

# HOUSE BILL REPORT

## SSB 5606

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As Reported By House Committee On:  
State Government

**Title:** An act relating to auditing funds under the control of state agencies.

**Brief Description:** Directing the state auditor to scrutinize funds and accounts under the control of state agencies.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Prince, Vognild, Cantu, Fraser, Newhouse, Prentice, McAuliffe, Sutherland, Moore and Winsley).

**Brief History:**

Reported by House Committee on:  
State Government, March 31, 1993, DPA.

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### HOUSE COMMITTEE ON STATE GOVERNMENT

**Majority Report:** Do pass as amended. Signed by 9 members: Representatives Anderson, Chair; Veloria, Vice Chair; Reams, Ranking Minority Member; Vance, Assistant Ranking Minority Member; Campbell; Conway; Dyer; King; and Pruitt.

**Staff:** Kenneth Hirst (786-7105).

**Background:** A number of state accounts are managed outside of the state treasury. Some of these accounts are referred to as local funds. Typically, these funds receive revenues from licensing fees, assessments, service charges, or interest and principal repayments and the monies received by the funds are dedicated to conducting certain activities. An example of such a local fund is the agricultural local fund, a fund not subject to appropriation administered by the Department of Agriculture. This form of a local fund has revenues and expenditures. Others record their activities as assets and liabilities. The Office of Financial Management (OFM) indicates that revenues for 24 of these local funds in fiscal year 1992 totaled \$1.3 billion and expenditures totaled \$1.1 billion. In fiscal year 1992, four of the local funds which report activities as assets and liabilities had net increases in their asset accounts of \$25 million.

Still other accounts outside of the custody of the treasurer are reported as trust funds by OFM. An example of such a trust fund is the unemployment trust fund account. It is an account within the unemployment compensation fund which is managed under the authority of the commissioner of the Employment Security Department. OFM indicates that 27 of these funds and accounts had revenues of \$1.3 billion and expenditures of \$1.2 billion in fiscal year 1992.

**Summary of Amended Bill:** As part of the routine audits of state agencies, the state auditor must audit all revolving funds, local funds, and other funds and accounts that are not managed by or in the care of the state treasurer and that are under the control of state agencies. In addition to including the results of these examinations as part of the routine audits of the agencies, the auditor must 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. The report is to 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 report is to be filed by December 1, 1993, regarding any such funds and accounts audited during the 1991-93 Biennium.

**Amended Bill Compared to Substitute Bill:** The amendment requires the auditor to audit these non-treasury accounts as a part of the auditor's routine agency audit function rather than requiring the auditor to create an inventory of the accounts. The amendment also clarifies that only the accounts of state agencies, not local government, are the subject of the bill.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (1) More and more functions of government are being funded by fees that are deposited and managed in "local funds." This bill will provide greater exposure of the way these monies are being managed. (2) These reports will help the state avoid problems regarding the management of local funds.

**Testimony Against:** The bill should be amended to clarify that the "local funds" it refers to are the locally managed accounts of state agencies, not the funds of local governments.

**Witnesses:** Senator Eugene A. Prince, prime sponsor (in favor); and Jim Justin, Association of Washington Cities (concerned).