

5 On page 2, after line 13, insert the following:

6 "NEW SECTION. Sec. 2. (1) The state auditor shall undertake a
7 comprehensive, state-wide performance audit of state agencies and
8 programs, services, and activities operated by those agencies. For the
9 purposes of this section, "state agency" includes a board, commission,
10 department, committee, institution, agency, or office within the
11 legislative, executive, and judicial branch of state government,
12 including any institution of higher education.

13 (2) The audit must include:

14 (a) An evaluation of the efficiency with which state agencies
15 operate the programs under their jurisdictions and fulfill the duties
16 assigned to them by law;

17 (b) A determination of methods to maximize the amount of federal
18 funds received by the state in order to better ensure that the people
19 of Washington receive a greater share of the taxes levied on them by
20 the federal government;

21 (c) Identification of potential cost savings and of any state
22 agency or any program or service now offered by an agency that can be
23 eliminated or transferred to the private sector without injury to the
24 public good and well-being;

25 (d) Recommendations for the elimination of or reduction in funding
26 to various agencies, programs, or services based on the results of the
27 performance audit; and

28 (e) Analysis of gaps and overlaps in programs offered by state
29 agencies and recommendations for improving, dropping, blending, or
30 separating functions to correct gaps or overlaps.

31 (3) The state auditor may require any state agency to provide
32 information required for completion of the audit, and each state agency
33 shall fully and completely cooperate with the state auditor for the
34 purposes of this section.

35 (4) The office of the state auditor shall provide the staff
36 necessary for the audit. The state auditor shall involve private

1 sector auditors in conducting the audit, and may contract with private
2 sector auditors for that purpose.

3 (5) The state auditor shall solicit suggestions for improving
4 government performance from both front-line public employees and
5 government service recipients in the conduct of the audit. The state
6 auditor shall establish a toll-free telephone number at which the
7 public may make suggestions and report government waste, in order to
8 aid the identification of both waste and innovation.

9 (6) The state auditor shall present an audit work plan to the
10 legislative budget committee within sixty days of the effective date of
11 this act. The state auditor shall present the audit report to the
12 legislature and the governor by December 1, 1995.

13 **Sec. 3.** RCW 43.88.160 and 1993 c 500 s 7, 1993 c 406 s 4, and 1993
14 c 194 s 6 are each reenacted and amended to read as follows:

15 This section sets forth the major fiscal duties and
16 responsibilities of officers and agencies of the executive branch. The
17 regulations issued by the governor pursuant to this chapter shall
18 provide for a comprehensive, orderly basis for fiscal management and
19 control, including efficient accounting and reporting therefor, for the
20 executive branch of the state government and may include, in addition,
21 such requirements as will generally promote more efficient public
22 management in the state.

23 (1) Governor; director of financial management. The governor,
24 through the director of financial management, shall devise and
25 supervise a modern and complete accounting system for each agency to
26 the end that all revenues, expenditures, receipts, disbursements,
27 resources, and obligations of the state shall be properly and
28 systematically accounted for. The accounting system shall include the
29 development of accurate, timely records and reports of all financial
30 affairs of the state. The system shall also provide for central
31 accounts in the office of financial management at the level of detail
32 deemed necessary by the director to perform central financial
33 management. The director of financial management shall adopt and
34 periodically update an accounting procedures manual. Any agency
35 maintaining its own accounting and reporting system shall comply with
36 the updated accounting procedures manual and the rules of the director
37 adopted under this chapter. An agency may receive a waiver from
38 complying with this requirement if the waiver is approved by the

1 director. Waivers expire at the end of the fiscal biennium for which
2 they are granted. The director shall forward notice of waivers granted
3 to the appropriate legislative fiscal committees. The director of
4 financial management may require such financial, statistical, and other
5 reports as the director deems necessary from all agencies covering any
6 period.

7 (2) The director of financial management is responsible for
8 quarterly reporting of primary operating budget drivers such as
9 applicable workloads, caseload estimates, and appropriate unit cost
10 data. These reports shall be transmitted to the legislative fiscal
11 committees or by electronic means to the legislative evaluation and
12 accountability program committee. Quarterly reports shall include
13 actual monthly data and the variance between actual and estimated data
14 to date. The reports shall also include estimates of these items for
15 the remainder of the budget period.

16 (3) The director of financial management shall report at least
17 annually to the appropriate legislative committees regarding the status
18 of all appropriated capital projects, including transportation
19 projects, showing significant cost overruns or underruns. If funds are
20 shifted from one project to another, the office of financial management
21 shall also reflect this in the annual variance report. Once a project
22 is complete, the report shall provide a final summary showing estimated
23 start and completion dates of each project phase compared to actual
24 dates, estimated costs of each project phase compared to actual costs,
25 and whether or not there are any outstanding liabilities or unsettled
26 claims at the time of completion.

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

29 (a) Develop and maintain a system of internal controls and internal
30 audits comprising methods and procedures to be adopted by each agency
31 that will safeguard its assets, check the accuracy and reliability of
32 its accounting data, promote operational efficiency, and encourage
33 adherence to prescribed managerial policies for accounting and
34 financial controls. The system developed by the director shall include
35 criteria for determining the scope and comprehensiveness of internal
36 controls required by classes of agencies, depending on the level of
37 resources at risk.

38 Each agency head or authorized designee shall be assigned the
39 responsibility and authority for establishing and maintaining internal

1 audits following the standards of internal auditing of the institute of
2 internal auditors;

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

8 (c) Establish policies for allowing the contracting of child care
9 services;

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

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

25 (f) Fix the number and classes of positions or authorized man years
26 of employment for each agency and during the fiscal period amend the
27 determinations previously fixed by the director except that the
28 director shall not be empowered to fix said number or said classes for
29 the following: Agencies headed by elective officials;

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

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

35 (5) The treasurer shall:

36 (a) Receive, keep, and disburse all public funds of the state not
37 expressly required by law to be received, kept, and disbursed by some
38 other persons: PROVIDED, That this subsection shall not apply to those
39 public funds of the institutions of higher learning which are not

1 subject to appropriation;

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

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

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

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

11 It shall be unlawful for the treasurer to disburse public funds in
12 the treasury except upon forms or by alternative means duly prescribed
13 by the director of financial management. These forms or alternative
14 means shall provide for authentication and certification by the agency
15 head or the agency head's designee that the services have been rendered
16 or the materials have been furnished; or, in the case of loans or
17 grants, that the loans or grants are authorized by law; or, in the case
18 of payments for periodic maintenance services to be performed on state
19 owned equipment, that a written contract for such periodic maintenance
20 services is currently in effect and copies thereof are on file with the
21 office of financial management; and the treasurer shall not be liable
22 under the treasurer's surety bond for erroneous or improper payments so
23 made. When services are lawfully paid for in advance of full
24 performance by any private individual or business entity other than as
25 provided for by RCW 42.24.035, such individual or entity other than
26 central stores rendering such services shall make a cash deposit or
27 furnish surety bond coverage to the state as shall be fixed in an
28 amount by law, or if not fixed by law, then in such amounts as shall be
29 fixed by the director of the department of general administration but
30 in no case shall such required cash deposit or surety bond be less than
31 an amount which will fully indemnify the state against any and all
32 losses on account of breach of promise to fully perform such services.
33 No payments shall be made in advance for any equipment maintenance
34 services to be performed more than three months after such payment.
35 Any such bond so furnished shall be conditioned that the person, firm
36 or corporation receiving the advance payment will apply it toward
37 performance of the contract. The responsibility for recovery of
38 erroneous or improper payments made under this section shall lie with
39 the agency head or the agency head's designee in accordance with

1 regulations issued pursuant to this chapter. Nothing in this section
2 shall be construed to permit a public body to advance funds to a
3 private service provider pursuant to a grant or loan before services
4 have been rendered or material furnished.

5 (6) The state auditor shall:

6 (a) Report to the legislature the results of current post audits
7 that have been made of the financial transactions of each agency; to
8 this end the auditor may, in the auditor's discretion, examine the
9 books and accounts of any agency, official or employee charged with the
10 receipt, custody or safekeeping of public funds. Where feasible in
11 conducting examinations, the auditor shall utilize data and findings
12 from the internal control system prescribed by the office of financial
13 management. The current post audit of each agency may include a
14 section on recommendations to the legislature as provided in (c) of
15 this subsection.

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

18 (c) Make the auditor's official report on or before the thirty-
19 first of December which precedes the meeting of the legislature. The
20 report shall be for the last complete fiscal period and shall include
21 determinations as to whether agencies, in making expenditures, complied
22 with the laws of this state. The state auditor is authorized to
23 perform or participate in performance audits (~~only as expressly~~
24 ~~authorized by the legislature in the omnibus biennial appropriations~~
25 ~~acts)). A performance audit for the purpose of this section is ((the~~
26 ~~examination of the effectiveness of the administration, its efficiency,~~
27 ~~and its adequacy in terms of the programs of departments or agencies as~~
28 ~~previously approved by the legislature)) an audit that determines the
29 following: Whether a government entity is acquiring, protecting, and
30 using its resources economically and efficiently; the causes of
31 inefficiencies or uneconomical practices; whether the entity has
32 complied with laws and rules applicable to the program; the extent to
33 which the desired results or benefits established by the legislature
34 are being achieved; and the effectiveness of organizations, programs,
35 activities, or functions. The state auditor, upon completing an audit
36 for legal and financial compliance under chapter 43.09 RCW, may report
37 to the legislative budget committee or other appropriate committees of
38 the legislature, in a manner prescribed by the legislative budget
39 committee, on facts relating to the management or performance of~~

1 governmental programs (~~(where such facts are discovered incidental to~~
2 ~~the legal and financial audit. The auditor may make such a report to~~
3 ~~a legislative committee only if the auditor has determined that the~~
4 ~~agency has been given an opportunity and has failed to resolve the~~
5 ~~management or performance issues raised by the auditor. If the auditor~~
6 ~~makes a report to a legislative committee, the agency may submit to the~~
7 ~~committee a response to the report. This subsection (6) shall not be~~
8 ~~construed to authorize the auditor to allocate other than de minimis~~
9 ~~resources to performance audits except as expressly authorized in the~~
10 ~~appropriations acts)).~~

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

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

21 (f) Investigate improper governmental activity under chapter 42.40
22 RCW.

23 (7) The legislative budget committee may:

24 (a) Make post audits of the financial transactions of any agency
25 and management surveys and program reviews as provided for in RCW
26 44.28.085 as well as performance audits and program evaluations. To
27 this end the committee may in its discretion examine the books,
28 accounts, and other records of any agency, official, or employee.

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

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

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

38 (ii) Such plans as it deems expedient for the support of the
39 state's credit, for lessening expenditures, for promoting frugality and

1 economy in agency affairs and generally for an improved level of fiscal
2 management.

3 **Sec. 4.** RCW 43.88.090 and 1993 c 406 s 3 are each amended to read
4 as follows:

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

16 The estimates shall include statements or tables which indicate, by
17 agency, the state funds which are required for the receipt of federal
18 matching revenues. The estimates shall be revised as necessary to
19 reflect legislative enactments and adopted appropriations and shall be
20 included with the initial biennial allotment submitted under RCW
21 43.88.110. The estimates shall include consideration of
22 recommendations made by the state auditor pursuant to a performance
23 audit of the agency.

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

31 (3) For the purpose of assessing program performance, each state
32 agency shall establish program objectives for each major program in its
33 budget. The objectives shall be consistent with the missions and goals
34 developed under this section. The objectives shall be expressed to the
35 extent practicable in outcome-based, objective, and measurable form
36 unless permitted by the office of financial management to adopt a
37 different standard.

38 (4) In concert with legislative and executive agencies, the office

1 of financial management shall develop a plan for using these outcome-
2 based objectives in the evaluation of agency performance for improved
3 accountability of state government. Any elements of the plan requiring
4 legislation shall be submitted to the legislature no later than
5 November 30, 1994.

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

20 NEW SECTION. **Sec. 5.** Sections 2 through 4 of this act are
21 necessary for the immediate preservation of the public peace, health,
22 or safety, or support of the state government and its existing public
23 institutions, and shall take effect immediately."

24 **SB 6601** - S AMD
25 By Senator Cantu

26 NOT ADOPTED 3/3/94

27 On page 1, beginning on line 1 of the title, after
28 "accountability;" strike the remainder of the title and insert
29 "amending RCW 43.88.090; reenacting and amending RCW 43.88.160;
30 creating new sections; and declaring an emergency."

--- END ---