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**SENATE BILL 5009**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** Senator Hunt; by request of State Auditor

AN ACT Relating to the state auditor's duties and procedures; amending RCW 43.09.185, 43.09.186, 43.09.230, 43.09.420, and 43.09.440; repealing RCW 43.09.265; repealing 2012 c 164 s 709, and 2012 c 1 s 201 (uncodified).

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

**Sec.**  RCW 43.09.185 and 1995 c 301 s 8 are each amended to read as follows:

State agencies and local governments shall ((~~immediately~~)) report to the state auditor's office known or suspected loss of public funds or assets or other illegal activity. The state auditor may adopt policies as necessary to implement this section.

**Sec.**  RCW 43.09.186 and 2007 c 41 s 1 are each amended to read as follows:

(1) Within existing funds, the state auditor must establish a toll-free telephone line that is available to public employees and members of the public to recommend measures to improve efficiency in state and local government and to report waste, inefficiency, or abuse, as well as examples of efficiency or outstanding achievement, by state and local agencies, public employees, or persons under contract with state and local agencies.

(2) The state auditor must prepare information that explains the purpose of the hotline, and the hotline telephone number must be prominently displayed in the information. Hotline information must be posted in all government offices in locations where it is most likely to be seen by the public. The state auditor must publicize the availability of the toll-free hotline through print and electronic media and other means of communication with the public.

(3) The state auditor must designate staff to be responsible for processing recommendations for improving efficiency and reports of waste, inefficiency, or abuse received through the hotline. The state auditor must conduct an initial review of each recommendation for efficiency and report of waste, inefficiency, or abuse made by public employees and members of the public. Following the initial review, the state auditor must determine which assertions require further examination or audit under the auditor's current authority and must assign qualified staff.

(4) The identity of a person making a report through the hotline, by email through the state auditor's web site, or other means of communication is confidential at all times unless the person making a report consents to disclosure by written waiver, or until the investigation described in subsection (3) of this section is complete. All documents related to the report and subsequent investigation are also confidential until completion of the investigation or audit or when the documents are otherwise statutorily exempt from public disclosure.

(5) The state auditor must prepare a written determination of the results of the investigation performed, including any background information that the auditor deems necessary. The state auditor must report publicly the conclusions of each investigation and recommend ways to correct any deficiency and to improve efficiency. The reports must be distributed to the affected state and local agencies.

(6) The state auditor must provide an annual overview and update of hotline investigations, including the results and efficiencies achieved, to the legislature and to the appropriate legislative committees.

**Sec.**  RCW 43.09.230 and 1995 c 301 s 12 are each amended to read as follows:

The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (2) a statement of the entire public debt of every local government, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; and (3) a classified statement of all receipts and expenditures by any public institution; ((~~and (4) a statement of all expenditures for labor relations consultants, with the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement;~~)) together with such other information as may be required by the state auditor.

The reports shall be certified as to their correctness by the state auditor, the state auditor's deputies, or other person legally authorized to make such certification.

Their substance shall be published in an annual volume of comparative statistics at the expense of the state as a public document.

**Sec.**  RCW 43.09.420 and 1993 c 216 s 1 are each amended to read as follows:

As part of the routine audits of state agencies, the state auditor shall audit all revolving funds, local funds, and other state funds and state accounts that are not managed by or in the care of the state treasurer and that are under the control of state agencies, including but not limited to state departments, boards, and commissions. In conducting the audits of these funds and accounts, the auditor shall examine revenues and expenditures or assets and liabilities, accounting methods and procedures, and recordkeeping practices. ((~~In addition to including the results of these examinations as part of the routine audits of the agencies, the auditor shall report to the legislature on the status of all such funds and accounts that have been examined during the preceding biennium and any recommendations for their improved financial management. Such a report shall be filed with the legislature within five months of the end of each biennium regarding the funds and accounts audited during the biennium. The first such report shall be filed by December 1, 1993, regarding any such funds and accounts audited during the 1991-93 biennium.~~))

**Sec.**  RCW 43.09.440 and 2012 c 229 s 817 are each amended to read as follows:

((~~(1)~~)) The board and the state auditor shall collaborate with the joint legislative audit and review committee regarding performance audits of state government.

((~~(a)~~)) (1) The board shall establish criteria for performance audits consistent with the criteria and standards followed by the joint legislative audit and review committee. This criteria shall include, at a minimum, the auditing standards of the United States government accountability office, as well as legislative mandates and performance objectives established by state agencies and the legislature. Mandates include, but are not limited to, agency strategies, timelines, program objectives, and mission and goals as required in RCW 43.88.090.

((~~(b)~~)) (2) Using the criteria developed in ((~~(a) of this~~)) subsection (1) of this section, the state auditor shall contract for a statewide performance review to be completed as expeditiously as possible as a preliminary to a draft work plan for conducting performance audits. The board and the state auditor shall develop a schedule and common methodology for conducting these reviews. The purpose of these performance reviews is to identify those agencies, programs, functions, or activities most likely to benefit from performance audits and to identify likely areas warranting early review, taking into account prior performance audits, if any, and prior fiscal audits.

((~~(c)~~)) (3) The board and the state auditor shall develop the draft work plan for performance audits based on input from citizens, state employees, including frontline employees, state managers, chairs and ranking members of appropriate legislative committees, the joint legislative audit and review committee, public officials, and others. The draft work plan may include a list of agencies, programs, or systems to be audited on a timeline decided by the board and the state auditor based on a number of factors including risk, importance, and citizen concerns. When putting together the draft work plan, there should be consideration of all audits and reports already required. On average, audits shall be designed to be completed as expeditiously as possible.

((~~(d)~~)) (4) Before adopting the final work plan, the board shall consult with the legislative auditor and other appropriate oversight and audit entities to coordinate work plans and avoid duplication of effort in their planned performance audits of state government agencies. The board shall defer to the joint legislative audit and review committee work plan if a similar audit is included on both work plans for auditing.

((~~(e)~~)) (5) The state auditor shall contract out for performance audits. In conducting the audits, agency frontline employees and internal auditors should be involved.

((~~(f)~~)) (6) All audits must include consideration of reports prepared by other government oversight entities.

((~~(g)~~)) (7) The audits may include:

((~~(i)~~)) (a) Identification of programs and services that can be eliminated, reduced, consolidated, or enhanced;

((~~(ii)~~)) (b) Identification of funding sources to the state agency, to programs, and to services that can be eliminated, reduced, consolidated, or enhanced;

((~~(iii)~~)) (c) Analysis of gaps and overlaps in programs and services and recommendations for improving, dropping, blending, or separating functions to correct gaps or overlaps;

((~~(iv)~~)) (d) Analysis and recommendations for pooling information technology systems used within the state agency, and evaluation of information processing and telecommunications policy, organization, and management;

((~~(v)~~)) (e) Analysis of the roles and functions of the state agency, its programs, and its services and their compliance with statutory authority and recommendations for eliminating or changing those roles and functions and ensuring compliance with statutory authority;

((~~(vi)~~)) (f) Recommendations for eliminating or changing statutes, rules, and policy directives as may be necessary to ensure that the agency carry out reasonably and properly those functions vested in the agency by statute;

((~~(vii)~~)) (g) Verification of the reliability and validity of agency performance data, self-assessments, and performance measurement systems as required under RCW 43.88.090;

((~~(viii)~~)) (h) Identification of potential cost savings in the state agency, its programs, and its services;

((~~(ix)~~)) (i) Identification and recognition of best practices;

((~~(x)~~)) (j) Evaluation of planning, budgeting, and program evaluation policies and practices;

((~~(xi)~~)) (k) Evaluation of personnel systems operation and management;

((~~(xii)~~)) (l) Evaluation of state purchasing operations and management policies and practices; and

((~~(xiii)~~)) (m) Evaluation of organizational structure and staffing levels, particularly in terms of the ratio of managers and supervisors to nonmanagement personnel.

((~~(h)~~)) (8) The state auditor must solicit comments on preliminary performance audit reports from the audited state agency, the office of the governor, the office of financial management, the board, the chairs and ranking members of appropriate legislative committees, and the joint legislative audit and review committee for comment. Comments must be received within thirty days after receipt of the preliminary performance audit report unless a different time period is approved by the state auditor. All comments shall be incorporated into the final performance audit report. The final performance audit report shall include the objectives, scope, and methodology; the audit results, including findings and recommendations; conclusions; and identification of best practices.

((~~(i)~~)) (9) The board and the state auditor shall jointly release final performance audit reports to the governor, the citizens of Washington, the joint legislative audit and review committee, and the appropriate standing legislative committees. Final performance audit reports shall be posted on the internet.

((~~(j)~~)) (10) For institutions of higher education, performance audits shall not duplicate, and where applicable, shall make maximum use of existing audit records, accreditation reviews, and performance measures required by the office of financial management and nationally or regionally recognized accreditation organizations including accreditation of hospitals licensed under chapter 70.41 RCW and ambulatory care facilities.

((~~(2) The citizen board created under RCW 44.75.030 shall be responsible for performance audits for transportation related agencies as defined under RCW 44.75.020.~~))

NEW SECTION. **Sec.**  RCW 43.09.265 (Local government accounting—Review of tax levies of local governments) and 1995 c 301 s 16 & 1979 ex.s. c 218 s 7 are each repealed.

NEW SECTION. **Sec.**  The following acts or parts of acts are each repealed:

(1) 2012 c 164 s 709 (uncodified); and

(2) 2012 c 1 s 201 (uncodified).

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