

**Washington State Auditor's Office**

**Accountability Audit Report**

---

**Kennewick Public Hospital District No. 1  
(Kennewick General Hospital)  
Benton County**

Report Date  
**April 14, 2014**

**Report No. 1011674**

Issue Date  
**April 21, 2014**



**Washington State Auditor  
Troy Kelley**

---

Independence • Respect • Integrity



## Washington State Auditor Troy Kelley

April 21, 2014

Board of Commissioners  
Kennewick General Hospital  
Kennewick, 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 the Kennewick General Hospital'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

# Table of Contents

**Kennewick General Hospital  
Benton County  
April 14, 2014**

Audit Summary.....	1
Related Reports.....	2
Description of the District.....	3

# Audit Summary

## Kennewick General Hospital Benton County April 14, 2014

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the Kennewick General Hospital from January 1, 2011 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:

- Credit cards and accounts
- Financial condition
- Payroll/personnel
- Donations/restricted funds
- Procurement
- Billings and adjustments
- Investments and deposits
- General disbursements
- Third party cash receipting
- Charity care
- Southridge Hospital lease agreement
- Review of certified public accountant work papers for 2011 and 2012 financial audits

### ***RESULTS***

In most areas, the District complied with state laws and regulations and its own policies and procedures.

However, we noted certain matters that we communicated to District management. We appreciate the District's commitment to resolving those matters.

## Related Reports

**Kennewick General Hospital  
Benton County  
April 14, 2014**

### *FINANCIAL*

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available from the District. The firm reported significant deficiencies in internal controls over financial reporting regarding preparation of the financial statements, significant adjustments made after financial statements were audited, and lack of timeliness in reconciling significant account reconciliations, including monthly bank statement reconciliations.

## **Description of the District**

### **Kennewick General Hospital Benton County April 14, 2014**

#### ***ABOUT THE DISTRICT***

Kennewick Public Hospital District No. 1, doing business as Kennewick General Hospital, owns and operates a 111-bed acute care hospital and medical mall. The District provides health care services to patients in Benton and Franklin counties. Services include acute care, emergency room, home health, outpatient surgery and related services such as laboratory and X-ray. The District also owns and operates KGH Physician Clinics, formerly Northwest Practice Management, composed of several clinics and medical practices for which it provides management services. In addition, the District owns and operates Benton Franklin Elder Services, doing business as Adult Day Services of the Tri-Cities.

An elected, seven-member Board of Commissioners governs the District. The Board appoints management to oversee the District's daily operations as well as its approximately 1,155 full- and part-time employees. For fiscal years 2011 and 2012, the District operated on an annual budget of \$137 million and \$141 million, respectively.

#### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Commissioners:

Vic Johnson  
Wanda Briggs  
Jim Mefford  
Marvin Kinney  
Kathy Davidson  
Rick Reil  
Donna Vance

#### ***APPOINTED OFFICIALS***

Administrator  
Treasurer  
Auditor

Glenn Marshall  
Jerry Paule  
Spencer Harris (through January 2011)  
Brandon Allen (effective August 2011)

## ***DISTRICT CONTACT INFORMATION***

Address:        Trios Health  
                  900 S. Auburn  
                  P.O. Box 6128  
                  Kennewick, WA 99336

Phone:            509-586-5783

Website:        [www.trioshealth.org](http://www.trioshealth.org)

## ***AUDIT HISTORY***

We audit the District annually. However, the current audit and the 2010 audits were two-year audits. The next audit will be an annual audit covering fiscal year 2013 due to the increase in revenues. In the past seven audits of the District, we have reported one finding. The 2005 audit reported a finding for inadequate internal controls to prevent misappropriation. This finding was resolved.



## **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.

**State Auditor**  
**Chief of Staff**  
**Director of Performance and State Audit**  
**Director of Local Audit**  
**Deputy Director of State Audit**  
**Deputy Director of Local Audit**  
**Deputy Director of Local Audit**  
**Deputy Director of Performance Audit**  
**Deputy Director of Quality Assurance**  
**Deputy Director of Communications**  
**Local Government Liaison**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Troy Kelley**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
**Sadie Armijo**  
**Mark Rapozo, CPA**  
**Lou Adams, CPA**  
**Barb Hinton**  
**Thomas Shapley**  
**Mike Murphy**  
**Mary Leider**  
**(360) 902-0370**  
**(866) 902-3900**

**Website**  
**Subscription Service**

**[www.sao.wa.gov](http://www.sao.wa.gov)**  
**[portal.sao.wa.gov/saoportal/Login.aspx](http://portal.sao.wa.gov/saoportal/Login.aspx)**