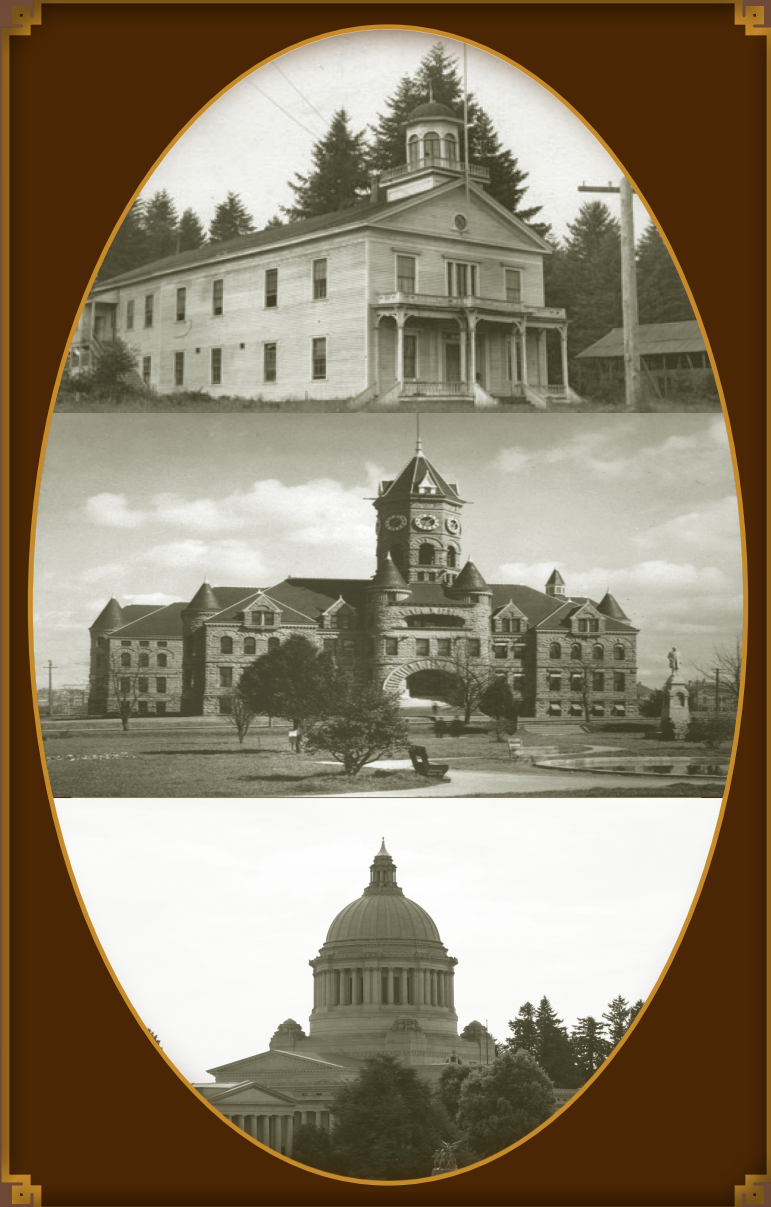


The Citizens' Advocate: History of the Washington State Auditor's Office



*By
Briahna Taylor*

THE CITIZENS' ADVOCATE: HISTORY OF THE WASHINGTON STATE AUDITOR'S OFFICE

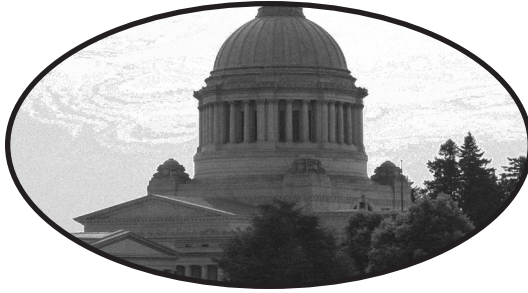
**BY
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1

INTRODUCTION



Similar to the mind-set of the framers of the U.S. Constitution, Washington State's founders were wary of unbridled government authority over citizens. They established the Office of the State Auditor as an independent check and balance on government actions and activities.

The founders foresaw an effective, independent state auditor, writing the office into the state Constitution as a position elected by Washington citizens. The Legislature was given the power to set specific responsibilities for the office. While those duties have ebbed and flowed since statehood, the state auditor has evolved into a significant watchdog to ensure government serves as a good steward of taxpayer dollars.

Today, the office audits 173 state agencies as well as roughly 2,200 local governments. Those local entities include schools, cities and towns, counties and special-purpose taxing districts. The auditor examines the books and accounts to make sure government finances are reported accurately and completely, that applicable laws and policies are followed, and that public resources are safeguarded from misappropriation, misuse and abuse. In 2005, a citizen-approved initiative further expanded the office's authority to audit the performance and effectiveness of government programs and services. All these responsibilities are carried out with a staff of about 320 in Olympia and in 14 regional offices across the state.

Throughout the state's history, the nine state auditors elected to the office were principled individuals who served with integrity and with a strong dedication to the public interest. Each left a legacy that advanced government accountability. The history of the office also predates statehood, with the service of nine territorial auditors.

Current State Auditor Brian Sonntag recognizes and values the office's fundamental and critical constitutional responsibilities to Washington citizens. His interest and appreciation of the auditors who came before him resulted in this book about

the history of the office. Sonntag commissioned the book to ensure the public understands what the state founders wanted and how the office evolved into what it is today – an advocate for Washington's taxpayers.

1

AUDITORS OF TERRITORIAL DAYS



The Office of State Auditor is rooted in a responsibility that was envisioned before statehood when Washington was a territory. The Territorial Legislature created a territorial auditor's office, setting the stage for including the office in the Constitution when Washington became a state.

Abundant resources, fertile lands and easily accessible water made the Pacific Northwest a hot spot for pioneer settlers in the latter half of the 19th Century. As part of a migration west, the region now known as Western Washington had attracted about 2,000 settlers by 1850.

In the mid-1800s, present-day Washington was part of the Oregon Territory. It was difficult for residents north of the Columbia River to participate in the Oregon Territorial Government.¹ All territorial government activities were conducted in the Willamette Valley area in present-day Oregon State.² That made it difficult for northern settlers and their representatives to attend legislative sessions and actively lobby the territorial government. People north of the Columbia River grew apprehensive because of limited access to their government and because the needs of a growing population for government services were not met. As more pioneers settled in the northern area, a separate new territorial government seemed necessary.

It took multiple attempts before the area north of the Columbia River earned its independence and became the Washington Territory. A so-called Cowlitz Convention marked the first effort to create a proposed Columbia Territory. The convention was held on July 4, 1851, at a politician's home in present-day Cowlitz County. However, a proposal for a territory did not materialize until what was known as the Monticello Convention on November 25, 1852. Participants there drafted a formal request to Congress that the area north and west of the Columbia River be established as the Territory of Columbia. "Columbia" subsequently was

¹ Wilfred J. Airey, "A History of the Constitution and Government of Washington Territory," (Ph. D. diss., University of Washington, 1945) 3.

² Airey, 16.

changed to “Washington,” and the Oregon Legislature recognized the Washington Territory. Once Oregon no longer claimed as its own the area encompassing the proposed Washington Territory, Congress passed the Organic Act of 1853. It officially created the Washington Territory and provided a preliminary territorial constitution. A territorial government then was organized.

The newly formed Washington Territorial Government faced many challenges. Territory-wide communications were difficult. Settlements were few and a fair distance from one another. Mail delivery was sporadic. What few roads existed were barely passable.³ Legislators traveled by foot, horseback and boat, and the journeys were difficult and sometimes dangerous. For example, one incoming legislator, J. L. Brown, died during the then-exhausting trip from Pacific County to Olympia.

The early territorial government was controlled by congressional mandates and had little autonomy to establish order. In addition to creating the Washington Territory, the Organic Act asserted heavy federal authority over the territory. The act identified the executive positions that would govern the territory: governor, marshal, chief justice, two associate judges, territorial attorney and secretary. Congress appointed these executive positions.⁴ The Organic Act did not create a position of territorial auditor.

But with the minimal amount of local authority it had, Washington's Territorial Legislature created the position of auditor in 1854. Legislators acted on the last day of their session that year, convening the House and Council – as the Senate was called at that time -- jointly to select a territorial auditor.⁵ No records were found reflecting whether anyone actually served as territorial auditor prior to 1858, who might have served, or even what the office's responsibilities might have been.

Most of the governors who served the territory were not residents of their territory. Congress, for the most part, appointed territorial governors who maintained residences in Washington, D.C., and made short visits to the territory only when necessary. This presented challenges for the territory's ability to govern itself. In 1875, Congress authorized the territorial governor to appoint the territorial auditor along with a treasurer and superintendent of schools.⁶

Some historians speculate that Congress was unaware the Territorial Legislature had created the auditor position until a territorial governor later visited the state and found the Legislature had indeed appointed an auditor. This demonstration of local authority spurred Congress to insist the position be appointed by their designated governor. The Territorial Legislature proposed to Congress that since the appointed

3 Don Brazier, *History of the Washington Legislature 1854-1963*, (Olympia, WA: Washington State Senate, 2000) 1.

4 Mary W. Avery, *Government of Washington State*, (Seattle and London: University of Washington. Press, 1951), 5.

5 Brazier, 5.

6 Avery, 7.

officials' salaries were being paid with territorial funds, the territory should choose those positions. Congress agreed and allowed Washington to elect its own auditor, treasurer and school superintendent. But the other appointive positions continued to be congressionally appointed.⁷ From that point to statehood, the Legislature, in joint session, selected the territorial auditor.

The Organic Act prevented the Territorial Legislature from passing legislation changing or creating duties for governor-appointed positions. Therefore, federal jurisdiction forced the auditor's duties to remain undefined. Some citizens frustrated by the federal government's authority, argued that conditions under the Organic Act were worse than being part of the Oregon Territory. In addition to the governor, many of the other appointed territorial officials lived on the East Coast and were absent for long periods of time. This slowed the normal activities of the territorial government.

Territorial Auditors

Nine known territorial auditors served Washington before it became a state. In 1864, legislators assigned the auditor these specific responsibilities: maintaining records of all receipts and disbursements, a "pre-audit" settlement of all claims and the issuance of warrants. Thus, the auditor was the general accountant of the territory. Additionally, the Legislature stipulated:

“. . . it is also the duty of the territorial auditor to report such plans as he may deem expedient for the support of the public credit; for lessening the public expenses; for using the public money to the best advantage and for promoting frugality and economy in regard to the fiscal affairs of the territory.”⁸

During Washington's territorial days, only a small number of officeholders served more than one term, usually as a form of community service or to fulfill personal agendas of financial gain and prestige.⁹ Territorial auditors followed this pattern – most served one- or two-year terms.

The auditors kept efficient records. Every territorial legislative session has a journal of all discussions. This journal includes the annual reports that the auditor submitted to the Legislature, along with reports from other territorial offices.

Urban E. Hicks: 1858-1859, 1865-1867

In 1858, the Territorial Legislature appointed the first known auditor, Urban E. Hicks. He served two separate stints as auditor—1858-59 and 1865-67. Blended with his service as auditor, he also held other positions including Thurston County clerk, assistant clerk of the first Legislature and a lieutenant in the Washington territorial military. He came to Washington from Montana with his wife in 1850,

⁷ Avery, 8.

⁸ Urban E. Hicks, *Report of the Territorial Auditor to the Legislative Assembly of 1858*, (Olympia, WA: Public Printer Bagley, 1858) 33.

⁹ Brazier, 1.

and fought in the Indian War of 1855-1856. Hicks served as editor of at least one newspaper.¹⁰ *The Daily Olympian* newspaper described Hicks as a “pioneer by right of land and legislature, Indian fighter and veteran journalist who has some to settle near Olympia.”¹¹

Financially, Hicks' tenure as auditor was burdened by a territorial debt from the Indian War. Under the federal Organic Act, counties served as the collector of local and federal taxes. Of those taxes remitted to the federal government, Congress appropriated funds to the territory to finance territorial government operations. But counties faced challenges collecting all taxes owed, thus reducing revenues submitted to the federal government and ultimately allocations to the territory. Hicks faced mounting territorial debt.

In Hicks' second term in office during the 1860s, he addressed the difficult financial condition of the territory. In his biennial report to the Legislature, Hicks reported the territory's total indebtedness was \$17,002.59. He also reported the amount of unpaid territorial warrants at \$14,638.46.¹² When examining the status of each county, he noted that many had failed to pay tax revenue in which the counties had collected on behalf of the territory. Because of these outstanding debts, the territorial government was slowly falling behind in supporting its growing population.

During Hicks' first term, the Territorial Legislature combined the position of state librarian with the territorial auditor. But acting Governor Charles H. Mason, in the sixth annual session of the Legislature, offered an alternative. In a letter to lawmakers on December 8, 1858, the governor proposed:

“I will suggest, for your consideration, that the law uniting the office of Territorial Auditor and the Librarian be repealed, and the County Auditor, of the county in which the capitol may be located, be ex-officio Librarian, giving bonds for his faithful performance of this duty, in addition to his bonds as County Auditor. His duties as Auditor, could be performed at the Library, as well as any other places, and he could, at the same time, keep charge of the books, for which under these circumstances, the present salary would be an adequate remuneration.”¹³

The Territorial Legislature accepted the proposal, separating the offices of territorial auditor and librarian.

A.J. Moses: 1859-1860

In 1859, the Territorial Legislature selected Moses who served two years. But no records of his tenure or information about his service could be found.

10 Hubert Howe Bancroft, *History of Washington, Idaho, and Montana 1845-1889. Volume XXXI*, (San Francisco, CA: The History Company Publishers, 1890).

11 “Hicks Tells of Early Days,” *The Daily Olympian*, March 15, 1939.

12 Urban E. Hicks, 5.

13 Charles M. Gates ed., *Messages of the Governors of the Territory of Washington to the Legislative Assembly, 1854-1889*, (Seattle, WA: University of Washington Press, 1940), 59.

J. C. Head: 1860-1862

J. C. Head's tenure was highlighted by the Civil War and a tight financial condition. While earlier debts faced during Hicks' tenure had been paid, financial troubles for the territory lingered. Congress faced the mounting costs of the Civil War and reduced the territory's appropriations.¹⁴ This affected the entire territory, including legislators who were not given funds to travel between Olympia and their hometowns for the session. Some had to procure loans to finance their travel and stay in the territorial capitol.

R. M. Walker: 1862-1864

During R.M. Walker's tenure, many duties were added to the auditor's office. One of them was monitoring the territory's hospital for the mentally ill to ensure the "insane and idiotic" were being treated appropriately. Governor William Pickering commented on the mentally ill during an address to the Legislature's 10th annual session on December 17, 1862:

"The last session of our Territorial Legislature very wisely and humanely passed an act to provide for the safe keeping of Insane and Idiotic persons, wherein it is made the duty of the governor and auditor of the territory to provide by contract for the clothing, care, medical attendance and safe keeping of all such persons in our territory. In fulfilling his duties, in accordance with the requirements of said act, it affords me great pleasure to be able to inform you that with the co-operation and praiseworthy assistance of R. M. Walker, the territorial auditor, a favorable contract has been made with the good Sisters of Charity at Vancouver, for safekeeping all such unfortunate persons."¹⁵

Another duty added during Walker's service was the management of receipts from a newly enacted federal poll tax. From each voter under the age of 50, the county assessor was to collect a poll tax of two dollars. The territorial auditor's job was to write receipts for the poll taxes and have them printed and delivered to all those who paid.¹⁶ Walker's tenure marked the beginning of more defined duties for the auditor's office.

John Miller Murphy: 1867-1870, 1873-1874, 1888-Statehood

John Miller Murphy, who served as auditor three different times, was a prominent figure in the Washington Territory. He owned the newspaper, *The Standard*, which strongly supported liberal efforts.¹⁷ While holding the position of territorial auditor, he continued his newspaper ownership, and that created some controversy.

In 1870, many legislators pushed to hold a joint session to choose territorial officials early in the legislative session, before those territorial officer appointments could

14 Washington Territory Legislative Assembly, Statutes of the Territory of Washington Made and Passed and a Session of the Legislative Assembly, 1864–1865, (Olympia: Public Printer McElroy, 1865), 7.

15 Gates, 107.

16 Washington Territory Legislative Assembly, 7.

17 Brazier, 17.

become overshadowed by other more pressing issues. However, debates over an early joint session were quickly dropped when other issues were raised by *The Standard*, creating pressure from the public for the Legislature to immediately address the more controversial issues. The rival *North Pacific Tribune* accused Murphy of being responsible for changing the focus of the session for political purposes. The Tribune claimed Murphy knew that the Legislature would not select him as territorial auditor in an early joint session. If his pending re-appointment came later in the session, he would have had more time to convince many of the legislators to vote for him. But when the joint session was finally held, he lost the legislative vote.¹⁸

During his first term, Murphy successfully tracked the finances of the territory. The territory's financial picture was much brighter than the Civil War era. His summary enclosed in Governor Alvan Flanders' Report to the Second Biennial Session of the Legislature on October 7, 1869 stated:

“The increased valuation of the present year is about twelve percent over the aggregate returns of 1868, and fifteen percent over that of 1867, a most gratifying evidence of thrift and prosperity.”¹⁹

Murphy's second term was marred once again by controversy. Soon after he was elected, congressional action again directed that territorial officers be appointed by the territorial governor. This dramatically cut the power of the territory and angered the Territorial Legislature. Murphy's *Standard* reported that “the session though has been of the most harmonious that has ever assembled in the territory.”²⁰ Some thought his unrealistic optimism was intended to gain him the appointment by the territorial governor. Murphy denied such accusations. His reports on the territory's finances were equally optimistic:

“The financial condition of the territory during the past two years has been steadily improving, and with the present rate of taxation, prompt payment of taxes and economy, the territory may be free from indebtedness, its credit fully restored, and a balance left in the treasury at the close of the coming fiscal year.”²¹

Murphy urged the Territorial Legislature to compel delinquent counties to pay outstanding taxes owed the territory.

Murphy was pressed into service a third time after T. M. Reed, who had been the territorial auditor for 11 years, was unable to continue serving because he was elected as a delegate to the Constitutional Convention. However, Murphy did not gain the position without ridicule. Once again, he was accused of using his authority as a

18 Brazier, 22.

19 Gates, 147.

20 Brazier, 24.

21 Gates, 147.

newspaper owner to woo those who appointed him.²²

During Murphy's third term, the Constitutional Convention consumed the territorial government's attention. Murphy anticipated the costs of the territory considering statehood would be substantial. He predicted:

"A special session of the Legislative Assembly will probably be called for the purpose of adopting such measures and providing such means as shall be deemed necessary to provide additional means to defray the expenses incident thereto, which, at a moderate estimate, will amount to fifty thousand."²³

But during this last period as auditor, the territory enjoyed rapid economic growth and increased revenue.

J. G. Sparks: 1871-1872

J. G. Sparks was chosen in 1871 when John Miller Murphy lost re-appointment after his first term. That year, the state's financial situation was not encouraging. A large portion of the \$28,371.47 in taxes assessed in 1870 remained uncollected. Sparks reported that the delinquent taxes of the counties totaled \$13,697.29. To worsen the situation, the unpaid warrants totaling \$27,889.41 almost equaled the total taxes collected for that year. This financial situation spurred the territorial governor to request that the Legislature allow the treasurer and the auditor to prepare a budget, instead of the Legislature.²⁴ The Legislature responded by making the budget the duty of the treasurer, but not the auditor. The auditor would take over this responsibility for a short time after statehood.²⁵

N. S. Potter: 1872-1873

No published reports or records on N. S. Potter's term could be found.

John R. Wheat: 1875-1876

John R. Wheat was the only territorial auditor selected by appointed Governor Elisha P. Ferry and not by the Territorial Legislature. This was from the congressional assertion of power in 1875. This authority by Congress was repealed a year later. Wheat served at a time when the territory was recovering financially. However, he entered office facing the issue of paying off interest on previous loans, as reported in his correspondence with Governor Ferry:

"The territory is paying interest at the rate of 10 percentum per annum for an average period of 18 months on all unpreferred treasury warrants, and that the market value of these warrants is from 15 to 25 per cent below par. The loss to the territory during the past four years by reason of payment of interest has been

²² Brazier, 34.

²³ Washington Territorial Auditor John Miller Murphy, Biennial Report of the Territory of Washington Made and Passed and a Session of the Legislative Assembly, 1864 - 1865, (Olympia: Public Printer McElroy, 1865) 7.

²⁴ Gates, 209.

²⁵ Avery, 43.

\$13,721.03. The loss by depreciation cannot be accurately ascertained, but is estimated at \$8,000, making the actual loss in this short period \$21,721.03.”²⁶

A timing issue existed between payables and receivables. The entire expenses of the territory would accrue before the revenue for that year was collected. This meant a temporary debt and accruing interest. Wheat identified these issues and began taking steps to improve the territory's financial situation.

Thomas M. Reed: 1877-1888

Thomas Reed served far longer than any other territorial auditor. His 11 years was marked by significant change and improvements. His achievements positioned him later to become Washington's first elected state auditor.

One of the first changes Reed encouraged the Territorial Legislature to make was related to the auditor's salary. He stated in his report to the Legislature:

“It may be proper to state further that the present salary was fixed in the year 1871, and no allowance whatever made for office, rent, stationary, lights, fuel, postage, or any other incidental expenses. The duties and responsibilities of this office have been increasing from year to year, and are today more than double what they were eight years ago. I would respectfully suggest that as a measure of wise economy the salary of this office be increased to a sum commensurate with the duties and responsibilities imposed; and further that a reasonable amount be allowed for postage, stationery, and other incidental expenses.”²⁷

Territorial Governor Ferry's correspondence with the Legislature in 1879 cited many inefficiencies in territorial government operations. They included: 1) a revenue system that seemed to be wasting much of the money, 2) unorganized collection of delinquent taxes, and 3) prevention by the Organic Act of taxing raw land. If taxed, the land would generate significant revenue.²⁸ Reed took steps to address Ferry's concerns by reevaluating the tax system.

The territorial auditor continued to supervise the state hospital for the mentally ill. In 1883, Reed spent a significant amount of his report to the Legislature discussing the issue:

“The successful and economical administration of the affairs of this Institution involving as it does the largest expenditure from the public treasury, must be considered of greatest importance. In view of the large increase of patient and consequent necessary increase of expenses, the appropriation for the past two years were exhausted before the end of the term.”²⁹

²⁶ Gates, 184.

²⁷ Washington Territorial Auditor T.M. Reed, Report of the Territorial Auditor from October 1, 1877 to October 1, 1879, (Olympia, WA: Public Printer, 1879) 44.

²⁸ Gates, 209.

²⁹ Reed, 36.

In 1885, he reported:

“Since 1879 there has been no indebtedness. Liberal appropriations have been made for humane objects, and the proper administration of the laws.”³⁰

During Reed's last year in office, he found what he described as an abuse of power by judges. He reported:

“In past reports, frequent abuse existed in the practice of some of the Probate Judges of authorizing the employment of guards to assist the sheriffs in transportation of insane patients to the asylum, when no necessity was apparent for such appointment. This abuse of power became quite general from the fact that very seldom was a patient taken to the asylum that a guard was not authorized to assist in their transfer. This indicated that either a remarkably large number of violent patients, or a very lax system of ascertaining the necessity for use of the discretionary power conferred by law.”³¹

Many of the problems identified by Governor Ferry in 1879 seemed to have improved later during Reed's tenure.

Conclusion

Territorial days were marked by incredible growth. In 1850, the region started with a population of 2,000. Between 1870 and 1880, the population escalated from 23,995 to 66,979. By the time of statehood in 1889, the population was 239,544.³² In more prominent towns, many trades, professions and small enterprises were established. Shipyards, sash and door plants, and boot and shoe manufacturers were founded. Gunsmiths, tanners, brewers and wagon makers pursued their respective trades. Doctors, lawyers, music teachers and other professionals did much to bring technical knowledge and cultural appreciation to the territory.³³ All of these contributed to the growth of the territorial government's revenues. But the population growth required greater government expenditures as the need for services heightened. The territorial auditors watched over state finances, observing the growing shortfall of funds. As the Constitutional Convention shaped a state government, the auditor position figured prominent in deliberations.

30 Gates, 249.

31 Reed, 130.

32 Gates, xii.

33 Gates, xv.

2

THE CONSTITUTION AND CREATION OF THE AUDITOR'S OFFICE



During Washington's territorial days, the population mushroomed and in 1889 the territory applied to the U.S. Congress for statehood. In order to apply, the territory was required to hold a constitutional convention and draft a constitution. Such a convention was held, and many territorial governing officials were selected as delegates. After much deliberation, debate and discussion, the convention produced what would become the Washington State Constitution. Among its provisions, the Office of State Auditor was established as ". . . the auditor of public accounts, and shall have such powers and perform such duties in connection therewith as may be prescribed by law."¹ Records of the convention proceedings depict the founders' perspectives on creating the position.

Make up of the Constitutional Convention

The Constitutional Convention convened on July 4, 1889, at the territorial government building in Olympia. A special election was held to choose 75 constitution framers to attend the convention.² One of the delegates was Territorial Auditor – soon to be State Auditor – Thomas Reed. Within the first few days of the convention, it was clear that the delegates were not reluctant to engage in debate. The *Vancouver Independent* reported: "The convention has already developed a number of orators. Indeed there are hardly half a dozen members who have not had something to say about anything or even nothing."³

The delegates represented a significant amount of success and wealth. Geographically, Western Washington dominated the convention over Eastern Washington by five votes, 40-35.⁴ Politically, Republicans held the majority over Democrats, 44-28. Among the delegates, there was a Populist streak. The small Populist Party contingent had created a coalition with the Democrats and received some representation at the convention. In fact, many Populist provisions were included in the Constitution.

1 Washington Constitution, article III.

2 Washington Secretary of State, "Washington State Constitution - History

3 Vancouver Independent, July 17, 1889, 2.

4 James Leonard Fitts, "The Washington Constitutional Convention of 1889," 13.

The Populists attempted to protect personal, political and economic rights from the government and from corporations, with some success. This was evident in the constitutional limitations imposed on the executive branch and Legislature.⁵ Also, the length of the Constitution was originally criticized for being too long.⁶ The tendency to construct a long constitution reflects a basic distrust of government, which stemmed from a Populist fear of governmental control and corruption.⁷ Regardless of delegates' economic interests or geographical and political alliances, they worked together to draft the Constitution.

What Influenced the Washington State Constitution?

Like all good writers, the convention delegates did not begin drafting sections and clauses without first looking at versions of earlier constitutions. These drafts, while based on yet older constitutions, are the direct sources of Washington's Constitution, and they helped drive the origination of the Office of State Auditor.

Two primary draft constitutions were used during the convention. These two constitutions have many similarities with the 1889 version that passed. Yet, the two constitutions differed in their executive branch provisions. The first draft constitution, which was reviewed in 1878 during an earlier attempt at statehood called for a simple executive branch with a few state offices. It did not propose an auditor's office.

A second proposed constitution, called the Hill Constitution, was prepared by William Lair Hill, a former territorial judge. The Hill Constitution first surfaced when it was printed in the *Portland Oregonian* on July 4, 1889, just as the Constitutional Convention was getting underway.⁸ Hill is thought to have been inspired by the California and Oregon constitutions.⁹ His proposed constitution, which was eventually distributed at the Constitutional Convention, contained the language that was used to define the auditor in the final version. Section 20 of the Washington Constitution outlining the auditor's duties and salary is similar to the Hill Constitution.¹⁰ The only difference is that Hill's proposal omits any discussion of the auditor's salary.

It seems that by 1889, the concept of an auditor seemed natural in state government, and Washington's constitutional framers simply borrowed the concept from preceding constitutions. The Constitution of 1889 provided for an executive branch with a governor, lieutenant governor, secretary of state, treasurer, auditor, attorney general, superintendent of public instruction and commissioner of public lands.¹¹

5 Hugh D. Spitzer and Robert F. Utter, *The Washington State Constitution: A Reference Guide*

6 Theodore L. Stiles, "The Constitution of the State and Its Effect Upon Public Interests," *Washington Historical Quarterly*, (October 1913), Vol. 4, 281.

7 Cornell W. Clayton, Lance T. Leloup and Nicholas P. Lovrich, ed., *Washington State Government and Politics*. (Pullman, WA: Washington State University Press, 2004), 100.

8 Wilfred J. Airey, "A History of the Constitution and Government of Washington Territory," 459.

9 Clayton, Leloup and Lovrich, ed., 94.

10 Spitzer and Utter, 92.

11 Airey, 449.

Similar provisions are found in constitutions produced by other states, including Colorado, California, Wisconsin and Oregon.¹² Furthermore, the existence of a territorial auditor made the inclusion of a state auditor all the more predictable.

Debating the Auditor during the Constitutional Convention

Many discussions revealing what the state's founders were thinking when they created the Constitution would be contained in the convention records. Unfortunately, these records no longer exist. During the convention, a stenographer recorded the debates. Years later, the Legislature hired an individual to transcribe the records. Unfortunately, when the transcriber never received payment for the work, the records were destroyed or lost.¹³ However, an official journal of the Constitutional Convention was kept and preserved, providing some clues to what occurred during the convention. From this journal and other newspaper sources and research, the founders' discussions on a state auditor's office can be explained.

The convention delegates were appointed to standing committees to prepare sections of the constitution for debate and passage. Delegates Weir, Fairweather, Hicks, Clothier and Hungate were appointed to the Standing Committee of Executive Department and Pardoning Power.¹⁴ This committee defined the duties of the state auditor. They brought a proposed executive branch section to the floor of the Constitutional Convention, and subsequent debates led to further refinement of the section.

Controversy arose over the salary of the state auditor as well as other offices. First, delegates had substantial discussion on whether fixed salaries were the most cost-effective and efficient means of paying occupants of any state office. The *Chehalis Nugget* reported:

“The salary list proposed for this state, if it should be adopted by the Constitutional Convention, would, although apparently large, prove less expensive and far more satisfactory than the old system of small salaries and large and numerous fees.”¹⁵

Finally, delegates agreed fixed salaries were the most efficient way to pay government officials.

While the salary of the auditor was adjusted for inflation and additional duties assigned in later amendments, the beginning salary was largely debated during the convention. The original proposed auditor's annual salary was \$2,000. Two motions were made to increase it. Delegate Dunbar proposed the auditor receive a \$2,500 annual salary instead of the \$2,000. T. M. Reed, who was predicted during

¹² Spitzer and Utter, 78.

¹³ Clayton, LeLoup and Lovrich, ed., 94.

¹⁴ “Constitution Makers,” *Chehalis Bee*, July 12, 1889, 3.

¹⁵ “Fixed Salaries,” *Chehalis Nugget*, July 19, 1889, 2.

the convention to be the first state auditor, proposed the salary be set at \$3,000.¹⁶ On July 27, 1889, newspaper accounts reported that Reed and Dunbar's proposals failed and that the state auditor's salary was to be \$2,000.¹⁷

Another element the founders mulled over was whether to include the auditor in the executive branch. However, this debate led to a greater disagreement over the position of lieutenant governor.¹⁸ Once the delegates settled the issue and included the lieutenant governor in the executive branch, they included the auditor as well. Debate regarding the auditor and lieutenant governor was caused by the fact that the auditor would check all branches of the government, including the executive branch. Likewise, the lieutenant governor would work in both the Legislature and in the executive branch, serving as both the president of the Senate and the acting governor in the absence of the governor. There were concerns that a conflict of interest would be present and the balance of power among the three branches

of government would be compromised. However, it was decided fairly quickly that because the auditor was an elected position, the office would be able to remain independent from the offices it would audit.

Also, the Constitutional Convention addressed how the Legislature and the State Auditor's Office would interact. The Legislature was given the power to abolish or alter the office's responsibilities.¹⁹ This further emphasized that the office would not be under the control of the Office of Governor. In *The Washington State Constitution: A Reference Guide*, it states:

“Under Article III. Section 25, [the auditor's] continued existence is at the pleasure of the Legislature. Consequently, the Supreme Court found it unreasonable to conclude that the framers intended any specific powers for the auditor other than those specifically provided by the express language of the provision.”²⁰

In the future, the Legislature would exercise its power over the State Auditor's Office by providing additional duties and taking away others. The founders felt it was important that the Office of State Auditor be independent from the influence of the governor because it would be responsible for auditing the governor. This demonstrates the Populist platform of limiting governmental power, a theme throughout all of Washington's constitutional debates.

Some debate occurred over term lengths for state offices. The original report of the convention's standing committee on the executive branch suggested that only

16 Beverly Paulik Rosenow ed., *The Journal of the Washington State Constitutional Convention 1889*, (Buffalo, NY: William S. Hein Co. Inc.), 554.

17 *Daily Oregon Statesman*, July 27, 1889, 1.

18 Mary W. Avery, *Government of Washington State* (Seattle and London: University of Washington Press, 1951), 29.

19 Rosenow ed., 554.

20 Spitzer and Utter, 92.

the governor and lieutenant governor have four-year terms. It was debated whether the other state offices should also have four-year terms, or whether they would have two-year terms. However, in Constitutional Convention committee meetings, it was decided that all positions in the executive branch would have four-year terms.²¹ The reasoning behind this is unknown, but the sources of the Constitution suggest many other states had four-year terms.

Washington Becomes a State: The Auditor's Office is Born

The Constitutional Convention ended on August 23, 1889. An election was held on October 1, 1889, to ratify the Constitution and elect the officers of the new state government. With a vote of 40,152 to 11,879 territorial voters approved the Constitution. A certified copy was sent to President William Henry Harrison for approval. However, this copy did not have Territorial Governor Miles C. Moore's signature. The Constitution had to be rewritten and resent with the signature. On November 11, 1889, President Harrison issued a proclamation approving Washington's Constitution. The state of Washington was admitted to the Union.²² Once Washington became a state, the State Auditor's Office began operation with T. M. Reed as the first auditor.

²¹ Rosenow ed., 559

²² Washington Secretary of State.

3

THOMAS REED: EARLY STATEHOOD 1889-1893



Thomas Milburne Reed, Washington's first State Auditor, brought experience from territorial politics. He served 11 years as territorial auditor and was a delegate to the Constitutional Convention. He was well regarded, and his honesty and integrity were critical to the success of the newly established office. The State Auditor's Office, discussed extensively during the Constitutional Convention, was hatched under Reed's watchful eyes, and he gave it a firm foundation for integrity and credibility.

Reed was born in Sharpsburg, Ky., on December 8, 1825. He was raised in a family of devout Presbyterians.¹ His father, a manufacturer of boots and shoes, struggled to keep the business afloat.² At 12, Reed was forced to mature quickly after his mother died. Reed's uncle hired him to live and work on a farm in the spring and summer at a salary of \$8 a month.³ Kentucky had no public school system so Reed used most of his earnings to pay for private schooling in the fall and winter. Reed began a career at 19 as a teacher and subsequently tried his hand at managing a store and practicing law.

With enough money saved and the words "California gold" persistently whispering in his ear, Reed migrated to San Francisco by ship via Panama in 1849.⁴ After searching for gold for five years during the Gold Rush and finding limited success, Reed opened a general store with future California Congressman John Conness. In 1853, Reed was appointed postmaster of Georgetown, Calif. After only a year, he was succeeded because of his strong anti-slavery sentiment.⁵ He began to practice law, which he continued intermittently throughout his life. Later in 1853, after his dismissal as Georgetown postmaster, Reed was elected supervisor and then

1 Frederic James Grant, *History of Seattle* (New York: Amer. Pub. and Engraving Co. Publishers, 1985), 830.

2 *Daughters of the American Revolution, Collec. of Fam. Records of WA Pioneers*: (WA Archives, 2000). 287.

3 C.M. Barton, *Barton's Legislative Handbook and Manual of the State of Washington*, 179.

4 Barton, 179.

5 *Daughters of the American Revolution*, 287.

treasurer of nearby El Dorado County. He served until 1857 when he moved to the Washington Territory.

After arriving in Washington, Reed was hired as an agent for the Wells Fargo Express Co., covering the territories of Washington, Oregon and Idaho. He became heavily involved in Idaho and Washington territorial politics. When the Civil War erupted, Reed organized a company of volunteers in the Union Army and became the company's captain. However, the remote geographic location of Washington kept the company out of combat.⁶

In 1862, Reed was appointed by Congress as the deputy collector for the Internal Revenue Service for the Washington and Idaho areas. This gave Reed the task of collecting taxes levied by the federal government. Anti-government sentiment stemming from the Civil War created some tension. At one point, a man confronted Reed, declaring: "Reed, do you think you are going to get any money here for the support of your infernal Yankee government?" Reed responded quietly, "Yes, I do, and I expect you to pay me this day what you owe the government of the United States under the internal revenue law, for I am going to leave here today and am going to take that money with me." Reed did leave with the money that day, but he encountered similar opposition to many of his tax collection efforts.⁷

In addition to the Internal Revenue position, Reed was simultaneously elected to the Idaho Territorial Legislature and served as speaker of the House. His continued legal studies helped him pass the bar and earn him the appointment of prosecuting attorney of Idaho. He practiced there until he moved to Olympia in 1865.

In 1877, Reed was elected a member and president of the Territorial Council for Thurston and Lewis counties before his subsequent appointment as auditor of the Washington Territory.⁸

Thomas Reed's integrity was notable in all of the political positions he held. He became known as "Honest Tom Reed." In his official duties, Reed, a Republican, placed the public welfare before personal interests and put the general welfare of the state before partisanship.⁹ These values were vital to the development of a State Auditor's Office known for integrity. He adhered to the ideals on which the office was founded and set a legacy of honesty and hard work for future auditors to follow.

Every Washington State auditor faced different challenges. Reed's tenure was unique because it was precedent-setting. Optimism ran thick in the walls of the State Auditor's Office. This was a time full of growing prosperity and hope of what

6 Daughters of the American Revolution, 287

7 Grant, 830.

8 Grant, 832.

9 Grant, 832

statehood would bring. Reed once boasted of newly created Washington State:

“This first annual turn of the wheel of her material and progressive development plants a gem of no interior brilliancy in the crown of her greatness.”¹⁰

The territorial census of 1889 reported a population of 239,439. On June 30, 1890, the U.S. Census reported the population of Washington at 349,416, an increase of 46 percent. State government started its operation on October 31, 1889, with a cash balance of \$13,687.62 and ended its first year with a cash balance of \$35,738.17.¹¹ Reed reported:

“The more free and increased introduction of capital into the state is observable, designed in no small measure for permanent investment in the varied commercial, banking, manufacturing, farming and other business enterprise, and which meets with ready and desirable opportunity.”¹²

Reed made many significant developments or additions to the auditor's duties. At the time of his tenure, the state auditor was the state's general accountant. Reed had to address discrepancies in the books and accounts between the past territorial auditor and the first state auditor. In attempting to bridge the territorial books to match those of the new state records, Reed discovered that the last territorial auditor, John Miller Murphy, reported a territorial debt of \$235,000.¹³ However, Reed determined the first Washington State debt amounted to \$321,000.¹⁴ This added debt was suspected to stem from a large accumulation of unaudited bills and accounts that were unable to be charged to the territory. These bills included the costs for the conviction of felons before territorial courts, transportation of convicts and the mentally ill, expenses of the Constitutional Convention, and repairs to the Capitol Building.¹⁵ With statehood, there was greater cohesion among the executive branch offices and accounting became more precise.

The first Legislature in 1889-1890 transferred the job of creating a state budget from the treasurer to the auditor. So Reed submitted an estimate of state government revenues and expenditures to the House of Representatives. The State Auditor's Office maintained the responsibility of developing the budget for many years before a separate state agency was created and was assigned the function.

Most state financial transactions at that time operated out of six funds: the general fund, a gross earnings fund, military fund, school land fund, tideland fund and library fund. Reed tracked the revenues and expenditures of each fund. This task was substantial considering the reports and accounting books were all handwritten.

10 Washington State Auditor's Office, 1890 Annual Report of the State Auditor, 1.

11 Washington State Auditor's Office, 6.

12 Washington State Auditor's Office, 6.

13 Washington State Auditor's Office, 7.

14 Washington State Auditor's Office, 6.

15 Washington State Auditor's Office, 6.

State Auditor Reed served only one term and chose not to run for re-election, but he launched the office's constitutional function in a respected, credible manner. He set a high standard for future auditors.

4

LEBAN R. GRIMES: A BRIEF TENURE 1893-1895



Leban R. Grimes, continued Reed's Republican agenda by winning the 1893 election after Reed chose not to run for re-election. Grimes served during tough times – a depression in the 1890s. While this depression was not as severe as the Great Depression to follow in the 1930s, it created financial difficulty for state government. However, Grimes remained optimistic about the state's financial future, and he consistently fought for the middle class. His tenure came to an abrupt end when he died from heart failure after only two years in office. He is remembered as an honorable auditor who led the office for a brief, difficult time.

The second state auditor was born in Knox County, Ohio on January 31, 1839. He was raised on a farm and attended Ohio public schools. When the Civil War broke out in 1861, he turned away from the peaceful pursuit of agriculture and enlisted in the Iowa Infantry Volunteers of the Union Army. Serving until the end of the war, Grimes' wartime experience included the Vicksburg campaign in the Shenandoah Valley under General Sheridan. Grimes was present at the capture of Vicksburg.¹

On November 1, 1866, Grimes married Minnie M. Mosier of Iowa, and they had a son. Grimes was a dedicated husband and father. He was careful to make ample preparation for his family's wants and needs in case he should die.²

After the Civil War, Grimes returned to farming for a brief period and then moved to Saline County, Neb. There, he was elected county clerk and clerk of the district court. Simultaneously, he studied law and was admitted to practice in the Nebraska courts.

In 1877, he entered the banking business in Sutton, Nebraska. That lasted until 1881, when he moved to Portland, Oregon. After a year in Oregon, he moved to Washington and settled in a Whitman County farming community of Colfax. He

¹ Hubert Howe Bancroft, *History of Washington, Idaho, and Montana 1845-1889*. Volume XXXI, 590.
² "Late Auditor L.R. Grimes," *The Republican*, (Jan. 4, 1896), 11.

worked negotiating bank loans until he relocated to Ellensburg in 1888.³ In 1892, Grimes was elected state auditor and moved to Olympia.

Grimes brought an optimistic, progressive mind-set to the State Auditor's Office. With the state in a depression, many other state officials were frustrated and unsettled by the finances of the state. Grimes, meanwhile, offered an optimistic perspective in his 1894 Biennial Report of the Office:

“Times of depression like the present have at least this compensation, that they teach the people both in their private and public affairs wholesome lessons of frugality and economy.”⁴

In the report, Grimes continued to address the financial flaws with well-constructed solutions. One of the first issues was the state's Revenue Act. At the time, the law related to the main source of funds supporting all three branches of state government. After creating the original Revenue Act, the Legislature created new laws each year rather than amending the initial law. Grimes argued this created tremendous confusion that prevented a predictable and reliable taxation and revenue collection system. He stated:

“I recommend that such changes as are made take the form of amendments to the existing law rather than the enactment of an entirely new law.”⁵

Grimes was critical of the Revenue Act, contending it favored wealthy citizens over the poor and middle class taxpayers. For example, he argued that because bank stock was not taxed, the rich received a tax break because those less fortunate were less likely to own bank stock. The Revenue Act, he said, “gives no relief to the poor debtor, whose indebtedness is represented by tangible property, while it does relieve the class best able to pay its taxes.”⁶

Grimes also held that the state's taxation of real estate was burdensome for the middle class. He suggested a tax break:

“If the assessment of real estate is omitted for the year 1895, thousands of dollars will be saved to the people at a time when the burden of taxation is especially oppressive. I therefore recommend that the assessment of real estate be made but once in two years instead of every year as at present.”⁷

The Legislature strongly considered Grimes' suggestion, but failed to pass any bills changing real estate taxation.

3 The Republican, 11.

4 Washington State Auditor's Office, Biennial Report of the State Auditor: 1894, (Olympia, WA: Public Printer, 1894), 445.

5 Washington State Auditor's Office, 447

6 Washington State Auditor's Office, 446.

7 Washington State Auditor's Office, 447.

Grimes also advocated protecting state government interests. This advocacy was reflected in the Supreme Court case *Thurston County vs. Grimes*. The case revolved around whether the state or counties should pay salaries of county elected and appointed officials. Grimes argued that if counties elected or appointed officials, counties should be responsible for paying them rather than placing the burden on the state. He declared:

“The communities who elect officers should pay the public expense those officers incur. In no other way can extravagance be checked and efficiency in the public service secured.”⁸

In December 1893, the state Supreme Court decided the case, relieving the state of the burden of paying fees for county sheriffs, clerks, jurors and stenographers. It also obligated counties to pay the fees and mileage of court witnesses except when certain circumstances directed the state to pay.⁹

A special article published in *The Republican* newspaper of Olympia cited Grimes' commitment to accountability:

“It is said that Mr. Grimes was the object of much abuse on the part of persons working for the state and putting in exorbitant bills. He always cut them to reasonableness and the official would vent his spite on Mr. Grimes personally. He never for a moment wavered on account of such abuse, but did his duty in the best interest of the state regardless of what anyone said.”¹⁰

Thus, Grimes continued the legacy of integrity first set by Thomas Reed.

On October 20, 1895, nearly two years after his election, Grimes died of a fatal combination of asthma and heart disease at age 56. It was thought that Grimes would have served the rest of his four-year tenure with great success, and would have been favored for re-election.

⁸ Washington State Auditor's Office, 449.

⁹ Washington State Auditor's Office, 449.

¹⁰ *The Republican*, 11.

5

J.E. FROST: AN INTERIM APPOINTEE 1895-1897



J.E. Frost finished the remaining two years of Leban Grimes' four-year term. Like Grimes, Frost came from Ellensburg. It was thought that their friendship gained Frost a gubernatorial appointment as state auditor to complete the term. When Frost was appointed, *The Republican* of Olympia stated, "Some men are born with luck, some with pluck, and others are born with the two happily combined. Such seems to be the case with Auditor J.E. Frost."¹ Frost simply continued the efforts Grimes had begun.

Frost was born in Pennsylvania in 1865. After his education in public schools, he began a successful business life, dabbling in various ventures. In 1887, Frost married Maude L. Fox in Jamestown, Pa. They had two children. In 1889, they moved to Ellensburg where he was elected Kittitas County auditor and recorder for two terms.² State law limited county officeholders to no more than two terms in succession.³

Frost served dutifully as a captain in the Washington National Guard. Military men regarded his company as one of the best drilled in the state. Frost also participated in Masonic, Odd Fellows and Sons of Veterans organizations.⁴

Upon the death of Grimes, then-Governor John H. McGraw appointed Frost state auditor. *The Republican* reported:

"Already Mr. Frost has become a favorite at the state house and the choice of the Governor in selecting a new Auditor is considered one of the wisest appointments that he has made."⁵

Frost faced the challenging task of finishing what Grimes had begun. The state was still in a depression, which slowly abated towards the end of Frost's term. In fact, Frost stated in his report to the Legislature that 1895 state revenues were

1 "Auditor J.E. Frost," *The Republican*, Jan. 4, 1896.

2 Bancroft, Hubert Howe, *History of Washington, Idaho, and Montana 1845-1889*. Volume XXXI, 579.

3 *The Republican*.

4 Bancroft, 579.

5 *The Republican*.

\$1,384,666.88, an increase of \$359,773.72, or 38.5 percent, over revenues reported by Grimes in 1893.⁶

Grimes' estimates for Frost's first year were significantly larger than what was actually collected. Yet, Frost used a similar process to reach his estimates, basing them on the belief that the economy of Washington would continue to turn around:

"I frankly confess that this estimate is made with the expectation of more favorable conditions and prosperous times, and in the belief that measures will be enacted providing more adequate, speedy and complete methods of tax collection than are contained in existing Revenue Laws."⁷

Frost's estimate was meant to simply keep the state running at a reasonable efficiency, but not to take on new projects. In the following year, the state continued to be strapped for money, and the Legislature accepted Frost's recommendation to not undertake large projects.

Continuing with Grimes' efforts, Frost criticized state revenue laws. To persuade the Legislature to change the Revenue Act, he reported:

"The reports of the accounting departments of such other states as I have had an opportunity of examining disclose the fact that in the state of Washington a much larger per centum of taxes become delinquent than in any other state of the union."⁸

At this time, the tax delinquency rate was nearly 50 percent. Frost attributed this to the small penalties built into the act. "This condition must be directly attributed to the extreme leniency of our laws, which provide a penalty of but two percent,"⁹ he stated. As Grimes' reports suggested, Frost urged the Legislature to create a more efficient revenue law. However, the Legislature was not persuaded.

Frost also found a compliance issue with state banks. By law, each bank corporation was required to submit a statement of transactions. But no penalty existed for not doing so. Thus, many state banks failed to file such reports, and the auditor had no power or authority to penalize them. Frost suggested the auditor be given the power to audit state banks once a year and to create a penalty to motivate banks to comply with the law. The Legislature enacted a penalty.

While Washington mourned the loss of Leban Grimes, it also gained a competent auditor in J.E. Frost. Frost persisted through the depression until the state made an excellent financial recovery. He sought election to a full term as auditor, but lost to Populist Party candidate Neal Cheetham in 1896.

⁶ Washington State Auditor's Office, Biennial Report of the State Auditor: 1896, 508

⁷ Washington State Auditor's Office, 507.

⁸ Washington State Auditor's Office, 509.

⁹ Washington State Auditor's Office, 509.

6

NEAL CHEETHAM: A POPULIST AUDITOR 1897-1901



In 1897, the Populist Party, which greatly influenced the Constitution and its provisions limiting government powers, debuted in the State Auditor's Office with the election of Neal Cheetham. While Republican and Democratic divisions dominated Washington politics, Cheetham's populism allowed him to garner support from both parties and persuade the Legislature to make changes to the office that previous auditors also advocated. The persuasive and assertive writing style in his reports gave him a presence different from any preceding auditor. Cheetham did not hesitate to strongly criticize the Legislature. His aggressive style was effective in bringing him success as auditor.

Cheetham was born in Western Pennsylvania near Pittsburgh on February 10, 1845. At age 4, his family moved to Marshalltown, W.Va. His father manufactured white lead kegs and his family was considered middle class. In 1854, Cheetham moved to Iowa with his family where he spent the next 12 years farming.¹

Rebelling against the wishes of his parents, he joined the Union Army and served throughout the Civil War. His four brothers also enlisted in the war and his oldest brother died in combat. While Cheetham was never sent into combat, he served by assisting in the training of soldiers.

After the war, Cheetham worked his way through Oskaloosa College in Mahaska County, Iowa. After graduation, he taught school for several years. In 1872, he became a Christian Church minister. That same year, he married and relocated to Washington in Walla Walla County where he continued his ministry and began buying and selling land.

Ten years later, he moved to Garfield in Whitman County where he bought a large amount of land from the Northern Pacific Railroad Co. This property resulted in a

1 Political and Legislative Manual, (Olympia, WA: Public Printer, 1899), 106.

significant amount of financial prosperity for the Cheetham family.²

Once a Republican, Cheetham joined the Populist Party in 1892. He began his political career with his election to the Legislature in 1894. He subsequently was elected, becoming the first state auditor with legislative experience.

He never campaigned among the electorate or advertised in newspapers when seeking office. He let his reputation and record speak for itself.³ He was a forceful, convincing speaker, and that skill undoubtedly contributed to his victory over J.E. Frost in the election of 1896.

Cheetham had a solid fundamental philosophy based on honesty and integrity. In a legislative manual, he stated that he believed “a man has no more right to use powers delegated to him by the people, while he holds an official position, for selfish or personal ends than he would have to use public funds committed to his trust for similar purpose.”⁴

One of the key issues during Cheetham's term was a need to reduce the number of funds the state used to account for its financial activity. The separate funds had grown from seven created at statehood to 18 by 1900. In Cheetham's report to the Legislature, he contended:

“This many-fund system of state finance I regard as unwise and unbusinesslike in the extreme. No wide-awake business man would conduct private affairs after such a system.”⁵

He prompted much discussion about returning to the original seven funds that previous auditors suggested. But since only four funds originally were used, Cheetham further argued that the 18 funds be reduced to four. He strongly urged the Legislature to consolidate funds. They took his recommendation and implemented the necessary legislation.

Cheetham also continued his predecessors' unsuccessful fights. “I shall, therefore, seek to emphasize, by repetition, what seems of greatest moment in past reports and shall hope that its non-partisan character will comment it to legislative favor,”⁶ he told lawmakers at one point. One of those issues was the Revenue Act. Like auditors Grimes and Frost, Cheetham urged the Legislature to simply amend a single revenue law rather than continuing to create new ones. The matter of more

2 Jeancon, E.M., *Souvenir of the Fifth Legislature of the State of Washington*, (Olympia, WA: Public Printer, 1897), 4.

3 Jeancon, 4.

4 *Political and Legislative Manual*, 106.

5 *Washington State Auditor's Office, Biennial Report of the State Auditor 1899*, (Olympia, WA: Public Printer, 1899), 175.

6 *Washington State Auditor's Office*, 171.

aggressive collection of delinquent taxes remained unresolved as well. Like Grimes and Frost, Cheetham advocated for aggressive tax collection efforts.⁷ But unlike them, he successfully persuaded the Legislature to carry that out.

He attempted to trim state expenses to free revenues for other purposes. For example, he found many state agencies were using private printing services instead of the state printer. Cheetham urged the Legislature to create an incentive for all state government offices to use the state printer. In his report to the Legislature, he stated:

“I would most respectfully urge upon your attention the importance of making our printing service in fact what it is in theory, public printing.”⁸

He also urged that county governments be required to use the state printer.

During his last year in office, Cheetham handled annual cash receipts in all funds totaling \$2.9 million, with cash disbursements totaling approximately the same amount.⁹

Under his leadership, the auditor's office became more assertive than it had been under previous leadership. While many previous auditors had attempted to motivate the Legislature to create change, Cheetham had the most success in reforming revenue laws. He lost re-election after one term to Republican John Atkinson, mostly because popularity of the Populist Party began to fade.

7 Washington State Auditor's Office, 173.

8 Washington State Auditor's Office, 173.

9 Washington State Auditor's Office, 176.

7

JOHN D. ATKINSON: USHERING IN THE 20TH CENTURY 1901-1905



John D. Atkinson made a significant impact on the office in only one term. Throughout his life and as auditor he followed the philosophy, “I don’t believe, as a general rule, in crossing bridges until I come to them.”¹ Atkinson confronted each challenge he faced as auditor with determination and dedication.

Atkinson was born on July 14, 1861, and was raised on a small farm in Connellsville, Pa. He was educated in the public school system and graduated at age 15. He then attended Indiana State University and ultimately graduated from Waynesburg College in 1886.² Atkinson taught at Scottsdale High School in Pennsylvania, and was later promoted to district superintendent. With the intention of entering the legal profession, Atkinson began studying law at Uniontown, Pa. in 1885.³ He completed his studies at Union Law School in Chicago, where he was admitted to the bar.⁴

In January 1889, Atkinson traveled to Seattle to follow his dream of practicing law. Instead, he became assistant principal and then principal of South High School. It was not until 1892 that Atkinson resigned as principal and began fulfilling his dream of practicing law.

Because of his education experience, Governor Elisha Ferry appointed Atkinson as one of four to comprise the State Board of Education. The board subsequently authored provisions in the state law setting state education standards.⁵

In 1900, Atkinson entered the election for state auditor as a Republican. He defeated incumbent Cheetham in a GOP landslide that year.

General accounting dominated Atkinson’s responsibilities. During his last year

1 Seattle Mail and Herald, March 19, 1904.

2 Cayton’s Campaign Compendium, (1905), 30.

3 J. H. Ryan, Ryan’s Legislative Manual, (Tacoma, WA: Press of the Commercial Bindery & Printing Co., 1907).

4 Hubert Howe Bancroft, History of Washington, Idaho, and Montana 1845-1889, Volume XXXI, 615.

5 Bancroft, 615.

STATE AUDITOR HISTORY



Territorial Capitol, ca. 1890 (by Joe Jeffers, State Library Collection, Washington State Archives).



Old State Capitol Building, before 1928 (State Library Collection, Washington State Archives).

STATE AUDITOR HISTORY



State Capitol 2006 (by Genevieve Panush, Washington State Auditor's Office photo collection).



First State Auditor Thomas M. Reed, ca. late 1800's (Historical photograph collections, Washington State University Library).

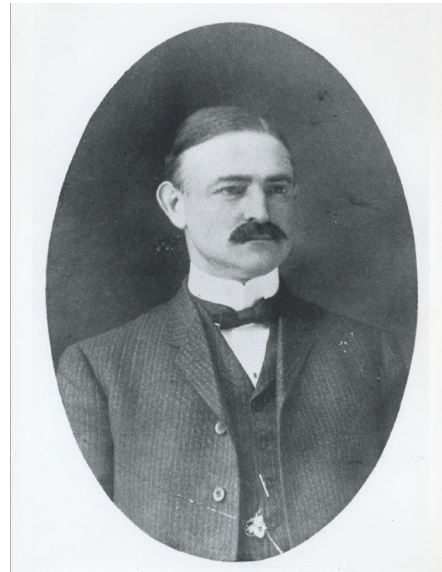
STATE AUDITORS



Neal Cheetham, left, 1895. (House of Representative group photos, Washington State Archives). Neal Cheetham, right, ca. 1900, during his tenure as State Auditor.

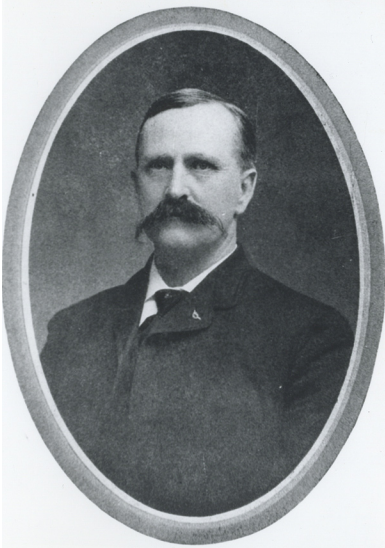


Leban R. Grimes, ca. 1895. Taken prior to his passing, which left an open seat to be filled by appointed interim Auditor J.E. Frost.



John D. Atkinson, ca. 1901 (Washington State Historical Society).

STATE AUDITORS



*Charles W. Clausen, left, ca. 1905 (Washington State Historical Society).
Charles W. Clausen, right, ca. 1930, during his later years in office
(Washington State Auditor's Office photo collection).*



*Cliff Yelle, ca. 1950
(Washington State Auditor's Office
photo collection)*



*Robert V. Graham, ca. 1980
(Washington State Auditor's Office
photo collection)*

STATE AUDITORS



Current State Auditor Brian Sonntag, 2007 (by Genevieve Panush, Washington State Auditor's Office photo collection).



*Audit staff, September 12, 1944
(Washington State Auditor's Office photo collection).*

STATE AUDITOR HISTORY



Auditor staff processing paychecks, ca. 1930 (Washington State Auditor's Office photo collection).



Accounting Department under Golliett

State Auditor's Office Accounting Department, ca. 1950 (Washington State Auditor's Office photo collection).

STATE AUDITOR HISTORY



*Then-Auditor Cliff Yelle, right, with future-Auditor Bob Graham, 1964
(by Merle Junk, Susan Parish Collection, Washington State Archives).*



*State Auditor Office, ca. early 1900's (Washington State Auditor's Office
photo collection).*

STATE AUDITOR HISTORY



State Auditor Office, ca. 1920 (Washington State Auditor's Office photo collection).



The Insurance Building, current location of the State Auditor's Office, 2006 (by Genevieve Panush, Washington State Auditor's Office photo collection).

in office, Atkinson handled \$4 million in annual cash receipts and \$4.4 million in disbursements.

Some issues remained unresolved from Cheetham's term. Atkinson faced the failure of some banks to report financial activities to the auditor as required by law. He echoed previous auditors:

“There are in the state of Washington certain state banks which continually neglect or refuse to make this report.”⁶

While a penalty was enacted earlier, state banks continued to neglect the reporting requirements. The Legislature did not provide further enforcement of the law.

Another issue concerned mileage reimbursement to state employees traveling on state business. Atkinson renewed one of Cheetham's concerns that the rate of reimbursement was excessive. Atkinson reported:

“An allowance of five cents per mile, for distances actually traveled, would seem to be fully sufficient to cover all expenses in the matter of all persons engaged in public service. The State at present pays ten cents per mile for all such traveling expenses, and I would suggest that a bill be passed limiting the amount to five cents per mile, especially where traveling is by railway.”⁷

Atkinson tried unsuccessfully to change the rate. But it was difficult to persuade legislators to cut their own reimbursements.

Another ongoing problem related to liquor license taxes. Many local governments were withholding the tax of 10 percent collected for liquor licenses and were not transmitting it to the state. Atkinson reported: “In reviewing the Liquor License fund, it appears that no fees have been received by the State Treasurer from many of the incorporated cities and towns.”⁸ He suggested the State Auditor's Office, treasurer and attorney general work collectively to prosecute delinquent counties.

Atkinson also faced an issue previous auditors did not. Unlike the depression faced by Grimes and Frost, Atkinson had the problem of too much money in certain funds. The school fund had excess money, and Atkinson proposed loaning school funds for other purposes so that interest would accrue. The Capitol Building fund lacked money, so it seemed logical to invest school monies for Capitol needs. He reported:

“This loan would draw interest at three and one-half percent per annum, thus being a saving to both the Capitol Building Fund and the Normal School Fund, and at the same time finding an immediate investment for the large sum of

6 Washington State Auditor's Office, Biennial Report of the State Auditor: 1902, (Olympia, WA: Public Printer, 1902), 263.

7 Washington State Auditor's Office, 262.

8 Washington State Auditor's Office, 262.

money that is now in the Permanent School Fund.”⁹

Another fund with excess funds was the military fund. The fund had \$176,294.92 when only \$65,000 was needed annually. Yet, the state continued to levy a military tax on Washington citizens. Atkinson suggested, “that no military tax be levied for the period of three years; that is, for the years 1903, 1904 and 1905.” This would save the taxpayers’ money and would prevent the military fund from accruing more than was needed. Atkinson’s decisions and suggestions saved citizens money and benefited the state financially.¹⁰

Atkinson’s positive reputation as auditor earned him a nomination for attorney general. In 1904, although considered a formidable candidate for governor, Atkinson accepted the nomination for attorney general and was overwhelmingly elected. After serving one term in that office, he returned to private law practice.

In 1910, Atkinson moved to Vancouver where he engaged in business and civic affairs. He actively participated in the real estate market, organizing J. D. Atkinson & Co. in 1921. He also held the positions of secretary and treasurer of Vancouver Savings and Loan. In 1922, the Vancouver Foundry & Machinery Co. elected him its president. Atkinson also took a keen interest in marble quarries in Leavenworth. Newspapers around the area consistently published his whereabouts and visits to his quarries and other investments.¹¹

Atkinson’s flame of interest in civic affairs burned brightly into his later years. The citizens of Vancouver elected him city councilman in 1915, a position he held until 1922.

In 1915, his wife, seen as his partner in public service, was killed in an automobile accident. While he mourned her death, he continued his business and community interests.¹² As a politician, lawyer, volunteer and investor Atkinson is remembered as contributing to his state and community.

9 Washington State Auditor’s Office, 260.

10 Washington State Auditor’s Office, 261.

11 “Local Happenings and Whereabouts,” Leavenworth Echo, April 17, 1914.

12 “J. D. Atkinson’s Wife Killed in Auto Wreck,” The Leavenworth Echo, May 7, 1915.

8

CHARLES CLAUSEN: A SIGNIFICANT EXPANSION OF DUTIES

1905-1933



Charles Clausen's tenure ushered in a historic phase for the Office of State Auditor. Since statehood, the first five auditors each served either two years or a single four-year term. Clausen held the office for 28 years and was the first of a string of long-serving auditors. Clausen's long and successful tenure elicited the expression, "his experience is your protection."

Under his period in office, the responsibilities of State Auditor significantly expanded to largely what they are today. Clausen's concern for government stewardship over public resources earned him the nickname "watchdog of the State Treasury." That phrase continues to be associated with the activities of the state auditor today.

His Life

Clausen was born in Rock County, Wisconsin in 1851 to a family of Scandinavian immigrants. The family moved to Mitchell County, Iowa when he was two, and he obtained his early education in common schools.¹

As a young man, Clausen became infatuated with the south. He subsequently settled in Richmond, Va. There, he met and married his first wife, Bella Benson. After two years in Richmond, he regretted his decision to live in the south and returned to Iowa in 1874.² He became a farmer and also launched his political career, serving two terms as Worth County clerk.³ His tenure as county clerk would later have ramifications when he served as Washington State Auditor. Clausen moved his family to South Dakota in 1883 before eventually moving to Washington State.

In 1889, he settled in Kitsap County and became one of the county's leading politicians. He served two terms as Kitsap County Treasurer and two terms as Kitsap County Auditor. In addition, he found time to graduate from the business school at University of Washington.

¹ Cayton's Campaign Compendium, (1905), 30.

² Cayton's Campaign Compendium, (1905), 30.

³ Ryan, J.H., Ryan's Legislative Manual, (Tacoma, WA: Press of the Commercial Bindery & Printing Co., 1907).

In 1904, Clausen, a Republican, was elected state auditor. He served until the Democratic landslide of 1932 swept him from office.

His wife, Bella, died in 1926 and Clausen married Hattie Watson the following year. She died in 1930. He married his third wife, Pearl. He died in 1937 at age 86.

Clausen's Term

In 1909 as Clausen began his second term, the Legislature passed a law giving the auditor many new responsibilities, transforming the office from its prior duties as merely the state's accountant. Among the new responsibilities were financial and legal compliance auditing, a uniform system of government accounting and reporting, and development of comparative statistics.

The state governments of Indiana and Ohio had developed and put these functions in place. As Allen Ripley Foot, president of the Ohio State Board of Commerce, put it:

“Government of the people, by the people, cannot be economically nor efficiently managed unless the people require all accounts of the same class, whether for a school district, township, village, city, state, or the federal government, to be accurately kept by a scientific system, uniform for each class. In no other way can comparable statistics be produced that will demonstrate the good or bad features of any public policy involving financial results.”⁴

The new accounting and auditing systems developed and used by Ohio and Indiana influenced many states – including Washington – to add duties to their auditor's offices.⁵

In 1909, the State Auditor's Office was assigned responsibility for financial and legal compliance. To meet the new responsibilities, Clausen created a new department within the State Auditor's Office – the Bureau of Inspection and Supervision of Public Offices. The bureau's role was to establish a system of uniform financial accounting and reporting by counties, cities, towns, townships and school districts.

In 1921, the bureau was transferred to the State Tax Commission, which ultimately was to become the Department of Revenue. However, the bureau was returned to the State Auditor's Office in 1925 under the name Division of Municipal Corporations.

One of the purposes and duties of the Division of Municipal Corporations was evaluating financial statements of local governments and auditing for legal compliance, making sure those governments followed applicable laws and policies. At the end of Clausen's service as state auditor, the division was performing regular

⁴ Washington State Auditor's Office, History of LGCS, 1.

⁵ Washington State Auditor's Office, History of LGCS, 1.

examinations of cities and towns, counties, local improvement districts, public utility districts, school districts, port districts and assessment districts.

As called for by the Legislature, Clausen instituted a system of uniform accounting for state government on April 1, 1913. The system classified all expenditures according to general, operating and maintenance expenditures and capitol outlays. The system also included subsidiary accounting systems for fixed assets and inventories.

Clausen initiated efforts to develop and install uniform systems of accounting and reporting for municipal governments. A uniform statewide system for handling school district accounting was developed first. At the time, school districts were small, but had the largest expenditures, so they prompted immediate attention. This was followed in 1915 with uniform systems of accounting for all cities, water, light, park and municipal railroad departments. By 1923, uniform systems of accounting were installed in counties and in the various taxing districts.

In 1927, as Clausen began his campaign for reelection, he reported hearing rumors that opponents were planning to raise issues of irregularities while he served as county clerk in Iowa. It related to missing office funds. To thwart a potential campaign issue, Clausen took the issue public and explained that, "a shortage was discovered in my accounts as County Clerk. My bondsmen thereupon made good the loss. Later, I fully and completely reimbursed them."⁶

While Clausen's term was highly successful in accommodating these new responsibilities, a great deal of controversy was reported after he left the office. In 1936, Governor Roland Hartley raised assertions that Clausen paid a nephew for services that were never rendered. Among Hartley's allegations were that paychecks totaling \$525 were issued to nephew Clarence L. Clausen as an assistant accountant in the State Auditor's Office for a three-month period while Charles Clausen held office. During most of this time, the governor charged, Clarence Clausen was not in the office but was with his uncle, State Auditor Clausen, who was in California for health reasons.⁷

The governor considered taking criminal action against Clausen four years after Clausen left office. But the governor decided against it, and the issue was dropped.

During Clausen's long career as auditor, he also served on the State Highway Board, the Capitol Commission and the State Board of Equalization. He served during a period of substantial state government financial growth. When he first took office in 1905, the state's annual receipts and disbursements amounted to slightly more than \$4 million. In his last year of office, the state's annual receipts and disbursements totaled more than \$51 million.

⁶ "Clausen Admits Errors of Past," Spokane Review, Oct. 16, 1927.

⁷ "Governor Ponders Criminal Action Against Auditor," Spokane Chronicle, March 4, 1936.

Clausen summed up his audit philosophy in his 1915 biennial report to the Legislature:

“It is, and shall be our policy to guard and defend the good name of every good and faithful public official just the same as we are protecting the property and interests of every payer tax. We will cheerfully commend where it is due, and criticize when it is our duty to do so. There is more loss from incompetency in public service than by reason of dishonesty. We have instructed our examiners to give every assistance possible to the inexperienced. We most earnestly desire to be regarded as helpers and not critics. Cooperation spells success.”⁸

⁸ Washington State Auditor's Office, Biennial Report of the State Auditor: 1915, (Olympia, WA: Public Printer, 1915).

9

CLIFF YELLE: A PROGRESSIVE

32 YEARS

1933-1965



Cliff Yelle, who as one newspaper stated “pronounces his name ‘yell,’”¹ followed Clausen’s 28 years as state auditor with a 32-year stint in the office. Yelle, a Democrat, benefited from the Democratic landslide in the 1932 election. Over time, as more Washington citizens became familiar with his name, he built a reputation as a responsible public official. In his last two elections – 1956 and 1960 – Yelle carried all the state’s 39 counties.²

Roots in the Palouse

Cliff Yelle was the first born and bred Washingtonian to serve as state auditor. He was born in the Whitman County farming community of Colfax, Whitman County, on July 30, 1895. He grew up and attended schools there. For nine years early in his career, he worked for Washington Water Power Co. in Colfax, in the Spokane County town of Davenport, and in Moscow, Idaho. In 1922, Yelle, a veteran of World War I, married Alice Hoxie. They had three daughters and one son.

He began public service in 1924 in Whitman County, serving six years as deputy county auditor. In 1930, he was elected county auditor. Shortly after his election, the *Spokane Chronicle* commented that Yelle actually kept his campaign promises by reducing costs to the county. According to the report, “Mr. Yelle is proud of his saving \$25,000 to the Whitman County taxpayers . . . a similar savings should be possible in the State Auditor’s Office.”³ Yelle stepped up and ran for state auditor and won the 1932 election that also swept Franklin Roosevelt into the presidency.

Yelle’s Tenure as State Auditor

On his first day in office, Yelle set the pace for the years to come. At the beginning of his term, part of the state auditor’s role continued to be the state’s accountant. That included paying the state’s bills. Shortly after Yelle took office, he refused payment on 13 vouchers that lame-duck officials submitted for purported vacation pay. The

1 “State Auditor is Visitor in County,” *Lewiston Morning Tribune*, 17 October 1935.

2 Gordon Schultz, “Yelle Ending 32 Years As State Auditor,” WA Pamphlet, United Press International.

3 “Yelle Will Fire Olympia Sitters,” *Spokane Chronicle*, 16 November 1932.

angry officials appealed to the state Supreme Court, but Yelle won an early court victory.⁴

Also, early in his administration, Yelle made it a goal to downsize the office's staff. His intention was to save money by reorganizing a practice he used as county auditor. *The Chronicle* quoted him declaring:

"There are between 35 and 40 employees in the Auditor's Office, and I hope to be able to reduce that number. I believe the efficiency of the Auditor's Office has become impaired with old traditions and customs. If this is true I shall make changes to give greater efficiency at less cost to the taxpayers."⁵

About three months after the article disclosed the proposed reorganization, Yelle announced appointments to certain positions: "F. D. Keiser of Colfax, chief deputy state auditor, and D. Harold McGrath of Walla Walla, deputy state auditor. He also appointed J. F. Clancy of Dayton and Fred C. True of Spokane to other major positions."⁶

During Yelle's tenure, the number of local governments and state agencies examined by the state auditor more than doubled, from 800 to 1,950. The size of the staff kept pace with the growth of governments, increasing from 40 to 90.

When running for re-election, the *Lewiston Morning Tribune* quoted him highlighting the successes of his first term:

"I was able to cut a little more than \$34,000 from the cost of office operations during the first three years of my incumbency. This was accomplished without lessening the efficiency of the office."⁷

In 1941, the Legislature significantly expanded the state auditor's authority. Lawmakers enacted a law that created the Division of Departmental Audits within the office for the purpose of making financial/legal compliance post audits of all state agencies. An annual audit of every state agency was now the responsibility of the State Auditor's Office. That function was added to the already existing responsibility of auditing all units of local government.

The state agency audits were to be paid for by general fund appropriations. State examiners were empowered to administer oaths, issue subpoenas and obtain services of a constable or sheriff to compel the attendance of witnesses or to produce books and other official records. Later, the division would also become responsible for the Single Audit Act and the Whistleblower Program.

4 "New Auditor Stops Warrants," *Spokane Chronicle*, 12 January 1933.

5 "Yelle Will Fire Olympia Sitters," *Spokane Chronicle*, 16 November 1932.

6 "New State Auditor Takes Office Soon," *Spokane Press*, 10 January 1933.

7 "State Auditor is Visitor in County," *Lewiston Morning Tribune*, 17 October 1935.

After the State Audit Act passed, approximately 160 state agencies, departments, boards and commissions (including all public colleges and universities) now were being audited. Before the 1941 legislation, the state auditor was authorized to conduct post audits only on the Liquor Control Board, Department of Highways and Department of Public Welfare. The 1941 law also assigned responsibility for budgeting, accounting and financial supervision over all state agencies to the Division of Budget, Accounts and Control in the Department of Finance Budget and Business. That department would later become the governor's Office of Financial Management.

By 1959, the state had been operating under a deficit for eight years. Republicans wanted to amend the Constitution to require the state to have a balanced budget, but could not muster enough support. In addition, there were proposals to consolidate the budget function. As part of that debate, the state treasurer and Yelle, whose offices shared some budget-related duties, were outspoken in opposing the consolidation of budgeting. They claimed it added too much power to the governor, as the governor would propose a budget to the Legislature.

However, that year saw a significant change to the duties and responsibilities of the State Auditor's Office. The enactment of the state's Budget and Accounting Act transferred the state financial record keeping duties from the Auditor to the governor's budget director. The duties of the office relating to the disbursement of public funds were transferred to the treasurer. The auditor retained the audit function over state agencies.

While the auditor retained the audit function generally over state agencies, the Budget and Accounting Act stripped the auditor's office of the authority to audit claims against the state and the state treasurer's duties to issue warrants for payment of claims. Yelle saw his office's budget cut 28 percent.⁸

Yelle mounted a legal challenge to the act. But ultimately the state Supreme Court ruled that the Constitution gave the Legislature the authority to prescribe the auditor's duties. So as the Legislature can give authority, it also can take it away.

In 1933, Yelle did an in-depth audit of the Highway Department. His office also conducted the first ever audit on the department's six district offices around the state.⁹ This audit found many conditions that resulted in considerable controversy. His audit determined the agency had purchased higher priced, luxury vehicles than it needed, engaged in imprudent purchasing, ran up excessive telephone and telegraph costs, and had a tendency to accumulate "junk."¹⁰ In addition, the *Seattle Post-Intelligencer* reported:

"Yelle's report shows that during the biennium, the state spent \$23,341,615 for

⁸ The Daily Olympian, 18 February 1968.

⁹ "Yelle is Heard on Pleasure Car," Spokesman Review, 27 September 1933.

¹⁰ "Yelle is Heard on Pleasure Car," Spokesman Review, 27 September 1933

road and bridge construction. Contract bids for this work totaled \$21,902,629. The difference was laid to error in estimates by state engineers. The state also spent \$354,234 for the highway department's force account that was added to the excess total of the original contract price for road building."¹¹

Yelle faced a great deal of criticism for this report from other state government officials. However, the public reacted favorably to his investigative tactics.

His audits were critical of the agencies under Governor Albert D. Rosellini. An irritated Rosellini made several unsuccessful attempts through legislation to make the State Auditor a Governor appointed position.¹²

Yelle's twin brother, Clem, joined the State Auditor's Office in 1934, first as state examiner, then as a deputy and finally as assistant state auditor. The Yelle brothers served together until Clem retired in 1963. Together, newspapers tagged them as the "*Yelle Twin Brother Act*" citing their many successes.¹³

Yelle also rankled legislators by questioning a trip a group of them took to the Brussels World's Fair, before the Seattle World's Fair in 1962. So at Rosellini's urging, the Legislature was all too eager to approve a bill, which allowed the state's cities and towns to contract for their audits with private accounting firms. Rosellini signed the bill into law.¹⁴

Yelle quickly spearheaded a petition drive that resulted in Referendum 33 for the ballot in 1964. He believed, "it's a matter of retaining what I consider good government."¹⁵ Voters then overwhelmingly overturned the law by a margin of two-to-one. The State Auditor's Office remained as it was created in the Constitution: "the auditor of all public accounts."

During his years as auditor, the number of local governments examined by the office grew from 800 to 1,950. State spending rose from \$40 million in 1933 to almost \$5 billion in 1965.

As the number of local governments and state spending grew, measures for greater accountability also increased during Yelle's period of service. He retired from office with a positive legacy.

11 "Yelle Scores State Highway Dept. 'Laxness,'" Seattle Post Intelligencer, 22 May 1934.

12 The Daily Olympian, 18 February 1968.

13 Joe Rigert, "Yelle Twin Brother Act Hoping to Win Final Political Battle," Washington Pamphlet.

14 The Tacoma News Tribune, 20 January 1982.

15 Joe Rigert, "Yelle Brothers Look Ahead to Retirement," Washington Pamphlet.

10

ROBERT V. GRAHAM: A LENGTHY ERA OF SIGNIFICANT NEW PROGRAMS

1965-1993



Robert Graham's 28-year reign as State Auditor saw many significant improvements to the office and major expansions in responsibilities. Graham's background was unique from previous auditors. Unlike the others, he worked in the office for 17 years under Cliff Yelle prior to Graham's election as state auditor in 1964. During that time, he held a variety of key administrative positions. He assumed office in January 1965 with a keen understanding of how to lead the Office of State Auditor.

In the seven terms Graham held office, he built on many of Yelle's achievements and put his own stamp on the position. In early 1993, he retired, leaving a solid, professional organization that he described as the "largest CPA firm in the state." Under his leadership, the U.S. General Accounting Office – now the General Accountability Office – cited the Washington State Auditor's Office as one of the top 10 government auditing offices in the country.¹

Graham was born in Pacific, a small South King County municipality, on April 12, 1921. He grew up in Aberdeen and graduated from Moclips High School and what is now Grays Harbor Community College.

Even during his college days, Graham showed government leadership skills. As the college's student body president, he came to Olympia to present the school's case for state aid. The presentation must have been persuasive, for the Legislature that year decided to provide additional assistance for the state's two-year colleges.²

After college, he joined the U.S. Army and became a technical sergeant and an aerial engineer in the Army's Pacific Wing Air Transport Command. During World War II, he served in the states and in the Pacific Theater. Two days before the war ended, he married Lloydine Ryan, who he met at college.

Soon after his discharge, he began his career in government service. In the first

¹ Robert Graham, interview with the author, August 16, 2005.

² Betty Hooper, "Law in Government Was his Aim in Life," 1991.

two years, Graham worked for the state Department of Labor and Industries and the Division of Budget, before joining the State Auditor's Office. Auditor Yelle's decision to retire left Graham with two choices. "I could either stay and see who was coming in and how things would work out, or I could run for the job myself," Graham said in a newspaper article at the time.³ He chose the latter.

After Graham's first election in 1964, many changes took place in the office under his leadership. His major focus was to make the office, as he described it, a "window into state and local government for Washington citizens."⁴ Graham emphasized recruiting, hiring and assembling a qualified professional staff with strong accounting-related backgrounds. He encouraged employees to become certified in financial management, auditing or accounting. At one point, 85 percent of the staff were certified public accountants or held other certifications.⁵

Under his watch, ever-evolving technology was introduced to modernize record-keeping and auditing methods. He later recounted the changes in technology brought to the office. "In 1928 accounting was on a single entry cash basis . . . All accounting records were bound hand posted ledgers," he said.⁶ Graham noted that bookkeeping machines replaced the volumes of ledgers, and computers subsequently replaced the bookkeeping machines. The electronic age of sophisticated systems and computer-assisted audit techniques, now so much a part of the office, got their start during Graham's stint.

In his first year in office, the Legislature expanded the 1959 Budget and Accounting Act, and Graham used it to introduce a relatively new form of auditing to state government – performance audits.⁷ Beyond audits of financial statements and legal compliance, performance audits focus on the results and effectiveness of programs and services. This type of audit had first been used by the U.S. General Accounting Office in the 1950s, and had been launched in other states over time.

Before beginning the audits, Graham's office spent three years to develop a manual for conducting these audits and training his audit staff.⁸ His office subsequently conducted critical audits of the Department of Vocational Rehabilitation and Ferry System, irritating the administration of Governor Dan Evans. Graham himself recalled audits of the Department of Natural Resources and State Treasurer's Office, where he found and reported excesses funds not being invested.⁹ He also rankled the Legislature over a regular legal compliance audit that questioned the expenditures by some lawmakers on a trip to attend a conference in Puerto Rico.

In 1969, Republican Senator Frank Atwood of Bellingham introduced a bill to prohibit performance audits by the state auditor. Atwood contended Graham

3 Betty Hooper.

4 Graham, interview.

5 Graham, interview.

6 Robert Graham, "AGA/FMAC," (Lecture given during Graham's tenure.)

7 Daily Olympian, June 26, 1969.

8 Daily Olympian, June 26, 1969.

9 Graham, interview.

assumed the practice without legislative authority. Graham successfully staved off the measure, declaring that performance audits were part of his “watchdog” role and that he was providing an invaluable service for state government and the Legislature.¹⁰ But the Legislature’s budget writers – of which Atwood was part – attached a provision to the state auditor’s appropriation, effectively accomplishing the bill’s intent.¹¹ A year later, the Legislature passed a resolution handing performance audit authority to its own Legislative Budget Committee (LBC). Finally, in 1971, lawmakers enacted legislation – signed into law by Governor Evans – that gave the LBC statutory authority and prohibited the state auditor from conducting performance audits. At the time a governor’s aide wrote:

“This (bill) seriously curtails the power of the state auditor – by statute rather than by budget proviso. However, it substitutes the LBC as the performance audit entity and I am not sure from the standpoint of this office which would be worse: a relatively ignorant but honest auditor sticking his nose into the operations of state government or a highly political and constitutionally antagonistic agency of government second guessing.”¹²

Graham also successfully fought off an attempt to privatize municipal audits. In 1982, legislation was introduced to allow schools, counties, cities and other local governments to contract with private accounting firms for financial audits traditionally conducted by the State Auditor’s Office. It was similar to the fight Yelle had to wage in the 1960s. The sponsors contended private firms could do audits cheaper and more effectively.¹³ But Graham argued that such a move would destroy the concept of a people’s auditor.¹⁴ The legislative measure ultimately died.

The office’s authority did expand during Graham’s era. The State Employee Whistleblower Program was created in 1982 by legislative approval of the Whistleblower Act. The program provides an avenue for state employees to report assertions of improper governmental actions. The program was strengthened by the subsequent state auditor and continues to serve as an important means of achieving government accountability.

Graham also focused on detecting and preventing fraud. He created a special investigations team specifically to pursue suspected instances of misappropriations. He also undertook training programs to better enable local government financial staff to detect fraud. Graham reported, “We chose an aggressive course of action, which included fraud audit and client awareness training. County auditors, who work closely with the state auditor, go through a fraud-training program. Additionally, a Special Investigation Team specifically monitors Washington State fraud.”¹⁵ Graham viewed the establishment of a fraud program as one of his best achievements.¹⁶

10 Seattle Times, July 6, 1969.

11 Daily Olympian, June 26, 1969.

12 Memorandum, Dick Hemstad to Jim Dolliver, May 18, 1971

13 The Vancouver Columbian, February, 21, 1982.

14 Tacoma News Tribune, January 20, 1982.

15 Washington State Auditor’s Office, 2001 Statewide Accountability Report, (Olympia, WA: Public Printer, 2001), 5.

16 Graham, interview.

Another of Graham's significant contributions to the State Auditor's Office was the Budgeting Accounting and Reporting System. With BARS, he created a uniform system of accounting for all units of local government. It made auditing more efficient since all accounting systems were the same, and it created more effective data for the Legislature and other policymakers. "It is also interesting to know that BARS was adopted by a number of other states and even foreign countries," Graham said in a later interview.¹⁷ In 1986, BARS was awarded a Certificate of Excellence in an international competition for accounting systems.¹⁸

In 1984, the office under Graham's leadership assumed for state government the requirements of the federal Single Audit Act. Thus began a consolidated State of Washington Single Audit (SWSA) of federal funds granted for various state programs and services. This audit, which had been done by individual federal granting agencies, evaluated compliance with conditions and requirements of the federal grants.¹⁹ This consolidation into a single audit made auditing more efficient and consistent.

Graham was honored with many awards. On the eve of retiring from office, the Senate adopted a resolution giving him the honorary title of State Auditor Emeritus.²⁰ His lengthy tenure endured many changes and improvements, significantly advancing the development of the State Auditor's Office. Of his retirement, Graham said, "I leave confident that I have improved and made my mark on the State Auditor's Office, but equally confident that someone else will repeat that process and it will be repeated in a changing environment."²¹

17 Graham, interview.

18 Graham, Robert, "AGA/FMAC," (Lecture given during Graham's tenure.)

19 Washington State Senate, Senate Resolution 1993-8610, (Olympia, WA: Snyder and Rasmussen, 1993).

20 Washington State Senate, Senate Resolution 1993-8610, (Olympia, WA: Snyder and Rasmussen, 1993).

21 Robert Graham, "AGA/FMAC," (Lecture given during Graham's tenure.)

11

BRIAN SONNTAG: DIRECTING A MAJOR TRANSFORMATION

1993-PRESENT



Since becoming Washington's eighth Auditor in 1993, Brian Sonntag has guided the Office of State Auditor through its most progressive era. He has given the office a higher public profile, and his fresh approaches to auditing and accountability have transformed the office from an accounting-oriented operation to a respected, formidable advocate for Washington's taxpayers. The most notable changes to the Office's operations came about in 2005, when a citizens initiative gave the Office far-reaching authority to conduct performance audits of state and local governments. In endorsing his re-election candidacy in 2004, Washington's largest newspaper called him "the best public official produced in the state."¹

Brian Sonntag was born in 1951 in Tacoma to Jack and Jean Sonntag. He has lived in Tacoma all his life. Sonntag and his wife, Jann, continue to live in Tacoma. He has three sons and two stepsons. His family has had prominent, respected careers in public service. His father served 22 years as the elected Pierce County Auditor. A brother, also Jack, was a long-time teacher, administrator and high school state champion football coach in Tacoma Public Schools. Another brother, Richard, served on the Tacoma City Council and later on the Tacoma School Board. They helped Brian Sonntag form the principles and values that have guided his long career in public service.

After attending Tacoma Community College and the University of Puget Sound, Sonntag planned a career in banking and worked as a night messenger for the then-Puget Sound National Bank. But in 1972, then-Pierce County Clerk Don Perry offered him a position as a file clerk in Perry's office, and Sonntag changed his career path. Over time, he became a supervisor, and when Perry retired in 1978, Sonntag was appointed clerk by the Board of County Commissioners. He was elected to the position later that year – at age 26, he was at the time the youngest county official ever elected.

Sonntag, a Democrat, served eight-and-a-half years as clerk, modernizing the office

¹ "Return Owen, Murphy, Sonntag to Olympia," *The Seattle Times*, Oct. 8, 2004.

from the old ledger system to computerized record keeping. In 1986, he was elected Pierce County auditor – the position his father held – and was re-elected four years later. As the overseer of county elections, Sonntag introduced technology that transformed Pierce County's voting system from the old lever machines to an optical scanning system and electronic tabulation.

In 1992 with two years remaining on his second term as county auditor, Sonntag ran for Washington State Auditor at the encouragement of the retiring Auditor, Robert Graham. As a perceived underdog and with a low-budget campaign that precluded most advertising, Sonntag campaigned the old fashioned way, putting 30,000 miles on his car and shaking at least that many hands. He crusaded for an accountable, open, accessible and responsive government. After winning a crowded Democratic primary, he went on to defeat a favored Republican candidate in the general election.²

His first major priority after taking office in January 1993 was to raise the visibility of the State Auditor's Office. In Sonntag's view, citizens needed to know more about the office that works on their behalf to hold government agencies accountable. Sonntag saw the office's work as key to raising public interest, trust and confidence in government. He expanded distribution of audit reports after training auditors to write them in plain language instead of technical jargon. He changed the format, structure and content to make the reports readable and relevant. As the *King County Journal* editorialized, "even we enjoy reading these things."³

Sonntag has actively shared information with the news media to heighten awareness of the office's role and to secure support for his policy initiatives. He stepped up public presentations and transformed his interest as an avid listener of public affairs-oriented talk radio to appearing as a frequent guest – and even an occasional fill-in host – on these programs.

He has changed the office's approach to audit. Instead of emphasizing financial statement auditing, he moved to what is called a "risk-based" approach. Auditors now focus heavily on cash-handling and other areas in which public resources are most vulnerable to fraud, misuse and abuse. At the same time, audit staff practices his philosophy to work constructively with governments up front to ensure accountability. In that way, Sonntag maintains, the public is better served. In 1995, the Seattle Municipal League presented Sonntag with its prestigious Warren G. Magnuson Award, which recognizes individuals who "inspire, support and lead in the effort to improve local government."

Sonntag has instituted a quality assurance program to improve audit efficiency, credibility and relevance. He has introduced the use of innovative auditing software, bringing national recognition to the office. Also during his tenure the fraud program

² Brian Sonntag, interview with author, August 2005.

³ Auditor's Office gets the word and it's English," *Eastside Journal*, February 26, 1998.

has been expanded, particularly the prevention training given to government managers and financial staff. And through legislation he requested, the rights and protections of state employees who report possible improper governmental activity to the office have been strengthened.

Sonntag has left his mark through his advocacy for strong public access laws. He directed audits to routinely review governments' compliance with open public records and open public meetings laws. He sponsored successful legislation in 2001 that clarified and strengthened state law related to open public meetings. For this work and advocacy, Sonntag in 1999 received the Freedom's Light Award from the Washington Newspaper Publishers Association. The *Tri-City Herald* also described him as "one of Washington's leading advocates of open government."⁴

Throughout his career in public service, Sonntag has advocated giving citizens an opportunity to participate in their government. In 1999, after citizens approved an initiative that was viewed as reflecting public distrust of government, Sonntag offered to the Governor and Legislature an idea he called a Citizens Alliance for Accountability. He proposed assembling a "brain trust of Washington's top leaders and best thinkers" to design a process for engaging citizens and involving them in government actions and activities. It would result in a "fundamental, long-term evaluation of how we provide services and what citizens want from their government," Sonntag wrote in a letter to then-Governor Gary Locke.⁵

His idea received strong, widespread support from newspapers, organizations and citizens and led to legislation that received bipartisan support during the 2000 session. Ultimately the measure was left undone in a busy legislative session.

Sonntag's crowning achievement to date came in 2005, the year his long advocacy for performance audits paid off through a successful citizens' initiative. Initiative 900, approved by nearly 57 percent of the voters, authorized the state auditor to conduct independent performance audits of state and local governments. It also dedicated a portion of the state sales tax to fund performance audits, ensuring they will be ongoing and comprehensive.

As far back as his 1992 campaign, Sonntag advocated for greater government accountability through regular, comprehensive performance audits. He noted that Washington was the only state with a law that specifically prohibited the auditor from conducting them – a law enacted during Robert Graham's era. During Sonntag's first year in office, he successfully requested legislation that resulted in the Performance-Based Government Act of 1993. It removed the prohibition, but made performance audits subject to specific legislative approval. But importantly, the act also required state agencies to establish measurable goals and objectives to determine the effectiveness of their services.

4 "Public's right to know needs legislative assist," *Tri-City Herald*, May 24, 2004.

5 Letter to Governor Gary Locke, November 10, 1999.

Over the next 12 years, Sonntag kept the pressure on the Legislature to expand the use of performance audits in state government and to build public support. At one point, a Seattle radio talk show host encouraged listeners to send money to Sonntag's office to finance performance audits. More than \$2,000 came in. And during that time, lawmakers introduced a number of comprehensive performance audit-related measures, but they fell short of becoming law.

The Legislature did enact several bills that nibbled around the edges of performance audits. And in 1995, at the request of the state treasurer, the State Auditor's Office received legislative authority to conduct a comprehensive performance audit of the Washington State Investment Board. Completed the following year, the audit resulted in 43 far-reaching recommendations, all of which were put into practice. In 2002, lawmakers authorized the State Auditor to conduct another performance audit of worker compensation, health and claims benefits paid by the state. A year later, lawmakers inserted a budget provision authorizing several performance audits and budgeted \$3 million to pay for it. But Gov. Locke vetoed the provision.

Then came Initiative 900. With the prospect of it getting on the ballot and passing in 2005, the Legislature acted first. Lawmakers approved a bill giving the auditor the authority to audit the performance of most Executive Branch state agencies. It was signed into law by new Governor Christine Gregoire. It also created a citizens advisory board to establish criteria for conducting performance audits and to work with the state auditor to develop an audit work plan. A separate measure directed the state auditor to conduct performance audits of most transportation-related agencies.

The initiative provided clearer, stronger authority, placing few conditions on performance audits, providing a sufficient and continuous revenue source and including local governments in performance audits. As this office's history was being prepared in 2006, the State Auditor's Office had organized the performance audit team and got its initial audits underway. It also carried out a major, innovative method of engaging citizens, state employees and other interested organizations to elicit their ideas and opinions on state government performance. That effort was in keeping with Sonntag's earlier idea of the Citizens Alliance. The national magazine *Governing* cited the outreach efforts describing it as a "one-of-a-kind experiment that seeks to bring citizens back into the decision-making fold."⁶

The authority to conduct performance audits marked the most expansive level of responsibility in the history of the office. At this point in his service as state auditor, Sonntag has carved out a significant legacy for others to follow.

6 Jonathan Walters, "Scrutiny by the People," *Governing*, October 2006, 68.

12

CONCLUSION



The Office of State Auditor has enjoyed a long, rich history that predates statehood when Washington was a territory. The founders of Washington State subsequently created a very independent office elected directly by the citizens. They wrote the position into the Constitution to preserve its independence and to ensure its permanency as a check and balance of government.

Since its creation, the office has seen nine auditors. Some of them served long, multi-term stints marked by significant change. Others held the office for only one term or less. But they all served with integrity, took their elective jobs seriously and left a legacy for others to follow.

Over time, the office's specific responsibilities set by the Legislature have to some degree ebbed and flowed. But generally, the office has evolved from a mere accounting function to an effective, high visible advocate for Washington's taxpayer. It presently has the most significant, extensive audit authority in its history.

Its emergence as a preeminent watchdog over the public resources and government operations puts the office on solid footing for future auditors. For years to come, the office is likely to remain effective in ensuring government accountability.

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Throughout its history...

...the Washington State Auditor's Office has ensured that government agencies act as good stewards over the taxpayer dollars they are entrusted with. Citizen Advocate: A History of the Washington State Auditor's Office describes the evolution of the Office since statehood, the thinking of the state's founders in creating the constitutional office and the reign of the territorial auditors. This book is not intended as a comprehensive look at the Office. Rather, in an abridged fashion, it profiles those who have served as State Auditor and touches on their legacies.



Briahna Taylor, the author, researched and wrote this history during a summer internship with the Office. A former resident of Whidbey Island, she since has graduated from Pacific Lutheran University with degrees in political science and English. Briahna presently is working in the government affairs division of a Tacoma-based law firm.

Current Washington State Auditor
Brian Sonntag with author Briahna Taylor.