



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Accountability Audit Report**

**King County Public Hospital District  
No. 1  
(Valley Medical Center)**

**For the period July 1, 2013 through June 30, 2014**

**Published March 30, 2015**

**Report No. 1013957**





## Washington State Auditor Troy Kelley

March 30, 2015

Board of Trustees 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,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## 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 the Valley Medical Center from July 1, 2013 through June 30, 2014.

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:

- Self-insurance:
  - Medical
  - Dental
  - Vision
  - Prescription
  - Worker's compensation
- Payroll
- Procurement – public works projects
- Financial condition analysis
- Donations and fundraising
- Cash receipting:
  - Maple Valley Clinic
  - Pharmacy Pad South Campus
  - Main hospital:
    - Trendz Café
    - Vibes Espresso Bar
    - Main Admitting
    - Emergency Room
    - Cashier's Office

## RELATED REPORTS

### **Financial**

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available from Valley Medical Center.

### **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 Federal Summary section of the financial statement and single audit report.

## 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 \$444 million and \$471 million in 2013 and 2014, 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:	Valley Medical Center 400 S. 43 Street Renton, WA 98055
Contact:	Jeannine Grinnell, Vice President of Finance & Treasurer
Telephone:	(425) 228-3450
Website:	<a href="http://www.valleymed.org">www.valleymed.org</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Valley Medical Center 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	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>