



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Whidbey Island Public Hospital District

(WhidbeyHealth)

For the period January 1, 2022 through December 31, 2022

Published April 8, 2024

Report No. 1034461



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

April 8, 2024

Board of Commissioners
WhidbeyHealth
Coupeville, 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

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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.

However, we noted certain matters related to the annual report filing, theft sensitive assets and credit cards that we communicated to District management and the Board of Commissioners in a letter dated April 1, 2024. We appreciate the District's commitment to resolving those matters.

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 WhidbeyHealth from January 1, 2022 through December 31, 2022.

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 year ended December 31, 2022, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- IT security policies, procedures, practices and controls protecting financial systems
- Tracking and monitoring of theft sensitive assets
- Accounts payable – credit cards
- Annual report filing – timeliness and completeness
- Self-insurance for property, health and welfare, unemployment and workers compensation
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

WhidbeyHealth January 1, 2022 through December 31, 2022

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

Audit Period: January 1, 2021 through December 31, 2021	Report Ref. No.: 1032401	Finding Ref. No.: 2021-001
Finding Caption: The District lacked adequate internal controls over financial reporting to ensure compliance with timely annual report submissions.		
Background: Federal and state agencies, the Board of Commissioners, and the public rely on the information included in financial statements and reports to make decisions. The District is responsible for designing, implementing, and maintaining internal controls that provide reasonable assurance its financial reporting is reliable. State law (RCW 43.09.230) requires the District to submit an annual financial report to the State Auditor's Office within 150 days after the end of its fiscal year. The annual financial report includes summaries of financial information and supporting schedules		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Fully Corrected </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Partially Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Not Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		
Corrective Action Taken: <i>The District interpreted RCW 43.09.230 that final audited financial statements were to be submitted to the State Auditor's Office. These statements were not released during 2023 by the external audit firm until November 2023. However, SAO clarified to the District that preliminary financial statements may be submitted within the 150-day period if the auditing firm has not released the final audited statements. Therefore, going forward, the District will provide the 2023 financial statements to SAO during this period for 2024.</i>		

Audit Period: January 1, 2021 through December 31, 2021	Report Ref. No.: 1032401	Finding Ref. No.: 2021-002
Finding Caption: The District lacked internal controls over the monitoring and tracking of theft-sensitive assets to ensure they were properly safeguarded.		
Background: State law prohibits uncompensated gifting, lending, or private benefit from public resources. To prevent such potential misappropriation and misuse, governments must establish adequate controls to safeguard public property. The District's current asset policy defines theft-sensitive assets as property costing between \$1,000 to \$4,999.99 that is vulnerable to loss, such as communications equipment, cameras, computers, televisions, and medical devices. The District is responsible for establishing adequate internal controls for monitoring, tracking, and safeguarding these assets.		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Fully Corrected </div> <div> <input type="checkbox"/> Partially Corrected </div> <div> <input type="checkbox"/> Not Corrected </div> <div> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		
Corrective Action Taken: <i>The District has taken measures to include all theft-sensitive assets, for example, computers, laptops, printers, and copiers, into the fixed asset system to record serial number, location, custodian, and appropriate financial data. With these internal controls, including the annual inventory of theft sensitive devices, the District is able to ensure that the District is safeguarding public property.</i>		

RELATED REPORTS

Financial

A financial statement audit was performed by a firm of certified public accountants. That firm's reports on fiscal years 2021 and 2022 are available from WhidbeyHealth.

INFORMATION ABOUT THE DISTRICT

The Whidbey Island Public Hospital District, doing business as WhidbeyHealth Medical Center, is located in Island County. The District provides comprehensive health care that includes primary care, specialty care and walk in clinics which provides affordable quality healthcare to the residents of Whidbey Island.

The District is governed by an elected, five-member Board of Commissioners. The Board appoints a CEO to oversee the District's daily operations as well as its approximately 700 employees. In fiscal year 2022, the District operated on an expense budget of approximately \$113.5 million. For the fiscal year 2022, the operating revenues were \$114.4 million.

Contact information related to this report

Address:	WhidbeyHealth 101 N. Main Street Coupeville, WA 98239-3413
Contact:	Philip Engle, Accountant
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Website:	https://whidbeyhealth.org/

Information current as of report publish date.

Audit history

You can find current and past audit reports for the WhidbeyHealth 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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