NEVADA STATE HOSPITAL PROCEDURES

Legislative Commission
of the
Legislative Counsel Bureau

March 1969

Bulletin No. 81

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LEGISLATIVE COMMISSION

Senator B. Mahlon Brown
Senator Carl F. Dodge
Senator James I. Gibson
Senator Archie Pozzi, Jr.
Assemblyman Melvin D. Close, Jr.
Assemblyman Zelvin D. Lowman
Senator Marvin L. White
Assemblyman James E. Wood

Assembly Concurrent Resolution No. 25

(1967 session)

ASSEMBLY CONCURRENT RESOLUTION--Directing the legislative commission to study improved procedures at the Nevada state hospital and to ascertain whether additional legislation is required for further improvement.

WHEREAS, The welfare of the mentally ill is a subject of deep concern to this legislature; and

WHEREAS, The dedicated staff of the Nevada state hospital and those responsible for its administration, in their continuing quest for improvement in the care and treatment afforded, have made and will surely continue to make constructive changes in its operation; now, therefore, be it

RESOLVED BY THE ASSEMBLY OF THE STATE OF NEVADA, THE SENATE CONCURRING, That the legislative commission is hereby directed to study the program of the Nevada state hospital in order to determine:

1. The requirements of an adequate program for the care of the mentally ill commensurate with the financial resources of this state;

2. The effect and adequacy of steps already taken and to be taken during the coming biennium to attain such a program of care; and

3. What further legislation, if any, is required to attain such a program of care;

and be it further

RESOLVED, That the legislative commission is hereby directed to report its recommendations for any needed legislation to the 55th session of the legislature of the State of Nevada.

REPORT OF THE LEGISLATIVE COMMISSION

To The Members of the 55th Session of the Nevada Legislature:

Assembly Concurrent Resolution No. 25 of the 1967 session of the legislature directed the legislative commission to examine the Nevada state hospital to determine the requirements of an adequate program for the care of the mentally ill commensurate with the financial resources of the state and report the results of such study and make recommendations for legislation to the 55th session of the legislature of the State of Nevada.

In response to the mandate of the resolution and subsequent to adjournment of the 1967 session, the legislative commission determined that it would conduct its study through a subcommittee.

Appointed to serve on the subcommittee were:

Marvin L. White, Chairman Then Assemblyman (now Senator) from Clark County	Lloyd George, Esq. Justice of the Peace North Las Vegas Township
Arthur "Art" Espinoza Assemblyman from Clark County	Theodore Johnson, Ed. D. Executive Director, Clark County Association for Retarded Children
F. W. "Bill" Farr Senator from Washoe County	Dr. Irving Katz Associate Professor of Psychology, University of Nevada, Las Vegas
Mary Frazzini Assemblyman from Washoe County	James K. Seastrand Clark County
Donald R. Mello Assemblyman from Washoe County	Dr. Robert C. Weems, Jr. Dean, College of Business Administration, University of Nevada, Reno

The subcommittee presented its report to the legislative commission in January 1969, which the commission accepted. That report follows.

The legislative commission wishes to acknowledge the constructive assistance given to it by all members of the subcommittee. The contributions of these subcommittee members greatly aided the legislative commission and the subcommittee in their endeavors.

Respectfully submitted,

LEGISLATIVE COMMISSION
State of Nevada

Carson City, Nevada
March 1969

REPORT TO THE LEGISLATIVE COMMISSION OF ITS SUBCOMMITTEE FOR STUDY OF NEVADA STATE HOSPITAL PROCEDURES

I. Introduction

The 54th session of the Nevada Legislature directed that an examination of the Nevada state hospital be made to determine:

1. The requirements of an adequate program for the care of the mentally ill commensurate with the financial resources of the state;

2. The effect and adequacy of steps already taken and to be taken during the coming biennium to attain such a program of care; and

3. What further legislation, if any, is required to attain such a program of care.

This is the report of the Subcommittee For Study of Nevada State Hospital Procedures, submitted in keeping with the direction and authority contained in Assembly Concurrent Resolution No. 25, 54th session of the Nevada Legislature (1967).

The base point of comparison used in evaluating the effect and adequacy of steps already taken or to be taken in effecting an adequate program at the hospital for the care of the mentally ill is January 1, 1967. Projecting the examination from this date down to the date of submission of this report extends the study, then, over a 2-year period.

The results of the study were not evaluated until late in the period under examination to allow for changes under way at the hospital, which would not have been sufficiently evaluated had the subcommittee determined on an earlier completion of its study. This withholding of final determination was recommended by the legislative commission, its expression being contained in the study scope prepared by legal division staff: "* * * The resolution [A.C.R. 25] presupposes that constructive changes in program are under way; results should most fairly be judged later in this legislative interim, after any such changes have had time to become effective."

The Nevada state hospital had, at the beginning of the period under study, an inadequate program for the care of the mentally ill. This conclusion derives from a wide array of deficiencies apparent to the present superintendent, Dr. Robert J. McAllister, who came to the hospital in August of 1966. In a report directed to the subcommittee, under date of February 7, 1968, the superintendent indicated the changes that had occurred in the hospital's program within the first year of the period under study. Implicit in each noted change, was an underlying and motivating deficiency. These deficiencies consisted in part of the following:

1. Above-average turnover in staff;

2. Unfilled vacancies in such critical positions as nursing and medical;

3. Little effectiveness in the work of hospital committees;

4. Absence of either a psychologist or a physical therapist on the staff;

5. No policy manual;

6. Inaccurate time cards;

7. Little control in authorization for leave and the accumulation of overtime and use of compensatory time;

8. Insufficient control of the public's access to the hospital and hospital grounds;

9. Lack of bylaws and rules and regulations for the medical staff;

10. Mediocre kitchen and canteen operation;

11. Inadequate handling of personnel problems, preventive maintenance, practice and procedure regarding receipt of and dispensing of drugs, and medical records;

12. Insufficient psychiatric service provided for the Nevada state prison population; and

13. In general, inadequate therapy programming.

The level of efficiency at the hospital in such areas as business office operations and medical services is revealed in the fiscal analyst's audit report for the year ended June 30, 1966, which is presented with this report as Appendix A.

II. Scope of Study

The study was limited, as directed by A.C.R. No. 25, to an examination of the hospital's program for the care of the mentally ill. The subcommittee did not view its authority as extending to a broad survey of the mental health program and needs of the state; rather, its examination and report excludes, for the most part, such concerns as commitments, discharges and conditional releases and repatriation. Mental retardation care and needs have not been studied, except insofar as such care and needs form a division of hospital care as will be indicated later in this report.

It became apparent to the subcommittee that no meaningful, independent examination of the medical aspects of the hospital's program could be undertaken without the assistance of professionals in the medical field. This report, then, is submitted in a qualified way as to determinations and recommendations in the area of medical services. In this area the subcommittee found it necessary to rely chiefly on the findings of the professional survey team from the Joint Commission on Accreditation of Hospitals.

The subcommittee carried on its work in individual study and at committee level. Visits to the hospital and conferences with the superintendent and with the business manager provided a first-hand view and an opportunity to explore points raised in the fiscal analyst's audit reports and in the recommendations submitted with the letter of accreditation, presented with this report as Appendix B.

A variety of documents was made available to and used by the subcommittee in its study. In addition to the fiscal analyst's audit report and the accreditation letter, the subcommittee found the fiscal analyst's current comments on the report as well as on an earlier report useful for its purposes. A pre-survey letter from Dr. Robert L. Smith dated February 19, 1968, furnished valuable background material to an understanding of the later accreditation letter. The memorandum of inspection prepared by the Sparks fire department in September of 1967 afforded the subcommittee an opportunity to gain a behind-the-scenes impression of safety standards insofar as the physical plant is concerned.

III. Mental Health

There are aspects of the mental health program in Nevada which lie outside the purview of this report. As stated in the introduction, the study which was conducted was limited to an examination of the program for the care of the mentally ill being carried on at the hospital. No attempt has been made to survey other important phases of mental health programs in Nevada, such as the variety of programs designed to aid the mentally retarded and the functioning of community health services.

In order to gain an understanding of the hospital's program as just one part, albeit important, of the whole state program, it is helpful to examine it in the organizational context, which has been created by the legislature. The department of health, welfare and rehabilitation, which was created by NRS 232.300, is composed of nine divisions, one of which is the mental hygiene division. The mental hygiene division, in turn, pursuant to NRS 436.011, consists of the Nevada state hospital and such other subdivisions as the administrator of the division may establish.

IV. Nevada State Hospital

The Nevada state hospital, which is located in Sparks, Nevada, is the only state hospital and, for ease of reference, is referred to throughout this report as, simply, the hospital. The hospital is organized along administrative and functional lines in the manner illustrated in the chart which accompanies this report and is marked Appendix C. The chief of each division and the head of each service is directly responsible to the superintendent. The superintendent is appointed by the administrator of the mental hygiene division, pursuant to NRS 436.013, who holds his office through appointment by the director of the department of health, welfare and rehabilitation pursuant to NRS 232.320.

The three divisions, neuropsychiatric, geriatric and mental retardation, and the seven services, medical, dental, social, psychological, volunteer, nursing and rehabilitation, are supported by the medical records section and by the business office. The ward arrangement within the neuropsychiatric division is designed to achieve a patient-community identification and, at the same time, facilitate a potential, relationship between the patient and physicians in his own community. The wards are designated as Clark County, Washoe County and rural counties units.

V. Areas of Examination and Study

1. Generally

What are the requirements of an adequate program at the hospital for the care of the mentally ill commensurate with the financial resources of the state? The subcommittee suggests that a comprehensible set of standards by which to determine adequacy of program can be established, for purposes of legislative review, by no better, presently available, means than by recourse to the standards set up by the Joint Commission on Accreditation of Hospitals. This commission is the quality-control arbiter for and serves the exacting demands of the American College of Physicians, the American College of Surgeons, the American Hospital Association and the American Medical Association. These standards are not indelibly inscribed on tablets for ready reference and easy comparison by just any hospital that aspires to make the mark. Arriving is not that cut and dried. The field representatives of the Joint Commission, in the case of the survey conducted at the Nevada state hospital on May 15 and 16, 1968, assembled information on the basis of completed questionnaires and, after evaluating the information, recommended to the Board of Commissioners that the hospital be accredited for a period of 1 year or until a subsequent survey is conducted. The negative side of their survey is manifested in the recommendations and comments which were made a part of the letter of accreditation. The items listed must be, if they have not already been, corrected as a condition of accreditation for the second successive year.

What of the "unwritten" standards that were, apparently, satisfied? Is it enough purposefully to maintain the same quality level of hospital operation and bring the operation up to the recommended standards in the enumerated instances? Quite possibly there are, here, all the elements of the requisite, adequate program of care for the mentally ill at the Nevada state hospital.

The subcommittee does recommend gauging the adequacy of the hospital's program by reference to the accreditation report, in view of the fact that within the framework of its present study it can find no more valid and no more attainable means of accomplishing the purpose of its study. It does so with certain reservations. First, the "adoption" of the Joint Commission's standards must be understood, from the foregoing comment, to be something akin to an acceptance on the basis of something less than total vision. Next, the standards and their satisfaction would seem to require a more sophisticated evaluation process than has been utilized or authorized to date. Finally and most emphatically, the subcommittee makes its recommendation in the full knowledge that the standards recommended and the program for the care of the mentally ill to be measured thereby give no precise idea of balance. The balance sought in this legislative study is an equating of an adequate program with the financial means of its accomplishment.

The State of Nevada cannot afford to provide anything less than an accredited hospital for the welfare of the people of the state. This premise, if valid, commits a certain amount of the financial resources of the state. How much? Is the amount which will be appropriated for each biennium enough or more than enough to assure the continuation of the accredited status desired? If

the amount is more than enough, is it because the people of the state seek plus values in the hospital program over and above a "strict compliance" with minimum standards? If plus values are consciously sought, is the cost commensurate with the financial resources of the state?

2. Physical Plant

The hospital is located on some 112 acres on the western edge of Sparks and carries on its principal and support functions in some 30 buildings. A building and grounds diagram is attached as Appendix D. Steps have been taken to remedy deficiencies noted by the survey team. Fire drill and evacuation plans are of critical importance in institutions of this sort. The subcommittee had occasion to recommend to the superintendent that he commend those staff members responsible for the effective evacuation of wards during a minimal-damage fire last spring.

3. Administration

Procedures in force are bringing about an increasingly effective operation. The hospital now has a hospital operating or policy manual. This manual sets forth hospital policies and the procedures and rules designed to serve such policies.

Staffing the wards, particularly at nights and on weekends, is a constant administrative problem. The subcommittee believes that the administration's indication of interest in the shift differential is sound and recommends legislative consideration of any such legislative request.

Inventory control is critically important at the hospital. The administration's proposed request for a new inventory control clerk position should be weighed after the personnel division has determined whether or not such a new personnel classification is warranted.

The fiscal analyst's recommendation with regard to the elimination of the employees' bonding provision contained in NRS 433.160 appears to be well taken. This recommendation appears as a part of the draft statute, Appendix E.

The formula for determining the daily or monthly rate for the subsistence and care of committed persons at the hospital, in the opinion of the subcommittee, is in need of revision. The present formula, as provided by NRS 433.410, produces a per diem rate, $10.33, which is considerably under the rate which would result were a more sophisticated, as well as a more realistic, cost accounting formula in use. The subcommittee feels that the hospital's accounting system will have to be recast in keeping with the pressing realities of indigent patient load and the stringent requirements of the federal Title XVIII and Title XIX programs. Two recommendations are made in this regard:

1. That there be an appropriation to cover the cost of annual auditing of the Nevada state hospital; and

2. That the present per diem rate be revised, as indicated in the draft statute, Appendix E.

There are large quantities of stored personal property at the hospital. This property cannot be disposed of adequately under present statutory provisions when the patient cannot be declared to be incurably ill or in need of lengthy hospitalization. A way out of this dilemma is recommended in the draft statute, Appendix E.

4. Medical Staff

The medical staff with the support of the full-time medical records librarian is operating now at a more effective level than in the past. The vacancy existing in the one psychiatrist's position may be filled when a medical treatment section is provided at the state prison.

5. Report of the American Association on Mental Deficiency

The American Association on Mental Deficiency surveyed the facilities and program of the Nevada state hospital in August 1968. The association submitted a report of its comments and recommendations to the hospital. Dr. McAllister has prepared a summary of this report, which is attached as Appendix F.

As noted in the final paragraph of the summary, while some 15 percent of the association's standards were not met and an additional 25 percent were only partially met, the hospital's relative ranking with regard to accreditation standards established by the Joint Commission on Accreditation of Hospitals has provided a more significant commentary for the subcommittee's study.

6. Cost Accounting Procedures

A note of urgency has prompted the subcommittee to include in its report a review of the hospital's accounting procedures which has been prepared by Semenza, Kottinger and McMullen, certified public accountants. A copy of the review is attached as Appendix G.

The need for appropriated funds to cover the cost of designing and installing a cost accounting system and conducting an appraisal at the hospital, which would be acceptable to the Medicare fiscal intermediary, seems to the subcommittee to be real and pressing in order to achieve the financial support available under the federal Title XVIII and Title XIX programs.

Additional, annual hospital accounting costs would, for the same reason, seem to warrant the necessary, additional appropriation. The cost accounting review submitted is fully explanatory in this regard.

VI. Pattern of Improvement

The hospital has received a great stimulus to continued improvement in achieving accredited status. Perhaps an even greater effort is going to have to be exerted over the next 2 years to qualify for the second and final survey inspections. There will be urgings to improve the hospital program on a wide front, no doubt. The subcommittee suggests that the legislature examine requests against a background of essential priorities.

While collections work is not an attribute alone of the operation of the Nevada state hospital and, therefore, lends weight to the argument that this be a centralized operation to serve many state agencies, it none the less is an important part of the support of the hospital and, with an improved per diem rate, may play a much more vital role in the production of the increasingly more important financial support of the hospital.

With the rapidly expanding and, no doubt, increasingly beneficial group therapy and other therapy being administered at the hospital, more and more patients are being removed from the kitchen worker, yard worker and laundry worker category. This can and has, already, produced dislocations in the staffing of the enumerated and other maintenance and support functions at the hospital. The subcommittee recommends that phasing out of such patient employment take into account the availability of permanent staff to fill the gap, recognizing in so recommending that the therapeutic value to the patient is always an important factor to be taken into account.

It is becoming apparent that the dual positions occupied by the superintendent may now be thrusting him into an area of diminishing returns. As acting administrator of the mental hygiene division, a greater portion of his time is becoming occupied with his responsibilities for an expanding statewide program. Should the legislature determine that it is feasible to provide a budget for an administrator, it then might be advisable, as an additional stimulant to economy and efficiency of operation, to require that the superintendent's report to the administrator be an annual one and that, in turn, the administrator's report to the director of the department be an annual one. Provisions contained in NRS 433.120 and 436.013 would, in that event, require amendment.

The subcommittee is cognizant of the interrelated nature of all aspects of the mental health program in the state. It suggests, therefore, that any future study contemplated of any one aspect give way to a properly implemented study of the whole mental health program and that it be accomplished with the specific authorization of professional assistance in the medical field.

STATE OF NEVADA

DIVISION OF MENTAL HYGIENE

DEPARTMENT OF HEALTH AND WELFARE

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1966

LEGISLATIVE COUNSEL BUREAU

NORMAN H. TERRELL, FISCAL ANALYST

Carson City, Nevada

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the accounts and records of the Division of Mental Hygiene of the Department of Health and Welfare for the fiscal year ended June 30, 1966 and have prepared therefrom the following exhibits:

Division of Mental Hygiene-Administrative Fund--
Statement of Basis for Appropriation and Authorization
Compared to Actual Receipts and Expenditures for the
Fiscal Year Ended June 30, 1966 ---------- Exhibit A

Bureau of Mental Retardation--
Statement of Receipts and Expenditures
for the Fiscal Year Ended June 30, 1966 ---------- Exhibit B

Nevada State Hospital-Administrative Fund--
Statement of Basis for Appropriation and Authorization
Compared to Actual Receipts and Expenditures for the
Fiscal Year Ended June 30, 1966 ---------- Exhibit C

Nevada State Hospital-Pay Patient Suspense Account--
Statement of Receipts Transferred to the General Fund
for the Fiscal Year Ended June 30, 1966 ---------- Exhibit D

Nevada State Hospital-General Fund Bank Account--
Statement of Receipts and Expenditures
for the Fiscal Year Ended June 30, 1966 ---------- Exhibit E

Nevada State Hospital-General Fund Bank Account--
Statement of Bank Account Reconciliation with the
Fund Ledgers for the Fiscal Year Ended June 30, 1966 ------- Exhibit E-1

Nevada State Hospital-Hospital Gift Fund--
Statement of Receipts and Expenditures
for the Fiscal Year Ended June 30, 1966 ---------- Exhibit F

Nevada State Hospital-Revolving Fund--
Statement of Receipts and Expenditures
for the Fiscal Year Ended June 30, 1966 ---------- Exhibit G

Scope of Examination

Although we did not make a detailed examination of all recorded transactions, our examination was made in accordance with generally accepted auditing standards. It

included test-checks and analyses of the accounting records and other supporting documents to the extent which, in our opinion, were adequate to satisfy ourselves of the general accuracy of the records.

Opinion

We have examined the Statements of Budgeted Receipts and Expenditures Compared to Actual of the Division of Mental Hygiene, Administrative Fund, Bureau of Mental Retardation Fund and the Nevada State Hospital Administrative Fund as of June 30, 1966, and the related statements of receipts and expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Statements of Budgeted Receipts and Expenditures Compared to Actual and Statements of Receipts and Expenditures present fairly the financial position of the Administrative Fund, Bureau of Mental Retardation Fund and the Nevada State Hospital Administrative Fund of the Division of Mental Hygiene as of June 30, 1966, and the results of its operations for the year then ended, with the exception of the Statements of Receipts and Expenditures of the Bureau of Mental Retardation and the General Fund Bank Account, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We are not able to state an opinion as to the accuracy of the accompanying Statements of Receipts and Expenditures of the Bureau of Mental Retardation due to lack of financial records. The accuracy of the hospital's General Fund Bank Account could not be verified due to the lack of internal control involving receipts. Bank balances of June 30, 1966 are not in agreement with the fund ledger cards controlling same.

Carson City, Nevada
February 23, 1967

Norman R. Terrell, C.P.A.
Fiscal Analyst

EXHIBIT A

DIVISION OF MENTAL HYGIENE
DEPARTMENT OF HEALTH AND WELFARE
ADMINISTRATIVE FUND
STATEMENT OF BASIS FOR APPROPRIATION AND AUTHORIZATION
COMPARED TO ACTUAL RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1966

	Work Program	Basis for Approp. or Auth.	Actual Receipts & Expend.	Over or (Under) Approp. or Auth.
Receipts				
General Fund	$320,699.00	$320,699.00	$320,699.00	$ --
Salary Adjustment	5,038.00	5,038.00	5,038.00	--
Authorized-Public Health	65,000.00	65,000.00	67,280.05	2,280.05
Total Receipts	$390,737.00	$390,737.00	$393,017.05	$ 2,280.05
Expenditures				
Payroll Costs:				
Salaries	$210,081.00	$210,702.00	$165,509.39	$(45,192.61)
Industrial Insurance	1,362.00	1,138.00	1,111.79	(26.21)
Retirement	12,152.00	11,755.00	9,541.31	(2,213.69)
Personnel Assessment	1,000.00	1,000.00	1,000.00	--
Group Insurance	720.00	720.00	255.00	(465.00)
Total	$225,315.00	$225,315.00	$177,417.49	$(47,897.51)
Travel:				
Out-of-State	$ 920.00	$ 920.00	$ 702.32	$ (217.68)
In-State	8,250.00	8,250.00	6,922.25	(1,327.75)
Total	$ 9,170.00	$ 9,170.00	$ 7,624.57	$ (1,545.43)
Operating:				
Office Supplies	$ 1,650.00	$ 1,650.00	$ 1,674.79	$ 24.79
Postage and Freight	775.00	775.00	339.78	(435.22)
Telephone-Combined	3,650.00	3,650.00	3,815.24	165.24
Printing-Combined	675.00	675.00	171.29	(503.71)
Subscrips. & Ref. Manuals	--	--	145.22	145.22
Dues and Registrations	--	--	124.00	124.00
Bonds & Ins. Premiums	330.00	330.00	258.78	(71.22)
Office Eqpt. Repair	250.00	250.00	662.36	412.36
Building Space Rental	4,200.00	4,200.00	1,372.00	(2,828.00)
Heat	1,300.00	1,300.00	--	(1,300.00)
Power	--	--	143.01	143.01
Other Utilities	--	--	14.83	14.83
Lab. & Technical Supplies	300.00	300.00	--	(300.00)
Educ. & O.T. Supplies	2,350.00	2,350.00	1,095.54	(1,254.46)
Total	$ 15,480.00	$ 15,480.00	$ 9,816.84	$ (5,663.16)
Equipment:				
Office Furniture	$ 160.00	$ 160.00	$ 316.23	$ 156.23
Office Equipment	412.00	412.00	499.80	87.80
Other Furn. & Eqpt.	200.00	200.00	--	(200.00)
Total	$ 772.00	$ 772.00	$ 816.03	$ 44.03

EXHIBIT A (CONT.)

	Work Program	Basis for Approp. or Auth.	Actual Receipts & Expend.	Over or (Under) Approp. or Auth.
Expenditures (Cont.):				
Medical Care	$140,000.00	$140,000.00	$ 98,403.26	$(41,596.74)
Transfer-Bur. of Mental Retard.	$ --	$ --	$ 12,500.00	$ 12,500.00
Total Expenditures	$390,737.00	$390,737.00	$306,578.19	$(84,158.81)
Reverted to General Fund June 30, 1956			$ 86,438.86	

EXHIBIT B

DIVISION OF MENTAL HYGIENE
DEPARTMENT OF HEALTH AND WELFARE
BUREAU OF MENTAL RETARDATION
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1966

Balance, July 1, 1965	$10,159.16
Receipts	
Transferred from Division of Mental Hygiene	$12,500.00
Federal Matching Funds	7,500.00
Total Receipts	$20,000.00
Total Funds Available	$30,159.16
Expenditures	
Payroll Costs:	
Salaries	$15,234.68
Industrial Insurance	87.33
Retirement	756.87
Group Insurance	27.00
Total	$16,105.88
Travel:	
Out-of-State	$ 312.65
In-State	946.31
Total	$ 1,258.96
Operating	
Office Supplies	$ 1,075.69
Postage and Freight	525.00
Telephone-Combined	476.37
Printing-Combined	3,367.61
Subscriptions and Ref. Manuals	181.23
Contract Services	977.20
Other Equipment Repair	22.65
Equipment Rental	466.53
Building Rent	20.00
Advertising	444.00
Total	$ 7,556.28
Equipment:	
Office Furniture	$ 625.68
Office Equipment	1,567.51
Total	$ 2,193.19
Total Expenditures	$27,114.31
Excess of Available Funds Over Expenditures	$ 3,044.85
Less Funds Reverted to Federal Government	1,244.76
Balance, June 30, 1966	*$ 1,800.09

*Controller Balance June 30, 1966	$2,253.24	
Balance Reflected by Records	1,800.09	
Unreconciled Difference		**$ 453.15

**Unreconciled difference due to a lack of financial records.

EXHIBIT C

DIVISION OF MENTAL HYGIENE
DEPARTMENT OF HEALTH AND WELFARE
NEVADA STATE HOSPITAL - ADMINISTRATIVE FUND
STATEMENT OF BASIS FOR APPROPRIATION AND AUTHORIZATION
COMPARED TO ACTUAL RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1966

	Work Program	Basis for Approp. or Auth.	Actual Receipts & Expend.	Over or (Under) Approp. or Auth.
Receipts				
Appropriation	$1,869,146.00	$1,869,146.00	$1,869,146.00	$ --
Salary Adjustment	112,669.00	112,669.00	112,669.00	--
Contingent Receipts	25,000.00	25,000.00	25,290.52	290.52
Total Receipts	$2,006,815.00	$2,006,815.00	$2,007,105.52	$ 290.52
Expenditures				
Payroll Costs:				
Salaries	$1,412,177.00	$1,407,584.00	$1,409,952.12	$ 2,368.12
Industrial Insurance	21,904.00	20,942.00	21,028.66	86.66
Retirement	85,093.00	78,340.00	74,757.15	(3,582.85)
Personnel Assessment	12,900.00	12,900.00	12,900.00	--
Group Insurance	6,948.00	9,288.00	4,464.00	(4,824.00)
Total	$1,539,022.00	$1,529,054.00	$1,523,101.93	$(5,952.07)
Travel:				
Out-of-State	$ 1,260.00	$ 1,260.00	$ 1,281.88	$ 21.88
In-State	4,015.00	4,015.00	3,983.68	(31.32)
Total	$ 5,275.00	$ 5,275.00	$ 5,265.56	$ (9.44)
Operating:				
Office Supplies	$ 4,244.00	$ 3,500.00	$ 5,244.42	$ 1,744.42
Postage and Freight	1,116.00	1,600.00	1,708.92	108.92
Telephone-Combined	7,584.00	10,300.00	11,074.01	774.01
Printing-Combined	2,410.00	3,290.00	1,404.21	(1,885.79)
Subscrips. & Ref. Manuals	1,568.00	1,500.00	1,400.15	(99.85)
Dues & Registrations	572.00	400.00	611.34	211.34
Bonds & Ins. Premiums	920.00	1,000.00	3,833.00	2,833.00
Contract Services	12,392.00	15,000.00	12,476.83	(2,523.17)
Office Eqpt. Repair	1,416.00	800.00	1,466.63	666.63
Equipment Repair-Other	4,896.00	5,000.00	7,328.87	2,328.87
Equipment Rental	552.00	750.00	1,239.12	489.12
Heat	27,492.00	28,000.00	27,742.72	(257.28)
Power	20,728.00	22,000.00	24,160.32	2,160.32
Water	3,300.00	3,800.00	3,407.40	(392.60)
Other Utilities	8,496.00	6,500.00	10,112.50	3,612.50
Janitor Supplies	8,792.00	7,500.00	5,270.25	(2,229.75)
Building Maintenance	37,012.00	41,500.00	33,275.14	(8,224.86)
Grounds Maintenance	3,480.00	3,500.00	1,488.97	(2,011.03)
Truck Operation	1,480.00	2,800.00	1,782.24	(1,017.76)
Medical and Dental Care	14,220.00	14,000.00	5,503.69	(8,496.31)
Transportation of Patients	3,092.00	4,500.00	5,176.83	676.83
Food	135,241.00	135,000.00	141,204.09	6,204.09

EXHIBIT C (CONT.)

	Work Program	Basis for Approp. or Auth.	Actual Receipts & Expend.	Over or (Under) Approp. or Auth.
Operating (Cont.):				
Kitchen & Dining Room Supplies	4,748.00	4,600.00	7,407.50	2,807.50
Dorm & Household Supplies	23,748.00	21,500.00	20,132.24	(1,367.76)
Clothing Purchases	16,092.00	10,500.00	16,994.18	6,494.18
Laundry Supplies	1,632.00	3,200.00	3,889.37	689.37
Med. & Dental Supplies	44,287.00	45,000.00	55,067.14	10,067.14
Instructional Supplies	380.00	500.00	48.70	(451.30)
Recreation Supplies	8,228.00	6,000.00	9,045.29	3,045.29
Barber & Beautician Supplies	1,012.00	1,000.00	247.68	(752.32)
Improvements & Betterments	5,116.00	8,000.00	1,506.51	(6,493.49)
Taxes and Assessments	200.00	200.00	316.34	116.34
Lab. & Technical Supplies	3,000.00	2,000.00	2,318.73	318.73
Special Services and Proj. Supplies	--	--	424.85	424.85
Farming	20,772.00	25,000.00	22,577.28	(2,422.72)
Autopsies & Funerals	1,546.00	2,000.00	900.00	(1,100.00)
Refunds	--	--	232.02	232.02
Work Program Error	8.00	--	--	--
Total	$ 431,772.00	$ 441,740.00	$ 448,019.48	$ 6,279.48
Equipment:				
Office Furniture	$ 1,255.00	$ 1,255.00	$ 3,201.59	$ 1,946.59
Office Equipment	2,649.00	2,649.00	4,420.97	1,771.97
Other Furn. & Eqpt.	26,842.00	26,842.00	22,996.27	(3,845.73)
Total	$ 30,746.00	$ 30,746.00	$ 30,618.83	$ (127.17)
Total Expenditures	$2,006,815.00	$2,006,815.00	$2,007,005.80	$ 190.80
Reverted to General Fund June 30, 1966			$ 99.72	

EXHIBIT D

DIVISION OF MENTAL HYGIENE
DEPARTMENT OF HEALTH AND WELFARE
NEVADA STATE HOSPITAL
PAY PATIENT SUSPENSE ACCOUNT
STATEMENT OF RECEIPTS TRANSFERRED TO THE GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1966

Balance, July 1, 1965	-0-
Receipts	$236,314.90
Disbursements	1,480.67
Deposited to General Fund Through June 30, 1966	$234,834.23

EXHIBIT E

DIVISION OF MENTAL HYGIENE
DEPARTMENT OF HEALTH AND WELFARE
NEVADA STATE HOSPITAL
GENERAL FUND BANK ACCOUNT
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1966

Balance, July 1, 1965		
Security National Bank		
Commercial Account	$ 16,102.35	
Savings Account	31,661.00	
Petty Cash	100.00	
		$ 47,863.35
Receipts		
Patients Personal Fund	$135,658.42	
Canteen Fund	62,659.43	
Questa Fund	7.05	
Patients Recreation Fund	3,381.05	
Auxiliary Fund	687.50	
Occupational Therapy Fund	637.66	
Patients Discharged & Deceased	130.25	
Vocational Rehabilitation Fund	3.00	
Vucanovich Childrens Fund	35.00	
Total Receipts		203,199.36
Total Funds To Account For		$251,062.71
Expenditures		
Patients Personal Fund	$133,144.48	
Canteen Fund	62,019.91	
Questa Fund	98.17	
Patients Recreation Fund	2,925.38	
Auxiliary Fund	591.54	
Occupational Therapy Fund	782.57	
Patients Discharged & Deceased	739.73	
Dry Cleaning Fund	4.00	
Federal Tax	5.45	
Vocational Rehabilitation Fund	3.00	
Total Expenditures		200,314.23
Balance, June 30, 1966		$ 50,748.48

EXHIBIT E-1

DIVISION OF MENTAL HYGIENE
DEPARTMENT OF HEALTH AND WELFARE
NEVADA STATE HOSPITAL
GENERAL FUND BANK ACCOUNT
STATEMENT OF BANK ACCOUNT RECONCILIATION
WITH THE FUND LEDGERS
FOR THE FISCAL YEAR ENDED JUNE 30, 1966

Balance on Hand and in Bank, June 30, 1966		
Security National Bank		
Commercial Account	$12,435.11	
Savings Account	33,276.02	
First National Bank		
Commercial Account	5,000.00	
Petty Cash Fund	100.00	
Total		$50,811.13
Balance Per Ledgers		
Patients Personal Fund	$43,549.99	
Canteen Fund	5,522.70	
Patients Recreation Fund	1,429.84	
Auxiliary Fund	129.06	
Occupational Therapy Fund	81.89	
Vucanovich Childrens Fund	35.00	
Total		50,748.48
Excess in Bank and on Hand Over Balances on Ledgers		$ 62.65
Deposit of Subsistence & Care Check in Error - April 1965		$ 55.00
Unreconciled Difference		7.65
		$ 62.65

EXHIBIT F

DIVISION OF MENTAL HYGIENE
DEPARTMENT OF HEALTH AND WELFARE
NEVADA STATE HOSPITAL
HOSPITAL GIFT FUND
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1966

Balance, July 1, 1965	$1,000.00
Receipts	-0-
Total Available	$1,000.00
Expenditures	-0-
Balance, June 30, 1966	$1,000.00

EXHIBIT G

DIVISION OF MENTAL HYGIENE
DEPARTMENT OF HEALTH AND WELFARE
NEVADA STATE HOSPITAL
REVOLVING FUND
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1966

Balance, July 1, 1965	$2,006.63
Receipts	
Reimbursements	5,024.26
Total	$7,030.89
Expenditures	5,210.66
Balance, June 30, 1966	$1,820.23

STATE OF NEVADA
DIVISION OF MENTAL HYGIENE
DEPARTMENT OF HEALTH AND WELFARE
SUPPLEMENTAL LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 1966

1. Internal Control

Serial Numbered Receipts - Present receipt books are not numerically sequenced nor do they adequately serve the purpose for which intended. Present receipts are in duplicate in books of 50. Individual books are assigned to serve for subsistence and care, pay patients, contingent and miscellaneous funds. A book of receipts may last for many months for one fund whereas another fund may use several in one month, thus making reconciliation of funds difficult. Used books are not maintained in any type of sequence.

It is recommended that the hospital do away with the present receipt books and replace them with individual serial numbered receipts in triplicate, making only one type of receipt necessary. The new receipts should have individual boxes indicating the type of receipt; pay patient, patients' personal funds, contingent, etc. A receipt should be made for all moneys received. It is also recommended that unused receipts be safeguarded and issued only upon authorized signature.

Incoming Mail - All incoming mail is opened by one person. Mail which includes money is logged in a book and then hand carried to the business office. The clerk in the business office signs the log to indicate receipt but does not verify the money at that time. Receipts of the business office were in excess of $405,000 during the fiscal year under review. A major portion of this arrives by mail.

The above procedure does not safeguard the control of receipts. We recommend that incoming mail be opened in the presence of two people and that a receipt in triplicate be prepared. A copy of this receipt should be held in the office where the mail is opened; the remaining two copies of the receipt, with the money, should then be

taken to the business office where posting by fund is accomplished and the money deposited to the bank. Verification of the receipts should be made by the business office clerk involved. Receipts used by those opening the mail should be signed out to them by the business office.

Bank and Ledgers Reconciliation - Bank reconciliation with ledger card balances has been very lax in the past. Eleven of the twelve months of the fiscal year under review, the ledgers were not in agreement with bank balances. At the end of the fiscal year the aggregate of these errors amounted to $129.91 more in the bank than was indicated on ledger cards.

It is recommended that errors uncovered during this examination be corrected in the ledgers and that complete reconciliation of bank and ledgers be accomplished each month. Errors found to exist should be corrected immediately through the use of journal entries.

Incomplete Records - Several instances were noted where adequate records were not being maintained to allow verification of posting to ledgers. Those noted are as follows:

In-Book Transfers - These involve a transfer of funds between book accounts which are maintained in the same bank account. Sales slips are used for this purpose but these slips could not be located for our verification.

Corrections - Corrections are made by a direct posting as journal entries are not used. There were no source documents explaining such corrections.

Canteen Robbery - The canteen was robbed of an undetermined amount of money. This robbery was not reflected in any way in the records. A change fund of $65 was maintained and because of the robbery this had to be replaced. The replacement money was taken from cash on hand but the records did not indicate this.

It is recommended that source documents for in-book transfers be maintained intact. Weekly postings of journal entries should be made by the accountant as they are not voluminous. All corrections should be made by journal entry, fully documented, with documentation filed intact. All transactions which affect the financial condition of the funds such as the canteen robbery should be reflected in the records and all source information should be maintained intact.

2. Books and Records

The hospital uses an NCR 3300 bookkeeping machine to account for moneys received and disbursed. The records are maintained on the encumbrance system without the use of a general ledger. The system utilizes two sets of control cards; one to control encumbrances and liabilities and the other to control paid claims. Under the present system, distribution to the various accounts is made upon receipt of the invoice rather than receipt of the paid claim lists, making reconciliation with the controller's monthly tab run of the distributed expenses a great deal of work because the postings have occurred, for the most part, in different months.

We recommend that posting of the paid claims be made to the distribution columns when received. This would eliminate the control ledger card to which paid claims are now posted. Claims should be referenced on each ledger card making reconciliation easier. We further recommend that monthly reconciliation be made with the controller's tab runs to correct any posting errors.

3. Business Management

At the present time the hospital is authorized a business administrator. The business administrator has until recently been serving as superintendent and therefore many of the areas of business operations have had very little direction. The business office is a good example of this. There has been no accountant authorized and for some time now the bookkeeping machine operator has been underfilling the principal account clerk position. She has had to act in a dual capacity, as bookkeeping machine

operator and as the accountant. The program specialist position is underfilled by an administrative secretary. Her job has been payroll, attendance records and maintenance rate clerk.

The present system of accounting for moneys received and expended is unsatisfactory. The records now being maintained by the Bureau of Mental Retardation are in such a state of confusion that they will have to be completely reconstructed. There are definite internal control problems in the handling of receipts coming in the mail.

It is our contention that the hospital does not need a business administrator. We feel this position should be converted to a business manager in charge of operations. He should be directly concerned with business office systems and internal control procedures.

4. Perquisites to Employees

NRS 433.135, subsection 1 states, "If the superintendent finds that it is necessary or desirable that any employee reside at the hospital, perquisites granted to such persons or charges for services rendered to such persons shall be at the direction of the governor."

During the fiscal year under review, employees were allowed the privilege of purchasing items from the commissary. This privilege has now been stopped due to abuse from two employees. The budget office questioned certain unusual purchases and as a result losses amounting to approximately $1,200 were averted. The two employees involved were in administrative jobs and therefore above question.

All employees are furnished meals when on duty. It has been a state policy in other institutions to furnish meals at no charge but only when supervising inmates. We therefore recommend that the perquisites now being given to employees be reviewed and resubmitted for approval as required under NRS 433.135.

5. Bonds of Employees

As all employees of the state are now automatically bonded up to $25,000, it is recommended that NRS 433.160 be deleted in its entirety. This section of NRS provides for security bonding as prescribed by the superintendent.

6. Hospital Revolving Fund

The 1963 legislature authorized the hospital revolving fund to be increased to $7,500 from $2,500. Since that time the extra $5,000 has never been drawn from the State Treasurer. The fund is used to pay travel claims for those transporting patients, salaries of terminated employees and payment of small bills. The average bank balance for the year was $1,525.33. The additional $5,000 is not needed and we recommend that it be reverted to the general fund and that NRS 433.190 be amended to provide for a $2,500 revolving fund.

The above recommendation was made in our prior audit report.

7. Patient Subsistence and Care

Under NRS 433.370, 433.380, 433.390 and 433.400 the hospital is required to establish financial responsibility for patients' subsistence and care. The procedures for these collections have been very lax. After responsibility has been established and a rate has been fixed the only collection procedures used are constant billings. The business office has just completed a list of 56 delinquent accounts totaling $79,916.79 which they considered uncollectible. This list contains many names of persons who reside in the state and may have adequate resources to pay.

It is recommended that an analysis of all delinquent accounts be made to determine collectibility and that legal procedures be instituted where indicated. We would also recommend that the hospital be allowed a fulltime position for collections of patient subsistence and care moneys.

This recommendation was made in our prior audit report.

8. Payments for Support of Voluntary Patients

NRS 433.340 states, "The daily or monthly rate for the care, support and maintenance of voluntary patients shall be determined by the superintendent, and shall be payable to the hospital in advance. In cases where there have been advance payments under this section and such advances or any part thereof should be refunded because of

death or discharge of the patient, such amount shall be paid to the person who made payment, upon demand, and the amount refunded shall be itemized, and the aggregate deducted from the amount to be paid into the state treasury from pay patients as provided by law."

No advance payments are being received from voluntary patients. Care for these patients is charged when financial responsibility is established, otherwise they are cared for at state expense.

The hospital receives many voluntary patients but the majority of such persons are indigent. When they arrive at the hospital they are in such a condition that they need medical attention immediately. Therefore, it is not practical to attempt collection immediately. Because of these facts it is recommended that the requirement relating to payment in advance be deleted from the above statute.

9. Surety Bonds of Guardians

NRS 433.400 requires that guardians of estates of committed persons must give a bond running to the State of Nevada to insure payment of moneys due for care. It also requires that they shall supply an inventory of the estate and an income statement. This requirement has not been enforced. It is recommended that the hospital immediately begin requiring the above as required by statute.

This recommendation was made in our prior audit report.

10. Patients' Personal Funds

The workload involving patients' funds is becoming a fulltime job under the present procedures. Patients are allowed to frequent the business office at will, which creates constant disturbances. They are continually requesting information on the status of their funds. They are constantly requesting small sums in cash which is paid from petty cash and then reimbursed from their accounts.

We recommend that regular office hours be established for patient fund transactions whereby they can draw money, ask questions, etc. The office hours should be

no more than two hours, three days each week. This would allow the present clerk sufficient time, unhampered, to perform his regular duties.

11. Excess Money in General Fund Bank Account

Patients' personal funds are carried in the same bank account with five other funds. The average bank statement balance for the year under review was $16,003.62.

NRS 433.440, subsection 6, authorizes the superintendent to deposit funds in excess of $3,000 into a savings account which is now maintained. It is recommended that the excess now in the commercial account be transferred to the savings account and that the superintendent make a current review of these balances in order that the maximum interest be received for the patients' recreation account.

This recommendation was made in our prior audit report.

12. Patients' Personal Belongings

NRS 433.450, subsection 1, authorizes the hospital to accept patients' personal belongings for safekeeping if they do not exceed a value of $300. NRS 433.450, subsection 2, authorizes the superintendent to sell property at any time after one year of safekeeping when it is determined that the committed person is incurably ill or that he will be required to remain at the hospital for an extended period of time.

Many instances were noted where actual values were far in excess of the authorized amount. All of these instances, with but one exception, involved items stored in the business office safe. It was also noted that the majority of personal belongings were clothing items and that an acute storage problem exists because of such clothing being retained for many years, either because the patients are still in the hospital, have died and no relative has claimed the items, or because some patients have checked out and never claimed their belongings. Attempting to sell such items would result in little or no remuneration to the individual patients' funds.

We therefore recommend that only items of substantial value other than clothing be sold as directed by the above statutes. The valuables now stored at the hospital

should be sold accordingly as soon as possible. We further recommend that the above statute be amended to permit the superintendent to deposit all clothing that has been retained for over one year with the hospital's clothing stores to issue to patients as is other donated clothing.

13. Annual Accounting of Patients' Personal Funds

As of February 9, 1967 no accounting had been made to the State Treasurer concerning patients' personal funds held by the hospital as of June 30, 1966. Also, as of this date, there had been no request made to the banks concerned for bank balance confirmations.

NRS 433.470 directs that the above accounting be made at the end of each fiscal year and we therefore recommend that the state hospital immediately make such accounting for the fiscal year ending June 30, 1966.

14. Accounting and Procedures Manuals

The hospital business office does not have an accounting or standard procedures manual. At the present time only the bookkeeping machine operator could adequately handle other office work if the need should arise. The hospital has had a business administrator but this position has been used to underfill the superintendent's job, leaving little time for direction to the business office.

It is recommended that an accounting and procedures manual be written that adequately explains the functions, systems and procedures of the business office so others may fill various positions as the needs arise and to give all employees a current reference. The business office should start a cross-training program so that each person could fill the job of another if the need arose. The hospital is presently requesting an accounting position and we recommend that this position be authorized.

This recommendation was made in our prior audit report.

15. Mental Hygiene Advisory Board

NRS 433.015, subsection 1 states, "The members of the board shall meet at such time and such places as they shall deem necessary, but a meeting of the board

shall be held at quarterly intervals. The board shall keep minutes of the transactions of each board meeting, regular or special, which shall be public records and filed with the Nevada State Hospital."

Minutes on file at the hospital indicate that there was no meeting held between December 10, 1965 and June 30, 1966, which is contrary to statute.

As this is an advisory board it is recommended that NRS 436.015 stating "but a meeting of the board shall be held at quarterly intervals" be deleted and allow meetings to be held at such times and such places as they shall deem necessary.

16. Records of Bureau of Mental Retardation

The financial records of the above bureau are not in agreement with the State Controller's records for the fiscal year 1965-1966. The form LA-1, submitted to the Fiscal Analyst, indicated a balance forward of $597.09, whereas controller figures indicate $2,256.24. In order to adequately reflect a meaningful financial statement the records would have to be completely reconstructed.

It is recommended that the hospital business office take charge of these accounts and reconstruct them from July 1, 1965.

17. Contracts

The hospital uses a standard form contract for consulting and other medical services from outside professional people. The hospital is now a part of the Division of Mental Hygiene, Department of Health and Welfare. It is recommended that the Division of Mental Hygiene be included as a party to any contract negotiated by the hospital and that each contract be formally approved by the administrator of the Division of Mental Hygiene.

This recommendation was made in our prior audit report.

18. Pay Patient Ledger Cards

An individual ledger card is maintained for each patient with personal funds on deposit. As these accounts are closed or as pages are filled they are transferred

from the active file to the inactive file. They are filed in alphabetical order but not segregated by fiscal year. This makes verification of accounts extremely difficult.

It is recommended that inactive cards be filed by fiscal year in alphabetical order so that accounts for a given year can be easily verified.

This recommendation was made in our prior audit report.

19. Action Taken on Recommendations From Prior Audit Report

As may be noted in the above paragraphs, many of the recommendations are repetitions of those made in our prior audit report for the fiscal year 1962-1963. It is evident that little or no attempt has been made to implement the majority of those suggestions even though three fiscal years have expired since that time.

Many of the hospital's problems could be alleviated if the foregoing suggestions were put into effect. We strongly recommend that an immediate attempt be made to do so.

Carson City, Nevada
February 23, 1967

Norman H. Terrell, C.P.A.
Fiscal Analyst

NOTE: At a meeting held March 1, 1967 between a member of the Fiscal Analyst's office and the Superintendent of the Nevada State Hospital, agreement was reached on implementation of the foregoing recommendations.

JOINT COMMISSION ON
ACCREDITATION OF HOSPITALS

645 N. MICHIGAN AVE., CHICAGO, ILLINOIS 60611, Telephone 642-6061
JOHN D. PORTERFIELD, M.D., Director

JUN 2 6 1968

Robert J. McAllister, M.D.
Medical Director and Administrator
Nevada State Hospital
480 Coney Island Drive
Reno, Nevada, 89505

Dear Doctor McAllister:

The Board of Commissioners of the Joint Commission on Accreditation of Hospitals has approved the recommendation that your hospital be accredited for a period of one year or until a subsequent survey is conducted. This is the result of the evaluation of the hospital survey conducted on the date and by the field representative indicated below.

Attached are recommendations for the improvement of the quality of patient care based on the findings of the survey. These warrant your attention and should be put into effect before the next visit of a representative of the Commission.

Copies of this letter with the recommendations have been sent to the chief of staff and president of the governing board of your hospital. Since this report is confidential on the part of the Commission, the release of its contents is a matter for your mutual consideration and decision. Any publicity emanating from this report must of necessity come from your authorized spokesman.

Plans will be made to conduct another survey of your hospital in a year's time. We would like to remind you of the Commission's policy that if a hospital has been granted accreditation for one year on two successive surveys, it must achieve accreditation for three years on the third survey visit or be reduced to non-accreditation.

Please be assured of our interest and of our willingness to be of all possible help to you.

Sincerely yours,

John D. Porterfield, M.D.
Director

cc: Mr. Karl R. Harris, President of the Governing Board

SURVEYOR: THOMAS J. HUGHES, M.D.

DATE OF SURVEY: MAY 15,16, 1968

RECOMMENDATIONS AND COMMENTS

Nevada State Hospital
Reno, Nevada

1. The mass casualty plan should be rehearsed, by key hospital personnel, at least twice per year.

2. Every effort should be made to fill the vacant positions for qualified psychiatrists.

3. The medical staff should study the needs of the hospital as staff meetings are concerned and adopt a program that will adequately implement the eight required staff administration responsibilities and a format for documentation of these functions.

4. Use of terms as "Neg", "Normal", "OK", etc., in medical records should be kept at a minimum.

5. Long term patients' records should include a progress note and at least monthly.

6. The occupational records should be made a part of the patient's hospital chart.

7. The medical record of patients admitted to the acute medical service for medical problems, should include a medical history and physical examination to support the diagnosis and subsequent treatment.

8. The autopsy rate should be at least 20 per cent of the hospital deaths.

9. It is recommended that quality control results be tabulated in the clinical laboratory.

10. Interpretation of radiological films should be by qualified personnel with special training.

11. There should be additional authorized positions for Registered Licensed Nurses in order to provide improved coverage and supervision of the nursing care.

12. It is recommended that the dietitian record pertinent observations in the medical record on patients receiving therapeutic diets.

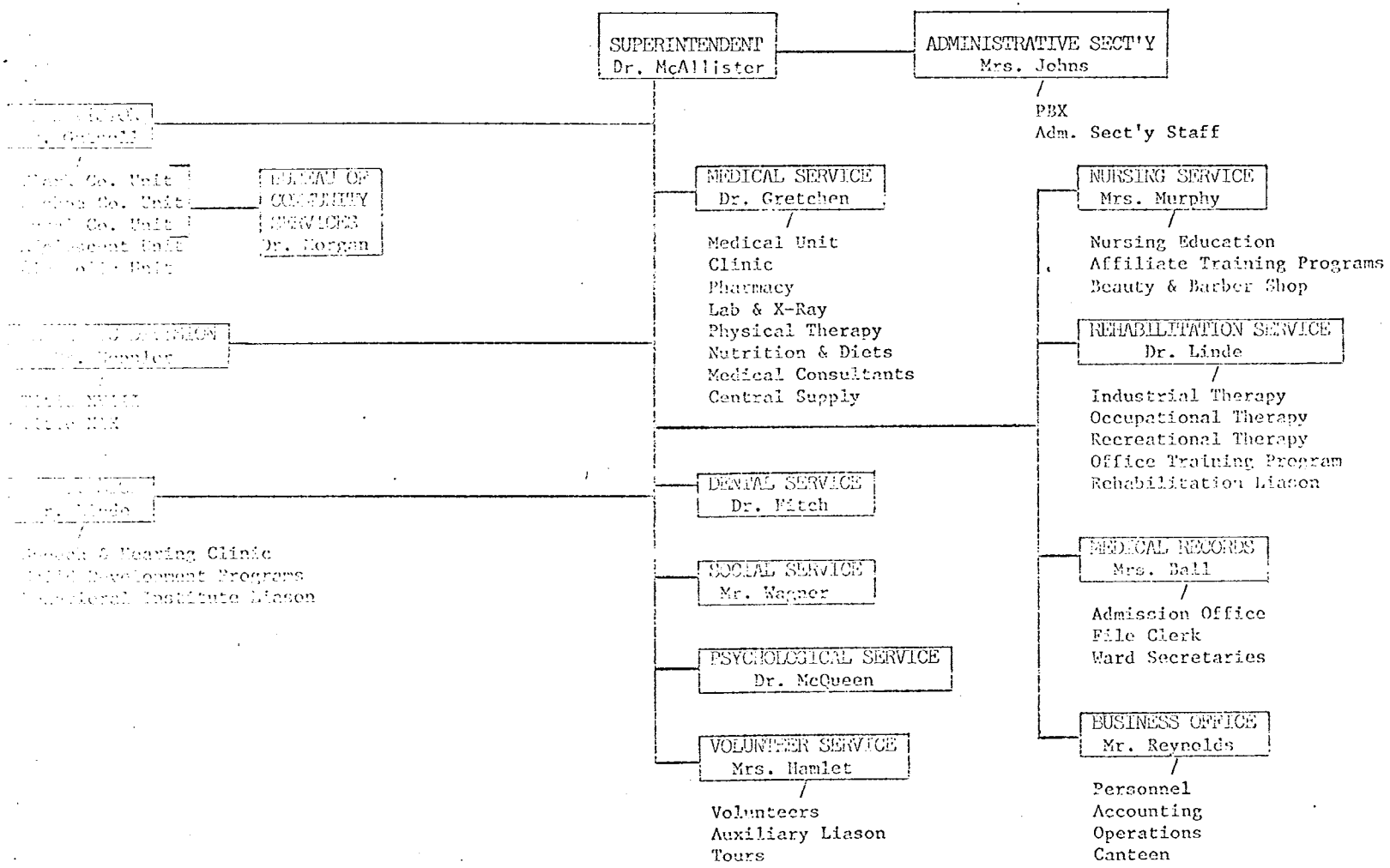
13. The professional medical and nursing staff should be increased and improved; documentation of qualitative review should be carried out in order that Full Accreditation can be attained.

J. C. A. H.

SURVEY: MAY 15,16, 1963

SURVEYOR: THEODORE J. KREIS, M.D.

RATING: ACCREDITATION FOR ONE YEAR
R: Reference is made to the enclosed "Standards for Hospital Accreditation".
Reviewed by: Otto Arndt, M.D.


SUPERINTENDENT
Dr. McAllister
ADMINISTRATIVE SECT'Y
Mrs. Johns
PBX
Adm. Sect'y Staff
MEDICAL SERVICE
Dr. Gretchen
Medical Unit
Clinic
Pharmacy
Lab & X-Ray
Physical Therapy
Nutrition & Diets
Medical Consultants
Central Supply
NURSING SERVICE
Mrs. Murphy
Nursing Education
Affiliate Training Programs
Beauty & Barber Shop
REHABILITATION SERVICE
Dr. Linde
Industrial Therapy
Occupational Therapy
Recreational Therapy
Office Training Program
Rehabilitation Liason
DENTAL SERVICE
Dr. Fitch
SOCIAL SERVICE
Mr. Wagner
PSYCHOLOGICAL SERVICE
Dr. McQueen
VOLUNTEER SERVICE
Mrs. Hamlet
Volunteers
Auxiliary Liason
Tours
MEDICAL RECORDS
Mrs. Ball
Admission Office
File Clerk
Ward Secretaries
BUSINESS OFFICE
Mr. Reynolds
Personnel
Accounting
Operations
Canteen
BUREAU OF
COMMUNITY
SERVICES
Dr. Horgan

Appendix C

NORTH SERVICE ROAD

1. Physician's Residence
2. " "
3. " "
4. Woodworking Shop
   Paint Shop
   Janitor Shop
   Barber Shop (Temporary)

NORTH SERVICE ROAD

5. Executive Housekeeper
   Sewing Room
   Property Room
   Clothing Room
   Maintenance Supervisor
   Maintenance Shop

NORTH SERVICE ROAD

6. Central Heating Plant
7. Laundry

NORTH STREET

1. Superintendent's Residence
2. Duplex residence (West)
3. Duplex residence (East)
4. Quonset residence
5. Day Care Center (proposed)
   Barber Shop "
   Beauty Shop "

NORTH STREET

6. Adolescent Unit (proposed)
7. Central Dining Room
   Central Kitchen
   Commissary
   Purchasing & Stores

NORTH STREET

8. Mental Retard Unit
   Wards 5-6-7-8
   Unit Supervisor
   M-R Secretary
   Washoe County
   M-R School Unit

SOUTH STREET

1. North Entrance
   Stairwell-Washoe Unit
   Rural (2d floor)
   Fleischmann Medical Unit
   Secretary Office
   Physician's Office
   Physical Examination
   Physical Therapy
   Laboratory & X-Ray

SOUTH STREET

1A. East Entrance
   Secretary Office
   Social Worker
   Nursing Office
   Dental Clinic
   Pharmacy
   Central Supply
   Doctor's Office
   Stairwell-Washoe Unit
   Washoe Unit (2d floor)

SOUTH STREET

2. Medical Unit
   Duty Station Hospital Head Nurse 3 PM to 7 AM.
   Isolation Ward
3. Clark Unit (1st floor)
   Washoe (2d floor)
4. Intensive Care (1st fl
   Adolescents (2d floor)
5. Small Children's Ward
   Beauty Shop (Temp)
   Washoe Co. School Di

WEST STREET

1. ADMINISTRATION BUILDING
   PBX-Information
   Hospital Superintendent
   Business Manager
     Personnel
     Accounting
     Operations
   Bureau Community Services
   Rehabilitation Services
     Industrial Therapy
     Office Training (Basement)
     Occupational Therapy
     Recreational Therapy

WEST STREET

1. Admin. Bldg. cont'd
   Mental Retardation Division
     Speech & Hearing
     Child Development
     Behavioral Institute
   Medical Records
     Admission Office
     File Clerk
     Ward Secretaries
   Nursing Service
     Nursing Education
     Affiliate Training Programs
   Chief Social Services

WEST STREET

1. Admin. Bldg. cont'd
   Dietician
   Psychologist
   Volunteer Services
     Volunteers
     Auxilliary
     Tours
   NIMH Hosp. Improvement
   Foster Grandparents
   Conference Room

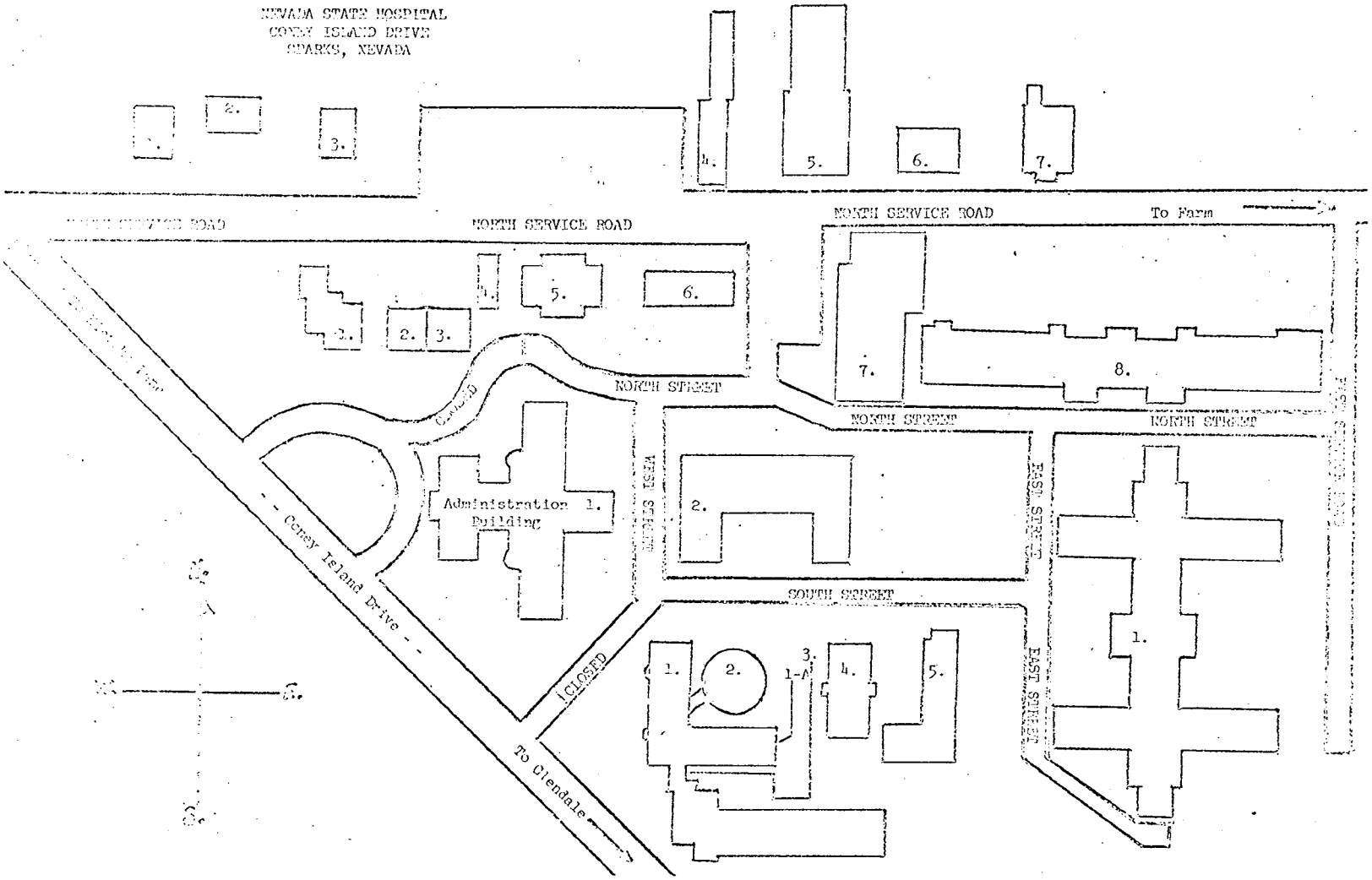
   Alcoholic Treatment Center (2d floor)

MESA SPUR

1. Elders Hall (Geriatrics)
   Ward G-A
   Ward G-B

Nursing Office
Physician's Office
Social Worker

NEVADA STATE HOSPITAL
COREY ISLAND DRIVE
SPARKS, NEVADA



Administration Building — FIRST FLOOR — No. 1 West Street

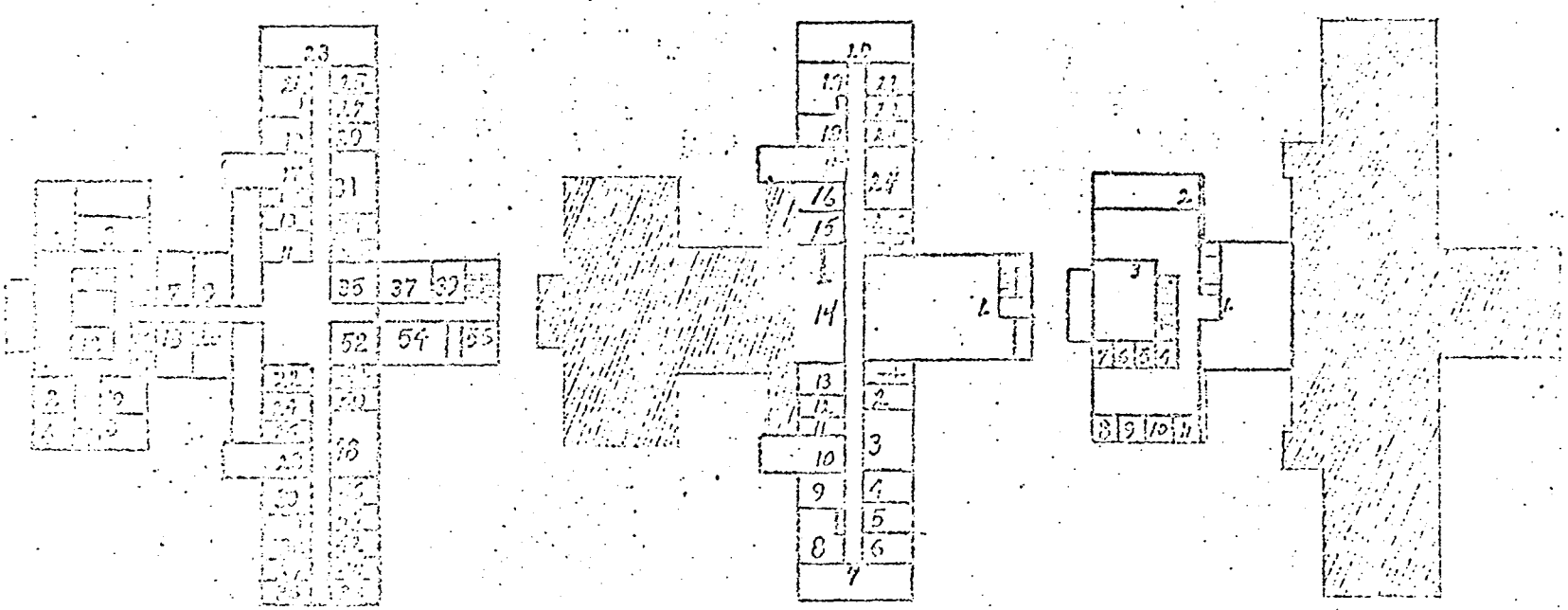
Room No.	Occupant	Room No.	Occupant
1.	Conference Room (Staff)	2.	Personnel Office
3.	Superintendent	4.	Business Manager
5.	Mail Room (proposed)	6.	Accountant
7.	Dir. of Community Services (Chief)	8.	Bookkeeping
9.	Dir. of Community Services (Secretary)	10.	Patient Accounts
11.	Dietician	12.	Personnel Interview & Testing
13.	Admission Patient Interviews	14.	Rest Room (men)
15.	Rest Room (Admission Patients)	16.	Rest Room (women)
17.	Group Therapy (Aux. Conference Room)	18.	Dir. of Com. Service (Social Service)
19.	Psychologist	20.	NIMH Grant Secretaries
21.	Rest Room	22.	Social Service (Chief)
23.	Conference Room	24.	Auxilliary (storage)
25.	Psychologist	26.	Auxilliary (storage)
27.	Vocational Rehab. Evaluator	28.	Conference Room
29.	Vacant	30.	Auxilliary (Director)
31.	Orvis School of Nursing	32.	Rest Room
33.	Staff Education	34.	Bureau of M.R. (Foster Grandparents)
35.	Medical Records (files)	36.	Bureau of M.R. (Accountant)
37.	Medical Records (Clerk)	38.	Bureau of M.R. (Social Worker)
39.	Medical Records Librarian	40.	Bureau of M.R. (Secretary)
		42.	Bureau of M.R. (Director)
		44.	Industrial Therapy
		46.	Vocational Rehabilitation (Director)
		48.	Vocational Rehabilitation (Secretaries)
		50.	Vocational Rehabilitation (Counselor)
		52.	Admissions (Interviews)
		54.	Admissions (Secretary)
		56.	Supervisor of Nursing Service

Administration Building — SECOND FLOOR — Alcoholic Treatment Center

1.	Day Room	2.	Kitchen
3.	Therapy	4.	Bedroom
5.	Bedroom	6.	Bedroom
7.	Dormitory	8.	Restroom (women)
9.	Bedroom	10.	Dormitory
11.	Bathroom (women)	12.	Bedroom
13.	Linen	14.	Nursing Station
15.	Office	16.	Bathroom (men)
17.	Dormitory	18.	Bedroom
19.	Restroom (men)	20.	Dormitory
21.	Bedroom	22.	Bedroom
23.	Bedroom	24.	Bedroom
25.	Laundry		

Administration Building — BASEMENT — Office Training & Library

1.	Storage & Dead Files	2.	Library (Staff & Patients)
3.	Stock Room (Paper & Office Supplies)	4.	Office Training Director
5.	Office Training Typing	6.	Office Training Office Painting
7.	Office Training Office Printing	8.	Office Training Bursar
9.	Office Training Mimeograph (Photo)	10.	Office Training Typing
11.	Office Training Typing		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SUMMARY--Provides for adjustments in pay-patient rates and disposition of patients' personal property at state hospital. (BDR 39-894)

AN ACT relating to the hospitalization of the mentally ill; providing for the adjustment of the rate determination for their care and for the disposition of personal property of persons so hospitalized; providing for the elimination of bonding requirements of hospital employees; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 433.410 is hereby amended to read as follows:

433.410 1. The daily or monthly rate for the subsistence and care of committed persons shall be determined by the superintendent and shall be payable monthly in advance. The optimum rate shall approximate the actual [average] per diem cost [per capita for patients confined] per patient, for the class of patient care provided, in the hospital for the previous year ending on June 30.

2. The cost of transportation to the hospital shall be payable with the first monthly payment.

3. The assessment of a rate less than the maximum shall not constitute a waiver to a claim for the difference between the actual rate and the maximum rate when the financial ability of responsible relatives or the estate of the committed person warrants the higher rate.

4. Previously determined payments may be decreased or increased by the superintendent if adverse or favorable changes in the financial status of responsible relatives or the estate of the committed person warrant such action.

5. Rates of pay determined by the superintendent may be appealed to and reviewed by the administrator of the mental hygiene division. After review, the administrator may modify the determination of the superintendent.

6. Costs of clothing, personal needs, medical, surgical and related services which have to be purchased outside of the hospital shall be additional charges against responsible relatives or the estate of the committed person.

7. The unused portion of advance payments shall be refundable to the source of payment in the event of the committed person's death, parole or discharge from the hospital.

Sec. 2. NRS 433.450 is hereby amended to read as follows:

433.450 1. When the total value of personal property of a committed person does not exceed $300 and requires safekeeping, the superintendent is authorized to receive it. He may remove or cause to be removed such personal property from wherever located to a place of safekeeping for the benefit of the committed person, and the expense of removal and safekeeping shall be paid from funds to the credit of the committed person or from funds appropriated for the support of the hospital.

2. Such property may be sold at any time after 1 year of safekeeping when it is determined that the committed person is incurably ill or that he will be required to remain at the hospital for an extended period of time. Such property may be sold, if not recovered by a patient or his legal representative, within 1 year of his discharge or decease. The sale price in each case shall be not less than 10 percent below the [value determined by a qualified appraiser appointed by the board.] total value of such property where the total value is estimated to be $100 or more. Where the total value is estimated at $100 or more, a qualified appraiser shall be appointed by the superintendent to determine such value. Where relatives of the kinship mentioned in NRS 433.010 to 433.640, inclusive, are known, they shall be advised of a pending sale of the property and shall be given the first opportunity to purchase the property. Moneys realized from sales shall be deposited at the hospital in the

same manner as other personal credits of committed persons are made.

Sec. 3. NRS 433.160 is hereby repealed.

AAMD — ASSOCIATION ON MENTAL DEFICIENCY REPORT ON THE NEVADA STATE HOSPITAL

This paper presents a summary of the comments and recommendations made as a result of a survey conducted by a professional team from the AAMD in August of 1968.

I. Recommendations Regarding General Policies.

1. Increased autonomy for the MR section of the hospital.

2. Clear lines of authority

3. Better lines of communication.

4. Increased affiliations with University of Nevada

5. Improved programs in In-Service Training

6. Introduction of pre-service training.

7. Direct responsibility of the Washoe County School Program to hospital personnel

8. Direct responsibility of the Foster Grand Parent Program to hospital personnel.

9. Separate line-item budgets for the MR staff, clothing purchases, etc.

10. Long-range planning for the mentally retarded of the institution and of the state.

II. Recommendations Regarding Patient Care.

1. There should be a policy for immunizations.

2. Locked wards should be open since they indicate a lack of freedom and of trust.

3. There is too much emphasis on using patients for productive work.

4. There should be increased emphasis on emotional, psychological and social aspects of life.

5. There is overcrowding in some wards.

III. Recommendations Regarding the Physical Plant.

1. No individual privacy in living facilities or in sleeping quarters.

2. In some instances there is no provision for patients to have their individual possessions.

3. There is insufficient privacy in bathroom and toilet areas.

4. There is not a pleasant home-like atmosphere on all wards.

5. Individual thermostats should be available in all areas as well as controls for humidity levels.

6. There are not enough lavatories.

7. There is need for separate educational facilities.

8. There is need for playground equipment and sheltered play areas.

9. There is need for new equipment and a new building for the laundry and for the power plant.

10. There is need for a chapel.

11. Facilities are inadequate and antiquated. They should be remodeled and rebuilt.

IV. Recommendations Regarding Staff Needs.

The report indicated a need for increased staff in the following areas:

1. Clerical and statistical

2. Research director and staff.

3. Medical staff.

4. Housekeeping services.

5. General Maintenance.

6. Dental hygienist

7. Social service.

8. Psychology.

9. Occupational therapist and aides.

10. Speech and hearing services

11. Chaplain.

12. Recreational therapy.

13. Music therapy.

14. Physical therapy.

The report specified some favorable factors in the institution, principally the following:

1. Good esprit de corps.

2. A strong nursing department

3. Well dressed patients.

4. Medically well-cared-for patients.

5. The patient population appeared content.

In September 1968 a report was released by the National Association of State Mental Health Program Directors indicating the number of mental health and mental retardation state institutions which were accredited and not accredited by the Joint Commission on Accreditation of Hospitals. Of state hospitals for the mentally ill, 141 were accredited, 131 not accredited. Of state institutions for the mentally retarded, 18 were accredited, 127 not accredited. The Nevada State Hospital received an accreditation status by the Joint Commission in May of 1968 for a one-year period. The summary of the AAM D survey conducted in August 1968 indicated that 60% of their standards were met, 25% were partially met, and 15% were not met.

Cop:
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March 3, 1969

Legislative Counsel Bureau
State Capitol Building
Room 57
Carson City, Nevada 89701

Gentlemen:

We have reviewed the accounting procedures at the Nevada State Hospital and are rendering our report thereon in the following paragraphs. The review was made with Mr. John R. Crossley, CPA, Chief Legislative Auditor, and with Mr. Ted Reynolds, Business Manager at the Nevada State Hospital. We did not examine all of the accounting procedures in detail and did not perform audit tests to determine if the procedures described to us were actually being followed. We have also reviewed various provisions of the Medicare (Title 18) and Medicaid (Title 19 - SAMI) manuals and regulations and the effect they may have on the accounting procedures which the hospital should have because of these programs.

<u>Accounting Procedures</u>

The accounting procedures presently employed at the Nevada State Hospital are completely inadequate for Medicare and Medicaid purposes. A brief description of the present system follows:

(1) The [illegible] to fit the state system but do not provide information [illegible] of a general ledger.

(2) There is no general ledger. The records [illegible] on a single [illegible]

in our local county hospitals.

(3) A fairly extensive and apparently adequate system is being utilized for purchasing, receiving and controlling operating supplies and equipment. These costs are recorded in expense accounts in accordance with the chart of accounts mentioned.

(4) Perpetual inventory records for supplies have been initiated in some cases, and personnel are working to establish systems for all such property.

(5) There are no property and equipment records for various types of fixed assets such as land, buildings and equipment.

(6) An encumbrance and expenditure system is utilized to account for budget appropriations. The system seems to work quite well and provides the hospital with up-to-date information as to how actual amounts compare with budget estimates.

(7) There is no revenue journal or other record where income charged to patients is summarized. As a result, there are no controls established for accounts receivable.

(8) A system has been set up to account for patient funds and payments made to the hospital for patient care. We did not review this area extensively but believe that proper accounting and internal control is lacking.

(9) There is no system for recording and utilizing information relative to [illegible] hospital [illegible] hospital patients.

(10) [illegible] such items [illegible], [illegible] of [illegible], units of [illegible], [illegible], etc.

(11) [illegible]

Revenue, Payroll and Cash Receipts. All of these are necessary for a proper accounting system and two of them could be created quite readily with some modification of existing procedures.

There are other areas that we did not explore which may involve separate accounting systems and procedures. These might include operations such as cafeteria sales and procedures, commissary sales and operations, clothing issuance and control, housing provided for employees, employee prerequisites, and costing and controlling areas related to other state agencies utilizing hospital facilities.

In summary, it may be said that normal hospital accounting procedures are practically non-existent although some of the present procedures could be modified to accomplish this goal.

The present hospital staff available to work on accounting matters consists of the business manager, an accountant, an account clerk and a bookkeeping machine operator. Our impression was that these people were having considerable difficulty in accomplishing the tasks assigned because of the heavy work load. We were informed that in one case an individual had not been able to take a vacation for two years because of this.

Medicare and Medicaid Programs

[illegible]

as fifty percent of SMMI costs and almost 100 percent of Medicare costs whereas the state is now paying the entire amount in most cases.

Under the Medicare program, inpatient hospital care is provided to qualified individuals in psychiatric hospitals for 90 days of care in each "spell of illness". In addition, if a spell of illness continues beyond 90 days, coverage will be provided but will count toward a lifetime limitation of 190 days of care. A patient may have other spells of illness which do not last for 90 days and these days of care will not be counted against the lifetime limit. These benefits are provided for every individual who (1) has attained the age of 65 and (2) either is entitled to monthly social security benefits or is a qualified railroad retirement beneficiary.

Title XIX of the Social Security Act (Grants to States for Medical Assistance Programs), usually called Medicaid (or SMMI in Nevada), provides medical insurance benefits to other needy persons in addition to the aged. Portions of this program are not new because benefits were previously provided under other sections of the Social Security Act as follows:

> The states have the option of participating under the new program or of continuing to operate under the various programs of Title I (old-age assistance), medical assistance for the aged), Title IV, Part A (aid to needy families with dependent children (AFDC), Title X (aid to the blind), Title XIV (aid to the permanently and totally disabled), and Title XVI (aid to the aged, blind and disabled), until July 1, 1975. After that date, federal sharing in all [illegible] of medical assistance [illegible]

[illegible]

coverages and eligibility which are not pertinent to this report. We believe that hospital insurance benefits under these programs will be extended to more and more individuals in ensuing years so that the financial advantage to the state will increase and more reason will exist for full participation wherever possible.

Based upon the hospital census of January 1, 1969, it appears that the following patients could be eligible for coverage under one of the programs:

Patients over 65	46
Patients under 21 (mostly mentally retarded)	113
Blind patient not included above	1
	160
Other mentally retarded patients (considered permanently disabled)	44
Total	204

Cost Reimbursement

The Medicare law and related regulations provide that reimbursement to providers of service must be made on the basis of reasonable cost". There are extensive regulations and manuals which have been prepared by the Social Security Administration on this subject and they are constantly being revised and interpreted. Regulation 405.452 provides principles for determination of cost of services to beneficiaries. There are two approximations for determining cost:

(1) Departmental Method

[illegible]

(2) [illegible]

[illegible]

patients; to this is added the cost of ancillary services used by beneficiaries determined by apportioning the total cost of ancillary services on the basis of the ratio of beneficiary charges for ancillary services to total patient charges for such services.

The intermediary may find that a provider is unable to apply either the departmental method or the combination method. In such case, the intermediary can authorize the provider to use, on a temporary basis, an apportionment based on the ratio of beneficiary inpatient charges to total inpatient charges applied to the total cost of all services. This would permit the provider time to establish the records necessary for applying either of the basic alternative methods of apportionment in the next accounting period. In some cases the intermediary may determine that a provider is unable to employ this temporary method of apportionment based on the ratio of beneficiary inpatient charges to total inpatient charges applied to total inpatient cost. In such a case any other method determined by the intermediary to be reasonable may be used on a temporary basis. Any temporary method of apportionment may not be used to cover more than one cost reporting period.

The present records of the hospital are such that it will be very difficult to comply with the provisions of the regulations stated above. Our experience with preparing cost reports and accumulating the data required is [illegible] where the records are [illegible]. With the present records the [illegible] the required reporting and statistical information [illegible] that the hospital will need adequate staffing to accomplish the work.

With the advent of new programs and increasing coverage to various patient groups, a proper cost reporting system must be established to maximize the Federal participation in the cost of caring for eligible patients and in fact to participate in the program at all. Establishment and maintenance of such a system will be an expensive proposition. We have estimated that the costs involved will be somewhat as follows:

Initial System Costs

(1) System design and installation including establishment of proper journals, ledgers, statistical information, internal controls, etc.	$50,000.00
(2) Appraisal of plant and equipment including depreciation calculations	12,000.00
(3) Miscellaneous costs including forms, supplies, equipment, etc.	5,000.00
	$67,000.00

Annual Accounting Costs

(1) Personnel Business manager, chief accountant, 2 billing clerks, 2 bookkeeping machine operators, 3 account clerks for payroll, claims, vouchers and general accounting work, 1 account clerk for patient fund accounting and bookkeeping	$63,000.00
(2) Office supplies and expense	3,000.00
(3) Space allocation cost	15,000.00
(4) Retirement and insurance	4,000.00
(5) Miscellaneous	5,000.00
	$90,000.00

Savings [illegible]

(1) Office equipment [illegible] chairs, typewriters, etc.	$ 4,000.00
(2) Additional office [illegible]	0

The annual cost of the present hospital accounting staff is estimated to be about $40,000.00 as compared to the annual accounting cost estimate of $90,000.00 shown above.

There are a substantial number of advantages to be derived from the implementation of such a system. Included are greater cost reimbursements applicable to Federal funds, greater reimbursement from private and insurance sources, better management and control of operations and property and more complete information for legislative control and supervision. Under the assumption that the required legislative authority is provided in various areas we anticipate that revenue from non-state fund sources may be increased as follows.

(1) Increase in daily hospital cost reimbursement rate from $14.52 at present to $21.00 for 1969 (Probable increases annually) $6.48 per day x 365 days x 25 patients	$ 59,130.00
(2) Inclusion of additional patients as previously estimated - use average coverage of 160 patients x 365 days x $21.00	1,226,400.00
	1,285,530.00
Less: 50% from state funds	642,765.00
	642,765.00
(3) Billings to insurance companies and private patients which are not made now - estimate average of 30 covered patients x 365 days x $21.00	229,950.00
(4) Improved collection of accounts over present activity	50,000.00
Potential Additional Revenue to State	$ 922,715.00

It is difficult to estimate the number of patients available for coverage under both Title 18 and Title 19 programs and the other factors involved, but it appears that it would be reasonable to assume that not to provide for the establishment of a proper cost accounting system

Under Section IV, B, 3, e, of the present state plan for Medicaid, the state agency administering the plan appears to have the responsibility of providing for necessary recording, reporting and other procedures for the State Hospital. If the costs of establishing the cost system can be an administrative cost of the state agency, then it appears likely that the Federal government would pay 75 percent of the cost. This possibility requires additional study and exploration before a position can be taken.

Recommendations

Because the Nevada State Hospital is participating in the Medicare and SAMI programs and because it appears economically unsound to retain the present methods of accounting, we have concluded that the establishment of an accounting system which will provide the records and information required should be undertaken. In order to accomplish this goal, we are making the recommendations contained in succeeding paragraphs. These recommendations are not made in order of preference and some of them should be adopted whether or not a good accounting system with cost finding capabilities is authorized.

Legislation

(1) Include as many State Hospital patients as possible in the State Medicaid plan.

(2) Eliminate the authority of any agency to set daily patient care rates except the hospital itself, or perhaps give the authority to some department such as the Fiscal Division of the Department of Health, Welfare and Rehabilitation. For example, this would preclude district judges from setting a $5.00 daily rate on psychiatric patients. The Medicare regulations provide that all patients must be charged the same rates for the same services.

(3) Give hospital personnel authority and power to collect amounts billed to private and other responsible individuals. They should also have the authority to charge for services which may be collectible from a patient or his family.

(4) Authorize the hospital to use an accrual method of accounting for cost reimbursement purposes which would include depreciation as a cost and also provide the state comptroller's office the necessary budget and accounting data required for state accounting purposes.

(5) Provide authorization to pay patients for work performed at the hospital. However, such pay should be rebated to the hospital to help pay operating costs. If this procedure is not desirable, then authority should be provided to the hospital to calculate the value of these services and to include such value as an element of cost.

(6) Funds should be provided to pay for the design and installation of a cost accounting system, and in addition, for an appraisal of fixed assets and equipment which will be acceptable to the Medicare fiscal intermediary.

Accounting

(1) Establish an organizational chart of the hospital on a functional basis and design a chart of accounts which will provide the information desired.

(2) Establish an accrual basis general ledger system with necessary supporting journals and documentation.

(3) Establish procedures and forms which will provide the data necessary for a departmental cost finding system.

(4) Provide property and equipment records in sufficient detail so that depreciation may be calculated, the assets properly controlled, and so that Medicare regulations may be met.

(5) Provide necessary systems for obtaining hospital statistics required for cost reimbursement reporting.

(6) Provide a system of accounting and internal control for trust fund type of transactions which would include gift funds and funds held for employees.

(7) Develop a system for charging other agencies utilizing hospital facilities for space and for any other services provided to those agencies by the hospital. This system should also handle a reverse situation where an agency provides service to the hospital.

Conclusion

We understand that a number of changes to the statutes relating to the Nevada State Hospital which are desired by the Mental Hygiene Division have been forwarded to the Legislative Counsel Bureau by Mr. Robert A. Grayson, Deputy Attorney General. Some of these changes are similar or related to recommendations made above.

The expense of establishing and implementing the system may appear to be high, but when the benefits and revenues are coming back to the hospital in future years, the cost can be justified. For comparative purposes, we can advise you that Washoe Medical Center has 47 people in its admission and accounting departments and Southern Nevada Memorial has a complement of some 76 people. Washoe Medical Center has 415 beds and an average occupancy of over 80 percent and Southern Nevada Memorial has about 200 beds. A comparable ratio can be used. Of course, these hospitals have a much different type of operation but the figures do give some idea of the accounting staff which may be needed.

March 3, 1969

We wish to reiterate that our conclusions are based upon information furnished to us and our interpretation of certain statutes and Medicare regulations and did not include an audit of the information or a detailed analysis of all of the ramifications which may be present. Much of this information will be developed and other areas requiring attention will no doubt arise in the course of designing and implementing a good accounting and cost finding system. We believe our estimates of manpower and dollar requirements are realistic; however, in an area such as this, it is very difficult to predict the problems which may be encountered and law changes which may be made that would affect the system.

We also believe it would be well to positively ascertain which State Hospital patients will qualify for coverage. This could be accomplished by a review of appropriate Federal laws and regulations by the legal staff of your Bureau.

We wish to express our appreciation for the opportunity to become engaged in this project.

Yours very truly,

Seneman, Kottinger & McMullen