

---

## State Auditor

The State Auditor has the important responsibility to ensure that state and local governments are accountable to the public they serve. The Washington State Constitution establishes the office as the auditor of all public accounts. Every public dollar spent by state agencies and local governments comes under the Auditor's purview.

The office's primary service is the performance of regular financial and legal compliance audits of all state agencies and local governments. There are more than 2,400 local governments in Washington including all cities, counties, schools, ports and special purpose districts. Also audited are all state agencies, boards and commissions, including public colleges and universities. Fraud and other special investigations are also performed.

In addition, the Auditor administers the Employee Disclosure, or "Whistleblower Act," and investigates citizen reports of government impropriety. As an elected office, the State Auditor has the independence necessary to objectively perform audits and investigations.

Other responsibilities include prescribing local governments' uniform budgeting, accounting and reporting systems; training and technical assistance; prescribing the accounting manual for public school districts jointly with the Superintendent of Public Instruction; annually publishing local government comparative statistics; and coordinating the audit efficiency and quality assurance program.

With a staff of nearly 300 located strategically around the state, the Auditor's Office is able to deliver services effectively and efficiently.

---

# Washington Citizens' Commission on Salaries for Elected Officials

Official Position Description for Office of the Washington State Auditor

**Name: Pat McCarthy**

**Position: State Auditor**

## 1. Position Objective

The State Auditor is one of nine statewide elected officials, reporting directly to Washington citizens. The Legislature and the Governor have no direct oversight of the Office, other than approval of its budget and enactment of laws that affect the operation. That relationship ensures independence and the conduct of fair and objective audits.

The Office of State Auditor (SAO) was created in 1889 in the Washington State Constitution as the independent auditor of all public accounts. The fundamental concern of the Office is accountability for public funds. Every public dollar spent by state agencies and local governments comes under the Auditor's purview. The state's founders created the Office as a check and balance on government operations.

The office's primary service is to audit all state agencies and local governments for financial, federal and legal compliance, and to complete performance audits and cybersecurity assessment reviews of selected programs and departments. There are more than 2,400 local governments in Washington State including all cities, counties, schools, ports and special purpose districts. The office also audits the financial statements and federal program compliance of the state of Washington, along with all state agencies, boards, commissions, public colleges and universities. SAO performs more than 2,300 audits every fiscal year. These audit reports are posted on the SAO website for public transparency and distributed to key stakeholders such as the federal and state oversight agencies, as well as bond underwriters, banking institutions and the public.

## 2. Financial Dimensions

- a) Number of budgeted employees (FTEs): 440
- b) 2021-23 Biennial Budget: \$110,000,000
- c) Other dollar amounts the State Auditor controls or influences:  
Approximately \$147 Billion subject to audit

## 3. Principal Responsibilities

The State Auditor oversees, manages and is accountable for:

### State and Local Government Audits

- Accountability audits to evaluate an entity's adherence to applicable federal or state laws, rules, and its own policies and procedures. They ensure public funds are accounted for and internal controls are in place to protect public resources from misappropriation and misuse.
- Independent audit of the State's Annual Comprehensive Financial Report (ACFR) in accordance with Generally Accepted Government Auditing Standards. The outcome of this audit affects the state's credit and bond ratings. Audited financial statements are required for our state to issue bonds.

- Federal single audits for local governments when applicable and reports on whether the use of the federal funding has complied with applicable requirements.
- Local government financial statement audits to determine whether the financial statements present a reliable, accurate picture of a government's finances.
- Statewide single audit for the state of Washington. Examines whether a government has implemented good internal controls over, and materially complies with, federal requirements. The audit also determines whether the state properly accounts for federal funds.
- Compliance examinations of Washington's large utilities to ensure they are complying with the Energy Independence Act (EIA).
- School apportionment-related audits such as alternative learning experience and special education.

#### Performance Audits and Cybersecurity Audits

- Performance audits of state and local government operations to determine whether programs and services achieve intended outcomes as efficiently and effectively as possible.
- Cybersecurity Audits of state agencies and local governments under its performance audit authority to identify weaknesses in their security posture and opportunities to improve their security controls.

#### Special Investigations

- Investigations of the loss of public funds based on statutory required (RCW 43.09.185) reporting by state and local governments.
- Whistleblower Program, which gives state employees an avenue to report suspected improprieties in government actions.
- Citizen Hotline, providing a central point of contact for citizens to report suspected government waste, fraud and abuse but also commend governments for jobs well done.
- Process-compliance audits and a review of investigations into law enforcement's use of deadly force.

#### Prescription of Accounting and Reporting

- Local governments' uniform budgeting, accounting and reporting systems to ensure government financial managers follow proper accounting standards
- Public school districts accounting manual jointly with the Superintendent of Public Instruction
- Local government comparative statistics to help policymakers make effective and informed decisions
- Annual financial filing from all local governments (more than 2,400) in the state

## Technical Training and Assistance

- Extensive technical training and assistance to government organizations by audit specialists
- Non-audit services from the Center for Government Innovation, which also manages the Financial Intelligence Tool, which has been recognized with an Excellence in Accountability Award from the National State Auditors Association.

### **4. Knowledge and Skills**

Holding the state leadership position of State Auditor necessitates a knowledge and understanding of government, public policy and politics. A state leader, such as the Auditor, must have a deep understanding of government and public policy. Experience working through the legislative process and with legislative staff is another critical part of being a successful State Auditor. Working experience in government operations would facilitate the State Auditor in developing strong connections with the state and local governments being audited. Finally, understanding how to lead executives and professional staff is a great asset.

### **5. Nature and Scope**

#### ***a. Organization***

The State Auditor leads an office of approximately 440 FTEs. From offices across the state, our independent auditors help government work better and maintain public trust.

SAO serves as the public's window into government operations so citizens have information from an independent source to help them assess government accountability and performance. An estimated \$147 billion in public funds – local tax collections, state appropriations and federal funds that flow into the state – annually fall under SAO's purview. Through performance audits, SAO evaluates the effectiveness of state and local government services and functions.

The agency's audits reach every state agency, board, commission and institution of higher education. Audits also encompass all 41 different types of local governments, ranging from the City of Seattle and King County to tiny special-purpose districts designed for things like mosquito control or agricultural drainage. SAO issues about 2,400 audit reports annually and strives to have a significant positive effect on government operations. SAO's mission is to "Provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective." SAO's vision is to increase trust in government.

The breadth and depth of responsibility is greater than many similar offices across the United States, where audit authority may be limited and only extend to financial audits of the state and its agencies, and/or specific types of local governments.

#### ***b. Managerial Environment (Risks & Sensitivities)***

The State Auditor is a partisan statewide elected office, but the work must be carried out in a nonpartisan manner. Credibility and integrity are critical, and audits must be fair, objective and free of any partiality in fact and appearance.

Since state and local governments pay SAO for audit services, it works to provide high value through the audits while charging reasonable rates for audits and investigations. SAO carefully establishes priorities and balances time and resources spent on audits with the goal of demonstrating accountability. SAO constantly seeks ways to audit more efficiently while maintaining high audit quality and sufficient coverage to ensure that staff meet the constitutional and statutory expectations of the office.

Managing a diverse workforce placed in 15 facilities across the state is challenging. SAO works hard to ensure all staff, whether they are auditors, specialists, or administrative staff, are highly skilled, engaged and dedicated.

The scope and schedule of audits is affected by a steadily increasing volume of government financial reporting requirements and auditing standards established by the national Government Accounting Standards Board, the American Institute of Certified Public Accountants, and the U.S. Government Accountability Office.

The current labor shortage both internally as well as with our clients we audit puts governments and public dollars at greater risk for misuse or misappropriation.

Increased funding of state and local governments related to the pandemic has caused the SAO to re-prioritize audit efforts to ensure adequate coverage of this increased risk.

### ***c. Problem Solving***

The job of State Auditor requires considerable strategic thinking and analysis to anticipate and address emerging issues while advocating for greater accountability and better government. It requires developing innovative approaches to the work. The State Auditor must develop viable public policy ideas and work with legislators, the governor, other government officials and diverse interested parties to turn those ideas into action. The audit environment is not static; new issues constantly emerge. SAO has recently taken a more proactive role in responding to emerging information technology issues by increasing its cybersecurity audits and working to help as many local governments as possible increase their cybersecurity posture.

Audit standards regularly change, whether prompted by innovative technologies, new methodologies, corporate/government scandals, security breaches, or crisis in the financial markets. Demands and new responsibilities are also placed on SAO by the Legislature and citizen-supported initiatives.

### ***d. Accountability***

Public confidence in government is maintained by auditors performing their fact-based work with integrity and objectivity. Because the State Auditor is a statewide elected official, he or she reports directly to the people of Washington. The Legislature and Governor have no direct oversight of the Auditor's work. This independence allows the Auditor to carry out the Office's mission to serve the public interest.

The State Auditor's own performance is based on how effectively the Office evaluates accountability and provides that information to citizens.

The Office's work must withstand the rigors of regular peer review by the National State Auditors Association, independent biennial financial audits, internal audits and quality assurance reviews.

## *e. Planning*

Planning is a critical function for the State Auditor, particularly in selecting audit topics, designing the specific scope and objectives of individual audits, working with interested parties, and fairly and accurately communicating audit results. SAO must ensure that audits use appropriate government auditing standards when verifying that state and local governments are acting legally, effectively, and as economically as possible in carrying out their duties. SAO has a strong focus on process improvement, consistent with its strategic goal of operational efficiency.

## **6. Recent Changes**

**Pandemic challenges:** In addition to the significant increase in funding subject to audit, the last two years have prompted pandemic-driven change in government operations across Washington requiring our audits to measure internal controls in the digital realm; increases in ACH / wire

**Use of Deadly Force:** In 2021, under E2SHB, SAO received funding to complete process-compliance audits and a review of investigations into law enforcement's use of deadly force. We are the first public auditors in the United States to conduct this type of examination.

**Clean Energy Transformation Act (CETA):** This law went into effect May 7, 2019, and places new requirements on electric utilities to transition over time to clean energy resources to supply their retail customers. It also prescribes penalties for noncompliance with some requirements. The SAO is required to audit consumer-owned utilities' (41 electric utilities; 24 public utilities, 16 municipal utilities and one irrigation district) compliance with the requirements of RCW 19.405 and the related administrative rules adopted by the Washington Department of Commerce under WAC 194-40.

**Award-winning Audit of Agency Culture:** In 2021, SAO published a first-of-its-kind performance audit examining the workplace culture of the Department of Fish and Wildlife (DFW). The audit drew on research methods from the field of cultural anthropology to go beyond how the agency uses its resources and dig into how the work environment affected the its ability to fulfill its mission. In 2022, the National State Auditors Association recognized this audit with one of its prestigious Excellence in Accountability Awards.

**Data Sharing Agreements:** In 2021, the Legislature passed SB 5432, which included a requirement that all state agencies and local government enter into formal data sharing agreements (DSAs) before requesting or providing confidential information. Since May 2021, SAO has entered into nearly 2,300 new DSAs with its state and local audit clients.

**SAO's SecureShare:** SAO launched a customized secure file transfer tool that also can operate as a collaborative workspace. Developed with Microsoft to meet SAO's unique business requirement – to work easily and securely with more than 2,400 local governments and state agencies – SAO's SecureShare launched in July 2022.

## **7. General Comments**

With the position of State Auditor comes a responsibility to achieve results and make government work better for all Washingtonians, while holding state and local government accountable for the use of public resources. The Office is a sophisticated organization experiencing greater demand for staff to produce more work, as government risk increases. SAO remains committed to helping governments to be accountable, open, accessible and responsive to the public. SAO has consistently demonstrated results and remains fully committed to carrying out its mission with objectivity and integrity.

Since the previous update and review of the State Auditor position, the position has had a considerable increase in responsibility. In addition, the funding that is subject to review under the State Auditor's purview has increased substantially since the last review.

# Office of the Washington State Auditor Executive Team

