

SENATE BILL REPORT

SB 5997

As Reported by Senate Committee On:
State Government, Tribal Relations & Elections, January 26, 2018

Title: An act relating to the state auditor's duties and procedures.

Brief Description: Addressing the state auditor's duties and procedures.

Sponsors: Senators Hunt and Kuderer; by request of State Auditor.

Brief History:

Committee Activity: State Government, Tribal Relations & Elections: 1/19/18, 1/26/18 [DP, DNP].

Brief Summary of Bill

- Allows the state auditor (auditor) to establish rules for agency reporting of loss of funds, assets, or other illegal activity.
- Makes updates or removes certain audit functions and reports required by the auditor.

SENATE COMMITTEE ON STATE GOVERNMENT, TRIBAL RELATIONS & ELECTIONS

Majority Report: Do pass.

Signed by Senators Hunt, Chair; Kuderer, Vice Chair; Saldaña and Zeiger.

Minority Report: Do not pass.

Signed by Senator Miloscia, Ranking Member.

Staff: Melissa Van Gorkom (786-7491)

Background: Auditor. The auditor is authorized to audit public accounts, investigate improper governmental activity, request prosecutions of wrongdoings, and report on its findings. The auditor may also conduct independent, comprehensive performance audits of public agencies.

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.

Loss of Public Funds. State agencies and local governments must immediately report any known or suspected loss of public funds or assets, or other illegal activity to the State Auditor's Office.

Toll-Free Hotline. The auditor must establish a toll-free telephone line available to public employees and members of the public to recommend ways to improve efficiency in state and local government. The hotline may be used to report waste, inefficiency, or abuse, as well as incidents of achievement and efficiency. The auditor must conduct initial reviews of each recommendation received and designate staff to conduct further examination or audit if required. The auditor must prepare a written determination of the investigation performed that includes recommendations. The report must be distributed to the affected state agencies.

Financial Audits. For examination of routine audits of state agencies' financial affairs; the auditor reviews all revolving funds, local funds and other state funds and state accounts that are not managed by or in the care of the state treasurer, and that are under the control of the state agencies. In conducting the audits the auditor examines revenues and expenditures or assets and liabilities, accounting methods and procedures, and recordkeeping practices. The auditor is required to report to the Legislature within five months of the end of each biennium on the status of all financial affairs audits during the preceding biennium and any recommendations for their improved financial management.

Local governments must submit financial reports to the state Auditor's Office for each fiscal year. The reports must contain:

- collections made or receipts received by officers from all sources;
- accounts due to the public treasury but not collected;
- expenditures for every purpose and which authority authorized the expenditure;
- a statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government;
- a statement of the entire public debt of every local government including other relevant information; a classified statement of all receipts and expenditures by any public institution;
- and a statement of all expenditures for labor relations consultants, with the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement.

The examination of the financial affairs of all local governments is done on periodic intervals as determined by the auditor but must be made at least once in every three years and must include review of the tax levies of all local governments.

Performance Audits for Transportation Related Agencies. The Transportation Performance Audit Board was established in 2003 under chapter 44.75 RCW to primarily provide oversight and accountability of transportation-related agencies through the use of performance audits and review of performance measures and outcomes. In 2005 statewide transportation governance was restructured and voters approved Initiative 900, requiring the state auditor to conduct performance audits of state and local governments including state and local transportation governmental entities and each of their agencies, accounts, and programs.

Performance Audits of Long-Term In-Home Care. The auditor is required under Initiative 1163, approved by the voters in November 2011, to conduct performance audits of the long-term in-home care program on a biennial basis. As part of the auditing process, the state shall hire five additional fraud investigators to ensure that clients receiving services at taxpayers' expense are medically and financially qualified to receive the service and are actually receiving the service.

Summary of Bill: Loss of Public Funds. The auditor is granted rulemaking authority for agency reporting of loss of funds, assets, or other illegal activity.

Toll-Free Hotline. The auditor must distribute the conclusions of investigations of improper government activity conducted based toll-free hotline recommendations to the affected local agencies, in addition to state agencies.

Fiscal Audits. The requirement for the auditor to report to the Legislature within five months of the end of each biennium on the status of all state financial affairs audits during the proceeding biennium and any recommendations for their improved financial management is removed.

The requirement for the auditor to receive statements of labor relations consultant information in the local government fiscal reports is removed, and the auditor is no longer required to review the tax levies of all local government as part of the periodic examination of the fiscal affairs of local government.

Performance Audits. References to repealed language concerning the Transportation Performance Audit Board responsibility to conduct performance audits for transportation related agencies are removed from the statute. The auditor retains authority to direct performance audits and to review performance measures and outcomes of transportation-related agencies.

The requirement for the auditor to conduct performance audits of the long-term in-home care program on a biennial basis is removed.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This is a technical corrections bill that is part of our process of trying to review our office for efficiencies in places we can do more work with less effort. This allows the auditors office to give greater clarification for the rules for reporting loss of public funds. Any issues that come up during audits of state funds are already reported so to report again to the Legislature is a duplicative effort that isn't required. I-1163 requires an audit of the long-term worker program every biennium but this is a small

program that doesn't really necessitate a biennial audit and we believe it could be done as a risk assessment.

Persons Testifying: PRO: Senator Sam Hunt, Prime Sponsor; Scott Nelson, Office of the State Auditor; Kelly Collins, Office of State Auditor; Chuck Pfeil, Office of the State Auditor.

Persons Signed In To Testify But Not Testifying: No one.