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**SUBSTITUTE SENATE BILL 6017**

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**State of Washington**

**62nd Legislature**

**2012 Regular Session**

**By** Senate Government Operations, Tribal Relations & Elections  
(originally sponsored by Senators Ranker and Nelson)

READ FIRST TIME 01/27/12.

1 AN ACT Relating to financial audits of local governments; and  
2 amending RCW 43.09.260.

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

4 **Sec. 1.** RCW 43.09.260 and 2009 c 564 s 927 are each amended to  
5 read as follows:

6 (1) The examination of the financial affairs of all local  
7 governments shall be made at such reasonable, periodic intervals as the  
8 state auditor shall determine. However, an examination of the  
9 financial affairs of all local governments shall be made at least once  
10 in every three years, and an examination of individual local government  
11 health and welfare benefit plans and local government self-insurance  
12 programs shall be made at least once every two years.

13 (2) During the 2009-2011 fiscal biennium, the state auditor shall  
14 conduct audits no more often than once every two years of local  
15 governments with annual general fund revenues of ten million dollars or  
16 less and no findings of impropriety for the three-year period  
17 immediately preceding the audit period. This subsection does not  
18 prohibit the state auditor from conducting audits: (a) To address

1 suspected fraud or irregular conduct; (b) at the request of the local  
2 government governing body; or (c) as required by federal laws or  
3 regulations.

4 (3) The term local governments for purposes of this chapter  
5 includes but is not limited to all counties, cities, and other  
6 political subdivisions, municipal corporations, and quasi-municipal  
7 corporations, however denominated.

8 (4) The state auditor shall establish a schedule to govern the  
9 auditing of local governments which shall include: A designation of  
10 the various classifications of local governments; a designation of the  
11 frequency for auditing each type of local government; and a description  
12 of events which cause a more frequent audit to be conducted.

13 (5) On every such examination, inquiry shall be made as to the  
14 financial condition and resources of the local government; whether the  
15 Constitution and laws of the state, the ordinances and orders of the  
16 local government, and the requirements of the state auditor have been  
17 properly complied with; and into the methods and accuracy of the  
18 accounts and reports. If a local government has received a formal or  
19 informal opinion from the attorney general on a specific matter  
20 relating to the exercise of its duties, the state auditor must  
21 interpret any questions of law regarding that local government's  
22 exercise of its duties consistent with the attorney general. This  
23 requirement only relates to instances where the attorney general has  
24 issued an opinion regarding a specific set of facts and a specific  
25 local government, and it is limited to the state auditor's financial  
26 audits of that local government during that audit period. The state  
27 auditor does not have to rely on formal or informal opinions from the  
28 attorney general if there has been a subsequent court decision on the  
29 issue or if the state law in question has been amended since the formal  
30 or informal opinion was issued.

31 (6) A report of such examination shall be made and filed in the  
32 office of state auditor, and one copy shall be transmitted to the local  
33 government. A copy of any report containing findings of noncompliance  
34 with state law shall be transmitted to the attorney general. If any  
35 such report discloses malfeasance, misfeasance, or nonfeasance in  
36 office on the part of any public officer or employee, within thirty  
37 days from the receipt of his or her copy of the report, the attorney

1 general shall institute, in the proper county, such legal action as is  
2 proper in the premises by civil process and prosecute the same to final  
3 determination to carry into effect the findings of the examination.

4 (7) It shall be unlawful for any local government or the  
5 responsible head thereof, to make a settlement or compromise of any  
6 claim arising out of such malfeasance, misfeasance, or nonfeasance, or  
7 any action commenced therefor, or for any court to enter upon any  
8 compromise or settlement of such action, without the written approval  
9 and consent of the attorney general and the state auditor.

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