

SB 5002 - H COMM AMD

By Committee on State Government & Tribal Relations

ADOPTED 03/04/2022

1 Strike everything after the enacting clause and insert the
2 following:

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

5 State agencies and local governments shall immediately report to
6 the state auditor's office known or suspected loss of public funds or
7 assets or other illegal activity. The state auditor must adopt
8 policies as necessary to implement this section.

9 **Sec. 2.** RCW 43.09.230 and 2021 c 122 s 6 are each amended to
10 read as follows:

11 (1) As used in this section:

12 (a) "Special purpose district" means every municipal and quasi-
13 municipal corporation other than counties, cities, and towns. Such
14 special purpose districts include, but are not limited to, water-
15 sewer districts, fire protection districts, port districts, public
16 utility districts, special districts as defined in RCW 85.38.010,
17 lake and beach management districts, conservation districts, and
18 irrigation districts.

19 (b) "Unauditable" means a special purpose district that the state
20 auditor has determined to be incapable of being audited because the
21 special purpose district has improperly maintained, failed to
22 maintain, or failed to submit adequate accounts, records, files, or
23 reports for an audit to be completed.

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

28 Such reports shall be prepared, certified, and filed with the
29 state auditor within one hundred fifty days after the close of each
30 fiscal year. The state auditor may allow local governments a thirty-

1 day extension for filing annual fiscal reports if the governor has
2 declared an emergency pursuant to RCW 43.06.210.

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

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

23 Their substance shall be published in an annual volume of
24 comparative statistics at the expense of the state as a public
25 document.

26 (3) (a) (i) On or before December 31, 2020, and on or before
27 December 31st of each year thereafter, the state auditor must search
28 available records and notify the legislative authority of a county if
29 any special purpose districts, located wholly or partially within the
30 county, have been determined to be unauditible. If the boundaries of
31 the special purpose district are located within more than one county,
32 the state auditor must notify all legislative authorities of the
33 counties within which the boundaries of the special purpose district
34 lie.

35 (ii) If a county has been notified as provided in (a) (i) of this
36 subsection (3), the special purpose district and the county auditor,
37 acting on behalf of the special purpose district, are prohibited from
38 issuing any warrants against the funds of the special purpose
39 district until the district has had its report certified by the state
40 auditor.

1 (iii) Notwithstanding (a)(ii) of this subsection (3), a county
2 may authorize the special purpose district and the county auditor to
3 issue warrants against the funds of the special purpose district:

4 (A) In order to prevent the discontinuation or interruption of
5 any district services;

6 (B) For emergency or public health purposes; or

7 (C) To allow the district to carry out any district duties or
8 responsibilities.

9 (b)(i) On or before December 31, 2020, and on or before December
10 31st of each year thereafter, the state auditor must search available
11 records and notify the state treasurer if any special purpose
12 districts have been determined to be unauditale.

13 (ii) If the state treasurer has been notified as provided in
14 (b)(i) of this subsection (3), the state treasurer may not distribute
15 any local sales and use taxes imposed by a special purpose district
16 to the district until the district has had its report certified by
17 the state auditor.

18 **Sec. 3.** RCW 43.09.420 and 1993 c 216 s 1 are each amended to
19 read as follows:

20 As part of the routine audits of state agencies, the state
21 auditor shall audit all revolving funds, local funds, and other state
22 funds and state accounts that are not managed by or in the care of
23 the state treasurer and that are under the control of state agencies,
24 including but not limited to state departments, boards, and
25 commissions. In conducting the audits of these funds and accounts,
26 the auditor shall examine revenues and expenditures or assets and
27 liabilities, accounting methods and procedures, and recordkeeping
28 practices. ~~((In addition to including the results of these
29 examinations as part of the routine audits of the agencies, the
30 auditor shall report to the legislature on the status of all such
31 funds and accounts that have been examined during the preceding
32 biennium and any recommendations for their improved financial
33 management. Such a report shall be filed with the legislature within
34 five months of the end of each biennium regarding the funds and
35 accounts audited during the biennium. The first such report shall be
36 filed by December 1, 1993, regarding any such funds and accounts
37 audited during the 1991-93 biennium.))~~

1 **Sec. 4.** RCW 43.09.430 and 2005 c 385 s 2 are each amended to
2 read as follows:

3 For purposes of (~~RCW 43.09.435 through 43.09.460:~~

4 ~~(1) "Board" means the citizen advisory board created in RCW~~
5 ~~43.09.435.~~

6 ~~(2) "Draft work plan" means the work plan for conducting~~
7 ~~performance audits of state agencies proposed by the board and state~~
8 ~~auditor after the statewide performance review.~~

9 ~~(3) "Final performance audit report" means a written document~~
10 ~~jointly released by the citizen advisory board and the state auditor~~
11 ~~that includes the findings and comments from the preliminary~~
12 ~~performance audit report.~~

13 ~~(4) "Final work plan" means the work plan for conducting~~
14 ~~performance audits of state agencies adopted by the board and state~~
15 ~~auditor.~~

16 ~~(5) "Performance audit" means an objective and systematic~~
17 ~~assessment of a state agency or any of its programs, functions, or~~
18 ~~activities by an independent evaluator in order to help public~~
19 ~~officials improve efficiency, effectiveness, and accountability.~~
20 ~~Performance audits include economy and efficiency audits and program~~
21 ~~audits.~~

22 ~~(6) "Preliminary)~~ this chapter, "preliminary performance audit
23 report" means a written document prepared after the completion of a
24 performance audit to be submitted for comment before the final
25 performance audit report. The preliminary performance audit report
26 must contain the audit findings and any proposed recommendations to
27 improve the efficiency, effectiveness, or accountability of the state
28 agency being audited.

29 ~~((7) "State agency" or "agency" means a state agency,~~
30 ~~department, office, officer, board, commission, bureau, division,~~
31 ~~institution, or institution of higher education. "State agency"~~
32 ~~includes all offices of executive branch state government elected~~
33 ~~officials.))~~

34 **Sec. 5.** RCW 43.09.440 and 2012 c 229 s 817 are each amended to
35 read as follows:

36 ~~((1) The board and the state auditor shall collaborate with the~~
37 ~~joint legislative audit and review committee regarding performance~~
38 ~~audits of state government.~~

1 ~~(a) The board shall establish criteria for performance audits~~
2 ~~consistent with the criteria and standards followed by the joint~~
3 ~~legislative audit and review committee. This criteria shall include,~~
4 ~~at a minimum, the auditing standards of the United States government~~
5 ~~accountability office, as well as legislative mandates and~~
6 ~~performance objectives established by state agencies and the~~
7 ~~legislature. Mandates include, but are not limited to, agency~~
8 ~~strategies, timelines, program objectives, and mission and goals as~~
9 ~~required in RCW 43.88.090.~~

10 ~~(b) Using the criteria developed in (a) of this subsection, the~~
11 ~~state auditor shall contract for a statewide performance review to be~~
12 ~~completed as expeditiously as possible as a preliminary to a draft~~
13 ~~work plan for conducting performance audits. The board and the state~~
14 ~~auditor shall develop a schedule and common methodology for~~
15 ~~conducting these reviews. The purpose of these performance reviews is~~
16 ~~to identify those agencies, programs, functions, or activities most~~
17 ~~likely to benefit from performance audits and to identify likely~~
18 ~~areas warranting early review, taking into account prior performance~~
19 ~~audits, if any, and prior fiscal audits.~~

20 ~~(c) The board and the state auditor shall develop the draft work~~
21 ~~plan for performance audits based on input from citizens, state~~
22 ~~employees, including frontline employees, state managers, chairs and~~
23 ~~ranking members of appropriate legislative committees, the joint~~
24 ~~legislative audit and review committee, public officials, and others.~~
25 ~~The draft work plan may include a list of agencies, programs, or~~
26 ~~systems to be audited on a timeline decided by the board and the~~
27 ~~state auditor based on a number of factors including risk,~~
28 ~~importance, and citizen concerns. When putting together the draft~~
29 ~~work plan, there should be consideration of all audits and reports~~
30 ~~already required. On average, audits shall be designed to be~~
31 ~~completed as expeditiously as possible.~~

32 ~~(d) Before adopting the final work plan, the board shall consult~~
33 ~~with the legislative auditor and other appropriate oversight and~~
34 ~~audit entities to coordinate work plans and avoid duplication of~~
35 ~~effort in their planned performance audits of state government~~
36 ~~agencies. The board shall defer to the joint legislative audit and~~
37 ~~review committee work plan if a similar audit is included on both~~
38 ~~work plans for auditing.~~

1 ~~(e) The state auditor shall contract out for performance audits.~~
2 ~~In conducting the audits, agency frontline employees and internal~~
3 ~~auditors should be involved.~~

4 ~~(f) All audits must include consideration of reports prepared by~~
5 ~~other government oversight entities.~~

6 ~~(g) The audits may include:~~

7 ~~(i) Identification of programs and services that can be~~
8 ~~eliminated, reduced, consolidated, or enhanced;~~

9 ~~(ii) Identification of funding sources to the state agency, to~~
10 ~~programs, and to services that can be eliminated, reduced,~~
11 ~~consolidated, or enhanced;~~

12 ~~(iii) Analysis of gaps and overlaps in programs and services and~~
13 ~~recommendations for improving, dropping, blending, or separating~~
14 ~~functions to correct gaps or overlaps;~~

15 ~~(iv) Analysis and recommendations for pooling information~~
16 ~~technology systems used within the state agency, and evaluation of~~
17 ~~information processing and telecommunications policy, organization,~~
18 ~~and management;~~

19 ~~(v) Analysis of the roles and functions of the state agency, its~~
20 ~~programs, and its services and their compliance with statutory~~
21 ~~authority and recommendations for eliminating or changing those roles~~
22 ~~and functions and ensuring compliance with statutory authority;~~

23 ~~(vi) Recommendations for eliminating or changing statutes, rules,~~
24 ~~and policy directives as may be necessary to ensure that the agency~~
25 ~~carry out reasonably and properly those functions vested in the~~
26 ~~agency by statute;~~

27 ~~(vii) Verification of the reliability and validity of agency~~
28 ~~performance data, self-assessments, and performance measurement~~
29 ~~systems as required under RCW 43.88.090;~~

30 ~~(viii) Identification of potential cost savings in the state~~
31 ~~agency, its programs, and its services;~~

32 ~~(ix) Identification and recognition of best practices;~~

33 ~~(x) Evaluation of planning, budgeting, and program evaluation~~
34 ~~policies and practices;~~

35 ~~(xi) Evaluation of personnel systems operation and management;~~

36 ~~(xii) Evaluation of state purchasing operations and management~~
37 ~~policies and practices; and~~

38 ~~(xiii) Evaluation of organizational structure and staffing~~
39 ~~levels, particularly in terms of the ratio of managers and~~
40 ~~supervisors to nonmanagement personnel.~~

1 ~~(h))~~) The state auditor must solicit comments on preliminary
2 performance audit reports from the audited state agency, the office
3 of the governor, and the office of financial management (~~(, the board,~~
4 ~~the chairs and ranking members of appropriate legislative committees,~~
5 ~~and the joint legislative audit and review committee for comment)~~).
6 Comments must be received within thirty days after receipt of the
7 preliminary performance audit report unless a different time period
8 is approved by the state auditor. All comments shall be incorporated
9 into the final performance audit report. The final performance audit
10 report shall include the objectives, scope, and methodology; the
11 audit results, including findings and recommendations; conclusions;
12 and identification of best practices.

13 ~~((i) The board and the state auditor shall jointly release final~~
14 ~~performance audit reports to the governor, the citizens of~~
15 ~~Washington, the joint legislative audit and review committee, and the~~
16 ~~appropriate standing legislative committees. Final performance audit~~
17 ~~reports shall be posted on the internet.~~

18 ~~(j) For institutions of higher education, performance audits~~
19 ~~shall not duplicate, and where applicable, shall make maximum use of~~
20 ~~existing audit records, accreditation reviews, and performance~~
21 ~~measures required by the office of financial management and~~
22 ~~nationally or regionally recognized accreditation organizations~~
23 ~~including accreditation of hospitals licensed under chapter 70.41 RCW~~
24 ~~and ambulatory care facilities.~~

25 ~~(2) The citizen board created under RCW 44.75.030 shall be~~
26 ~~responsible for performance audits for transportation related~~
27 ~~agencies as defined under RCW 44.75.020.)~~)

28 **Sec. 6.** RCW 43.09.455 and 2005 c 385 s 9 are each amended to
29 read as follows:

30 The audited agency is responsible for follow-up and corrective
31 action on all performance audit findings and recommendations. The
32 audited agency's plan for addressing each audit finding and
33 recommendation shall be included in the final audit report. The plan
34 shall provide the name of the contact person responsible for each
35 action, the action planned, and the anticipated completion date. If
36 the audited agency does not agree with the audit findings and
37 recommendations or believes action is not required, then the action
38 plan shall include an explanation and specific reasons.

1 For agencies under the authority of the governor, the governor
2 may require periodic progress reports from the audited agency until
3 all resolution has occurred.

4 For agencies under the authority of an elected official other
5 than the governor, the appropriate elected official may require
6 periodic reports of the action taken by the audited agency until all
7 resolution has occurred.

8 ~~((The board may request status reports on specific audits or
9 findings.))~~

10 **Sec. 7.** 2012 c 164 s 709 (uncodified) is amended to read as
11 follows:

12 The state auditor shall conduct ~~((performance))~~ audits of the
13 long-term in-home care program after consultation with affected
14 disability and aging stakeholder groups. The first audit must be
15 completed within twelve months after January 7, 2012, and must be
16 completed on a biennial basis thereafter. As part of this auditing
17 process, the state shall hire five additional fraud investigators to
18 ensure that clients receiving services at taxpayers' expense are
19 medically and financially qualified to receive the services and are
20 actually receiving the services. An audit conducted by the state
21 auditor under the authority of RCW 43.09.020 and 43.09.050(2) may
22 satisfy this requirement, provided that a performance audit of the
23 program was completed in the preceding biennium.

24 NEW SECTION. **Sec. 8.** The following acts or parts of acts are
25 each repealed:

26 (1) 2005 c 385 s 1 (uncodified);

27 (2) RCW 43.09.265 (Local government accounting—Review of tax
28 levies of local governments) and 1995 c 301 s 16 & 1979 ex.s. c 218 s
29 7;

30 (3) RCW 43.09.435 (Performance audits—Citizen advisory board) and
31 2005 c 385 s 3;

32 (4) RCW 43.09.445 (Performance audits—Local jurisdictions) and
33 2005 c 385 s 6;

34 (5) RCW 43.09.450 (Performance audits—Audit of performance audit
35 program) and 2005 c 385 s 8;

36 (6) RCW 43.09.460 (Performance audits—Appropriation—Budget
37 request) and 2005 c 385 s 11; and

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

3 Correct the title.

EFFECT: (1) Removes the repeal of a statute containing definitions pertaining to performance audits and instead strikes all definitions except for the definition for "preliminary performance audit report."

(2) Removes the repeal of a statute providing for the performance audit program (Program) under the authority of the Citizen Advisory Board and instead strikes the requirement for performance audits under the Program and removes related provisions, but retains the requirement for the State Auditor to solicit comments from certain agencies, included the audited agency, on any preliminary performance audit report.

(3) Removes the repeal of a statute requiring that an audited agency follow up and take corrective action on all performance audit findings and recommendations.

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