



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Whidbey Island Public Hospital
District
(WhidbeyHealth)

For the period January 1, 2018 through December 31, 2018

Published April 6, 2020

Report No. 1025939





**Office of the Washington State Auditor
Pat McCarthy**

April 6, 2020

Board of Commissioners
WhidbeyHealth
Coupeville, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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.

Attached is our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined.

As referenced above, we identified areas in which the District could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters that we communicated to District management and Board of Commissioners in a letter dated March 16, 2020, related to theft sensitive assets. We appreciate the District's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the WhidbeyHealth from January 1, 2018 through December 31, 2018.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining 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. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2018, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Tracking and monitoring of theft sensitive assets, such as computers and equipment
- Payroll – gross wages, user access, bonus and termination pay
- Financial condition and fiscal sustainability

RELATED REPORTS

Financial

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

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2018-001 The District's internal controls over annual report filing were inadequate to ensure it submitted timely annual reports to the State Auditor's Office, as required by state law.

Background

State law (RCW 43.09.230) requires local governments to submit an annual financial report to our Office within 150 days after their fiscal year end.

The annual financial report includes financial statements, supporting schedules and notes to the financial statements. District management, the state Legislature, and state and federal agencies rely on financial report information to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance that financial reports are accurate and reliable and submitted promptly to our Office.

Our Office issued recommendations related to annual report submissions to the District in several prior audits.

Description of Condition

The District did not have the necessary controls and procedures to ensure timely submission of the annual financial reports by the deadline. As of February 2020, the District had not filed its final fiscal year 2018 financial reports, which were due May 30, 2019, and had not completed its fiscal year 2018 financial statement audit performed by a certified public accountant (CPA) firm.

Cause of Condition

The District experienced turnover in staff responsible for monitoring the submission of the annual financial report and did not dedicate the necessary time and resources to ensure the timely submission of financial information.

The District has delayed its submission of final financial statement information due the timeline of its CPA financial statement audit.

Effect of Condition

Delayed financial reports prevent District management, the state Legislature, and state and federal agencies from obtaining timely information about the District's financial operations. Without adequate financial information to review, the District cannot assess financial condition, make sound business decisions, detect significant issues or identify possible misappropriation. Delayed financial information also

hinders transparency to citizens and our Office's efforts to compile statistical and financial information for use by the state Legislature and others.

Recommendation

We recommend the District establish the necessary internal controls to ensure it submits accurate and complete financial reports to our Office on time, as required by state law.

District's Response

The District acknowledges that reports were not uploaded timely and have put controls in place to ensure that all required reports are uploaded timely to the website in future.

Auditor's Remarks

We thank the District for their cooperation and we will follow up on the District's progress during the next audit.

Applicable Laws and Regulations

RCW 42.09.230 Local government accounting – Annual reports – Comparative statistics.

INFORMATION ABOUT THE DISTRICT

The Whidbey Island Public Hospital District, doing business as WhidbeyHealth Medical Center, is located in Island County. The District provides comprehensive health care that includes professional nurses, physicians and support staff in Coupeville, and seven provider locations on the north and south end of Whidbey Island that provide affordable quality healthcare to the residents of Whidbey Island.

The District is governed by an elected, five-member Board of Commissioners. The Board appoints a CEO to oversee the District's daily operations as well as its approximately 750 employees. In fiscal year 2018, the District operated on an expense budget of approximately \$114 million.

Contact information related to this report

Address:	WhidbeyHealth 101 N. Main Street Coupeville, WA 98239-3413
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the WhidbeyHealth 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.

Contact information for the State Auditor's Office	
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