

# HOUSE BILL REPORT

## SHB 1009

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**As Passed House:**  
February 12, 2020

**Title:** An act relating to the state auditor's duties and procedures.

**Brief Description:** Addressing the state auditor's duties and procedures.

**Sponsors:** House Committee on State Government & Tribal Relations (originally sponsored by Representatives Dolan, Kirby and Jinkins; by request of State Auditor).

**Brief History:**

**Committee Activity:**

State Government & Tribal Relations: 1/16/19, 1/22/19 [DPS].

**Floor Activity:**

Passed House: 3/1/19, 95-0.

**Floor Activity:**

Passed House: 2/12/20, 97-0.

**Brief Summary of Substitute Bill**

- Authorizes the Office of the Washington State Auditor (SAO) to adopt policies around reporting known or suspected loss of public funds or assets or other illegal activity.
- Removes the SAO's obligation to conduct certain audits.
- Modifies certain reporting requirements around the annual local government financial reports and the SAO's routine audit of state agencies.
- Repeals provisions concerning the Citizen Advisory Board and related performance audits conducted under these provisions.

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### HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL RELATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Gregerson, Chair; Pellicciotti, Vice Chair; Walsh, Ranking Minority Member; Goehner, Assistant Ranking Minority Member; Appleton, Dolan, Hudgins, Mosbrucker and Smith.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Carrington Skinner (786-7192).

**Background:**

Office of the Washington State Auditor.

The Office of the Washington State Auditor (SAO) holds state and local governments accountable for the use of public resources. The State Auditor has the power to examine the financial affairs of all governments in the state, including local governments, schools, state agencies, and institutions of higher education. In addition, the SAO carries out special investigations and performance audits of state agencies and local governments.

Loss of Public Funds.

State agencies and local governments must immediately report to the SAO any known or suspected loss of public funds or assets or other illegal activity.

Toll-Free Efficiency Hotline.

The SAO must establish a toll-free telephone line available to public employees and members of the public to recommend ways to improve efficiency in state and local government. The hotline may be used to report waste, inefficiency, or abuse, as well as incidents of achievement and efficiency. The SAO must conduct reviews of each recommendation received. The SAO must prepare a written determination of the investigation performed that includes recommendations, and distribute the report to the affected state agencies.

Annual Reports–Local Government.

Every local government must submit financial reports to the SAO for each fiscal year. The reports must contain certain information, including 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.

Routine Audits of State Agencies.

As part of the routine audits of state agencies, the SAO must 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, such as state departments, boards, and commissions. The SAO must report to the Legislature, within five months of the end of each biennium, on the status of the funds and accounts examined during the preceding biennium and any recommendations for their improved financial management.

Transportation Performance Auditor Board.

In 2005 a statewide transportation governance was restructured. The Transportation Performance Audit Board (TPAB) was given authority to direct performance audits and to review performance measures and outcomes of transportation-related agencies and certain local transportation entities. The TPAB was extended only until July 1, 2007, and the function of conducting performance audits thereafter transitioned to the SAO.

Local Government Accounting.

The SAO periodically examines the financial affairs of all local governments. An examination of the financial affairs of all local governments are made at least once every

three years, and an examination of individual local government health and welfare benefit plans and local government self-insurance programs are made at least once every two years. As part of these examinations, the SAO must review the tax levies of all local governments.

#### Long-Term In-Home Care Program.

Initiative 1163 (I-1163), approved by the voters in November 2011, modifies the law governing training and home care aide certification for long-term care workers. The SAO is required, under I-1163, to conduct biennial performance audits of the long-term in-home care program, beginning January 7, 2013. As part of the auditing process, the state must hire five additional fraud investigators to ensure that clients receiving services at taxpayers' expense are medically and financially qualified to receive the service and are actually receiving the service.

#### Performance Audit.

The Citizen Advisory Board (Board) was created in 2005. The Board and the SAO is required to collaborate with the Joint Legislative Audit Review Committee (JLARC) regarding performance audits of state government. The Board is responsible for establishing criteria for performance audits, as part of a performance audit program (Program). The SAO and the Board must develop a draft work plan for performance audits under the Program. The SAO is required to contract out for performance audits. Every four years, the JLARC is required to contract with a private entity for a performance audit of the Program. An agency audited under the Program is responsible for follow-up and corrective action on all performance audit findings.

Initiative 900 was approved by the voters in November 2005, and enacted in 2006. Initiative 900 requires the SAO to conduct comprehensive performance audits of state and local governments, including state and local transportation governmental entities, and each of their agencies, accounts, and programs. The comprehensive performance audit required under Initiative 900 is separate from the performance audits conducted under the Board's authority.

### **Summary of Substitute Bill:**

#### Loss of Public Funds.

The reporting requirement around the procedures for state agencies and local governments to report known or suspected loss of public funds or assets is modified. Immediate reporting is not required, and the Office of the Washington State Auditor (SAO) may adopt policies for these reporting procedures.

#### Toll-Free Efficiency Hotline.

The written determinations prepared by the SAO of investigations that arise from recommendations collected through the hotline must also be distributed to the affected local agencies.

#### Annual Reports—Local Government.

A local government is no longer required to include in its annual financial report to the SAO statements of all expenditures for labor relations consultants, the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement.

Routine Audits of State Agencies.

The SAO is no longer required to report to the Legislature on the status of the funds and accounts examined during the preceding biennium as part of its routine audit of state agencies, or any recommendations arising from such audit.

Transportation Performance Auditor Board.

Statutory reference to the dissolved Transportation Performance Audit Board is removed.

Local Government Accounting.

The SAO is no longer required to review the tax levies of all local governments during its periodic examinations of the financial affairs of local governments.

Long-Term In-Home Care Program.

Provisions requiring the SAO to conduct performance audits of long-term, in-home care programs are repealed.

Performance Audit.

The performance audit program under the authority of the Citizen Advisory Board (Board), and related provisions, are repealed. The statute creating the Board is repealed.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The bill modifies the duties and procedures of the Office of the Washington State Auditor (SAO) regarding loss of public funds, assets, and other illegal activity. An amendment requiring the SAO to create policies around the loss of public funds is not necessary because the bill does not ask for rulemaking authority, but rather policies. The SAO does not want to spend taxpayer money to make rules, as making rules can be expensive, but the SAO wants to make policies around this issue.

(Opposed) None.

**Persons Testifying:** Representative Dolan, prime sponsor; and Scott Nelson, Office of the Washington State Auditor.

**Persons Signed In To Testify But Not Testifying:** None.