



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

**King County Public Hospital District
No. 1**

(Valley Medical Center)

For the period July 1, 2015 through June 30, 2016

Published May 22, 2017

Report No. 1019169





Office of the Washington State Auditor
Pat McCarthy

May 22, 2017

Board of Directors and Board of Commissioners
Valley Medical Center
Renton, 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
Related Reports	5
Information About The District	6
About The State Auditor’s Office	7

AUDIT SUMMARY

Results in brief

In the 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.

About the audit

This report contains the results of our independent accountability audit of Valley Medical Center from July 1, 2015 through June 30, 2016.

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:

- Cash receipting
- Open public meeting minutes
- Procurement cards
- Travel
- Payroll/personnel
- Financial condition
- Self-insurance

RELATED REPORTS

Financial

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

King County Public Hospital District No. 1 operates as Valley Medical Center and is the oldest and largest public hospital district in the state of Washington. The District employs more than 2,800 people and is licensed to operate a 321-bed hospital and a network of primary care, specialty care and behavioral health clinics throughout southeast King County. On July 1, 2011, the District entered into a strategic alliance with the UW Medicine (UWM) and is now managed by UWM as a discretely presented component unit of the University, subject to the oversight of a Board of Trustees.

The District's operating revenues were \$516 million and \$557 million in 2015 and 2016, respectively. The Board of Trustees oversees the healthcare operations of the District, while a publicly elected, five-member Board of Commissioners oversees the District's tax levies and certain non-healthcare related functions.

Contact information related to this report	
Address:	King County Public Hospital District No. 1 P.O. Box 50010 Renton, WA 98055
Contact:	Jeannine Grinnell, CFO
Telephone:	(425) 656-4268
Website:	www.valleymed.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for King County Public Hospital District No. 1 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