

# Referendum Measure No. 33

\*OFFICIAL BALLOT TITLE

CHAPTER 275, LAWS OF 1961

## PRIVATE AUDITS OF MUNICIPAL ACCOUNTS

AN ACT, Relating to auditing the accounts and financial affairs of cities and towns; authorizing cities and towns to cause the official examination of their affairs to be conducted by private accountants instead of the state auditor; prescribing qualifications for, and the method of selecting, private accounts; and requiring the state auditor to prescribe and the attorney general to enforce minimum standards of accounting and reporting.

\* Ballot Title issued by John J. O'Connell, Attorney General.

Vote cast by 1961 Legislature on final passage of House Bill No. 662, now identified as Chapter 275, Laws of 1961: HOUSE OF REPRESENTATIVES: 99 members—55 Yeas; 32 Nays; 12 Absent or not voting. STATE SENATE: 49 members—27 Yeas; 19 Nays; 3 Absent or not voting.

## OFFICIAL ARGUMENT FOR CHAPTER 275, LAWS OF 1961

### TAKE POLITICS OUT OF CITY AUDITS

CITIZENS AND PUBLIC OFFICIALS SHOULD HAVE THE BENEFIT OF A COMPLETE AUDIT OF LOCAL GOVERNMENT'S AFFAIRS, WHICH WOULD INCLUDE AN EFFICIENCY AUDIT OF OPERATIONS, AND FINANCIAL AND LEGAL AUDITS BY CERTIFIED AND LICENSED PUBLIC ACCOUNTANTS.

GIVE THE CITIZENS OF WASHINGTON CITIES THE SAME BENEFIT OF TRAINED, LICENSED AND CERTIFIED PUBLIC ACCOUNTANTS AS HAS BEEN GIVEN TO THE CITIZENS OF FORTY-FIVE OTHER STATES.

#### Standards of Governmental Accounting Will Be Raised

The buyers of municipal bonds require an audit by a certified and licensed public accountant. State audit not acceptable. These professional services have also streamlined the operations of utility departments as well, by establishing efficiency in operations of single billing, purchasing, and in other ways by raising the standards of governmental accounting.

#### Definite Annual Municipal Audits Needed

The present law requires sporadic city audits only every other year. The national Committee on Governmental Accounting recommends an annual independent audit of a governmental unit by a professional public accountant.

#### Essential State Controls Still Retained

A vote "FOR" will retain necessary state controls:

- 1) Minimum standards and uniformity of audit reports and procedures.
- 2) Review of all municipal audits by State Auditor and Attorney General.
- 3) Make list of eligible municipal auditors.

#### Eliminate Government Auditing Government

One man control of audits of all cities and towns by a partisan elected official should be replaced by a nonpartisan audit made by certified or licensed public accountants who are professionally dedicated to expressing complete fairness in financial reporting to the citizens, taxpayers, and investors.

## VOTE FOR REFERENDUM No. 33

The passage of Referendum No. 33 (Ch. 275, Laws of 1961) will permit cities and towns to have the option to employ special authorized, certified or licensed public accountants for municipal audits as an alternative to a State agency. The training, qualification, and licensing of such public accountants are controlled by rigid State examinations. All reports of professional audits will be referred to the

State Auditor, who, in turn, will review them and refer questionable items to the Attorney General. The public interest will be protected and high standards of auditing, accounting, and financial reporting will be established to improve the quality of annual audits and the affairs of local governments.

COMMITTEE APPOINTED TO COMPOSE ARGUMENT FOR REFERENDUM NO. 33 (Chapter 275, Laws of 1961)

GEORGE M. LEMON  
Realtor, Appraiser and  
City Councilman, Yakima

LEO SHEEHAN  
Certified Public Accountant and  
Treasurer, Clyde Hill, Wash.

RICHARD "DICK" TAYLOR  
State Representative  
721 5th St., Mukilteo, Wash.

#### ADVISORY COMMITTEE

H. O. DOMSTAD, President  
Assoc. of Washington Cities  
Mayor, City of Bremerton

HAROLD M. TOLLEFSON  
Attorney at Law and  
Mayor, City of Tacoma

ALBERT G. HOWELL, Chairman  
King Co. Republican Cent. Com.  
4130 Arcade Bldg., Seattle

BERNARD J. HEAVEY, SR., Chairman  
King Co. Democratic Cent. Com.  
315 Times Square Bldg., Seattle

ARTHUR N. LORIG, Ph.D., C.P.A.  
Professor of Accounting  
University of Washington

**EXPLANATORY COMMENT ISSUED BY THE ATTORNEY GENERAL AS REQUIRED BY LAW**

**The Law As It Now Exists:**

At present the State Auditor is required to conduct periodic examinations of the financial affairs of all political subdivisions and taxing districts of the state. Such examinations are required to be conducted at least once every two years for cities and towns, townships, and school districts; and at least once a year in all other cases. Reports of such examinations are filed with the Attorney General. Where a report discloses malfeasance, misfeasance or non-feasance on the part of a public officer or employee, the Attorney General is charged with the duty of instituting civil proceedings, where necessary, to effectuate the auditor's findings.

**Effect of Referendum Measure No. 33 (Chapter 275, Laws of 1961) If Approved Into Law:**

This measure would authorize *cities and towns* to retain private accountants, who have been approved by the State Board of Accountancy, to conduct examinations at least annually of their financial affairs in place of the State Auditor. Where private accountants are so retained, the State Auditor and the Attorney General would establish and enforce, respectively, minimum reporting standards.

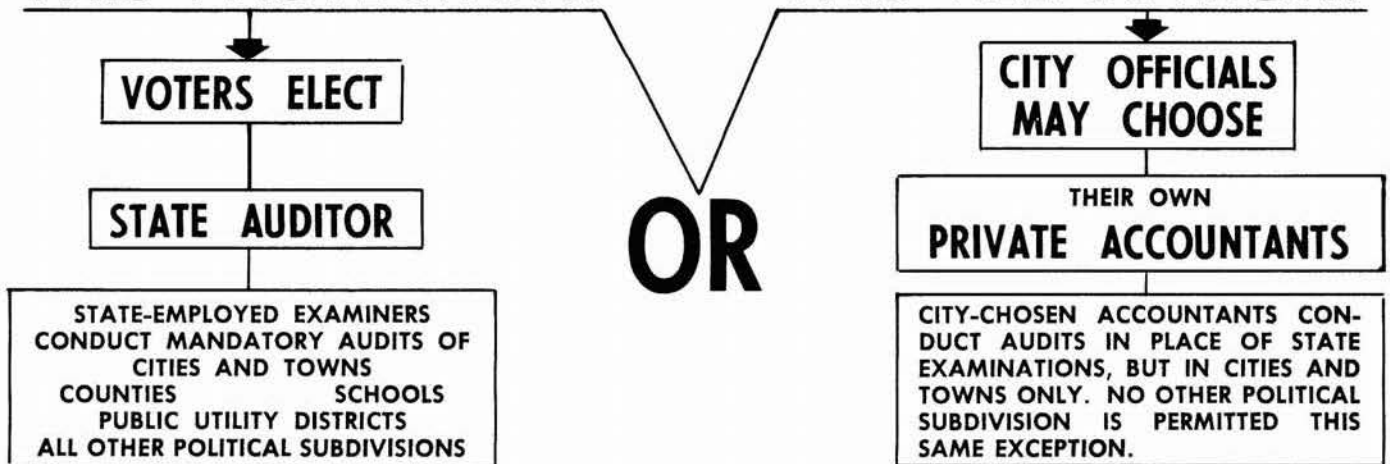
NOTE: Complete text of Referendum Measure No. 33 starts on Page 40.

OFFICIAL ARGUMENT **AGAINST** CHAPTER 275, LAWS OF 1961

**DOES THE PUBLIC WANT**

**THIS PROTECTION?**

**THIS RELAXATION?**



**CONSIDER THESE POINTS**

1. The proposed change would set cities and towns in a special class, exempted from present inter-governmental checks and balances which have safeguarded public tax dollars at City Hall level for over 50 years.
2. All State banks are examined. The proposed change would eliminate similar State agency protection of public funds and accounts in cities and towns.
3. The elected State Auditor cannot continue effective governmental audits with diminished and ambiguous powers as proposed.

**—Don't Allow Any Possible Relaxation—**

**Keep State Audits of Municipal Accounts—Vote AGAINST Referendum No. 33**

COMMITTEE APPOINTED TO COMPOSE ARGUMENT **AGAINST** REFERENDUM NO. 33 (Chapter 275, Laws of 1961)  
 CLIFF YELLE, State Auditor                      W. Z. RAMSDELL, Mayor                      JAY G. LARSON, Banker, Retired  
 Legislative Bldg., Olympia, Wash.              Town of Fircrest, Fircrest, Wash.              2715 Mt. St. Helens Place, Seattle, Wash.

ADVISORY COMMITTEE

TOM MARTIN, State Treasurer              A. L. (Slim) RASMUSSEN, State Senator              NEIL R. McKAY, Mayor, City of Olympia  
 Legislative Bldg., Olympia, Wash.              4031 Pacific Ave., Tacoma, Wash.              Olympia, Wash.  
 HELMUT L. JUELING, State Representative              H. D. WALKER, Veteran Municipal Attorney  
 215 Contra Costa, Fircrest, Tacoma 66, Wn.              Cheney, Wash.

shall pay the difference between the filing fee and the budget estimate for the costs of its establishment. Such application shall not be acted upon by the director until the full amount of the budget estimate has been deposited with him. Such fee shall not be refunded to the applicants by the director: PROVIDED, That if such stabilization and marketing plan is established, the applicants who furnished the necessary funds, as determined by the budget estimate, shall be reimbursed within a reasonable time as prescribed by the director from the assessments collected under the provisions of this act and the stabilization and marketing plan for which such budget estimate was prepared by the director.

**NEW SECTION.** Sec. 48. In addition to any other remedy provided by law, the director in the name of the state shall have the right to sue in any court of competent jurisdiction for the recovery of any moneys due it from any person subject to the provisions of this act and shall also have the right to institute suits in equity for injunc-

tive relief and for purpose of enforcement of the provisions of this act.

**NEW SECTION.** Sec. 49. Any violation of this act and/or rules and regulations adopted thereunder shall constitute a misdemeanor: PROVIDED, That this section shall not apply to retail purchasers who purchase milk for domestic consumption.

**NEW SECTION.** Sec. 50. If any provision of this act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

Passed the Senate February 28, 1961.  
Passed the House March 8, 1961.  
Approved by the Governor March 21, 1961.  
Referendum filed March 22, 1961.

Signature petitions found to be sufficient July 26, 1961 and measure certified to voters for approval or rejection at the November 6, 1962 state general election.

VICTOR A. MEYERS, *Secretary of State.*

COMPLETE TEXT OF

*Referendum Measure No. 33*

(Chapter 275, Laws of 1961)

OFFICIAL BALLOT TITLE

PRIVATE AUDITS OF MUNICIPAL ACCOUNTS

AN ACT, Relating to auditing the accounts and financial affairs of cities and towns; authorizing cities and towns to cause the official examination of their affairs to be conducted by private accountants instead of the state auditor; prescribing qualifications for, and the method of selecting, private accountants; and requiring the state auditor to prescribe and the attorney general to enforce minimum standards of accounting and reporting.

LEGISLATIVE TITLE  
(House Bill No. 662)

CITIES AND TOWNS—INDEPENDENT AUDITS

AN ACT Relating to auditing of accounts, and providing for the auditing of accounts of municipal corporations; adding five new sections to chapter 43.09 RCW; and amending section 8, chapter 76, Laws of 1909 and RCW 43.09.260.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**NEW SECTION.** Section 1. There is added to chapter 43.09 RCW a new section to read as follows:

As used in sections 1 through 5 of this amendatory act:

- (1) "Municipal corporation" means a city or town.
- (2) "Board" means the state board of accountancy.
- (3) "Accountants" means and indicates all accountants whose names are included in the special roster prepared and maintained by the board, as required in section 5 of this amendatory act.

**NEW SECTION.** Sec. 2. There is added to chapter 43.09 RCW a new section to read as follows:

Each municipal corporation, within ninety days before the end of its regular year, must notify the state auditor's office if the municipal corporation intends to have its fiscal affairs examined by an independent accountant included in the special roster maintained by the board under section

5 of this amendatory act. This notice must be in writing, indicating the accountant to be hired.

The state auditor will verify the accountant's registration with the board of accountancy list and shall notify the municipal corporation that the accountant has been approved by the board.

**NEW SECTION.** Sec. 3. There is added to chapter 43.09 RCW a new section to read as follows:

Audit of accounts and fiscal affairs of every municipal corporation which has elected to have audits made by an independent accountant as provided for in section 2 of this amendatory act shall be officially audited and examined at least once each fiscal year, or oftener if deemed advisable by the municipal corporation.

The audits and examinations shall be by contracts entered into by the municipal corporation and accountants.

Municipal corporations may contract with accountants to make system installations or revisions deemed necessary by the municipal corporations.

Compensation shall be paid in the same manner as other claims against the municipal corporation are paid.

**NEW SECTION.** Sec. 4. There is added to chapter 43.09 RCW a new section to read as follows:

The state auditor, in cooperation with the board, shall prescribe the minimum standards of audit reports, certificates and audit procedures.

Two copies of the audit reports shall be furnished to the state auditor who will review for compliance with minimum standards and will, in turn, forward one copy to the attorney general's office. If an audit report is found to be deficient, the state auditor shall so notify the attorney general for enforcing compliance with minimum standards.

**NEW SECTION.** Sec. 5. There is added to chapter 43.09 RCW a new section to read as follows:

The board shall prepare and maintain a special roster of accountants authorized to conduct the municipal audits required by section 2 of this amendatory act. Admission to the roster shall be by examination conducted by the board at a time and place prescribed by the board, including sufficient notice. Only certified public accountants and licensed public accountants holding licenses to practice in the state of Washington shall be eligible to take the examination.

Accountants passing the examination shall continue to be listed on the roster provided a fee of twenty-five dollars is paid annually. This fee shall be used by the board to defray the examination costs and roster cost.

Sec. 6. Section 8, chapter 76, Laws of 1909 and RCW 43.09.260 are each amended to read as follows:

The state auditor, the chief examiner, and every state examiner shall have power by himself or by any person legally appointed to perform the service, to examine into all financial affairs of every public office and officer.

The examination of the financial affairs of townships, cities and towns, shall be made at least once every year, whether examined by a state examiner or by independent examiners as provided for in sections 1 through 5 of this

amendatory act; all other examinations shall be made at least once a year, except for school districts, being once every two years.

On every such examination, inquiry shall be made as to the financial condition and resources of the taxing district; whether the Constitution and laws of the state, the ordinances and orders of the taxing district, and the requirements of the division of municipal corporations have been properly complied with; and into the methods and accuracy of the accounts and reports.

The state auditor, his deputies, every state examiner and every person legally appointed to perform such service, may issue subpoenas and compulsory process and direct the service thereof by any constable or sheriff, compel the attendance of witnesses and the production of books and papers before him at any designated time and place, and may administer oaths.

When any person summoned to appear and give testimony neglects or refuses so to do, or neglects or refuses to answer any question that may be put to him touching any matter under examination, or to produce any books or papers required, the person making such examination shall apply to a superior court judge of the proper county to issue a subpoena for the appearance of such person before him; and the judge shall order the issuance of a subpoena for the appearance of such person forthwith before him to give testimony; and if any person so summoned fails to appear, or appearing, refuses to testify, or to produce any books or papers required, he shall be subject to like proceedings and penalties for contempt as witnesses in the superior court. Wilful false swearing in any such examination shall be perjury and punishable as such.

Except as provided in sections 1 through 5 of this amendatory act a report of such examination shall be made in triplicate, one copy to be filed in the office of the state auditor, one in the auditing department of the taxing district reported upon, and one in the office of the attorney general. If any such report discloses malfeasance, misfeasance, or nonfeasance in office on the part of any public officer or employee, within thirty days from the receipt of his copy of the report, the attorney general shall institute, in the proper county, such legal action as is proper in the premises by civil process and prosecute the same in final determination to carry into effect the findings of the examination.

It shall be unlawful for the county commissioners or any board or officer 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 upon any compromise or settlement of such action, without the written approval and consent of the attorney general and the state auditor.

Passed the House March 2, 1961.

Passed the Senate March 9, 1961.

Approved by the Governor March 20, 1961.

Referendum filed April 3, 1961.

Signature petitions found to be sufficient July 18, 1961 and measure certified to voters for approval or rejection at the November 6, 1962 state general election.

VICTOR A. MEYERS, *Secretary of State.*