

HOUSE BILL REPORT

SSB 5372

As Passed House:
April 7, 2017

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 State Government (originally sponsored by Senators Becker, Rivers, Brown, Miloscia, O'Ban, Zeiger and Angel).

Brief History:

Committee Activity:

State Government, Elections & Information Technology: 3/15/17, 3/21/17 [DP].

Floor Activity:

Passed House: 4/7/17, 96-0.

Brief Summary of Substitute Bill

- Requires state agencies receiving a State Auditor's Office (Auditor) post-audit finding of noncompliance with state law to submit a remediation plan to the Governor, relevant legislative committees, and other entities.
- Requires the Auditor to notify the Governor, relevant legislative committees, and other entities if substantial progress in remediation is not made at the subsequent audit.
- Allows specified legislative committees to refer a failure to make substantial progress in remediation to the Attorney General.

HOUSE COMMITTEE ON STATE GOVERNMENT, ELECTIONS & INFORMATION TECHNOLOGY

Majority Report: Do pass. Signed by 9 members: Representatives Hudgins, Chair; Dolan, Vice Chair; Koster, Ranking Minority Member; Volz, Assistant Ranking Minority Member; Appleton, Gregerson, Irwin, Kraft and Pellicciotti.

Staff: Joan Elgee (786-7106).

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:

The Office of Financial Management (OFM) prepares statewide combined financial statements, and the State Auditor's Office (Auditor) audits these statements annually. The Auditor also conducts post-audits of individual state agencies. A post-audit is an audit of the books, records, funds, accounts, and financial transactions of a state agency for a complete fiscal period. The Auditor has established auditing cycles of one to three years for these audits, depending on the size of the agency, federal requirements, and other factors. The Auditor may also conduct a follow-up audit of a state agency. The Auditor must send reports of its audits to the Governor, the 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 of Representatives (House). The Auditor must send reports of audits finding that an agency has not complied with state law to the Attorney General (AG).

The director of the OFM must cause corrective action to be taken within six months of the Auditor's exception to specific expenditures of an agency or other practices related to an agency's financial transactions. The corrective action may include the withholding of funds to the agency. The OFM requires agencies to submit a corrective action plan to the OFM within 30 days of the Auditor's issuance of an exception and for the agency head to submit a certification to the OFM when the corrective action has been completed. The director of the OFM annually reports the status of audit resolutions to the appropriate legislative committees, the Auditor, and the AG.

Summary of Bill:

Several steps are mandated if the Auditor finds, in an audit, that an agency has not complied with state law.

Within 30 days of receiving an audit finding that the agency has not complied with state law, the audited agency must submit a response and remediation plan to the OFM. The OFM must then submit the response and remediation plan to the Governor, Auditor, JLARC, and relevant House and Senate fiscal and policy committees (legislative committees) within 60 days of the initial audit findings. 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 OFM, Governor, Auditor, JLARC, and legislative committees.

A legislative committee may refer a failure to make substantial progress in remediating noncompliance to the Senate Committee on Facilities and Operations or the Executive Rules Committee of the House, which may refer the matter to the AG for legal action.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is an accountability and transparency bill. There have been issues with agencies not completing reports, or the reports had errors. The Legislature needs this information, and the bill will get the agencies to do the work. Agencies with noncompliance issues will be required to submit a response and a plan to fix the issue found in the audit within 30 days. Audits should be something other than a piece of paper. Sometimes agencies take more than one audit cycle to correct issues. The bill creates a fair and justifiable process. The substitute bill gives the OFM a bit more time to review the plans.

(Opposed) None.

Persons Testifying: Senator Becker, prime sponsor; Scott Nelson, Office of the Washington State Auditor; and Sherry Sawyer, Governor's Policy Office.

Persons Signed In To Testify But Not Testifying: None.