



# Washington State Auditor's Office

Government that works for citizens

## Accountability Audit Report

# Whidbey Island Public Hospital District (Whidbey General Hospital)

Island County

For the period January 1, 2013 through December 31, 2014

Published February 22, 2016

Report No. 1016157





## Washington State Auditor's Office

February 22, 2016

Board of Commissioners  
Whidbey General Hospital  
Coupeville, Washington

### Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

## TABLE OF CONTENTS

Audit Summary .....	4
Status Of Prior Audit Findings .....	5
Related Reports .....	7
Information About The District .....	8
About The State Auditor’s Office.....	9

## AUDIT SUMMARY

### Results in brief

In most areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we noted certain matters that we communicated to District management in a letter dated January 20, 2016, related to internal controls over payroll. We appreciate the District's commitment to resolving those matters.

### About the audit

This report contains the results of our independent accountability audit of the Whidbey Island Public Hospital District from January 1, 2013 through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Payroll
- Cash receipting
- Credit card disbursements
- Billing adjustments

## STATUS OF PRIOR AUDIT FINDINGS

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Whidbey Island Public Hospital District. The State Auditor’s Office has reviewed the status as presented by the District.

<b>Audit Period:</b> January 1, 2012 – December 31, 2012	<b>Report Ref. No.:</b> 1011288	<b>Finding Ref. No.:</b> 1
<b>Finding Caption:</b> The District does not have adequate controls over payroll processes to safeguard public resources.		
<b>Background:</b> From January 2012 through November 2013, the District made \$183,211 in overpayments to employees. Additionally, employees accrued 22.73 hours in unearned time off. These issues were due to inadequate internal controls over the payroll process which include inadequate segregation of duties within the departments of payroll and benefits, no comparison of paid time claimed in time records to amounts earned prior to payment, inadequate supervisor knowledge regarding the use of the ADP system and employee contracts, and employees having incompatible access in the ADP system without adequate monitoring.  The District has not made it a priority to assess the risks associated with the payroll process. It also has not documented required procedures for the process nor provided adequate training for the employees and supervisors. As a result, any intended controls are either unknown or not being followed.		
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>Internal Controls and the safeguarding of public funds are very important functions and the top priority of the Finance Department at Whidbey Island Public Hospital District. In response to the finding in 2012, the District has taken numerous actions to strengthen and enhance our internal controls in Payroll.</i>  <i>To improve controls regarding the separation of duties between Payroll and Human Resources, roles and responsibilities have been redefined and clarified including the initiation, authorization, recording and reconciliation processes, where all are either completely separate or have adequate compensating controls. Access roles are the sole remaining issue with regards to separation of duties. To compensate for the access issue audit trail reports are run and verified by management, and the expansion of the Human Resources department will complete this project of fully defining users and access.</i>  <i>New payroll reports are run to verify total time worked with time submitted for processing prior</i>		

*to processing. Reports are run to compare current pay period with prior pay period, and variances are researched. New management and new employees with experience and knowledge of payroll processing in general, and ADP specifically, have been hired.*

*Although we are pleased with the progress that we have made in this area, there is more to be done and we are always working to improve our systems. We are working to firm up the approval process, which we feel is the result of lack of training for the managers in the process and system. We have been working hard to combat this issue, and have various trainings and printed training materials on the topic. We will continue to educate and improve this issue.*

## RELATED REPORTS

### **Financial**

A financial statement audit was performed by a firm of certified accountants. That firm's report is available from the District.

## INFORMATION ABOUT THE DISTRICT

The Whidbey Island Public Hospital District, doing business as Whidbey General Hospital, is located in Island County. The District provides comprehensive health care that includes professional nurses, physicians and support staff in Coupeville and two satellite clinics located on the north and south end of Whidbey Island. These two rural health clinics provide affordable, quality healthcare to Whidbey Island's under or uninsured population.

The District is governed by an elected, five-member Board of Commissioners. The Board appoints the CEO to oversee the District's daily operations as well as its approximately 660 employees. In fiscal year 2013 and 2014, the District operated on an expense budget of approximately \$92 million and \$90 million, respectively.

<b>Contact information related to this report</b>	
Address:	Whidbey Island Public Hospital District 101 N. Main Street Coupeville, WA 98239-3413
Contact:	Jennifer Reed, Accounting Manager
Telephone:	(360) 678-7656
Website:	<a href="http://www.whidbeygen.org">www.whidbeygen.org</a>

*Information current as of report publish date.*

### **Audit history**

You can find current and past audit reports for the Whidbey Island Public Hospital District at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
<b>Deputy Director for Communications</b>	Adam Wilson <a href="mailto:Adam.Wilson@sao.wa.gov">Adam.Wilson@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>