



Washington State Auditor's Office

Independence • Respect • Integrity

Accountability Audit Report

King County Public Hospital District No. 2 (EvergreenHealth)

For the period January 1, 2014 through December 31, 2014

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Washington State Auditor's Office

December 28, 2015

Board of Commissioners
EvergreenHealth
Kirkland, 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 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 EvergreenHealth from January 1, 2014 through December 31, 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:

- Billings/receivables system review
- Cash receipting
- Safeguarding of small and attractive assets
- Gifts of public funds
- Insurance/risk management
- Open public meeting minutes
- Financial condition
- Sponsorships

RELATED REPORTS

Financial

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

Federal grant programs

A firm of certified public accountants evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal programs. That firm's report is available from EvergreenHealth. That report includes federal findings regarding significant deficiencies of internal controls for the Reporting and the Allowable Costs compliance requirements for each of the two major federal programs.

INFORMATION ABOUT THE DISTRICT

King County Public Hospital District No. 2 was established in 1972 and serves north King and south Snohomish counties. The District's primary operations include Evergreen Hospital Medical Center (the Medical Center), an acute care hospital with 333 licensed beds. The Medical Center is accredited by the Joint Commission, a nonprofit organization that accredits more than 19,000 healthcare organizations and programs in the United States. The Medical Center provides comprehensive tertiary medical-surgical services, maternity and neonatal services, emergency services, radiation oncology, diagnostic imaging, laboratory, and related ancillary services. The District also operates primary and specialty care group practices, a freestanding inpatient hospice unit, the Booth Gardner Parkinson's Care Center, the Multiple Sclerosis Center, a senior care clinic, and Evergreen Home Care Services, a comprehensive home health agency that serves patients throughout King and south Snohomish counties. The employed physician practices comprise 65 and 56 primary care providers and 91 and 44 specialty care providers in 2014 and 2013, respectively. Since 1972, the District's patient and family centered care philosophy, combined with its commitment to advancing medical solutions, has enabled the District to focus on providing excellent patient care.

An elected, five-member Board of Commissioners governs the District. Commissioners serve staggered, six-year terms. The Board appoints management to oversee the District's daily operations as well as its approximately 3,900 employees. For fiscal year 2014, the District had an operating budget of approximately \$542 million. The District reported a net operating gain of \$4.2 million during fiscal year 2014.

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 EvergreenHealth 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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