

SENATE BILL REPORT

SHB 1009

As of March 18, 2019

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

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

Sponsors: House Committee on State Government & Tribal Relations (originally sponsored by Representatives Dolan, Kirby and Jinkins; by request of State Auditor).

Brief History: Passed House: 3/01/19, 95-0.

Committee Activity: State Government, Tribal Relations & Elections: 3/11/19.

Brief Summary of Bill

- Allows the state auditor (auditor) to establish policies 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

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.

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

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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. When examining routine audits of state agencies' financial affairs, the auditor reviews all revolving, local, and other state funds, including state accounts that are not managed by or in the care of the state treasurer or under control of the state agencies. When conducting audits, the auditor examines revenues and expenditures, assets and liabilities, accounting methods and procedures, and recordkeeping practices. The auditor is required to report to the Legislature within five months of each biennium's end to discuss the status of all financial affairs audits during the proceeding biennium, as well as any recommendations for their improved financial management.

Local government 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, including the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement.

An examination of the financial affairs for all local governments is done on a periodic basis as determined by the auditor, but must be completed at least once every three years and include a review of all local government tax levies.

Performance Audits for Transportation Related Agencies. The Transportation Performance Audit Board was established in 2003 to provide oversight and accountability of transportation-related agencies. This is accomplished with performance audits, and review of performance measures and outcomes. In 2005, statewide transportation governance was restructured when voters approved Initiative 900 (I-900) which required the auditor to conduct performance audits on state agencies and local government, including state and local transportation governmental entities.

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 must hire five additional fraud investigators to ensure clients receiving services at taxpayers' expense are medically and financially qualified to receive the service and are actually receiving the service.

Citizen Advisory Board Performance Audit Program. The Citizens Advisory Board (board) was created in 2005 to establish criteria for performance audits, as part of a performance

audit program (program). The auditor and the board must develop a draft work plan for performance audits under the program. The auditor is required to contract out for performance audits. Every four years, the Joint Legislative Audit Review Committee is required to contract with a private entity for a performance audit of the program. The audits conducted under the board's authority are separate from the comprehensive performance audits of state and local governments, and each of their agencies, accounts, and programs, required under I-900.

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

Toll-Free Hotline. The auditor must distribute the conclusions for investigations of improper government activity conducted based on toll-free hotline recommendations, to any affected local agencies, as well as applicable state agencies.

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

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

Performance Audits. The performance audit authority under the statute is modified. 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 performance audit program under the authority of the board, and related provisions, are repealed. The requirement for the auditor to conduct performance audits of the long-term in-home care program on a biennial basis is removed. The auditor retains authority to direct performance audits under I-900.

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: The difference in this bill from the Senate version is in a recommendation from JLARC to reconcile some language for performance audits. The Auditor's Office has used I-900 for its performance audit functions and thus the substitute bill removes the Citizens Advisory Board previously authorized by the Legislature that was superseded by I-900.

Persons Testifying: PRO: Scott Nelson, State Auditor's Office.

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