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

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

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

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

Sec. 2. RCW 43.09.230 and 2020 c 179 s 1 are each amended to read as follows:

(1) As used in this section:
(a) "Special purpose district" means every municipal and quasi-municipal corporation other than counties, cities, and towns. Such special purpose districts include, but are not limited to, water-sewer districts, fire protection districts, port districts, public utility districts, special districts as defined in RCW 85.38.010,
lake and beach management districts, conservation districts, and irrigation districts.

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

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

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

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (a) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (b) a statement of the entire public debt of every local government, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; and (c) a classified statement of all receipts and expenditures by any public institution; (d) 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; together with such other information as may be required by the state auditor.

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

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

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

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

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

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

(B) For emergency or public health purposes; or

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

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

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

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

As part of the routine audits of state agencies, the state
auditor shall 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,
including but not limited to state departments, boards, and
commissions. In conducting the audits of these funds and accounts,
the auditor shall examine revenues and expenditures or assets and
liabilities, accounting methods and procedures, and recordkeeping

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

**Sec. 4.** 2012 c 164 s 709 (uncodified) is amended to read as follows:

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

NEW SECTION. **Sec. 5.** The following acts or parts of acts are each repealed:

1. 2005 c 385 s 1 (uncodified);
2. RCW 43.09.265 (Local government accounting—Review of tax levies of local governments) and 1995 c 301 s 16 & 1979 ex.s. c 218 s 7;
3. RCW 43.09.430 (Performance audits—Definitions) and 2005 c 385 s 2;
4. RCW 43.09.435 (Performance audits—Citizen advisory board) and 2005 c 385 s 3;
5. RCW 43.09.440 (Performance audits—Collaboration with joint legislative audit and review committee—Criteria—Statewide p. 4 SB 5002
performance review—Contracting out—Release of audit reports) and 2012 c 229 s 817 & 2005 c 385 s 5;

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

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

(8) RCW 43.09.455 (Performance audits—Follow-up and corrective action—Progress reports) and 2005 c 385 s 9;

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

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

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