

Washington State Auditor's Office
Accountability Audit Report

King County Public Hospital District No 2
(Evergreen Health)

Report Date
March 24, 2014

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March 31, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

March 31, 2014

Board of Commissioners
Evergreen Health
Kirkland, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Evergreen Health's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

TROY KELLEY
STATE AUDITOR

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King County
March 24, 2014**

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Audit Summary

**Evergreen Health
King County
March 24, 2014**

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Evergreen Health from January 1, 2012 through December 31, 2012.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

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 noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Financial condition
- Payroll
- Conflict of interest
- Bid law compliance
- Foundation
- Credit cards
- Safeguarding of assets – pharmaceutical inventory
- Surplus
- General disbursements
- Mileage reimbursements

RESULTS

In the areas we examined, the District's internal controls were adequate to safeguard public assets. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

Related Reports

**Evergreen Health
King County
March 24, 2014**

FINANCIAL

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

FEDERAL GRANT PROGRAMS

A firm of certified public accountants evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal programs. That firm's report is available from Evergreen Health. That report includes federal findings regarding significant deficiencies in internal controls over reporting, eligibility, the review of payroll, and the review of required forms. The deficiencies were not considered to be material weaknesses.

Description of the District

Evergreen Health King County March 24, 2014

ABOUT THE DISTRICT

King County Public Hospital District No. 2 was established in 1972 and serves more than 850,000 people in north King and south Snohomish counties. The District operates as Evergreen Health and is licensed to operate a 290-bed hospital and a network of primary and urgent care centers. The District's specialties include a maternity center, a cancer center, hospice and home health care, 24-hour emergency care, a critical care unit, cardiac care and surgical services.

An elected, five-member Board of Commissioners governs the District. Commissioners serve staggered, six-year terms. The Board appoints management to oversee the District's daily operations as well as its approximately 3,460 employees. For fiscal year 2012, the District had an operating budget of approximately \$446.5 million. The District reported a net operating gain of approximately \$680,000 during fiscal year 2012.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Commissioners:

Al DeYoung
Jeanette Greenfield
Rebecca Hirt
R. August Kempf
Charles Pilcher, MD

APPOINTED OFFICIALS

Chief Executive Officer
Chief Financial Officer
Finance Director
Controller

Robert H. Malte
Chrissy Yamada
Paul Fisk
Jessica Granger

DISTRICT CONTACT INFORMATION

Address: Evergreen Health
12040 N.E. 128th Street
Kirkland, WA 98034

Phone: (425) 899-3745

Website: www.evergreenhealth.com

AUDIT HISTORY

We audit the District on an annual basis. The past five audits have reported two findings. The fiscal year 2007 audit reported one finding related to noncompliance with competitive bid requirements. The fiscal year 2008 audit reported one finding related to internal control over decentralized cash receipting locations. These findings have been resolved. No findings were reported in the 2009, 2010 or 2011 audits.



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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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