



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Franklin County Public Hospital District No. 1

For the period January 1, 2019 through December 31, 2021

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

January 17, 2023

Board of Commissioners
Franklin County Public Hospital District No. 1
Mesa, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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.

Attached is 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 value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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AUDIT RESULTS

Results in brief

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

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of Franklin County Public Hospital District No. 1 from January 1, 2019 through December 31, 2021.

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 Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2021, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts receivable – patient billing and collections
- Payroll – gross wages
- Accounts payable – general disbursements
- Procurement – purchases and professional services
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Franklin County Public Hospital District No. 1 January 1, 2019 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2016 – December 31, 2018	Report Ref. No.: 1025727	Finding Ref. No.: 2018-001
Finding Caption: The District’s internal controls over ambulance billing, receipting and adjustments were inadequate to ensure it collected all revenues.		
Background: The District provides ambulance services and receives about \$300,000 in annual property taxes plus ambulance service revenues from patient billings, which typically average about \$200,000. For the years 2016, 2017 and 2018, the annual ambulance service revenues decreased significantly with only \$190,474, \$59,779 and \$1,222 collected in those years, respectively. The District has only one staff member who performs billing, receipting and collections of accounts. We identified the District did not have a process to ensure: <ul style="list-style-type: none"> • It bills all ambulance services provided • The billings it prepares are accurate and timely • Adjustments to open accounts are appropriate and supported • It deposits all revenues collected into its account In mid-year 2018, the District contracted with a vendor to provide billing and collection services. However, we noted that the District did not have a process to ensure all transactions were sent to the vendor for billing and collections.		
Status of Corrective Action: (check one) <input 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:

The issue of not billing patients for services which resulted in missed revenue was immediately corrected when the occurrence was discovered. The staff member promptly resigned and a new administrative assistant was hired. The new administrative assistant, along with an assistant and a commissioner (board secretary), worked with a third-billing company to get caught up on past billing. The district's by-laws and S.O.G.s were updated and financial meetings happened monthly with the Administrative Assistant, Assistant to the Admin. Assistant, and the Commissioner. Computers and software were also updated to assist in accuracy of bookkeeping and financial activities. As of February 2, 2020, the third-party billing company was able to attain for the year 2018 \$240,252.73 out of \$488,438.00 due for services provided. FCPHD#1 continues to provide regular monthly financial meetings with a commissioner and a minimum 2 "man-deep" office staffing to ensure accurate billing and revenue received and deposited and done in a timely manner.

INFORMATION ABOUT THE DISTRICT

Franklin County Public Hospital District No 1 was formed in 1946 and provides ambulance service to a large section of North Franklin County.

The District is governed by a three-member Board of Commissioners. The District does not operate a hospital. The District has about 50 part-time employees. The District had revenues of \$935,433 in 2019, \$980,816 in 2020 and \$1,141,736 in 2021 and expenditures of \$748,052 in 2019, \$683,734 in 2020 and \$756,575 in 2021.

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 Franklin County Public Hospital District No. 1 at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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