



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
San Juan County Public Hospital
District No. 2
(Lopez Island Hospital District)

For the period May 5, 2017 through December 31, 2017

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

July 16, 2018

Board of Commissioners
Lopez Island Hospital District
Lopez Island, 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 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

This report describes the overall results and conclusions for the areas we examined. In those selected areas, District operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

About the audit

This report contains the results of our independent accountability audit of Lopez Island Hospital District from May 5, 2017 through December 31, 2017.

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 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, based on our risk assessment for the year ended December 31, 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Review of formation documentation
- Open public meetings minutes
- Evaluated design of controls for disbursement system
- Fiscal sustainability prior to receipt of property tax revenue in 2018

INFORMATION ABOUT THE DISTRICT

The San Juan County Public Hospital District No. 2, doing business as Lopez Island Hospital District, was formed by a special election of Lopez Island citizens in April 2017. It is governed by an elected five member Board of Commissioners and day to day administrative operations are overseen by a single employee. The District entered into agreements with UW Medicine to run a primary care clinic known as UW Medicine Lopez Island Clinic and with the newly created Lopez Island Physical Therapy LLC.

For the 2017 calendar year, which was the first year of District operations, there were total expenditures in the amount of \$390,742. District revenues are generated by property tax, which became available in 2018. Prior to property tax revenues becoming available, the District secured an interlocal loan from San Juan County and closed a Limited Purpose General Obligation Bond.

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Information current as of report publish date.

Audit history

You can find current and past audit reports for Lopez Island Hospital District 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.

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