



Snohomish Health District

Board of Health Minutes

Special Meeting

October 27, 2021

The meeting was held via Zoom conference call/video.

Members Present

Scott Bader, Councilmember, Everett
Elisabeth Crawford, Councilmember, Mukilteo
Megan Dunn, County Councilmember
Adrienne Fraley-Monillas, Councilmember, Edmonds – BOH Vice Chair
John Joplin, Councilmember, Brier
Anji Jorstad, Councilmember, Lake Stevens
Sam Low, County Councilmember
Kyoko Matsumoto Wright, Mayor, Mountlake Terrace
Jared Mead, County Councilmember
Nate Nehring, County Councilmember
Dan Rankin, Mayor, Darrington
Linda Redmon, Councilmember, Snohomish
Stephanie Wright, County Councilmember – BOH Chair

Members Absent

Christine Frizzell, Councilmember, Lynnwood
Jeff Vaughan, Councilmember, Marysville

Guests

Kristina Baylor, State Auditors Office (SAO); Amanda Robinson, SAO; Angelique Thompson, SAO

Call to Order

The special meeting of the Board of Health was called to order at 3:00 p.m. via Zoom conference call by Board Chair Stephanie Wright.

Roll Call

Roll call was taken by Ms. Sarah de Jong who reported there was a quorum present.

Special Business

2020 audit exit conference with State auditors

The main goal of the audit process is to help increase or build trust in government operations. The audit process is a tool that can let agencies know if things are working as intended through the adoption of policies and resolutions. When performed independently, it can also build that trust to a higher level and can be used to report directly out to constituents. All audit reports are published directly on the State Auditor's website and can be used by external stakeholders, such as bond rating agencies or citizens. Any audit might result in recommendations; these recommendations are taken very seriously and the ultimate goal of an audit recommendation is to help improve the efficiency and effectiveness of the local government.

The audit performed included three separate audits – financial statement, accountability, and federal grant.

Financial Statement Audit – The main objective of the financial statement audit is for the SAO to issue an opinion on the information included in the Health District statements to ensure it's free of material errors and presented fairly. The opinion of the SAO is very important, as it allows anyone looking at the statements to rely

on the information they're reading. Additionally, as part of the audit, assessments are performed over the Health District's internal controls or procedures to ensure the statements and also related financial balances are being prepared and accounted for correctly throughout the year. Auditing standards also require the SAO to consider compliance with applicable laws, regulations, and contracts the Health District may have where non-compliance could potentially affect the presentation of the financial statements. The District was issued an unmodified opinion, meaning it's the opinion of the SAO that the financial statements are fairly presented and that the information can be relied upon by the readers. Additionally, during the assessments of internal controls, an area was identified as a material weakness which has the potential to allow for material errors on the financial statements or related schedules. Auditing standards require that a material weakness is reported as an audit finding.

As part of the annual financial report, the Health District is required to prepare a schedule of expenditures of federal awards. This is a schedule that includes the total amount of federal funding spent during the fiscal year by grant award and funding source. The schedule is reviewed as part of the financial statement audit and is relied upon to select grant programs for the federal audit that the Health District receives. The SAO's review of the schedule did find that it did not include the listing of expenditures related to CARES spending, also known as the Coronavirus Relief Fund Grant. The unreported CARES expenditures were significant to the Health District, and to that schedule, which is why it is reported as a material weakness. While this is a significant level of reporting, this is one of many schedules and statements that the Health District is required to prepare every year as part of the annual financial report and the audit opinion is based off the financial statements as a whole, so it's important to note that this doesn't change the SAO opinion which remains unmodified. Additionally, when this issue was first identified, the Health District did immediately make a correction to the schedule. Therefore, it's the recommendation today that going forward the Health District strengthen controls and preparation and review for the schedule to ensure it accurately reflects all applicable federal expenditure information required to report. One more recommendation, which is not considered significant material and is only referenced in the audit report, is regarding establishing policies and procedures to account for and safeguard Health District's capital assets. The SAO performed a follow up on this recommendation and found that the issues identified previously had not been resolved. Some specifics for this was the Health District lacking a formal capital offset policy which would handle capital assets including acquisition, accounting, depreciation, disposal, and other things of a similar nature. As a result, there's been inconsistency in performing an annual physical inventory and the Health District's current capital asset listing has a lot of very old assets with descriptions which are difficult to follow, resulting in, when the SAO performed its test this year, difficulty in identifying if an item was still in existence. Because of this, the SAO is continuing to recommend the Health District formalize a capital asset policy that establishes procedures for the maintenance tracking and recording of these assets and also performing an annual inventory for these items.

The State Auditor's Office utilizes a tool called Tracker, which is an online client portal that allows agencies to access and respond to prior audit recommendations. This is a beneficial tool for the Health District because it allows the Health District to respond to any recommendations the SAO publishes and share any follow up that is being made or what steps it intends to take.

In relation to the financial audit, professional auditing standards also require that the SAO share whether there was any uncorrected misstatements that remain in the Health District's final financial statements. A full listing of these items is included in the packet. The SAO concluded that in aggregate these items are immaterial and will not affect the overall opinion of the financial statements.

Federal Grant Compliance Audit – An unmodified opinion was issued for this audit. As part of the review, the SAO reviewed the Health District's internal control and compliance over major programs and did not identify any significant deficiencies. For this year, the SAO reviewed the Coronavirus Relief Fund grant. The Health District qualified as a low-risk entity and so only 20% of expenditures were reviewed. Because this grant covered 65% of total expenditures it gave very good coverage of the federal audit alone.

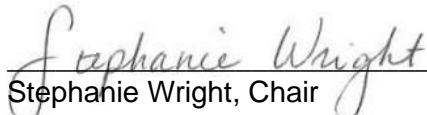
Accountability Audit – This audit acts as a catch-all for everything that's not financial or federal and ensures the Health District is safeguarding its own public resources and following state laws and regulations, as well as its



own policies, procedures, and any contractual requirements that are material to the operations of the Health District. The SAO reported that in all the areas reviewed, the Health District complied with state laws and its own policies and procedures. The SAO also reviewed the self-insurance for unemployment and the Health District's agreement with the Sound Foundation for Public Health and found no issues with either. The SAO also reported that the GFOA best practices is to have 60 days of cash on hand and the Health District has 221 days. The total cost for the budget came in under the estimated cost due to not having any travel costs and only having to review one federal program. The next audit will be scheduled for the summer of 2022 and will cover the same three areas. The report for this audit will be published in a week or two.

Adjournment

The meeting was adjourned at 3:30 p.m.


Stephanie Wright, Chair


Shawn Frederick, Administrative Officer / Secretary