



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Accountability Audit Report

**Public Hospital District No. 1 of
Snohomish County
(Valley General Hospital)**

For the period January 1, 2013 through December 31, 2013

Published March 26, 2015

Report No. 1013824





Washington State Auditor Troy Kelley

March 26, 2015

Board of Commissioners
Valley General Hospital
Monroe, 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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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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 March 17, 2015, related to financial condition, procurement and small and attractive assets. 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 Valley General Hospital from January 1, 2013 through December 31, 2013.

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:

- Financial condition
- Financial operations
- Contract compliance
- Bid compliance
- Small and attractive assets

STATUS OF PRIOR AUDIT FINDINGS

The status of findings contained in the prior years' audit reports of the Valley General Hospital is provided below:-

1. The District's financial position continues to place it at risk of not meeting its financial obligations or providing services at current levels.

Report No. 1011236, dated January 22, 2014

Background

The District has experienced operating losses for the past five years. The District's net position has declined in four of the past five years. The District's cash position continues to decline as well.

Status

The District's financial condition has continued to decline during 2013; however, the District made significant improvements in 2014. The finding has been partially resolved and the remaining issues have been communicated to management.

INFORMATION ABOUT THE DISTRICT

Snohomish County Public Hospital District No. 1, doing business as Valley General Hospital, operates a hospital and other health care facilities for residents in Monroe and surrounding communities in Snohomish County. The District's primary operations include Valley General Hospital and Valley General Behavioral Health Programs. The hospital and behavioral health programs are licensed for 72 acute beds and 40 residential treatment facility beds.

An elected three-member Board of Commissioners governs the District. Board Members serve staggered, six-year terms. The Board appoints management to oversee the District's daily operations as well as its approximately 390 employees. In 2013 the District had operating expenses of \$40,547,820.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Valley General Hospital 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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