
SENATE BILL 5614

State of Washington 59th Legislature 2005 Regular Session

By Senators Keiser, Parlette, Rasmussen, Hargrove, Honeyford,
Mulliken, Berkey, Oke and Kohl-Welles

Read first time 01/31/2005. Referred to Committee on Labor,
Commerce, Research & Development.

1 AN ACT Relating to industrial insurance fund audits; and adding a
2 new section to chapter 51.44 RCW.

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

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 51.44 RCW
5 to read as follows:

6 (1) The department of labor and industries shall prepare financial
7 statements on the state fund in accordance with generally accepted
8 accounting principles, including but not limited to the accident fund,
9 the medical aid fund, the pension reserve fund, the supplemental
10 pension fund and the second injury fund. Statements shall be presented
11 desegregated and in aggregate.

12 (2) Beginning in 2006, the state auditor shall conduct annual
13 audits of the state fund. As part of these audits, the auditor may
14 contract with firms qualified to perform a financial audit.

15 (a) The firm or firms conducting the reviews shall be familiar with
16 the accounting standards applicable to the accounts under review and
17 shall have experience in workers' compensation reserving and rate
18 making.

1 (b) The auditor shall determine the scope of the financial audit
2 which shall include, but is not limited to:

3 (i) An opinion on whether the financial statements were prepared in
4 accordance with generally accepted accounting principles; and

5 (ii) An assessment of the financial impact of the proposed rate
6 level on the actuarial soundness of all industrial insurance funds,
7 taking into consideration the risks inherent with insurance.

8 (c) In determining the scope of the financial audit, the auditor
9 may also consider independent estimates of the claim reserves.

10 (d) The department of labor and industries shall cooperate with the
11 auditor in all respects and shall permit the auditor full access to all
12 information deemed necessary for a true and complete review.

13 (e) The cost of the audit shall be paid by the state fund under
14 separate contract.

15 (3) The auditor shall issue an annual report to the governor, the
16 leaders of the majority and minority caucuses in the senate and the
17 house of representatives, the director of the office of financial
18 management, and the director of the department of labor and industries
19 on the results of the financial audit and reviews, within six months of
20 the end of the fiscal year. The report may include recommendations.

21 (4) The audit report shall be available for public inspection.

22 (5) Within ninety days after the auditor completes and delivers to
23 the appropriate authority an audit under subsection (2) of this
24 section, the director of the department of labor and industries shall
25 notify the auditor in writing of the measures taken and proposed to be
26 taken, if any, to respond to the recommendations of the audit report.
27 The auditor may extend the ninety-day period for good cause.

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