

**MASON COUNTY PUBLIC HOSPITAL DISTRICT #2
SPECIAL MEETING MINUTES DECEMBER 21, 2010
HARRISON BELFAIR CLINIC CONFERENCE ROOM
BELFAIR, WA 98528**

CALL TO ORDER:

Meeting was called to order at 9:00 am

MEMBERS IN ATTENDANCE:

Mr. Herb Gerhardt, President; Mrs. Peggy VanBuskirk; Mr. Bev Wendell;
Ms. Kaye Massie, Financial Officer; Dr. Wallace Volz, Superintendent;
Ms. Sandy Robertson, Recording Secretary

GUESTS IN ATTENDANCE:

Lee Swoboda
Sergiu Prisacari, State Auditor's Office

PURPOSE OF SPECIAL SESSION:

Mason County Public Hospital District #2 is currently undergoing its first Accountability Audit by the State of Washington.

This meeting was requested by Mr. Prisacari to review the procedure with the commissioners.

GUEST SPEAKER:

Sergiu Prisacari, State Auditor's Office.

Mr. Prisacari gave a copy of the 4 page Entrance Conference handout to each person present. (Copy attached). He reviewed/described each section of each page. He gave each Commissioner the opportunity to ask questions about the current Audit. He anticipates the Audit will require approximately 32 hrs but will not exceed 40 hrs. After the Audit is finished there will be an Exit Conference. It will be decided at that time if all commissioners will be attending the Exit Conference (if all attend an additional Special session will be required).

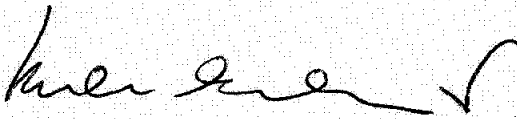
FINAL COMMISSIONER COMMENTS:

No additional subjects were discussed at this meeting.
Merry Christmas to all.

ADJOURN:

Meeting adjourned at 9:54 am

Respectfully submitted by,



Herb Gerhardt, Commissioner, President

Washington State Auditor's Office

----- Entrance Conference -----

Mason County Hospital District No.2

January 1, 2008 through December 31, 2009

December 20, 2010



WASHINGTON---
BRIAN SONNTAG
--STATE AUDITOR

State Auditor's Office

Mission

The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with these governments and with citizens, we strive to ensure the efficient and effective use of public resources.

Audit Authority

State Law requires the Auditor's Office to examine the financial affairs of all local governments. For each such examination, "inquiry shall be made as to the financial condition and resources of the local government; whether the Constitution and laws of the state, the ordinances and orders of the local government, and the requirements of the State Auditor have been properly complied with; and into the methods and accuracy of the accounts and reports" (RCW 43.09.260). This statute further requires the Office to prepare and distribute a report or reports of the results of such audits.

Audit Information

Audit Scope

Our audit will cover the following general areas from January 1, 2008 through December 31, 2009:

- Accountability for public resources and compliance with laws and regulations

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, our audits focus on identifying and examining those transactions, activities or areas that pose the highest risk.

Accountability for Public Resources and Legal Compliance

We will evaluate accountability and compliance with certain state laws and regulations in the following areas:

- Safeguarding of public assets
- Contract compliance
- Open Public Meeting Act
- Budget compliance
- Annual financial report filing
- Compensation of public officials

Audit Reports

At the completion of the audit, the State Auditor's Office will issue the following reports:

Accountability Report

The results of our accountability audit are included in this report.

Reporting Levels

Findings

Findings formally address issues in an audit report. The Hospital District is given the opportunity to respond to a finding, and this response, or synopsis of it, is published in the audit report.

Professional auditing standards define what issues we must report as findings with regards to non-compliance with a financial statement effect and internal controls over financial reporting.

Management Letters

Management letters communicate less significant instances of noncompliance, and make recommendations for strengthening internal controls. Management letters are referenced but not included in the audit report.

Exit Items

Exit items are less serious audit issues than a finding or management letter and may be informally communicated to the entity.

Known or Suspected Loss Notification

State law (RCW 43.09.185) requires all state agencies and local governments to immediately notify the State Auditor's Office in the event of a known or suspected loss of public resources or other illegal activity. This includes situations where disciplinary action against an employee is being considered due to known or suspected losses of public funds, fraud, illegal acts, or noncompliance with policies related to preventing losses or other illegal acts. Governments should not begin investigations or take steps to resolve suspected losses or illegal activity without first informing our Office.

Additional information on reporting known or suspected losses and the Office's Fraud Program is available at www.sao.wa.gov - Investigations - Fraud Program. Notifications can be made online at www.sao.wa.gov - Investigations - Fraud Program - Report a

Fraud. Questions can be directed to the Audit Manager in your area or Sarah Walker, CFE, Acting Fraud Manager, who can be reached at sarah.walker@sao.wa.gov or by phone at (509) 454-3621.

Contacts and Other Information

The State Auditor's Office is committed to maintaining positive relationships and open communication with all entities we audit.

<i>Entity Contacts</i>	
Kaye Massie Entity Audit Liaison	360-275-2517 Mcphd2_km@yahoo.com
<i>State Auditor's Office Contacts</i>	
Brian Taylor, CFE Audit Manager	360-895-6133 brian.taylor@sao.wa.gov
Tom Taylor Assistant Audit Manager	360-895-6133 thomas.taylor@sao.wa.gov
Sergiu Prisacari, CPA Auditor in Charge	360-895-6133 sergiu.prisacari@sao.wa.gov

- The cost of the audit is estimated to be approximately \$2,516, plus travel expenses.
- Our Office is committed to protecting your confidential or sensitive information. You are responsible for notifying us when any documents, records, files, or data containing information that is covered by confidentiality or privacy laws, such as HIPAA, are provided to us.