

2 **SB 6601** - S AMD - 000335
3 By Senators Gaspard and Sellar

4 ADOPTED 3/3/94

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** STATEMENT OF PURPOSE. The state of
8 Washington expects to be the most effective and best performing state
9 government in the United States, measured in terms of quality of
10 customer service, accountability for cost-effective services, and
11 productivity.

12 NEW SECTION. **Sec. 2.** STATEMENT OF INTENT. It is the intent of
13 the governor and the legislature to accomplish the purpose of section
14 1 of this act through a commitment to continuous improvement of
15 Washington state government and not through a one-time or short-term
16 effort that would largely serve to redefine problems rather than
17 identify solutions.

18 The governor, the legislature, and the public expect Washington
19 state government to focus on the citizens of Washington as valued
20 customers of state government. State government will accomplish what
21 its citizens truly expect of it, and operate as its customers expect.

22 Washington state government will be a government where state
23 employees are recognized as our most valuable improvement resource in
24 solving problems and delivering quality services, where employees play
25 the most significant role in developing and implementing strategies to
26 accomplish the purposes of this chapter, and where people want to work
27 and are proud to serve. Washington state government will place a high
28 priority on investment in its employees and the systems necessary to
29 support those people.

30 We will have a state government where, regardless of the different
31 responsibilities assumed under the constitutional separation of powers,
32 the governor and the legislature operate in partnership to improve the
33 whole of state government, including themselves and their processes;
34 where the governor and legislature act in partnership with state
35 employees and employee organizations; and where all government

1 officials and employees act in partnership with the citizens of
2 Washington, who are the customers for state government.

3 Washington state government will have clear measures of performance
4 that will result in quality customer service, accountability for cost-
5 effective services, and improved productivity. Quality and performance
6 standards will improve service delivery from all suppliers of
7 government services.

8 NEW SECTION. **Sec. 3.** PERFORMANCE PARTNERSHIP COUNCIL--
9 ESTABLISHED--POWERS AND DUTIES. (1) The Washington performance
10 partnership council is established. The council shall consist of:

- 11 (a) The governor;
- 12 (b) The majority leader of the senate;
- 13 (c) The speaker of the house of representatives;
- 14 (d) The minority leader of the senate;
- 15 (e) The minority leader of the house of representatives; and
- 16 (f) Two state-wide elected officials to be appointed by the
17 governor.

18 (2) To the extent necessary to accomplish the purposes of this
19 chapter, the council shall meet monthly. The council shall invite the
20 chairs and ranking minority members of the senate committee on ways and
21 means and the house of representatives committee on appropriations to
22 attend and participate in the meetings of the council as necessary and
23 appropriate. The council may also invite the chairs of other
24 legislative committees to participate in meetings of the council.

25 (3) The governor, majority leader of the senate, and speaker of the
26 house of representatives shall serve as cochairs of the council.

27 (4) The council shall work in partnership to assure that the
28 purposes and intent of this chapter are being met. The council shall
29 establish clear expectations and measures of performance regarding
30 implementation of the purpose and intent of this chapter. The council
31 has decision-making authority to authorize programs to accomplish the
32 purposes of this chapter. The council will review recommendations from
33 the operating committee established under section 4 of this act and
34 make appropriate recommendations regarding statutory changes to the
35 legislature.

36 (5) The council shall have the authority and responsibility to
37 provide adequate resources to accomplish the objectives of this
38 chapter, including the hiring of staff or the reassignment of existing

1 staff. Decisions to reallocate existing staff from any agency shall be
2 made only with the approval of the director of the agency.

3 (6) Within forty-five days of the effective date of this act, the
4 council will appoint a full-time person to coordinate and facilitate
5 the effort.

6 NEW SECTION. **Sec. 4.** PERFORMANCE PARTNERSHIP OPERATING
7 COMMITTEE--ESTABLISHED--POWERS AND DUTIES. (1) Within thirty days of
8 the effective date of this act, the performance partnership council
9 shall appoint the performance partnership operating committee, with no
10 more than twelve members, comprised of:

11 (a) The director of financial management;

12 (b) Directors of state agencies, including independent agencies and
13 agencies that report directly to the governor;

14 (c) State employees and representatives of state employees;

15 (d) Representatives of the legislature; and

16 (e) Representatives of the private sector with expertise in
17 organizational improvement strategies.

18 (2) Representatives of the private sector shall be appointed in
19 equal number to representatives of the public sector. The director of
20 financial management and a representative of the private sector, to be
21 selected by the council, shall serve as cochairs of the operating
22 committee.

23 (3) The operating committee shall focus on the day-to-day
24 operations of the improvement process and the allocation of necessary
25 staff resources. The committee shall assure the planning, initiation,
26 and implementation of the functions necessary to accomplish the
27 purposes of this chapter, monitor assigned tasks, and consider and
28 recommend short- and long-term improvement strategies to the
29 performance partnership council.

30 (4) The operating committee shall ensure that the strategies and
31 recommendations to accomplish the purposes of this chapter are
32 developed primarily by front-line state employees and the customers of
33 state government services. That assurance will be provided, in part,
34 by facilitating work teams and design teams comprised of state
35 employees, state employee organizations, customers, managers,
36 legislators or legislative employees, and experts from outside
37 government to develop the strategies and accomplish the tasks required
38 under sections 5, 6, and 7 of this act.

1 (5) Within sixty days of the effective date of this act, the
2 operating committee shall recommend to the council a work plan and
3 budget to accomplish the purposes of this chapter, with particular
4 detail regarding the first twelve months. The operating committee
5 shall also develop a thorough and effective internal and external
6 communication plan necessary to inform and activate the participants
7 essential to the success of the effort.

8 NEW SECTION. **Sec. 5.** STATEMENT OF STRATEGIC INTENT. Working
9 through the operating committee, the performance partnership council
10 shall initiate a two-tracked process toward the long-term improvement
11 of state government.

12 The first area of effort shall focus on clarifying and stating the
13 strategic intent for Washington state government: What Washington
14 state government should be doing at this current period in time.
15 Included in the strategic intent for state government shall be a clear
16 statement of the basic services that Washington state citizens desire,
17 and the priorities and values which are centered on the customers of
18 state government. The statement of intent, priorities, and values
19 shall be developed within the context of revenue and expenditure
20 limitations.

21 The council shall establish a process which effectively involves
22 the customers and suppliers of state government services. The
23 suppliers are primarily state employees, but might also include local
24 government, private vendors of goods and services, and others as
25 appropriate. The process shall be ongoing. The council shall prepare
26 its initial statement of strategic intent for Washington state
27 government by September 1, 1994, for recommendation to the 1995
28 legislature. The legislature shall either accept or reject, but cannot
29 amend, the statement of strategic intent. The legislature shall take
30 action on the initial recommendation by March 15, 1995. If the
31 statement of strategic intent is not approved by the legislature, it
32 shall be amended by the council and resubmitted.

33 The council shall recommend to the legislature an updated statement
34 of strategic intent by September 1 of each even-numbered year for
35 action by the legislature by March 15 in the following legislative
36 session.

1 NEW SECTION. **Sec. 6.** IMPROVEMENT OF GOVERNMENT SERVICES--DESIGN
2 TEAMS--INITIAL PROJECTS. (1) The second area of effort by the

3 performance partnership council shall focus on continuous improvement
4 of state government services by developing successful strategies to:

5 (a) Clearly identify the intended result of each state government
6 service or program, and measure and communicate performance toward the
7 intended result;

8 (b) Assess each activity and function of government to identify the
9 value added toward the general strategic intent of state government and
10 the specific result intended from the program or service, eliminate or
11 redesign activities so that each function or activity makes a cost-
12 effective contribution toward intended results, and design
13 organizations that match the functions and processes of state
14 government;

15 (c) Redesign the internal systems that support state government to
16 be more consistent with a priority-driven, results-oriented,
17 performance-based system of government, with highest priority to
18 redesign of the budget system and the accounting system; and

19 (d) Identify and remove barriers to performance and create
20 incentives for better performance and cost-effectiveness.

21 (2) The operating committee shall formulate design teams consisting
22 of front-line employees, employee representatives, managers, customers,
23 outside experts where appropriate, legislators or legislative staff,
24 representatives of local government, vendors and other suppliers of
25 state services, and any other persons deemed necessary or appropriate
26 by the operating committee, to develop successful prototypes with
27 application throughout the executive and legislative branches of
28 government for implementation of the improvement principles described
29 in subsection (1) of this section. The composition of the design teams
30 shall be flexible and shall reflect the expertise required for the
31 initial projects.

32 (3) Initial projects shall be undertaken to design strategies for
33 successful implementation of each of the principles described in
34 subsection (1) of this section and any others identified by the council
35 as being essential to accomplish the purposes of this chapter. In
36 developing successful strategies, the design teams shall also examine
37 the best practices used in the public and private sectors to accomplish
38 the objectives of subsection (1) of this section. The initial projects
39 shall be designed to demonstrate definitive results, including

1 effective methods for employee participation and empowerment techniques
2 to facilitate and implement creative problem solving from all
3 employees, effective means of customer involvement, consistent
4 definitions and instructions, effective training plans and
5 identification of resources required, successful project management
6 strategies, and effective communication plans.

7 (4) The work plan described in section 4 of this act shall identify
8 the initial projects to be undertaken. The initial projects shall be
9 designed to develop effective performance improvement strategies that
10 can be replicated in other areas of state government. Initial projects
11 should be identified in an effort to demonstrate early success and
12 immediate improvement in state government performance. It is not
13 necessary at the outset to initiate projects for each of the principal
14 government improvement strategies described in subsection (1) of this
15 section. Rather, the work plan should describe an orderly schedule
16 that will allow for integration of each of the initial projects in a
17 way that will result in coordinated strategies for continuous
18 improvement. The initial projects for improvement should be consistent
19 with efforts to define the strategic intent for Washington state
20 government.

21 (5) The council shall determine when an initiative has resulted in
22 successful strategies that should be expanded to a broader portion, or
23 the whole, of state government. The council shall recommend statutory
24 changes to the legislature when such changes are required to accomplish
25 the purposes of this chapter. The council shall also develop
26 legislation to alter statutes, rules, and regulations necessary for
27 initial agencies and programs to accomplish the purposes of this
28 chapter, and to expand projects to a broader portion of state
29 government at the appropriate time. The legislation shall be based on
30 the work of project teams designed to identify and address barriers to
31 performance and create incentives.

32 (6) The performance partnership council and operating committee
33 shall ensure the work of the design teams is supported by committed
34 leadership that provides clear vision and motivation and facilitates
35 effective communication. State employees shall be recognized and
36 supported as the single resource most effective in identifying and
37 solving problems and delivering effective state government services.
38 Employees shall be well supported by the provision of necessary
39 resources, particularly an investment in employee training, and shall

1 be provided with the flexibility and incentives necessary to
2 successfully implement their assigned tasks. The ultimate goal of the
3 design teams shall be to develop strategies to improve state government
4 in regard to the customers' expectations for quality services delivered
5 in the most cost-effective means possible.

6 NEW SECTION. **Sec. 7.** BUDGET PROCESS--PERFORMANCE MEASUREMENT.

7 The current operating budget process for state government has been
8 generally based on the presumption of continuing current service levels
9 and giving careful consideration only to marginal changes. It is not
10 well understood or supported by the public or state government
11 policymakers. Consequently, work on initial projects for performance
12 measurement and budget redesign must progress sufficiently to result in
13 expansion to additional programs for the 1995-1997 biennium. Beginning
14 no later than the 1997-1999 biennium, the state operating budget and
15 the process used to develop that budget shall, to the fullest extent
16 possible and based on the recommendations of the council, be redesigned
17 to reflect an effective state-wide system of performance measurement,
18 shall be based on a clear statement of state-wide priorities (strategic
19 intent) as well as clear priorities within each agency, and shall
20 incorporate incentives for performance and cost-effectiveness.

21 NEW SECTION. **Sec. 8.** COLLECTIVE BARGAINING AGREEMENTS. Nothing

22 in this chapter shall supersede or modify in any manner the provisions
23 of any public employee collective bargaining agreement under Title 41
24 RCW, or any rights established thereunder.

25 **Sec. 9.** RCW 43.88.020 and 1993 c 406 s 2 are each amended to read
26 as follows:

27 (1) "Budget" means a proposed plan of expenditures for a given
28 period or purpose and the proposed means for financing these
29 expenditures.

30 (2) "Budget document" means a formal, written statement offered by
31 the governor to the legislature, as provided in RCW 43.88.030.

32 (3) "Director of financial management" means the official appointed
33 by the governor to serve at the governor's pleasure and to whom the
34 governor may delegate necessary authority to carry out the governor's
35 duties as provided in this chapter. The director of financial

1 management shall be head of the office of financial management which
2 shall be in the office of the governor.

3 (4) "Agency" means and includes every state office, officer, each
4 institution, whether educational, correctional or other, and every
5 department, division, board and commission, except as otherwise
6 provided in this chapter.

7 (5) "Public funds", for purposes of this chapter, means all moneys,
8 including cash, checks, bills, notes, drafts, stocks, and bonds,
9 whether held in trust, for operating purposes, or for capital purposes,
10 and collected or disbursed under law, whether or not such funds are
11 otherwise subject to legislative appropriation, including funds
12 maintained outside the state treasury.

13 (6) "Regulations" means the policies, standards, and requirements,
14 stated in writing, designed to carry out the purposes of this chapter,
15 as issued by the governor or the governor's designated agent, and which
16 shall have the force and effect of law.

17 (7) "Ensuing biennium" means the fiscal biennium beginning on July
18 1st of the same year in which a regular session of the legislature is
19 held during an odd-numbered year pursuant to Article II, section 12 of
20 the Constitution and which biennium next succeeds the current biennium.

21 (8) "Dedicated fund" means a fund in the state treasury, or a
22 separate account or fund in the general fund in the state treasury,
23 that by law is dedicated, appropriated or set aside for a limited
24 object or purpose; but "dedicated fund" does not include a revolving
25 fund or a trust fund.

26 (9) "Revolving fund" means a fund in the state treasury,
27 established by law, from which is paid the cost of goods or services
28 furnished to or by a state agency, and which is replenished through
29 charges made for such goods or services or through transfers from other
30 accounts or funds.

31 (10) "Trust fund" means a fund in the state treasury in which
32 designated persons or classes of persons have a vested beneficial
33 interest or equitable ownership, or which was created or established by
34 a gift, grant, contribution, devise, or bequest that limits the use of
35 the fund to designated objects or purposes.

36 (11) "Administrative expenses" means expenditures for: (a)
37 Salaries, wages, and related costs of personnel and (b) operations and
38 maintenance including but not limited to costs of supplies, materials,
39 services, and equipment.

1 (12) "Fiscal year" means the year beginning July 1st and ending the
2 following June 30th.

3 (13) "Lapse" means the termination of authority to expend an
4 appropriation.

5 (14) "Legislative fiscal committees" means the legislative budget
6 committee, the legislative evaluation and accountability program
7 committee, the ways and means committees of the senate and house of
8 representatives, and, where appropriate, the legislative transportation
9 committee.

10 (15) "Fiscal period" means the period for which an appropriation is
11 made as specified within the act making the appropriation.

12 (16) "Primary budget driver" means the primary determinant of a
13 budget level, other than a price variable, which causes or is
14 associated with the major expenditure of an agency or budget unit
15 within an agency, such as a caseload, enrollment, workload, or
16 population statistic.

17 (17) "Stabilization account" means the budget stabilization account
18 created under RCW 43.88.525 as an account in the general fund of the
19 state treasury.

20 (18) "State tax revenue limit" means the limitation created by
21 chapter 43.135 RCW.

22 (19) "General state revenues" means the revenues defined by Article
23 VIII, section 1(c) of the state Constitution.

24 (20) "Annual growth rate in real personal income" means the
25 estimated percentage growth in personal income for the state during the
26 current fiscal year, expressed in constant value dollars, as published
27 by the office of financial management or its successor agency.

28 (21) "Estimated revenues" means estimates of revenue in the most
29 recent official economic and revenue forecast prepared under RCW
30 82.33.020, and prepared by the office of financial management for those
31 funds, accounts, and sources for which the office of the economic and
32 revenue forecast council does not prepare an official forecast
33 including estimates of revenues to support financial plans under RCW
34 44.40.070, that are prepared by the office of financial management in
35 consultation with the interagency task force.

36 (22) "Estimated receipts" means the estimated receipt of cash in
37 the most recent official economic and revenue forecast prepared under
38 RCW 82.33.020, and prepared by the office of financial management for

1 those funds, accounts, and sources for which the office of the economic
2 and revenue forecast council does not prepare an official forecast.

3 (23) "State budgeting, accounting, and reporting system" means a
4 system that gathers, maintains, and communicates fiscal information.
5 The system links fiscal information beginning with development of
6 agency budget requests through adoption of legislative appropriations
7 to tracking actual receipts and expenditures against approved plans.

8 (24) "Allotment of appropriation" means the agency's statement of
9 proposed expenditures, the director of financial management's review of
10 that statement, and the placement of the approved statement into the
11 state budgeting, accounting, and reporting system.

12 (25) "Statement of proposed expenditures" means a plan prepared by
13 each agency that breaks each appropriation out into monthly detail
14 representing the best estimate of how the appropriation will be
15 expended.

16 (26) "Undesignated fund balance (or deficit)" means unreserved and
17 undesignated current assets or other resources available for
18 expenditure over and above any current liabilities which are expected
19 to be incurred by the close of the fiscal period.

20 (27) "Internal audit" means an independent appraisal activity
21 within an agency for the review of operations as a service to
22 management, including a systematic examination of accounting and fiscal
23 controls to assure that human and material resources are guarded
24 against waste, loss, or misuse; and that reliable data are gathered,
25 maintained, and fairly disclosed in a written report of the audit
26 findings.

27 (28) "~~Performance ((audit)) verification~~" means an ~~((audit that~~
28 ~~determines the following:—(a) Whether a government entity is~~
29 ~~acquiring, protecting, and using its resources economically and~~
30 ~~efficiently; (b) the causes of inefficiencies or uneconomical~~
31 ~~practices; (c) whether the entity has complied with laws and rules~~
32 ~~applicable to the program; (d) the extent to which the desired results~~
33 ~~or benefits established by the legislature are being achieved; and (e)~~
34 ~~the effectiveness of organizations, programs, activities, or~~
35 ~~functions)) analysis that (a) verifies the accuracy of data used by~~
36 state agencies in quantifying intended results and measuring
37 performance toward those results, and (b) verifies whether or not the
38 reported results were achieved.

1 (29) "Program evaluation" means the use of a variety of policy and
2 fiscal research methods to (a) determine the extent to which a program
3 is achieving its legislative intent in terms of producing the effects
4 expected, and (b) make an objective judgment of the implementation,
5 outcomes, and net cost or benefit impact of programs in the context of
6 their goals and objectives. It includes the application of systematic
7 methods to measure the results, intended or unintended, of program
8 activities.

9 **Sec. 10.** RCW 43.88.090 and 1993 c 406 s 3 are each amended to read
10 as follows:

11 (1) For purposes of developing budget proposals to the legislature,
12 the governor shall have the power, and it shall be the governor's duty,
13 to require from proper agency officials such detailed estimates and
14 other information in such form and at such times as the governor shall
15 direct. The estimates for the legislature and the judiciary shall be
16 transmitted to the governor and shall be included in the budget without
17 revision. The estimates for state pension contributions shall be based
18 on the rates provided in chapter 41.45 RCW. Copies of all such
19 estimates shall be transmitted to the standing committees on ways and
20 means of the house and senate at the same time as they are filed with
21 the governor and the office of financial management.

22 The estimates shall include statements or tables which indicate, by
23 agency, the state funds which are required for the receipt of federal
24 matching revenues. The estimates shall be revised as necessary to
25 reflect legislative enactments and adopted appropriations and shall be
26 included with the initial biennial allotment submitted under RCW
27 43.88.110.

28 ~~(2) ((It is the policy of the state that each state agency define~~
29 ~~its mission and establish measurable goals for achieving desirable~~
30 ~~results for those who receive its services. This section shall not be~~
31 ~~construed to require an agency to develop a new mission or goals in~~
32 ~~place of identifiable missions or goals that meet the intent of this~~
33 ~~section. State agencies should involve affected groups and individuals~~
34 ~~in developing their missions and goals.~~

35 ~~(3) For the purpose of assessing program performance, each state~~
36 ~~agency shall establish program objectives for each major program in its~~
37 ~~budget. The objectives shall be consistent with the missions and goals~~
38 ~~developed under this section. The objectives shall be expressed to the~~

1 extent practicable in outcome-based, objective, and measurable form
2 unless permitted by the office of financial management to adopt a
3 different standard.

4 (4) In concert with legislative and executive agencies, the office
5 of financial management shall develop a plan for using these outcome-
6 based objectives in the evaluation of agency performance for improved
7 accountability of state government. Any elements of the plan requiring
8 legislation shall be submitted to the legislature no later than
9 November 30, 1994.

10 (5)) In the year of the gubernatorial election, the governor shall
11 invite the governor-elect or the governor-elect's designee to attend
12 all hearings provided in RCW 43.88.100; and the governor shall furnish
13 the governor-elect or the governor-elect's designee with such
14 information as will enable the governor-elect or the governor-elect's
15 designee to gain an understanding of the state's budget requirements.
16 The governor-elect or the governor-elect's designee may ask such
17 questions during the hearings and require such information as the
18 governor-elect or the governor-elect's designee deems necessary and may
19 make recommendations in connection with any item of the budget which,
20 with the governor-elect's reasons therefor, shall be presented to the
21 legislature in writing with the budget document. Copies of all such
22 estimates and other required information shall also be submitted to the
23 standing committees on ways and means of the house and senate.

24 **Sec. 11.** RCW 43.88.160 and 1993 c 500 s 7, 1993 c 406 s 4, and
25 1993 c 194 s 6 are each reenacted and amended to read as follows:

26 This section sets forth the major fiscal duties and
27 responsibilities of officers and agencies of the executive branch. The
28 regulations issued by the governor pursuant to this chapter shall
29 provide for a comprehensive, orderly basis for fiscal management and
30 control, including efficient accounting and reporting therefor, for the
31 executive branch of the state government and may include, in addition,
32 such requirements as will generally promote more efficient public
33 management in the state.

34 (1) Governor; director of financial management. The governor,
35 through the director of financial management, shall devise and
36 supervise a modern and complete accounting system for each agency to
37 the end that all revenues, expenditures, receipts, disbursements,
38 resources, and obligations of the state shall be properly and

1 systematically accounted for. The accounting system shall include the
2 development of accurate, timely records and reports of all financial
3 affairs of the state. The system shall also provide for central
4 accounts in the office of financial management at the level of detail
5 deemed necessary by the director to perform central financial
6 management. The director of financial management shall adopt and
7 periodically update an accounting procedures manual. Any agency
8 maintaining its own accounting and reporting system shall comply with
9 the updated accounting procedures manual and the rules of the director
10 adopted under this chapter. An agency may receive a waiver from
11 complying with this requirement if the waiver is approved by the
12 director. Waivers expire at the end of the fiscal biennium for which
13 they are granted. The director shall forward notice of waivers granted
14 to the appropriate legislative fiscal committees. The director of
15 financial management may require such financial, statistical, and other
16 reports as the director deems necessary from all agencies covering any
17 period.

18 (2) The director of financial management is responsible for
19 quarterly reporting of primary operating budget drivers such as
20 applicable workloads, caseload estimates, and appropriate unit cost
21 data. These reports shall be transmitted to the legislative fiscal
22 committees or by electronic means to the legislative evaluation and
23 accountability program committee. Quarterly reports shall include
24 actual monthly data and the variance between actual and estimated data
25 to date. The reports shall also include estimates of these items for
26 the remainder of the budget period.

27 (3) The director of financial management shall report at least
28 annually to the appropriate legislative committees regarding the status
29 of all appropriated capital projects, including transportation
30 projects, showing significant cost overruns or underruns. If funds are
31 shifted from one project to another, the office of financial management
32 shall also reflect this in the annual variance report. Once a project
33 is complete, the report shall provide a final summary showing estimated
34 start and completion dates of each project phase compared to actual
35 dates, estimated costs of each project phase compared to actual costs,
36 and whether or not there are any outstanding liabilities or unsettled
37 claims at the time of completion.

38 (4) In addition, the director of financial management, as agent of
39 the governor, shall:

1 (a) Develop and maintain a system of internal controls and internal
2 audits comprising methods and procedures to be adopted by each agency
3 that will safeguard its assets, check the accuracy and reliability of
4 its accounting data, promote operational efficiency, and encourage
5 adherence to prescribed managerial policies for accounting and
6 financial controls. The system developed by the director shall include
7 criteria for determining the scope and comprehensiveness of internal
8 controls required by classes of agencies, depending on the level of
9 resources at risk.

10 Each agency head or authorized designee shall be assigned the
11 responsibility and authority for establishing and maintaining internal
12 audits following the standards of internal auditing of the institute of
13 internal auditors;

14 (b) Make surveys and analyses of agencies with the object of
15 determining better methods and increased effectiveness in the use of
16 manpower and materials; and the director shall authorize expenditures
17 for employee training to the end that the state may benefit from
18 training facilities made available to state employees;

19 (c) Establish policies for allowing the contracting of child care
20 services;

21 (d) Report to the governor with regard to duplication of effort or
22 lack of coordination among agencies;

23 (e) Review any pay and classification plans, and changes
24 thereunder, developed by any agency for their fiscal impact: PROVIDED,
25 That none of the provisions of this subsection shall affect merit
26 systems of personnel management now existing or hereafter established
27 by statute relating to the fixing of qualifications requirements for
28 recruitment, appointment, or promotion of employees of any agency. The
29 director shall advise and confer with agencies including appropriate
30 standing committees of the legislature as may be designated by the
31 speaker of the house and the president of the senate regarding the
32 fiscal impact of such plans and may amend or alter said plans, except
33 that for the following agencies no amendment or alteration of said
34 plans may be made without the approval of the agency concerned:
35 Agencies headed by elective officials;

36 (f) Fix the number and classes of positions or authorized man years
37 of employment for each agency and during the fiscal period amend the
38 determinations previously fixed by the director except that the

1 director shall not be empowered to fix said number or said classes for
2 the following: Agencies headed by elective officials;

3 (g) Provide for transfers and repayments between the budget
4 stabilization account and the general fund as directed by appropriation
5 and RCW 43.88.525 through 43.88.540;

6 (h) Adopt rules to effectuate provisions contained in (a) through
7 (g) of this subsection.

8 (5) The treasurer shall:

9 (a) Receive, keep, and disburse all public funds of the state not
10 expressly required by law to be received, kept, and disbursed by some
11 other persons: PROVIDED, That this subsection shall not apply to those
12 public funds of the institutions of higher learning which are not
13 subject to appropriation;

14 (b) Receive, disburse, or transfer public funds under the
15 treasurer's supervision or custody;

16 (c) Keep a correct and current account of all moneys received and
17 disbursed by the treasurer, classified by fund or account;

18 (d) Coordinate agencies' acceptance and use of credit cards and
19 other payment methods, if the agencies have received authorization
20 under RCW 43.41.180;

21 (e) Perform such other duties as may be required by law or by
22 regulations issued pursuant to this law.

23 It shall be unlawful for the treasurer to disburse public funds in
24 the treasury except upon forms or by alternative means duly prescribed
25 by the director of financial management. These forms or alternative
26 means shall provide for authentication and certification by the agency
27 head or the agency head's designee that the services have been rendered
28 or the materials have been furnished; or, in the case of loans or
29 grants, that the loans or grants are authorized by law; or, in the case
30 of payments for periodic maintenance services to be performed on state
31 owned equipment, that a written contract for such periodic maintenance
32 services is currently in effect and copies thereof are on file with the
33 office of financial management; and the treasurer shall not be liable
34 under the treasurer's surety bond for erroneous or improper payments so
35 made. When services are lawfully paid for in advance of full
36 performance by any private individual or business entity other than as
37 provided for by RCW 42.24.035, such individual or entity other than
38 central stores rendering such services shall make a cash deposit or
39 furnish surety bond coverage to the state as shall be fixed in an

1 amount by law, or if not fixed by law, then in such amounts as shall be
2 fixed by the director of the department of general administration but
3 in no case shall such required cash deposit or surety bond be less than
4 an amount which will fully indemnify the state against any and all
5 losses on account of breach of promise to fully perform such services.
6 No payments shall be made in advance for any equipment maintenance
7 services to be performed more than three months after such payment.
8 Any such bond so furnished shall be conditioned that the person, firm
9 or corporation receiving the advance payment will apply it toward
10 performance of the contract. The responsibility for recovery of
11 erroneous or improper payments made under this section shall lie with
12 the agency head or the agency head's designee in accordance with
13 regulations issued pursuant to this chapter. Nothing in this section
14 shall be construed to permit a public body to advance funds to a
15 private service provider pursuant to a grant or loan before services
16 have been rendered or material furnished.

17 (6) The state auditor shall:

18 (a) Report to the legislature the results of current post audits
19 that have been made of the financial transactions of each agency; to
20 this end the auditor may, in the auditor's discretion, examine the
21 books and accounts of any agency, official or employee charged with the
22 receipt, custody or safekeeping of public funds. Where feasible in
23 conducting examinations, the auditor shall utilize data and findings
24 from the internal control system prescribed by the office of financial
25 management. The current post audit of each agency may include a
26 section on recommendations to the legislature as provided in (c) of
27 this subsection.

28 (b) Give information to the legislature, whenever required, upon
29 any subject relating to the financial affairs of the state.

30 (c) Make the auditor's official report on or before the thirty-
31 first of December which precedes the meeting of the legislature. The
32 report shall be for the last complete fiscal period and shall include
33 determinations as to whether agencies, in making expenditures, complied
34 with the laws of this state. The state auditor is authorized to
35 perform or participate in performance ((audits)) verifications only as
36 expressly authorized by the legislature in the omnibus biennial
37 appropriations acts. ~~((A performance audit for the purpose of this
38 section is the examination of the effectiveness of the administration,
39 its efficiency, and its adequacy in terms of the programs of~~

1 ~~departments or agencies as previously approved by the legislature.))~~
2 The state auditor, upon completing an audit for legal and financial
3 compliance under chapter 43.09 RCW or a performance verification, may
4 report to the legislative budget committee or other appropriate
5 committees of the legislature, in a manner prescribed by the
6 legislative budget committee, on facts relating to the management or
7 performance of governmental programs where such facts are discovered
8 incidental to the legal and financial audit or performance
9 verification. The auditor may make such a report to a legislative
10 committee only if the auditor has determined that the agency has been
11 given an opportunity and has failed to resolve the management or
12 performance issues raised by the auditor. If the auditor makes a
13 report to a legislative committee, the agency may submit to the
14 committee a response to the report. This subsection (6) shall not be
15 construed to authorize the auditor to allocate other than de minimis
16 resources to performance audits except as expressly authorized in the
17 appropriations acts.

18 (d) Be empowered to take exception to specific expenditures that
19 have been incurred by any agency or to take exception to other
20 practices related in any way to the agency's financial transactions and
21 to cause such exceptions to be made a matter of public record,
22 including disclosure to the agency concerned and to the director of
23 financial management. It shall be the duty of the director of
24 financial management to cause corrective action to be taken promptly,
25 such action to include, as appropriate, the withholding of funds as
26 provided in RCW 43.88.110.

27 (e) Promptly report any irregularities to the attorney general.

28 (f) Investigate improper governmental activity under chapter 42.40
29 RCW.

30 (7) The legislative budget committee may:

31 (a) Make post audits of the financial transactions of any agency
32 and management surveys and program reviews as provided for in RCW
33 44.28.085 as well as performance audits and program evaluations. To
34 this end the committee may in its discretion examine the books,
35 accounts, and other records of any agency, official, or employee.

36 (b) Give information to the legislature or any legislative
37 committee whenever required upon any subject relating to the
38 performance and management of state agencies.

1 (c) Make a report to the legislature which shall include at least
2 the following:

3 (i) Determinations as to the extent to which agencies in making
4 expenditures have complied with the will of the legislature and in this
5 connection, may take exception to specific expenditures or financial
6 practices of any agencies; and

7 (ii) Such plans as it deems expedient for the support of the
8 state's credit, for lessening expenditures, for promoting frugality and
9 economy in agency affairs and generally for an improved level of fiscal
10 management.

11 NEW SECTION. **Sec. 12.** 1993 c 406 s 1 (uncodified) is repealed.

12 NEW SECTION. **Sec. 13.** Captions as used in this act do not
13 constitute any part of the law.

14 NEW SECTION. **Sec. 14.** Sections 1 through 8 of this act shall
15 constitute a new chapter in Title 43 RCW.

16 NEW SECTION. **Sec. 15.** This act is necessary for the immediate
17 preservation of the public peace, health, or safety, or support of the
18 state government and its existing public institutions, and shall take
19 effect immediately."

20 **SB 6601** - S AMD - 000335
21 By Senators Gaspard and Sellar

22 ADOPTED 3/3/94

23 On page 1, line 1 of the title, after "accountability;" strike the
24 remainder of the title and insert "amending RCW 43.88.020 and
25 43.88.090; reenacting and amending RCW 43.88.160; adding a new chapter
26 to Title 43 RCW; creating a new section; repealing 1993 c 406 s 1
27 (uncodified); and declaring an emergency."

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