



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Association of Washington Cities Employee Benefit Trust Health Care Program

For the period January 1, 2022 through December 31, 2023

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

January 30, 2025

Board of Trustees
Association of Washington Cities Employee Benefit Trust Health Care Program
Olympia, 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 Trust 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 Trust'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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TABLE OF CONTENTS

Audit Results.....	4
Related Reports	5
Information about the Trust	6
About the State Auditor's Office.....	7

AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Trust 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 the Association of Washington Cities Employee Benefit Trust Health Care Program from January 1, 2022 through December 31, 2023.

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 Trust'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, 2023 and 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:

- Compliance with solvency requirements
- Claims payments – eligibility of claims, accuracy of payments, and compliance with policies
- Cost allocation plan – equitable distribution of indirect costs
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

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://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE TRUST

The Association of Washington Cities (AWC) Employee Benefit Trust Health Care Program (HCP) is a local government risk sharing pool, formed to provide health insurance coverage to participating members of the HCP. The members are made up of cities, towns and other local governmental entities throughout the State of Washington. The self-insured pool was formed January 1, 2014, and is located in Thurston County. The HCP provides medical, dental and vision coverage to 257 participating members. In lieu of having employees, the administrative functions of the HCP are performed under contract with the AWC, and the individuals who perform services for the HCP are all employees of AWC.

The HCP is governed by an eight-member Board of Trustees, comprised of elected city officials and city staff within the state who are members of the Employee Benefit Trust. The primary source of revenue for the HCP comes from member contributions and its major expenses are payments of claims and claims-related expenses. For fiscal years 2022 and 2023, the HCP had operating revenues of \$241,864,673 and \$263,958,661, respectively.

Contact information related to this report

Address:	Association of Washington Cities Employee Benefit Trust Health Care Program 1076 Franklin Street S.E. Olympia, WA 98501-1346
Contact:	Walter Emmans, AWC CFO
Telephone:	(360) 753-4137
Website:	www.wacities.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Association of Washington Cities Employee Benefit Trust Health Care Program at <https://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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