



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Kennewick Public Hospital District
No. 1
(Trios Health)

Benton County

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

Published February 13, 2017

Report No. 1018549





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

February 13, 2017

Board of Commissioners
Trios Health
Kennewick, 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

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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 most areas we examined.

However, we noted certain matters that we communicated to District management in a letter dated February 2, 2017 related to financial condition. 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 Trios Health from January 1, 2015 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:

- Hospital café agreement
- Contract with Trios Foundation
- Financial condition
- Patient billings
- Self-insurance
- Payroll disbursements
- Physician subsidy agreements
- Valid vendors
- 340 Prescription Drug Program
- Sale of surplus property
- Monitoring of patient payments

RELATED REPORTS

Financial

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

The firm reported material weakness in internal controls over financial reporting regarding:

- Preparation of financial statement process.
- Recording and processing journal entries (audit adjustments) material to the financial statements.
- Timely reconciliations of accounts to the general ledger.

The firm reported a significant deficiency in internal controls over financial reporting regarding:

- Segregation of duties over preparation and review of journal entries.

Special investigations

During the current audit period, the State Auditor's Office issued a report on misappropriation of public funds at the District. The report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

We also noted certain matters that we communicated to the District management in a report dated February 2017, relating to credit card purchases and expenditure approvals. We appreciate the District's commitment to resolving those matters.

INFORMATION ABOUT THE DISTRICT

Kennewick Public Hospital District No. 1, doing business as Trios Health (formerly Kennewick General Hospital), provides health care services to patients in Benton and Franklin counties. Services include acute care, emergency room, home health, outpatient surgery and related services such as laboratory and X-ray. The District operates two Hospital locations, Southridge Campus and Auburn Campus Birthing Center. The District also owns and operates Trios Health Physician Clinics, formerly Northwest Practice Management, composed of several clinics and medical practices for which it provides management services. In addition, the District owns and operates Benton Franklin Elder Services, doing business as Adult Day Services of the Tri-Cities.

An elected, seven-member Board of Commissioners governs the District. The Board appoints management to oversee the District's daily operations as well as its approximately 915 full- and part-time employees. For fiscal year 2015, the District operated on an annual budget of approximately \$180 million.

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 Trios Health 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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