

**GOVERNMENTAL OPERATIONS**

Agency 095

**Office of State Auditor**

**Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
<b>2013-15 Expenditure Authority</b>	336.3	1,509	74,264	75,773
<b>Total Maintenance Level</b>	336.3	1,530	81,320	82,850
Difference		21	7,056	7,077
Percent Change from Current Biennium	0.0%	1.4%	9.5%	9.3%
<b>Performance Changes</b>				
Reduce State Audit Services			(492)	(492)
Shift Audits to Performance Audit Account		(1,586)	1,586	
Reduce Authority to 2013-15 Levels			(4,922)	(4,922)
CTS Rate Adjustment			(10)	(10)
Legal Services			7	7
Office of Chief Information Officer			3	3
CTS Central Services		2	62	64
DES Central Services			12	12
Core Financial Systems Replacement			17	17
Time, Leave and Attendance System			23	23
State Public Employee Benefits Rate		8	443	451
Nonrepresented Job Class Specific Increases			20	20
General Wage Increase for State Employees		46	2,219	2,265
<b>Subtotal</b>		(1,530)	(1,032)	(2,562)
<b>Total Proposed Budget</b>	336.3		80,288	80,288
Difference		(1,509)	6,024	4,515
Percent Change from Current Biennium	0.0%	(100.0)%	8.1%	6.0%
<b>Total Proposed Budget by Activity</b>				
Administrative Activity	14.5	129	10,805	10,934
Audit of K-12 Budget Drivers and State Funded Programs	6.1	(129)	1,914	1,785
Local Government Audit	196.3		45,518	45,518
State Government Audit	35.1		7,751	7,751
Whistleblower Program	5.6		1,170	1,170
Local Government Budgeting, Accounting and Reporting System and Statistics	3.0		684	684
Performance Audits	75.9		12,446	12,446
<b>Total Proposed Budget</b>	336.3		80,288	80,288

## **GOVERNMENTAL OPERATIONS**

### **PERFORMANCE LEVEL CHANGE DESCRIPTIONS**

#### **Reduce State Audit Services**

The State Auditor will reduce accountability audits by approximately 15 percent. (Auditing Services Revolving Account-State)

#### **Shift Audits to Performance Audit Account**

Funding for select state school district audits will be funded from the Performance Audits of Government Account rather than General Fund-State. (General Fund-State, Performance Audits of Government Account-State)

#### **Reduce Authority to 2013-15 Levels**

Expenditure authority from the Performance Audits of Government Account is set at the 2013-15 biennium level. (Performance Audits of Government Account-Nonappropriated)

#### **CTS Rate Adjustment**

Agency budgets are adjusted to reflect changes in Consolidated Technology Services (CTS) rates. Specific changes include a reduction in metered storage rates and elimination of tailored storage rates, elimination of redundant firewalls, reduction in long distance telephone rates, a general rate reduction to reflect administrative efficiencies within CTS, and enhancements to the identity management service.

#### **Legal Services**

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect a reduction in legal service charges. The Attorney General's Office (AGO) will work with client agencies to implement stricter policies and best practices regarding utilization of its services to achieve lower legal bills.

#### **Office of Chief Information Officer**

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect increased billing levels for software subscriptions and office relocation.

#### **CTS Central Services**

Agency budgets are adjusted to update each agency's allocated share of charges from Consolidated Technology Services (CTS) to reflect an increase in business continuity/disaster recovery costs and a new allocated charge for state data network costs.

#### **DES Central Services**

Agency budgets are adjusted to update each agency's allocated share of charges and to align with anticipated billing levels from the Department of Enterprise Services (DES) in the 2015-17 biennium, including changes to the enterprise systems fee, personnel services, and small agency financial services.

#### **Core Financial Systems Replacement**

Agency budgets are adjusted to align with anticipated billings from the Office of Financial Management in the 2015-17 biennium for core financial systems replacement planning through the One Washington project.

#### **Time, Leave and Attendance System**

Agency budgets are adjusted to align with anticipated billings for the Time, Leave and Attendance system, including debt service and project completion costs.

## GOVERNMENTAL OPERATIONS

### **State Public Employee Benefits Rate**

Health insurance funding is provided for state employees who are not represented by a union or who are covered by a bargaining agreement that is not subject to financial feasibility determination. Insurance for employees covered by the health insurance coalition is included in funding for their respective collective bargaining agreements. The insurance funding rate is \$913 per employee per month for Fiscal Year 2016 and \$947 per employee per month for Fiscal Year 2017. (General Fund-State, various other accounts)

### **Nonrepresented Job Class Specific Increases**

Funding is provided for classified state employees who are not represented by a union for pay increases in specific job classes in alignment with other employees. (General Fund-State, various other accounts)

### **General Wage Increase for State Employees**

Funding is provided for wage increases for state employees who are not represented by a union or who are covered by a bargaining agreement that is not subject to financial feasibility determination. It is sufficient for a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for employees who earn \$2,500 a month or more, effective July 1, 2016; and a general wage increase of 1 percent plus a \$20 per month increase for employees who earn less than \$2,500 per month, effective July 1, 2016. This item includes both higher education and general government workers. (General Fund-State, various other accounts)

## **ACTIVITY DESCRIPTIONS**

### **Administrative Activity**

This activity provides for administration of the Office of the State Auditor

### **Audit of K-12 Budget Drivers and State Funded Programs**

The School Programs audit team assesses school district compliance with legal criteria that must be met as a condition for receiving General Fund monies. There are 295 school districts subject to this audit effort. The team also assists the Special Education Safety Net Committee, works with staff of the Office of Superintendent of Public Instruction on audit resolution, and provides training for school district staff. This audit work has been assigned to the State Auditor's Office by the Legislature via budget proviso since 1998.

### **Local Government Audit**

The Office of the State Auditor independently audits local governments at least every three years, with the exception of self-insurance plans, which are audited on a two-year cycle. There are approximately 2,400 local government entities, including counties, cities, schools, ports, public utilities, hospital districts, fire districts and a variety of other special purpose districts. Auditors use a risk-based approach, which focuses on public resources most likely to be at risk of loss or misappropriation. For each government requiring a financial statement audit or single audit, we issue financial statement opinions and single audits. Beyond examining the financial condition, accounting and reporting by local governments, the audits assess compliance with the Constitution, state laws, and local government ordinances. Any report disclosing malfeasance, misfeasance or nonfeasance in office on the part of local government officers or employees is referred to the county prosecuting attorney or federal government for recovery of funds and prosecution. Bond rating agencies rely on these audit reports in performing their assessments.

## **GOVERNMENTAL OPERATIONS**

### **State Government Audit**

The office audits annually the basic financial statements prepared by the Office of Financial Management and the required audit of federal financial assistance and conduct an examination of internal controls over public resources and compliance with the Constitution and state laws and regulations. The single audit meets legal requirements contained in the Congressional Single Audit Act. There are 168 state agencies, boards, and commissions subject to this audit effort, which uses a risk-based approach to focus on public resources at highest risk of loss or misappropriation. Audits of state agencies disclosing malfeasance, misfeasance or nonfeasance on the part of any public officer or employee are referred to the Office of the Attorney General or federal government for recovery of funds and prosecution. Bond rating agencies rely on state government audits in performing their assessments.

### **Whistleblower Program**

The Office of the State Auditor administers the state employee whistleblower program, which encourages state employees to disclose, to the extent not expressly prohibited by law, improper governmental actions. Improper governmental action means any action by an employee undertaken in the performance of the employee's official duties, which represents gross mismanagement, is a gross waste of public funds or resources, is in violation of federal or state law or rule, is of substantial and specific danger to the public health or safety, or which is gross mismanagement.

### **Local Government Budgeting, Accounting and Reporting System and Statistics**

The Office of the State Auditor, in collaboration with local governments, sets uniform accounting standards for local governments, allowing for consistent reporting of budget and financial information, timely analysis, and greater public understanding. The office helps local governments meet these standards by providing technical assistance and training. Each year, the office works with local governments to update the Budgeting, Accounting, and Reporting Systems (BARS) for local governments. Annually, the office publishes a compilation of local government comparative statistics, a 10-year history of financial information that is used for comparing entities and analyzing programs. These statistics are available on the internet in a reporting system that allows for flexible access of this data by the citizens and other users. State and local policy makers and officials and bond rating agencies often rely on the local government financial reporting system in performing their assessments. The local government financial information is also used by our auditors in assessing risk, which helps determine the scope and frequency of these audits.

### **Performance Audits**

Performance audits of state and local governments in Washington are conducted under the authority of Initiative 900, which was approved by voters in November 2005 and enacted as RCW 43.09.470. Since then, our Office has independently selected audit topics in response to citizen input, audit experience, requests by the Governor and the Legislature, and in response to emerging issues. The performance audits are conducted in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office.