
SENATE BILL 5559

State of Washington

57th Legislature

2001 Regular Session

By Senators Haugen and McCaslin

Read first time 01/26/2001. Referred to Committee on State & Local Government.

1 AN ACT Relating to local government audits; amending RCW 43.09.260,
2 43.09.280, and 43.09.281; and creating a new section.

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

4 NEW SECTION. **Sec. 1.** Local governments are subject to increasing
5 mandates to reduce costs and operate more efficiently with reduced
6 revenues. Audits of local governments are necessary and protect the
7 public from waste and fraud, but the expense of audits borne by local
8 governments have continued to increase. Current law does not allow for
9 competition and innovation from the private sector as a tool to
10 streamline governmental audits.

11 The legislature finds that in order to reduce expenditures by local
12 governments as well as by state government, private contractors should
13 be allowed to provide auditing services to local governments when they
14 are able to provide such services at a lower cost while meeting or
15 exceeding state-mandated performance standards.

16 **Sec. 2.** RCW 43.09.260 and 1995 c 301 s 15 are each amended to read
17 as follows:

1 The examination of the financial affairs of all local governments
2 shall be made at such reasonable, periodic intervals as the state
3 auditor shall determine and pursuant to standards and guidelines
4 established by the state auditor. However, an examination of the
5 financial affairs of all local governments shall be made at least once
6 in every three years, and an examination of individual local government
7 health and welfare benefit plans and local government self-insurance
8 programs shall be made at least once every two years. The term local
9 governments for purposes of this chapter includes but is not limited to
10 all counties, cities, and other political subdivisions, municipal
11 corporations, and quasi-municipal corporations, however denominated.

12 The state auditor shall establish a schedule to govern the auditing
13 of local governments which shall include: A designation of the various
14 classifications of local governments; a designation of the frequency
15 for auditing each type of local government; and a description of events
16 which cause a more frequent audit to be conducted.

17 On every such examination, inquiry shall be made as to the
18 financial condition and resources of the local government; whether the
19 Constitution and laws of the state, the ordinances and orders of the
20 local government, and the requirements of the state auditor have been
21 properly complied with; and into the methods and accuracy of the
22 accounts and reports.

23 A report of such examination shall be made and filed in the office
24 of state auditor, and one copy shall be transmitted to the local
25 government. A copy of any report containing findings of noncompliance
26 with state law shall be transmitted to the attorney general. If any
27 such report discloses malfeasance, misfeasance, or nonfeasance in
28 office on the part of any public officer or employee, within thirty
29 days from the receipt of his or her copy of the report, the attorney
30 general shall institute, in the proper county, such legal action as is
31 proper in the premises by civil process and prosecute the same to final
32 determination to carry into effect the findings of the examination.

33 It shall be unlawful for any local government or the responsible
34 head thereof, to make a settlement or compromise of any claim arising
35 out of such malfeasance, misfeasance, or nonfeasance, or any action
36 commenced therefor, or for any court to enter upon any compromise or
37 settlement of such action, without the written approval and consent of
38 the attorney general and the state auditor.

1 **Sec. 3.** RCW 43.09.280 and 1995 c 301 s 18 are each amended to read
2 as follows:

3 The expense of auditing public accounts shall be borne by each
4 entity subject to such audit for the auditing of all accounts under its
5 jurisdiction (~~(and)~~). The state auditor shall (~~certify~~) provide an
6 estimate of the expense of such audit to the fiscal or warrant-issuing
7 officer of such entity at least four months in advance of the audit.
8 If the cost of the audit exceeds the cost of the previous audit of that
9 entity by a percentage that exceeds the fiscal growth factor as
10 determined under chapter 43.135 RCW, the entity may contract with a
11 private contractor to perform the audit. The private contractor must
12 perform the audit and make reports pursuant to the standards and
13 guidelines established by the state auditor and the requirements of RCW
14 43.09.260 and 43.09.265. For any audit performed by the state auditor,
15 the expense of such audit may not exceed the estimate provided pursuant
16 to this section. If the state auditor conducts the audit, the state
17 auditor shall certify the expense of such audit to the fiscal or
18 warrant-issuing officer of such entity, who shall immediately make
19 payment to the state auditor. If the expense as certified is not paid
20 by any local government within thirty days from the date of
21 certification, the state auditor may certify the expense to the auditor
22 of the county in which the local government is situated, who shall
23 promptly issue his or her warrant on the county treasurer payable out
24 of the current expense fund of the county, which fund, except as to
25 auditing the financial affairs and making inspection and examination of
26 the county, shall be reimbursed by the county auditor or chief
27 financial officer out of the money due the local government at the next
28 monthly settlement of the collection of taxes and shall be transferred
29 to the current expense fund.

30 **Sec. 4.** RCW 43.09.281 and 1982 c 206 s 3 are each amended to read
31 as follows:

32 The state auditor shall adopt appropriate rules pursuant to chapter
33 34.05 RCW, the administrative procedure act, to provide a procedure
34 whereby a (~~taxing district~~) local government may appeal charges
35 estimated or levied under RCW 43.09.280. Such procedure shall provide
36 for an administrative review process and an external review process
37 which shall be advisory to the state auditor's office. The number of

1 appeals and their disposition shall be included in the auditor's annual
2 report.

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