



Office of the Washington State Auditor  
Pat McCarthy

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# Accountability Audit Report

## Public Hospital District No 2 of Snohomish County

### (Verdant Health Commission)

For the period January 1, 2021 through December 31, 2022

*Published (Inserted by OS)*

Report No. 1034534



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

Issue Date – (Inserted by OS)

Board of Commissioners  
Verdant Health Commission  
Lynnwood, 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.

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 Verdant Health Commission from January 1, 2021 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 years ended December 31, 2022 and 2021, 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 community grant programs
- Procurement – public works
- Payroll – commissioner compensation
- Self-insurance for workers compensation
- Accounts payable – general disbursements, employee reimbursements and electronic funds transfers
- Financial condition – reviewing for indications of financial distress
- Open public meetings – compliance with minutes, meetings and executive session requirements

## RELATED REPORTS

### Financial

A financial statement audit was performed by a firm of certified public accountants. That firm's 2022 report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

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## INFORMATION ABOUT THE DISTRICT

Public Hospital District No. 2 of Snohomish County, doing business as Verdant (Ver-dent) Health Commission, serves citizens in south Snohomish County. On September 1, 2010, the District entered into a lease and operating agreement with Swedish Health Services. Swedish now operates the acute-care hospital with 217 licensed beds, two primary care clinics, and an emergency department. The District formed the Verdant Health Commission to work with the community to provide complimentary health related education and programs and funding to community partners for direct services in alignment with the District's strategic priorities. In January 2015 Verdant opened a Community Wellness Center to further serve residents of the District. Free or low-cost programming is offered at the facility as well as meeting space at no charge to non-profit partners.

An elected, five-member Board of Commissioners governs the District. Commissioners serve staggered, five-year terms. The Board appoints a Superintendent to oversee the District's daily operations and its employees. For fiscal years 2021 and 2022 the District had operating costs of \$15.8 million and \$14.2 million, respectively.

Contact information related to this report	
Address:	Verdant Health Commission 4710 196th Street S.W. Lynnwood, WA 98036
Contact:	Riene Simpson, Director of Finance
Telephone:	(425) 582-8543
Website:	<a href="http://www.verdanthealth.org">www.verdanthealth.org</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Verdant Health Commission 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](http://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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## LETTER OF REPRESENTATION TO BE TYPED ON CLIENT LETTERHEAD

March 27, 2024

Office of the Washington State Auditor  
3200 Capitol Blvd  
P.O. Box 40031  
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of Snohomish County Public Hospital District No. 2 for the period from January 1, 2021 through December 31, 2022. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

### **General Representations:**

1. We have provided you with unrestricted access to people you wished to speak with and made available all relevant and requested information of which we are aware, including:
  - a. Financial records and related data.
  - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
  - d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
  - e. Related party relationships and transactions.
  - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.



2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records.

(Signature)

James Distelhorst, MD  
Board President

(Signature)

Lisa Edwards  
Superintendent



Exit Recommendations  
Public Hospital District No. 2 of Snohomish County  
(DBA: Verdant Health Commission)  
Audit Period Ending: December 31, 2022

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We are providing the following exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

### **Accountability:**

#### **Prevailing Wages**

Our audit reviewed how the District competitively procured a new roof for the Swedish Kruger Medical building. We found the District was initially unable to provide documentation to show the Statement of Intent to Pay Prevailing Wages or Affidavit of Wages Paid were filed and approved by the Department of Labor and Industries during the course of the project. During the audit, the District was able to obtain this information to show they were in compliance.

We recommend that for future projects, the District ensure its contractors file the Statement of Intent to Pay Prevailing Wages or Affidavit of Wages Paid to the Department of Labor and Industries during the course of the project.

#### **Community Grants**

During the audit period, the District transitioned from analogue community grant report tracking to digital. Our audit identified two grants where the District was unable to locate required reporting documents for three quarters.

We recommend the District ensure it obtains, reviews, and saves all required reports from its community grant program to track program compliance.

#### **Meeting Minutes**

When reviewing the District Board meeting minutes, we noted areas where documentation did not show if the District fully complied with the Open Public Meetings Act, RCW 42.30.110. Specifically, we noted five instances where we could not tell if the presiding officer announced the expected ending time and duration of the meeting. Also, we noted three instances where the executive session did not conclude and open session did not start at the stated time.

We recommend the District document the expected end time of executive sessions and ensure open sessions resume at the stated time.