



Washington State Auditor's Office

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Accountability Audit Report

Okanogan County Public Hospital District No. 4 (North Valley Hospital)

For the period January 1, 2013 through December 31, 2015

Published August 29, 2016

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Washington State Auditor's Office

August 29, 2016

Board of Commissioners
North Valley Hospital
Tonasket, 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,

A handwritten signature in cursive script that reads "Troy X. Kelley".

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 August 17, 2016, related to insufficient oversight of adjustments to pharmaceutical inventory. 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 North Valley Hospital from January 1, 2013 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:

- Payroll
- Pharmacy
- Surplus property

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**North Valley Hospital
Okanogan County
January 1, 2013 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 North Valley Hospital. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: 2011 – 2012	Report Ref. No: 1011058	Finding Ref. No: 1				
Finding Caption: The District did not follow state procurement laws, limiting competition.						
Background: The District started a project to remodel the hospital building's second floor with an estimated cost of approximately \$180,000, and intended to use day labor for most of the work. However, after starting the project the District found it had to bring systems up to current health and building code standards. At the time of our audit, capitalized costs had reached \$419,000, exceeding the public works project bid threshold establish in state law. The District did not formally bid the project as required, and exceeded its statutory authority when using day labor costing approximately \$47,000, and acting as the project's general contractor.						
Status of Corrective Action: <table style="width: 100%;"><tr><td><input checked="checked" type="checkbox"/> Fully Corrected</td><td><input type="checkbox"/> Partially Corrected</td><td><input type="checkbox"/> Not Corrected</td><td><input type="checkbox"/> Finding is considered no longer valid</td></tr></table>			<input checked="checked" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<input checked="checked" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The corrective actions North Valley Hospital has taken include sending multiple employees to state training that was held in Spokane, becoming a member of the Municipal Research and Services Center (MRSC) and using MRSC's small works roster, and placing the required announcements in the newspaper. A new public works policy was adopted and a public works contract checklist was developed. Lastly, the Hospital has had no further construction projects.</i>						

RELATED REPORTS

Financial

Financial statement audits were performed by a firm of certified public accountants. That firm's reports are available from the North Valley Hospital. The firm reported material weaknesses in internal controls over financial reporting regarding:

- 2013 – Chief Financial Officer posts manual journal entry adjustments to accounting information without a separate review of these entries. This issue was resolved during the firm's audit of the District's 2014 financial statements.
- 2014 – Several balance sheet accounts, including cash, were not fully reconciled at year end and had unresolved variances. This issue was resolved during the firm's audit of the District's 2015 financial statements.
- 2015 – The District applied some non-covered services to self-pay balances rather than contractual adjustments and also had approximately \$150,000 of patient accounts receivable credit balances, making difficult the appropriate estimation of the District's accounts receivable balance.

INFORMATION ABOUT THE DISTRICT

Okanogan County Public Hospital District No. 4, doing business as North Valley Hospital, operates a 25-bed acute care hospital and a 42-bed skilled nursing facility. Services provided by the District cover a range of health care services including acute care hospital, in-patient and out-patient surgery, obstetrics, emergency room and other related procedures such as lab, therapy and pharmacy.

An elected, five-member Board of Commissioners governs the District. The Board appoints an Administrator to oversee the District's daily operations as well as 157 full-time, nine part-time and 41 temporary employees. The District had average annual expenses of approximately \$20.7 million from 2013 through 2015.

Contact information related to this report	
Address:	North Valley Hospital 203 S. Western Avenue Tonasket, WA 98855
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Website:	www.nvhospital.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for the North Valley 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.

Contact information for the State Auditor's Office	
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