

# FINAL BILL REPORT

## E2SHB 2881

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C 232 L 98

Synopsis as Enacted

**Brief Description:** Auditing state contractors.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Clements, Dickerson, Parlette, Gombosky, Backlund, Gardner, Delvin, O'Brien and Lambert).

**House Committee on Select Vendor Committee**  
**House Committee on Government Administration**  
**House Committee on Appropriations**  
**Senate Committee on Government Operations**  
**Senate Committee on Ways & Means**

**Background:** The Office of the State Auditor is required to oversee random audits of nongovernment entities who receive over \$300,000 in state funds for the provision of social services. State agencies are required to prepare lists of nongovernment entities that meet the audit criteria, and report the lists to the Office of the State Auditor. The state auditor is required to generate two groups of nongovernment entities who will be audited: (1) a randomly selected group which is statistically representative of the total number of nongovernment entities reported by the state agencies, and (2) a second group which is chosen according to listed risk-assessment factors. All required audits are performed by private CPAs, according to standards established by the state auditor.

Except for these procedures, the state auditor has limited authority to audit entities that receive public moneys through contract or grant in return for services even if there are indications that such an entity is not maintaining adequate financial records, or is misusing state money.

**Summary:** The process for random audits of state vendors is amended. The group of entities selected for audit according to the risk-assessment model are audited directly by the auditor, rather than by a licensed CPA of their choosing. In creating this audit group, the state auditor must consider audit findings of other nongovernment entities who provide services under the same state or federal program. The auditor is required to review the results of the audits of the risk-assessment group to determine if there is evidence of misuse of public moneys.

The state auditor is authorized to investigate vendors who provide services to state agencies or their clients where there is reasonable cause to believe that a misuse of

state moneys has occurred. The state auditor may perform an audit according to agreed upon procedures consistent with the standards of the American Institute of Certified Public Accountants. The State Auditor must report any criminal misuse of state moneys to the local prosecuting attorney, and may charge the contracting agency for the cost of the audit.

These provisions are null and void unless funded in the budget.

**Votes on Final Passage:**

House 98 0

Senate 47 2 (Senate amended)

House 98 0 (House concurred)

**Effective:** June 11, 1998