

## CHAPTER 196.

[H. B. 437.]

## AUDITING OF STATE GOVERNMENT ADMINISTRATION.

AN ACT relating to state government and to promote efficiency and economy in the administration thereof, providing for post audits of all departments including the State Auditor; creating in the office of the State Auditor a Division of Departmental Audits for the purpose of making post audits; providing for financial supervision and control over all state departments, with designated exceptions; prescribing the powers and duties of certain officers and departments; changing the title of the Division of Budget in the Department of Finance, Budget and Business; amending chapter 7 of the Laws of 1921 as amended (section 10759 to section 10896, both inclusive, of Remington's Revised Statutes), by adding a new section thereto; making appropriations and declaring an emergency.

*Be it enacted by the Legislature of the State of Washington:*

SECTION 1. For the purposes of this act the term post-audit shall mean an annual audit of the books, records, funds and financial transactions of a state department as hereinafter defined for a completed fiscal period; the term pre-audit shall mean and include all other audits and examinations. The term state department shall mean and include elective officers and offices and every other office, officer, department, board, council, committee, commission, institution, authority or agency of the state government now existing or hereafter created supported wholly or in part by appropriations from the state treasury or funds under its control or by the levy, assessment, collection or receipt of fines, penalties, fees, licenses, sales of commodities, service charges, rentals, grants-in-aid, or other income provided by law, and all state educational, penal, reformatory, charitable, eleemosynary or other institutions, supported wholly or in part by appropriations from the State Treasury or funds under its control.

Definitions.

Post-audit.

Pre-audit.

State Department.

Division of  
Departmental  
Audits.

SEC. 2. There is hereby created in the office of the State Auditor a division to be known and designated as the Division of Departmental Audits. The State Auditor shall have the power to appoint and depute an assistant to be known as the Chief Examiner, who shall have charge and supervision of the Division of Departmental Audits, and shall have power, with the approval of the State Auditor, to appoint and employ such state examiners and clerical assistants as may be necessary to carry out the duties of this division.

Chief  
Examiner.

Assistants.

Duty of  
Auditor.

SEC. 3. It shall be the duty of the State Auditor through the Division of Departmental Audits, to make a post-audit of every state department as herein defined, at least once each year. A report of each such post-audit upon completion thereof, shall be made in quintuplicate and one copy shall be transmitted to the Governor, one copy transmitted to the Supervisor of the Division of Budget, Accounts and Control, one copy transmitted to the Attorney General, one copy transmitted to the state department audited, and one copy kept on file in the office of the State Auditor.

Make annual  
audit.

Report.

Copy to state  
officials.

Appropriation.

SEC. 4. The expenses incurred in making the post-audits required in this act shall be paid from an appropriation from the general fund provided by law for that purpose.

Authority of  
Auditor.

SEC. 5. The State Auditor, and the Chief Examiner and every State Examiner of the Division of Departmental Audits shall, for the purpose of making the post-audits required in this act, have the power to issue subpoenas and compulsory process and to direct the service thereof by any Constable or Sheriff to compel the attendance of witnesses and the production of books and papers before him at any designated time and place, and to administer oaths. Where any person summoned to appear before the person making such post-audit and to give testimony

Compulsory  
process.

shall neglect or refuse to appear, or shall neglect or refuse to answer any question that may be put to him touching any matter under audit, or to produce any books or papers required, the person making such audit shall apply to a Superior Court Judge of the county where the hearing arose to issue a subpoena for the appearance of such person before him; and it shall be the duty of such Superior Court Judge to order the issuing of such subpoenas for the appearance of such person forthwith before him to give testimony; and if any person so summoned shall fail to appear, or appearing shall refuse to testify or to produce any books or papers required, he shall be subject to like proceedings and penalties for contempt as witnesses in actions pending in the Superior Court. Willful false swearing in any such examination for audit shall be perjury and shall be punishable as such. If any audit discloses malfeasance, misfeasance or nonfeasance in office on the part of any public officer or employee, within thirty days from the receipt of such copy of said report it shall be the duty of the Attorney General and he is hereby authorized to institute and prosecute without delay in the proper county, such legal action as is proper in the premises by civil process and promptly and efficiently prosecute the same to final determination to carry into effect the findings of such post-audit. Before or after such legal action is commenced, it shall be unlawful for any state department or the responsible head thereof, to make a settlement or compromise of any claim arising out of such malfeasance, misfeasance or nonfeasance or any action commenced therefor, or for any court to enter up any compromise or settlement of such action without the written approval and consent of the Attorney General and the State Auditor.

Superior Court to summon upon refusal by witness.

Perjury.

Attorney General to prosecute for malfeasance.

Compromise must be approved by Attorney General.

SEC. 6. The Governor may from time to time, in his discretion provide for a post-audit of the books,

Governor  
may provide  
for audit of  
Auditor's  
account.

accounts and records of the State Auditor, and the funds under his control, such audit to be made either by independent qualified public accountants or the Division of Budget, Accounts and Control, as he may determine. The expense of making such audit shall be paid from appropriations made therefor from the general fund.

Division of  
Budget  
transferred.

SEC. 7. From and after the effective date of this act, the Division of Budget in the Department of Finance, Budget and Business shall be known and designated as the Division of Budget, Accounts and Control and shall have all the powers and duties imposed by law upon the Division of Budget, except the power and duty of making post-audits of state departments herein transferred to the Division of Departmental Audits in the office of the State Auditor, and shall have the power and duty of pre-audit hereinafter provided for and such other powers and duties as may be provided by law.

Appropriation  
construction.

SEC. 8. The total of each appropriation out of the State Treasury or funds under its control for any state department as herein defined, shall be considered the maximum amount necessary to meet the requirements of any such state department for the purposes covered by such appropriation during the designated biennium. The making of expenditures or the incurring of obligations under any appropriation or from any fund under the control of any such state department, shall be subject to the powers hereinafter granted to the Governor to control and revise expenditures and obligations under appropriations. The Governor, in the exercise of his duties under the constitution as the chief executive officer of the state, shall, subject to the limitations hereinafter provided, have and maintain direct and effective financial control and supervision over all state departments as herein defined, except the legislature, the judiciary, the elective state officers and the

Powers of  
Governor.

state institutions of higher education hereinafter specifically mentioned, for the purpose of promoting efficient and economical administration of the affairs of this state.

SEC. 9. No appropriation for any state department except the legislature, the elective state officers and the judiciary, shall become available for disbursement until the responsible head of such state department has submitted in quadruplicate, to the Supervisor of the Division of Budget, Accounts and Control, hereinafter designated as the Supervisor of Budget, quarterly estimates of the amount required for each proposed object or purpose of expenditure to be made during the ensuing quarter of the fiscal year, and until such estimates shall have been approved by the Governor. Supplemental estimates may be submitted at any time, requesting additional allowances or revisions of approved current allowances, when necessitated by unforeseeable conditions. The Supervisor of Budget shall examine each such estimate or supplemental estimate to determine whether appropriations are available therefor, whether the proposed expenditures are lawful, whether such expenditures can be made without the probability of exhausting such appropriations before the end of the appropriation period and whether there will be sufficient revenue available to meet such contemplated expenditures. The Supervisor of Budget shall make a written report of his findings and recommendations and immediately transmit the same together with such estimates and supplemental estimates, if any, to the Governor. The Governor may approve such estimates and supplemental estimates in whole or in part and he shall endorse his action thereon and transmit one copy to the State Auditor, one copy to the forwarding state department, one copy to the Supervisor of Budget and retain one copy on file in his office: *Provided*, That

Purpose.

Departments  
to submit  
estimates  
quarterly.Supervisor  
of Budget.Approval of  
Governor  
necessary.Additional  
allowances.Duties of  
Supervisor.Examination  
of estimates.

Report.

Approval.

Copy to  
Auditor.

Exceptions.

the quarterly or supplemental estimates submitted by the University of Washington, the Washington State College, the Central Washington College of Education, the Eastern Washington College of Education and the Western Washington College of Education, shall not be subject to revision by the Governor. It shall be unlawful for any state department or any officer or employee thereof, or any disbursing officer, to incur any indebtedness or financial obligation or to make any expenditures in excess of the quarterly allotment or supplemental allotment approved by the Governor as herein required.

No revision for schools.

Department not to exceed allotment.

Method of determining allowances.

SEC. 10. In passing upon estimates to be submitted under this act the Governor may take into consideration among other relevant facts the amount of the appropriation for the state department for the biennium and the unencumbered balance remaining; the reasonable needs of such state department during the fiscal quarter for ordinary operating purposes; and need, if any, for extraordinary or non-recurring purposes; the objects or purposes of the proposed expenditures and whether or not they are within the scope of the legislative appropriation; and the probability of failure of revenue in the fund against which the appropriation is made. This section shall not be construed to prevent the payment of principal and interest on the state's bonded indebtedness in the manner provided by law.

Supervisor to keep accounts.

SEC. 11. The Supervisor of Budget shall provide for the keeping of such appropriation accounts and for the installation and maintenance of such accounting systems and methods as may be necessary to prevent the making of expenditures or the incurring of obligations in excess of the approved allotments or supplemental allotments herein provided, and no warrant for any expenditure chargeable against any such allotment or supplemental allotment shall be drawn or paid from the State Treasury or funds un-

Warrants for expenditures.

der its control unless the voucher or other authority therefor shall have endorsed thereon, a certificate by the Supervisor of Budget that such proposed expenditure is for an item authorized by an approved allotment or supplemental allotment.

Not to be paid until authorized by Supervisor.

SEC. 12. That chapter 7 of the Laws of 1921 as amended (section 10759 to section 10896, inclusive, of Remington's Revised Statutes) is hereby amended by adding thereto a new section to be known as section 37a and to read as follows:

Amendment by addition.

Section 37a. Before any requisition or estimate for the purchase of materials or supplies shall be acted upon by the Division of Purchasing such requisition or estimate shall be referred to the Supervisor of Budget for investigation (a) as to the condition of the allotment for the state department submitting such requisition or estimate, (b) as to whether such proposed expenditure has been authorized by an approved allotment or supplemental allotment to such department and (c) as to whether the amount of such proposed expenditure will cause the allotment or supplemental allotment, if any, to be exceeded. If the Supervisor of Budget finds that any such proposed expenditure is not in accord with any approved allotment for such department he shall endorse his findings upon such voucher or estimate and the same shall forthwith be returned to the forwarding state department.

Examination of requisitions.

Method.

SEC. 13. The Governor, through the Division of Budget, Accounts and Control, is authorized to require all state departments subject to the provisions of this act to keep such records and accounts as shall be necessary for the administration of this act and he is further authorized, in his discretion, to maintain one or more employes in any such state department to carry out the purposes of this act. Through the Division of Budget, Accounts and Control he may make and promulgate such rules and regulations as

Governor to require records by departments.

May make rules.

are necessary and proper for the effective administration of this act.

SEC. 14. For the purpose of carrying out the provisions of this act during the biennium ending March 31, 1943, the following sums, or so much thereof as shall severally be found necessary are hereby appropriated from the general fund in the State Treasury,

Appropriations.

For the State Auditor:

Division of Departmental Audits:

Salaries, Wages and Operation..... \$40,000.00

For the Governor:

Auditing the records of the State Auditor..... \$10,000.00

For the Department of Finance, Budget and

Business:

Division of Budget, Accounts and Control:

Salaries, Wages and Operation..... \$150,000.00

Effective date.

SEC. 15. This act is necessary for the preservation of the public peace, health and safety, and for the support of the state government and its existing public institutions and shall take effect April 1, 1941.

Passed the House March 1, 1941.

Passed the Senate March 11, 1941.

Approved by the Governor March 24, 1941.