Staff at Morningside Scored as Too Small

Oregonian about 1956

Washington Bureau of The Journal

WASHINGTON, July 11.— The professional staff at Morningside hospital in Portland includes only 20 per cent of the minimum required for operation of a 350-bed mental hospital, a general accounting office report charged today.

The report, which also charged Wayne W. Coe, president of the Sanitarium company, which operates the hospital, with billing the company for more than $231,000 in personal expenses over a 19-year period, listed the staff shortage as a major "deficiency" at the hospital.

But it said also that the hospital was deficient in its contract relationship with the interior department for care of Alaska's mentally ill in that "remains of deceased patients are not 'interred decently' as required by the contract."

The GAO report to congress was filed today with the house interim committee by Comptroller Gen. Joseph A. Campbell.

THE AUDITORS determined that Morningside has a four-member professional staff, and cited Dr. Riley H. Guthrie, mental hospital advisor of the National Institute of Mental Health, as authority for the statement that a 20-member staff is the minimum number of professional positions for a 350-bed hospital.

The investigators based their opinion that Morningside's dead are not buried decently on a personal inspection of the area of Greenwood Hill cemetery in which they are interred. They were critical of the location of the graves, the absence of outer cases or grave liners, and the quality of grave markers.

They also were critical of the office of territories of the interior department, which failed to act on a report by its medical officer criticizing burial practices in 1952.

With regard to the company's payments of Coe's personal expenses, the auditors said that "for the most part" these charges represented "expenses from the hospital."

THEY SAID these items included fuel, light, water, garbage service, plumbing and electrical repairs, plants and flowers, groceries, meats, clothing, dry goods and dry cleaning.

In 1954, they found, Coe charged to the company account $1908 in personal purchases at one Portland department store; in 1952-54, $13,958 was paid out by the company for wages of domestics and gardeners at the Coe's Portland residence.

Coe subsequently repaid $10,485 of this amount, the auditors said, "but before 1952 the entire amount of wages for domestic help and gardeners at Mr. Coe's residence was charged to the salary and farm expense accounts of the company, with no subsequent adjustment. . . ."

The auditors also found that in 1950 Coe and his wife went on a trip to Mexico, for which the company paid $696, and that in the following year they went to South America, returning via Europe, at a cost to the company of $4281.

In all, from 1946 through 1954, $22,200 in travel expenses was paid to Coe by the company, the report said. It added that Coe had conceded that $8525 of this amount, paid between 1947 and 1953 and including the Mexican and South American trips, were expenditures of a "personal nature."

IN DETERMINING that $231,000 in Coe's personal expenses had been paid by the company, the auditors said that because of lack of records they had estimated $130,000 of this amount. But they said that Coe had stated the estimate "was reasonable."

The auditors said he cited the following paragraph from the minutes of the directors of the company on December 31, 1935, as covering "his views as to the propriety of charging expenditures of a personal nature" to the company:

"Wayne W. Coe called the attention of the directors to the fact that it had been his practice to draw or avail himself of a few perquisites from the hospital and this practice for the past and future was duly approved by a motion regularly put and passed."

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LIFE expectancy of Norwegian female is 72.65 years, the highest in the world.

Audit Reveals Concealed Morningside Profits

By Roulhac Hamilton

Washington Bureau of The Journal

WASHINGTON, July 11.— Wayne W. Coe reaped a million-dollar harvest in 19 years of operation of Morningside hospital, and the hospital itself had a net profit of $821,406, or 26 per cent of its capital investment, during that period, Joseph Campbell, comptroller general, reported today.

Campbell, in a report to congress, suggested the desirability of a "careful review" by the internal revenue service of the federal income tax returns of Coe and the Sanitarium company, which operates Morningside and of which Coe is president.

"The audit and investigation disclosed a number of significant instances where expenditures of a capital nature and personal expenses of the company president were charged to business expenses of the Sanitarium company," Campbell said. "These items were claimed as deductions on the company's income tax returns."

THE FEDERAL comptroller general told congress the investigation of Morningside also "disclosed certain deficiencies in the administration of contract provisions" for the care of Alaska's mentally ill, and made recommendations to correct these conditions.

The general accounting office audit of Morningside was conducted on a request made by the house interior committee, under prodding by Rep. Edith Green of Portland, during hearings on Mrs. Green's bill to provide for care in Alaska of the territory's mentally ill.

THE AUDIT covered the 19-year period from January 1, 1936, through December 31, 1954.

Coe last year submitted to the committee a profit and loss statement showing that the Sanitarium company had realized a net profit of $403,234 during the first 18 of those years, and examination of the company's books for the last year increased this amount to $483,028.

But Campbell reported that additional items "affecting the amount of net profit, which should have been taken into account," totalled $338,378, and said that "had these items been recorded properly . . . the books would have shown a net profit of $821,406 for the 19-year period."

AMONG THESE items, Campbell listed $183,194 of Coe's personal expenses charged to company operating expense and another $46,284 to company general and administrative expenses, as well as $6458 from sale of company livestock not recorded in the books, with "proceeds retained by Mr. Coe."

Coe told the committee last year that the company's net profit for the 18 years, 1936-53, was $24,024, "or a little over 1 per cent on the present value of our plant," which he placed at $2,085,000 replacement value.

But Campbell said the audit disclosed an average annual net profit of 26 per cent on capital investment, with profits rising in one year to as high as 43 per cent.

(Also See Story Pg. 8, Sec. 2)