

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**San Juan County Public Hospital District  
No. 1  
(Inter Island Medical Center and San  
Juan Emergency Medical Services)**

Report Date  
**March 5, 2014**

**Report No. 1011572**

Issue Date  
**April 3, 2014**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



# Washington State Auditor Troy Kelley

April 3, 2014

Board of Commissioners  
Inter Island Medical Center and San Juan Emergency Medical Services  
Friday Harbor, Washington

## ***Report on Accountability***

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Inter Island Medical Center and San Juan Emergency Medical Services' accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style.

**TROY KELLEY**  
STATE AUDITOR

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San Juan County  
March 5, 2014**

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# Audit Summary

## **Inter Island Medical Center and San Juan Emergency Medical Services San Juan County March 5, 2014**

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the Inter Island Medical Center and San Juan Emergency Medical Services from January 1, 2011 through December 31, 2012.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

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 noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Financial condition
- Payroll/benefits
- Disbursements/credit cards
- Contracts/agreements

### ***RESULTS***

In most areas, the District complied with state laws and regulations and its own policies and procedures.

However, we noted certain matters that we communicated to District management. We appreciate the District's commitment to resolving those matters.

## Related Reports

**Inter Island Medical Center and San Juan Emergency Medical Services  
San Juan County  
March 5, 2014**

### ***FINANCIAL***

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements. That report includes a finding for a significant deficiency in internal controls over financial reporting.

# Description of the District

## Inter Island Medical Center and San Juan Emergency Medical Services San Juan County March 5, 2014

### **ABOUT THE DISTRICT**

San Juan County Public Hospital District No. 1 was incorporated in 1990 and is currently doing business as Inter Island Medical Center and San Juan Island Emergency Medical Services. The District operates a combined medical clinic and hospital and also operates San Juan Emergency Medical Services / Island Air Ambulance, which provides emergency medical services, critical care transport, and injury and accident prevention programs. The District boundaries include San Juan Island, Brown Island, Stuart Island, Johns Island, Speiden Island, Pearl Island and Henry Island.

An elected, five-member Board of Commissioners governs the District. The District appoints management to oversee its approximately 35 employees. The District operated on an annual budget of approximately \$5 million in 2011 and \$6 million in 2012.

### **ELECTED OFFICIALS**

These officials served during the audit period:

Board of Commissioners:	George Foster Michael Roger (through November 2011) Roseanna O'Donnell (effective December 2011) Lenore Bayuk Michael Edwards Keri Talbott
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Note: Mark Schwinge replaced George Foster effective January 2014.

### **APPOINTED OFFICIALS**

Medical Center District Superintendent and Clinic Administrator	Beth Williams Geiger (through November 2012) Pamela Hutchins (effective December 2012)
Emergency Medical Services Administrator	Chief Jim Cole

## ***DISTRICT CONTACT INFORMATION***

Address: Inter Island Medical Center and San Juan Emergency Medical Services  
P.O. Box 370  
Friday Harbor, WA 98250

Phone: (360) 378-2857

Website: [sjcphd.org](http://sjcphd.org)

## ***AUDIT HISTORY***

We audit the District every two years. The fiscal year 2010 audit contained a finding related to financial position and risk of not being able to maintain services. This finding has been resolved. No findings were reported in the current audit.

# Status of Prior Audit Findings

## **Inter Island Medical Center and San Juan Emergency Medical Services San Juan County March 5, 2014**

The status of findings contained in the prior years' audit reports of the Inter Island Medical Center and San Juan Emergency Medical Services is provided below:

- 1. The Inter Island Medical Center's financial position leaves it at risk of not being able to maintain services.**

Report No. 1007280, dated February 27, 2012

### **Background**

The District operates San Juan Island Emergency Medical Services and Inter Island Medical Center. During 2008 through 2011, the District's expenditures exceeded revenue, forcing the District to obtain a line of credit. The decrease in revenue began in 2008 when the medical center experienced a large amount of physician turnover and steadily increasing operational costs.

### **Status**

The condition reported during the 2010 audit has been resolved. For fiscal year 2012, the District's expenditures no longer exceed revenue due to a nonprofit organization taking over operations of the medical center and the District paying off the line of credit.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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**Local Government Liaison**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

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