

# SENATE BILL REPORT

## SSB 5206

---

---

As Amended by House, 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:** Senate Committee on Ways & Means (originally sponsored by 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, 2/24/15 [DPS, w/oRec].

Passed Senate: 3/11/15, 47-2; 2/12/16, 43-6.

Passed House: 3/03/16, 96-0.

---

### 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; Dansel.

**Minority Report:** Do not pass.

Signed by Senators Fraser, Ranking Member; Jayapal, Ranking Minority Member.

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

---

### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5206 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Bailey, Becker, Billig, Brown, Fraser, Hasegawa, O'Ban, Padden, Parlette, Rolfes, Schoesler, Warnick and Kohl-Welles.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Hatfield.

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

---

*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.*

**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 alternatives or compete for the contract. These requirements do not apply to contracting out for some services, including printing services, certain data services, and contracts expressly mandated by the Legislature.

**Summary of Substitute 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. The Senate Committee on Facilities and Operations and the Executive Rules Committee of the House of Representatives are authorized to refer the finding of noncompliance to the Attorney General for legal action.

**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.

**House Amendment(s):** Limits the agencies required to submit a remediation plan to those operating with a biennial budget that exceeds \$1 billion from the state general fund. The obligation to prepare and submit a plan to remediate would be subject to the availability of funds specifically appropriated for the purpose of remediation. Agencies would have 90 days - up from 30 days - after the State Auditor determines the audited agency is out of compliance with state law to submit its remediation plan to the Governor, State Auditor, OFM, JLARC, and relevant House and Senate fiscal and policy committees. Language is removed that authorized the Senate Committee on Facilities and Operations and the Executive Rules Committee of the House of Representatives to refer the finding of noncompliance to the Attorney General for legal action. The change to the underlying bill from the Senate does not preclude that action but does not make that consequence explicit.