

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Pacific Hospital Preservation and  
Development Authority**  
**King County**

Report Date  
**November 19, 2012**

**Report No. 1008680**

Issue Date  
**December 10, 2012**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

December 10, 2012

Governing Council  
Pacific Hospital Preservation and Development Authority  
Seattle, Washington

***Report on Accountability***

We appreciate the opportunity to work in cooperation with your Authority to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Pacific Hospital Preservation and Development Authority's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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King County  
November 19, 2012**

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# **Audit Summary**

**Pacific Hospital Preservation and Development Authority  
King County  
November 19, 2012**

## ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the Pacific Hospital Preservation and Development Authority from January 1, 2010 through December 31, 2011.

We evaluated internal controls and performed audit procedures on the activities of the Authority. We also determined whether the Authority complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Financial Condition
- General Disbursements
- Grants
- Prevailing wages

## ***RESULTS***

In the areas we examined, the Authority's internal controls were adequate to safeguard public assets. The Authority also complied with state laws and regulations and its own policies and procedures in the areas we examined.

## **Related Reports**

**Pacific Hospital Preservation and Development Authority  
King County  
November 19, 2012**

### ***FINANCIAL***

The 2011 and 2010 financial statement audits were performed by a firm of certified public accountants. That firm's reports are available from the Authority. In the 2010 audit, the firm reported a significant deficiency in internal controls over financial reporting regarding accounting for grant liabilities and expenses.

# **Description of the Authority**

## **Pacific Hospital Preservation and Development Authority King County November 19, 2012**

### ***ABOUT THE AUTHORITY***

The city of Seattle chartered the Pacific Hospital Preservation and Development Authority in 1981 with the mission to provide effective health care for the vulnerable and disadvantaged. Its asset is the Beacon Hill property known previously as the Public Health Service Hospital or Pacific Hospital.

A nine-member Council governs the Authority. Four members are appointed by the Mayor, one by the King County Executive and four by the Authority's Governing Council. On June 1, 2003, the Authority transferred its medical practice, related assets and liabilities and the majority of staff to a nonprofit corporation, of which it is the sole member, retaining only its Beacon Hill property and certain agreements. The Authority made changes to its Charter, approved by the Seattle Mayor in November 2004.

Lease payments comprise the primary revenue source for the Authority. The Authority uses lease monies from three lease agreements to fund health care services and programs for the uninsured and underinsured. The Authority received \$3 million in operating revenue each year in 2010 and 2011.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Council Members:

Marite Butners  
Linda Ruiz  
Tom Wood  
Kevin Fox  
Wendy Watanabe  
Marc Provence  
Lance Wilken  
Terri Rambosek  
Gary Zimmerman (2010)  
Dan Lessler (2011)

### ***APPOINTED OFFICIALS***

Executive Director

Rosemary Aragon

## ***AUTHORITY CONTACT INFORMATION***

Address: Pacific Hospital Preservation and Development Authority  
1200 12th Avenue S.  
Seattle, WA 98144

Phone: (206) 588-4777

Website: [www.phpda.org](http://www.phpda.org)

## ***AUDIT HISTORY***

We audit the Authority every two years. We reported no accountability findings in the past three audits.



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

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The 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 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 employees are located around the state to deliver services effectively and efficiently.

Our 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. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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**Ted Rutt**  
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