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**SUBSTITUTE HOUSE BILL 2738**

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**State of Washington**

**56th Legislature**

**2000 Regular Session**

**By** House Committee on State Government (originally sponsored by Representatives Dickerson, Clements, Romero and Miloscia)

Read first time 02/04/2000. Referred to Committee on .

1 AN ACT Relating to state agency personal service contracting  
2 practices; amending RCW 39.29.040; adding new sections to chapter 39.29  
3 RCW; adding new sections to chapter 43.131 RCW; providing an effective  
4 date; and declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 39.29 RCW  
7 to read as follows:

8 (1) The office of financial management shall adopt uniform  
9 guidelines for the effective and efficient management of personal  
10 service contracts and client service contracts by all state agencies.  
11 The guidelines must, at a minimum, include:

12 (a) Accounting methods, systems, measures, and principles to be  
13 used by agencies and contractors;

14 (b) Precontract procedures for selecting potential contractors  
15 based on their qualifications and ability to perform;

16 (c) Incorporation of performance measures and measurable benchmarks  
17 in contracts, and the use of performance audits;

18 (d) Uniform contract terms to ensure contract performance and  
19 compliance with state and federal standards;

1 (e) Proper payment and reimbursement methods to ensure that the  
2 state receives full value for taxpayer moneys, including cost  
3 settlements and cost allowance;

4 (f) Post-contract procedures, including methods for recovering  
5 improperly spent or overspent moneys for disallowance and adjustment;

6 (g) Adequate contract remedies and sanctions to ensure compliance;

7 (h) Monitoring, fund tracking, risk assessment, and auditing  
8 procedures and requirements;

9 (i) Financial reporting, record retention, and record access  
10 procedures and requirements;

11 (j) Procedures and criteria for terminating contracts for cause or  
12 otherwise; and

13 (k) Any other subject related to effective and efficient contract  
14 management.

15 (2) The office of financial management shall submit the guidelines  
16 required by subsection (1) of this section to the governor and the  
17 appropriate standing committees of the legislature no later than  
18 December 1, 2000.

19 (3) The office of financial management shall publish a guide book  
20 for use by state agencies containing the guidelines required by  
21 subsection (1) of this section.

22 NEW SECTION. **Sec. 2.** A new section is added to chapter 39.29 RCW  
23 to read as follows:

24 (1) A state agency entering into or renewing personal service  
25 contracts or client service contracts shall follow the guidelines  
26 required by section 1 of this act.

27 (2) A state agency that has entered into or renewed personal  
28 service contracts or client service contracts during a calendar year  
29 shall, on or before January 1 of the following calendar year, provide  
30 the office of financial management with a report detailing the  
31 procedures the agency employed in entering into, renewing, and managing  
32 the contracts.

33 (3) The provisions of this section apply to state agencies entering  
34 into or renewing contracts after January 1, 2001.

35 NEW SECTION. **Sec. 3.** A new section is added to chapter 39.29 RCW  
36 to read as follows:

1 (1) The office of financial management shall provide a training  
2 course for agency personnel responsible for executing and managing  
3 personal service contracts and client service contracts. The course  
4 must contain training on effective and efficient contract management  
5 under the guidelines established under section 1 of this act. State  
6 agencies shall require agency employees responsible for executing or  
7 managing personal service contracts and client service contracts to  
8 complete the training course to the satisfaction of the office of  
9 financial management. Beginning January 1, 2002, no agency employee  
10 may execute or manage personal service contracts or client service  
11 contracts unless the employee has completed the training course. Any  
12 request for exception to this requirement shall be submitted to the  
13 office of financial management in writing and shall be approved by the  
14 office of financial management prior to the employee executing or  
15 managing the contract.

16 (2) The office of financial management shall annually conduct  
17 random audits of the contracting practices of at least fifty personal  
18 service contracts and client service contracts from multiple state  
19 agencies entered into or renewed by state agencies to ensure compliance  
20 with the guidelines established in section 1 of this act. The office  
21 of financial management shall forward the results of the audits to the  
22 governor, the appropriate standing committees of the legislature, and  
23 the joint legislative audit and review committee. Nothing in this  
24 subsection precludes the office of financial management from conducting  
25 additional audits of the contracting practices of agencies to ensure  
26 compliance with the guidelines established in section 1 of this act.

27 NEW SECTION. **Sec. 4.** A new section is added to chapter 39.29 RCW  
28 to read as follows:

29 The state auditor and the attorney general shall annually by  
30 November 30th of each year provide a collaborative report of contract  
31 audit and investigative findings, enforcement actions, and the status  
32 of agency resolution to the governor and the policy and fiscal  
33 committees of the legislature.

34 **Sec. 5.** RCW 39.29.040 and 1998 c 101 s 7 are each amended to read  
35 as follows:

36 This chapter does not apply to:

1 (1) Contracts specifying a fee of less than five thousand dollars  
2 if the total of the contracts from that agency with the contractor  
3 within a fiscal year does not exceed five thousand dollars;

4 (2) Contracts awarded to companies that furnish a service where the  
5 tariff is established by the utilities and transportation commission or  
6 other public entity;

7 (3) Intergovernmental agreements awarded to any governmental  
8 entity, whether federal, state, or local and any department, division,  
9 or subdivision thereof;

10 (4) Contracts awarded for services to be performed for a standard  
11 fee, when the standard fee is established by the contracting agency or  
12 any other governmental entity and a like contract is available to all  
13 qualified applicants;

14 (5) Contracts for services that are necessary to the conduct of  
15 collaborative research if prior approval is granted by the funding  
16 source;

17 (6) Contracts for client services except as otherwise indicated in  
18 this chapter;

19 (7) Contracts for architectural and engineering services as defined  
20 in RCW 39.80.020, which shall be entered into under chapter 39.80 RCW;

21 (8) Contracts for the employment of expert witnesses for the  
22 purposes of litigation; and

23 (9) Contracts for bank supervision authorized under RCW 30.38.040.

24 NEW SECTION. **Sec. 6.** Section 1 of this act is necessary for the  
25 immediate preservation of the public peace, health, or safety, or  
26 support of the state government and its existing public institutions,  
27 and takes effect immediately.

28 NEW SECTION. **Sec. 7.** Sections 2 and 3 of this act take effect  
29 January 1, 2001.

30 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.131 RCW  
31 to read as follows:

32 The duties and powers of the office of financial management  
33 relating to oversight of personal service and client service contracts  
34 in sections 1 through 3 of this act shall be terminated on June 30,  
35 2006.

1        NEW SECTION.   **Sec. 9.**   A new section is added to chapter 43.131 RCW  
2 to read as follows:

3        The following acts or parts of acts, as now existing or hereafter  
4 amended, are each repealed, effective June 30, 2007:

5        (1) Section 1 of this act;

6        (2) Section 2 of this act; and

7        (3) Section 3 of this act.

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