

# SENATE BILL REPORT

## SB 5206

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As of March 3, 2016

**Title:** An act relating to state audit findings of noncompliance with state law.

**Brief Description:** Addressing state audit findings of noncompliance with state law.

**Sponsors:** Senators Becker, Miloscia, Bailey, Braun, Padden, Hewitt, Hill, Dammeier, Honeyford and Parlette.

**Brief History:**

**Committee Activity:** Accountability & Reform: 1/21/15, 1/28/15 [DP-WM, DNP].  
Ways & Means: 2/17/15.

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### SENATE COMMITTEE ON ACCOUNTABILITY & REFORM

**Majority Report:** Do pass and be referred to Committee on Ways & Means.  
Signed by Senators Miloscia, Chair; Padden, Vice Chair; Dandel.

**Minority Report:** Do not pass.  
Signed by Senators Fraser, Ranking Member; Jayapal, Ranking Minority Member.

**Staff:** Karen Barrett (786-7413)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Steve Jones (786-7440)

**Background:** Audits. The State Auditor annually audits certain financial statements prepared by the Office of Financial Management (OFM) and conducts post-audits of state agencies. The Auditor must send reports of its audits to the Governor, OFM, the state agency audited, the Joint Legislative Audit and Review Committee (JLARC), legislative fiscal committees, and the Secretary of the Senate and Chief Clerk of the House. The Auditor must send reports of audits finding that an agency has not complied with state law to the Attorney General.

Contracting Out. Under certain circumstances, state agencies may contract out for services that are customarily provided by civil service employees. Among other requirements, employees who would be displaced by contracting out must have an opportunity to offer

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alternatives or compete for the contract. These requirements do not apply to contracting out for some services, including printing services and certain data services.

**Summary of Bill:** Several steps are mandated if the State Auditor finds, in an audit, that an agency has not complied with state law.

Within 30 days of receiving an audit finding that it has not complied with state law, the audited agency must submit a response and remediation plan to the Governor, State Auditor, OFM, JLARC, and relevant House and Senate fiscal and policy committees. If, at the next succeeding audit, the Auditor determines that the audited agency has not made substantial progress in remediating its noncompliance, the Auditor must notify the foregoing entities, including OFM. Within six months of receiving notice, OFM must request bids or proposals to contract with a public or private entity to perform the function that is the subject of the finding of noncompliance. The audited agency is barred from submitting a proposal or bid for the contract. Within six months of issuance of the request for bids or proposals, OFM must award the contract and supervise its administration. The audited agency must bear the cost of the contract.

Requirements regarding contracting out of services customarily provided by state civil service employees do not apply.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**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 (Accountability & Reform):** PRO: This bill addresses cases in which agencies do not comply with laws requiring reporting of agency activities. It holds agencies accountable for failing to comply with the law and provides an appropriate remedy.

CON: The exemption from usual requirements regarding contracting out of services customarily provided by state civil service employees is inappropriate. Employees should have a chance to compete for contracts.

**Persons Testifying on Original Bill (Accountability & Reform):** PRO: Senator Becker, Prime Sponsor.

CON: Alia Griffing, Jeanine Livingston, WA Federation of State Employees.

**Staff Summary of Public Testimony on Original Bill (Ways & Means):** PRO: In hearings before JLARC, some agencies have indicated that they have not completed reports to the Legislature as required by law. This legislation will provide a budget-neutral measure of accountability. Legislative reporting requirements are an important method to maintain accountability with the Legislature and the public.

OTHER: OFM supervises the process of audit resolution with state agencies. There are often legitimate reasons for a second audit to make a finding of noncompliance. OFM works with state agencies to complete compliance with state and federal audits and with the state Budget and Accounting Act. Audit findings are sometimes repeated in two successive audits because of timing issues, workload demands, and fiscal resources. This does not mean that agencies are not addressing these issues; the process takes time.

**Persons Testifying on Original Bill (Ways & Means):** PRO: Senator Becker, Prime Sponsor.

OTHER: Wendy Jarrett, OFM.