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**SUBSTITUTE HOUSE BILL 1009**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** House State Government & Tribal Relations (originally sponsored by Representatives Dolan, Kirby, and Jenkins; by request of State Auditor)

READ FIRST TIME 01/24/19.

1 AN ACT Relating to the state auditor's duties and procedures;  
2 amending RCW 43.09.185, 43.09.186, 43.09.230, and 43.09.420;  
3 repealing RCW 43.09.265, 43.09.430, 43.09.435, 43.09.440, 43.09.445,  
4 43.09.450, 43.09.455, 43.09.460, and 43.88.162; and repealing 2012 c  
5 164 s 709, 2012 c 1 s 201, and 2005 c 385 s 1 (uncodified).

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

7 **Sec. 1.** RCW 43.09.185 and 1995 c 301 s 8 are each amended to  
8 read as follows:

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

13 **Sec. 2.** RCW 43.09.186 and 2007 c 41 s 1 are each amended to read  
14 as follows:

15 (1) Within existing funds, the state auditor must establish a  
16 toll-free telephone line that is available to public employees and  
17 members of the public to recommend measures to improve efficiency in  
18 state and local government and to report waste, inefficiency, or  
19 abuse, as well as examples of efficiency or outstanding achievement,

1 by state and local agencies, public employees, or persons under  
2 contract with state and local agencies.

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

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

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

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

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

38 **Sec. 3.** RCW 43.09.230 and 1995 c 301 s 12 are each amended to  
39 read as follows:

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

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

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

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

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

31 **Sec. 4.** RCW 43.09.420 and 1993 c 216 s 1 are each amended to  
32 read as follows:

33 As part of the routine audits of state agencies, the state  
34 auditor shall audit all revolving funds, local funds, and other state  
35 funds and state accounts that are not managed by or in the care of  
36 the state treasurer and that are under the control of state agencies,  
37 including but not limited to state departments, boards, and  
38 commissions. In conducting the audits of these funds and accounts,  
39 the auditor shall examine revenues and expenditures or assets and

1 liabilities, accounting methods and procedures, and recordkeeping  
2 practices. (~~In addition to including the results of these~~  
3 ~~examinations as part of the routine audits of the agencies, the~~  
4 ~~auditor shall report to the legislature on the status of all such~~  
5 ~~funds and accounts that have been examined during the preceding~~  
6 ~~biennium and any recommendations for their improved financial~~  
7 ~~management. Such a report shall be filed with the legislature within~~  
8 ~~five months of the end of each biennium regarding the funds and~~  
9 ~~accounts audited during the biennium. The first such report shall be~~  
10 ~~filed by December 1, 1993, regarding any such funds and accounts~~  
11 ~~audited during the 1991-93 biennium.))~~

12 NEW SECTION. **Sec. 5.** RCW 43.09.265 (Local government accounting  
13 —Review of tax levies of local governments) and 1995 c 301 s 16 &  
14 1979 ex.s. c 218 s 7 are each repealed.

15 NEW SECTION. **Sec. 6.** The following acts or parts of acts are  
16 each repealed:

- 17 (1) 2012 c 164 s 709 (uncodified);
- 18 (2) 2012 c 1 s 201 (uncodified);
- 19 (3) 2005 c 385 s 1 (uncodified);
- 20 (4) RCW 43.09.430 (Performance audits—Definitions) and 2005 c 385  
21 s 2;
- 22 (5) RCW 43.09.435 (Performance audits—Citizen advisory board) and  
23 2005 c 385 s 3;
- 24 (6) RCW 43.09.440 (Performance audits—Collaboration with joint  
25 legislative audit and review committee—Criteria—Statewide  
26 performance review—Contracting out—Release of audit reports) and  
27 2012 c 229 s 817 & 2005 c 385 s 5;
- 28 (7) RCW 43.09.445 (Performance audits—Local jurisdictions) and  
29 2005 c 385 s 6;
- 30 (8) RCW 43.09.450 (Performance audits—Audit of performance audit  
31 program) and 2005 c 385 s 8;
- 32 (9) RCW 43.09.455 (Performance audits—Follow-up and corrective  
33 action—Progress reports) and 2005 c 385 s 9;
- 34 (10) RCW 43.09.460 (Performance audits—Appropriation—Budget  
35 request) and 2005 c 385 s 11; and

1           (11) RCW 43.88.162 (State auditor's powers and duties—Performance  
2 audits) and 2005 c 385 s 7.

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