
SUBSTITUTE HOUSE BILL 1008

State of Washington

64th Legislature

2015 Regular Session

By House General Government & Information Technology (originally sponsored by Representatives Smith, Hudgins, Hayes, Stanford, Moeller, Magendanz, and Buys)

READ FIRST TIME 02/16/15.

1 AN ACT Relating to authorizing the state auditor to conduct
2 audits of state government and local agencies' data storage and
3 management practices thereby protecting privacy and securing personal
4 information from computer hacking or misuse of data; amending RCW
5 43.09.050, 43.09.055, 43.09.185, and 42.30.110; and adding a new
6 section to chapter 43.09 RCW.

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

8 **Sec. 1.** RCW 43.09.050 and 1992 c 118 s 6 are each amended to
9 read as follows:

10 The auditor shall:

11 (1) Except as otherwise specifically provided by law, audit the
12 accounts of all collectors of the revenue and other holders of public
13 money required by law to pay the same into the treasury;

14 (2) In his or her discretion, inspect the books of any person
15 charged with the receipt, safekeeping, and disbursement of public
16 moneys;

17 (3) Investigate improper governmental activity under chapter
18 42.40 RCW;

19 (4) In his or her discretion, conduct an audit of a state or
20 local agency to determine if the agency's data management and storage
21 practices are consistent with adopted standards;

1 (5) Inform the attorney general in writing of the necessity for
2 the attorney general to direct prosecutions in the name of the state
3 for all official delinquencies in relation to the assessment,
4 collection, and payment of the revenue, against all persons who, by
5 any means, become possessed of public money or property, and fail to
6 pay over or deliver the same, and against all debtors of the state;

7 (~~(+5)~~) (6) Give information in writing to the legislature,
8 whenever required, upon any subject relating to the financial affairs
9 of the state, or touching any duties of his or her office;

10 (~~(+6)~~) (7) Report to the director of financial management in
11 writing the names of all persons who have received any moneys
12 belonging to the state, and have not accounted therefor;

13 (~~(+7)~~) (8) Authenticate with his or her official seal papers
14 issued from his or her office;

15 (~~(+8)~~) (9) Make his or her official report annually on or before
16 the 31st of December.

17 **Sec. 2.** RCW 43.09.055 and 1998 c 232 s 3 are each amended to
18 read as follows:

19 The state auditor may, where there is reasonable cause to believe
20 that a misuse of state moneys has occurred, or misuse or
21 inappropriate management of citizen data, conduct an audit of
22 financial, data management, and legal compliance of any entity that
23 receives public moneys through contract or grant in return for
24 services. This authority includes examinations of (~~not-for-profit~~
25 ~~corporations who~~) nonprofit corporations that provide personal
26 services to a state agency or to clients of a state agency. Such a
27 financial audit shall be performed in a manner consistent with this
28 chapter, and may be performed according to an agreed upon procedures
29 engagement as in the existing 1998 standards of the American
30 institute of certified public accountants professional standards
31 section 600.

32 The state auditor may charge the contracting agency, whether
33 state or local, for the costs of an audit of a (~~not-for-profit~~)
34 nonprofit corporation that receives public moneys through contract or
35 grant in return for services. Any contracting agency that is
36 responsible to the state auditor for such costs shall use due
37 diligence to recover costs from the audited entity.

1 **Sec. 3.** RCW 43.09.185 and 1995 c 301 s 8 are each amended to
2 read as follows:

3 (1) State agencies and local governments shall immediately report
4 to the state auditor's office known or suspected loss of public funds
5 or assets or other illegal activity.

6 (2) State agencies and local governments shall notify the state
7 auditor of a computer breach, as defined by RCW 42.56.590.

8 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.09
9 RCW to read as follows:

10 (1) Audits of a state agency's data management and storage
11 practices shall be conducted pursuant to the standards established by
12 the state auditor.

13 (2) Local governments must adopt standards for data management
14 and storage practices and establish a schedule to institute those
15 standards, allowing time for the procurement of needed applications
16 and equipment, and staff training. Standards must be consistent with
17 the intended outcomes of those established by the chief information
18 officer under RCW 43.41A.025, or other generally accepted standards
19 for information security. Effective July 1, 2018, the state auditor's
20 office may begin local government audits to assess whether local
21 governments are meeting the standards adopted for data management and
22 storage practices.

23 (3) The state auditor's office shall consult with the office of
24 the chief information officer and local governments in providing
25 training on information security for state and local governments.

26 (4) Results of audits under this section shall be provided only
27 to the state agency executive officer or local government executive
28 body.

29 **Sec. 5.** RCW 42.30.110 and 2014 c 174 s 4 are each amended to
30 read as follows:

31 (1) Nothing contained in this chapter may be construed to prevent
32 a governing body from holding an executive session during a regular
33 or special meeting:

34 (a)(i) To consider matters affecting national security;

35 (ii) To consider, if not included in (a)(i) of this subsection,
36 information regarding the infrastructure and security of computer and
37 telecommunications networks, security and service recovery plans,
38 security risk assessments, and security test results, to the extent

1 that they identify specific system vulnerabilities, and other
2 information that if made public may increase the risk to the
3 confidentiality, integrity, or availability of agency security or to
4 information technology infrastructure or assets;

5 (b) To consider the selection of a site or the acquisition of
6 real estate by lease or purchase when public knowledge regarding such
7 consideration would cause a likelihood of increased price;

8 (c) To consider the minimum price at which real estate will be
9 offered for sale or lease when public knowledge regarding such
10 consideration would cause a likelihood of decreased price. However,
11 final action selling or leasing public property shall be taken in a
12 meeting open to the public;

13 (d) To review negotiations on the performance of publicly bid
14 contracts when public knowledge regarding such consideration would
15 cause a likelihood of increased costs;

16 (e) To consider, in the case of an export trading company,
17 financial and commercial information supplied by private persons to
18 the export trading company;

19 (f) To receive and evaluate complaints or charges brought against
20 a public officer or employee. However, upon the request of such
21 officer or employee, a public hearing or a meeting open to the public
22 shall be conducted upon such complaint or charge;

23 (g) To evaluate the qualifications of an applicant for public
24 employment or to review the performance of a public employee.
25 However, subject to RCW 42.30.140(4), discussion by a governing body
26 of salaries, wages, and other conditions of employment to be
27 generally applied within the agency shall occur in a meeting open to
28 the public, and when a governing body elects to take final action
29 hiring, setting the salary of an individual employee or class of
30 employees, or discharging or disciplining an employee, that action
31 shall be taken in a meeting open to the public;

32 (h) To evaluate the qualifications of a candidate for appointment
33 to elective office. However, any interview of such candidate and
34 final action appointing a candidate to elective office shall be in a
35 meeting open to the public;

36 (i) To discuss with legal counsel representing the agency matters
37 relating to agency enforcement actions, or to discuss with legal
38 counsel representing the agency litigation or potential litigation to
39 which the agency, the governing body, or a member acting in an
40 official capacity is, or is likely to become, a party, when public

1 knowledge regarding the discussion is likely to result in an adverse
2 legal or financial consequence to the agency.

3 This subsection (1)(i) does not permit a governing body to hold
4 an executive session solely because an attorney representing the
5 agency is present. For purposes of this subsection (1)(i), "potential
6 litigation" means matters protected by RPC 1.6 or RCW 5.60.060(2)(a)
7 concerning:

8 (i) Litigation that has been specifically threatened to which the
9 agency, the governing body, or a member acting in an official
10 capacity is, or is likely to become, a party;

11 (ii) Litigation that the agency reasonably believes may be
12 commenced by or against the agency, the governing body, or a member
13 acting in an official capacity; or

14 (iii) Litigation or legal risks of a proposed action or current
15 practice that the agency has identified when public discussion of the
16 litigation or legal risks is likely to result in an adverse legal or
17 financial consequence to the agency;

18 (j) To consider, in the case of the state library commission or
19 its advisory bodies, western library network prices, products,
20 equipment, and services, when such discussion would be likely to
21 adversely affect the network's ability to conduct business in a
22 competitive economic climate. However, final action on these matters
23 shall be taken in a meeting open to the public;

24 (k) To consider, in the case of the state investment board,
25 financial and commercial information when the information relates to
26 the investment of public trust or retirement funds and when public
27 knowledge regarding the discussion would result in loss to such funds
28 or in private loss to the providers of this information;

29 (l) To consider proprietary or confidential nonpublished
30 information related to the development, acquisition, or
31 implementation of state purchased health care services as provided in
32 RCW 41.05.026;

33 (m) To consider in the case of the life sciences discovery fund
34 authority, the substance of grant applications and grant awards when
35 public knowledge regarding the discussion would reasonably be
36 expected to result in private loss to the providers of this
37 information;

38 (n) To consider in the case of a health sciences and services
39 authority, the substance of grant applications and grant awards when
40 public knowledge regarding the discussion would reasonably be

1 expected to result in private loss to the providers of this
2 information.

3 (2) Before convening in executive session, the presiding officer
4 of a governing body shall publicly announce the purpose for excluding
5 the public from the meeting place, and the time when the executive
6 session will be concluded. The executive session may be extended to a
7 stated later time by announcement of the presiding officer.

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