

Budgeting Weaknesses

- Inconsistent cost centers were being charged.

For Blue Ribbon Maintenance Supplies, \$358.52 was charged to the account for meat / fish / eggs and \$643.79 was charged to the account for paper products. The charges were for pot holders, oven mitts, rubber gloves, and bib aprons, which were usually charged to operational supplies.

Leases on IV pumps from Abbott Laboratories were inconsistently charged. Most lease charges (\$27,818.08) were posted to inventory rental, but \$1,332 was charged to Materials Management medical and surgical supplies and \$1,720.00 was charged to Materials Management rental and service agreements.

- Incorrect cost centers were being charged.

One invoice for United Safety Services for \$2,743.48 was charged to the operation of plant cost center when it should have been charged to the safety department.

Charges posted for Copy World invoices included:

- 9 invoices for \$197.55 in 1998 and \$122.91 in 1999 (as of 4/99) that were charged to patient activity rentals, rather than account physical therapy rentals;
- 1 invoice for \$519.00 was not charged to the departments renting the copiers; instead, was charged to only the nursing administration cost center; and
- 1 invoice for \$557.11 was charged to departments that were inconsistent compared to where other invoices for the same copiers were charged.

Nine invoices for Global Imaging System for \$298.78 in 1998 and \$78.58 in 1999 (as of 4/99) were charged to patient activity rentals instead of physical therapy rentals.

Two invoices for Butler Gas were charged to accounts where the backup did not support the accounts actually charged.

- Invoice #157552 had authorization stated to charge Materials Management oxygen; however, materials management rentals was charged \$113.48 instead.
- Invoice #156493 did not state a cost center to be charged. Accounting charged inventory medical and surgical supplies; however, the charges appeared to be for a contract that was usually charged to materials management medical and surgical supplies.

One invoice for Honeywell for \$517.60 was expended to maintenance repairs, when it should have been capitalized. The payment was for a new motor and sheave which extended the life of the asset and cost over \$500.

Additionally, the Internal Control Coordinator re-classed charges of \$28,833.08 posted to inventory rental agreements, stating the entry was for IV and mattresses to be re-classed. Rental

agreements should not be inventoried; however, they were posted to an inventory account and were posted inconsistently. After examination, the following was noted to make up the \$28,833.08:

- a. \$5,677.50 in mattress rentals should have been charged to specific floors for rentals from Continental Health Equipment. The center did not track how many mattresses they had or where they were located; therefore, they did not post charges directly to the correct cost centers.
- b. \$23,808.83 in IV pumps rented from Abbott Laboratories should have been charged out to the floors using the pumps.
- c. -\$2,992.50 in wheelchairs rented from Medic Rescue were never put in to the rental inventory account, but were disbursed out of the rental inventory account.
- d. \$1,117.03 for a bariatric wheelchair from KCI Therapeutic, which only 1 resident could use at a time, should have been charged to a specific floor. A specific floor was not charged because Materials Management personnel did not know where the wheelchair was. Note: The wheelchair was found idle after auditor requested it be located. Therefore, it was returned and the rental was discontinued.
- e. \$1,775.00 in T-pumps from Universal Hospital Services were never charged out of the rental inventory account.
- f. \$958.04 for a copier invoice should have been charged out to departments utilizing the copiers.

The sum of a -f = \$30,343.90 - \$1,080.00 refund from KCI = \$29,263.90 - \$430.82 unknown costs (difference immaterial and not investigated further) = \$28,833.08 which was the amount journalized.

- Frequently used items were not budgeted for when purchasing.

Abbott Labs was paid \$63,029.86 in 1998, of which \$32,159.78 was for purchased items. The vendor stipulated the BVGC would be charged a \$45.00 handling charge for purchase orders that did not exceed \$200. Handling fees of \$585.00 were paid by the BVGC in 1998 for 13 out of 50 invoices (26%) that were for less than \$200.

Recommendations:

We recommend that:

Cost centers be charged consistently and accurately.

A policy be established for the tracking of rental charges.