



**Two Rivers**  
HEALTH DISTRICT

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KENNEWICK PUBLIC HOSPITAL DISTRICT

**Board of Commissioners  
Packet**

**Thursday, February 27, 2025  
Hybrid Meeting**

via Zoom and

Trios Care Center at Vista Field  
521 N. Young Street Kennewick, WA 99336

**5:00 p.m.**

**Kennewick Public Hospital District**  
**Thursday, February 27, 2025 | Hybrid Meeting**  
**5:00 PM**  
**AGENDA**

**I. District Business:**

- A. Approval of Consent Agenda\***
- B. Public Comment –**

**II. NEW BUSINESS:**

**A. Reports**

- 1. Lee Kerr – Superintendent, General Update
- 2. Legal Report - Heidi Ellerd, Legal Counsel
  - a. Updates – Records Requests
- 3. Administrative Report, Salem Thompson, Board Coordinator

**B. Committee Reports/Recommendations**

- 1. Finance Committee – Gary Long/Erica Davis
  - a. Overview of January 2025 Financials – Erica Davis
  - b. Acceptance of January 2025 Financial statements\*
  - c. Approval of January 2025 payments and disbursements\*
  - d. Treasurer’s Report – Gary Long
  - e. Management response letter to the Eide Bailly Audit
  - f. Accountability audit letter from the State Auditor Office
- 2. Governance Committee Updates – Mark Brault
  - a. Benton Franklin Health District
  - b. Reminder to complete your PDC F1
  - c. ADS workshop (April)
- 3. Planning Committee – Wanda Briggs
  - a. General Update
- 4. Adult Day Services – General Update: Rick Reil/Spencer Harris
  - a. Progress with transition to Guardian Financial
  - b. Discussion on District work session regarding ADS.

**C. Commissioner Candidate Interviews**

- 1. **Executive Session RCW 42.30.110(1)(h)**
- 2. **Appointment of new commissioner\***
- 3. **Oath of Office Administration\***

**III. COMMISSIONER COMMENTS**

**IV. Upcoming items – NONE**

**V. BOARD MEETINGS/EVENTS/EDUCATION**

Next Regularly Scheduled Board Meeting – Thursday, March, 27, 2025 @ 5:00p.m.

**Close of Meeting**

Kennewick Public Hospital District  
Kennewick, Benton County, Washington  
Consent Agenda  
**February 27, 2025**

All Materials under the Consent Agenda are considered routine by the Board of Commissioners and will be adopted by one motion in the form listed below. There will be no separate discussion of these items. An item may be removed from the Consent Agenda and considered separately if the board members or the public desire further discussion.

**1. Approval of Minutes**

- a. Meeting Minutes, January 30, 2025.

**Kennewick Public Hospital District**  
**Trios Care Center 521 N. Young St. Kennewick, WA 99336**  
**Thursday, January 30, 2025 | Hybrid Meeting 5:00 PM**  
**MINUTES**

**Attendance:** Mark Brault, Gary Long, Marv Kinney, Spencer Harris, Wanda Briggs, Rick Reil, Lee Kerr, Erica Davis, Heidi Ellerd

**I. District Business:**

**A. Approval of Consent Agenda**

IT WAS MOVED AND SECONDED TO APPROVE THE CONSENT AGENDA INCLUDING THE NOVEMBER 2024 MINUTES. ALL IN FAVOR. NO DISCUSSION. MOTION CARRIED.

**B. Public Comment –NONE.**

**II. NEW BUSINESS:**

**A. Reports**

1. Lee Kerr – Superintendent, General Update –

Benton Franklin Behavioral Health District meeting went well, remodel of the Auburn building is progressing. Lee discussed items related to the proposed facility including information on proposed navigator services and proposed contracts with service providers.

Lee reported on pending litigation.

Lee and Mark will meet with the Trios CEO in the next week or so and expect a discussion on a Trios representative to potentially work with the Planning Committee on any joint communications efforts.

2. Legal Report - Heidi Ellerd, Legal Counsel

a. Updates – Records Requests – Nothing new to report.

3. Administrative Report, Salem Thompson, Board Coordinator

a. Updates – Records work – Nothing new to report.

**B. Committee Reports/Recommendations**

1. Finance Committee – Gary Long/Erica Davis

a. Acceptance of November and December 2024 financial statements– Overview by Erica Davis  
IT WAS MOVED AND SECONDED TO APPROVE THE NOVEMBER AND DECEMBER 2024 FINANCIAL STATEMENTS AS PRESENTED. ALL IN FAVOR. NO DISCUSSION. MOTION CARRIED.

b. Approval of November and December 2024 payments and disbursements.

IT WAS MOVED AND SECONDED TO APPROVE THE NOVEMBER AND DECEMBER 2024 PAYMENTS AND DISBURSEMENTS AS PRESENTED. ALL IN FAVOR. NO DISCUSSION. MOTION CARRIED.

c. Treasurer’s Report – Gary Long –

Discussion on upcoming election costs. There will be a special election in February plus four commissioners up for election in the fall.

Discussion on the Key Bank account changes coming soon.

d. Audit updates – SAO audit exit conference went well; the work is complete. Reminder that the District has chosen to have SAO perform the required financial audits going forward.

2. Governance Committee Updates – Mark Brault

- a. Greater Health Now – At their invitation, there was a discussion on exploring possible participation in a future project.
- b. Benton Franklin Health District – The District was offered a place on the committee working with the community health needs assessment to form a community health improvement plan. Mark will participate representing the District.
- c. Reminder to complete your PDC F1 in a timely manner.
- d. Approval of office lease at Trios Care Center at Vista Field.

There is a need to terminate the old lease at the DeBit building before entering into the new lease.

IT WAS MOVED AND SECONDED TO AUTHORIZE LEE KERR TO SIGN BOTH THE TERMINATION OF THE OLD LEASE AT THE DEBIT BUILDING AND ENTER INTO THE NEW LEASE FOR THE TRIOS CARE CENTER AT VISTA FIELD WITH A NOTARY SIGNATURE ADDED FOR LANDLORD. ALL IN FAVOR. NO DISCUSSION. MOTION CARRIED.

e. Resolution 2025-1 changing dates of two regular meetings.

Rick Reil read the resolution title.

IT WAS MOVED AND SECONDED TO ADOPT RESOLUTION 2025-1. ALL IN FAVOR. NO DISCUSSION. MOTION CARRIED.

f. Resolution 2025-2 Richmond Trust Endowment Fund

Rick Reil read the resolution title.

IT WAS MOVED AND SECONDED TO ADOPT RESOLUTION 2025-2. ALL IN FAVOR. NO DISCUSSION. MOTION CARRIED.

g. ADS board discussion – A working session is being planned to allow three commissioners at a time to discuss ADS. There were discussions on the rotation of commissioners to allow participation and insight. No schedule of rotation was determined. Dates for the working session will be determined soon.

3. Planning Committee – Wanda Briggs/Marv Kinney

- a. Update – no meeting in January 2025. There will likely be a meeting February 18<sup>th</sup>.

4. Adult Day Services – General Update: Rick Reil/Spencer Harris

- a. Update- Rick reported on the December 2024 ADS Board meeting. Lee Kerr was invited to attend via Zoom to provide the ADS board an opportunity to ask questions about the relationship between the two entities.

At the meeting, it was discussed to have an additional KPHD commissioner (three commissioners) to serve on the ADS board. Per the bylaws, the District approves appointments to the ADS Board. Marv Kinney is willing to serve as well as Wanda Briggs.

- b. 2025 Budget approval – Overview by Rick Reil and Salem Thompson, ADS Executive Director.

IT WAS MOVED AND SECONDED TO APPROVE THE 2025 ADS BUDGET AS PRESENTED. ALL IN FAVOR. NO DISCUSSION. MOTION CARRIED.

**III. Executive Session RCW 42.30.110 (1) (h) To evaluate the qualifications of a candidate appointment to elective office**

**At 5:43 pm the executive session was called for 15 minutes until 5:58pm**

**At 5:58 pm the open meeting reconvened.**

IT WAS MOVED AND SECONDED TO NOMINATE BOTH GRACE DAVIDSON AND SHANNON PHIPPS, D.O. AS CANDIDATES FOR THE UNEXPIRED TERM OF SHEILA DUNLOP, D.O. (POSITION 1) OF THE KENNEWICK PUBLIC HOSPITAL DISTRICT. ALL IN FAVOR. NO DISCUSSION. MOTION CARRIED.

Lee Kerr reviewed the RCWs and process for the filling a commissioner vacancy.

Lee Kerr was designated to complete the required public postings for the Notice of Vacancy and nominations and Salem Thompson was designated to update the District website with the notice of vacancy and the nominations.

**IV. COMMISSIONER COMMENTS**

**V. Upcoming items – NONE**

**VI. BOARD MEETINGS/EVENTS/EDUCATION**

Next Regularly Scheduled Board Meeting – Thursday, February 27, @ 5:00p.m.

**Close of Meeting 6:04pm**

# Management Reports

Kennewick Public Hospital District  
For the period ended January 31, 2025

Prepared by  
**Guardian Financial Group**

Prepared on  
**February 4, 2025**

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These financial statements have not been subjected to an audit or review or compilation engagement, and no assurance is provided on them. Additionally, management has chosen to omit formal notes to these interim monthly financial statements. However, district leadership have provided explanations on select accounts below.

### **Financial Statement Explanation of Terms**

The District's Financial documents use bookkeeping and accounting terms and phrases that have the following meanings:

Account 200 Community Care Agreement under the "Cost of Goods Sold" Section—This section represents the accounting software category designated for payments required by the Community Care Agreement to RCCH Trios to provide healthcare services which include charity care, reimbursements and on-going hospital operations.

Account 1020 Health Initiative Fund—Funds held to pursue the acquisition of a Recovery Center facility as well as to pursue other unmet healthcare needs in the District. These funds originated from the sale of Lifepoint's interest in the Tri-City Cancer Center. Lifepoint donated the proceeds of the sale to the District. Lifepoint Health, Inc. owns and operates Trios Hospital.

Account 1040 Worker's Compensation Account—This is a pass-through account with funds received from Trios RCCH to benefit pre-petition employees who are receiving workman's compensation benefits. It is beyond the requirements of the Community Care Agreement and provided by Trios RCCH to benefit prior and continuing employees.

Account 1055 Local Government Investment Pool Account -The Local Government Investment Pool (LGIP) is a voluntary investment vehicle operated by the State Treasurer. Over 530 local governments have participated in the pool since it was started in 1986 to provide safe, liquid, and competitive investment options for local government pursuant to RCW 43.250. The LGIP lets local governments use the State Treasurer's resources to safely invest their funds while enjoying the economies of scale available from a \$15-26 billion pooled fund investment portfolio. LGIP's investment objectives are, in priority order: 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. LGIP offers 100% li <https://www.tre.wa.gov/wp-content/uploads/LGIP-Investment-Policy-December-2018-1.pdf>quidity to its participants and as such is classified as a 'Cash Equivalent' on the District's balance sheet. LGIP investment guidelines are spelled out in the LGIP Investment Policy found at <https://www.tre.wa.gov/wp-content/uploads/LGIP-Investment-Policy-December-2018-1.pdf>.

Account 2001 Richmond Trust Account—This is a Legacy Trust with an income interest donated to the District by Mrs. Richmond. Baker Boyer Bank acts as the trustee.

Account 2100 Adult Day Services Loan Account—The District borrowed funds from ADS in mid-2019 to satisfy a long-term debt owed to the Kennewick Liquidation Trust. Principal and interest payments are made quarterly on a 10 year amortization schedule. The amortization schedule was shortened in October 2022 following a large, additional principal payment of \$120,000. The loan is now expected to be paid off in October, 2025.

# Statement of Activity With Year to Date

January 2025

	Jan 2025	Total Jan 2025 (YTD)
<b>REVENUE</b>		
100 Property Tax Revenue	3,694.89	3,694.89
<b>Total Revenue</b>	<b>3,694.89</b>	<b>3,694.89</b>
<b>COST OF GOODS SOLD</b>		
200 Community Care Agreement	2,955.91	2,955.91
<b>Total Cost of Goods Sold</b>	<b>2,955.91</b>	<b>2,955.91</b>
<b>GROSS PROFIT</b>	<b>738.98</b>	<b>738.98</b>
<b>EXPENDITURES</b>		
305 Bank Fees	302.16	302.16
315 Commissioner Mtg Stipend	2,898.00	2,898.00
320 Facilities Expense		
323 Utilities	55.00	55.00
<b>Total 320 Facilities Expense</b>	<b>55.00</b>	<b>55.00</b>
326 Insurance	211.30	211.30
330 Legal and Professional		
331 Attorney Fees	444.25	444.25
332 Accounting	1,730.00	1,730.00
333 Audit Expense	-11,439.44	-11,439.44
335 Administrative Support	2,500.00	2,500.00
336 Other Professional Fees	894.60	894.60
<b>Total 330 Legal and Professional</b>	<b>-5,870.59</b>	<b>-5,870.59</b>
340 Office Expenses	1,002.74	1,002.74
342 Public Records Request	1,525.00	1,525.00
343 Records Management	550.00	550.00
347 Public Election Costs	14,828.42	14,828.42
360 Superintendent Compensation	3,300.00	3,300.00
<b>Total Expenditures</b>	<b>18,802.03</b>	<b>18,802.03</b>
<b>NET OPERATING REVENUE</b>	<b>-18,063.05</b>	<b>-18,063.05</b>
<b>OTHER REVENUE</b>		
950 Worker's Comp Reimbursements	84,455.76	84,455.76
960 Interest and Dividend Income	5,719.33	5,719.33
<b>Total Other Revenue</b>	<b>90,175.09</b>	<b>90,175.09</b>
<b>OTHER EXPENDITURES</b>		
800 Workers Comp Claims Paid	88,295.52	88,295.52
810 Interest Expense	528.45	528.45
<b>Total Other Expenditures</b>	<b>88,823.97</b>	<b>88,823.97</b>
<b>NET OTHER REVENUE</b>	<b>1,351.12</b>	<b>1,351.12</b>
<b>NET REVENUE</b>	<b>\$ -16,711.93</b>	<b>\$ -16,711.93</b>

# Statement of Financial Position

As of January 31, 2025

	<b>Total</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank Accounts</b>	
1010 US Bank Checking 4037	100,022.76
1020 Health Initiative Reserves 2765	2,000.00
1030 US Bank 6221	100.00
1040 Key Bank Worker's Comp	11,551.87
1050 Cash Equivalents	
1055 Local Government Investment Pool	998,244.60
<b>Total 1050 Cash Equivalents</b>	<b>998,244.60</b>
<b>Total Bank Accounts</b>	<b>1,111,919.23</b>
<b>Other Current Assets</b>	
1105 Tax Receivable	705.00
<b>Total Other Current Assets</b>	<b>705.00</b>
<b>Total Current Assets</b>	<b>1,112,624.23</b>
<b>Other Assets</b>	
2001 Richmond Trust (Restricted)	597,079.65
<b>Total Other Assets</b>	<b>597,079.65</b>
<b>TOTAL ASSETS</b>	<b>\$1,709,703.88</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2020 Accounts Payable	21,667.67
<b>Total Accounts Payable</b>	<b>21,667.67</b>
<b>Credit Cards</b>	
2024 U.S. Bank CC (4195)	801.74
<b>Total Credit Cards</b>	<b>801.74</b>
<b>Other Current Liabilities</b>	
2021.50 Current Portion ADS Loan Payable	-603.65
<b>Total Other Current Liabilities</b>	<b>-603.65</b>
<b>Total Current Liabilities</b>	<b>21,865.76</b>
<b>Long-Term Liabilities</b>	
2100 Loan from ADS	25,534.89
<b>Total Long-Term Liabilities</b>	<b>25,534.89</b>
<b>Total Liabilities</b>	<b>47,400.65</b>
<b>Equity</b>	
3200 Net Position	768,290.41
3210 Restricted - Expendable	341,000.00

	<b>Total</b>
3220 Restricted - Expendable Richmond Trust	569,724.75
Net Revenue	-16,711.93
<b>Total Equity</b>	<b>1,662,303.23</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$1,709,703.88</b>

# Statement of Cash Flows - Last Month

January 2025

	Total
<b>OPERATING ACTIVITIES</b>	
Net Revenue	-16,711.93
Adjustments to reconcile Net Revenue to Net Cash provided by operations:	
2020 Accounts Payable	-532,547.69
2024 U.S. Bank CC (4195)	542.39
2021.50 Current Portion ADS Loan Payable	-10,444.16
<b>Total Adjustments to reconcile Net Revenue to Net Cash provided by operations:</b>	<b>-542,449.46</b>
<b>Net cash provided by operating activities</b>	<b>-559,161.39</b>
<b>NET CASH INCREASE FOR PERIOD</b>	<b>-559,161.39</b>
Cash at beginning of period	1,671,080.62
<b>CASH AT END OF PERIOD</b>	<b>\$1,111,919.23</b>

# Check Detail

January 2025

Date	Transaction Type	Num Name	Memo/Description	Clr	Amount
<b>1010 US Bank Checking 4037</b>					
01/02/2025	Expenditure	U.S.Bank CC (4195)	ACH Debit(s)	R	-259.35
			ACH Debit(s)		-259.35
01/06/2025	Expenditure	Mutual of Enumclaw	ACH Debit(s)	R	-50.30
			ACH Debit(s)		50.30
01/08/2025	Bill Payment (Check)	1754 Adult Day Services		R	-10,972.61
					-10,972.61
01/08/2025	Bill Payment (Check)	1755 Advantage IT		R	-894.60
					-894.60
01/09/2025	Expenditure	EFT Payments (See Detailed List)	ACH Debit(s)	R	-9,248.00
			Brault, Harris, Kinney, Long, Reil		2,898.00
			Salem Snowdy		2,500.00
			Lee Kerr		3,300.00

Date	Transaction Type	Num Name	Memo/Description	Clr	Amount
			Debbie Clark		550.00
01/10/2025	Expenditure	Mutual of Enumclaw	ACH Debit(s)	R	-161.00
			ACH Debit(s)		161.00
01/15/2025	Expenditure	US Bank	Miscellaneous Fee(s)	R	-92.77
			Miscellaneous Fee(s)		92.77
01/16/2025	Bill Payment (Check)	1756 US Postal Service		R	-256.00
					-256.00
01/16/2025	Expenditure	Guardian Financial Group	ACH Debit(s)	R	-1,730.00
			ACH Debit(s)		1,730.00
01/29/2025	Bill Payment (Check)	1757 Trios Health - V			-552,301.27
					-552,301.27
<b>1040 Key Bank Worker's Comp</b>					
01/31/2025	Expenditure	Workers Comp		R	-88,295.52

Date	Transaction Type	Num Name	Memo/Description	Clr	Amount
					88,295.52
01/31/2025	Expenditure	KeyBank		R	-202.11
					202.11



# Kennewick Public Hospital District

## Transaction Report - US Bank Credit Card

January 2025

DATE	TRANSACTION TYPE	NUM	ADJ	NAME	MEMO/DESCRIPTION	ACCOUNT	SPLIT	AMOUNT	BALANCE
U.S. Bank CC (4195)									
Beginning Balance									
01/02/2025	Credit Card Expenditure		No	Adobe		2024 U.S. Bank CC (4195)	340 Office Expenses	21.73	259.35
01/02/2025	Expenditure		No	U.S.Bank CC (4195)	ACH Debit(s)	2024 U.S. Bank CC (4195)	1010 US Bank Checking 4037	-259.35	21.73
01/21/2025	Credit Card Expenditure		No	Microsoft Edge		2024 U.S. Bank CC (4195)	340 Office Expenses	163.05	184.78
01/21/2025	Credit Card Expenditure		No	Microsoft Office		2024 U.S. Bank CC (4195)	340 Office Expenses	19.57	204.35
01/22/2025	Credit Card Expenditure		No	Mail by The Mail		2024 U.S. Bank CC (4195)	340 Office Expenses	20.63	224.98
01/24/2025	Credit Card Expenditure		No	Spectrum		2024 U.S. Bank CC (4195)	323 Facilities Expense:Utilities	55.00	279.98
01/28/2025	Credit Card Expenditure		No	DocuSign		2024 U.S. Bank CC (4195)	340 Office Expenses	521.76	801.74
<b>Total for U.S. Bank CC (4195)</b>								<b>\$542.39</b>	
<b>TOTAL</b>								<b>\$542.39</b>	

# Contractor Payment Register Report

## Kennewick Public Hospital District



Pay Period From 12/01/2024 to 12/31/2024, Pay Date: 01/10/2025, Payment # 1

#	Contractor Name	Compensation	Federal Tax	YTD	State Tax	YTD	Reimbursement	Deductions	Net pay	Check #
9	Mark C Brault	644.00	0.00	0.00	0.00	0.00		0.00	644.00	
11	Debra L Clark	550.00	0.00	0.00	0.00	0.00		0.00	550.00	
13	Spencer D Harris	322.00	0.00	0.00	0.00	0.00		0.00	322.00	
3	Leland Kerr	3,300.00	0.00	0.00	0.00	0.00		0.00	3,300.00	
4	Marv Kinney	322.00	0.00	0.00	0.00	0.00		0.00	322.00	
5	Gary Long	805.00	0.00	0.00	0.00	0.00		0.00	805.00	
7	Rick Reil	805.00	0.00	0.00	0.00	0.00		0.00	805.00	
8	Salem Snowdy	2,500.00	0.00	0.00	0.00	0.00		0.00	2,500.00	
Payment Totals :		9,248.00	0.00	0.00	0.00	0.00	0.00	0.00	9,248.00	

# Contractor Payment Register Report

## Kennewick Public Hospital District



Pay Period From 12/01/2024 to 12/31/2024, Pay Date: 01/13/2025, Payment # 4

#	Contractor Name	Compensation	Federal Tax	YTD	State Tax	YTD	Reimbursement	Deductions	Net pay	Check #
2	Wanda Briggs	161.00	0.00	0.00	0.00	0.00		0.00	161.00	
Payment Totals :		161.00	0.00	0.00	0.00	0.00	0.00	0.00	161.00	

***Kennewick Public Hospital District – Corrective Action Plan from 2023 Audit Findings***

**Financial Statement Findings**

**2023-001                      Preparation of Financial Statements  
Material Weakness in Internal Control over Financial Reporting**

*Condition*                      The Organization does not have an internal control system designed to provide for the preparation of financial statements being audited, including related disclosures and preparation of the cash flow statement in accordance with GAAP.

*Responsible Parties*                      KPHD Finance Committee; KPHD Board of Commissioners (Commission)

*Response*                      ***Concur. Beginning in 2024, our contracted service provider will now assist management in preparing the accompanying notes to the financial statements.***

**2023-002                      Audit Adjustments  
Material Weakness in Internal Control over Financial Reporting**

*Condition*                      As part of our audit, we proposed significant audit adjustments to the financial statements, including accounts that were not reconciled at year end, that were not identified by management as a result of the Organization’s existing internal controls. A proper reconciliation between the Organization’s general ledger and subsidiary accounts was not performed on multiple accounts resulting in material audit adjustments.

*Responsible Parties*                      Adult Day Services Board (ADS); KPHD Finance Committee

*Response*                      ***Concur: To comply with the recommendation that management reflect all entries in the financial statements to ensure that the Board of Commissioners has all relevant information, ADS has contracted with Guardian Financial Group to prepare monthly reconciliations and financial statements.***

**2023-003                      Limited Segregation of Duties  
Material Weakness in Internal Control over Financial Reporting**

*Condition*                      The District and ADS do not have an internal control system to allow for proper segregation of duties in certain areas of the accounting function. Inadequate segregation of duties could adversely affect ADS and the ability to detect and correct misstatements in a timely period in the normal course of performing the accounting function.

*Responsible Parties*                      Commission; KPHD Finance Committee; ADS Board

*(continued on next page)*

***Kennewick Public Hospital District – Corrective Action Plan from 2023 Audit Findings***

***Response*** ***Concur. The District recognizes the nature of its organization is such that complete segregation of duties may not be practically achieved. To reduce this risk, The District and ADS have implemented the following:***

- 1. ADS Board has contracted Guardian Financial Group to prepare monthly reconciliations and financial statements to supplement its own review.***
- 2. The KPHD Finance Committee has included a monthly review of ADS financial statements.***
- 3. ADS and District Financials are provided to the Commission for review.***

**Compliance Finding**

**2023-004** **Proper Collateralization  
Noncompliance**

***Criteria*** The Organization is required to maintain proper collateralization of deposits in qualified public depositories, as determined by the Revised Code of Washington, Chapter 39, that are not covered under the Federal Deposit Insurance Corporation (FDIC). The Organization’s deposits were not properly collateralized at December 31, 2023 with approximately \$338,000 in excess of FDIC limits and potentially at risk.

***Responsible Parties*** ADS Board of Directors

***Response*** ***Concur. In October 2023, the financial institution providing the required excess FDIC insurance coverage was changed and there was a three month lapse to move the excess funds. The accounts are now properly insured along with monthly processes and procedures to ensure no future lapses occur.***



Exit Recommendations  
Kennewick Public Hospital District No 1  
Audit Period Ending: 12/31/2023

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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:**

**Annual Report Filing**

We noted the 2023 report was filed 35 days late.

We recommend that the District ensure their annual report is submitted by the deadline (or within 30 days after), to be compliant with RCW 43.09.230.

**Action:**

The District agrees with the finding. We are now aware the State will accept the annual report without completed audited financial statements, so the report will be filed in a timely manner.

***Kennewick Public Hospital District – Corrective Action Plan from 2023 Audit Findings***

**Financial Statement Findings**

**2023-001                      Preparation of Financial Statements  
   Material Weakness in Internal Control over Financial Reporting**

*Condition*                      The Organization does not have an internal control system designed to provide for the preparation of financial statements being audited, including related disclosures and preparation of the cash flow statement in accordance with GAAP.

*Responsible Parties*        KPHD Finance Committee; KPHD Board of Commissioners (Commission)

*Response*                      ***Concur. Beginning in 2024, our contracted service provider will now assist management in preparing the accompanying notes to the financial statements.***

**2023-002                      Audit Adjustments  
   Material Weakness in Internal Control over Financial Reporting**

*Condition*                      As part of our audit, we proposed significant audit adjustments to the financial statements, including accounts that were not reconciled at year end, that were not identified by management as a result of the Organization’s existing internal controls. A proper reconciliation between the Organization’s general ledger and subsidiary accounts was not performed on multiple accounts resulting in material audit adjustments.

*Responsible Parties*        Adult Day Services Board (ADS); KPHD Finance Committee

*Response*                      ***Concur: To comply with the recommendation that management reflect all entries in the financial statements to ensure that the Board of Commissioners has all relevant information, ADS has contracted with Guardian Financial Group to prepare monthly reconciliations and financial statements.***

**2023-003                      Limited Segregation of Duties  
   Material Weakness in Internal Control over Financial Reporting**

*Condition*                      The District and ADS do not have an internal control system to allow for proper segregation of duties in certain areas of the accounting function. Inadequate segregation of duties could adversely affect ADS and the ability to detect and correct misstatements in a timely period in the normal course of performing the accounting function.

*Responsible Parties*        Commission; KPHD Finance Committee; ADS Board

*(continued on next page)*

***Kennewick Public Hospital District – Corrective Action Plan from 2023 Audit Findings***

***Response*** ***Concur. The District recognizes the nature of its organization is such that complete segregation of duties may not be practically achieved. To reduce this risk, The District and ADS have implemented the following:***

- 1. ADS Board has contracted Guardian Financial Group to prepare monthly reconciliations and financial statements to supplement its own review.***
- 2. The KPHD Finance Committee has included a monthly review of ADS financial statements.***
- 3. ADS and District Financials are provided to the Commission for review.***

**Compliance Finding**

**2023-004**                      **Proper Collateralization  
Noncompliance**

***Criteria***                      The Organization is required to maintain proper collateralization of deposits in qualified public depositories, as determined by the Revised Code of Washington, Chapter 39, that are not covered under the Federal Deposit Insurance Corporation (FDIC). The Organization’s deposits were not properly collateralized at December 31, 2023 with approximately \$338,000 in excess of FDIC limits and potentially at risk.

***Responsible Parties***                      ADS Board of Directors

***Response***                      ***Concur. In October 2023, the financial institution providing the required excess FDIC insurance coverage was changed and there was a three month lapse to move the excess funds. The accounts are now properly insured along with monthly processes and procedures to ensure no future lapses occur.***





Exit Recommendations  
Kennewick Public Hospital District No 1  
Audit Period Ending: 12/31/2023

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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:**

**Annual Report Filing**

We noted the 2023 report was filed 35 days late.

We recommend that the District ensure their annual report is submitted by the deadline (or within 30 days after), to be compliant with RCW 43.09.230.

**Action:**

The District agrees with the finding. We are now aware the State will accept the annual report without completed audited financial statements, so the report will be filed in a timely manner.