

**A STUDY OF PROPERTY CONTROL
AT BAYLOR UNIVERSITY MEDICAL CENTER**

ACKNOWLEDGMENTS

The completion of this project depended upon the assistance and cooperation of the hospital staff and many of the employees at Baylor University Medical Center. Without exception, their interest and forthright comments concerning the project were outstanding. Their attitudes reflect the philosophy of their dynamic administrator, Mr. Boone Powell.

A Problem Solving Project Report

Submitted to the Faculty of
Baylor University

My sincere thanks are extended to Mr. Powell and to the other members of the Baylor Staff for their enthusiasm and valuable assistance.

**In Partial Fulfillment of the
Requirements for the Degree**

of

I am especially grateful for the advice and assistance of Mr. Glen R. Clark, Assistant Administrator; Mr. W. Claude Jones, Director of Property Service; and Mr. Bobby F. Stevenson, Assistant Property Service, without whose aid and guidance this project would have been impossible.

Master of Hospital Administration

By

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Waco, Texas

August, 1969

A STUDY OF PREVENTIVE CONTROL

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APPROVED BY THE PROJECT ADVISOR:

Submitted to the Faculty of
Baylor University
In Partial Fulfillment of the
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Master of Hospital Administration

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MAJ Jack N. Bateman
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ABSTRACT

This study was conducted to determine the best property control system for the Baylor University Medical Center, Dallas, Texas.

A thorough search was made of all current literature and interviews conducted to record and evaluate the current concepts of control, systems of control, and property control systems.

A two-week study was conducted at Baylor University Medical Center and the present system was found lacking in many key elements of control. It was therefore concluded that the best property control system for the Baylor University Medical Center was the centralized Property Control Branch system. Recommendations were that the conclusion indicated above be approved; that a committee be appointed to study the staffing requirements of the Property Control Branch; that written policies and procedures concerning the control of property be formulated and; that a complete wall-to-wall inventory of all capital assets be conducted immediately.

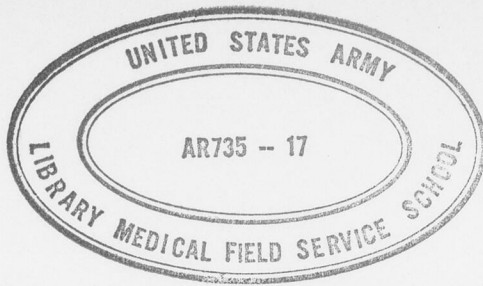


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the largest American industries over the past few years. The increased cost of labor has helped to skyrocket the costs of hospitalization. Wages of the labor force within the hospital presently represent approximately 45 per cent of the total operating expenses, leaving 35 per cent involved in buildings, equipment, and supplies. Industry, with only 30 per cent of its operating costs spent on wages, has been able to absorb its increased wage costs through more efficient mechanization and automation. Hospitals, on the other hand, are unable to replace their health care personnel with machines. This means that the efforts of hospital administrators must be focused on the effective and economical utilization of equipment and supplies to provide the lowest cost of operation possible. It is felt that in order to achieve this high degree of utilization, the hospital administrator must be vitally concerned with the control of property; for it is in

this area that he is able to exert the greatest amount of direction, guidance, and if necessary, restraint, so necessary for maximum utilization.

CHAPTER I

INTRODUCTION

toward those areas involved in the vast complexity of property control: policies and procedures, responsibility, inventory, records and financial reporting, security, and training.

General Information

Medical care has become one of the largest American industries over the past few years. The increased cost of labor has helped to skyrocket the costs of hospitalization. Wages of the labor force within the hospital presently represent approximately 65 per cent of the total operating expenses, leaving 35 per cent involved in buildings, equipment, and supplies. Industry, with only 30 per cent of its operating costs spent on wages, has been able to absorb its increased wage costs through more efficient mechanization and automation. Hospitals, on the other hand, are unable to replace their health care personnel with machines. This means that the efforts of hospital administrators must be focused on the effective and economical utilization of equipment and supplies to provide the lowest cost of operation possible. It is felt that in order to achieve this high degree of utilization, the hospital administrator must be vitally concerned with the control of property; for it is in

this area that he is able to exert the greatest amount of direction, guidance, and if necessary, restraint, so necessary for maximum utilization. This project will be directed toward those areas involved in the vast complexity of property control: policies and procedures, responsibility, inventory, records and financial reporting, security, and training.

Conditions Which Prompted the Study

An informal study was conducted in the area of property control by the Property Service Department, Baylor University Medical Center, to determine the amount of time required to supervise the control of property by an Assistant Director of Property Service. The study revealed that approximately thirty per cent of the Assistant Director's time was spent in the completion of this duty. While this completion time was not in itself an important discovery, the study did point out that certain segments of property control were being handled by no less than three major departments: the Purchasing Department, the Property Service Department, and the Finance Department. It was then concluded that in the apparent absence of a central policy concerning property

control and with three major departments, each being responsible for the completion of only a segment of the total function, effective control was lacking, and that further study was necessary.

and evaluate the following alternatives and issues:

Statement of the Problem

The problem is to determine the best property control system for the Baylor University Medical Center, Dallas, Texas.

Definition

Property consists of all capital assets to include any item of equipment or non-expendable supply (exclusive of land, buildings, and improvements) with a unit cost in excess of \$25.00 and a useful life of five years.

Objectives

The objectives of this study were:

1. To record and evaluate the current concepts of control, systems of control, and property control systems.
2. To examine, record, and evaluate the problems presently encountered with established property control systems.

3. To examine and evaluate the system of property control presently used at the Baylor University Medical Center.

4. To discuss and evaluate the following alternatives and issues:

a. Advantages and disadvantages of continuing with the present system.

b. Advantages and disadvantages of modifying the present system.

c. Advantages and disadvantages of establishing a centralized Property Control Branch.

Factors Bearing on the Problem

The factors bearing on the problem were:

1. Baylor University Medical Center includes George W. Truett Medical and Surgical Hospital, Minnie S. Veal Teaching and Research Hospital, and Women and Children's Hospital.

2. Annual expense (exclusive of payroll) is \$5,172,000.

3. An unverified amount of capital equipment and property is located within the center.

Assumptions

The basic assumption is that Baylor University Medical Center will continue operations with the present capacity of approximately 800 beds.

Research Methodology

A thorough search was made of all current literature, including military publications, to record and evaluate the current concepts of control, systems of control, and property control systems. Interviews were conducted with the administrators and assistant administrators at five hospitals to examine, record, and evaluate the problems presently encountered with established property control systems. A two-week study was conducted at Baylor University Medical Center, Dallas, Texas, where current files, records, and reports were examined; observations made; and interviews held with the Assistant Administrator of Business Services, the Director and Assistant Director of Property Services, the Director of Purchasing, and the Finance Officer to determine and evaluate the problem of property control as it currently exists at the center.

Literature Review

Control is defined as management action to adjust operations to predetermined standards, and its basis is information in the hands of managers.¹ When a manager delegates to a subordinate or a department the responsibility and authority for performing a particular job, the manager is still responsible for seeing that the job is done properly. An effective control system will enable the manager to appraise the department's performance and control it to the extent that unsatisfactory performance can be rectified before it causes serious damage.² In the hospital, for example, unless a sufficient quality and quantity of equipment and materiel are available for patient care, the hospital could suffer consequences of a serious nature. These consequences not only involve the lives of patients, but they have a direct bearing on the "cost and profit" operation of the hospital. It is therefore essential that the hospital

¹Headquarters, Department of the Army, Logistics Supply Management, Army Field Manual No. 38-21 (Washington, D.C.: U.S. Government Printing Office, 1961), p. 172.

²Harold Koontz and Cyril O'Donnell, Principles of Management (New York: McGraw-Hill Book Co., 1964), p. 541.

administrator develop systems of control.³ of crises.
Controls were brought in to ensure that crises did not
recur. An effective control system permits the administra-
Motor gave the corporation a review of operations that
tor to manage by exception, that is, to concentrate primar-
Central-office management was able to know whether the
ily on those situations requiring corrective or commendatory
and had a factual basis for a judgment regarding the
action. A control system itself, however, does not provide
control, but merely provides the administrator with the
data required for control. To control, the administrator
must first compare performance data with the established
standard, then determine the significance of the deviation
from standard. This requires thorough consideration of any
unusual circumstances which might have caused current per-
formance to vary from the standard. After carefully inter-
preting the meaning of nonstandard performance, he must de-
cide upon and initiate the most appropriate course of ac-
tion.⁴

Similar situations are found in private industry.
Alfred P. Sloan, Jr. wrote that within General Motors

³C. M. Warman, "Principles of Inventory Management and Control," Hospital Accounting, XX (December, 1966), 3.

⁴Lamar Lee, Jr. and Donald W. Dobler, Purchasing and Materials Management (New York: McGraw-Hill Book Co., 1965), p. 496.

the need for effective controls grew out of crises. Controls were brought in to ensure that crises did not recur. Effective controls as worked out by General Motors gave the corporation a review of operations that reduced the need to administer operations from the top. Central-office management was able to know whether the decentralized management was operating well or poorly and had a factual basis for a judgment regarding the future of any particular part of the business.⁵

One such control system found in today's hospital is that of property control; a system which has as its key elements: policy and procedure, responsibility, inventory, records and financial reporting, security, and training.⁶

⁵Alfred P. Sloan, Jr., My Years With General Motors (Garden City, N.Y.: Doubleday & Co., Inc., 1964), p. 148.

⁶David R. Anderson and Leo A. Schmidt, Practical Controlling (Homewood, Ill.: Richard D. Irwin, Inc., 1962), p. 56.

CHAPTER II

DISCUSSION

Concept of Property Control

Effectiveness in the modern hospital is a series of controls: quality of care control, utilization control, and revenue and cost control. An integral part of revenue and cost control is property control. Visualize the hospital as two great flows: on the one hand, the great stream of revenues and related receipts and, on the other, the great stream of expense and related expenditures. At the confluence of these streams is the great pool of assets of which the officers and employees of the hospital are the custodians. The protection of these assets in the sense of care, safekeeping, and economy in use is the concern and responsibility of every employee. This protection of assets is the core of property control around which revolve the key elements of policy and procedure, responsibility, inventory, records and financial reporting, security, and training.¹

¹Anderson and Schmidt, Practical Controllershship, p. 56.

Every administrator has policies whether he puts them in writing or not. Policies are one of the main administrative tools of management.² Many good executives have long held the belief that it was not necessary to put their policies in writing, that the situation would itself remind them of what had been previously decided. This might be true for an organization of small size and few personnel. In a large organization or firm, especially a hospital with the many functions that must be carefully integrated, the administrator's policies must be in writing. Policies are general statements of guidance designed to facilitate the implementation of a plan. They are essentially mechanisms of communication and as such, they should be placed in written form to minimize distortion. Policies, as distinguished from procedures, do not set down a series of explicit steps to be followed in performing a task, rather, they state broadly the intended course of action, recognizing that in day-to-day operations so many unique problems arise that all could not possibly be covered by

²Stuart F. Heinritz and Paul V. Farrell, Purchasing: Principles and Applications (4th ed.; Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1965), p. 335.

explicit directives. After a policy has been formulated, specific procedures are then developed for handling common recurring decisions.³

Responsibility is the second key element of property control. Responsibility begins at the very top of the organizational structure with the Board of Governors and passes through the entire organization to the lowest salaried employee. First, the Board of Governors fixes the overall responsibility on the hospital administrator since the administrator, like the commander of a military unit is responsible for all his organization does or fails to do. In the realm of property control, the administrator is required to insure that the property of the hospital is properly safeguarded, accounted for, and administered.⁴

Needless to say every department head is certainly charged with the proper and efficient use of the equipment in his organization unit, and to this end he is expected to exercise direct control over his immediate employees. This

³Koontz and O'Donnell, Principles of Management, p. 614.

⁴Headquarters, Department of the Army, Supply Procedures for TOE and TDA Units or Activities, Army Regulation No. 735-35 (Washington, D.C.: U.S. Government Printing Office, 1965), p. 2-1.

employees of the hospital, then management has, indeed, come a long way toward the establishment of an effective property control system.⁴

complicated scientific equipment down to the requirement of

The chain of responsibility runs throughout the entire organization. Property discipline is the responsibility of every hospital employee whether he be executive, department head, professional or non-professional staff member, or just plain worker. However, the fact remains that proper administration and accounting for all property are functions with virtual disregard for effective utilization. Such a condition might result in damage to equipment, misuse of

The third key element of property control is inventory. The physical inventory is without doubt one of the best means of protecting a firm's investment in assets. Unfortunately, this fact is forgotten far too easily, only to

property, unexplained losses, and costly duplication of purchase. The physical inventory is without doubt one of the best means of protecting a firm's investment in assets. Un-

than almost any overt fraud.⁵

This brings us to the average hospital employee and again fixation of responsibility. Each employee has personal responsibility for items of hospital property that he personally uses within the scope of his employment or which he has

converted to his own use without permission or authority. If

this concept of property discipline can be instilled in all

⁵Anderson and Schmidt, Practical Controllershship, p. 53.

employees of the hospital, then management has, indeed, come a long way toward the establishment of an effective property control system.⁶

The chain of responsibility runs throughout the entire organization. Property discipline is the responsibility of every hospital employee whether he be executive, department head, professional or non-professional staff member, or just plain worker. However, the fact remains that proper administration and accounting for all property are functions and responsibilities of the hospital administrator.⁷

The third key element of property control is inventory. The physical inventory is without doubt one of the best means of protecting a firm's investment in assets. Unfortunately, this fact is forgotten far too easily, only to be recalled forcibly when a case of serious misappropriation hits the hospital administrator's office.⁸

⁶Headquarters, Department of the Army, Principles and Policies, Army Regulation No. 735-10 (Washington, D.C.: U.S. Government Printing Office, 1967), p. 3.

⁷Headquarters, Department of the Army, Supply Procedures for TOE and TDA Units or Activities, p. 2-1.

⁸Benjamin Melnitsky, Industrial Storeskeeping Manual (Philadelphia: Chilton Co., 1956), p. 252.

The responsibility for the physical inventory of hospital assets and other factors of inventory control lies with top management. Capital assets, both property and equipment, represent a sizable portion of any business or firm's total investment. The same is true of a hospital; therefore, it is essential to have well-designed policies for establishing accountability throughout the hospital and procedures for the identification and inventory of equipment.⁹

First, identification can be facilitated by simply marking all equipment with an identifying mark. This mark should contain the hospital's name and inventory number. In addition, all property should then be classified into areas according to the nature of the property and its utilization to facilitate both identification and location.¹⁰

The actual count or inventory can be performed several ways. Two methods of inventory are the annual or periodic and

⁹Mary Helen Anderson, "Inventory Control Is More Than Record Keeping," Hospital Management, XCIV (October, 1962), 90-92.

¹⁰Alex E. Marvin, "Control Conceptions, Investigating Inventories, Part II," Hospital Accounting, XX (January, 1966), 28.

the perpetual inventory. The annual inventory is a one-time, wall-to-wall count of all hospital assets. For example, the inventory would begin in the basement, move through the entire hospital, and finish on the top floor. The main advantage of this inventory method is that once the counts are verified information is immediately available on all classes of property, hospital-wide. Other advantages of the annual inventory were illustrated at the Saginaw (Michigan) General Hospital, where an effectively established inventory system produced the following results:

1. The hospital accurately substantiated replacement values for insurance loss and determined necessary insurance coverage resulting in a considerable savings in the amount of premiums paid.
2. The awareness of the condition of the building and its contents led to the establishment of routine inspections by the housekeeping and maintenance departments.
3. Over 2,000 square feet of needed storage space was reclaimed.
4. Obsolete and unusable items, potential fire hazards, were removed from such undesirable areas as the attic and the basement tunnels.

5. Employee cooperation, interest, and morale improved when administration became aware of the condition of employee's work areas and their equipment.

6. Equipment was kept in better condition since needed repairs were easier to report by serial number and location.¹¹

The perpetual physical inventory, on the other hand, is one which accomplishes the same purpose as the annual inventory, but is merely spread out over a longer period of time and, in the process, made easier, more efficient, and less costly. This type of inventory resembles that of the bridge painter who starts at one end of the structure and methodically paints his way across the spans to the opposite end where he reverses himself and paints his way back. This process continues for the life of the bridge or, as with the perpetual inventory, for the life of the property.¹²

A system of this type was used by the Iowa Methodist Hospital. The Iowa system assigned all responsibility for

¹¹Garrett R. Graham, "Establishing an Inventory Control System of Capital Items," Hospital Topics, XXXIX (January, 1961), 46-52.

¹²Melnitsky, Industrial Storeskeeping Manual, p. 252.

hospital equipment and furniture to one man who reported to the hospital controller. This equipment specialist was responsible for tagging and periodically inventorying equipment, keeping inventory cards accurate and up to date, designating proper locations for equipment, and furnishing necessary information to the controller for cost and financial purposes. After a period of three years, the Iowa system reduced the number of equipment discrepancies appreciably, decreased the administrative work load of each department (since the departments were no longer required to inventory), and actually increased the motivation of department heads to control equipment within their own units.¹³

The main disadvantages of inventory systems are that they are costly to perform, require additional personnel, and often disrupt hospital operations. However, proper scheduling of inventories and the motivation of employees through an effective training program can reduce the cost and lessen the impact on operations that might otherwise be felt. For example, it is a common and serious fallacy to

¹³Donald W. Cordes and Errol L. Biggs, "One-Man Inventory System Centralizes Equipment Control," Hospitals, XXXIX (July 1, 1965), 47.

assume that inventorying assets is the type of undertaking which can be accomplished by anyone. However, not infrequently, there is little or no training preceding an inventory and only minimal supervision during the inventory. The results are as bad as might be expected--not valid or reliable.

Employees who are expected to count inventory items require ample training and supervision. Available hospital training facilities should be utilized in order to familiarize such persons with means of identifying items, the areas to be inventoried, the method of counting, and the completion of the inventory count cards. In such an undertaking, slide films and other audio-visual devices, lectures by those responsible for the inventory, and guided tours through the areas to be inventoried are essential. With this type of scheduling and training and with the complete support of top-level management, the hospital will be able to reap maximum results for its investment of time, money, and personnel.

Responsible hospital administration recognizes that operating decisions must be based upon facts. In this period of rising patient-care cost, the advent of Medicare and Medicaid, and increased emphasis on budgetary controls, the need

for knowing what the property consists of, what it costs, and how long it will remain in use has become an important tool of effective hospital management.¹⁴

Since the use of hospital assets generates revenue necessary to sustain a hospital's existence, there are compelling reasons for a program of property control which utilizes accurate property records and reports accurate financial cost data. Such a program is essential for: (1) general financial planning, (2) budgeting and timing of property replacement, (3) accumulation of departmental depreciation cost data, (4) determining the cost and accumulated depreciation applicable to assets retired, (5) recognizing the depreciation of the properties and, (6) reviewing the adequacy of insurance coverage.¹⁵

Finally, the proper matching of revenue and costs is required to reflect the true financial operating results of the hospital. The erosion of the hospital's capital investment through depreciation of its assets is a significant and

¹⁴Jerry D. Bailiff, "Depreciation and Property Control," Texas Hospitals, XXII (December, 1966), 22.

¹⁵R. B. Moore, "Property Facts and Medicare Requirements," Texas Hospitals, XXII (September, 1966), 24.

measurable cost of operations. Properly prepared and sustainable property costs and records must be relied on for this measurement.¹⁶

Property control practices must take into consideration the role hospital employees, patients, and visitors play in the use, waste, and theft of supplies and equipment.

Since there is often no appreciation for the proper value of these goods and since the hospital environment presents many opportunities for organized theft, internal security measures must be instituted to insure the safeguarding of all hospital assets.¹⁷

"A good security program recognizes that security problems are caused by people and therefore must start with control and regulation of people."¹⁸ A security plan must be tailored to the individual hospital based upon the local conditions. The literature researched, discussed elaborate

¹⁶Ibid.

¹⁷William C. Linn, "For You, What Is 'Security'?", Hospital Management, CII (September, 1966), 72.

¹⁸Sam O. Gilmer, Jr., "How Should the Administrator Organize a Security Program?", Modern Hospital, CIII (July, 1964), 85.

security programs to the extent of: (1) utilization of detective agencies for surveys and employment of security force by contract; (2) utilization of security guards as part of the hospital staff; and (3) utilization of electronic eyes, ears, vibration detectors, and other mechanical aids. However, as a minimum, the security measures of a hospital should include: (1) protective lighting systems, (2) establishment of liaison with the local police, (3) parking control, (4) visitor control, (5) personnel access, (6) key control, and (7) materiel control.¹⁹

Property control measures are not a matter of solely establishing policies and procedures, pinpointing responsibility, counting assets, maintaining records and reports, locking up valuables and examining packages. In the final analysis, the controls are more than a physical problem; they are a problem in human relations and management attitude. The thread running throughout the system, the welding link, the common denominator, is the training of personnel. The hospital employees must be motivated to accept responsibility and to perform with accuracy and conscientiousness.

¹⁹Ibid., p. 84.

Training programs must be instituted to assist employees to develop an interest in property control practices, to develop cost consciousness, and to improve quality of performance.

The protection of hospital assets in the sense of care, safe-keeping and economy in use is not the sole responsibility of one individual--it is a cooperative team effort.

Established Property Control Systems

To determine the present systems of property control as established in the field today, the author visited the following hospitals:

following hospitals:

1. Baptist Memorial Hospital, San Antonio, Texas.
2. Scott and White Memorial Hospital, Temple, Texas.
3. Santa Rosa Medical Center, San Antonio, Texas.
4. Brooke General Hospital, Fort Sam Houston, San Antonio, Texas.

5. New Braunfels Hospital, New Braunfels, Texas.

Using the six key elements of property control as previously discussed for comparison, it was found that none of the established systems were complete. To discuss the "whys and wherefores" of each would accomplish nothing. Suffice it to say that property control ranged from little or no control

to an elaborate system of very tight control.

The overall synopsis of the five systems reveals that property control is a universal hospital problem.

1. Policies and procedures--None of the hospitals had written, clear-cut procedures developed from formulated policy. This of course is unfortunate since the breakdown of any control system begins here. Decentralized management, the element responsible for actually carrying out the functions of property control, cannot perform unless they receive direction from the top.

2. Responsibility--With the exception of Brooke General Hospital, where an accountable property officer and responsible hand receipt holders are required by regulation, no clearly defined areas of responsibility were established within the hospitals because there were no written policies and procedures. Reflecting back to the aspects of a control system, it was stated that one of the most important elements was taking corrective action when necessary. The ease with which corrective action can be effected depends in part upon how precisely responsibility for the problem can be pinpointed in a specific work group or with a specific individual. The precision with which the problem can be

pinpointed is, in turn, dependent upon the way in which the organization structure and the operating procedures were developed.²⁰

3. Inventory--All hospitals were critically aware of the necessity for inventories; however, only one of the hospitals visited had an established inventory control system as evidenced by the fact that some hospitals did not conduct inventories, while other current inventories ranged in age from 1 to 13 years. All hospitals did mark and classify property and equipment or were in the process of doing so.

4. Records and financial reporting--The five hospitals had stock record cards established for all property; however, in most instances, the records were not current. Locations were incorrect since the property control office was not notified of transfers of equipment throughout the hospital. Quantities were unknown due to the absence of a current and complete inventory and lack of procedures involving disposal of property and its removal from the records. Financial reporting as to cost depreciation and valuation was

²⁰Lee and Dobler, Purchasing and Materials Management, p. 496.

weak since the property records were incorrect. Many of the civilian hospitals have attempted to correct this position with valuation audits performed by outside accounting firms such as Ernst & Ernst and Marshall and Stevens, Incorporated. This method is excellent for financial purification of the property records, but must be followed up with a continuing inventory control system if the benefits are to be realized in future years.

5. Security--Again the range is widespread, from a limited security system to a system which employs a force as part of the hospital staff, but the impression conveyed was that the hospitals simply did not have a "feel" for security in regards to property control. Questions regarding security were countered with the fact that the security force inspects packages and observes the employees entering and leaving the hospital; no mention was ever made of any internal security measures taken by the hospital regarding key control, personnel access, and control of patients and visitors.

6. Training--No training was conducted in the area of accountability or responsibility. For the most part, all of the hospitals had orientation classes established, ranging

in time from one to four hours, for all new employees; however, none of the programs of instruction included any information on property discipline, accountability, or responsibility. All hospitals had their own periodic publication, such as a hospital newsletter; but with the exception of an occasional article concerning the control of property, this media was never used for training purposes.

In summary, the established systems of property control were found to be lacking in many vital aspects of control; however, all hospitals were aware of the importance of property control and were constantly striving to improve their present systems.

Property Control System at Baylor University Medical Center

The system of property control that is presently found at Baylor University Medical Center is quite typical of the established systems found in the hospitals studied.

The Purchasing Department

Accountability is established for property when the receiving section of the purchasing department inspects and accepts delivery of an item from the vendor. At this time the receiving clerk logs the item into the Equipment Number

Book finalizing the purchasing function. He then performs the control procedure of marking the item with a Baylor Control Number and delivers the item to the requesting department.

Property Services Department

At the completion of entry into the Equipment Number Book, a copy of the invoice along with the Equipment Number Book is sent to the Property Control Officer who verifies the description and classification as to expendability. The Equipment Number Book is then forwarded to the Property Services Clerk, where a hand-written Non-Expendable Personal Property record card is prepared (see Appendix A), and the Equipment Number Book is returned to the Receiving Section. From the hand written record card two typed copies are prepared by the Property Services Clerk and forwarded to the Finance Department.

Finance Department

The record cards are then filed in two separate deck files by classification (as to department) and numerical sequence in the Finance Department to be used to control cost and other financial information. The remaining handwritten record card is filed within the Property Services Department

in the Master Control File for control purposes.

Using Department

The property remains in the requesting department for utilization. In the event the item is needed in another area and transfer is necessary, the unwritten procedure is for the losing department to notify the Property Services Department. The Property Transfer Receipt (see Appendix B) is then prepared in five copies and the transfer is completed.

Maintenance Department

If an item within a department is in need of repairs, the department telephones the Maintenance Department. If the item is uneconomically repairable, the Maintenance Department will contact the Property Control Officer, who authorizes the salvage of all useful parts by the Maintenance Department, and the item is reduced to scrap and sold. All trade-ins, whether the item is serviceable or unserviceable, are handled between the using department and the Purchasing Department. All transactions concerning maintenance, salvage, and trade-in are unwritten procedures.

Property Disposal Committee

All excess property and equipment is disposed of by

the Property Disposal Committee. The committee is composed of the auditor (the Finance Officer), the Purchasing Agent, and the Maintenance Engineer. This committee meets at the request of the Property Control Officer and sets the price valuation of excess hospital property for sale to the general public. Upon sale of an item, the disposal record (Appendix C) is completed by the Property Services Department and the item is dropped from accountability. Again, all procedures concerning disposal of excess property are not written.

System evaluation

The system of property control at Baylor University Medical Center is an incomplete system, with its total function being accomplished by three separate major departments.

At Baylor University Medical Center there are no formal policies or standard procedures governing property control. The present system is supported by published articles in the Supervisor's Newsletter (see Appendix D) and appears to be the only published guidance concerning the control of property; however, they are not written periodically, but only when the situation demands them.

In addition to the lack of policies or procedures,

the present system is geared to one man, the Property Control Officer, who has been with the system since its inception in 1954. Should this individual leave Baylor, there is concern that the system's efficiency would be reduced in his absence. Lack of current inventory has resulted in incomplete stock records, and cost and financial data drawn from these records is often unreliable. Finally, all control functions are merely additional duties which are added to the regular assigned duties of the personnel accomplishing property control. For example, the Receiving Clerk often delivers property to the user without inscribing the Baylor Control Number on the piece of equipment. This is done since his assigned duty, that of handling the store-rooms, does not allow time to complete the control function. The Receiving Clerk later returns on the weekend, traces down the item and completes the function; however, this is costly to Baylor in overtime pay. Much the same is true of the Property Control Officer, for his principle duty is the housekeeping function of the Property Services Department. This individual accomplishes his additional duty as Property Control Officer as time permits. In summary, the present system of property control at Baylor was found to be lacking

in several key elements of control.

The solution to the problem of determining the best property control system to be used at Baylor University Medical Center will be discussed in light of the advantages and disadvantages of three alternatives: (1) to continue with the present system, (2) to modify the present system, and (3) to establish a central property control branch.

First Alternative

The first alternative is the continued use of the present property control system. The advantages of the present system are that it has been in effect for many years and seems to be satisfying minimal property control requirements. In addition, the employees are familiar with the system and no change in training or hospital operation is required. Finally, since no systems change is required no additional cost will be encountered.

The main disadvantage of continuing with the present property control system is that identification of capital items within the center is less than adequate. Capitalization and budget figures are not exact with the present record of quantities and values of capital assets. Locations

and quantities of property and equipment throughout the hospital is not known; and, therefore, it is felt maximum utilization of equipment is not being fully realized. Since the quantity and value of capital assets is not certain, accurate cost data as to depreciation, investment, insurance, and operating costs cannot be determined. The final disadvantage is that many areas of property control, although deemed adequate, are not as effective as desired and will require examination.

Second Alternative

The second alternative is to modify the present system to increase effectiveness in property control. Control was previously defined, in part, as information in the hands of managers. To go a step farther, the successful manager keeps himself well informed and his pipeline of information

open. He often manages by exception by analyzing information generated by established control systems.²¹ It is in this area, output of information, that the main weakness of

²¹Charles B. Delafield, "The Trustee-Administrator Team," Hospital Administration, XIII (Spring, 1968), 32.

the present system of property control lies. Needed information which can only be obtained through inventory is not generated since no scheduled inventories are taken at Baylor. To correct this situation, Baylor must (1) establish a system of inventory control which would include the taking of a complete wall-to-wall inventory and (2) perpetuate those results with future scheduled inventories. The advantages the hospital would enjoy are that the quantity and value of all capital assets could be determined. This would aid the hospital in determining its capital investment, securing adequate insurance coverage, and fixing proper depreciation rates. Exact locations for all property and equipment could be found which would assist the hospital in the accurate compilation of operating costs by department and facilitate utilization of equipment and general financial planning.

Finally, the physical inventory of property and equipment can establish the probable extent of thefts, but in itself does not prevent them. It does, however, serve as a warning device to alert hospital management that there is need to check the policies and procedures in an area which normally becomes badly neglected or distorted if not policed once in awhile. These directives go beyond the simple concept

of protection of property and merge into the area of the use of accounting information for management.

The disadvantages of modifying the present system with the establishment of an inventory system is that inventories are costly to perform, require personnel, and often disrupt hospital operations. However, proper scheduling of inventories and the motivation of employees through an effective training program can reduce the cost and hold the disruption of operations to a minimum. The final disadvantage of modifying the present system is that only piecemeal correction of the total problem is being accomplished. Other areas of property control, such as policy formulation, responsibility, and training, although deemed adequate are still somewhat weak and will require strengthening.²²

Third Alternative

The final alternative is the establishment of a central Property Control Branch to achieve maximum effectiveness and control. This alternative deals with fixing responsibility and authority within a separate branch of the Property

²²Anderson and Schmidt, Practical Controllershship, p. 49.

Services Department for the complete control of all property and equipment of the hospital. The Property Control Branch's responsibility and authority for control begins when accountability for the item is established and ends when the item leaves the hospital through disposal action. This control would include the following:

1. Establishing procedures concerning the fixing of responsibility, transfer of property, transportation of all property throughout the hospital, loan of hospital equipment, physical security measures, and disposal of excess and unserviceable property.

2. Marking all equipment and property with a Baylor Control Number.

3. Preparing and supervising the inventory schedule.

4. Establishing accountability within a master control file for all units comprising the control total.

5. Setting up logical control classifications, such as land, buildings, fixtures, fixed equipment, and major movable equipment.

6. Reviewing periodically the adequacy of depreciation rates.

7. Instituting a system of controls by which all

acquisitions over a stated amount are planned for and authorized by management.

8. Establish training programs to include all aspects of property control.²³

The advantages of this system is that management will be forced to review and establish sound policies concerning this area. The property control problem as it currently exists at Baylor University Medical Center stems from the fact that no specific procedures are written which have been developed from formulated policy. As previously stated, the operating departments of the hospital must receive guidance from top-level management as to the functions they are to perform. The added benefit of written policies and procedures is that, once established, the system is no longer "word of mouth" and is no longer dependent on any one person.

The purification of stock records can only be accomplished and maintained through an effective inventory control system. Presently Baylor is undergoing a valuation study performed by Marshall and Stevens, Incorporated. Once completed, purification will have been accomplished; however,

²³Bailiff, "Depreciation and Property Control," p. 24.

perpetuating the accuracy of the records can only be accomplished through sound control procedures and subsequent scheduled inventories. Then, and only then, will cost and financial data drawn from these records be accurate and meaningful.

The final advantage of this alternative is that centralizing the control functions within a single branch, adequately staffed, will eliminate the "additional-duty attitude" presently found throughout the hospital. Additionally, this is the only effective way for the administrator to accomplish his ultimate responsibility of insuring that the assets of his hospital are properly safeguarded, accounted for, and administered.

The disadvantages are that additional personnel must be hired to properly staff the Property Control Branch and that there will be a slowdown of operations due to the change-over to a new system.

Summary

By way of summary, it may be said that the importance of control cannot be overemphasized. An effective property control system is a tool of management that can be of

invaluable assistance to a hospital administrator in many situations; it has as its key elements: policies and procedures, responsibility, inventory, records and financial reporting, security, and training.

The established systems of property control, at the institutions visited were found to be lacking in many of the key elements of control. The system of property control presently used at Baylor University Medical Center was typical of the established systems in that while control for property does exist, and the system has functioned somewhat adequately for several years, it is an incomplete system, with its total function being accomplished by three major departments. In addition, there were no written policies and procedures, and for this reason the system was built around one man. Lack of a current inventory has resulted in incorrect stock records, and cost and financial data drawn from these records are invalid. Finally, the present system is not adequately staffed since all control functions are merely additional duties which are added to the regular assigned duties of certain hospital personnel and then accomplished as time allows.

In determining the best property control system to be

used at Baylor, three alternative courses of action were evaluated. First, the continuance of the present property control system. The main advantage of the present system is that it has been in effect for many years and seems to be getting the job done. The employees are familiar with the system and no change in training or hospital operation is required. Finally, since no systems change is required, no additional cost will be encountered.

The main disadvantage of continuing with the present system is that identification of capital items within the center is less than adequate. Capitalization and budget figures are not exact, locations are not firm, and accurate cost figures cannot be developed. The final disadvantage is that many areas of control, although deemed adequate, require strengthening.

The second alternative is to modify the present system with the establishment of an effective inventory control system. The advantages are that the quantity and value of all capital assets could be determined. This would aid the hospital in determining its capital investment, securing adequate insurance coverage, and fixing proper depreciation rates. Identification of all property and equipment with exact

locations could be established which would (1) assist the hospital in the accurate compilation of operating costs and (2) facilitate both utilization of equipment and general financial planning. In addition, the physical inventory of property and equipment can establish the probable extent of thefts, which would serve as a warning device to alert hospital management that there is a need to check policies and procedures in this area.

The disadvantages are that inventories are costly to perform, they require personnel, and often disrupt hospital operations. This alternative has the final disadvantage of being only piecemeal correction of the total problem in that other areas of control, such as policy formation, responsibility, and training, still require attention.

The final alternative is the establishment of a central Property Control Branch to achieve maximum effectiveness and control. This alternative deals with fixing responsibility and authority within a separate branch to accomplish all functions of control. The advantages of this system are that policies and procedures will be established, thus replacing the present "word of mouth" system, which is solely dependent on one person; responsibility will be clearly

defined; purification of stock records can be accomplished and maintained through an effective inventory control system; and cost and financial data drawn from the stock records will then be accurate and meaningful. The final advantage of this alternative is that centralizing the control functions within a single branch, adequately staffed, will eliminate the "additional-duty attitude" presently found throughout the hospital. Additionally, this is the only effective way for the administrator to accomplish his responsibility of insuring that the assets of his hospital are properly safeguarded, accounted for, and administered.

The disadvantages are that additional personnel must be hired to properly staff the Property Control Branch and that there will be a slowdown of operations due to the change-over to a new system.

3. That written policies concerning the control of property be formulated (see Appendix E).

4. That written procedures be developed concerning the control of property (see Appendix F).

5. That a complete wall-to-wall inventory of all capital assets, in conjunction with the valuation audit

presently being conducted by Marshall and Stevens, Incorporated, be immediately completed.

CHAPTER III

CONCLUSION AND RECOMMENDATIONS

Conclusion

The best property control system for the Baylor University Medical Center, Dallas, Texas, is the centralized Property Control Branch system.

Recommendations

The following recommendations are made:

1. That the conclusion indicated above be approved.
- ✓ 2. That a committee composed of the Assistant Administrator of Business Services, the Director and Assistant Director of Property Services, the Director of Purchasing, and the Finance Officer be appointed to study the staffing requirements of the Property Control Branch.
3. That written policies concerning the control of property be formulated (see Appendix E).
4. That written procedures be developed concerning the control of property (see Appendix F).
5. That a complete wall-to-wall inventory of all capital assets, in conjunction with the valuation audit

presently being conducted by Marshall and Stevens, Incorporated, be immediately conducted.

APPENDIX A

* NON-EXPENDABLE PERSONAL PROPERTY STOCK RECORD CARD

BAYLOR UNIVERSITY MEDICAL CENTER
NON-EXPENDABLE
PERSONAL PROPERTY

DESCRIPTION _____

CONDITION: _____ CLASSIFICATION: _____

CHARGED TO: _____

LOCATION: _____

VENDOR: _____

DATE ACQUIRED: _____ P. O. NO. _____ COST: \$ _____

DATE DISPOSED OF: _____ FAIR VALUE: \$ _____

APPENDIX A

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BAYLOR UNIVERSITY MEDICAL CENTER

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BAYLOR UNIVERSITY MEDICAL CENTER

NON-EXPENDABLE
PERSONAL PROPERTY

DESCRIPTION _____

CONDITION: _____ CLASSIFICATION: _____

CHARGED TO: _____

LOCATION: _____

VENDOR: _____

DATE ACQUIRED: _____ P. O. NO. _____ COST: \$ _____

DATE DISPOSED OF: _____ FAIR VALUE: \$ _____

APPENDIX B
PROPERTY TRANSFER RECEIPT

1. PROPERTY NUMBER	2. DATE
3. ITEM	
4. DESCRIPTION	
TRANSFERRING DEPT.	RECEIVING DEPT.
REASON	REASON
APPROVAL - Dept. Head/Supervisor	APPROVAL - Dept. Head/Supervisor
DATE OF TRANSFER	DATE OF TRANSFER
SIGNATURE	SIGNATURE
OTHER INFORMATION	OTHER INFORMATION
ADMINISTRATIVE APPROVAL	RECEIPT & REVIEW BY ACCOUNTING DEPT.

Form P - 7 (07)

1. PROPERTY NUMBER		2. DATE
3. ITEM		
4. DESCRIPTION		
TRANSFERRING DEPT.		RECEIVING DEPT.
REASON		REASON
APPROVAL—Dept. Head/Supervisor		APPROVAL—Dept. Head/Supervisor
DATE OF TRASFER		DATE RECEIVED
SIGNATURE		SIGNATURE
OTHER INFORMATION		OTHER INFORMATION

ADMINISTRATIVE APPROVAL

RECEIPT & REVIEW BY ACCOUNTING DEPT.

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PROPERTY DISPOSAL RECORD

Permission is requested to dispose of the property listed below-as follows (Check One)

 Sell Trade Destroy Donate Otherwise

Baylor Number	Description	Division Charged	Book Value	Selling Price	Charged Off

REASON (Give complete details)

Name _____
Custodian of Property

The above (check one) Approved _____ Disapproved _____ Date _____
Name _____ Title _____

Disposed of as above: By _____ Date _____

If sold, traded or donated: Received by _____ Date _____

ADMINISTRATIVE REORGANIZATION

Administrative responsibilities for departments have been reassigned as a result of the recent resignation of Mr. Kenneth Coston. The changes are effective immediately.

Mr. Boone Powell

Public Relations
Religious Activities

Mr. David Hitt

Baylor School of Nursing
Business Services & Finance
Personnel
Pharmacy

Mr. Robert Tschetter

Inhalation Therapy
Medical Education
Pathology
Physical Medicine
Radiology

Mr. Glen Clark

Dietary
Engineering
Nurse Anesthesia
Consultant

APPENDIX D

SUPERVISOR'S NEWSLETTER

Nursing Service, Truett & Veal
Nursing Service, Women & Children's
Program
Operating Rooms

Mr. William Wissman

Medical Records
Photography
Property Service
Assist in Planning of Expansion Program

EQUIPMENT PURCHASE AND DISPOSAL

The procedures for acquiring and disposing of equipment are as follows. To requisition new equipment, the Department Head forwards all requisitions, with appropriate information for justifying the purchase, to the Purchasing Department for pricing. Requisitions are then forwarded to the appropriate Administrative officer for approval.

Supplies should continue to be requisitioned from the Purchasing Department. Disposal or trade-in of equipment should be approved by the appropriate Administrative officer, and the Property Service office should be called so that the necessary information about the equipment can be recorded.

Observing these procedures promotes prompt and accurate acquisition and disposal of equipment in the Medical Center.

ADMINISTRATIVE REORGANIZATION

Administrative responsibilities for departments have been reassigned as a result of the recent resignation of Mr. Kenneth Coston. The changes are effective immediately.

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Inhalation Therapy
Medical Education
Pathology
Physical Medicine
Radiology

Mr. Glen Clark

Dietary
Engineering
Nurse Anesthesia
Nurse Consultant
Nursing Service, Truett & Veal
Nursing Service, Women & Children's
PGPN - LVN Program
Operating Rooms

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Observing these procedures promotes prompt and accurate acquisition and disposal of equipment in the Medical Center.

BAYLOR UNIVERSITY MEDICAL CENTER

MEMORANDUM

NUMBER: P63-5

DATE: July 1, 1968

TO: All Departments

FROM: Administration office

SUBJECT: PROPERTY MARKING OF EQUIPMENT POLICY

APPENDIX E

Each item of equipment received by the Medical Center must be marked by the Property Control Branch with a Baylor Control Number. **SUGGESTED EXAMPLE OF POLICY MEMORANDUM** ing department.

It is requested that all departments comply with this policy by inspecting each delivery to insure that the Baylor Control Number is inscribed on each piece of equipment.

It is further requested that any deviation from this policy be brought to the attention of the Property Control Branch, telephone extension 361.

/s/ William Wiseman
William Wiseman
Assistant Administrator

BAYLOR UNIVERSITY MEDICAL CENTER

M E M O R A N D U M

NUMBER: P68-5

DATE: July 1, 1968

TO: All Departments

FROM: Administration office

SUBJECT: PROPERTY MARKING OF EQUIPMENT POLICY

Each item of equipment received by the Medical Center must be marked by the Property Control Branch with a Baylor Control Number before it is delivered to the requesting department.

It is requested that all departments comply with this policy by inspecting each delivery to insure that the Baylor Control Number is inscribed on each piece of equipment.

It is further requested that any deviation from this policy be brought to the attention of the Property Control Branch, telephone extension 361.

/s/ William Wissman
William Wissman
Assistant Administrator

BAYLOR UNIVERSITY MEDICAL CENTER

MEMORANDUM

NUMBER: S68-3

DATE: July 15, 1968

TO: All Departments

FROM: Property Services Department

SUBJECT: TRANSFER, ISSUE, AND TURN IN PROPERTY PROCEDURES

When property is transferred from one location to another or is turned in as damaged, unserviceable, or in excess of actual needs, it will be the responsibility of the department head to complete Form PS-209.

APPENDIX F

SUGGESTED EXAMPLE OF PROCEDURE MEMORANDUM

This form when completed will be sent to the Director, Property Services Department located in room 22 of the George W. Truett Medical and Surgical Hospital, telephone extension 424.

The property will then be moved by personnel from the property warehouse to the desired location.

The purpose of completing this form is to insure the hospital an accurate inventory and to assist the departments in transferring property.

/s/ W. Claude Jones

/r/ W. Claude Jones

Director, Property Services
Department

BAYLOR UNIVERSITY MEDICAL CENTER

M E M O R A N D U M

NUMBER: S68-3

DATE: July 15, 1968

TO: All Departments

FROM: Property Services Department

SUBJECT: TRANSFER, ISSUE, AND TURN IN PROPERTY PROCEDURES

When property is transferred from one location to another or is turned in as damaged, unserviceable, or in excess of actual needs, it will be the responsibility of the department head to complete all columns of the Transfer Form P-209.

This form when completed will be sent to the Director, Property Services Department located in room 22 of the George W. Truett Medical and Surgical Hospital, telephone extension 424.

The property will then be moved by personnel from the property warehouse to the desired location.

The purpose of completing this form is to insure the hospital an accurate inventory and to assist the departments in transferring property.

/s/ W. Claude Jones

/t/ W. Claude Jones

Director, Property Services
Department

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when he attended the Company Grade Officers Advance Course at Fort Sam Houston, Texas. Since that time Major Bateman has seen service here in the United States, in Europe, and in the Far East, mostly in Medical Supply assignments.

In addition to the Company Grade Officers Advance Course, Major Bateman has attended the following schools: the Airborne and Ranger schools, the Medical Supply Officers Course, the Medical Service Career Course, and finally the Hospital Administration Course. At the completion of this final program, June 21, 1968, he was assigned to Fort Devens, Massachusetts, for a year's residency in hospital administration.

BIOGRAPHICAL SKETCH

Major Jack N. Bateman [REDACTED]

and graduated from Ball High School, Galveston, Texas, in 1948. He entered the U.S. Marine Corps, served four years in supply positions, and was discharged in the rank of Staff Sergeant in 1953. He attended The University of Texas from 1954 to 1958, receiving his Bachelor of Business Administration Degree in Accounting.

Major Bateman's Army career commenced in March, 1958, when he attended the Company Grade Officers Advance Course at Fort Sam Houston, Texas. Since that time Major Bateman has seen service here in the United States, in Europe, and in the Far East, mostly in Medical Supply assignments.

In addition to the Company Grade Officers Advance Course, Major Bateman has attended the following schools: the Airborne and Ranger schools, the Medical Supply Officers Course, the Medical Service Career Course, and finally the Hospital Administration Course. At the completion of this final program, June 21, 1968, he was assigned to Fort Devens, Massachusetts, for a year's residency in hospital administration.