
SUBSTITUTE SENATE BILL 5643

State of Washington

52nd Legislature

1991 Regular Session

By Senate Committee on Governmental Operations (originally sponsored by Senator McCaslin).

Read first time March 6, 1991.

1 AN ACT Relating to internal audits by state agencies and
2 institutions; and adding a new chapter to Title 43 RCW.

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

4 NEW SECTION. **Sec. 1.** The purpose of this chapter is to
5 strengthen the internal control of state agencies. Each state agency
6 meeting the criteria in section 2 of this act shall establish a full-
7 time program of internal auditing. Such a function will furnish
8 independent analyses, assessment, and recommendations concerning the
9 adequacy and effectiveness of an agency's systems of internal control,
10 and provide for evaluation of the economy and efficiency by which the
11 agencies carry out their assigned responsibilities.

12 NEW SECTION. **Sec. 2.** Unless the context clearly requires
13 otherwise, the definitions in this section apply throughout this
14 chapter.

1 (1) "State agency" means any department, agency, commission,
2 bureau, office, or any other entity or authority of state government as
3 determined by the office of financial management and the office of
4 state auditor based on an assessment of business exposure. The
5 assessment shall include, but not be limited to, the volume of
6 transactions and dollar value of financial activity, the nature of the
7 agency's mission and related internal control structure, compliance
8 requirements, marketability and level of liquid assets, and information
9 systems development.

10 (2) "Agency administrator" means the executive head of an agency.

11 (3) "Internal audit" means an independent appraisal activity within
12 an agency for the review of operations as a service to management.

13 NEW SECTION. **Sec. 3.** Each internal audit program shall
14 conform to the standards for the professional practice of internal
15 auditing, the certified internal auditor code of professional ethics,
16 and the statement of responsibilities of internal auditing, as
17 promulgated by the institute of internal auditors. It shall also
18 conform to policies and manuals of the office of financial management
19 and government auditing standards issued by the comptroller general of
20 the United States, as appropriate.

21 NEW SECTION. **Sec. 4.** (1) The scope and assignment of internal
22 audits for each agency shall be determined by the agency administrator
23 or designee. The internal audit manager and staff shall have access to
24 any and all records, and other information of the state agency they
25 deem necessary to carry out their duties.

26 (2) No person involved in internal audit activities may wrongfully
27 disclose any information that is confidential or privileged under any

1 general statute or any statute specifically applicable to the programs
2 of the agency within which the internal audit is being performed.

3 (3) If any audit discloses malfeasance, misfeasance, or nonfeasance
4 in office on the part of any public officer or employee, the agency
5 administrator or internal audit manager shall make a report of such
6 activity to the state auditor for review and possible further action
7 under RCW 43.09.330. If any audit reveals any suspected loss, the
8 internal auditor shall immediately report such loss to the state
9 auditor in accordance with accounting manual procedures required under
10 RCW 43.88.160.

11 (4) Internal audits shall be performed in compliance with
12 requirements established by the office of financial management.

13 NEW SECTION. **Sec. 5.** Each agency administrator shall ensure
14 that the internal audit program includes the following at a minimum:

15 (1) A biennial plan, identifying the areas to be audited and the
16 time period in which the audits will be conducted subject to revision
17 as needed.

18 (2) A review of the agency's internal control structure at least
19 once every three years.

20 (3) Review of the design of major new electronic data processing
21 systems and major modifications of existing systems before their
22 installation to ensure the systems provide for adequate audit trails
23 and internal control accountability. Such review shall conform to the
24 standards adopted by the department of information systems.

25 NEW SECTION. **Sec. 6.** Sections 1 through 5 of this act shall
26 constitute a new chapter in Title 43 RCW.