
SENATE BILL 5009

State of Washington

66th Legislature

2019 Regular Session

By Senator Hunt; by request of State Auditor

Prefiled 12/04/18.

1 AN ACT Relating to the state auditor's duties and procedures;
2 amending RCW 43.09.185, 43.09.186, 43.09.230, 43.09.420, and
3 43.09.440; repealing RCW 43.09.265; repealing 2012 c 164 s 709, and
4 2012 c 1 s 201 (uncodified).

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

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

8 State agencies and local governments shall (~~immediately~~) report
9 to the state auditor's office known or suspected loss of public funds
10 or assets or other illegal activity. The state auditor may adopt
11 policies as necessary to implement this section.

12 **Sec. 2.** RCW 43.09.186 and 2007 c 41 s 1 are each amended to read
13 as follows:

14 (1) Within existing funds, the state auditor must establish a
15 toll-free telephone line that is available to public employees and
16 members of the public to recommend measures to improve efficiency in
17 state and local government and to report waste, inefficiency, or
18 abuse, as well as examples of efficiency or outstanding achievement,
19 by state and local agencies, public employees, or persons under
20 contract with state and local agencies.

1 (2) The state auditor must prepare information that explains the
2 purpose of the hotline, and the hotline telephone number must be
3 prominently displayed in the information. Hotline information must be
4 posted in all government offices in locations where it is most likely
5 to be seen by the public. The state auditor must publicize the
6 availability of the toll-free hotline through print and electronic
7 media and other means of communication with the public.

8 (3) The state auditor must designate staff to be responsible for
9 processing recommendations for improving efficiency and reports of
10 waste, inefficiency, or abuse received through the hotline. The state
11 auditor must conduct an initial review of each recommendation for
12 efficiency and report of waste, inefficiency, or abuse made by public
13 employees and members of the public. Following the initial review,
14 the state auditor must determine which assertions require further
15 examination or audit under the auditor's current authority and must
16 assign qualified staff.

17 (4) The identity of a person making a report through the hotline,
18 by email through the state auditor's web site, or other means of
19 communication is confidential at all times unless the person making a
20 report consents to disclosure by written waiver, or until the
21 investigation described in subsection (3) of this section is
22 complete. All documents related to the report and subsequent
23 investigation are also confidential until completion of the
24 investigation or audit or when the documents are otherwise
25 statutorily exempt from public disclosure.

26 (5) The state auditor must prepare a written determination of the
27 results of the investigation performed, including any background
28 information that the auditor deems necessary. The state auditor must
29 report publicly the conclusions of each investigation and recommend
30 ways to correct any deficiency and to improve efficiency. The reports
31 must be distributed to the affected state and local agencies.

32 (6) The state auditor must provide an annual overview and update
33 of hotline investigations, including the results and efficiencies
34 achieved, to the legislature and to the appropriate legislative
35 committees.

36 **Sec. 3.** RCW 43.09.230 and 1995 c 301 s 12 are each amended to
37 read as follows:

38 The state auditor shall require from every local government
39 financial reports covering the full period of each fiscal year, in

1 accordance with the forms and methods prescribed by the state
2 auditor, which shall be uniform for all accounts of the same class.

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

6 The reports shall contain accurate statements, in summarized
7 form, of all collections made, or receipts received, by the officers
8 from all sources; all accounts due the public treasury, but not
9 collected; and all expenditures for every purpose, and by what
10 authority authorized; and also: (1) A statement of all costs of
11 ownership and operation, and of all income, of each and every public
12 service industry owned and operated by a local government; (2) a
13 statement of the entire public debt of every local government, to
14 which power has been delegated by the state to create a public debt,
15 showing the purpose for which each item of the debt was created, and
16 the provisions made for the payment thereof; and (3) a classified
17 statement of all receipts and expenditures by any public institution;
18 (~~and (4) a statement of all expenditures for labor relations
19 consultants, with the identification of each consultant,
20 compensation, and the terms and conditions of each agreement or
21 arrangement;~~) together with such other information as may be
22 required by the state auditor.

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

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

29 **Sec. 4.** RCW 43.09.420 and 1993 c 216 s 1 are each amended to
30 read as follows:

31 As part of the routine audits of state agencies, the state
32 auditor shall audit all revolving funds, local funds, and other state
33 funds and state accounts that are not managed by or in the care of
34 the state treasurer and that are under the control of state agencies,
35 including but not limited to state departments, boards, and
36 commissions. In conducting the audits of these funds and accounts,
37 the auditor shall examine revenues and expenditures or assets and
38 liabilities, accounting methods and procedures, and recordkeeping
39 practices. (~~In addition to including the results of these~~

1 ~~examinations as part of the routine audits of the agencies, the~~
2 ~~auditor shall report to the legislature on the status of all such~~
3 ~~funds and accounts that have been examined during the preceding~~
4 ~~biennium and any recommendations for their improved financial~~
5 ~~management. Such a report shall be filed with the legislature within~~
6 ~~five months of the end of each biennium regarding the funds and~~
7 ~~accounts audited during the biennium. The first such report shall be~~
8 ~~filed by December 1, 1993, regarding any such funds and accounts~~
9 ~~audited during the 1991-93 biennium.))~~

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

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

15 ~~((a))~~ (1) The board shall establish criteria for performance
16 audits consistent with the criteria and standards followed by the
17 joint legislative audit and review committee. This criteria shall
18 include, at a minimum, the auditing standards of the United States
19 government accountability office, as well as legislative mandates and
20 performance objectives established by state agencies and the
21 legislature. Mandates include, but are not limited to, agency
22 strategies, timelines, program objectives, and mission and goals as
23 required in RCW 43.88.090.

24 ~~((b))~~ (2) Using the criteria developed in ~~((a) of this)~~
25 subsection (1) of this section, the state auditor shall contract for
26 a statewide performance review to be completed as expeditiously as
27 possible as a preliminary to a draft work plan for conducting
28 performance audits. The board and the state auditor shall develop a
29 schedule and common methodology for conducting these reviews. The
30 purpose of these performance reviews is to identify those agencies,
31 programs, functions, or activities most likely to benefit from
32 performance audits and to identify likely areas warranting early
33 review, taking into account prior performance audits, if any, and
34 prior fiscal audits.

35 ~~((c))~~ (3) The board and the state auditor shall develop the
36 draft work plan for performance audits based on input from citizens,
37 state employees, including frontline employees, state managers,
38 chairs and ranking members of appropriate legislative committees, the
39 joint legislative audit and review committee, public officials, and

1 others. The draft work plan may include a list of agencies, programs,
2 or systems to be audited on a timeline decided by the board and the
3 state auditor based on a number of factors including risk,
4 importance, and citizen concerns. When putting together the draft
5 work plan, there should be consideration of all audits and reports
6 already required. On average, audits shall be designed to be
7 completed as expeditiously as possible.

8 ~~((d))~~ (4) Before adopting the final work plan, the board shall
9 consult with the legislative auditor and other appropriate oversight
10 and audit entities to coordinate work plans and avoid duplication of
11 effort in their planned performance audits of state government
12 agencies. The board shall defer to the joint legislative audit and
13 review committee work plan if a similar audit is included on both
14 work plans for auditing.

15 ~~((e))~~ (5) The state auditor shall contract out for performance
16 audits. In conducting the audits, agency frontline employees and
17 internal auditors should be involved.

18 ~~((f))~~ (6) All audits must include consideration of reports
19 prepared by other government oversight entities.

20 ~~((g))~~ (7) The audits may include:

21 ~~((i))~~ (a) Identification of programs and services that can be
22 eliminated, reduced, consolidated, or enhanced;

23 ~~((ii))~~ (b) Identification of funding sources to the state
24 agency, to programs, and to services that can be eliminated, reduced,
25 consolidated, or enhanced;

26 ~~((iii))~~ (c) Analysis of gaps and overlaps in programs and
27 services and recommendations for improving, dropping, blending, or
28 separating functions to correct gaps or overlaps;

29 ~~((iv))~~ (d) Analysis and recommendations for pooling information
30 technology systems used within the state agency, and evaluation of
31 information processing and telecommunications policy, organization,
32 and management;

33 ~~((v))~~ (e) Analysis of the roles and functions of the state
34 agency, its programs, and its services and their compliance with
35 statutory authority and recommendations for eliminating or changing
36 those roles and functions and ensuring compliance with statutory
37 authority;

38 ~~((vi))~~ (f) Recommendations for eliminating or changing
39 statutes, rules, and policy directives as may be necessary to ensure

1 that the agency carry out reasonably and properly those functions
2 vested in the agency by statute;

3 ~~((vii))~~ (g) Verification of the reliability and validity of
4 agency performance data, self-assessments, and performance
5 measurement systems as required under RCW 43.88.090;

6 ~~((viii))~~ (h) Identification of potential cost savings in the
7 state agency, its programs, and its services;

8 ~~((ix))~~ (i) Identification and recognition of best practices;

9 ~~((x))~~ (j) Evaluation of planning, budgeting, and program
10 evaluation policies and practices;

11 ~~((xi))~~ (k) Evaluation of personnel systems operation and
12 management;

13 ~~((xii))~~ (l) Evaluation of state purchasing operations and
14 management policies and practices; and

15 ~~((xiii))~~ (m) Evaluation of organizational structure and
16 staffing levels, particularly in terms of the ratio of managers and
17 supervisors to nonmanagement personnel.

18 ~~((h))~~ (8) The state auditor must solicit comments on
19 preliminary performance audit reports from the audited state agency,
20 the office of the governor, the office of financial management, the
21 board, the chairs and ranking members of appropriate legislative
22 committees, and the joint legislative audit and review committee for
23 comment. Comments must be received within thirty days after receipt
24 of the preliminary performance audit report unless a different time
25 period is approved by the state auditor. All comments shall be
26 incorporated into the final performance audit report. The final
27 performance audit report shall include the objectives, scope, and
28 methodology; the audit results, including findings and
29 recommendations; conclusions; and identification of best practices.

30 ~~((i))~~ (9) The board and the state auditor shall jointly release
31 final performance audit reports to the governor, the citizens of
32 Washington, the joint legislative audit and review committee, and the
33 appropriate standing legislative committees. Final performance audit
34 reports shall be posted on the internet.

35 ~~((j))~~ (10) For institutions of higher education, performance
36 audits shall not duplicate, and where applicable, shall make maximum
37 use of existing audit records, accreditation reviews, and performance
38 measures required by the office of financial management and
39 nationally or regionally recognized accreditation organizations

1 including accreditation of hospitals licensed under chapter 70.41 RCW
2 and ambulatory care facilities.

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

6 NEW SECTION. **Sec. 6.** RCW 43.09.265 (Local government accounting
7 —Review of tax levies of local governments) and 1995 c 301 s 16 &
8 1979 ex.s. c 218 s 7 are each repealed.

9 NEW SECTION. **Sec. 7.** The following acts or parts of acts are
10 each repealed:

- 11 (1) 2012 c 164 s 709 (uncodified); and
12 (2) 2012 c 1 s 201 (uncodified).

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