

SENATE BILL REPORT

SB 6017

As Reported by Senate Committee On:
Government Operations, Tribal Relations & Elections, January 26, 2012

Title: An act relating to financial audits of local governments.

Brief Description: Addressing the financial audits of local governments.

Sponsors: Senators Ranker and Nelson.

Brief History:

Committee Activity: Government Operations, Tribal Relations & Elections: 1/12/12, 1/26/12 [DPS, w/oRec].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

Majority Report: That Substitute Senate Bill No. 6017 be substituted therefor, and the substitute bill do pass.

Signed by Senators Pridemore, Chair; Prentice, Vice Chair; Swecker, Ranking Minority Member; Chase and Nelson.

Minority Report: That it be referred without recommendation.

Signed by Senators Benton and Roach.

Staff: Karen Epps (786-7424)

Background: The State Auditor (Auditor) is responsible for conducting financial, accountability, and performance audits and conducts investigations on Whistleblower complaints and reports of fraud. In addition, the Auditor must annually audit the statewide combined financial statements prepared by the Office of Financial Management and, as a result of these audits, make post-audits of state agencies. Post-audits are conducted at periodic intervals as determined by the Auditor. Other required reports include:

- The Single Audit Report, an audit of the state that includes both the financial statements and the expenditures of federal awards by all state agencies, including institutions of higher education;
- State Government Performance Review, a comprehensive review of the performance audits and annual performance review conducted during the past year; and

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

- Local Funds Report, an audit of the financial activity and record-keeping practices of local funds.

The Attorney General (AG) provides official opinions on questions of law at the request of designated public officials on issues arising in the course of their duties. An Attorney General Opinion (AGO) is a statement of AG's official views on a legal question relating to a public officer's duties; it represents AG's official position on a point of law. Designated public officials include:

- members of the Washington State Legislature;
- statewide elected officials;
- appointed heads of state agencies, boards, or commissions; and
- county prosecuting attorneys.

A request for AGO may be answered as a formal opinion or as an informal opinion.

Summary of Bill (Recommended Substitute): If a local government has received an AGO on a specific matter relating to the exercise of its duties, the Auditor must interpret any questions of law consistent with the AG. This requirement only applies where the AG has issued an opinion regarding a specific set of facts and a specific local government, and it is limited to the Auditor's financial audits of that local government during that audit period. Additionally, the Auditor does not have to rely on an AGO if there has been a subsequent court decision on the issue or if the state law has been amended since the opinion was issued.

EFFECT OF CHANGES MADE BY GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS COMMITTEE (Recommended Substitute): Provides that, if a local government has received an AGO on a specific matter relating to the exercise of its duties, the Auditor must interpret any questions of law consistent with the AG. Establishes that this requirement only applies where the AG has issued an opinion regarding a specific set of facts and a specific local government, and it is limited to the Auditor's financial audits of that local government during that audit period. Establishes that the Auditor does not have to rely on AGOs if there has been a subsequent court decision on the issue or if the state law has been amended since the opinion was issued.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: This bill was designed to address a situation that occurred in Friday Harbor. Friday Harbor proposed a farmers' market and wanted to use the lodging tax monies to help with the permanent facility. They went to the Auditor and asked if this would qualify as a tourism-related business. The Auditor told Friday Harbor that they could spend the money and that when the audit is done, the Auditor will tell them whether it qualifies. Local governments would like some sort of opinion that they can rely on when they spend money. This bill provides local governments with some

clarity before they spend the money so that they do not get a finding that they spent the money inappropriately.

OTHER: The State Auditor's office, as a matter of protocol, interprets any question of law in the same manner as the AG's office informal and formal opinions. This is not a new protocol, as it has been in place for thirty years. The State Auditor's office routinely uses these opinions that date back 40 or 50 years. The only exception to that is when there is a subsequent court ruling or a state statute that makes the opinions invalid as written. The bill should be amended to allow the State Auditor's office to consider and use any court cases and new laws that affect informal and formal AG opinions.

Persons Testifying: PRO: Senator Ranker, prime sponsor.

OTHER: Linda Long, State Auditor's Office.