



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

## **Accountability Audit Report**

# **Skagit County Public Hospital District No. 1**

## **(Skagit Regional Health)**

**For the period January 1, 2017 through December 31, 2018**

**Published November 27, 2019**

**Report No. 1025197**





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

November 27, 2019

Board of Commissioners  
Skagit Regional Health  
Mount Vernon, 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 independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the 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 RESULTS

This report describes the overall results and conclusions for the areas we examined. In those selected areas, District operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

### About the audit

This report contains the results of our independent accountability audit of Skagit Regional Health from January 1, 2017 through December 31, 2018.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. 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, based on our risk assessment for the years ended December 31, 2018 and 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Accounts receivable – patient billing adjustments, pharmacy contract, hospice billings and other miscellaneous receivables
- Accounts payable and procurement – online purchases, public works projects and change orders
- Contract compliance – cash receipting and deposit timeliness
- Tracking and monitoring of theft sensitive assets – computers
- Pharmacy – safeguarding of drug inventory
- Creation of Cascadia Care Network, LLC

## RELATED REPORTS

### **Financial**

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available on our website, <https://www.sao.wa.gov/reports-data/audit-reports/>

## INFORMATION ABOUT THE DISTRICT

Skagit County Public Hospital District No. 1, doing business as Skagit Regional Health, currently operates Skagit Valley Hospital, a 137-bed acute care hospital, Cascade Valley Hospital, a 48-bed acute care facility located in Arlington, WA and Skagit Regional Clinics, a multi-specialty Clinic with 18 locations. Skagit Regional Health employed 152 providers in 2017 and 190 providers in 2018, these counts include 30 residents for both years. In addition, the District operates the Cancer Care Center, two Wound Clinics, an ASC and a Physical Therapy Clinic that is located at the Mount Vernon YMCA. Excluding newborns, the District had 37,504 acute care patient days in 2017 and 40,589 acute care patient days in 2018 for both facilities, and a total of 285,036 and 324,214 primary and multi-specialty clinic visits in 2017 and 2018, respectively.

An elected, seven-member Board of Commissioners governs the District. The Board appoints the Chief Executive Officer to oversee the District's daily operations as well as active employees of 2,295 in 2017 and 2,495 in 2018. The District's primary source of operating revenue is from patient services. For 2017 and 2018, the District operated on approximately \$373 million and \$399 million, respectively.

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 Skagit Regional 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.

Contact information for the State Auditor's Office	
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