

# **Washington State Auditor's Office**

## **Accountability Audit Report**

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### **Whidbey Island Public Hospital District (Whidbey General Hospital) Island County**

Report Date  
**March 5, 2008**

**Report No. 74400**

Issue Date  
**April 14, 2008**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

April 14, 2008

Board of Commissioners  
Whidbey General Hospital  
Coupeville, Washington

***Report on Accountability***

Please find attached our report on Whidbey General Hospital's accountability and compliance with state laws and regulations and its own policies and procedures.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Island County  
March 5, 2008**

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# Audit Summary

**Whidbey General Hospital  
Island County  
March 5, 2008**

## ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of Whidbey General Hospital.

We performed audit procedures to determine whether the District complied with state laws and regulations and its own policies and procedures. We also examined District management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from January 1, 2004, through December 31, 2006.

## ***RESULTS***

The District complied with state laws and regulations and its own policies and procedures in the areas we examined. Internal controls were adequate to safeguard public assets.

## ***RELATED REPORTS***

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

## ***CLOSING REMARKS***

We thank District officials and personnel for their assistance and cooperation during the audit.

# Description of the District

## Whidbey General Hospital Island County March 5, 2008

### **ABOUT THE DISTRICT**

Whidbey Island Public Hospital District, doing business as Whidbey General Hospital, is located in Coupeville and has served approximately 60,000 Island County citizens since 1970. The District is governed by an elected, five-member Board of Commissioners with operations administered by a Chief Executive Officer, Chief Financial Officer, Chief Information Officer and two Chief Nurse Executives. The District operated on a budget of approximately \$47 million in 2004, \$50 million in 2005 and \$53 million in 2006.

In 1997 legislation authorized states to establish a State Medicare Rural Hospital Flexibility Program, under which certain facilities participating in Medicare can become Critical Access Hospitals. As a result, the District achieved the Critical Access Hospital designation in January 2006. Medicare now pays the District one percent above costs for services rendered to Medicare patients. The Medicare Critical Access Hospital is a licensed 51 bed facility with 25 inpatient beds and 26 observation stretchers. The District's comprehensive health care services are provided by over 60 physicians, professional nurses and support staff in Coupeville and at two satellite clinics located on the north and south end of Whidbey Island.

### **AUDIT HISTORY**

We audit the District every two years. During the last five audit periods only one finding was issued. District management has been responsive to our audit recommendations. We believe this reflects the District's desire and commitment to maintain a strong financial system.

### **ELECTED OFFICIALS**

These officials served during the audit period:

Board of Commissioners:

Dr. Roger Case  
Kristy Miller  
Barbara Saugen  
Holly Schoenknecht  
Dr. Paul Zaveruha

### **APPOINTED OFFICIALS**

Chief Executive Officer  
Chief Financial Officer  
Chief Nurse Executive  
Chief Nurse Executive  
Chief Information Officer

Scott Rhine  
Doug Bishop  
Jacque Scott  
Judy Moore  
Tom Tomasino

## ***ADDRESS***

District

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Coupeville, WA 98239  
(360) 678-5151  
(360) 678-0945 (fax)  
[wghosp@whidbeygen.org](mailto:wghosp@whidbeygen.org)

# Audit Areas Examined

## Whidbey General Hospital Island County March 5, 2008

In keeping with general auditing practices, we do not examine every portion of Whidbey General Hospital's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the District were examined during this audit period:

### ***ACCOUNTABILITY***

We evaluated the District's accountability and compliance with laws, regulations, contracts and grant agreements in the following areas:

- Cash receipting
- Petty cash/imprest funds
- Insurance/risk management
- Open public meetings/records laws
- Procurement (bidding/prevaling wage)
- Foundation agreement
- Disbursements/expenditures
- Payroll/personnel
- Conflict of interest/ethics laws
- Going concern
- Constituent referrals
- Certified public accountant financial statement review

# Status of Prior Audit Findings

## Whidbey General Hospital Island County March 5, 2008

The status of findings contained in the prior years' accountability audit report of Whidbey General Hospital is provided below:

1. **Whidbey General Hospital had a hospital Board Member influence or attempt to influence other Board Members to approve a contract for an Emergency Medical Service Director in which the Board Member had an interest.**

Report No. 68698, dated May 20, 2005

### **Background**

In November 2003, voters elected the Whidbey General Hospital Emergency Medical Service (EMS) Director to the District Board. The newly elected District Commissioner had an EMS contract with the District that could not be renewed after his election to the Board without violating the conflict-of-interest laws. Although a new contract was negotiated with the Island County Emergency Medical Services Council, which allowed the EMS Director to stay in this position, the newly elected Commissioner influenced or attempted to influence other members of the Board into approving the contract.

### **Status**

The District has addressed and resolved the conduct issue related to the finding by adopting a Conflict of Interest policy. The policy prohibits Board Members from voting on or influencing the vote of other Commissioners on issues that could be in violation of conflict of interest laws. The District's legal counsel is also present at all the Board meetings to ensure conflicts are identified and resolved prior to any Board action.

The Island County EMS Council continues to contract directly with the Board Member in conformity with conflict of interest statute. The District's contract with the EMS Council does not require the Council to select the District's Board Member for the EMS Director position.





## **ABOUT THE STATE AUDITOR'S OFFICE**

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**T**he 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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular 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. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

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**Toll-free hotline for government efficiency**

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**Web Site**

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