be seen that the account classification and the general ledger itself is the foundation or backbone of the entire set of records, and that any extensive changes in an accounting system must begin with the accounts of the general ledger.

CHAPTER V.

PURCHASING, STORING AND ISSUING SUPPLIES

Economies in Purchase

The total operating expense of a hospital is about equally divided between its payroll and its expenditures for supplies and expense items. Of the fifty per cent of total costs devoted to supplies and expense, many items involve but little consideration in the matter of purchase. Such fixed items as water, gas, electricity, taxes, insurance, and fuel oil contribute a considerable quota of this amount. The careful manager will find means, however, of regulating the amounts consumed and in this manner control the costs of these items. The several hundred remaining articles which make up the varied purchases of the average hospital are subject to extensive variations in quality and price and it is in this type of expenditure where much money may be saved or lost to the institution.

Methods Used in Buying

Some hospital executives buy direct over their desk a considerable portion of the supplies needed, but few have sufficient ability in determining quality or accurate knowledge of markets or of the needs of the institution to adopt such methods. Executives should recognize their lack of ability to have sufficient information at their finger tips to enable them to buy with intelligence these several hundred articles and should surround themselves with safeguards adequate to secure such data before orders are placed. An executive in an institution of any size should have as his assistant in this phase of his work, a purchasing agent, or a combination purchasing agent and storekeeper. Such a person can assist in the matter of securing data on price and quality, many times assembling samples for perusal and inspection. Information as to amounts used during stated periods can also be secured by this person as many times the price is affected by the quantity purchased. Heads of departments

are of great assistance and can be utilized by asking their opinions as to economies in purchasing. The accumulation of sufficient data to insure intelligent buying is a laborious process and can occupy profitably a considerable portion of one person's time even in small hospitals.

Interviewing Salesmen

Salesmen many times are of valuable assistance in furnishing information about purchases. Such representatives can be of real assistance and their visits should be encouraged rather than discouraged. If the executive is occupied or does not wish to interview the salesman, the purchasing agent or storekeeper can assist in this duty. Many times the storekeeper has items to be discussed with salesmen regarding back orders, deliveries or breakage, which can be more easily adjusted personally than by letter. The salesman who makes himself offensive by urging his supplies upon a customer is usually susceptible to discouragement provided the storekeeper has protected his purchasing in the proper manner. I think that all executives could well afford to adopt the rule that no orders are to be placed through solicitors or salesmen direct. After such a rule has been in practice a few months, the regular salesmen will understand the situation and conform to the general practice. The infrequent visitors will not welcome such routine but it is this type of salesman that should be handled the most carefully and with whom orders should be placed only after thorough consideration. The salesmen who are offended by such procedure are the ones against whom caution should be most diligently exercised. Favors extended by salesmen should be discouraged as the purchaser should feel free from obligation and free to direct his purchases to the firm where price and quality alone merit the business.

Purchasing by Contract

Contract purchasing is a common means of securing standard commodities used extensively and continuously. Articles to be bought advantageously in this manner are meat, eggs, milk, butter, fuel oil, and similar items. Any firm, if guaranteed your

undivided patronage for a considerable period of time, can afford to make special concessions in price, manner of delivery and service rendered. Staple articles, therefore, should be purchased in this manner whenever possible. In securing data before letting such a contract, prices not only should be stipulated but qualities and brands should be specified. The time covered by such contracts varies with the commodity being purchased. Quarterly contracts are common where prices fluctuate greatly, as with meats. In other instances, on such articles as soaps, anesthetics, etc., contracts may be let on a yearly basis with a reduction in price from the regular market quotation and with a guarantee that should the market fall below the contract price the buyer is protected and given the new rate.

Seasonal Buying

Great savings are affected in some instances through seasonal buying. The market price on many products shows a seasonal fluctuation which can usually be relied upon. In such cases, and where storeroom facilities permit, it is advisable to buy in large quantities, the goods to be delivered several months subsequent to the placing of the order. Potatoes, apples, canned goods, and cotton supplies are articles which can be bought with profit on this basis. Frequently a contemplated saving is more than offset by decay or destruction through heat or cold where storage facilities are not proper, hence the placing of large orders should be given careful thought.

Buy in Original Factory Containers When Possible

Ordering supplies in original factory containers is another form of economical buying. Drugs and chemicals vary greatly in price depending upon the quantities requested. Great savings are often realized through slightly varying the quantities purchased, thereby avoiding charges plus percentage of profit for breaking original packages and repacking.

Secure Quotations

The vast majority of hospital supplies, however, are ordered irregularly as occasion warrants or when the stock of supply

is nearly exhausted. In making such purchases it frequently pays to secure quotations before placing orders. This is not always practical, but if the order involves an expenditure of \$25 or over, it is safer to secure quotations than to place the order direct without inquiry. A quotation sheet will often bring information, other than price, which was not contemplated when the request for quotation was made and may change completely the nature of the order.

REQUEST FOR QUOTATION

SANTA BARBARA COTTAGE HOSPITAL
THIRD AND BATH STREETS
SANTA BARBARA, CALIFORNIA

First Name Los Angeles Soap Co. Date April 3 1924
 Street 633 E. First St.
 City Los Angeles, Calif.

GENTLEMEN:
 We should like you to furnish us with quotation on the following items:

QUANTITY	ARTICLE AND DESCRIPTION	PRICE QUOTED
1 Roll	batton knitted padding 50 in wide	

Very truly yours,
 G. W. CURTIS, Superintendent

Illustration I. Request for Quotation.

Request for Quotation Form

The use of the quotation sheet is so simple as to require but a brief explanation. This sheet should be made out in duplicate, the original going to the firm from whom the quotation is requested and the duplicate retained for the files of the store-room. These duplicates may be filed by firm name, alpha-

SANTA BARBARA COTTAGE HOSPITAL

THIRD AVENUE AND BATH STREET
SANTA BARBARA, CALIFORNIA

No 6451

PURCHASE ORDER

FIRM NAME Mission Office Equipment Co. Date January 3 1924

STREET 1234 State St.,

CITY Santa Barbara

BILL CONTAINING OUR ORDER NUMBER MUST ACCOMPANY GOODS
IN DUPLICATE

BACK ORDERS TO BE SHIPPED PREPAID

PLEASE DELIVER THE FOLLOWING.

QUANTITY	ARTICLE AND DESCRIPTION	PRICE QUOTED	DATE DELIVERED
3 doz.	Dark tan Desk Blotters		
1000	Marking Tags -33B		
4 doz.	Red Cards like sample enclosed <i>sus</i>		

Shipping Instructions Messenger

Deliver not later than _____

Department Ordering Stores

SANTA BARBARA COTTAGE HOSPITAL

By *G. M. Curtis*

(COPY FOR VENDOR)

Illustration II. Purchase Order, Original Copy. The item of Blotters shown above is also shown as an entry in other illustrations, see Stock Card and General Requisition.

SANTA BARBARA COTTAGE HOSPITAL

THIRD AVENUE AND BATH STREET
SANTA BARBARA, CALIFORNIAN^o 6451

PURCHASE ORDER

FIRM NAME Mission Office Equipment Co. Date January 3 1924STREET 1234 State St.,CITY Santa Barbara,

PLEASE DELIVER THE FOLLOWING:

QUANTITY	ARTICLE AND DESCRIPTION	PRICE QUOTED	DATE DELIVERED
✓ 3 doz.	Dark tan Desk Blotters	1035	2/27
✓ 1000	Marking Tags -33B	1036	"
✓ 4 doz.	Red Cards like sample enclosed <i>sum</i>	1037	"

Shipping Instructions Messenger

SANTA BARBARA COTTAGE HOSPITAL

Deliver not later than _____

By *sum*Department Ordering Stores

BILLS APPROVED FOR PAYMENT

Items ✓ Date 3/12/24 By FLP Voucher Check Number 2434

Items _____ Date _____ By _____ Voucher Check Number _____

betically. As the originals are returned, the duplicates may be destroyed and thus the file remains active. If desired, a file may be maintained of returned quotation sheets. This is also arranged alphabetically but with a special section for each firm as it will be more voluminous than the active file of quotation sheets. Past quotations may easily be referred to in such a file and in some instances render valuable information in purchasing. The form, *Request for Quotation*, is illustrated on page 56.

Use of Purchase Order Form

The *Purchase Order* illustrated on pages 57 and 58 is in triplicate sets, the original copy of which is mailed to the vendor and the duplicate and triplicate copies are for use in the storeroom and bookkeeping offices. It is desirable to record all purchases on this order form, the exceptions being such items as are delivered daily, bread, milk, meats and similar items. Bills for articles of this description may be checked for payment against the daily delivery tags which have been approved by the person receiving the goods.

The two carbon copies of the *Purchase Order* should be sent to the storeroom or receiving department when the original is sent to the vendor. The duplicate copy should remain on file here in numerical order and the triplicate copy filed by firm name alphabetically. These two files act as a cross index to each other, the *Purchase Order* being available when either the firm name or the purchase order number is given. As the goods are received, delivery is indicated on the duplicate copy opposite each item and under the columnar heading "Date Delivered." After each item, it is also indicated whether the item is issued direct to a department or put into stock. The property number alone inserted after an item indicates it has been placed in stock. If it is issued direct to a department, an abbreviation of the department name written opposite indicates the department receiving the goods.

When all items on a *Purchase Order* have been received and the delivery noted thereon, the duplicate order should be forwarded to the bookkeeping department for further attention. Breakage and shortage should be indicated for guidance in the

payment of bills. Upon receiving the *Purchase Orders* properly completed by the storekeeper, the bookkeeping department files them alphabetically. This file of *Purchase Orders* is used as the basis for the approval of bills by the bookkeeper. As bills are checked against *Purchase Orders* for payment, the *Purchase Orders* are attached to the approved bills until the check in payment has been written. Notation at the bottom of the *Purchase Order* may then be made as to what items have been approved for payment, the date they were approved, who approved them, and on what check number they were paid. After this data has been recorded at the bottom, the *Purchase Order* is filed again numerically, but this time in the bookkeeping office. If partial delivery only has been received and partial payment only made, the *Purchase Order* goes back to the storekeeper for further attention and repeats the above process until complete delivery or cancellation has been recorded. There is room for recording but two payments at the bottom of the *Purchase Order*. Additional payments when necessary can without difficulty be crowded into the space at the extreme bottom of the sheet.

In summary, then, the original *Purchase Order* is mailed to the vendor. The duplicate *Purchase Order* first goes to the storeroom and is filed numerically as a receipt of goods file. Second, it is sent to the bookkeeping department and is filed alphabetically until bills are paid and their payment recorded. It is then filed numerically in a permanent file in the bookkeeping department. The third copy of the *Purchase Order* is sent direct to the storeroom and is filed in a permanent alphabetical file.

Value of Purchase Order Form

By universal use of this *Purchase Order* form the promiscuous buying by individuals throughout the institution may be eliminated. A rule should be put into effect that no buying is permitted except through the medium of this form. All *Purchase Orders* should be signed by the chief executive or superintendent and all expenditures thus approved before any obligation has been incurred. It is important that the department

ordering should be indicated on the *Purchase Order* form as it assists the storekeeper in knowing to whom the supplies are to be issued when received. The judicious use of the *Purchase Order* will produce economies in any institution which has formerly delegated authority in buying to several different persons.

Receipt of Goods

Strict attention should be given to the receipt of goods. The receiving entrance, located near the storeroom and equipped with a platform scale for checking weights, should be a place which can be locked so that late arrival of goods may be safely kept pending a proper check the following day.

Receipt of Goods Book

As goods are unpacked they are weighed, counted, or measured as the case may demand. Thorough checking as to quality and comparison with samples submitted, where such has

RECEIPT OF GOODS BOOK

Firm Name	Date Received	Order Number	Disposal	Property Number	Invoice	Stock Cards	Article
Barker Bros.	2/9/23	2 0 7	Mat. W.	—	63.00	✓	2 Dressers-Walnut
Nathan-Dohrmann	2/9/23	7 6 0	Stock	1 0 7 8	18.00	✓	72 Cream Pitchers Glass 2 Oz.

Illustration IV. Receipt of Goods Book

been required, is essential. The condition of the shipment should also be noted and claims for shortage, damage, or breakage promptly made. A *Receipt of Goods Book* should be kept wherein is recorded the date the goods were received, followed by the firm name from whom received, the articles received, the purchase order number, the property number if the article is put into stock, or, if issued direct, the department receiving the shipment or article. A special column is reserved for each type of information enumerated. A stock book without columns may be purchased and ruled by hand for this work, or better, a book printed and ruled especially for this purpose

secured. A sample page from such a book is illustrated on page number 61.

Complete Storeroom Records as Aid to Purchase

The department of property and supplies, or the storeroom, is often much neglected and relegated to a portion of the building that is dark, damp, unventilated, and unfit to use for any purpose whatever. Money spent in properly conducting a storeroom is repaid several fold. If a storeroom is used as a place for pushing in and piling up a certain unused portion of an order and later the remainder is handed out on a "help yourself" basis, the institution is open to waste and extravagance. First, in purchasing, it is difficult to know how much to purchase as no systematic records of consumption or use are available. With a certain amount of difficulty the old invoices may usually be traced and consulted but at least the information is not easily procurable and no data is on hand to show what the present supply is and a physical count must be made to determine this information. Possibly in this count items or whole cases of items may be overlooked. Buying without proper storeroom records is at best a haphazard procedure; overstocking is common and frequently duplicate orders are placed. Stock deteriorates rapidly if not kept dry and in a well ventilated room. Many articles of value are damaged or destroyed if not stacked neatly in perfect order on shelves. This is true of such items as stationery, printed forms, glassware, and dishes. To repeat, great economies result from a properly conducted, suitable storeroom and from complete, well kept, storeroom records.

Requirements of a Good Storeroom

A good storeroom should conform to the following requirements:

1. It should be well located. The delivery entrance should be conveniently nearby. It is best to have a storeroom arranged in such a manner that the delivery entrance is at one end of the room and the issue entrance at the opposite. In this manner deliveries need never block the issue entrance and when large shipments arrive they may be properly handled without hinder-

ing the issue of supplies. Visitors to the storeroom on business are then not able to look over and handle new arrivals of goods and, as often happens, damage some article the mechanism of which they do not understand.

2. It should be well equipped. A railing or fence may shut off the storeroom proper from hospital employees and visitors. Some clerical work must necessarily be conducted in the storeroom for which adequate furniture and office appliances must be provided, the character of which depends entirely upon the volume of business and size of the institution. Stacks of shelves are most convenient when opening on two sides with plenty of passage space between the stacks. The shelves could well vary in width and height to accommodate various articles. Racks are best for some types of supplies, bins and drawers for others. Stock is equivalent to money and it should be stored in such a manner that it is accessible yet protected against undue handling. The storeroom equipment is, of course, incomplete without a light truck for moving heavy articles and a platform scales as already mentioned.

3. It should be light, dry, and well ventilated. Many articles deteriorate rapidly if stored in a damp, dark room. Practically no item of stock, if stored for a sufficient length of time in such a place, will be able to withstand such storage and maintain its original standard of quality. Natural light and ventilation and some means of supplying artificial heat in damp, cold weather are important considerations. The outside windows can be protected by either heavy wire screens or iron bars to make burglary difficult.

Storeroom Records and Forms

The full benefits may not be derived from the storeroom unless proper records are kept. The *Request for Quotation*, *Purchase Order*, and *Receipt of Goods Book* have been described, all of which belong to the records of the storeroom. In addition to these, another very important part of the record system is the *Stock Card*. Note the arrangement of columns and data called for by this form as shown on page 64.

IMPROVED METHODS IN

ARTICLE Blotters SANTA BARBARA COTTAGE HOSPITAL CARD NUMBER 1
 DESCRIPTION Desk **STOCK CARD**

DATE	RECEIVED				ISSUED			BALANCE ON HAND		
	FROM WHOM PURCHASED	ORDER NUMBER	PROPERTY NUMBER	QUANTITY	UNIT PRICE	TOTAL PRICE	DATE	TO WHOM	QUANTITY	VALU
1924 3 1	Miss. Office Equipment Co.	1045	1035	36	09	3 30	3 5	Acct	2	34

Illustration V. Stock Card. Goods received are posted to this card from Receipt of Goods Book. See also Purchase Order illustration II and III and General Requisition illustration VI.

Use of Property Numbers

In describing the *Receipt of Goods Book*, it was stated that all goods which were placed in stock and not issued direct, should be given a property number and this number recorded in the book under the proper column. This number acts as an identification and may be put into use by giving each type of article in stock a property number beginning with the number (1) and by using the next number available for each type of article until all are numbered. If there were 801 types of articles in stock there would be 801 property numbers. In this case, if all stock were properly numbered and 801 numbers had been used the first article recorded in the *Receipt of Goods Book* which was placed in stock would be given the property number 802. To illustrate further, assume 10 pairs of rubber gloves size $6\frac{1}{2}$ were given the property number 483 as the numbering system was installed. Also assume that the first item of goods to be received on the new basis and recorded in the *Receipt of Goods Book* was rubber gloves, size $6\frac{1}{2}$. Further assume that 801 numbers had been used as above mentioned, this second lot of rubber gloves, size $6\frac{1}{2}$, would then be given property number 802.

In changing over a storeroom record system where old records are discarded, or in beginning a new record system, it is necessary to inventory stock and these property numbers can be given to all articles at this time. During the inventory, if it is found that four sizes of rubber surgical gloves are in stock, four property numbers should be used. No two articles or groups of articles should bear the same number unless exactly alike. Later shipments should all be given new property numbers even though identical with articles already numbered and in stock. Therefore, it is probable that many types of articles in stock will be represented by more than one property number. Some rubber gloves size $6\frac{1}{2}$ may bear the property number 483 and others the property number 802. The highest property number always means the new stock and, therefore, assists the storekeeper in making issues, stock of the lowest property number being issued first. All articles should be marked in some manner, glassware and dishes with china marking pencil; the

number may be applied to the containers or coverings of other articles; and still others may be marked on the back or bottom without damage. By using initiative, a manner of marking or identifying every article may easily be found.

The Stock Record Card

The *Stock Cards* are made up from the *Receipt of Goods Book*. Every property number in this book forms the basis for a stock card entry. Where a card does not already exist for a certain article a new one is made up. There are three series of columns on the *Stock Card*, indicated as "Received," "Issued," and "Balance on Hand." From the *Receipt of Goods Book*, the first of these series of columns may be completed as the information is all contained in this book with the exception of unit price which may easily be computed. The date received, from whom received, order number, property number, quantity, and total price should all be transcribed to the *Stock Card*. In computing the unit price, it is better to use the nearest amount in even dollars and cents, fractions of cents being disregarded. If an article cost $17\frac{7}{8}$ cents, use 18 cents as the unit price. The total price and unit price should be the amounts billed, cash discounts not being considered in these computations. The card should be properly headed with the name of the article and its description in the proper space. The first should be numbered (1) and any subsequent cards to which entries are forwarded are numbered in sequence.

These cards may be filed in the bookkeeping office or in the storeroom. If the requisitions are priced in the storeroom the file should be kept there, and if priced in the bookkeeping office it would be necessary to have the *Stock Cards* on file in that office. They should be filed alphabetically by types or articles. The tabs in such a file would read as follows, aluminum ware, anesthetics, bandages, beads, books, buttons, blankets, and other similar headings, the number of divisions depending somewhat upon the size and type of stock carried. There will be many cards back of each division and if these are arranged according to property number, the lowest number appearing first and arranged numerically in order, the pricing of *General Requisitions* will be greatly facilitated.

The second series of columns shown on the *Stock Card* is completed when the *General Requisitions* are priced. Further explanation of this will be given when this step is described.

Every time an entry is made in the "received" or "issued" set of columns, the amount on hand is extended in the "balance on hand" series of columns under the heading "quantity." The column headed "value" is used only when inventory is taken, the value of the stock on hand is then computed on all cards and the total reconciled with the control account in the general ledger.

**SANTA BARBARA COTTAGE HOSPITAL
GENERAL REQUISITION**

UNIT Accounting and Records DATE March 5 1914

WANTED AND ISSUED	ARTICLE	PROPERTY NUMBER	AMOUNT	DESCRIPTION OR REMARKS
500	Letterheads	1247	4 25	
500	Plain paper	558	1 50	
2	Pencils	1085	12	
1	Box envelopes	575	1 75	
2	Desk Blotters	1035	18	
TOTAL				

Wright

Requested by

Anna K. Wright

Approved by

E. C. Carter

Received by

Anna K. Wright

FORM 10-417-22

Illustration VI. General Requisition. Note the item of blotters also appears in other illustrations, Purchase Order and Stock Card.

Advantages of Stock Record Summarized

The *Stock Card* has several distinct values aside from that of being a necessary link in a complete set of storeroom records. These may be summarized as follows:

1. A perpetual inventory of all stock on hand is obtained.
2. A complete record is furnished of purchases of any given article, showing when bought, price, quantity, and from whom received. This is of extreme value in purchasing.
3. A complete record is obtained of the issue of any given article showing the quantities issued, date of issue, and to whom issued.

Issuing of Supplies from Stores

Supplies may be economically purchased, carefully checked when received, stored in such a manner as to preserve all their original freshness and quality, and yet extravagantly issued and consumed. The issue of supplies should be just as carefully checked and controlled as is their purchase. This may be accomplished through the means of the *General Requisition* illustrated on page 67.

Avoid Hoarding

Discourage the hoarding of supplies by department heads. Where large stocks of supplies are kept on hand by a department, there is a tendency to be too generous in their use. Establish regular times of issuing supplies and dispense only amounts sufficient to care for the needs of the department until the next date of issue. Of course, in practical usage, it is not necessary to limit supplies on hand to such amounts and the theory in its application has to be moderated to meet varying circumstances and needs.

The interval of issue in some institutions is once a week; in others, supplies are issued as needed. It seems desirable to strike a medium between these two extremes. In small institutions, issuing weekly is sufficient while in large hospitals an issue every other day should certainly be adequate.

Use of Storeroom Requisition

No supplies should be issued from stock except through the medium of the *General Requisition* shown on page 67. Require all requisitions to specify the name of the department, bear a date, and be signed by the head of the department making the request. The person drawing up a requisition should complete the first two columns showing the amount wanted and the name of the article. The last column headed "Description or Remarks" is used only when extra explanatory data is necessary to describe the article adequately.

Supplies Issued on Exchange Basis

It is advisable to issue certain supplies on an exchange basis, having a published list of such articles. When these are requested, the exchanges should accompany the requisition to the stores or precede it. The word *Exchange* should be noted opposite such items under the column headed "Description or Remarks."

Approval of Requisitions Essential

It is imperative that all requisitions be sent to the administrator's office for approval by a certain hour on issue days. After approval has been secured, they are sent to the storeroom for issue. As the requisitions are filled the property numbers of the various articles are placed opposite under the column marked "Property Number." Items not in stock should be marked off the requisition and a list prepared of shortages. This list is then discussed with the proper administrative officer, when a decision is reached as to the advisability of purchase. Requisitions which have been filled as completely as possible from stock are signed by the person receiving the supplies and handed by the storekeeper to the bookkeeping department for further attention.

Requisitions a Bookkeeping Form

The bookkeeper then prices the requisitions from the stock cards which contain the unit prices of all articles. At this time, the proper deductions are made on the stock card under the

series of columns headed "Issued." The date of issue, to whom issued, and quantity issued is recorded and the amount subtracted from the old balance and the new balance extended under the column headed "Balance on Hand," "Quantity."

The requisitions are totaled after all items issued have been priced; they are then sorted by departments as completed during the course of any given month; and at the close of the month the various requisitions are summarized on a sheet of paper showing the total issues in dollars and cents to each department or subaccounts under a department. The account names on this summary sheet should appear in the same order as they occur in the account classification, as it facilitates entry in the *Internal Requisition Distribution Book* or through the *Journal Voucher*. The *Internal Requisition Distribution Book* and *Journal Voucher* will be described in detail in Chapter XI. By means of this entry the control account for stores is credited and the proper expenditure accounts charged.

Control Over Use of Supplies Possible

The control of the supplies used in an institution means the control of about fifty per cent of its operating costs. In the method outlined above, all issues are approved by the administrative officer in charge; if the supplies are not in stock a list of such shortages is handed this officer for discussion and approval as to purchase. If approved, a form of securing quotations is suggested and finally, after all the preliminaries of purchase are carried out, the purchase order must be submitted to the administrative officer for signature. In such procedure, the maximum of control is possible and the interests of the institution are safeguarded. Money saved means more to spend in other ways and to meet additional needs. Systematic business procedure cannot be realized without effort, but such practices furnish their own reward in the economies secured.

CHAPTER VI.

EMPLOYMENT AND PAYROLL RECORDS

Utilize Training and Experience of Department Heads

Approximately one half of the operating expense of a hospital is the amount paid to employees. The money spent in this manner is controlled more easily than the amount spent for other purposes. The greatest responsibility of the administrator in the matter of employment is the selection of competent heads for each department. Hospital executives are specially trained and equipped to understand the intricate details of management in only a limited number of departments. The scope of hospital activities is so extensive that it is fair to assume that most heads of departments are better trained for their particular work and have a better working knowledge of their own department than has the average hospital executive. The head of the institution must have at least a general knowledge of all work being conducted under his supervision, but this knowledge should be recognized by himself as purely general in character; therefore he should utilize the experience and technical training of each worker. The best administrators acknowledge these facts, carefully select their assistants to head each department, and when this has been done, place sufficient confidence and trust in those assistants as to ability and motives, to allow them to run their departments without interference. In this manner, the tremendous responsibility placed in the hands of the executive is delegated to the department heads, and his duties become purely those of standing by with assistance and sympathetic understanding as difficult situations arise. The superintendent who establishes such working relationships will find the responsibilities of his position diminished and will more easily retain the good will and respect of his subordinates.

The head of a large industrial organization once said that he paid his subordinates to bring decisions to him rather than to come to him for decisions. If department heads are well trained and selected because of their ability to manage a particular phase of hospital work, sufficient latitude of judgment

should be granted in order that they formulate plans to meet each vexing problem and bring a proposed solution of the situation to their superior for verification.

Each Department Selects Own Help

If department heads are responsible for the conduct of their respective departments, surely they should be allowed to select their own assistants. Responsibility must be coupled with the privilege of the selection, and discharge of help for whose actions responsibility is assumed. Such selection and discharge, of course, should receive the routine approval of the hospital superintendent since it is possible in such procedure to recognize the abuse of power at its inception before any harm is done.

Probably the best means of accomplishing such supervision over the employment and discharge of help and adjustments in wages, is through the means of the *Employee Record* card. This form is illustrated on pages 73 and 74. A rule may be established that no employee's name be recorded on the payroll, no change of rates be made, and no employee's name be removed from the payroll without such approval by the superintendent through the medium of this form.

Employee Record Cards

These cards should be in the hands of all heads of departments. As persons apply for work from time to time, their name and address, telephone number, age, dependents, social condition, training, qualifications, previous work, reference and other data may be recorded by the person in charge of a department and the card preserved by them as a convenient record of persons available for positions. Should the person be employed at a later date, the time he is to begin work should be inserted on the face of the card. The following data should then be added on the first line appearing on the back of the card: date, department, position, salary, perquisites and reason for the necessity of a change in the payroll. This should then be forwarded immediately to the superintendent's office for approval, which is indicated by placing his initials on the back of the card under the column headed "approved." The card then goes to the payroll clerk for recording the addition to the payroll. The

FORM NO. H.M. 9-522

SANTA BARBARA COTTAGE HOSPITAL
EMPLOYEE RECORD

Dept. *Sanitation*
Date *Nov. 16, 1921*

Name *Smith, John St.* Residence *7031 St. Arley St.* Phone *581.4*
 Citizen of *Canada* Age *37* Sex *Male* Dependents *None*
 Relative or Friend *Mr. Wm. Casgraves* Address *2117 Bastille St.*

Social Condition *Single*
 Education *Elementary*
 Special Training *Chief*
 Previous Work *Sold Fish Cafe*
 Qualifications *Ten years experience*

VACATION		SICK LEAVE	
FROM	TO	FROM	TO
<i>Dec 15 1923</i>	<i>Dec 15 14</i>	<i>April 10</i>	<i>April 15</i>
<i>Jan 15</i>	<i>Jan 29 14</i>	<i>May 1</i>	<i>Jan 10 10</i>

LEFT EMPLOYMENT
 Date Resigned *April 20, 1924*
 Reason *Discontinued*
 Date Discharged
 Cause
 Approved by *[Signature]* Superintendent.

Illustration VII. Employee Record.

DATE	DEPARTMENT	POSITION	SALARY	PERQUISITES	REASONS FOR CHANGE	APPROVED
1921 11/16	Subsistence	Chef	175 ⁰⁰	3/3	Review Arthur Costello <i>S.S.</i>	<i>S.S.</i>

Medical Examination November 15 1921

I have examined the above applicant and find him physically sound

Signed Ken A. Williams M. D.

card is then filed in an alphabetical file of employees on duty and becomes the authority for issuing salary checks.

Termination of Employment

Should an employee leave or be discharged, the head of the department concerned calls immediately at the payroll clerk's office, asks for the employee's card and records on the face of the card in the lower right hand corner the date of resignation or discharge and the reason or cause of the termination of employment. This then secures the approval of the superintendent and the name is removed from the payroll records. The card is then placed in an alphabetical file of employees who have left the institution. This inactive file is of value in tracing former employees or in giving information concerning their past employment at the institution.

Changes in Rate of Pay

Increases or decreases in rate of pay are also recorded on the back of this card in the several lines reserved for this purpose and in every case such change must be approved before it is put into effect. In this connection, it is convenient to adhere strictly to the rule that no increases are to date retroactively but must take effect subsequent to the date of submission. All of these approvals may be made routinely, except when disapproval or additional information is desired, whereupon the department head is summoned to appear and give further reasons for the recommendation.

Medical Examination of Employees

Employees in some departments of an institution should undergo a medical examination before reporting for duty. Such examinations should be recorded on the back of the card and signed by the examining physician. Hospitals should at least require this formality of those employees assisting in the preparation, cooking, and serving of food.

Leave of Absence

Space is also provided on the face of this card for the recording of vacations and sick leaves granted on pay. Leave of absence without pay should be indicated as such. This in-

Form No. -3M-5-23

SANTA BARBARA COTTAGE HOSPITAL
VACATION AND LEAVE RECORD

_____ June 1 1924

To The Superintendent:

I hereby make application for leave of absence *with* pay, from *June 1st*
(with or without)

to *June 29* inclusive, for the purpose indicated:

vacation
(vacation, sick leave; personal reasons, official business)

During the past year I have been absent from duty with pay *25* days.

I have made arrangements to conduct the department in a satisfactory manner during this period.

By *Frances E. Osburn*
Department Head

Signed *Anna M. Murray, M.D.*
Approved *R. H. Curtis*

Illustration IX. Top half of Vacation and Leave Record.

SANTA BARBARA COTTAGE HOSPITAL
VACATION AND LEAVE RECORD

June 5 1924

To James K. Wright

Your application for absence from duty from

June 15

to June 29, inclusive, has been approved, with pay from

June 15 to June 29

inclusive, and without pay from _____ to _____ inclusive

G. W. CURTIS, Superintendent

By

G. W. Curtis

Illustration X. Lower half of Vacation and Leave Record.

SANTA BARBARA COTTAGE HOSPITAL
REGULATIONS RELATING TO ABSENCE FROM DUTY

VACATIONS

All permanent employees of the hospital shall be entitled to a vacation of two weeks for each year of service, such vacation to be taken at the convenience of the employee and the institution. A vacation shall be considered earned at the close of the first year of service and shall be taken subsequent to that time. However, where it may seem desirable, and at the option of the hospital, a vacation of one week may be taken at the close of the first eight months of service, this is to be considered as a portion of the vacation for the first yearly period.

Employees shall be considered permanent at the close of the first year of service.

It shall be the general rule that no substitute employee will be hired during a vacation period, but that temporary arrangements will be made to satisfactorily cover the service during the time an employee is off duty.

Vacation leaves shall not be cumulative. All vacations must be approved by the head of the department concerned and by the Superintendent and be made a matter of record.

SICK LEAVE

Permanent employees shall be entitled to a sick leave or leaves of not to exceed two weeks per year.

All sick leaves shall be approved by the head of the department concerned and by the Superintendent and be made a matter of record. The heads of departments shall acquaint themselves with the circumstances in each case before approving a sick leave. Substitutes shall not be hired to take the place of employees on sick leave except in unusual cases.

formation is secured from the *Vacation and Leave Record*, which is another payroll form of great value. It will be described in detail and is illustrated on pages 76, 77 and 78.

Value of Employee's Records

The *Employee Record* card is one of the most useful of forms as it not only systematizes the transactions pertaining to the payroll and becomes a complete history of the employment of every employee, but it also establishes a maximum amount of supervision of payrolls with a minimum amount of effort expended.

Employment of Help Requires Analysis of Person and Job

It is difficult to describe the characteristics and qualities of a valuable employee, as the importance of these attributes varies with the requirements of the position to be filled. To employ help successfully requires ability to analyze the person and the job. Each applicant for a position will no doubt possess some desirable traits; it is not possible to have all such qualities present and developed to a high degree of perfection in each employee. In some positions rapidity of thinking and action is more important than precision and accuracy. In other positions mistakes are costly or fatal. It is necessary, therefore, to know the requirements of a job and to secure the greatest possibilities of fulfillment in the person employed.

Qualification of Heads of Departments

There are several requirements to be met in the selection of heads of departments, which should be given precedence over the consideration of the technical training and experience of the applicant. The work of every department must correlate properly with the work of the entire institution. Persons capable of supervision must be fair in their estimation and treatment of other people. They must be strictly honest in deed as well as in principle. They should never make their authority apparent and offensive to employees working under their charge. They must be compatible, willing to adjust themselves and their work to meet trying conditions which may arise and difficult people with whom they may come in contact. Fairness of mind,

honesty of purpose, and compatibility of manner are traits which will many times overcome handicaps due to lack of training or experience and hence should certainly not be overlooked by employer or employee. Sometimes employees are retained in service because of their great technical knowledge and ability only, but under such circumstances their place should never be considered secure.

Payroll Book

All payroll rates are determined through the means of the *Employee Record* card, the payroll records being prepared originally from this source. The payroll book need not be a specially designed form. Several varieties to suit various requirements are usually on display at any stationery store and should contain columns for recording the employee's name, number, if used, rate of pay, total time worked, and amount paid. The names of employees should appear grouped under the various department headings as worked out in the plan of organization and in the same order as listed on the account classification under the section headed "Expenditures." The total salaries paid by departments should be extended in this book as well as the amount paid to each individual. This facilitates the handling of the payroll distribution by departments as will be explained further under *Voucher Checks*.

Time Keeping

The various heads of departments should keep uniform time books which can be turned in at the payroll clerk's office on the last day of the payroll period. In some hospitals and where the number of employees warrants its use, a time clock should be installed. Where such a system is employed, heads of departments should approve the cards and hand them to the payroll clerk for recording.

Pay By Check

The most satisfactory method of wage payment is by check. When this plan is used, the cashier should not be expected to become a paying teller and cash payroll checks out of hospital

receipts. Employees may be urged to deposit their checks and, in turn, transact their business through the medium of the bank.

Santa Barbara Cottage Hospital SUPERINTENDENT ACCOUNT G. W. CURTIS	THE FIRST NATIONAL BANK	NO. 6601
	OF SANTA BARBARA, CALIFORNIA (90-155)	
	Santa Barbara, Calif., <u>April 3.</u> 192 <u>4</u>	
	Pay to the order of <u>John Smith</u>	<u>\$175</u>
	<u>One Hundred Seventy - Five & No/100</u>	Dollars
SANTA BARBARA COTTAGE HOSPITAL		
BY _____		

Illustration XII. Payroll Check.

Santa Barbara Cottage Hospital SUPERINTENDENT ACCOUNT G. W. CURTIS	THE FIRST NATIONAL BANK	NO. 6601
	OF SANTA BARBARA, CALIFORNIA (90-155)	
	Santa Barbara, Calif., <u>April 3.</u> 192 <u>4</u>	
	Pay to the order of <u>John Smith</u>	<u>\$175</u>
	<u>One Hundred Seventy Five - No/100</u>	Dollars
COPY		

Illustration XIII. Duplicate copy Payroll Check.

The Payroll Check

The form of *Payroll Check* recommended is shown above. It will be noted that a carbon copy of each check is written at the same time the original is prepared. The carbon copy is of value in the reconciliation of the bank account and in the preparation of the list of outstanding checks. These copies are placed on a thin cheap grade of paper of a different color from the *Payroll Checks* and are marked "Copy" so that

there is no danger of confusing them with the originals. The checks are printed six to the sheet, thus facilitating their preparation when large quantities are being typed. The original checks are perforated, the copies being left in sheet form. The originals and duplicates are padded in book form for convenience in handling; this also prevents them from becoming disarranged numerically. As the checks are cleared through the bank they are filed numerically and the carbon copies are placed in the covers in which they were originally padded, thus forming a convenient means of storage.

Check Protection

A protected check should be the only form issued as it is a reasonable precaution to take and the machines available for check protection are safe, easy to operate and last indefinitely with practically no repair. Any bank will be glad to recommend a desirable protectograph, and this advice should be sought as several machines on the market are not suitable for large general office purposes.

Advantages of Paying by Check

Making cash payments to employees is not a good policy. Advances, if handled in the usual manner by check, are not overlooked when the regular payroll is prepared. Payment by check eliminates the hazard in drawing large sums of money from the bank and disbursing it on pay day; it prevents disputes as to money contents of pay envelopes and the necessity of having each employee receipt for his salary. Employees also should appreciate this form of payment as it reduces the hazard in handling considerable sums of money. A lost check can usually be recovered, if not, payment can be stopped and a new check issued to the employee. Loss of a pay envelope is seldom recovered.

Form Used for Request of Absence from Duty

The use of a form which will systematically care for the approval of absences, with or without pay, due to sickness, vacation, and leave for personal reasons or official business is highly imperative in any hospital. It is not safe to rely on memory

in such an important matter for it will be found that under such circumstances employees are prompt to take advantage of a lack of records. A *Vacation and Leave Record* form, such as shown on pages 76 and 77, should be available to employees at the business office. These may be given out on request. A rule can be put into effect that before a leave of any sort is granted, except in cases of accident, sickness or other unforeseen absence, the form is to be completed, proper approval secured, and notification returned to the employee. This form provides space for a statement of the length and purpose of the leave of absence desired. It should be stated as to whether the absence is requested with or without pay. Space is also provided for a statement as to the date of employment of the employee and how many days have been granted on pay previously that year. This form is then handed to the head of the department for approval. If approved the departmental head sends the form to the payroll clerk's office. Here the statements as to time off on pay and date of employment are verified and such verification indicated by the payroll clerk placing his okeh on the record form. The form then goes to the superintendent for approval. If approved or disapproved the payroll clerk fills out the lower half of the form accordingly and sends it back to the department from which it originated as notification. The record of such approved leaves of absence is then posted on the *Employee Record* card in the lower left hand corner under vacation or sick leave as the case may warrant. Notations are made on the payroll book for purposes of computing salary paid and the form then filed by name alphabetically.

Rules Governing Absence from Duty

The rules governing absence from duty should be published on the back of this form in order that there may be no misunderstanding regarding privileges allowed. A suggested set of such rules is shown in the illustration on page 78. These rules of course may be changed to suit the needs and requirements of various institutions. Employees are quick to sense unfairness, and special favors granted some employees, which may not be shown others of the same class and status, cannot be kept a secret.

Published rules and their uniform application is the easiest and most sensible manner in which to handle this problem.

Housing of Employees

The type of quarters furnished help is a great factor in securing and holding reliable people. Few hospitals build quarters for their employees, unless situated in such a manner that help cannot be expected to live outside the institution. Most hospitals which house their help do so because they have a building which has been discarded for the purpose it was originally intended, and the use of it as quarters for employees turns a building which would otherwise be sold and removed or wrecked into a source of reduction of operating expenses. When such quarters are utilized, it must be kept in mind that a man or woman who will be content with unsanitary, unhealthy quarters is not usually a fit employee to keep on the payroll. The employees who do remain on duty are those who cannot find employment elsewhere and thus what was looked upon as a potential asset in the operation of the institution is in reality a detriment and an expense to the operation of the plant. Quarters for help should be light, well ventilated, with small but individual bedrooms provided, and some space devoted to recreational rooms. Plumbing and bathing facilities should be of the best as sickness caused by unhealthy quarters could easily be a menace to employees and patients alike.

Cheap Versus Good Help

Cheap help is not always economical help. Some administrators turn to the payroll as the most apparent means of curtailment of hospital costs. If the salary of a position is reduced \$10 per month it seems logical to assume that \$120 per year in operating expense has been saved. The payroll is the last point at which economies of operation should be considered. Superior help, paid a good salary, many times can accomplish work which would require a greater number of employees paid a lower wage. Every employee consumes supplies, in some instances the supplies consumed in one day equal many times his salary. It is not difficult to imagine, therefore, that a \$10 reduction per month in the salary paid a given position might require an in-

crease in expenditure of several times that amount for supplies consumed or utilized by that person. It naturally may be assumed, therefore, that sometimes an institution can save money by increasing rather than reducing the size of its payroll.

Factors Which Control Rates of Pay

It is not to be inferred that all salaries in any institution can be raised and thereby expect to effect a saving. There is a limit to which such a rule could be applied with profit and when it is felt that the saving is not equivalent to the increase of wage paid, the maximum in salary has been reached. Salaries for the same class of help vary in different localities; demand and supply regulate wages to a considerable extent; custom is a factor in determining rates of pay and may be used to advantage in some instances; seasonal demands for help also contribute an element not to be overlooked. These and other factors enter into the rate of pay in any contract of employment, yet are subsidiary and unimportant when contrasted with either of these questions,—are we employing cheap help or are we employing help which will assist in the economical administration of the institution?

The Golden Rule Applied to Employment

People vary greatly in mannerisms and appearance, yet all have certain characteristics in common. It is the administrator who judges help by their apparent differences rather than by the traits fundamental to all human nature who finds his problem of employment difficult. Most people appreciate fairness and despise favoritism, admire honesty of purpose and abhor treachery, thrive on praise of their good qualities and thus are assisted and encouraged in overcoming their faults. The employer, the hospital superintendent, or the head of a department who recognizes that his employees enjoy being treated in such a manner as he enjoys being treated himself, and thus applies the Golden Rule to his employment problem, is sure to find that human beings the world over respond to such treatment and accordingly the problem of employment loses some of its previous difficulties.

CHAPTER VII.

CONTACT WITH PATIENTS AND PUBLIC

Impressions on Entering Hospital

First impressions are usually the most lasting and it is important that they be favorable to the hospital. Thousands of patients, visitors and the general public pass through the entrance and main corridors of the average sized institution annually. Here is a fine potential asset to a hospital provided these casual observers are impressed favorably. Many striking illustrations where an attempt has been made to create such impressions might be cited. Beautiful gardens, lawns, and attractive architectural features of the building near entrances all tend to provide an atmosphere of cheer and hospitality. The receiving corridor, offices and waiting rooms should be made to attract rather than repel the visitor. A few draperies, attractive and comfortable furniture, flowers, ferns, and various other home-like furnishings are desirable. The offices, information desk and telephone exchange should be accessible to the public without search or annoyance. Bad impressions are often created and unfavorable comment given when the public is left to drift aimlessly about seeking information and places which should obviously greet them on entrance to the building. It is not intended to suggest a definite plan of office arrangement but rather to mention features which do have a direct relationship in the successful operation of the utilities found in any public institution.

The Information Desk

It is not to be expected that the general public will be able to care for itself and to satisfy its many wants. Information service should greet the person entering the building and be available from early morning until late at night. This service should, of course, be combined with other duties in the small hospital. The most usual and satisfactory combination is that of having the telephone operator give out such information as is required. Signs of a conspicuous yet attractive nature placed

in the corridors assist materially in routing traffic. Combining the duties of cashier, admission clerk and information clerk is also possible in the average sized institution. The facilities which should be available at such a desk, regardless of what scheme or combination of duties is used are as follows:

1. Alphabetical register of patients in the house.
2. Alphabetical register of patients recently in the house.
3. Bed chart.
4. Physicians' and nurses' registers.
5. Call system.
6. Messenger service.
7. Mail service.

Register of Patients in Hospital

The alphabetical register of patients in the house is corrected daily. New admissions should be available at this point so that current information regarding location of all patients is correct. Probably the most accessible form for such a register is a type of visible index cards, a patented device of which there are several varieties. At the time a patient is admitted and information is secured for the medical history record, a carbon copy of the general information which should be available in such a register and on the patient's ledger account can be obtained. If a four by six card is padded alternately with the admission form, and the admission form is designed with this object in view, the admission record and the card for the visible index may be obtained at one writing. This small card should go immediately to the bookkeeper in charge of the ledger accounts and the history admission sheet accompany the patient to form the nucleus of the medical history record. When the ledger account has been set up from the information available on the card, the card should then go to the information desk for inclusion in the patients' alphabetical register.

A report of admissions and discharges should be checked with this register daily to keep it current with the hospital census. This register furnishes information for answering many questions. The data on such cards consists of patient's name, address, telephone number, age, occupation, sex, business ad-

dress, name and address of relative or friend, name and address of person to whom bill is to be sent and location of patient in the hospital. Securing complete data when patient is admitted saves time and confusion later and often saves the institution money in allowing bills to be rendered promptly and to the proper person.

Register of Patients Recently in Hospital

The admission card, when removed from the alphabetical register of patients in the house, should be placed in an alphabetical index file of recently discharged patients. It is well to keep such cards segregated by months. Three indexes should be provided, one for the discharges of the current month and two for the discharges of the past two months. Each month the cards back of the index tabs in the most ancient file may be removed and discarded. Information regarding patients discharged more than two or three months previously is seldom desired and can be had at the record office from the medical history.

Bed Chart

The bed chart is a very important adjunct to the information desk. Various types may be used, but regardless of type, it should show at a glance the rooms or beds occupied, reserved, and vacant. If the wall type is used a little card holder of some form can be utilized to indicate each bed. One color of cardboard may indicate a bed is occupied, another color that a bed is reserved. The patient's name and room number should be printed or written on the card. A holder with no card indicates a vacant or available bed. The vacant space can show the room or bed number and rate per day. This information may be printed on the board under each card holder.

A very desirable form of bed chart and also one which may be made up at a moderate cost is that of sliding panels which can be attached underneath the information desk or counter. Each panel, which may be pulled out in view as the writing shelf on a desk is pulled out in view, contains one of the nursing units of the hospital. On this panel is sketched in paint a floor plan of that particular unit, showing patients' rooms, wards, and corri-

dors only. A small circle in the rooms or wards indicates a bed. The price of the room or bed and also the room or bed number is painted on the panel. A thumb tack of one color may be used to indicate an occupied bed, and of a second color to indicate a reserved bed. A tiny slip of cardboard attached under the thumb tack should bear the patient's name. Such a chart gives the clerk a mental picture not only of vacant, reserved, and occupied beds, but also their definite location in the building such as front or rear. Such information often facilitates a choice on the part of the patient as he can picture to himself the portion of the building he is to occupy. The information on this chart should be maintained accurately from the admission and discharge lists. Reservations can be immediately recorded on the chart and no mistakes are possible in reserving rooms. A telephone should be immediately adjacent to the bed chart and the patients' register.

Staff Register

Some form of visible index device should be available at the information desk giving the names, addresses, and telephone numbers of staff doctors, staff nurses, and administrative officers. Many times an information desk is unsightly because no facilities are provided for accurately and systematically keeping data necessary for such service. Slips of paper, cards and notebooks are then resorted to and the information is not only unavailable but the entire service is retarded, the public waits unnecessarily and bad impressions are created.

Call System

An information clerk is continually called upon to locate persons in distant parts of the building. Some form of automatic call system is practically necessary as the telephone does not handle satisfactorily this feature of the work. If the institution is small, special rings on the telephone for persons wanted frequently are used with success. In the larger hospitals other devices must be utilized such as the magnavox system of paging. It is noisy however, and objections are raised to its repeated use as the tones are loud and very annoying to the sick, nervous patient. A quiet form of paging is the electric light system which

seems very satisfactory but is limited to a definite number of persons who may be called. Located conspicuously at the ends of all corridors is a box in which are many compartments each having a small electric light which when lighted from the central information desk will shine through the front walls of the box, which are made of glass, and display a number which is of course understood to designate some person of the hospital staff. This form of call system is expensive to install and has a definite limit as to the number of persons who may be called. Regardless of method used some form of call system other than that furnished by the telephone should be installed in a hospital of over one hundred and fifty beds.

Messenger Service

It is desirable that some form of messenger service be maintained by the hospital. Flowers, mail, packages, and messages should be conveyed promptly by the office boy or girl to patients' rooms and to the various department offices, such services being directed from the information desk.

Mail Service

The mail service may be handled from the same desk. Incoming mail should be distributed and forwarded promptly and outgoing mail made up and stamped. Have all first class official mail delivered at this desk for posting and provide stamps at no other place in the hospital. Consider mail delivered sealed without postage as personal and if no return address other than the hospital is given, open the letters and return them to the writer for postage. Forward promptly mail for patients or employees who have left the hospital. Any forwarding instructions for patients' mail may be noted on the back of the admission card which will be found in the alphabetical register of patients recently in the house. Data for forwarding employees' mail is secured from information on file in the payroll clerk's office.

Securing Good Will of Public

Regardless of the size of the hospital or number of employees whose work centers around the information desk, the

SANTA BARBARA COTTAGE HOSPITAL
TELEPHONE EXCHANGE DAILY REPORT

1924

May 2

DATE

NAME OF PARTY CALLING	NAME OF PARTY CALLED	DESTINATION CALLED	TIME CALLED	OPERATOR	TOLL CALLS		LOCAL CALLS		REASON FOR DELAY OR CANCELLATION
					OFFICIAL	CASH	CHARGE	CASH	
BALANCE FORWARD.									
Therese Johnson	Nurses Registry	Los Angeles	9 ^{am}	EF		85			
M. J. Johnson	Dr. H. J. Gilbert	New York	12 ^{pm}	"				130	
Charlotte Smith	Mrs. Peterson	South Paoli	2 ^{pm}	"		45			
J. H. Biggar	Mrs. Biggar	Burbank	4 ^{pm}	"				38	# 730
Mrs. Ferguson	Mr. Ferguson	Portland, Ore.	9 ^{pm}	H H				82	# 152
Mrs. Debra	Mrs. Debra	Lincoln	10 ^{pm}	"				1-	# 650

Total Cash this date: *May 2, 1924*
(Signed) *Paul J. ...*
Received by: *Mrs. Ruby ...*
Posted by: *M. J. ...*
Bookkeeper.

- INSTRUCTIONS
1. All reports will be turned in daily to cashier, who will receipt same.
 2. Reports are then given to bookkeeper for posting.
 3. Cashier will receive money from operators in payment of cash calls entered hereon.
 4. One operator relieving another will sign for all entries and money collected, under last entry, the cash columns should be footed and the totals should balance with the contents of the money box.

type of work done at this point is always the same. The employees rendering such service must be patient, courteous, and neat in appearance. An attempt should be made to regulate and systematize this work in such a manner as to attract favorable attention and gain the good will of both patients and public.

Telephone Exchange

Perhaps no one service an institution can render is so uniformly abused, when guilty of inefficiencies and so generally accepted without favorable comment if perfect in its operation, as is the telephone exchange service. Telephone operators must be accepted for employment on the basis of technical ability in operating a private telephone exchange service, and on the much more rare attribute of maintaining a uniform temper under trying circumstances.

Telephone Exchange Daily Report

A business form which greatly facilitates the work at the telephone exchange is the *Telephone Exchange Daily Report*. This form is illustrated on page 91. This report should be kept at hand continually and handed to the cashier at the close of each day together with all money collected. After the cashier has receipted for and verified the cash collections, the report is handed to the ledger clerk for posting charge calls to the various patients' accounts involved. The reports are then kept on file chronologically and serve to check the telephone and telegraph bills at the close of each month.

All toll calls and telegrams are recorded on this form, the charge for each call being placed under the columns headed "official," "cash," or "charge" as the call may warrant classification. No official local calls are placed on this form. Only where a local call is to be charged to a patient's account or as cash is collected for the same is it recorded. The vast majority of local calls are non-charge calls and are therefore ignored. This report tends to secure better service due to the fact that it systematizes the operator's work, it furnishes a record of cash collected at the telephone desk, it secures a record of all calls to be charged, and furnishes a means of checking a bill which

otherwise is paid blindly without check as to accuracy. The receipt number used in taking in the cash collected is recorded on the report by the cashier after her name in the space provided for her signature.

Patients' Valuables

A hospital is liable for the valuables of its patients. One manner of avoiding this liability is to notify patients that if valuables are not deposited at the office responsibility for the same is not accepted. When valuables are left at the office, such should be sealed in an envelope before a witness at the information desk, the seal of which package should not be broken under any circumstances until delivered.

Instructions for the use of such envelopes are printed thereon and each envelope serially numbered. A receipt is given the depositor bearing the same number and the package of valuables is surrendered only upon its return. This receipt is then signed by the patient and sent to the record room to be attached to the medical history as evidence that the valuables on deposit have been delivered.

Envelopes of this character are used by many hotels and may be secured without difficulty.

Conclusions

To repeat, first impressions are the most lasting and it is at the information desk where such impressions are received. The facilities at such a point cannot be too attractive or pleasing as the attitude of mind created by the information desk is the mental measure the patient carries with him to his room and to his home. Since hospitals depend largely upon the good will of the public for their support, a neglected opportunity for securing public favor means less public interest and therefore less assistance.

CHAPTER VIII.

PATIENTS' ACCOUNTS

Control Over Earnings

Supervision and control of the earnings of an institution are as essential as is the careful handling of its expenditures. Money must first be earned and collected before it can be expended and this phase of management needs continuous consideration. Certain rates for rooms, operations, laboratory examinations and other services should be carefully arranged and published to avoid confusion and misunderstandings. These rates should then be strictly adhered to under all circumstances, and no deviations allowed unless over the written signature of the executive officer in charge. This departure from published rates may be granted through the means of the *Rate Agreement* form which is illustrated on page 95.

Rate Reduction

A request for a reduction may originate from a patient, a member of the attending staff, or an outside person or agency. Regardless of the source of the request, the rate slip is always required before the request receives consideration. In institutions where a social worker is employed, it is well to have such a person initial such slips before coming to the executive's desk as it is of assistance in reaching a decision in each case to know that an impartial employee of the institution who is familiar with the facts approves the reduction. The manner in which the account is to be reduced should be carefully stated. It can be a percentage reduction or a flat reduction of a certain amount. Sometimes it is preferable to set a maximum sum which the patient can afford to pay, the balance being cancelled regardless of the amount. By classification is meant the type of reduction which is to be made. Suggestive markings are as follows, "Courtesy to Employee," "Courtesy to Attending Staff Doctor" and "General Charity." These reports should receive prompt

consideration and then be passed on to the bookkeeping department for action. The judicious use of this form accomplishes several purposes.

SANTA BARBARA COTTAGE HOSPITAL	
RATE AGREEMENT	
	DATE <u>April 30</u> 192 <u>4</u>
BOOKKEEPING DEPARTMENT:	
	PLEASE ADJUST THE CHARGES FOR SERVICES RENDERED
	<u>Maudie Selmore</u> (NAME OF PATIENT)
WHOSE ADDRESS IS	<u>Lindsay, Calif.</u>
AS FOLLOWS.	<u>Graduate Nurse</u>
CLASSIFICATION	<u>Courtesy 5.77</u>
REQUESTED BY	<u>Ernest E. Perham</u>
APPROVED BY	<u>[Signature]</u>
FORM-5-3M-8-15-23	

Illustration XV. Rate Agreement. The information on this form has been posted to the Patient's Ledger Card, illustration XVII.

First, it limits the authority for rate reduction to one person, the executive officer, who is responsible for the proper conduct of the institution. Second, it clears the bookkeeper of responsibility in all cases of reduction and makes the accounts clear to any auditor who is requested to check and certify the same. Third, it causes the authority for reducing rates to be removed a step from the persons who meet the public. It is always easier to refuse indirectly through a printed form than it is for the person who meets the parties making the request to deny the merits of any particular reduction upon which they may be called to pass.

The information secured from these *Rate Agreement* slips is transferred to the ledger account by the bookkeeper and the slip is then filed in the bookkeeping office in an alphabetical file for reference purposes.

Rates Should Be Set By the Day

It is preferable to set the rates for room or bed rental by the day and not by the week or month. If the rates are set other than by the day, great inconvenience is caused in rendering bills for a fractional part of a week as the computations are sure to bring about uneven amounts; in some instances it will cease to be a mental calculation and pencil and paper must be brought into use.

Hospitals vary greatly in rates and the type of service charged for as *extras*. In some institutions the rate for bed rental is made sufficiently high to cover many of the sundry items for which the hospital with a low bed rental must charge. Many times it is found that additional charges have been made for service originally free, as a means of securing greater revenue, until so many types of service appear on the bill rendered the patient that he is confused and dissatisfied, not so much with the size of his bill as with the complexity of terms used and items enumerated. It seems that a medium position in this instance is the most desirable. There are about ten or twelve items for which legitimate and fair charge may be made and which are accepted with good spirit by the patient.

Source of Charges

Charges from many different departments and units of departments originate throughout the building and gravitate to the general business office for recording. A charge overlooked or mislaid means an absolute loss to the hospital and too much care cannot be exercised in reporting these items. The manner of reporting these charges should be uniform as to the time of completion and the form the report assumes. Nothing is so demoralizing in the handling of patients' accounts, as to have financial reports drift into the office at all hours of the day and night, or to have these charges turned in on scratch paper, memorandum book, verbally, by telephone and other ways too numerous to relate. The hospital should adopt a uniform time of closing the business day. If five o'clock in the afternoon seems desirable, thirty minutes may be allowed for completing the reports which should all be turned in at the business office

before six o'clock that night. Any charges which occur after that hour may be included on the report of the following day.

Daily Financial Reports

A uniform type of report adaptable for use in any department and for any type of service is illustrated on page 98, and is called *Daily Financial Report*. All charges from any source except the ones for telephone and telegraph service which are reported on the *Telephone Exchange Daily Report*, are sent to the business office on this form. If a department has no work to report for any given day, a *Daily Financial Report* should be marked "No Charges," signed and handed in at the office as usual. It is not safe for the bookkeeper to assume that no charges have been made by a department simply because no report has been turned in at the office. The report could be lost or forgotten. Therefore, it is essential that every reporting unit complete a report each day they are open for service, regardless of the fact that no services may have been rendered. In some instances the careful use of a uniform report handed in daily at a regular time, substituted for a haphazard form of financial report, has made a very appreciable increase in the amount of hospital earnings.

The name of the unit reporting should be written in at the top of the page, the report dated, signed and transmitted routinely to the bookkeeper in charge of the ledger accounts. When a nursing unit knows of a patient leaving the house where late charges are apt to occur and not regularly reach the office until after the patient has gone, such information should be given immediately by telephone to the bookkeeper. A pencil entry on the ledger account may be made and changed to an ink entry when verified by the regular report later in the day.

Cross Check of Daily Financial Report

A check on the various departmental reports may be had through the medium of the reports from the nursing units, each unit reporting all charges of which they have direct or indirect knowledge as follows: "Miss Lowden, Room 406, X-ray." This indicates to the bookkeeper that a charge for service rendered by the x-ray department should appear on the report of that same

day. In a similar manner, laboratory, operating room and other charges are reported by the nursing units. In such instances, the report from the nursing unit does not state the charge for the service, only the fact that such service was rendered. Then, by checking the reports of the nursing units against all other reports, omissions may be discovered by the bookkeeper and such omissions called to the attention of the department in error. Likewise the nursing unit may be called to account for services rendered by various departments, notice of which they have failed to record. Such consistent checking causes a minimum of loss in the way of forgotten charges. The reports of the nursing units, of course, will also contain items supplied by them directly to the patient and for which charge is made and recorded.

Filing of Daily Financial Report

After charges have been posted from the financial reports to the various ledger accounts, these reports are arranged each day in the same order, fastened together and filed in a chronological file for reference. The complete reports for each month so chronologically arranged may be fastened together or bound in book form. Thus, every charge entered on a patient's account may be readily traced, in cases of dispute, to the original record which appears over the signatures of the various departmental heads and is usually conclusive and convincing proof of the correctness of the charge.

The Ledger Account

The ledger accounts for patients are in card form and are set up at the time of entrance to the hospital from the data received on the admission card. This step was described in Chapter VII. The information called for at the top of the *Patient's Ledger Card*, as shown on page 100, should be completely recorded. It is important to exercise great care in securing exact data as to where and to whom bills should be rendered.

In case of rate reductions, the information on the *Rate Agreement* slip is transferred to the ledger card, as has been stated previously. The space reserved for this purpose is opposite the words "Rebate Report" in the upper right hand cor-

FORM NO. 4-1000-12-23

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

SANTA BARBARA COTTAGE HOSPITAL

Name Setmarse Maude Age 72 Dept. Med. Location 706 Card No. 1
 (In case of) Lindsay half Admision Number 650

Residence Address Setmarse Maude Lindsay half Phone No. 706
 Date of Entry 4-17-24

Business Address Setmarse Maude Lindsay half Phone No. 706
 Date of Discharge 5-7-24

Friend or Relative Mrs. Henry Setmarse Phone No. 706
 Regular Rate 8

Address same Rebate Report 5%

Send bill to same

Address same

Notations 50% bounty - B. G. Y. Graduate nurse Dr. Ferguson

Date	DEBITS										CREDITS				
	Hospital Service	Operating Room	Anesthetic	Surgical Supplies	Nurse's Board	Meals and Trays	Rosenberg Department	Laboratory Fees	Pharmacy Supplies	Consultation Fees	Miscellaneous	Total Amount	Date	Reference	Amount
1924															
4/19	18-							1-	05			105	4/30	bounty	955
30	18-							05				105		Drummond	955
5/1								10				1910			1910
2/17										66		955	5/2	bounty	610
2/17										1-		13	4/8	37.00	160
2/17										1-		1-		Drummond	1-
5/9										1-		2355			2355

Forwa. d

ner. All charges are posted on this card at the full published rate on the debit side and a reduction, where one has been granted, appears on the credit side of the account. The entering of charges at full rates enables the hospital to know its total earnings regardless of the amount which may be written off to charity or courtesy. Various debit columns are provided on this card to suit the particular needs of a given institution. As postings are made on a ledger account from the financial reports, the date should be recorded opposite the first posting of each day. Subsequent postings to the same account may be recorded on the same line without repeating the date. The total postings on each line must be extended to the "Total Amount" column, but this is not done until the card is utilized for billing purposes or is balanced at the close of the month for entry into the *Earnings and Rebate Record* which will be described later.

It is unnecessary to record daily the charges for room rent. This charge may be entered weekly as bills are rendered and also at the end of each month for any expired room rent which remains to be recorded. This last entry is made at the time the card is balanced for posting in the *Earnings and Rebate Record* and will be described at length in the proper place.

All payments are recorded on this card through the means of the duplicate copy of the *Cash Receipt*. In entering cash payments on this ledger card the date and receipt number as well as the amount are recorded. This facilitates the tracing of cash receipts from the ledger account whenever necessary.

Three alphabetical files of ledger cards are kept: an active file for patients who are in the hospital; a file of inactive accounts for patients who have left the hospital and whose accounts remain unpaid; also accounts completely closed which have been transferred to a closed alphabetical file.

The card number indicated at the extreme upper right hand corner is to be used only as second and third cards are added to any given account. Then, for convenience in reviewing an account, it is well to number the cards 1, 2, 3, etc. Ordinarily, the front and back of one card offers sufficient space for the recording of all transactions.

The numbers at the top of the ledger card 1 to 31 inclusive are used to call attention automatically to the date that bills are to be rendered. Signal devices may be secured that clamp on the top of the card and protrude to the view of the bookkeeper handling the accounts. Where a weekly system of billing is used, a tab is placed on the date or number seven days following the number representing the date of admission. If the patient enters on the tenth day of the month, a tab or signal device is placed over the numeral 17 before the card is placed in the file. On the seventeenth, this signal together with all other signals placed over the number 17 on the other cards will appear in a row in the file and may readily be removed from the file, the charges already entered extended in the "Total Amount" column and bills rendered. In each case as the bills are rendered and the cards returned to the file, the tab or signal is again moved ahead seven days, or, in this illustration, to the twenty-fourth.

These numbers and signals can also be used for guidance in sending follow-up statements and correspondence to patients who have left the hospital and whose accounts remain unpaid. Tabs or signals of several colors may be utilized indicating various facts such as, date set for response to a statement, date set for response to form letter number one, or similar data necessary where such letters are used in collection schemes. Many combinations can be utilized as the follow up device is very flexible, and the bookkeeper with initiative will work out a scheme best adapted to his particular needs.

Where it is desirable to distinguish readily, pay patients from free cases, private room patients from ward cases, or to make other like classifications, *Patients' Ledger Cards* may be printed in several different colors each color representing a certain type of patient.

Billing

It will be noticed that the order of the columnar headings appearing on the debit side of the *Patient's Ledger Card* illustrated on page 100 is maintained on the *Bill Form* shown on page 104. This facilitates the transcribing of the charges from

the ledger account to the bill. As the charges are read from the card, left to right, they may be recorded on the bill in the same identical order. It is usually well to have instructions printed on the form regarding payment which may be varied to suit individual needs. Statements of this sort printed in red attract immediate attention. The earnings accounts always appear in the same order as will be noted by referring to the Account Classification, Section 5, the *Patients' Ledger Cards*, the *Bill Form*, the *Cash Receipt*, and the *Earnings and Rebate Record*. This same order is also maintained in the general ledger accounts. This arrangement, while a very simple matter, saves hours of bookkeeping time and it is surprising to know that in many hospitals such uniformity is not followed.

Earnings and Rebate Record

The *Earnings and Rebate Record* is a tabulation of all earnings and rebates which appear on the *Patients' Ledger Cards*. Through such tabulations, the information as to total earnings, earnings of each department and total amount of rebates is obtained. The procedure for entry of information from the ledger cards to this book of record is as follows:

At the beginning of each month all the admission numbers of all patients in the house are transcribed into the *Earnings and Rebate Record* in numerical order under the columnar heading "Admission Number." This entry should be followed by the patient's name opposite each number in the column provided for this purpose. If, therefore, there are one hundred and ten patients in the house on January first, one hundred and ten admission numbers with the corresponding names are entered in this book in numerical order. Their sequence will not be perfect, as many numbers between the smallest admission number and the largest will be omitted, as only numbers of patients in the house are entered. After the last entry of patients in the house is made, each line is numbered in numerical order beginning with the first new admission and continuing on until a line has been reserved with an admission number for each patient admitted during the month.

SANTA BARBARA COTTAGE HOSPITAL

THIRD AVENUE AND BATH STREET
SANTA BARBARA, CALIFORNIA

NAME Maudie Setmore DATE May 29 1924

STREET _____

CITY _____

FOR SERVICES RENDERED _____

ROOM NO. _____		
BALANCE		9 55
HOSPITAL SERVICE <u>2</u> DAYS AT \$ <u>6.00</u>		
FROM <u>4/30</u> TO <u>5/2</u> INCL.		12 -
OPERATING ROOM _____		
ANESTHETIC _____		
SURGICAL SUPPLIES _____		
BOARD OF NURSE _____		
MEALS AND TRAYS (SPECIAL) _____		
X-RAY _____		1
TREATMENTS _____		
CHEMICAL LABORATORY _____		
CLINICAL LABORATORY _____		
PATHOLOGICAL LABORATORY _____		
PHARMACY SUPPLIES _____		
CONSULTING FEES _____		
TELEPHONE AND TELEGRAMS _____		1 -
LAUNDRY _____		
CHARGES FOR PHYSICIANS SERVICES NOT INCLUDED IN THIS BILL.		
	TOTAL	73 55
BILLS POSITIVELY MUST BE	<i>Courtesy 6.50</i>	
PAID WEEKLY IN ADVANCE	CREDITS	22 55
	<i>Cash 16.05</i>	
	DUE	1 -

Illustration XVIII. Bill Form. See also illustration XVII Patient's Ledger Card from which the data for this bill is secured.

As patients leave the house or are discharged, all charges on their account for the current month are footed, the totals of each line on the ledger account are extended in the total column and the total column is footed. The card is then ruled and the difference between the debit and credit footings, in case of a balance, is brought down and the card is ready for entry in the *Earnings and Rebate Record*.

The total earnings for the current month as represented by each column on the ledger card, which has previously been footed, is entered in the same corresponding column of the *Earnings and Rebate Record* opposite the patient's admission number and name. The total earnings for any one patient as represented by all entries in the various columns opposite his name is entered in the column headed "Total Earnings." At the close of the month after all accounts of discharged patients have been entered in the *Earnings and Rebate Record*, the blank spaces represent the admission numbers and names of patients still in the house. At this time, all these numbers should be transferred to a new page or pages to form the nucleus for the *Earnings and Rebate Record* of the following month. After these numbers have been transcribed, the accounts of patients in the house are posted to date, ruled, and entered. This completes the entries of earnings and all admission numbers should show, in each case, earnings for the month provided omissions have not been made.

Rebates are entered and classified in the proper columns at the same time the earnings are entered.

If there are miscellaneous accounts of patients out of the house without admission numbers, such accounts may be entered once a month after the accounts of all regular patients have been entered.

After all entries are made the book is footed. The total of the "Total Earnings" column should of course correspond to the totals of all the individual earnings columns. Similarly, the total column of rebates should equal the total of all the various rebate columns. These footings are posted to the *General Ledger*. The footings of all the earnings accounts are posted to the credit of their respective earnings accounts in the *General Ledger* and the total of the "Total Earnings" column is posted to the debit of

SANTA BARBARA COTTAGE HOSPITAL EARNINGS AND REBATES

ADMISSION NUMBER	NAME	DAYS	HOSPITAL SERVICE	OPERATING ROOM	ANESTHETIC	SURGERY	SURGICAL SUPPLIES	SUBSISTENCE	NURSES BOARD	HEALS AND TALKS	PICTURE	ROENTGEN DEPARTMENT	MEDIUM	1/500 IN	CHEMICAL (P.M.C.)	LABORATORIES		
																CLINICAL	PSYCHOLOGICAL	PHYSIOLOGICAL
650	Ultimate Mounds	3	117	172	67	44	22	41	11	113	110	367	24	121	73	49	3	
651	Barney Smith	1	4															
652	Smith Robert	2	12															
653	Genet Dr. P. M.	2	10															
654	Miss Margaret	1	5															
655	Miss Margaret	2	10															
656	Miss Margaret	1	5															
657	Miss Margaret	2	10															
191	Van Housen & Sons	30	24	12	15	15	15	26	26	26	11	347	26	121	388	1	1	30

FOR THE MONTH OF April, 1922

PAGE 69

PHARMACY SUPPLIES	CONSULTATION FEES	AMOUNT	TELEPHONE TELEGRAPH	LAUNDRY	MISCELLANEOUS	OTHER ITEMS	AMOUNT	TOTAL EARNINGS	GENERAL BRIDGE	COURTNEY	ITEM	ENROLLMENT	REBATES	RESEARCH	GENERAL	RESEARCH	TOTAL
13304		870	299	9199			180	178579	68724	26723		120	3168	70044	62972	22327	
100								761									
15								1711									
15								10									
53								1710									
04								3804									
10								5814									
1670		870	299	1798			180	296613	4924	27647		120	3168	70044	62972	22327	
15086								1110817									

Illustration XIX. Earnings and Rebate Record. The first entry shown here is that of the Patient's Ledger Card shown in illustration XVIII.

Accounts Receivable in the *General Ledger*. The total of the rebate total column is posted to the credit of Accounts Receivable and to the debit of Rebates in the *General Ledger*. The segregation of rebates is distributed on the left hand opening of the page of the rebate account there being sufficient columns to allow one for each class of rebate. A page from the *Earnings and Rebate Record* is illustrated on page 106 showing typical entries. It will be noted that one of these entries is that of the *Patient's Ledger Card* illustrated on page 100.

Many institutions determine their earnings by departments on a basis of a segregation of cash receipts. This method is a fallacy as in practice it is sometimes impossible to determine what items of a bill are covered by a part payment. Sometimes payments on an account may extend over a period of several years, in which case, a department would not receive credit for work until long after the expense incurred had been charged against them. Some system similar to the recapitulation of actual earnings as described here should be utilized. A department doing scientific work has no responsibility for the collection of accounts. That function belongs to the business office, and the department performing the work should receive credit for it the month the work is completed, regardless of whether the account is collected then or never collected.

Collections

There is no better time to collect money for a service than before, during, or immediately after it has been performed. In the case of hospital bills it is even advisable to ask for payment of room rent in advance, excepting cases where credit has been established to the entire satisfaction of the management of the institution. The old adage, "It is easier to pay for a live horse than a dead one" applies particularly well to the payment of hospital bills. A patient entering the hospital with good intentions regarding the settlement of his account will not object to a request for an advance payment. People who do object are usually of suspicious credit rating and it is better to classify them correctly at the beginning of their stay than after a large balance in the hospital's favor has been created.

As a patient enters an institution he feels the need of hospital care, he is seeking the institution and its services, and if he is ever in a favorable state of mind to pay his account it is at this time. Accounts which remain unpaid upon discharge are difficult to collect. Former patients going back to work, when improved, or cured, find many needs for current funds and are inclined to use their money for purposes far more urgent than the settlement of a hospital bill. If they are not improved or cured they will feel that their stay in the hospital was of no benefit and with a few weeks at home, many complaints will develop in their minds regarding the service rendered them and with each complaint a reason is created for not paying the balance due the institution.

Bills should be rendered weekly during a patient's stay in the hospital and an attempt made to secure settlement. After a patient has left the institution owing a balance, statements, bills and follow up collection letters bring in a considerable per cent of such accounts. Collection agencies may be resorted to after office methods have failed, and lastly, legal procedure may be utilized in some cases.

Collection Agencies

In the selection of a collection agency, great care should be used, as the methods of collecting commercial accounts are often damaging to a hospital's reputation. Before suit is brought in the collection of an account, the medical record of the patient involved should be scrutinized to see that no possible treatment rendered by the hospital could be misconstrued and become material for counter-claims or defense against payment. More satisfactory results can usually be obtained with less notoriety if claims are assigned outright for collection to a reliable agency or attorney. Instances of where it is as difficult to obtain money from a collector as from the original debtor are not difficult to find.

Collections Made Through Good Will

In the case of accounts long past due, it must be borne in mind that the mental attitude of the debtor has much to do with

the success or failure of collection. The worst possible means that can be employed is immediately to antagonize the debtor. Much has been written on scientific collections and the trend of all such writings is that the prospect should be resold to the idea of paying the account. In the case of a hospital, it should be recalled wherever possible, how badly the former patient was in need of hospital care, what a fine thing it was to be able to go to a good hospital and receive proper medical and nursing attention. If the institution is doing free work this should be presented. In short, a friendly feeling should be established toward the hospital and its work. This accomplished, the money is forthcoming immediately provided it can be spared, and few hospitals care to collect money where a real hardship is brought about by its payment.

CHAPTER IX.

HANDLING OF CASH AND BANKING

Safeguard Your Cash

The handling of considerable sums of money is looked upon by many institutional managers as a phase of work which requires constant, direct supervision, and, due to the lack of some systematic form of indirect control, it is consequently a continual source of worry. There are many articles and supplies of great intrinsic value in constant use in the hospital over which no formal control or check is exercised and about which the management seems to exercise slight concern; yet cash and its handling, the delegation of which can be entirely left to the average type of office employee, occupies an important place in the average manager's duties. It is important, therefore, that a plan be devised for covering this phase of the work in order to release energy and time for the more important duties of safeguarding the interests of the hospital in activities and the use of supplies which are not as easily controlled or checked.

Make Dishonesty Difficult

Few people are fundamentally dishonest. Provided with the absolute necessities of life and a few of the more common forms of amusement and recreation, they have slight inclination to take that which does not belong to them. Couple with this fact the difficulty of obtaining money without being readily discovered, one has a situation which most employees will not try to circumvent.

It is of first consideration, therefore, in employing office help to handle cash, to see that such employees have no real motive for being dishonest. Their salary should be a reasonable one for the work done so as to avoid a feeling that they earn more than they are being paid. Also it is well to ascertain if their social position calls continually for more money than their allowed income will permit them to obtain. Such employees would then be reasonably safeguarded against dishonesty by mak-

ing dishonesty difficult. This can be accomplished through the means of several devices which will be described.

Bonding Employees

All employees entrusted with cash in an extensive way should be asked to furnish bond, the employer being required to pay the premium and the employee to furnish gladly the personal information demanded by the surety company. Even the completion of an application blank of the bonding company has a salutary effect. The employee is given the feeling that he is entering into a position of trust and will meet the situation with a determination to keep his records and integrity above reproach. The fact that his employment is of concern to a third party and that a default will be a matter of record difficult to efface will sometimes deter a dishonest act. It is, therefore, a good insurance policy for an employer to carry. He owes it to himself and to his employees to secure this form of mutual protection.

Receipt for Cash

An unvarying rule applicable to any hospital is that all money be taken into the records of the institution through the means of a *Cash Receipt*. A simple form of such a receipt which is

HOSPITAL SERVICE				SANTA BARBARA COTTAGE HOSPITAL SANTA BARBARA, CALIFORNIA No 10399 Date <u>May 4</u> 192 <u>4</u> Received of <u>Mauda Setmore</u> For account of <u>self</u> Sum of <u>Sixteen</u> 00 <u>5/100</u> AND 100 Dollars \$ 16 05 Santa Barbara Cottage Hospital G. W. CURTIS, SUPERINTENDENT By <u>J. E. P.</u> CLASSIFICATION <u>650</u>
OPERATING ROOM				
ANESTHETIC				
SURGICAL SUPPLIES				
NURSES' BOARD				
MEALS AND TRAYS				
ROENTGEN DEPARTMENT				
LABORATORY FEES				
PHARMACY SUPPLIES				
CONSULTATION FEES				
TELEPHONE AND TELEGRAPH				
LAUNDRY				
OTHER ITEMS				
ON ACCOUNT			✓	
TOTAL				

Illustration XX. Cash Receipt. This receipt has been posted to Patient's Ledger Card shown in illustration XVII.

illustrated below is printed in duplicate and serially numbered. These receipts are bound fifty sets to the book, the original being perforated for removal, the duplicate remaining in the book as a permanent record. It will be noted that itemization may be made on the left hand side of the receipt when such is requested or advisable. At the close of each day's business all duplicates should be totaled, a bank deposit made up of the amount received, and an adding machine tape attached to the back of the last duplicate copy showing an itemized list of the receipts for the day. Sometimes it is necessary to have a second form of receipt similar to the one just described and serially numbered, perforated and bound for use in various outlying departments of the institution where it may seem advisable to make cash collections. This receipt is given a separate serial number with the prefix "D" which indicates that it is for departmental use, and in addition has the words "Departmental Receipt" printed upon it. A further distinction between these two forms may be obtained by having each of a different color. The duplicate receipt copies should vary in color from the originals to prevent confusion in handling. It may seem advisable to have the x-ray department collect the charges it makes against out-patients. If such is the case, a department receipt book may be issued, a small fund allowed them for the purpose of making change and receipts issued here in the same manner as at the general business office. Every unit using departmental receipts, at the close of business each day should report to the cashier, bringing its receipt book with all money collected. The cashier should then total the collections for the day, verify it with the cash presented, and issue to the department an official hospital receipt covering the amount of money presented. This receipt should read "issued against departmental receipts No. 11-21" or such numbers as have been utilized. Each department receipt should then be initialed across its face by the cashier as proof of its having been accounted for and the number of the official receipt issued should also appear above the initials to serve as a cross reference to be utilized for auditing purposes. The originals of the official receipts issued to the department cashier should be kept on file in the department as an indication that all money collected has

been turned in at the cashier's office. Where departmental receipts are utilized in this manner, collection may be made with comparative safety in as many outlying units as may seem warranted.

Departmental Receipt Forms

In large hospitals where many out-patients are handled daily, it seems inadvisable to request such patients to call at the general office to pay their accounts. Many times these requests are ignored and the office is then obliged to make, through the mails, a collection which should have been handled as a cash transaction. Such accounts are often uncollectable for patients of this kind are usually transient and sometimes give inaccurate or temporary addresses.

In hospitals of one hundred beds or more departmental receipts may be utilized to advantage in the x-ray, hydrotherapy, phsiotherapy and surgery departments. In the dispensary or pharmacy, where collections are large in numbers but small in amounts, a cash register should be employed and the money collected for the day presented to the cashier along with the register tape for audit. An official receipt is issued for these collections and given to the department concerned. A rule, therefore, to which no exceptions are made in the handling of incoming cash is that *all money collected sooner or later must be recorded through the medium of the official hospital receipt*. Cash may first be collected through the means of the cash register or the departmental receipt but it must clear eventually through the official hospital receipt form.

Bank Deposits

A second rule which should have no exceptions is that *all money taken in through the means of the official Cash Receipt should be deposited daily at the bank*. Where distance does not permit of such routine, the receipts of each day should be listed as a separate deposit. The complete observance of this rule avoids the undue accumulation of large amounts of cash, it causes the receipts of each day to check with the deposit of the same

day and thus facilitates a check or audit and provides for the speedy collection of all checks, drafts and other negotiable paper tendered in payment.

Deposit Tags

Deposit slips should be made in duplicate, one for the bank and one for reference in the cashier's office. This duplicate tag, made up daily is of assistance in tracing information concerning discrepancies in bank deposits. Some banks issue deposit slips in book form rather than in pads and it will be found that the book form is the most convenient when available. In listing checks, the clearing house number should always appear opposite the amount of each check.

Petty Cash Funds

The tendency to handle small amounts of money in an unofficial manner should be discouraged. In large institutions various funds will be discovered from time to time which never have received official recognition. No department should be given authority to build up funds for their own use unless the receipt of these amounts is handled through the regular channels for receiving money, and unless its disbursement is supervised in the same manner as regular hospital funds. A gift designated for a special purpose in a certain department is subject to the same business routine, as to its receipt and expenditure, as are routine hospital collections from patients. Funds in the hands of hospital employees to be utilized for special purposes without the supervision of the head of the institution is weakening to the morale as it makes heads of departments free from hospital routine; the use of such funds is not a matter of official record and is naturally not included in the hospital reports. This causes a misunderstanding on the part of the public which works a disadvantage to the employee handling the contribution.

Bank Accounts

The banking business of the hospital can be simplified by having one bank account for the receipt of all funds whether

they be receipts from patients, from miscellaneous earnings, from donations, or from endowment funds. It is not necessary to place monies in separate bank accounts in order to keep accurate records. If the proper ledger accounts are arranged, all money received can be deposited in one account and yet one can readily determine the various sources of income and the particular purposes of expenditure. If this system is carried out faithfully, the *Cash Receipt* is a complete uniform record of all cash income and the *Voucher Check*, described in Chapter X is a complete uniform record of all expenditures.

Subsidiary Bank Account for Payroll

It may be advisable to conduct bank accounts subsidiary to the general bank account mentioned above. These subsidiary accounts, however, should clear through the general account and the only source of supply of funds to these accounts is through the general account. The only subsidiary bank account necessary in the average hospital is one for payroll purposes. It is desirable to have all wages paid by check. This check of necessity must take a different form from the voucher check used in connection with general disbursements. Also because of mechanical ease of bookkeeping and balancing and reconciliation of bank statements with ledger balances, it is better to have a special subsidiary payroll bank account.

How to Handle Payroll Bank Account

This special account does not need to tie up hospital funds through the maintenance of a large balance. The payroll may be handled entirely through a system of advances from the general bank account. At the beginning of the month, the account has no book balance. It has a practical balance since all the payroll checks of the preceding month have probably not cleared through the bank. On the first day of each month, when payrolls are handled on a monthly basis, an advance, from the general fund to the payroll fund, may be made of an amount sufficient to meet advance payments to employees and final wage settlements which may occur during the month. If the first ad-

vance is not sufficient, a second or third may be made. Then when the total payrolls are completed at the close of the month or at the end of the payroll period, a final advance check from the general account, deposited in the payroll account, should be made. This check represents the difference between the total of the payroll for the entire month and the amount included in the various advances made. This final check should give reference to the total amount of the payroll for the month and show the distribution of the payroll by departments on the jacket of the *Voucher Check* form. This final advance check should also bear reference to the serial numbers of previous advance checks made during the month. After the payroll for the month is issued, the subsidiary payroll bank account again has no theoretical or book balance, the actual balance always being the list of outstanding checks.

Other Subsidiary Bank Accounts

Other subsidiary bank accounts may be set up, but there is a greater danger in having too many rather than too few. The practice of distributing cash deposits among several banks to gain favor and support to the hospital, not only serves to confuse and tangle the records of the institution but many times fails in its purpose so completely as to produce an effect directly opposite to the one desired.

Petty Cash Fund for Main Business Office

The cashier's office should be provided with a petty cash fund for the purpose of making change and also to meet the payment of small petty items that require immediate attention. Such items as freight, expressage, and notary fees are paid through this fund when necessary. A form of *Petty Cash Fund Voucher* is provided as illustrated on page 118. This form of receipt is required for all payments made from this fund except when regular receipted bills are available. As the amount of cash in the petty cash fund becomes low, all receipts for money expended should be vouchered and a check drawn on the general account for reimbursement of petty cash. The voucher jacket of the general fund check should show the various accounts to

Form -2M-5-11-23

PETTY CASH FUND VOUCHER
SANTA BARBARA COTTAGE HOSPITAL

SANTA BARBARA, CALIFORNIA, August 1, 1924

To Postmaster _____ Dr.

Postage Stamps

10 00

Paid by

Helen Warner

Received Payment

Signed

John L. Pritchard

Illustration XXI. Petty Cash Fund Voucher.

be charged as represented by the receipted bills submitted by the cashier.

Where departmental receipt forms are used, a portion of the petty cash fund is loaned to the various departments for the purpose of making change. Receipts are kept in the petty cash drawer covering these loans.

Reimbursement checks to petty cash may be cashed from hospital receipts, the reimbursement check then being included in the deposit from which cash of an equivalent amount has been withheld.

Commercial Paper

It is necessary for the cashier to recognize all the various forms of commercial paper such as bank checks, drafts, postal money orders, express money orders, and travelers' checks. An understanding of the fundamentals of the laws of negotiable instruments should also be required of the cashier. The importance of proper indorsement and of the immediate banking of all negotiable paper tendered as payment must be recognized. The cashing of checks, as an accommodation, by the cashier is to be discouraged. Bad checks are more often received in this manner than in the settlement of accounts, and a stranger's credit must be fully established before such favors are extended. Requirements made by banks regarding identification are none too stringent for the hospital cashier to follow.

The Cash Book

It is not essential that the *Cash Book* be of special design. The receipt or debit side should provide space for a summary of the daily receipts and deposits. The first column in the *Cash Book* on the left hand opening, or receipt side, should carry the date. The second or explanation column should contain a statement of the receipt numbers included in each entry. The first money column should carry the total amount of the receipts which have been posted to the credit of patients' ledger accounts and the second money column the amount of all miscellaneous receipts. If deposits are made direct to more than one bank account, a separate money column should be devoted to each

account. Three money columns are therefore necessary to handle the receipt side of the *Cash Book* and as many more may be added as are necessary to care for additional receiving bank accounts. At the close of the month the total of the first column is posted to the credit of "Accounts Receivable" in the *General Ledger*, the total of the second column must be analyzed from the information afforded from the duplicate copies of the *Cash Receipts*. This information should be recapitulated and posted to the credit of the various ledger accounts concerned. The total of the third column when but one bank account is used, equals the total of the first two columns and is posted to the *General Ledger* under "General Bank Account."

A typical *Cash Book* entry follows:

Date	Explanation	Patients'	Miscel- laneous	Bank
		Accounts	Receipts	Deposits
January 16, 1924	Receipts 476-489	\$540.00	\$135.83	\$675.83

Illustration XXII. Cash Book Debit Side.

Responsibility for Accuracy in Cash Records

A cashier should be provided with reasonable safeguards in the handling of currency. The money drawer must not be easily accessible to the public or employees. Various office employees not responsible for the accurate handling of cash must not be allowed access to the cash drawer under any circumstances. A shortage, where no definite person is responsible, is apt to cause bad feeling between employees and in some instances brings about accusations and misunderstandings which cannot be adjusted.

Mistakes, shortages, and lax methods of handling money are not to be tolerated. A premium should be placed on accuracy and honesty. Dishonesty can be avoided by not fostering methods which in themselves are conducive to dishonesty; and in cases where dishonesty does occur, much of the responsibility can usually be placed on the manager of the institution for passive permission of conditions, the existence of which breeds inaccuracy.

CHAPTER X.

EXPENSE RECORDS

Prompt Payment of Bills

A hospital, even as an individual, is dependent as to its credit rating upon the prompt payment of outstanding bills. Should the financial condition of the hospital permit, all accounts each month should be paid by the tenth of the month following. In some instances it is better to borrow money than to allow accounts to remain unpaid. Whenever possible, an institution should pay bills promptly enough to take advantage of all cash discounts. Firms who do not print discount notices on their stationery or bill head forms frequently will allow a cash discount upon request.

Preparation of Bills for Payment

As bills arrive through the mail they should be stamped and dated as follows:

Date Bill Received.....
Purchase Order No.....
Date Goods Delivered.....
Approved as to Price, Extensions and Footings.....
.....
Account Charged.....
Gross..... Discount..... Net.....
Check Number Posted.....
Approved.....
Superintendent

Illustration XXIII. Bill Approval Stamp.

The bookkeeper should then send one copy to the storekeeper for his files and retain the original, stamped as above, for the files of the bookkeeping department. The originals may be filed temporarily in an alphabetical index provided they are not bills upon which a cash discount demands prompt payment. In Chapter V it was stated that on receipt of the *Purchase Orders* from the storekeeper with delivery notations they, too, were

filed alphabetically. In the approval of bills for payment, therefore, it is convenient to approve the a's first, the b's next, and so on through the alphabet. As the bills are checked against the delivery notices on the *Purchase Orders*, the *Purchase Order* number and the date the goods were delivered are written in on the bill in the second and third lines on the impression made by the rubber stamp. Where prices occur on the *Purchase Order*, such prices are compared with those on the bill, the bill is then checked as to arithmetic and such facts are indicated on the bill by having the clerk doing the work initial the fourth line provided by the rubber stamp impression. The account to be charged, as shown by the *Purchase Order* at the bottom, is then written on the next line. The sixth line is used to show the gross amount of the bill, the discount taken, if any, and the net amount to be paid. Notations as to bill approval are made on the bottom of the *Purchase Order*, indicating the items which have been approved for payment, the date of approval and by whom approved.

After these notations have been made the bill is attached to the *Purchase Order* and sent to the superintendent's office for approval of payment.

Preparation of Voucher Checks

When such approval is secured, all the bills to be paid each firm are sorted with the *Purchase Order* still attached. The next step in the course of payment is to draw up the check, which is the special form of *Voucher Check* illustrated on page 123. A carbon is used in the preparation of this check form, thereby securing a copy of both the check itself and the explanation stub attached below the check. The various bills to be paid are listed separately on the explanation stub showing date, explanation when necessary, and the gross, discount, and net amounts. The total in the net column on the stub is of course the total shown on the check and also is the total shown in the lower right hand corner of the second sheet, or jacket, provided no discount has been taken. The gross amount is always charged to the various expenditure accounts concerned so that when discount is taken this total, charged as expense, will be the gross

THE SANTA BARBARA COTTAGE HOSPITAL

Nº 2434

THE SANTA BARBARA COTTAGE HOSPITAL

Nº 2434

SANTA BARBARA, CALIFORNIA, March 12 1924

PAY TO THE ORDER OF

Mission Office Equipment Co.

\$ 60.66

DOLLARS

SANTA BARBARA COTTAGE HOSPITAL--GENERAL ACCOUNT

PERMISSIBLE

COTTAGE HOSPITAL

Nº 2434

3 1 Statement

	GROSS	DISCOUNT	NET
	60 66		60 66
TOTAL			60 66

	DISTRIBUTION	AMOUNT
ACCOUNT No.	6412	10 25
ACCOUNT No.	662	16 00
ACCOUNT No.	6427	30
ACCOUNT No.	23	36 11
ACCOUNT No.		
ACCOUNT No.		
ACCOUNT No.		
ACCOUNT No.		
ACCOUNT No.		
ACCOUNT No.		
ACCOUNT No.		
ACCOUNT No.		
ACCOUNT No.		
ACCOUNT No.		
TOTAL		

VOUCHER REGISTER PAGE 37

CASH BOOK PAGE 180

VENDOR'S INDEX

FORM NO. 1

Illustration XXIV. Voucher Check. Trace the entries involving this check as shown in the following illustrations: Voucher Distribution Book, Vendor's Index, Purchase Order and Stock Card, where it is entered as number 1036 rather than the number 2434 as shown above.

amount of the bills rather than the net amount for which the check is drawn.

The bills to be paid are then detached from the *Purchase Orders* and attached with a staple machine to the *Voucher Check* second sheet or jacket. The number of the *Voucher Check* is then placed on the *Purchase Orders* involved, in the space provided in the lower right hand corner, and the *Purchase Order* if completed as to delivery and payment is then filed numerically.

The information required to fill out the various account numbers to be charged, as shown on the lower right hand corner of the voucher jacket, is secured from the information on the face of the various bills. This information has been previously inserted on the bill.

The checks are then detached from the voucher jackets, put through the protectograph and dated. They are now ready for signature and are sent to the proper persons each check being accompanied with the voucher jacket and bills attached. If the check is released it should then be recorded in both the *Cash Book* and the *Voucher Distribution Book*, the page number on which it is recorded in each case being entered in the space reserved for this purpose in the lower left hand portion of the voucher check jacket; if not being released the check is recorded in the *Voucher Distribution Book* only. After entry in this book, the voucher jackets with bills attached are listed on the *Vendor's Index* card and filed numerically. The checks, if being released, are mailed out and if not released are kept in numerical order in a file, which represents accounts payable. These checks, which are not released, should be totaled and reconciled with the ledger "Accounts Payable" each month. When bills are not being paid the date should be omitted on the check and added as the check is later released at which time it is also entered in the *Cash Book*.

Vendor's Index

The *Vendor's Index* card mentioned above is one showing the name of a firm, its address, and a list of all payments made

to it. The payments are listed by month, voucher number, and amount. These cards are kept in an alphabetical file and produce a valuable index when tracing payments made to various firms. This form is shown below. All *Voucher Checks* should be recorded thereon and such record indicated by a posting check mark in the space provided for this purpose on the voucher check jacket. A *Vendor's Index* card should be kept on which all cancelled checks are recorded.

SANTA BARBARA COTTAGE HOSPITAL VENDOR'S INDEX								
NAME <u>Mission Office Equipment Co</u>								
YEAR 1922			YEAR			YEAR		
MONTH	VOU. NO.	AMOUNT	MONTH	VOU. NO.	AMOUNT	MONTH	VOU. NO.	AMOUNT
Sept	57	17 58						
Oct	178	76 00						
1924								
Jan	478	29 90						
Feb	651	38 02						
Mar	1036	60 66						

Illustration XXV. Vendor's Index. Refer to illustration XXIV Voucher Check for the source of the entry shown in the circle.

Voucher Distribution Book

The *Voucher Distribution Book* is a recapitulation of the information contained on the *Voucher Checks*. All *Voucher Checks* are entered in this book each month so that a complete record of expenditures will be secured regardless of when the various items of expense are paid. The checks are listed in the book numerically. The payee of the check, the gross amount of the bills, the discount taken, and the net amount are next entered. The columns to the right of these first three money columns are for distribution purposes only and the amounts to be entered in these columns are shown on the lower right hand corner of the voucher check jacket, previously mentioned. A check requires as many lines in this book as there are accounts

being charged. It will be noticed that the columns in this book designate departments only and usually two and sometimes several accounts are represented by each column. It is, therefore, necessary in showing this distribution not only to place the amount to be distributed in the proper column but also to write the account number receiving the charge in the column marked "Account Number."

Closing and Posting Voucher Distribution Book

After all checks have been entered the book is totaled. The amount in the "Gross Amount" column is not posted. It is used for control purposes and should equal the total of the next two columns, which are posted respectively to the credit of "Discounts Earned," and "Accounts Payable" in the *General Ledger*. The amount of the "Gross Amount" column also equals the total of all columns to the right of the "Net Amount" column. These columns to the right of the "Net Amount" column are all debit postings, but before these amounts may be posted each column must be recapitulated, i. e., the amount appearing in each column must be segregated according to the various subaccounts which are involved. After this segregation or recapitulation has been completed the postings are made to the *General Ledger*, the department total being posted on the right-hand opening of the ledger sheet as a debit and the distribution being spread over the various subaccounts, each having a special column, on the left hand opening of the ledger page.

If the entries and recapitulation as shown in the *Voucher Distribution Book*, illustration page 127, and the entries as shown on page 131 of a typical expenditure account in the *General Ledger* are studied carefully, the method of handling these books will be better understood.

Entering Voucher Checks Which Cover Advances to Payroll Account

Voucher Checks which cover advances to the payroll fund are not entered in the usual manner. These checks are distributed under the columnar heading "Payroll Account." When the final check covering the payroll for the month is drawn, this same column is credited with the amounts with which it

VOUCHER DISTRIBUTION BOOK

VOUCHER CHECK NUMBER	TO WHOM PAYABLE	GROSS AMOUNT	DISCOUNT EARNED	NET AMOUNT	CAPITAL ACCOUNTS					ADMINISTRATION					
					ADDITIONS TO PLANT	EQUIPMENT	SUPERINTENDENT FUND	ACCOUNTS RECEIVABLE	STOCKS	ADMINISTRATIVE OFFICES	ACCOUNTING AND RECORDS	PROPERTY AND SUPPLIES	CHILDREN'S	WING	
	BROUGHT FORWARD	33970.46	76.33	3397.373	1880.-			26364	117815	10060.-	86989	57281	100.-	56190	4130
1030	E. O. Connor		727	727											
1036	Miss Office Equipment	6066		6066											
1037	Chamuel Connor Co.	73692		73692					13485						
1038	J. S. Trimb & Son	487		487											
1039	Tom Bates	912		912											
		34601.90	76.33	34722.57	1880.-			26364	136815	10060.-	86989	57281	100.-	56190	4130
<u>Recapitulation</u>															
1211	Additions to plant	1880.-		1880.-	621	Engineering					643	Clinical Lab			
72	Accounts Receivable	26364		26364	6211	Salaries	633.-				642	Salaries	200.-		
73	Stores	136815		136815	6312	Supplies & Ex	24292	87392		6432	Supplies & Ex	100.00		34.00	
377	Supensary	60.-		60.-	622	Vegetable Garden				644	Pathological				
311	Notes Payable	10060.-		10060.-	6321	Salaries	180.-			6442	Supplies & Ex	4507		4557	
611	Administrative				6322	Supplies & Ex	6979	24979		6451	Operating				
6111	Salaries	84999			6331	Salaries	122913			6452	Supplies & Ex	315.-			
6114	Publicity	1992		86989	6332	Supplies & Ex	9390			646	Pharmacy				
612	Accounting & Records				6333	Milk	54298			6461	Salaries	50.-			
6121	Salaries	17150			6334	Meat	85750			6462	Supplies & Ex	101			
6122	Supplies & expense	131		17281	6335	Butter	33275			6463	Garage	5210			
613	Property & Supplies				6336	Eggs	22410			6464	Prescriptions	29250		3956	
6131	Salaries	100.-		100.-	6337	Bread	9570			647	Supensary				
	Children's Wing				6338	Fruit & Veg	42807			6471	Salaries	8042			
132	Equipment	56190		56190	6339	Proceries	70458			6472	Supplies & Ex	3808		11849	
1322	Building	4130		4130	6339.2	Fear Buffer	48.-	660735		6511	General	43333			
62	General Maintenance				634	Housekeeping				6521	First Floor	38782			
622	Supplies & expense	6237			6341	Salaries	77331			6531	Second Floor	400.-			
623	Fuel Oil	38780			6342	Supplies & Ex	5980	83311		6541	Maternity Wing	270			
624	Gas	9495			635	Laundry				6551	Maternity Study	41560			
625	Electricity	73315			6351	Salaries	75833			6561	Chamberlain	170.-	19168		
626	Water	13705			641	X-Ray				66	School Building				
627	Telephone	8957			6411	Salaries	168666			661	Salaries	46344			
628	Insurance	49710			6412	Supplies & Ex	7483			662	Supplies & Ex	15	47899		
629	Interest	175.-			6413	Parasol	5.-	176649		671	Salaries	17316		17316	
6296	Repairs - replacements	16.-		171299	642	Salaries	233567								
					6421	Supplies & Ex	9906								3480890
					6423	Equipment	92419								
					6424	Supplies	20058								
					6427	Office	2452	182272							

Illustration XXVI. Voucher Distribution Book. Left hand opening of page. Note entry of Voucher Check, illustration XXIV.

FOR THE MONTH OF January 1924

ACCOUNT NUMBER	GENERAL SERVICE DEPARTMENTS						PUBLIC UTILITY DEPARTMENTS										
	GENERAL MAINTENANCE	ENGINEERING BUILDINGS GROUNDS	VEGETABLE GARDEN	SUBSISTENCE	HOUSEKEEPING LINEN DORMITORIES	LAUNDRY	X-RAY	BIOPHYS METABOLIC LABORATORY	CLINICAL LABORATORY	ATHOLOGICAL LABORATORY	OPERATING ROOMS	PHARMACY	DISPENSARY	NURSING SERVICE	SCHOOL OF NURSING	MEDICAL EDUCATION	RESEARCH
	174672	83799	24979	399761	83311	85126	175824	424289	34145	4557	38919	39261	10095	19188	46899	17316	
6420								77									
6422																	
662																	
6427																	
23																	
6339					60207												
6312		220															
6339					267												
6352						912											
	174672	83799	24979	460235	83311	86338	176648	424289	34145	4557	38919	39261	10095	19188	47899	17316	

Sheet No. 1

Account No. 633 Name: Subsistence

Date	Detail	Ref.	Debit	Date	Detail	Ref.	Credit
Jan 31	DB	32	52.89				
	DR	5	95.49				
Feb 26	DB	274	85				
	DR	189	5.27				
	DB	37	60.20				
	DR	6	23.72				
			110.44				
6331	6332	6333	6334	6335	6336	6337	6338
6339	6340	6341	6342	6343	6344	6345	6346
6347	6348	6349	6350	6351	6352	6353	6354
6355	6356	6357	6358	6359	6360	6361	6362
6363	6364	6365	6366	6367	6368	6369	6370
6371	6372	6373	6374	6375	6376	6377	6378
6379	6380	6381	6382	6383	6384	6385	6386
6387	6388	6389	6390	6391	6392	6393	6394
6395	6396	6397	6398	6399	6400	6401	6402
6403	6404	6405	6406	6407	6408	6409	6410
6411	6412	6413	6414	6415	6416	6417	6418
6419	6420	6421	6422	6423	6424	6425	6426
6427	6428	6429	6430	6431	6432	6433	6434
6435	6436	6437	6438	6439	6440	6441	6442
6443	6444	6445	6446	6447	6448	6449	6450
6451	6452	6453	6454	6455	6456	6457	6458
6459	6460	6461	6462	6463	6464	6465	6466
6467	6468	6469	6470	6471	6472	6473	6474
6475	6476	6477	6478	6479	6480	6481	6482
6483	6484	6485	6486	6487	6488	6489	6490
6491	6492	6493	6494	6495	6496	6497	6498
6499	6500	6501	6502	6503	6504	6505	6506
6507	6508	6509	6510	6511	6512	6513	6514
6515	6516	6517	6518	6519	6520	6521	6522
6523	6524	6525	6526	6527	6528	6529	6530
6531	6532	6533	6534	6535	6536	6537	6538
6539	6540	6541	6542	6543	6544	6545	6546
6547	6548	6549	6550	6551	6552	6553	6554
6555	6556	6557	6558	6559	6560	6561	6562
6563	6564	6565	6566	6567	6568	6569	6570
6571	6572	6573	6574	6575	6576	6577	6578
6579	6580	6581	6582	6583	6584	6585	6586
6587	6588	6589	6590	6591	6592	6593	6594
6595	6596	6597	6598	6599	6600	6601	6602
6603	6604	6605	6606	6607	6608	6609	6610
6611	6612	6613	6614	6615	6616	6617	6618
6619	6620	6621	6622	6623	6624	6625	6626
6627	6628	6629	6630	6631	6632	6633	6634
6635	6636	6637	6638	6639	6640	6641	6642
6643	6644	6645	6646	6647	6648	6649	6650
6651	6652	6653	6654	6655	6656	6657	6658
6659	6660	6661	6662	6663	6664	6665	6666
6667	6668	6669	6670	6671	6672	6673	6674
6675	6676	6677	6678	6679	6680	6681	6682
6683	6684	6685	6686	6687	6688	6689	6690
6691	6692	6693	6694	6695	6696	6697	6698
6699	6700	6701	6702	6703	6704	6705	6706
6707	6708	6709	6710	6711	6712	6713	6714
6715	6716	6717	6718	6719	6720	6721	6722
6723	6724	6725	6726	6727	6728	6729	6730
6731	6732	6733	6734	6735	6736	6737	6738
6739	6740	6741	6742	6743	6744	6745	6746
6747	6748	6749	6750	6751	6752	6753	6754
6755	6756	6757	6758	6759	6760	6761	6762
6763	6764	6765	6766	6767	6768	6769	6770
6771	6772	6773	6774	6775	6776	6777	6778
6779	6780	6781	6782	6783	6784	6785	6786
6787	6788	6789	6790	6791	6792	6793	6794
6795	6796	6797	6798	6799	6800	6801	6802
6803	6804	6805	6806	6807	6808	6809	6810
6811	6812	6813	6814	6815	6816	6817	6818
6819	6820	6821	6822	6823	6824	6825	6826
6827	6828	6829	6830	6831	6832	6833	6834
6835	6836	6837	6838	6839	6840	6841	6842
6843	6844	6845	6846	6847	6848	6849	6850
6851	6852	6853	6854	6855	6856	6857	6858
6859	6860	6861	6862	6863	6864	6865	6866
6867	6868	6869	6870	6871	6872	6873	6874
6875	6876	6877	6878	6879	6880	6881	6882
6883	6884	6885	6886	6887	6888	6889	6890
6891	6892	6893	6894	6895	6896	6897	6898
6899	6900	6901	6902	6903	6904	6905	6906
6907	6908	6909	6910	6911	6912	6913	6914
6915	6916	6917	6918	6919	6920	6921	6922
6923	6924	6925	6926	6927	6928	6929	6930
6931	6932	6933	6934	6935	6936	6937	6938
6939	6940	6941	6942	6943	6944	6945	6946
6947	6948	6949	6950	6951	6952	6953	6954
6955	6956	6957	6958	6959	6960	6961	6962
6963	6964	6965	6966	6967	6968	6969	6970
6971	6972	6973	6974	6975	6976	6977	6978
6979	6980	6981	6982	6983	6984	6985	6986
6987	6988	6989	6990	6991	6992	6993	6994
6995	6996	6997	6998	6999	7000	7001	7002

Illustration XXVIII. General Ledger, Expenditure Account. Refer to entry in circle, upper cut, and trace from Voucher Distribution Book, illustration XXVI and XXVII.

Account No.	Name	Debit	Ref.	Debit	Ref.	Detail	Ref.	Credit	
1923									
1923									
Dec 31	To Profit & Loss	36566.5	177			8 B	2	8173.60	
						Act	3	7437.50	
						Nov	5	4108.-	
						Dec 31	17	11348.60	
		36566.5						36566.50	
							40	12726.60	
							50	11383.40	
							62	7106.-	
							76	8200.00	
								84	11111.10

Sheet No 1.

Hospital Service

Account No. 51

S. B. C. H.
Form No. 200-4-1923

Illustration XXIX. General Ledger, Earnings Account. Refer to illustration XIX Earnings and Rebate Record and trace entry shown in the circle above. The left hand opening of the page is not used as in illustration XXVIII.

was charged through the entries of advance checks, and the total payroll for the month as represented by both the advance and final checks is distributed to the proper columns. This entry naturally occupies several lines, one line being devoted to each account receiving a charge. There is no total, therefore, to be posted to the ledger for the "Payroll Account" column. The black ink entries and red ink or credit entry, made when the final check is entered, cancel each other.

Entering Voucher Checks in Cash Book

The expenditure side of the *Cash Book* consists entirely of listing the amounts of the *Voucher Checks* as they are released for payment. These checks may each be entered individually or by summary. When entered by summary, only the first and last check numbers in a series are given and the amount is extended in the money column as one total only. After all checks being issued for the month are entered, the total of the expenditure column in the *Cash Book* is posted to the debit of "Accounts Payable" and to the credit of the "General Bank Account" in the *General Ledger*.

It is unnecessary to have a specially designed *Cash Book*. A four column cash book, such as may be secured at any stationery store, may be used. The left hand opening of the page is used for the receipts and deposits of cash and where but one receiving bank account is used, only three of the four columns are necessary. On the right hand opening of the page, only one of the four columns is used as is explained above.

Value of Expense Records

The careful checking and approval of bills is a tedious task, yet expenditure records of the type outlined are their own reward. Any type of information is instantly available from the files of *Purchase Orders*, *Voucher Checks* with bills attached and the *Vendor's Index*. These records, together with the *Stock Card* file giving its valuable types of information, form a set of expenditure records which is very complete and is of continual guidance and assistance to the executive officer in charge.

CHAPTER XI.

CONTROL OF INTER-DEPARTMENTAL TRANSACTIONS

Foster Departmental Identity

Each department of an institution is naturally more interested in its particular welfare and activities than it is in the affairs of the hospital as a whole. This interest should be fostered and stimulated as it will develop a better institution in this manner than where department identity is not recognized and where the interests of the various departments are continually submerged. It is stated that a chain is no stronger than its weakest link. A hospital, it may as well be said, is no stronger than its weakest department, for by such department will its standing and reputation be attacked.

One of the best means of stimulating interest and economy is carefully to credit each department with the work it does for other units. This principle could be applied to a ridiculous degree, which, of course, is not intended, yet there are certain interdepartmental activities which it is well to control, and by such control interest is produced in the economical operation of each department.

Food Requisition

The department of subsistence and dietetics consumes by far the most supplies of any hospital unit. Often the amounts spent for single items such as meat, milk, and butter involve the expenditure of more money than the entire operating costs of certain other small units. Interest in the economical operation of such a department is therefore highly desirable. Budget control, of course, has a tendency to guard expenditures and has been explained in Chapter III. It is discouraging, when efforts are made to run a department economically, to have its supplies available to other departments for their indiscriminate use. Such items as eggs to the laboratories, cereals to be used as food for animals being experimented upon or supplies for parties held in the nurses' or employees' quarters make con-

Form --5M-5-23

SANTA BARBARA COTTAGE HOSPITAL

DIET AND FOOD REQUISITION

Unit Second Floor

Date May 9 1924

PATIENT CENSUS		DAILY SUPPLIES			
			AMOUNT		
			ON HAND	WANTED	ISSUED
Total Number of Patients	71	Milk	0	2 qts	2
General	10	Cream	1/4	1 pt	1/2
Light	4	Orangeade			
Soft		Lemonade			
Liquid	1	Oranges	15	-	
Special	6	Lemons	9	12	12
		Eggs	6	12	12

WEEKLY SUPPLIES				SPECIAL SUPPLIES			
	AMOUNT				AMOUNT		
	ON HAND	WANTED	ISSUED		ON HAND	WANTED	ISSUED
Tea	1/2 #			Grape Juice	0	5	3
Coffee	2/3 #			Beef Juice			
Crackers	0	1 pt	1	Eggnog			
Salt							
Cocoa	1/4 #						
Sugar	1 #						

ALL FOOD SUPPLIES FURNISHED BY THE SUBSISTENCE DEPARTMENT MUST BE REQUISITIONED ON THIS FORM

Requested by Florence Duplessis Approved by Martha Smith S.M.C. Approved for Issue _____ Issued R.O.

siderable inroads upon the food supplies of the kitchen and it is only fair that the cost of such items should not be borne by the subsistence and dietetic department. A *Diet and Food Requisition* such as is shown on page 135 will handle and control this situation. This form, as will be seen, is not limited to the requisition of supplies intended for use by various hospital departments, but may be used also for the requisition of food within the subsistence and dietetic department. Supplies ordered by the diet kitchens located in the several nursing units for special nourishments furnished to patients and for other purposes not enumerated may all be handled through the use of this form.

When desirable, the officer in charge of the hospital may require approval of the food requisitions before issue. When the supplies leave the subsistence storeroom and are consumed for other purposes than for the meals and nourishments furnished patients and employees, these food requisitions may be priced and handed to the bookkeeper for attention. The total of these requisitions is entered each month in the *Internal Requisition Distribution Book* and is thereby credited to the subsistence department and charged to the one using the supplies.

Handling of Food Supplies

As stated, the costs of operating the subsistence department involve a considerable proportion of the total operating expenses of the hospital and purchases by this unit should receive particular attention and care. It is as important in this department as in the case of the storeroom to see that deliveries are properly inspected and weighed and that proper storage facilities are provided to prevent deterioration. Perishable articles should be provided special storeroom space and should never be handled, except when received, by the regular storeroom personnel.

Supervision of Linen Supply

The requisition of linen should be handled through a form similar to the one illustrated on page 137. In this manner supervision of the use of linen may be secured as this form requests

SANTA BARBARA COTTAGE HOSPITAL LINEN REQUISITION

Unit Second Floor Date May 9 1924 No. Patients or Persons 71

ITEMS	AUTHORIZED PER PERSON	ON HAND	WANTED	ISSUED	ITEMS	AUTHORIZED PER PERSON	ON HAND	WANTED	ISSUED
Aprons	1 per week				Mattress Pads	as required	6		
Baby Dresses	1				Napkins	1	0	18	18
Shirts	1				Pillow Slips, Adult	1	0	70	70
Bands	1				Children	1			
Bibs	1				Rags, Bundles	as required			
Bags Hamper	as required				Screen Covers	as required			
Laundry	as required				Sheets, Adult	1	0	70	70
Binders' breast	1				Crib	1			
Abdominal	1-2				Smocks	as required			
Double T	1				Spreads, Adult	1-2	0	8	8
Single T	1	7	1	1	Children	1-2			
Bath Robes, adult	1 per week				Stupe Wringer	as required			
Children	1 per week				Towels, Hand	1	0	70	16
Blankets, Adult	1-5	7	6	-	Bath	1	0	18	12
Children	1-5				Service	3 per room	0	3	3
Baby	1				Nurses	4 per room	0	6	6
Caps, O. R.	as required				Diet Kitchen	4 per room	0	4	4
Headpiece	as required				Doctors	as required	7	8	8
Cloths, Table	2 per week				Enema	as required	0	6	6
Wash	1	0	18	14	Dish and Glass	as required			
Dish	as required				Pot	as required			
Tray	2				<i>To be put in place by matron</i>				
Covers, Dresser	as required	1	1	1	Window Curtains	as required			
Table	as required	0	8	8	Rugs	as required			
Tray, large	as required	0	8	5	<i>1 other set</i>				
Tray, small	as required		8	7					
Water Bag	as required	5							
Bed Pan	as required	6							
Ice Cap	as required								
Compress	as required								
Diapers	20								
Leggings	as required								
Masks	as required								
Night Gowns, Adult	1-2	1	8	8					
Children	1								

Requisitioned by
Florence Duplissia
Department Head

Approved by
S. M. C.
Superintendent

Issued by
Mary Hall

that in issuing linen both the number of patients being served and the supply on hand left over from the day before be considered. Hoarding of linen in the various departments and nursing units tends to extravagance; all surplus clean linen should be stored in a central linen supply room and is available by requisition only. This central linen supply room should be equipped for the repair and marking of linen, the costs of operating this service being borne by the housekeeping department.

All linen should bear some mark which identifies it as hospital property. If the name of the institution is not woven into the fabric of each article or the linen otherwise marked when delivered, a device for this purpose should be installed. The date new linen is put in circulation should be placed on each article as it is issued for the first time.

The *Linen Requisition* is not a bookkeeping record as is the *Diet and Food Requisition*. Its primary function is to control the use of linen and it never becomes the basis of a bookkeeping entry.

Engineering Department Work Order

The *Engineering Department Work Order* illustrated on page 139 is a most valuable form and assists the administrator materially in the control of the activities of the hospital. It is also a bookkeeping record and is entered in summary form each month in the *Internal Requisition Distribution Book*. Through the means of this entry the engineering department is credited for all work performed during the month and the proper departments for which the work was done are charged.

This form is always prepared in duplicate and is sent for approval directly to the administrator's office by the department making the request. If approved, the originals are handed daily to the engineering department for action and the duplicates are retained on file as a record of all jobs in the hands of the engineer. The engineering department should return all orders when completed to the administrator's office. The duplicates on file are destroyed as the originals are returned and the duplicate file of work orders is thereby kept active. This file

CURTIS HOSPITAL ACCOUNTING FORM 29

ENGINEERING DEPARTMENT WORK ORDER

DEPARTMENT TO BE CHARGED Subsistence DATE August 1, 1924

ORIGINAL AND DUPLICAT. TO BE SENT TO ADMINISTRATIVE OFFICE

REQUESTED THAT Kitchen knives be sharpened. Screen door oiled. Tea kettle lid repaired.

J. L. C.

APPROVED BY _____

SIGNED

Lina L. Lewis

ENGINEER'S REPORT

DATE COMPLETED Aug. 3, 1924 SIGNATURE J. L. C.

COST OF MATERIAL _____ \$ _____

COST OF LABOR _____ .75 _____

SUPERVISION AND OVERHEAD _____ _____

TOTAL \$.75

THIS SPACE FOR

ACCOUNTING DEPARTMENT

CHARGE ACCOUNT 6332

CREDIT ENGINEERING DEPARTMENT

AMOUNT .75

Illustration XXXII. Engineering Department Work Order.

of orders should be checked frequently with the chief engineer thus keeping the work of the department in progress. If this is done, few complaints will be received due to the fact that jobs are not being completed promptly. The fact that a file of incomplete jobs is kept will have a salutary effect upon the department doing the work. Before the job is reported as complete, the signature of the department making the request is secured and is placed opposite the words "Date Completed" and "Signature." This requires that the department inspect completed jobs and prevents complaints to the effect that the work was not done properly. The engineer should complete this form as to the cost of material, the cost of labor, and the amount of overhead charges. From this data on each requisition, the bookkeeping entry may be made.

If instructions are issued that no requests may be made of the engineer other than through the means of this form, except in cases of emergency, the administrator is enabled to keep a check upon repairs and alterations. Abuse of buildings or equipment is thereby called to the administrator's attention and he is enabled to fix responsibility for breakages or misuse of equipment and plant. This is a valuable aid as one of the functions of the person in charge of an institution is to educate employees in the proper use and care of the property of the organization.

Care of Property

People vary greatly in their regard for public property. Some employees handle all property in their charge as if it were their own; others feel that property which belongs to an institution may be treated with little or no consideration. An appeal to the sense of justice is sometimes successful. Equipment abused is soon destroyed or its utility impaired to such an extent that others using the equipment are handicapped in their best efforts and the amount of service they are able to render is thereby diminished. The sense of order and neatness is highly developed in some employees and proper handling and care of equipment may be secured through tactful comments regarding the appearance of equipment, work tables, and rooms under

INTERNAL REQUISITION DISTRIBUTION BOOK

DEPARTMENT REQUISITIONING	TOTAL AMOUNT	CREDITS							ADMINISTRATION		
		STORES	ENGINEERING BUILDINGS GROUPS	VEGETABLE GARDEN	SUBSISTENCE	HOUSEKEEPING LINEN CLOSET/STAIRS	LAUNDRY	ADMINISTRATIVE OFFICES	ACCOUNTING AND RECORDS	PROPERTY AND SUPPLIES	
Summary Eng Dept Herb Area	334.5		334.5								
Administrative Offices								4.5			
General Maintenance											
Vegetable Garden											
Subsistence											
Housekeeping L & S											
Laundry											
L. Ray											
Chemical Laboratory											
Clinical Laboratory											
Operating Rooms											
Dispensary											
First Floor											
Second Floor											
Metabolic Wing											
Maternity Wing											
Children's Wing											
Summary Vegetable Req	86.5			86.5							
Subsistence											
Summary General Req	1022.6	1022.6									
Administrative								76.3			
Accounting & Records									37.5		
Carpenter & Supplies										12.9	
General Maintenance											
Subsistence L & S											
Subsistence											
Housekeeping L & S											
Laundry											
L. Ray											
Chemical Laboratory											
Supplies Office											
Clinical Laboratory											
Operating Rooms											
Dispensary											
First Floor											
Second Floor											
Metabolic Wing											
Maternity Wing											
Children's Wing											
	1443.6	1022.6	334.5	86.5				37.8	37.5	12.9	

Illustration XXXIII. Internal Requisition Distribution Book. Left hand opening of page.

FOR THE MONTH OF February 1924

ACCOUNT NUMBER	GENERAL SERVICE DEPARTMENTS						PUBLIC UTILITY DEPARTMENTS						NURSING SERVICE	SCHOOL OF NURSING	MEDICAL EDUCATION	RESEARCH	
	GENERAL MAINTENANCE	ENGINEERING BUILDINGS GROUNDS	VEGETABLE GARDEN	SUBSISTENCE	HOUSEKEEPING LINEN COATROOMS	LAUNDRY	X-RAY	ROSSER METABOLIC LABORATORY	CLINICAL LABORATORY	PATHOLOGICAL LABORATORY	OPERATING ROOMS	PHARMACY					DISPENSARY
6112																	
622	10665																
6322			28														
6332				5835													
6342					7362												
6352						1425											
6412								7-									
6422									330								
6432										520							
6452											1620						
6472												50					
6522															245		
6532															1285		
6542															1175		
6552															410		
6562															4245		
6338					8651												
6112																	
6122																	
6132																	
622	375																
6332					3381												
6339					550												
6342						17612											
6352							16										
6412								11647									
6423								10864									
6422								693									
6424								1054									
6427								58									
6432									882								
6452											16317						
6472												853					
6522															355		
6532															524		
6542															685		
6552															5292		
6562															834		
10990			28-	73373	12972	1785		11847	82973	1202	17837	903	36646				
				Respiration Subsistence 4/2					6222-1023				Respiration Nursing School				
				6332	7216								6332	6570			
				6335	6651								6332	6570			
				6339	5506								6332	6570			
				73373									6332	12180		36646	

Illustration XXXIV. Internal Requisition Distribution Book. Right hand opening of page.

their supervision. Other employees may be taught regard for property only through holding them directly accountable for all articles in their charge and in this case the *Engineering Department Work Order* does assist in placing responsibility for damaged property. To illustrate further, a work order for the repair of an awning may develop the fact that the awning was not properly adjusted and secured and as a result the wind damaged it. A work order calling for the replacement of a broken window may be the means of discovering that a piece of furniture was carelessly allowed to be pushed against it.

Benefits Derived from Engineering Department Work Order

This important form therefore accomplishes several things:—it acts as a means of charging each department for work performed in their behalf; it assists in keeping a check on the progress of all jobs of repair and construction; it prevents complaints regarding the unsatisfactory manner in which work is performed; the engineering department is assisted in the organization of its repair work; and most important of all the administrator is assisted in placing responsibility for damage done to equipment or plant through its abuse or improper use.

Equipment Inventory

It is sometimes desirable to have heads of departments sign an inventory of all equipment under their charge and to hold them individually responsible for the items covered by their signatures. Simple equipment cards showing type, condition and location of all articles may be utilized. In installing such a system, the cards may be made up from the original signed inventories and as new equipment is purchased and given out new cards may be added. Discarded equipment is closed off the cards and in this manner the equipment inventory by departments is kept perpetual and may be checked against the equipment on hand at any time. Such records are difficult to keep and sometimes arouse more antagonism than they are worth. However, they have been successfully employed in

SANTA BARBARA COTTAGE HOSPITAL
JOURNAL VOUCHER

Date August 1, 1924

ACCOUNT NUMBER	GENERAL	ACCOUNT NAME	SUBSIDIARY	AMOUNT		POSTED
DEBIT						
626	General Maintenance	Water		14	40	
CREDIT						
6352	Laundry	Supplies and Expense		14	40	

Explanation :

One ton salt from Pacific Commercial Co. charged in error - Check #831

NUMBER LC

MONTH July

By S. M. Curtis

some hospitals. Their value does not consist in the actual charge made to department heads for loss or damage to property, but through the fact that such a system arouses a sense of responsibility in the minds of the departmental heads which creates the proper regard for hospital equipment. This same regard may be stimulated to a certain extent through the *Engineering Department Work Order* and it certainly is secured with much less effort than through the *Equipment Inventory System*.

Internal Requisition Distribution Book

The *Internal Requisition Distribution Book* illustrated on pages 141 and 143 which is a specialized journal form, has been mentioned as a book of entry for *General Requisitions* and *Engineering Department Work Orders*. It may also be used for recording any other type of interdepartment requisition. If a garden is conducted, requisitions for vegetables may be entered in this book. All requisitions should be summarized before they are recorded in the *Internal Requisition Distribution Book*. To illustrate, the total of all *Engineering Department Work Orders* is secured each month and is entered under "Credits" in the column marked "Engineering Department." The charges are then posted from the summary to the proper debit columns, placing the account number in the proper column opposite each debit entry. The summary entries occupy as many lines as there are debit postings. This book is footed each month and posted to the proper accounts in the *General Ledger*.

Journal Voucher

A *Journal Voucher* is illustrated on page 146. This form is provided to take the place of the ordinary bound journal. Its use is self-explanatory, a separate form being utilized for each journal entry. The advantages of this voucher over the bound journal book are that any papers of explanation may be attached to the *Journal Voucher* itself rather than having to copy extensively long descriptions and substantiating data into a book. These forms with the supporting papers attached, may be bound

periodically. Each journal entry is given a number for reference purposes and is kept filed in numerical order.

Interdepartmental Bookkeeping

Many hospitals do little if any interdepartmental bookkeeping. Interest in departmental costs is not keenly appreciated unless departments are credited with work performed for others or supplies furnished other departments. This type of bookkeeping may be carried to excess, however, and the forms and procedure recommended in this chapter are considered as offering a medium ground where little work is involved and yet interest in departmental costs is maintained.

CHAPTER XII.

DISTRIBUTION OF OVERHEAD COSTS

Elements Which Comprise Costs

In departmental cost accounting for hospitals, the distribution of overhead expense or "burden" is the final step in determining exact cost data. The total cost of any article or service is usually made up of three items, namely: labor, material, and overhead. The first two of these items are called direct costs and the third item is called the indirect cost, overhead, or burden. The indirect cost is what we are primarily concerned with in this chapter. The diagram and formula below will furnish a better idea of the terms being employed.

$$\begin{array}{l} \boxed{\text{Labor}} \quad + \quad \boxed{\text{Supplies}} \quad = \quad \boxed{\text{Direct Costs}} \\ \boxed{\text{Direct Costs}} \quad + \quad \boxed{\text{Burden}} \quad = \quad \boxed{\text{Total Costs}} \end{array}$$

Difference Between Direct and Indirect Costs

The direct costs of all departments are charged as operating expense as incurred. To illustrate, let us assume that an X-ray department is being run by a technician whose salary is \$125 per month and by a physician on a part time basis whose salary is \$250 per month, and that the supplies consumed cost \$200 per month. The total direct costs of the department are therefore \$575 per month. These direct costs are plainly shown each month by the expense accounts of the X-ray department. It is not safe to assume, however, that if the income from the department is \$700 a month, that a profit has necessarily been made. The indirect costs of the department may or may not exceed the apparent margin of profit of \$125. These indirect costs or burden are such items as janitor service, light, heat, water, power, and a proportion of the departmental costs of such departments as the office, engineering plant, laundry and store-

room. Also a portion of the salary paid the administrator of the hospital is chargeable as indirect costs against the X-ray department.

How to Handle Indirect Costs

Indirect costs are not applicable to any one department but are incurred for the benefit or welfare of the institution as a whole. For convenience, these items of overhead are grouped from month to month under general maintenance accounts or under the expenses of operating certain general service departments such as the laundry, the engineering plant, and the kitchen. For purposes of bookkeeping and for ordinary statistical data, it is sufficient to allow such items of burden entered under the costs of these service departments to remain there, but at certain stated periods it is advisable and fundamental to distribute these indirect costs of operation over the departments *for which the service is being performed*.

Preliminary Steps in Distribution of Indirect Costs

In order to make this distribution, it is necessary first to distinguish the primary functions of the institution and to group all departments fulfilling these functions under proper headings. A typical grouping of such functions and departments is as follows:

Function I.—Care of the Sick.

- a. X-ray.
- b. Hydrotherapy.
- c. Pharmacy.
- d. Operating Room.
- e. Laboratories.
- f. Nursing Units.

Function II.—Education of Nurses.

- a. Training School for Nurses.

Function III.—Research Work.

Function IV.—Dispensary or Free Clinic.

All institutions will not have these four functions; other institutions may have additional ones, such as the conduct of a farm or the maintenance of a convent.

After this grouping of departments according to function is arranged, a second grouping of general service departments should be made. Such a list follows:

1. Administrative Offices.
2. Accounting and Records.
3. Property and Supplies.
4. Storeroom.
5. Laundry.
6. Subsistence and Dietetics.
7. Housekeeping.
8. Engineering.

Distribute Indirect Costs Annually

The next step is to distribute the costs of conducting this second series of departments over the costs of operating the first list of functions and departments. This distribution need not be made monthly, but it should be done at least once a year, after the general ledger has been closed and the annual statement published. The distribution of overhead is not to be carried in the books but is to be set up as a purely supplementary statement to the regular annual report. If done in this manner, the desired results are accomplished with a minimum amount of book-keeping.

Value Derived from Distribution of Indirect Costs

In the supplementary statement, therefore, the direct and indirect costs of the various functions enumerated will be determined as well as the direct and indirect costs of each department under the several functions. From such data accurate costs of caring for hospital patients may be calculated. Statistics of the average hospital include in its patient day cost the expense of conducting research and educational activities. This is not proper accounting and is misleading and confusing, if not dangerous. From such data, also, it is easy to determine accurately

the financial status of such departments as the x-ray and operating rooms. The information secured may lead to rate adjustments or complete abolition of a department which on the showing of direct costs alone was making a profit.

Survey of Plant Forms Basis of Distribution

The basis upon which the distribution of overhead is made must be determined by a survey of the plant. The floor space and cubic space of each department which is to receive charges for overhead must be figured out and this turned into a percentage proportion of the total floor space and cubic space of the entire plant devoted to these departments.

The water, light, and gas outlets of each department must be counted and also calculated on a percentage proportion of the outlets of the plant occupied by the departments over which burden or overhead is to be distributed. Such overhead expense as administration and storeroom costs may be distributed on the basis of direct operating costs. The costs of the accounting and records department may be distributed on the basis of the combined operating costs and earnings of the departments receiving the overhead charge. Such a survey will occupy several days' time but once made it can be altered from year to year with considerable ease in order to meet the needs of a changing institution. After such a survey is made and the percentage amounts determined, it is well to place the data in chart form for convenience. Such a chart is appended and it is hoped will assist in clarifying this explanation of a rather complicated process.

Chart Facts Secured in Survey

The accounts and departments listed at the left of the chart on page 153 are the ones the charges of which are to be distributed. The columnar headings at the top of the chart indicate the departments receiving the overhead charge and the basis for distribution is shown on the right of the page. The figures in the squares show the percentage of costs to be borne by the departments receiving the overhead charge. To illustrate the manner of reading the chart, consider the first item of General Adminis-

ACCOUNT DISTRIBUTED	BASIS OF DISTRIBUTION											
	Corporation Expense	X-Ray	Hydrotherapy	Pharmacy	Operating Room	Laboratory	Physiotherapy	Out Patient Department	Nursing Service	School of Nursing	Convent	Total
General Administration	13	02	06	17	05	02	01	32	16	06	100	Gross Expense.
Finance and Records	07	01	03	14	03	005	005	67	03	01	100	Gross Earnings.
Property and Supplies	13	02	06	17	05	02	01	32	16	06	100	Gross Expense.
General Maintenance												
Salaries	01	02	01	04	01	005	005	68	05	17	100	Floor Space.
Supplies and Expense	01	02	01	04	01	005	005	68	05	17	100	Floor Space.
Fuel Oil	01	02	01	04	01	005	005	68	05	17	100	Floor Space.
Gas		07	02	19				61	02	09	100	Outlets.
Electricity	07	09	01	07	01	01		55	03	16	100	Outlets.
Water	01	06	01	08	01	01		67	03	12	100	Outlets.
Telephone	02	01	02	03	01			82	01	08	100	Stations.
Taxes	19	01	02	01	03	01		55	04	14	100	Floor Space and Direct Distribution
Insurance	01	02	01	04	01	005	005	68	05	17	100	Floor Space.
Rents									100		100	Direct.
Interest	01	02	01	04	01	005	005	68	05	17	100	Floor Space.
Building Repairs and Alterations	01	02	01	04	01	005	005	68	05	17	100	Floor Space.
Equipment Repairs and Alterations	13	02	06	17	05	02	01	32	16	06	100	Gross Expense.
Engineering Building and Grounds	01	02	01	04	01	005	005	68	05	17	100	Floor Space.
Subsistence	00 $\frac{1}{2}$ %		00 $\frac{1}{2}$ %	01	00 $\frac{1}{2}$ %			72	17	09	100	Meals Served.
Housekeeping	01	02	01	04	01	005	005	68	05	17	100	Floor Space.
Linen Room	00 $\frac{1}{2}$ %	00 $\frac{1}{2}$ %		21				66	03	09	100	Daily Issues.

Illustration XXXVI. Overhead Distribution Chart.

tration 13 per cent of which costs is to be charged to the department of X-ray. The basis for determining this charge is direct operating costs or "Gross Expense."

Each percentage illustrated on this chart means a computation. If it is found from the annual statement that the costs of administration are \$1300 for the year the amount allotted to the X-ray department is 13 per cent of this figure or \$169. By making such computations of all percentages appearing under the columnar heading "X-ray," the total costs of overhead for this department may be figured and this total added to the direct cost of operation. Such calculations should be continued until the total operating costs of each department are figured and all overhead, or burden, is distributed.

Complete Cost Records Essential

A critic might say that a survey of this sort is not 100 per cent accurate and, therefore, why make it? The only answer to such a criticism is that no bookkeeping is absolutely accurate and that an approximation of accuracy is better than no attempt at all being made to secure complete costs. Distribution of burden, it is true, is a refinement of institutional cost accounting and is not attempted by many hospitals. It is attempted and religiously carried out by most successful business organizations and is a vital element to their welfare if the margin of profit is small. Why then should a hospital, which is a business of considerable magnitude, be satisfied with any but the best and most complete cost records available?

CHAPTER XIII.

FILING OF RECORDS

Records Must Be Available to be Useful

Records which cannot be found and utilized conveniently might as well be thrown away. Many people show a great disinclination to destroy any form of record once it is made and yet the only plan for keeping such records is to bundle them up and relegate them to some dark dusty attic where they are never used and where their only purpose seems to be to act as an unsightly pile of rubbish. It is the business of the custodian of such records to see that the ones of no value are destroyed periodically and those that have a permanent value are kept in such a manner that they are intelligible and available for reference purposes.

Records Pertaining to Patients' Accounts

The data supporting patients' ledger accounts is valuable only so long as the accounts they represent are unpaid. If accounts receivable are collected promptly, such records as *Daily Financial Reports*, duplicate copies of *Cash Receipts* and the *Rate Agreement* form may be destroyed after being on file for a period of about four years. Accounts which date back over a greater length of time are uncollectable or beyond the point of contesting the validity of the charge. It is unnecessary to keep the files of paid accounts longer than two or three years as seldom if ever do questions arise over accounts which have been paid and which antedate such a period of time.

Interdepartment Records

Records, such as involve interdepartment activities only, are not of any permanent value and such papers as *Engineering Department Work Orders* and *General Requisitions* may be destroyed after a brief time has elapsed keeping on hand a two years' accumulation of the most current records.

Expenditure Records

The *Voucher Check* with copies of paid bills attached is a most valuable record. Years after a payment has been made, information concerning prices paid is many times desirable. In order to make this record available and of the most value, it is well to keep the *Vendor's Index* file and *Purchase Order* file the same period of time. These three forms, therefore, are of permanent value and should be kept indefinitely.

Stock Records

Stock Cards furnish useful information yet their value is of short duration and an accumulation of three years' cards is sufficient for all ordinary purposes.

Payroll Records

Payroll records are of value for a period of several years. The *Employee Record* card requires but a small amount of filing space and assists in furnishing data regarding former employees long after they have left the institution.

Books of Record

The *Earnings and Rebate Record*, the *Voucher Distribution Book*, and the *Internal Requisition Distribution Book* should be kept as long or longer than the forms which support their entries. The *General Ledger* and the *Journal Vouchers* are records which should never be destroyed.

Discard Records Systematically

If some system of discarding records after they have served their purpose is adopted, the records which are kept can be consolidated in files conveniently located and accessible for daily reference and use.

Filing of Bookkeeping Forms

Filing space for current ledger accounts with patients should be provided in the desk of the bookkeeper handling these forms. A box file which may be transferred to a vault or safe at

night is a very convenient form of file. The transfer files for paid accounts should be accessible to this desk, and should not be allowed to accumulate indefinitely but destroyed each year as a new annual file is completed, keeping on hand only a three years' supply of paid accounts.

The *Daily Financial Reports* should be filed chronologically as previously stated. The *Rate Agreement* form should be filed alphabetically. Both of these forms are practically valueless after accounts have been paid and audited.

Purchase Orders and *Voucher Checks* should be filed numerically in the disbursing office and a three years' supply of past records kept instantly available. Records older than this can be placed in transfer cases less conveniently located. The vendors' alphabetical index should be a continuous file and cards removed to a transfer file only as completely filled out. Such transfer file should be as available as the current file.

Chronological files of internal requisitions should be available as long as kept and then destroyed.

Payroll Checks and the duplicate carbon copies may be kept filed numerically for several years and never destroyed before audits of payroll records have been made and responsibility for their accuracy been determined.

All books of original record should have transfer binders and the records of the old year transferred as the new year is begun. There should also be a transfer ledger for accounts of the *General Ledger* which become bulky. *Journal Vouchers*, as previously stated, should be bound annually and preserved indefinitely.

File in Haste and Repent at Leisure

Nothing is more exasperating to the administrator than a faulty filing system. A year's records properly filed are of more assistance to the management of an institution than ten years of records poorly prepared and promiscuously dumped into filing cabinets, cupboards, or attics. The system of filing in haste and searching at length is costly in time and is hard on the disposition. A little time spent in planning a scheme of records is repaid in information secured with a minimum effort spent in its search.

CHAPTER XIV.

STATEMENTS AND STATISTICS

Financial Statements

The product of a system of accounts and records is the statistical data they furnish. Good records are necessary in order that each day's work may be done accurately and with dispatch and in addition are of daily value for reference and working purposes. A tabulated statement of operating statistics should be secured from the records each month showing the financial operations of the institution. These monthly tabulations, or statements, are of great value in the proper financial management and control of the organization. A suggested form of financial statement follows, which first sets forth the earnings of the institution in classified form by accounts and in total. From the gross earnings is deducted the free work leaving a figure which represents net earnings. Following this, the operating costs by departments are listed. The gross operating costs are then deducted from the net earnings leaving as a balance the profit or loss sustained for the period. This profit or loss is used as the balancing figure in the Asset and Liability Statement which follows.

INCOME AND EXPENDITURE STATEMENT

July, 1924

HOSPITAL EARNINGS

Hospital Service	\$11,704.75	
Operating Room	898.50	
Anesthetic	552.25	
Surgical Supplies	209.75	
Nurses' Board	528.00	
Meals and Trays	70.00	

Roentgen Department

Picture Work	\$1,181.00	
Treatment	327.00	1,508.00

Chemical Laboratory	1,004.39	
Clinical Laboratory	508.25	
Pathological Laboratory	70.00	
Pharmacy Supplies	130.10	
Consulting Fees	135.00	
Telephone and Telegram	26.62	
Laundry	113.90	
Out Patient Department	15.60	
Other Items	12.20	
Uniforms and Breakage	43.35	
Insulin	2,183.75	

 \$19,714.41
Rebates

General Relief	1,079.90	
Courtesy	121.60	
Hill Fund	25.00	
Research	40.00	
Chemical Laboratory	271.60	
Bad Debts	162.70	
Insulin	1,359.25	3,060.05

 Net Earnings\$16,654.36

CURRENT EXPENSES

Administrative Offices

Salaries	749.99	
Supplies and Expense	45.84	
Publicity	115.65	911.48

Accounting and Records

Salaries	578.16	
Supplies and Expense	46.78	624.94
	<hr/>	

Property and Supplies

Salaries	120.00	
Supplies and Expense	6.65	126.65
	<hr/>	

General Maintenance

Supplies and Expense	138.90	
Fuel Oil	201.60	
Gas	51.66	
Water	178.15	
Telephone	101.83	
Taxes	350.00	
Insurance	125.00	
Repairs to Buildings and Grounds.....	1,013.96	2,161.10
	<hr/>	

Engineering, Buildings and Grounds

Salaries	508.00	
Supplies and Expense	32.02	
	<hr/>	
Work Done for Other Departments.....	136.10	403.92
	<hr/>	

Vegetable Garden

Salaries	271.25	
Supplies and Expense	6.70	
	<hr/>	
	277.95	
Vegetables Furnished Kitchens	291.90	(credit) 13.95
	<hr/>	

Subsistence

Salaries	1,229.49	
Supplies and Expense	455.49	
Milk and Cream	559.87	
Meat	855.06	
Butter	350.77	
Eggs	217.36	
Bread	87.92	
Fruit and Vegetables	866.69	
Groceries	535.48	
Tea and Coffee	74.15	5,232.28
	<hr/>	

Housekeeping, Linen and Dormitories

Salaries	835.79	
Supplies and Expense	206.34	1,042.13
		<hr/>

Laundry

Salaries	782.00	
Supplies and Expense	206.70	988.70
		<hr/>

Roentgen Department

Salaries	1,190.33	
Supplies and Expense	275.69	1,466.02
		<hr/>

Research Laboratory

Salaries	2,406.67	
Supplies and Expense	122.48	
Laboratory Supplies	1,147.91	
Library	36.00	
Office Expense	46.89	3,759.95
		<hr/>

Clinical Laboratory

Salaries	185.00	
Supplies and Expense	17.60	202.60
		<hr/>

Operating Room

Salaries	215.00	
Supplies and Expense	353.10	568.10
		<hr/>

Pharmacy

Salaries	50.00	
Supplies and Expense	1.34	
Prescriptions	119.70	171.04
		<hr/>

Dispensary

Salaries	67.50	
Supplies and Expense	1.37	68.87
		<hr/>

Nursing Service—General

Salaries	528.26	528.26
		<hr/>

IMPROVED METHODS IN

First Floor

Salaries	14.16	
Supplies and Expense	69.86	84.02
		<hr/>

Second Floor

Salaries	185.00	
Supplies and Expense	59.90	244.90
		<hr/>

Metabolic Wing

Salaries	272.83	
Supplies and Expense	51.33	324.16
		<hr/>

Maternity Wing

Salaries	181.53	
Supplies and Expense	84.24	265.77
		<hr/>

Children's Wing

Salaries	331.50	
Supplies and Expense	93.24	424.74
		<hr/>

School of Nursing

Salaries	396.00	
Supplies and Expense	18.47	414.47
		<hr/>

Internes

Salaries	80.00	80.00
		<hr/>

Research

Supplies and Expense	23.36	23.36
		<hr/>

Cash Discounts		20,103.51
		<hr/>
		20.40
		<hr/>

Net Expenditures		20,083.11
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RECAPITULATION

Net Expenditures		20,083.11
Net Earnings		16,654.36
		<hr/>

Operating Deficit for July.....		3,428.75
Donations, General	7,134.00	
Donations, Special	8,073.34	
Income on Endowments	225.00	15,432.34
		<hr/>

Excess of Special Income over Operating Deficit.....12,003.59

STATEMENT OF ASSETS AND LIABILITIES

July, 1924

Real Estate	19,760.45	
Hospital Building	246,596.46	
Alterations, Minor Surgery	1,102.85	
Library	802.85	
Electro-Cardiograph	400.35	
Heating Plant	43,124.45	
Laundry Building and Equipment	20,654.44	
Nurses' Home Building	14,983.75	
Dispensary Building and Equipment.....	2,876.98	
Contagious Ward	1,992.43	
Gardener's Cottage	900.00	
Transformer Vault Building	161.98	
Equipment	76,937.87	
State Bank—General	17,077.70	
State Bank—Research	14,291.77	
National Bank—Dispensary Funds	9,097.18	
Petty Cash	300.00	
Accounts Receivable	22,552.81	
Stores	11,824.40	
Investments Control	93,021.81	
Insurance	2,056.91	
Interest Accrued on Securities	1,575.00	
Donation for Dispensary Dental Work.....	18.20	
Taxes Accrued		493.23
Accounts Payable		5,815.68
Donation for Dispensary Prescriptions		151.41
Donation for Dispensary Building		26,383.43
Donation for Special Research Work		112.00
Endowment Fund Income Control		1,322.97
Surplus		438,162.68
Endowment Funds		73,787.03
Reserve for Bad Debts		5,309.75
Gain—Six months	38,568.87	
Gain—July	12,003.59	50,572.46
		<hr/>
	602,110.64	602,110.64

Exhibits

Many varieties of supplementary financial and statistical exhibits may be arranged from the information contained in the monthly statement as illustrated. From the patient census and the payroll records, it is not difficult to calculate the approximate number of meals served by the kitchens. The costs of operating this department as shown under expenditures, less the amount of earnings of this department for sale of special meals, trays and nurses' board, will give the net costs of supplying meals to patients and employees. This figure divided by the number of meals served gives the cost per meal and furnishes a comparison from month to month of the costs of conducting the subsistence department. The average cost per meal should be set up as an exhibit supplemental to the regular financial report.

Likewise, the cost per piece of work done in the laundry may form another type of exhibit. This figure may be secured by dividing the count of linen washed in the laundry into the net operating costs of the laundry department.

The costs per patient day and the earnings per patient day should be computed and set up as a third form of exhibit.

Other types of exhibits may be found desirable and are computed monthly from the statements and other supplementary data to be secured from the records.

Form Used for Long Financial Reports

When a financial report carries a vast amount of detail, the vital elements of the report may be summarized in a brief statement of income and expenditure and the detail displayed in the form of schedules. An illustration of a summarized report supported by schedules follows and is probably preferable for purposes of publication as most people are not interested in details and can gather the essentials from the first portion of the statement. If interested in detail, they may refer to the various supporting schedules which follow the initial summary.

SUMMARY STATEMENT**EARNINGS AND EXPENDITURES**

For Year Ending December 31, 1923

Expenditures of Hospital, Schedule A.....	209,684.57	
Earnings of Hospital, Schedule B.....	182,047.42	
	<u>27,637.15</u>	
Less Income on Endowment Funds.....	3,536.34	
	<u>24,100.81</u>	
Deficit for Hospital.....		24,100.81
Expenditures for Research, Schedule C.....	47,170.73	
Earnings for Research, Schedule D.....	19,636.03	
	<u>27,534.70</u>	
Deficit for Research		27,534.70
Combined Deficit for Hospital and Research		<u>51,635.51</u>

BALANCE SHEET

December 31, 1923

ASSETS

Hospital Site	19,826.55	
Hospital Building	251,751.49	
Hospital Heating Plant	43,150.73	
Hospital Laundry	20,654.44	335,383.21
<hr/>		
Nurses' Hall Site.....	15,110.54	
Nurses' Hall Building.....	113,005.82	
Nurses' Hall Tunnel.....	4,466.31	
Nurses' Hall Equipment	22,616.91	155,199.58
<hr/>		
Employees' Building.....		19,021.40
Dispensary Building.....		2,876.98
Equipment—General.....		82,857.96
Cash—General Account	9,415.26	
Cash—Nursery Fund.....	26.20	
Cash—Research	10,614.94	
Cash—Dispensary Fund	9,634.78	
Petty Cash.....	300.00	29,991.18
<hr/>		
Accounts Receivable.....	20,152.95	
Less Reserve Bad Debts	1,916.06	18,236.89
<hr/>		
Storeroom Stock.....		12,306.55
Investments, Schedule E.....		92,977.10
Insurance Prepaid.....		3,861.51
Accrued Interest—Endowment Funds.....	1,077.68	753,790.04
<hr/>		

LIABILITIES

Accounts Payable	23,793.13	
Donations for Dispensary—Prescriptions	139.01	
Donations for Dispensary—Building.....	26,921.03	
Surplus	702,936.87	753,790.04
<hr/>		

ANALYSIS OF SURPLUS ACCOUNT

Donations to Hospital, Schedule F, 1923.....	207,003.84	
Less Hospital Deficit, Earnings and Ex- penditure Statement.....	24,100.81	182,903.03
	<hr/>	
Donations to Research, Schedule G, 1923....	36,949.26	
Less Deficit, Earnings and Expenditure Statement	27,534.70	9,414.56
	<hr/>	
Endowment Funds, Schedule H		73,787.03
Surplus December 31, 1922.....	438,162.68	
Less Deductions Due to Sale of Cottages....	1,330.43	436,832.25
	<hr/>	<hr/>
Surplus, December 31, 1923.....		702,936.87

FINANCIAL SCHEDULES

SCHEDULE A—OPERATING EXPENSE OF HOSPITAL

Administrative Offices

Salaries	8,999.88	
Supplies and Expense	945.59	
Traveling	603.28	
Publicity	1,482.99	12,031.74
		<hr/>

Accounting and Records

Salaries	6,996.40	
Supplies and Expense	2,147.82	9,144.22
		<hr/>

Property and Supplies

Salaries	1,340.00	
Supplies and Expense	56.82	1,396.82
		<hr/>

General Maintenance

Supplies and Expense	1,241.14	
Fuel Oil	4,018.00	
Gas	1,025.36	
Electricity	2,393.05	
Water	2,120.70	
Telephone	1,216.76	
Taxes	4,272.57	
Insurance	1,465.98	
Interest	125.00	
Building Repairs	2,952.07	20,830.63
		<hr/>

Engineering, Buildings

Salaries	7,800.06	
Supplies and Expense	2,505.57	
		<hr/>
	10,305.63	
Work Done for Other Departments.....	2,795.58	7,510.05
		<hr/>

Grounds and Vegetable Garden

Salaries	2,976.09	
Supplies and Expense	855.38	
		<hr/>
	3,831.47	
Vegetables Supplied Kitchens.....	2,041.38	1,790.09
		<hr/>

Subsistence and Dietetics

Salaries	15,585.12	
Supplies and Expense	3,750.51	
Milk and Cream	6,948.40	
Meat, Fish, Poultry	10,924.79	
Butter	4,093.62	
Eggs	3,443.61	
Bread	1,211.99	
Fruit and Vegetables	8,118.09	
Groceries	8,909.59	
Tea and Coffee	1,064.64	64,050.36

Housekeeping, Linen and Dormitories

Salaries	9,821.36	
Supplies and Expense	3,336.54	13,157.90

Laundry

Salaries	9,895.54	
Supplies and Expense	1,677.25	11,572.79

Roentgen Department

Salaries	14,072.75	
Supplies and Expense	5,135.22	19,207.97

Clinical Laboratory

Salaries	2,431.33	
Supplies and Expense	921.80	3,353.13

Pathological Laboratory

Supplies and Expense	144.51	144.51
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Operating Rooms

Salaries	3,674.16	
Supplies and Expense	3,624.60	7,298.76

Pharmacy

Salaries	583.33	
Supplies and Expense	198.04	
Drugs	1,772.35	
Prescriptions	1,750.62	4,304.34

Dispensary

Salaries	855.41	
Supplies and Expense	326.85	1,182.26
		<hr/>

Electro-Cardiograph

Supplies and Expense	80.10	80.10
		<hr/>

General Nursing

Salaries	4,792.61	
Supplies and Expense	67.60	4,860.21
		<hr/>

First Floor

Salaries	3,045.31	
Supplies and Expense	742.74	3,788.05
		<hr/>

Second Floor

Salaries	3,636.97	
Supplies and Expense	882.82	4,519.79
		<hr/>

Metabolic Wing

Salaries	2,978.60	
Supplies and Expense	761.29	3,739.89
		<hr/>

Maternity Wing

Salaries	2,753.09	
Supplies and Expense	958.01	3,711.10
		<hr/>

Children's Wing

Salaries	2,882.13	
Supplies and Expense	1,083.31	3,965.44
		<hr/>

School of Nursing

Salaries	5,494.62	
Supplies and Expense	1,597.01	7,091.63
		<hr/>

Medical Education

Salaries	1,242.30	
Supplies and Expense	18.40	1,260.70
		<hr/>

Research

Supplies and Expense	180.97	180.97
	<hr/>	<hr/>
Total Expenditures		210,173.45
Cash Discounts		488.88
		<hr/>
Expenditures Less Discounts		209,684.57

SCHEDULE B—EARNINGS OF HOSPITAL

HOSPITAL EARNINGS

Hospital Service	136,245.05	
Operating Rooms	10,724.00	
Anesthetics	6,718.55	
Surgical Supplies	2,711.24	
Nurses' Board	4,872.20	
Meals and Trays	1,057.01	

Roentgen Department

Picture Work	14,374.25	
Treatment	6,777.00	
Radium	1,745.00	22,896.25

*Research Laboratory	1,220.59	
Clinical Laboratory	5,182.11	
Pathological Laboratory	552.50	
Pharmacy Supplies	2,912.65	
Consulting Fees	4,104.86	
Telephone and Telegraph	345.34	
Laundry	1,210.21	
Dispensary	222.01	
Other Items	240.48	
Uniforms and Breakage	284.20	
*Insulin	1,540.23	
Electro-Cardiograph	112.00	

 203,151.48
Rebates

General Relief	12,513.38	
Courtesy	3,801.24	
Hill Fund	363.95	
King Fund	705.40	
Harrington Fund	335.00	
Matheus Fund	559.30	
Randall Fund	12.55	
Research	1,017.30	
Bad Debts	1,795.94	21,104.06

 Net Earnings182,047.42

*Ten per cent of research laboratory earnings and of sales of insulin are considered hospital earnings.

SCHEDULE C—OPERATING EXPENSE OF
THE RESEARCH LABORATORIES

Salaries	29,004.12	
Supplies and Expense	4,321.85	
Equipment Replacements	1,860.45	
Laboratory Supplies	10,980.11	
Library Expense	293.59	
Office Expense	710.61	47,170.73

SCHEDULE D—EARNINGS OF RESEARCH
LABORATORIES

Laboratory Examinations	12,205.94	
Sales of Insulin	15,402.32	
	27,608.26	
Less 10% to Hospital	2,760.82	
	24,847.44	
From Professional Sources	7,198.41	
	32,045.85	
Gross Earnings	32,045.85	
Rebates Chemical Laboratory	3,177.10	
Rebates Sale of Insulin	9,232.72	12,409.82
Net Earnings	19,636.03	

SCHEDULE E—INVESTMENTS

Atchison, Topeka and Santa Fe Railway Company.....	5,000.00
City of Montreal	922.64
Commercial Trust and Savings Bank (Savings Account)....	720.74
Federal Land Bank	1,013.75
First National Bank (Savings Account)	704.15
Great Western Power Company	4,312.50
Hawkinsville and Florida Southern Railroad Company....	5,000.00
Imperial Irrigation District Bonds	5,050.00
Imperial Irrigation District Bonds	4,040.00
Imperial Irrigation District Bonds	5,343.40
Imperial Irrigation District Bonds	3,556.40
Junior Orpheum First Mortgage Bonds	504.95
First Liberty Bonds	201.00
Second Liberty Bonds	1,566.59
Third Liberty Bonds	1,000.00
Fourth Liberty Bonds	1,013.13
Fourth Liberty Bonds	631.90
Building and Loan Association	400.00
Los Angeles Gas and Electric Company	3,860.00
Los Angeles Railway Company	6,000.00
Mortgage Guarantee Company of Los Angeles	6,924.95
Oakdale Irrigation District Bonds	4,475.00
Pacific Gas and Electric Company	492.50
Bell Telephone Company Bonds	2,750.00
Union Trust Company	2,500.00
Southern California Edison Company	179.00
Southern Counties Gas Company	7,328.25
Turlock Irrigation District	200.00
General Electric Power and Light Company.....	17,286.25
	<hr/>
Total	92,977.10

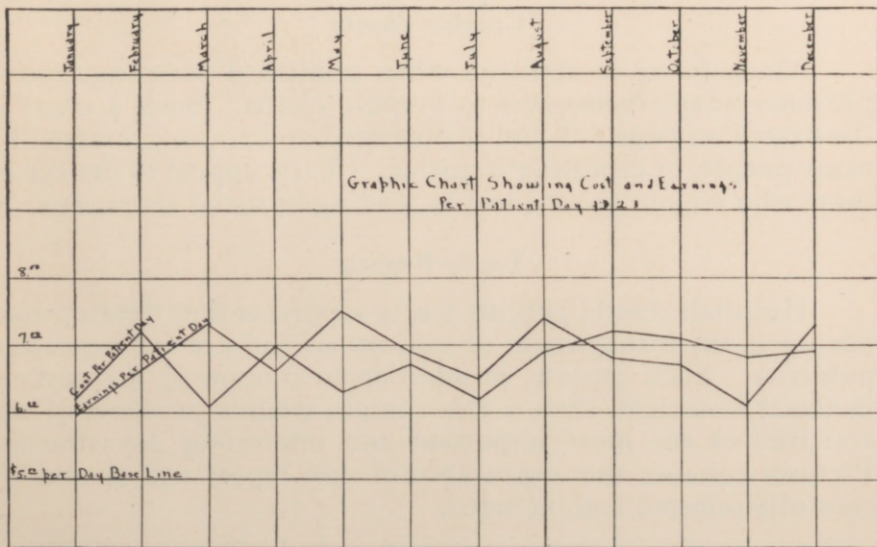


Illustration XXXVII. Graphic Chart, showing cost and earnings per patient day.

Explanation of Statement

Schedules "F" and "G" referred to under "Analysis of Surplus Account" would call for a list of donations by name and amount. Schedule "H" would call for a list of Endowment Funds by name and amount.

The use of this form of report, with as much supplementary data as may be desirable included in the form of schedules, in no way sacrifices the conciseness of the summary statement which appears under the headings "Earnings and Expenditures," "Balance Sheet," and "Analysis of Surplus Account."

Graphic Charts

Many forms of statistics when published for comparative purposes adapt themselves to graphic charts. Such a chart is illustrated on page 175 and is suggested as a form, preferred by many people, of reporting statistics. Charts appeal to the eye of those who are not accustomed to reading financial statements.

Yearly Reports

Hospitals should publish yearly reports as they develop confidence in the management of institutions and are not expensive publicity. Such reports, in addition to containing a complete financial statement, should also contain written accounts of the activities of the more important and interesting departments. Pictures enhance the appearance of any report and should be carefully selected and included.

Conclusion

In conclusion it is hoped that some of the suggestions embodied in this book will be helpful in placing hospitals on a basis of management which will assist the hospital administrator the better to organize and control his work together with the activities of the various departments under his supervision. The methods outlined are not theoretical but are the result of carefully planned procedures which have been modified and perfected through use and which will produce the information and routine necessary to operate properly the complicated modern hospital.

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