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HOUSE BILL 2699

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State of Washington                      62nd Legislature                      2012 Regular Session

By Representatives Miloscia, Green, Kelley, and Santos

Read first time 01/25/12. Referred to Committee on Education.

1            AN ACT Relating to revising the schedule of audits of school  
2 districts; and amending RCW 43.09.260.

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

4            **Sec. 1.** RCW 43.09.260 and 2009 c 564 s 927 are each amended to  
5 read as follows:

6            (1) The examination of the financial affairs of all local  
7 governments shall be made at such reasonable, periodic intervals as the  
8 state auditor shall determine, except as provided in subsection (3) of  
9 this section regarding school districts. However, an examination of  
10 the financial affairs of all local governments shall be made at least  
11 once in every three years, and an examination of individual local  
12 government health and welfare benefit plans and local government self-  
13 insurance programs shall be made at least once every two years.

14            (2) During the 2009-2011 fiscal biennium, the state auditor shall  
15 conduct audits no more often than once every two years of local  
16 governments with annual general fund revenues of ten million dollars or  
17 less and no findings of impropriety for the three-year period  
18 immediately preceding the audit period. This subsection does not  
19 prohibit the state auditor from conducting audits: (a) To address

1 suspected fraud or irregular conduct; (b) at the request of the local  
2 government governing body; or (c) as required by federal laws or  
3 regulations.

4 (3)(a) Beginning in the 2012-13 school year, a school district is  
5 subject to an examination of its financial affairs at least once every  
6 three years, but more frequent periodic audits may occur only as  
7 provided in this subsection (3):

8 (i) If the previous financial or accountability audit or audit  
9 assessment of the school district resulted in no findings of  
10 impropriety, the state auditor may not conduct an audit, but the school  
11 district shall apply for a full evaluation from the Baldrige  
12 performance excellence program or the Washington state quality award.  
13 The goal for the evaluation is for the school district to achieve an  
14 overall score of sixty percent. In the next succeeding school year,  
15 the state auditor may not conduct an audit.

16 (ii) If the previous accountability audit or audit assessment of  
17 the school district resulted in findings of impropriety, the state  
18 auditor may conduct an audit, and the school district shall also apply  
19 for a full evaluation from the Baldrige performance excellence program  
20 or the Washington state quality award. However, in no case is a school  
21 district required to apply for a Baldrige or Washington state quality  
22 award evaluation more than once every two years.

23 (b) This subsection (3) does not prohibit the state auditor from  
24 conducting audits: (i) To address suspected fraud or irregular  
25 conduct; (ii) at the request of the local government governing body; or  
26 (iii) as required by federal laws or regulations.

27 (4) The term local governments for purposes of this chapter  
28 includes but is not limited to all counties, cities, and other  
29 political subdivisions, municipal corporations, and quasi-municipal  
30 corporations, however denominated.

31 ~~((+4))~~ (5) The state auditor shall establish a schedule to govern  
32 the auditing of local governments which shall include: A designation  
33 of the various classifications of local governments; a designation of  
34 the frequency for auditing each type of local government; and a  
35 description of events which cause a more frequent audit to be  
36 conducted.

37 ~~((+5))~~ (6) On every such examination, inquiry shall be made as to  
38 the financial condition and resources of the local government; whether

1 the Constitution and laws of the state, the ordinances and orders of  
2 the local government, and the requirements of the state auditor have  
3 been properly complied with; and into the methods and accuracy of the  
4 accounts and reports.

5 ((+6+)) (7) A report of such examination shall be made and filed in  
6 the office of state auditor, and one copy shall be transmitted to the  
7 local government. A copy of any report containing findings of  
8 noncompliance with state law shall be transmitted to the attorney  
9 general. If any such report discloses malfeasance, misfeasance, or  
10 nonfeasance in office on the part of any public officer or employee,  
11 within thirty days from the receipt of his or her copy of the report,  
12 the attorney general shall institute, in the proper county, such legal  
13 action as is proper in the premises by civil process and prosecute the  
14 same to final determination to carry into effect the findings of the  
15 examination.

16 ((+7+)) (8) It shall be unlawful for any local government or the  
17 responsible head thereof, to make a settlement or compromise of any  
18 claim arising out of such malfeasance, misfeasance, or nonfeasance, or  
19 any action commenced therefor, or for any court to enter upon any  
20 compromise or settlement of such action, without the written approval  
21 and consent of the attorney general and the state auditor.

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