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Due to multiple respiratory illnesses, Jefferson Healthcare is still highly encouraging the practice of infection protocols. You may attend this meeting virtually by accessing the information below or in person in the Sheridan Conference Room at 915 Sheridan

Time:	WELCOME	Who:
8:00am	Call to Order	Commissioner Buhler Rienstra
	EXECUTIVE SESSION	
8:00am	Executive session as allowed by RCW 42.30.110(1)(i) – to discuss with legal counsel representing the district the legal risks of a proposed action. Action may be taken.	
	FOCUS TOPIC	
9:00am	State Auditor’s Office Exit Conference – Fiscal Year 2023 (pages 2-12)	Cheryl Friesen and Nicklas Sterling
	CONCLUDE	
9:30am	<ul style="list-style-type: none"> <li>• Meeting Evaluation</li> <li>• Conclude</li> </ul>	Board of Commissioners Board of Commissioners

This Special Session will be officially recorded. The times shown on the agenda are estimates only.



## **Exit Conference: Jefferson County Public Hospital District No. 2**

The Office of the Washington State Auditor’s vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

### **Audit Reports**

We will publish the following reports:

- Accountability audit for January 31, 2023 through December 31, 2023 – see draft report.

### **Audit Highlights**

We appreciate the time and effort of District staff to provide requested audit support.

### **Recommendations not included in the Audit Reports**

#### **Exit Items**

We have provided exit recommendations for management’s consideration. Exit items address control deficiencies or noncompliance with laws or regulations that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

### **Finalizing Your Audit**

#### **Report Publication**

Audit reports are published on our website and distributed via email in a .pdf file. We also offer a subscription service that notifies you by email when audit reports are released or posted to our website. You can sign up for this convenient service at <https://portal.sao.wa.gov/SAOPortal>.

#### **Management Representation Letter**

We have included a copy of representations requested of management.

#### **Audit Cost**

At the entrance conference, we estimated the cost of the audit to be \$22,000 and actual audit costs will approximate that amount.

# DRAFT

## Your Next Scheduled Audit

Your next audit is scheduled to be conducted in fall 2025 and will cover the following general areas:

- Accountability for public resources for 2024

The estimated cost for the next audit based on current rates is \$22,000 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

## [Working Together to Improve Government](#)

### Audit Survey

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

### Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally, this team assists with the online filing of your financial statements.

### The Center for Government Innovation

The Center for Government Innovation at the Office of the Washington State Auditor offers services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean process improvement, peer-to-peer networking, and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

### [Questions?](#)

Please contact us with any questions about information in this document or related audit reports.

**Tina Watkins, CPA, Director of Local Audit, (360) 260-6411, [Tina.Watkins@sao.wa.gov](mailto:Tina.Watkins@sao.wa.gov)**

**Wendy Choy, Assistant Director of Local Audit, (425) 502-7067, [Wendy.Choy@sao.wa.gov](mailto:Wendy.Choy@sao.wa.gov)**

**Melinda Seibert, CPA, Audit Manager, (360) 845-1485, [Melinda.Seibert@sao.wa.gov](mailto:Melinda.Seibert@sao.wa.gov)**

**Nicklas Sterling, Assistant State Auditor, (509) 517-5633, [Nicklas.Sterling@sao.wa.gov](mailto:Nicklas.Sterling@sao.wa.gov)**



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## Accountability Audit Report

# Jefferson County Public Hospital District No. 2

### (Jefferson Healthcare)

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

*Published (Inserted by OS)*  
Report No. (Inserted by OS)



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we're helping advance  
#GoodGovernment



## Office of the Washington State Auditor Pat McCarthy

Issue Date – (Inserted by OS)

Board of Commissioners  
Jefferson Healthcare  
Port Townsend, 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,

Signature Here (Please do not remove this line)

Pat McCarthy, State Auditor

Olympia, WA

### *Americans with Disabilities*

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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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 Jefferson Healthcare from January 1, 2023 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 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, 2023, 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 payable – general disbursements, credit cards and electronic funds transfers
- Tracking and monitoring of theft sensitive assets, such as pharmaceutical inventory
- Payroll – gross wages and electronic funds transfer
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

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## 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>.

### Federal grant programs

A firm of certified public accountants evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal program. That firm's report is available on our website, <https://portal.sao.wa.gov/ReportSearch>.

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## INFORMATION ABOUT THE DISTRICT

Jefferson County Public Hospital District No. 2, doing business as Jefferson Healthcare, is the principal provider of health care services for Port Townsend and the surrounding communities of Jefferson County. The District is a 25-bed critical access hospital. Services offered by its approximate 900 employees include medical, surgical, 24-hour emergency, family birth and nursery care, laboratory, radiology, physical therapy, home health, orthopedic clinic, cardiac rehabilitation, clinic in Port Ludlow, wellness program, and OBGYN services. The District reported operating expenses of \$167.2 million for 2023.

Contact information related to this report	
Contact:	Alyson James, Controller
Telephone:	(360) 385-2200
Website:	jeffersonhealthcare.org

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for Jefferson Healthcare 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](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.

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)

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## LETTER OF REPRESENTATION TO BE TYPED ON CLIENT LETTERHEAD

March 18, 2025

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 Jefferson County Public Hospital District No. 2 for the period from January 1, 2023 through December 31, 2023. 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 requested and relevant 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.

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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.

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Mike Glenn  
Chief Executive Officer

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Tyler Freeman  
Chief Finance Officer