



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Public Hospital District No 2 of
Snohomish County
(Verdant Health Commission)

For the period January 1, 2015 through December 31, 2015

Published May 8, 2017

Report No. 1018837





Office of the Washington State Auditor
Pat McCarthy

May 8, 2017

Board of Commissioners
Verdant Health Commission
Lynnwood, 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,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Audit Summary	4
Summary Schedule Of Prior Audit Findings	5
Information About The District	7
About The State Auditor’s Office	8

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 April 26, 2017, related to the authority for community programs. 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 Verdant Health Commission from January 1, 2015 through December 31, 2015.

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:

- Community programs
- Safeguarding of assets
- Compliance with the Open Public Meetings Act

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Verdant Health Commission
Snohomish County
January 1, 2015 through December 31, 2015**

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

Audit Period: 1/1/2013 – 12/31/2014	Report Ref. No.: 1016243	Finding Ref. No.: 2014-001
Finding Caption: The District does not have authority to invest in recreational programs and facilities.		
Background: The Verdant Health Commission (the District) began partnering with other local governments to support community programs with grants in 2011. The District supports programs lead by other entities if grant requestors are able to reasonably project that there will be a positive effect on the general health of those who participate in the programs. Our audit found the District exceeded its authority by contributing funds for purchasing items for recreational use and constructing recreational infrastructure that do not provide hospital or health care services.		
Status of Corrective Action: <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>In the District’s 2013-2014 audit, the State Auditor’s Office (SAO) took issue with investments made out of Verdant’s Building Healthy Communities Fund. Since that finding, the District has not made any new investments in these types of programs/facilities, although the District has met its obligations and continued to make payments under existing agreements, which shall be completed on January 1, 2017. The SAO finding also cautioned Verdant against pursuing the development of an indoor recreation facility because the SAO felt the project was outside the District’s statutory authority. The District has opted not to pursue an indoor recreation facility at this time.</i> <i>It is important to note that although Verdant respects and appreciates the opinion of the Washington State Auditor’s Office, the District believes that it acted within the authority of a</i>		

public hospital district and in the best interest of its residents. The public hospital district statute (chapter 70.44 RCW), grants a public hospital district the authority to determine the health care needs of its residents and the authority to determine what services it should provide to address those needs.

INFORMATION ABOUT THE DISTRICT

Public Hospital District No. 2 of Snohomish County, doing business as Verdant (Ver-dent) Health Commission, serves citizens in south Snohomish County. On September 1, 2010, the District entered into a lease and operating agreement with Swedish Health Services. Swedish now operates the acute-care hospital with 217 licensed beds, two primary care clinics, and an Emergency department. The District formed the Verdant Health Commission to work with the community to provide complimentary health services and funding for priority healthcare needs within the District's service area. In January 2015, Verdant opened a Community Health & Wellness Center to serve residents of the District. All programming is free or low-cost to residents and supports healthy lifestyle choices.

An elected, five-member Board of Commissioners governs the District. Commissioners serve staggered, six-year terms. The Board appoints a Superintendent to oversee the District's daily operations and its employees. For fiscal year 2015, the District had operating costs of \$12.6 million.

Contact information related to this report	
Address:	Verdant Health Commission 4710 196th Street S.W. Lynnwood, WA 98036
Contact:	Lisa King, Director of Finance
Telephone:	(425) 582-8543
Website:	www.verdanthealth.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Verdant Health Commission 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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov