

Hospitals: California Hospital Commission Accounting Manual

UC Accounting Manual

IX. Current Funds Accounting

H-576-11 (10/01/74)

September 16, 1974

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Gentlemen:

Subject: Implementation of California Hospital Commission
Accounting Manual

The purpose of this memorandum is to recap the plans of the University of California for implementing the California Hospital Commission (CHC) accounting and reporting regulations. Carrying out these plans will put the University in full compliance with CHC requirements.

A review of the CHC Manual last Spring led to the following list of accounting problems:

1. Natural classifications (object codes) must be used for all expenditures, including recharges to hospitals from other campus departments.
2. Recharges of services provided by hospital departments to other campus departments must be reported as revenue.
3. Recharges of services provided by campus departments to hospitals must be identified.
4. Transactions of hospital restricted funds must be identified.
5. Cash discounts are to be classified as revenue.
6. The CHC account codes must be used (as of July 1, 1977).
7. Holiday, vacation, and sick leave time must be accrued and the unused portion reported as a liability for CHC reporting purposes.
8. Supplies are to be expensed to departments as issued and the on hand inventory reported as an asset for CHC reporting purposes.
9. CHC statements are predicated on a balanced, double-entry set of books.
10. The hospitals' books must close earlier than in the University schedule.

At meetings attended by campus and hospital accounting personnel in May and August, 1974, each of these items was discussed and it was concluded that local procedural changes would be initiated to take care of each of the above items, with the following understandings (keyed to above items):

1. The classifications and reporting requirements prescribed by CHC for salary, wages and employee benefit expense will be developed manually until the new payroll system is implemented. The new payroll system will be designed to accommodate the CHC requirement.
5. Cash discounts can be recorded at the time of invoice processing. As an alternative, a listing of discounts will be provided as part of the existing accounts payable system.
6. CHC account codes may be assigned in our present general ledger system--using four digits of the account code and two digits of the object code. Although CHC account codes are not required until July 1, 1977, they should be converted by July 1, 1976. In order to take care of all conversion problems before July 1, 1977. The development of new systems holds the possibility of other coding schemes for accommodating CHC codes (such as unique location codes); however, we should not depend on using new systems for implementing CHC codes.
9. The balanced, double-entry set of books is not a specific requirement of CHC; however, the use of hospital/campus control accounts will implement this feature. It is recommended that campuses initiate the use of control accounts by July 1, 1976. In this connection, our office is investigating the feasibility of automatically generated entries to the control accounts.

At the conclusion of the August 2 meeting representation of the neuropsychiatric institutes discussed their special problems. It was agreed that CHC regulations applied to these institutes in the same way as to the teaching hospitals and that the procedures agreed to for teaching hospitals would work satisfactorily for the institutes.

In addition to the teaching hospitals and the neuropsychiatric institutes, two student health centers are licensed hospitals and, therefore, subject to CHC regulations--Berkeley and Davis. These hospitals qualify and have received a special exemption from the requirement to use CHC account codes. At a meeting held on August 9 with the Berkeley and Davis accounting officers and student health service administrators, it was agreed that the CHC reports could be prepared from the University general ledger and student health service statistics.

These plans for implementation of the CHC Accounting Manual will be incorporated into the University's Accounting Manual as soon as possible. Meanwhile, please consider this the official statement of University procedure.

We appreciate the participation and cooperation of campuses and hospitals in the development of these plans. So far as I am aware, all concerned are in substantial agreement. If you have any questions or comments on this subject please call Joe Pastrone, Acting Chief Accountant.

John H. Stanford

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