

**RCW 43.88.570 Social services provided by nongovernment entities receiving state moneys—Report by agencies—Audits.** (1) Each state agency shall submit a report to the office of the state auditor listing each nongovernment entity that received over three hundred thousand dollars in state moneys during the previous fiscal year under contract with the agency for purposes related to the provision of social services. The report must be submitted by September 1 each year, and must be in a form prescribed by the office of the state auditor.

(2) The office of the state auditor shall select at random a group of entities from the reports using a procedure prescribed by the office of the state auditor. The office of the state auditor shall ensure that the number of entities selected under this subsection (2) each year is sufficient to ensure a statistically representative sample of all reported entities.

(3) Each entity selected under subsection (2) of this section shall be required to complete a comprehensive entity-wide audit in accordance with generally accepted government auditing standards. The audit shall be completed by, or under the supervision of, a certified public accountant licensed in this state. The audit shall determine, at a minimum, whether:

(a) The financial statements of the entity are presented fairly in all material respects in conformity with generally accepted accounting principles;

(b) The schedule of expenditures of state moneys is presented fairly in all material respects in relation to the financial statements taken as a whole;

(c) Internal accounting controls exist and are effective; and

(d) The entity has complied with laws, regulations, and contract and grant provisions that have a direct and material effect on performance of the contract and the expenditure of state moneys.

(4) The office of the state auditor shall also select a second group based on a risk assessment of entities conducted by the office of the state auditor in consultation with state agencies. The office of the state auditor shall consider, at a minimum, the following factors when conducting risk assessments: Findings from audits of entities under contract with the state to provide services for the same state or federal program; findings from previous audits; decentralization of decision making and controls; turnover in officials and key personnel; changes in management structure or operations; and the presence of new programs, technologies, or funding sources.

(5) The office of the state auditor is required to complete a comprehensive entity-wide audit, in accordance with generally accepted government auditing standards, of each entity selected under subsection (4) of this section. The office of the state auditor may procure the services of a certified public accountant to perform such an audit, as set forth under RCW 43.09.045. The audit shall determine, at a minimum, whether:

(a) The financial statements of the entity are presented fairly in all material respects in conformity with generally accepted accounting principles;

(b) The schedule of expenditures of state moneys is presented fairly in all material respects in relation to the financial statements taken as a whole;

(c) Internal accounting controls exist and are effective; and

(d) The entity has complied with statutes, rules, regulations, and contract and grant provisions that have a direct and material effect on performance of the contract and the expenditure of state moneys.

(6) The office of the state auditor shall prescribe policies and procedures for the conduct of audits under this section. The office of the state auditor shall deem single audits completed in compliance with federal requirements to be in fulfillment of the requirements of this section if the audit meets the requirements of subsection (3)(a) through (d) or (5)(a) through (d) of this section. If the entity is selected under subsection (4) of this section, the office of the state auditor shall review the single audit to determine if there is evidence of misuse of public moneys.

(7) Completed audits must be delivered to the office of the state auditor and the state agency by April 1 in the year following the selection of the entity for audit. Entities must resolve any findings contained in the audit within six months of the delivery of the audit. Entities may not enter into new contracts with state agencies until all major audit findings are resolved.

(8) Nothing in this section limits the authority of the state auditor to carry out statutorily and contractually prescribed powers and duties. [1998 c 232 § 2; 1997 c 374 § 3.]

**Findings—Intent—1998 c 232:** See note following RCW 43.09.055.

**Findings—1997 c 374:** See note following RCW 43.63A.125.