
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.

State Officials' Position Description

Date Completed: 7/31/2024

Action (select one): Establish Review/No Change X Update

Date Last Reviewed/Updated: 8/1/2022

Agency/Board/Commission: Washington State Auditor Total No. of Employees: 470

Incumbent's Name: Patrice McCarthy

Position Title: Washington State Auditor Incumbent Reports to: N/A

Organizational Structure (Attach an organizational chart)

Summarize the purpose and function of the organization:

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 purpose 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 function 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 2,300 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.

Position Objective

Describe the main purpose of the position to include scope and role within the organization. Describe the reporting relationship with other positions in the organization and with the agency's board/commission members, if applicable.

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 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.

Management Environment

Describe how this position plans, leads, organizes, executes, controls, directs, influences and evaluates the functions, resources, and performance of the organization. Describe the key challenges, risks, and political environment, to include key partnerships and stakeholder interactions

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 or 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. The State Auditor carefully establishes priorities and balances time and resources spent on audits with the goal of demonstrating accountability. The Auditor 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 caused the SAO to re- prioritize audit efforts to ensure adequate coverage of this increased risk.

Primary Responsibilities

List the primary responsibilities this position is accountable for, including the required results and impacts. Describe the controls or structures in place to accomplish the position's primary responsibilities.

The State Auditor is responsible 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 statutorily 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.

Qualifications – Knowledge, Skills, and Abilities

Required Education, Experience or Certifications

List the required education, experience, knowledge, skills and abilities, licenses, certifications or legal requirements needed in order to perform the full scope of this job.

See below

Desired/Preferred Education, Experience or Certifications

List the desired/preferred education, experience, knowledge, skills and abilities, licenses or certifications beyond those required.

While there are no educational requirements or required certifications to be the State Auditor, holding the state leadership position of State Auditor necessitates a knowledge and understanding of government, public policy and politics. The State 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.

State Auditor McCarthy has recently been named the incoming President for the NSAA (National State Auditors Association), recognizing her leadership and exceptional work as the Washington State Auditor.

Independent Thinking

Describe the extent and nature of the opportunity for independent thinking and discernment. What does this position refer to or use as a guide when dealing with issues and making decisions?

While the State Auditor relies on the expertise of her executive leadership team, the State Auditor is responsible for making the final decisions related to all aspects of the Office. While the office audits to standards, those standards need to be analyzed and appropriately applied to the work that the Office is responsible for.

Problem Solving

Describe the challenging issues addressed by this position. Provide examples to illustrate the process used to analyze and resolve issues.

A certain level of conflict is inherent in the mission of the State Auditor's Office, which is to hold governments accountable to the public for their use of the public's resources. The State Auditor, as the independently elected leader of the Office, must resolve the highest-level conflicts between audited governments and the Office, maintaining good relations with our colleagues in public service without sacrificing our necessary independence as auditors.

While disputes between a government and auditors are not uncommon, they occasionally require direct involvement of the State Auditor. Less common but far more complex are audit issues affecting many entities.

For example, during the coronavirus pandemic, the Federal Communications Commission (FCC) launched a program to help school districts provide students with remote-learning technology, the Emergency Connectivity Fund. Although the goals of the program were laudable and many Washington school districts made use of its funds, the FCC does not typically work directly with local school districts, and later audits by the Office found gaps in the documentation schools kept. This led to audit findings, which schools said were the result of poor guidance from the FCC. Auditor McCarthy was actively involved, maintaining that, while our findings were accurate because schools had not kept the documentation required by the FCC, the guidance issued by the FCC could have been clearer. She personally contacted the federal agency and advocated for better guidance, and worked with schools to make clear in audit reports that the Office understood many districts had believed they followed the appropriate steps.

A second example of addressing a challenging issue would be the interest of some legislators to involve the Office in police accountability reforms due to its reputation as a fair, independent reviewer. Although auditing police work is uncommon, McCarthy understood legislator's goals and interests and worked with her staff to identify a review process that met professional auditing standards. The result was legislation authorizing "use of deadly force investigation audits," the first of their kind. These review every use

of deadly force by law enforcement officers, to determine whether the investigation into the incident was independent, credible, transparent and communicated to the public.

Decision Making

What are the primary tactical and strategic decisions this position makes? What authority does this position have to make these decisions?

The State Auditor is responsible for the highest-level strategic questions the Office faces, including what types of audits to conduct, how to deploy limited resources, and what auditing authority the Office should pursue. For example, Auditor Pat McCarthy has spoken extensively with officials at all levels of government about the need for increased cybersecurity. She decided to seek additional resources from the Legislature specifically for expanded cybersecurity audits, and she worked further with legislators to delineate a multi-pronged strategic approach to cybersecurity auditing, adding audits of critical infrastructure, such as water systems, and audits of ransomware attacks, which seek to extort funds from governments to traditional full-scale cybersecurity audits of state agencies.

In another example, auditors noticed an increasing number of large-scale misappropriations, especially in smaller local governments. McCarthy made the decision to emphasize this trend with the public and elected officials, with the goal of improving fraud detection and prevention across the state. She personally served as spokesperson with news media regarding the concerning nature of fraud reports, for example, a \$277,570-misappropriation in the small town of Cusick or a \$878,115 misappropriation at the state Office of Administrative Hearings. She also personally engaged with other officials, such as the Pend Orielle County Auditor, to bring extensive anti-fraud training to Cusick and other area governments.

In making these strategic and tactical decisions, the Auditor McCarthy exercises two important aspects of her authority. First, the professional staff of the Office act under her authority as the constitutionally authorized auditor of all public accounts, making her ultimately responsible for determining the technical methods and strategic goals of state agencies and local governments. Second, as an independently elected official, the State Auditor serves as the arbitrator of interactions with audited governments by engaging with separately elected officials, such as state legislators, county commissioners and city council members.

What decisions go to another level and to whom?

Decisions that result in statewide legislative change or rulemaking would go to the appropriate legislative or rulemaking bodies.

Financial Dimensions

Auditor McCarthy approves the Auditor’s Office budget and spending plan of approximately \$145M per biennium.

In addition, at the direction of Auditor McCarthy, the Auditor’s Office is responsible for reviewing more than \$147B in spending of public funds by local and state governments.

Agency Annual Operating Budget: \$ 72.5 million

Agency Annual Capital Budget: \$ 0

Non-Monetary Impacts and Influences

Describe any non-monetary influences this position has internal and external to the organization (e.g., potential legislation, regulatory, decisions, actions, etc.).

Audit recommendations made by the Auditor’s Office have not only the opportunity for a financial impact related to potential cost savings, but these recommendations also improve service delivery and government performance.

Acknowledgement of Position Description

The signatures below indicate that the above is an accurate reflection of the work performed by this position.

Employee Signature:

Date:

Human Resources Signature:

Date:

Submit completed form and organization chart to classandcomp@ofm.wa.gov.

Office of the Washington State Auditor Executive Team

