

SENATE BILL REPORT

SB 6630

As Reported by Senate Committee On:
Housing Stability & Affordability, February 5, 2020

Title: An act relating to increasing accountability for public housing authorities.

Brief Description: Increasing accountability for public housing authorities.

Sponsors: Senators Zeiger, Kuderer and Wellman.

Brief History:

Committee Activity: Housing Stability & Affordability: 2/05/20, 2/05/20 [DPS].

Brief Summary of First Substitute Bill

- Requires an annual audit of housing authority financial statements with a 90-day filing requirement with the clerk of the respective city or county legislative authority.
- Requires city and county clerks to report any annual audit findings and deficiencies to the city or county legislative authority.
- Requires an audit of housing authorities at least once every two years by the Office of the Washington State Auditor.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: That Substitute Senate Bill No. 6630 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Darneille, Saldaña and Warnick.

Staff: Brandon Popovac (786-7465)

Background: Public Housing Authorities. Public housing authorities are chartered under state law, and are an autonomous, non-profit public corporation. The 37 housing authorities in the state work in conjunction with local governments and agencies to develop long-term housing strategies for communities, including building homes and administering a variety of housing programs for working families, children, seniors, veterans, and persons with

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disabilities. Housing authorities are required to follow federal regulations. Housing authorities receive a subsidy from the U.S. Department of Housing and Urban Development (HUD), but do not receive any funds from state or local governments.

Joint housing authorities are created when the legislative authorities of one or more counties and the legislative authorities of any city or cities within any of those counties or in another county or counties have authorized such joint housing authority by ordinance. Joint housing authorities have the same powers and authority as public housing authorities.

At least once a year, a housing authority must file with the clerk of the respective city or county legislative authority a report of its activities for the preceding year and make recommendations for any additional legislation or other action it deems necessary.

State Auditor's Office. The Office of the Washington State Auditor (SAO) holds state and local governments accountable for the use of public resources. The state auditor (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. The SAO carries out special investigations and performance audits of state agencies and local governments, and may contract with certified public accountants to audit state agencies and local governments.

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.

An examination of the financial affairs for all local governments is done on a periodic basis as determined by the state auditor, but must be completed at least once every three years. With every examination, the SAO must evaluate the financial condition and resources of the local government, whether the Constitution and laws of the state, the ordinances and orders of the local government, and the requirements of the state auditor have been properly complied with, as well as the methods and accuracy of the accounts and reports. A copy of any evaluation report containing findings of noncompliance with state law must be transmitted to the attorney general. If any such report discloses malfeasance, misfeasance, or nonfeasance in office on the part of any public officer or employee, within 30 days from the receipt of their copy of the report, the attorney general must institute the appropriate legal action in the proper county.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (First Substitute): Each public housing authority and joint housing authority must have its annual financial statements for the preceding accounting year audited in accordance with SAO audit authority, and must file the audited statements with the clerk of the respective city or county legislative authority or authorities within 90 days of the audit report. The city or county clerk must report any annual audit findings or deficiencies with the housing authority or authorities to the city or county legislative authority.

The SAO must audit public housing authorities and joint housing authorities at least once every two years, with a report of the audit to be submitted to the clerk of the respective city or county legislative authority or authorities.

Appropriation: None.

Fiscal Note: Requested on January 31, 2020.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on First Substitute: PRO: This bill is in reaction to a state audit finding that the Pierce County Housing Authority was the victim of very serious theft traced to the authority's finance director. The audit found that the authority did not have adequate internal controls to safeguard public resources. This bill would require an annual audit of housing authority financial statements, even for small to medium-sized housing authorities. It is important to ensure that authority board members are trained to exercise fiduciary control. The bill would still allow authorities that are using certified public accountants to continue to do so.

The bill would benefit by providing the state auditor some discretionary authority to deviate from the current audit schedule depending upon their assessment of risk, as likely supported by smaller housing authorities since audits for them are a notable expense and they count themselves as low risk. Increasing audit frequency is important to maintain community confidence in housing authorities as well as the Legislature's confidence. Housing authorities are also subject to additional regulatory oversight like federal public housing program oversight, Section 8 voucher funds oversight, and oversight on use of capital dollars from the Housing Finance Commission and Department of Commerce.

Persons Testifying: PRO: Senator Hans Zeiger, Prime Sponsor; Michael Mirra, Association of Washington Housing Authorities; Scott Nelson, State Auditor's Office.

Persons Signed In To Testify But Not Testifying: No one.