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HOUSE BILL 1835

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State of Washington

55th Legislature

1997 Regular Session

By Representatives Skinner and Clements

Read first time 02/11/97. Referred to Committee on Government Administration.

1 AN ACT Relating to audit resolution reports; and amending RCW  
2 43.88.160.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.88.160 and 1996 c 288 s 25 are each amended to read  
5 as follows:

6 This section sets forth the major fiscal duties and  
7 responsibilities of officers and agencies of the executive branch. The  
8 regulations issued by the governor pursuant to this chapter shall  
9 provide for a comprehensive, orderly basis for fiscal management and  
10 control, including efficient accounting and reporting therefor, for the  
11 executive branch of the state government and may include, in addition,  
12 such requirements as will generally promote more efficient public  
13 management in the state.

14 (1) Governor; director of financial management. The governor,  
15 through the director of financial management, shall devise and  
16 supervise a modern and complete accounting system for each agency to  
17 the end that all revenues, expenditures, receipts, disbursements,  
18 resources, and obligations of the state shall be properly and  
19 systematically accounted for. The accounting system shall include the

1 development of accurate, timely records and reports of all financial  
2 affairs of the state. The system shall also provide for central  
3 accounts in the office of financial management at the level of detail  
4 deemed necessary by the director to perform central financial  
5 management. The director of financial management shall adopt and  
6 periodically update an accounting procedures manual. Any agency  
7 maintaining its own accounting and reporting system shall comply with  
8 the updated accounting procedures manual and the rules of the director  
9 adopted under this chapter. An agency may receive a waiver from  
10 complying with this requirement if the waiver is approved by the  
11 director. Waivers expire at the end of the fiscal biennium for which  
12 they are granted. The director shall forward notice of waivers granted  
13 to the appropriate legislative fiscal committees. The director of  
14 financial management may require such financial, statistical, and other  
15 reports as the director deems necessary from all agencies covering any  
16 period.

17 (2) The director of financial management is responsible for  
18 quarterly reporting of primary operating budget drivers such as  
19 applicable workloads, caseload estimates, and appropriate unit cost  
20 data. These reports shall be transmitted to the legislative fiscal  
21 committees or by electronic means to the legislative evaluation and  
22 accountability program committee. Quarterly reports shall include  
23 actual monthly data and the variance between actual and estimated data  
24 to date. The reports shall also include estimates of these items for  
25 the remainder of the budget period.

26 (3) The director of financial management shall report at least  
27 annually to the appropriate legislative committees regarding the status  
28 of all appropriated capital projects, including transportation  
29 projects, showing significant cost overruns or underruns. If funds are  
30 shifted from one project to another, the office of financial management  
31 shall also reflect this in the annual variance report. Once a project  
32 is complete, the report shall provide a final summary showing estimated  
33 start and completion dates of each project phase compared to actual  
34 dates, estimated costs of each project phase compared to actual costs,  
35 and whether or not there are any outstanding liabilities or unsettled  
36 claims at the time of completion.

37 (4) In addition, the director of financial management, as agent of  
38 the governor, shall:

1 (a) Develop and maintain a system of internal controls and internal  
2 audits comprising methods and procedures to be adopted by each agency  
3 that will safeguard its assets, check the accuracy and reliability of  
4 its accounting data, promote operational efficiency, and encourage  
5 adherence to prescribed managerial policies for accounting and  
6 financial controls. The system developed by the director shall include  
7 criteria for determining the scope and comprehensiveness of internal  
8 controls required by classes of agencies, depending on the level of  
9 resources at risk.

10 Each agency head or authorized designee shall be assigned the  
11 responsibility and authority for establishing and maintaining internal  
12 audits following the standards of internal auditing of the institute of  
13 internal auditors;

14 (b) Make surveys and analyses of agencies with the object of  
15 determining better methods and increased effectiveness in the use of  
16 manpower and materials; and the director shall authorize expenditures  
17 for employee training to the end that the state may benefit from  
18 training facilities made available to state employees;

19 (c) Establish policies for allowing the contracting of child care  
20 services;

21 (d) Report to the governor with regard to duplication of effort or  
22 lack of coordination among agencies;

23 (e) Review any pay and classification plans, and changes  
24 thereunder, developed by any agency for their fiscal impact: PROVIDED,  
25 That none of the provisions of this subsection shall affect merit  
26 systems of personnel management now existing or hereafter established  
27 by statute relating to the fixing of qualifications requirements for  
28 recruitment, appointment, or promotion of employees of any agency. The  
29 director shall advise and confer with agencies including appropriate  
30 standing committees of the legislature as may be designated by the  
31 speaker of the house and the president of the senate regarding the  
32 fiscal impact of such plans and may amend or alter said plans, except  
33 that for the following agencies no amendment or alteration of said  
34 plans may be made without the approval of the agency concerned:  
35 Agencies headed by elective officials;

36 (f) Fix the number and classes of positions or authorized man years  
37 of employment for each agency and during the fiscal period amend the  
38 determinations previously fixed by the director except that the

1 director shall not be empowered to fix said number or said classes for  
2 the following: Agencies headed by elective officials;

3 (g) Adopt rules to effectuate provisions contained in (a) through  
4 (f) of this subsection.

5 (5) The treasurer shall:

6 (a) Receive, keep, and disburse all public funds of the state not  
7 expressly required by law to be received, kept, and disbursed by some  
8 other persons: PROVIDED, That this subsection shall not apply to those  
9 public funds of the institutions of higher learning which are not  
10 subject to appropriation;

11 (b) Receive, disburse, or transfer public funds under the  
12 treasurer's supervision or custody;

13 (c) Keep a correct and current account of all moneys received and  
14 disbursed by the treasurer, classified by fund or account;

15 (d) Coordinate agencies' acceptance and use of credit cards and  
16 other payment methods, if the agencies have received authorization  
17 under RCW 43.41.180;

18 (e) Perform such other duties as may be required by law or by  
19 regulations issued pursuant to this law.

20 It shall be unlawful for the treasurer to disburse public funds in  
21 the treasury except upon forms or by alternative means duly prescribed  
22 by the director of financial management. These forms or alternative  
23 means shall provide for authentication and certification by the agency  
24 head or the agency head's designee that the services have been rendered  
25 or the materials have been furnished; or, in the case of loans or  
26 grants, that the loans or grants are authorized by law; or, in the case  
27 of payments for periodic maintenance services to be performed on state  
28 owned equipment, that a written contract for such periodic maintenance  
29 services is currently in effect and copies thereof are on file with the  
30 office of financial management; and the treasurer shall not be liable  
31 under the treasurer's surety bond for erroneous or improper payments so  
32 made. When services are lawfully paid for in advance of full  
33 performance by any private individual or business entity other than as  
34 provided for by RCW 42.24.035, such individual or entity other than  
35 central stores rendering such services shall make a cash deposit or  
36 furnish surety bond coverage to the state as shall be fixed in an  
37 amount by law, or if not fixed by law, then in such amounts as shall be  
38 fixed by the director of the department of general administration but  
39 in no case shall such required cash deposit or surety bond be less than

1 an amount which will fully indemnify the state against any and all  
2 losses on account of breach of promise to fully perform such services.  
3 No payments shall be made in advance for any equipment maintenance  
4 services to be performed more than three months after such payment.  
5 Any such bond so furnished shall be conditioned that the person, firm  
6 or corporation receiving the advance payment will apply it toward  
7 performance of the contract. The responsibility for recovery of  
8 erroneous or improper payments made under this section shall lie with  
9 the agency head or the agency head's designee in accordance with  
10 regulations issued pursuant to this chapter. Nothing in this section  
11 shall be construed to permit a public body to advance funds to a  
12 private service provider pursuant to a grant or loan before services  
13 have been rendered or material furnished.

14 (6) The state auditor shall:

15 (a) Report to the legislature the results of current post audits  
16 that have been made of the financial transactions of each agency; to  
17 this end the auditor may, in the auditor's discretion, examine the  
18 books and accounts of any agency, official, or employee charged with  
19 the receipt, custody, or safekeeping of public funds. Where feasible  
20 in conducting examinations, the auditor shall utilize data and findings  
21 from the internal control system prescribed by the office of financial  
22 management. The current post audit of each agency may include a  
23 section on recommendations to the legislature as provided in (c) of  
24 this subsection.

25 (b) Give information to the legislature, whenever required, upon  
26 any subject relating to the financial affairs of the state.

27 (c) Make the auditor's official report on or before the thirty-  
28 first of December which precedes the meeting of the legislature. The  
29 report shall be for the last complete fiscal period and shall include  
30 determinations as to whether agencies, in making expenditures, complied  
31 with the laws of this state. The state auditor is authorized to  
32 perform or participate in performance verifications and performance  
33 audits as expressly authorized by the legislature in the omnibus  
34 biennial appropriations acts or in the performance audit work plan  
35 approved by the joint legislative audit and review committee. The  
36 state auditor, upon completing an audit for legal and financial  
37 compliance under chapter 43.09 RCW or a performance verification, may  
38 report to the joint legislative audit and review committee or other  
39 appropriate committees of the legislature, in a manner prescribed by

1 the joint legislative audit and review committee, on facts relating to  
2 the management or performance of governmental programs where such facts  
3 are discovered incidental to the legal and financial audit or  
4 performance verification. The auditor may make such a report to a  
5 legislative committee only if the auditor has determined that the  
6 agency has been given an opportunity and has failed to resolve the  
7 management or performance issues raised by the auditor. If the auditor  
8 makes a report to a legislative committee, the agency may submit to the  
9 committee a response to the report. This subsection (6) shall not be  
10 construed to authorize the auditor to allocate other than de minimis  
11 resources to performance audits except as expressly authorized in the  
12 appropriations acts or in the performance audit work plan. The results  
13 of a performance audit conducted by the state auditor that has been  
14 requested by the joint legislative audit and review committee must only  
15 be transmitted to the joint legislative audit and review committee.

16 (d) Be empowered to take exception to specific expenditures that  
17 have been incurred by any agency or to take exception to other  
18 practices related in any way to the agency's financial transactions and  
19 to cause such exceptions to be made a matter of public record,  
20 including disclosure to the agency concerned and to the director of  
21 financial management. It shall be the duty of the director of  
22 financial management to cause corrective action to be taken  
23 (~~promptly~~) within six months, such action to include, as appropriate,  
24 the withholding of funds as provided in RCW 43.88.110. The director of  
25 financial management shall annually report by December 31 the status of  
26 audit resolution to the appropriate committees of the legislature, the  
27 state auditor, and the attorney general. The director of financial  
28 management shall include in the audit resolution report actions taken  
29 as a result of an audit including, but not limited to, types of  
30 personnel actions, costs and types of litigation, and value of recouped  
31 goods or services.

32 (e) Promptly report any irregularities to the attorney general.

33 (f) Investigate improper governmental activity under chapter 42.40  
34 RCW.

35 (7) The joint legislative audit and review committee may:

36 (a) Make post audits of the financial transactions of any agency  
37 and management surveys and program reviews as provided for in chapter  
38 44.28 RCW as well as performance audits and program evaluations. To

1 this end the joint committee may in its discretion examine the books,  
2 accounts, and other records of any agency, official, or employee.

3 (b) Give information to the legislature or any legislative  
4 committee whenever required upon any subject relating to the  
5 performance and management of state agencies.

6 (c) Make a report to the legislature which shall include at least  
7 the following:

8 (i) Determinations as to the extent to which agencies in making  
9 expenditures have complied with the will of the legislature and in this  
10 connection, may take exception to specific expenditures or financial  
11 practices of any agencies; and

12 (ii) Such plans as it deems expedient for the support of the  
13 state's credit, for lessening expenditures, for promoting frugality and  
14 economy in agency affairs, and generally for an improved level of  
15 fiscal management.

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