

CERTIFICATION OF ENROLLMENT

ENGROSSED SENATE BILL 6601

53rd Legislature
1994 Regular Session

Passed by the Senate March 7, 1994
YEAS 47 NAYS 0

President of the Senate

Passed by the House March 4, 1994
YEAS 97 NAYS 0

**Speaker of the
House of Representatives**

Approved

Governor of the State of Washington

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SENATE BILL 6601** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

ENGROSSED SENATE BILL 6601

AS AMENDED BY THE HOUSE

Passed Legislature - 1994 Regular Session

State of Washington 53rd Legislature 1994 Regular Session

By Senators Gaspard, Sellar, Quigley, Rinehart, Oke, Winsley, Ludwig,
Drew, Franklin, Skratek and M. Rasmussen

Read first time 02/07/94. Referred to Committee on Ways & Means.

1 AN ACT Relating to government performance and accountability;
2 amending RCW 43.88.020 and 43.88.090; reenacting and amending RCW
3 43.88.160; adding a new chapter to Title 43 RCW; creating a new
4 section; repealing 1993 c 406 s 1 (uncodified); and declaring an
5 emergency.

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

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.

1 The governor, the legislature, and the public expect Washington
2 state government to focus on the citizens of Washington as valued
3 customers of state government. State government will accomplish what
4 its citizens truly expect of it, and operate as its customers expect.

5 Washington state government will be a government where state
6 employees are recognized as our most valuable improvement resource in
7 solving problems and delivering quality services, where employees play
8 the most significant role in developing and implementing strategies to
9 accomplish the purposes of this chapter, and where people want to work
10 and are proud to serve. Washington state government will place a high
11 priority on investment in its employees and the systems necessary to
12 support those people.

13 We will have a state government where, with due regard for the
14 different responsibilities assumed under the constitutional separation
15 of powers, the governor and the legislature operate in partnership to
16 improve the whole of state government, including themselves and their
17 processes; where the governor and legislature act in partnership with
18 state employees and employee organizations; and where all government
19 officials and employees act in partnership with the citizens of
20 Washington, who are the customers for state government.

21 Washington state government will have clear measures of performance
22 that will result in quality customer service, accountability for cost-
23 effective services, and improved productivity. Quality and performance
24 standards will improve service delivery from all suppliers of
25 government services.

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

- 29 (a) The governor;
30 (b) The majority leader of the senate;
31 (c) The speaker of the house of representatives;
32 (d) The minority leader of the senate;
33 (e) The minority leader of the house of representatives; and
34 (f) Two state-wide elected officials to be appointed by the
35 governor.

36 (2) To the extent necessary to accomplish the purposes of this
37 chapter, the council shall meet monthly. The council shall invite the
38 chairs and ranking minority members of the senate committee on ways and

1 means and the house of representatives committee on appropriations to
2 attend and participate in the meetings of the council as necessary and
3 appropriate. The council may also invite the chairs of other
4 legislative committees to participate in meetings of the council.

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

7 (4) The council shall work in partnership to assure that the
8 purposes and intent of this chapter are being met. The council shall
9 establish clear expectations and measures of performance regarding
10 implementation of the purpose and intent of this chapter. The council
11 has decision-making authority to authorize programs to accomplish the
12 purposes of this chapter. The council will review recommendations from
13 the operating committee established under section 4 of this act and
14 make appropriate recommendations regarding statutory changes to the
15 legislature.

16 (5) The council shall have the authority and responsibility to
17 provide adequate resources to accomplish the objectives of this
18 chapter, including the hiring of staff or the reassignment of existing
19 staff. Decisions to reallocate existing staff from any agency shall be
20 made only with the approval of the director of the agency.

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

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

- 29 (a) The director of financial management;
30 (b) Directors of state agencies, including independent agencies and
31 agencies that report directly to the governor;
32 (c) State employees and representatives of state employees;
33 (d) Representatives of the legislature; and
34 (e) Representatives of the private sector with expertise in
35 organizational improvement strategies.

36 (2) Representatives of the private sector shall be appointed in
37 equal number to representatives of the public sector. The director of
38 financial management and a representative of the private sector, to be

1 selected by the council, shall serve as cochairs of the operating
2 committee.

3 (3) The operating committee shall focus on the day-to-day
4 operations of the improvement process and the allocation of necessary
5 staff resources. The committee shall assure the planning, initiation,
6 and implementation of the functions necessary to accomplish the
7 purposes of this chapter, monitor assigned tasks, and consider and
8 recommend short- and long-term improvement strategies to the
9 performance partnership council.

10 (4) The operating committee shall ensure that the strategies and
11 recommendations to accomplish the purposes of this chapter are
12 developed primarily by front-line state employees and the customers of
13 state government services. That assurance will be provided, in part,
14 by facilitating work teams and design teams comprised of state
15 employees, state employee organizations, customers, managers,
16 legislators or legislative employees, and experts from outside
17 government to develop the strategies and accomplish the tasks required
18 under sections 5, 6, and 7 of this act.

19 (5) Within sixty days of the effective date of this act, the
20 operating committee shall recommend to the council a work plan and
21 budget to accomplish the purposes of this chapter, with particular
22 detail regarding the first twelve months. The operating committee
23 shall also develop a thorough and effective internal and external
24 communication plan necessary to inform and activate the participants
25 essential to the success of the effort.

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

30 The first area of effort shall focus on clarifying and stating the
31 strategic intent for Washington state government: What Washington
32 state government should be doing at this current period in time.
33 Included in the strategic intent for state government shall be a clear
34 statement of general goals for the state of Washington, the basic
35 services that Washington state citizens desire, and the priorities and
36 values which are centered on the customers of state government. The
37 statement of intent, priorities, and values shall be developed within
38 the context of revenue and expenditure limitations.

1 The council shall establish a process which effectively involves
2 the customers and suppliers of state government services. The
3 suppliers are primarily state employees, but might also include local
4 government, private vendors of goods and services, and others as
5 appropriate. The process shall be ongoing. The council shall prepare
6 its initial statement of strategic intent for Washington state
7 government by September 1, 1994, for recommendation to the 1995
8 legislature. The legislature shall either accept or reject, but cannot
9 amend, the statement of strategic intent. The legislature shall take
10 action on the initial recommendation by March 15, 1995. If the
11 statement of strategic intent is not approved by the legislature, it
12 shall be amended by the council and resubmitted.

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

17 NEW SECTION. **Sec. 6.** IMPROVEMENT OF GOVERNMENT SERVICES--DESIGN
18 TEAMS--INITIAL PROJECTS. (1) The second area of effort by the
19 performance partnership council shall focus on continuous improvement
20 of state government services by developing successful strategies to:

21 (a) Clearly identify the intended result of each state government
22 service or program, and measure and communicate performance toward the
23 intended result;

24 (b) Assess each activity and function of government to identify the
25 value added toward the general strategic intent of state government and
26 the specific result intended from the program or service, eliminate or
27 redesign activities so that each function or activity makes a cost-
28 effective contribution toward intended results, and design
29 organizations that match the functions and processes of state
30 government;

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

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

37 (2) The operating committee shall formulate design teams consisting
38 of front-line employees, employee representatives, managers, customers,

1 outside experts where appropriate, legislators or legislative staff,
2 representatives of local government, vendors and other suppliers of
3 state services, and any other persons deemed necessary or appropriate
4 by the operating committee, to develop successful prototypes with
5 application throughout the executive and legislative branches of
6 government for implementation of the improvement principles described
7 in subsection (1) of this section. The composition of the design teams
8 shall be flexible and shall reflect the expertise required for the
9 initial projects.

10 (3) Initial projects shall be undertaken to design strategies for
11 successful implementation of each of the principles described in
12 subsection (1) of this section and any others identified by the council
13 as being essential to accomplish the purposes of this chapter. In
14 developing successful strategies, the design teams shall also examine
15 the best practices used in the public and private sectors to accomplish
16 the objectives of subsection (1) of this section. The initial projects
17 shall be designed to demonstrate definitive results, including
18 effective methods for employee participation and empowerment techniques
19 to facilitate and implement creative problem solving from all
20 employees, effective means of customer involvement, consistent
21 definitions and instructions, effective training plans and
22 identification of resources required, successful project management
23 strategies, and effective communication plans.

24 (4) The work plan described in section 4 of this act shall identify
25 the initial projects to be undertaken. The initial projects shall be
26 designed to develop effective performance improvement strategies that
27 can be replicated in other areas of state government. Initial projects
28 should be identified in an effort to demonstrate early success and
29 immediate improvement in state government performance. It is not
30 necessary at the outset to initiate projects for each of the principal
31 government improvement strategies described in subsection (1) of this
32 section. Rather, the work plan should describe an orderly schedule
33 that will allow for integration of each of the initial projects in a
34 way that will result in coordinated strategies for continuous
35 improvement. The initial projects for improvement should be consistent
36 with efforts to define the strategic intent for Washington state
37 government.

38 (5) The council shall determine when an initiative has resulted in
39 successful strategies that should be expanded to a broader portion, or

1 the whole, of state government. The council shall recommend statutory
2 changes to the legislature when such changes are required to accomplish
3 the purposes of this chapter. The council shall also develop
4 legislation to alter statutes, rules, and regulations necessary for
5 initial agencies and programs to accomplish the purposes of this
6 chapter, and to expand projects to a broader portion of state
7 government at the appropriate time. The legislation shall be based on
8 the work of project teams designed to identify and address barriers to
9 performance and create incentives.

10 (6) The performance partnership council and operating committee
11 shall ensure the work of the design teams is supported by committed
12 leadership that provides clear vision and motivation and facilitates
13 effective communication. State employees shall be recognized and
14 supported as the single resource most effective in identifying and
15 solving problems and delivering effective state government services.
16 Employees shall be well supported by the provision of necessary
17 resources, particularly an investment in employee training, and shall
18 be provided with the flexibility and incentives necessary to
19 successfully implement their assigned tasks. The ultimate goal of the
20 design teams shall be to develop strategies to improve state government
21 in regard to the customers' expectations for quality services delivered
22 in the most cost-effective means possible.

23 NEW SECTION. **Sec. 7.** BUDGET PROCESS--PERFORMANCE MEASUREMENT.
24 The current operating budget process for state government has been
25 generally based on the presumption of continuing current service levels
26 and giving careful consideration only to marginal changes. It is not
27 well understood or supported by the public or state government
28 policymakers. Consequently, work on initial projects for performance
29 measurement and budget redesign must progress sufficiently to result in
30 expansion to additional programs for the 1995-1997 biennium. Beginning
31 no later than the 1997-1999 biennium, the state operating budget and
32 the process used to develop that budget shall, to the fullest extent
33 possible and based on the recommendations of the council, be redesigned
34 to reflect an effective state-wide system of performance measurement,
35 shall be based on a clear statement of state-wide priorities (strategic
36 intent) as well as clear priorities within each agency, and shall
37 incorporate incentives for performance and cost-effectiveness.

1 NEW SECTION. **Sec. 8.** COLLECTIVE BARGAINING AGREEMENTS. Nothing
2 in this chapter shall supersede or modify in any manner the provisions
3 of any public employee collective bargaining agreement under Title 41
4 RCW, or any rights established thereunder.

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

7 (1) "Budget" means a proposed plan of expenditures for a given
8 period or purpose and the proposed means for financing these
9 expenditures.

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

12 (3) "Director of financial management" means the official appointed
13 by the governor to serve at the governor's pleasure and to whom the
14 governor may delegate necessary authority to carry out the governor's
15 duties as provided in this chapter. The director of financial
16 management shall be head of the office of financial management which
17 shall be in the office of the governor.

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

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

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

32 (7) "Ensuing biennium" means the fiscal biennium beginning on July
33 1st of the same year in which a regular session of the legislature is
34 held during an odd-numbered year pursuant to Article II, section 12 of
35 the Constitution and which biennium next succeeds the current biennium.

36 (8) "Dedicated fund" means a fund in the state treasury, or a
37 separate account or fund in the general fund in the state treasury,
38 that by law is dedicated, appropriated or set aside for a limited

1 object or purpose; but "dedicated fund" does not include a revolving
2 fund or a trust fund.

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

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

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

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

19 (13) "Lapse" means the termination of authority to expend an
20 appropriation.

21 (14) "Legislative fiscal committees" means the legislative budget
22 committee, the legislative evaluation and accountability program
23 committee, the ways and means committees of the senate and house of
24 representatives, and, where appropriate, the legislative transportation
25 committee.

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

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

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

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

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

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

5 (21) "Estimated revenues" means estimates of revenue in the most
6 recent official economic and revenue forecast prepared under RCW
7 82.33.020, and prepared by the office of financial management for those
8 funds, accounts, and sources for which the office of the economic and
9 revenue forecast council does not prepare an official forecast
10 including estimates of revenues to support financial plans under RCW
11 44.40.070, that are prepared by the office of financial management in
12 consultation with the interagency task force.

13 (22) "Estimated receipts" means the estimated receipt of cash in
14 the most recent official economic and revenue forecast prepared under
15 RCW 82.33.020, and prepared by the office of financial management for
16 those funds, accounts, and sources for which the office of the economic
17 and revenue forecast council does not prepare an official forecast.

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

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

27 (25) "Statement of proposed expenditures" means a plan prepared by
28 each agency that breaks each appropriation out into monthly detail
29 representing the best estimate of how the appropriation will be
30 expended.

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

35 (27) "Internal audit" means an independent appraisal activity
36 within an agency for the review of operations as a service to
37 management, including a systematic examination of accounting and fiscal
38 controls to assure that human and material resources are guarded
39 against waste, loss, or misuse; and that reliable data are gathered,

1 maintained, and fairly disclosed in a written report of the audit
2 findings.

3 (28) "~~Performance ((audit)) verification~~" means an ~~((audit that~~
4 ~~determines the following: (a) Whether a government entity is~~
5 ~~acquiring, protecting, and using its resources economically and~~
6 ~~efficiently; (b) the causes of inefficiencies or uneconomical~~
7 ~~practices; (c) whether the entity has complied with laws and rules~~
8 ~~applicable to the program; (d) the extent to which the desired results~~
9 ~~or benefits established by the legislature are being achieved; and (e)~~
10 ~~the effectiveness of organizations, programs, activities, or~~
11 ~~functions)) analysis that (a) verifies the accuracy of data used by~~
12 state agencies in quantifying intended results and measuring
13 performance toward those results, and (b) verifies whether or not the
14 reported results were achieved.

15 (29) "Program evaluation" means the use of a variety of policy and
16 fiscal research methods to (a) determine the extent to which a program
17 is achieving its legislative intent in terms of producing the effects
18 expected, and (b) make an objective judgment of the implementation,
19 outcomes, and net cost or benefit impact of programs in the context of
20 their goals and objectives. It includes the application of systematic
21 methods to measure the results, intended or unintended, of program
22 activities.

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

25 (1) For purposes of developing budget proposals to the legislature,
26 the governor shall have the power, and it shall be the governor's duty,
27 to require from proper agency officials such detailed estimates and
28 other information in such form and at such times as the governor shall
29 direct. The estimates for the legislature and the judiciary shall be
30 transmitted to the governor and shall be included in the budget without
31 revision. The estimates for state pension contributions shall be based
32 on the rates provided in chapter 41.45 RCW. Copies of all such
33 estimates shall be transmitted to the standing committees on ways and
34 means of the house and senate at the same time as they are filed with
35 the governor and the office of financial management.

36 The estimates shall include statements or tables which indicate, by
37 agency, the state funds which are required for the receipt of federal
38 matching revenues. The estimates shall be revised as necessary to

1 reflect legislative enactments and adopted appropriations and shall be
2 included with the initial biennial allotment submitted under RCW
3 43.88.110.

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

11 ~~(3) For the purpose of assessing program performance, each state
12 agency shall establish program objectives for each major program in its
13 budget. The objectives shall be consistent with the missions and goals
14 developed under this section. The objectives shall be expressed to the
15 extent practicable in outcome-based, objective, and measurable form
16 unless permitted by the office of financial management to adopt a
17 different standard.~~

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

24 ~~(5))~~ In the year of the gubernatorial election, the governor shall
25 invite the governor-elect or the governor-elect's designee to attend
26 all hearings provided in RCW 43.88.100; and the governor shall furnish
27 the governor-elect or the governor-elect's designee with such
28 information as will enable the governor-elect or the governor-elect's
29 designee to gain an understanding of the state's budget requirements.
30 The governor-elect or the governor-elect's designee may ask such
31 questions during the hearings and require such information as the
32 governor-elect or the governor-elect's designee deems necessary and may
33 make recommendations in connection with any item of the budget which,
34 with the governor-elect's reasons therefor, shall be presented to the
35 legislature in writing with the budget document. Copies of all such
36 estimates and other required information shall also be submitted to the
37 standing committees on ways and means of the house and senate.

1 **Sec. 11.** RCW 43.88.160 and 1993 c 500 s 7, 1993 c 406 s 4, and
2 1993 c 194 s 6 are each reenacted and amended to read as follows:

3 This section sets forth the major fiscal duties and
4 responsibilities of officers and agencies of the executive branch. The
5 regulations issued by the governor pursuant to this chapter shall
6 provide for a comprehensive, orderly basis for fiscal management and
7 control, including efficient accounting and reporting therefor, for the
8 executive branch of the state government and may include, in addition,
9 such requirements as will generally promote more efficient public
10 management in the state.

11 (1) Governor; director of financial management. The governor,
12 through the director of financial management, shall devise and
13 supervise a modern and complete accounting system for each agency to
14 the end that all revenues, expenditures, receipts, disbursements,
15 resources, and obligations of the state shall be properly and
16 systematically accounted for. The accounting system shall include the
17 development of accurate, timely records and reports of all financial
18 affairs of the state. The system shall also provide for central
19 accounts in the office of financial management at the level of detail
20 deemed necessary by the director to perform central financial
21 management. The director of financial management shall adopt and
22 periodically update an accounting procedures manual. Any agency
23 maintaining its own accounting and reporting system shall comply with
24 the updated accounting procedures manual and the rules of the director
25 adopted under this chapter. An agency may receive a waiver from
26 complying with this requirement if the waiver is approved by the
27 director. Waivers expire at the end of the fiscal biennium for which
28 they are granted. The director shall forward notice of waivers granted
29 to the appropriate legislative fiscal committees. The director of
30 financial management may require such financial, statistical, and other
31 reports as the director deems necessary from all agencies covering any
32 period.

33 (2) The director of financial management is responsible for
34 quarterly reporting of primary operating budget drivers such as
35 applicable workloads, caseload estimates, and appropriate unit cost
36 data. These reports shall be transmitted to the legislative fiscal
37 committees or by electronic means to the legislative evaluation and
38 accountability program committee. Quarterly reports shall include
39 actual monthly data and the variance between actual and estimated data

1 to date. The reports shall also include estimates of these items for
2 the remainder of the budget period.

3 (3) The director of financial management shall report at least
4 annually to the appropriate legislative committees regarding the status
5 of all appropriated capital projects, including transportation
6 projects, showing significant cost overruns or underruns. If funds are
7 shifted from one project to another, the office of financial management
8 shall also reflect this in the annual variance report. Once a project
9 is complete, the report shall provide a final summary showing estimated
10 start and completion dates of each project phase compared to actual
11 dates, estimated costs of each project phase compared to actual costs,
12 and whether or not there are any outstanding liabilities or unsettled
13 claims at the time of completion.

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

16 (a) Develop and maintain a system of internal controls and internal
17 audits comprising methods and procedures to be adopted by each agency
18 that will safeguard its assets, check the accuracy and reliability of
19 its accounting data, promote operational efficiency, and encourage
20 adherence to prescribed managerial policies for accounting and
21 financial controls. The system developed by the director shall include
22 criteria for determining the scope and comprehensiveness of internal
23 controls required by classes of agencies, depending on the level of
24 resources at risk.

25 Each agency head or authorized designee shall be assigned the
26 responsibility and authority for establishing and maintaining internal
27 audits following the standards of internal auditing of the institute of
28 internal auditors;

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

34 (c) Establish policies for allowing the contracting of child care
35 services;

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

38 (e) Review any pay and classification plans, and changes
39 thereunder, developed by any agency for their fiscal impact: PROVIDED,

1 That none of the provisions of this subsection shall affect merit
2 systems of personnel management now existing or hereafter established
3 by statute relating to the fixing of qualifications requirements for
4 recruitment, appointment, or promotion of employees of any agency. The
5 director shall advise and confer with agencies including appropriate
6 standing committees of the legislature as may be designated by the
7 speaker of the house and the president of the senate regarding the
8 fiscal impact of such plans and may amend or alter said plans, except
9 that for the following agencies no amendment or alteration of said
10 plans may be made without the approval of the agency concerned:
11 Agencies headed by elective officials;

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

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

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

22 (5) The treasurer shall:

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

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

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

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

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

37 It shall be unlawful for the treasurer to disburse public funds in
38 the treasury except upon forms or by alternative means duly prescribed
39 by the director of financial management. These forms or alternative

1 means shall provide for authentication and certification by the agency
2 head or the agency head's designee that the services have been rendered
3 or the materials have been furnished; or, in the case of loans or
4 grants, that the loans or grants are authorized by law; or, in the case
5 of payments for periodic maintenance services to be performed on state
6 owned equipment, that a written contract for such periodic maintenance
7 services is currently in effect and copies thereof are on file with the
8 office of financial management; and the treasurer shall not be liable
9 under the treasurer's surety bond for erroneous or improper payments so
10 made. When services are lawfully paid for in advance of full
11 performance by any private individual or business entity other than as
12 provided for by RCW 42.24.035, such individual or entity other than
13 central stores rendering such services shall make a cash deposit or
14 furnish surety bond coverage to the state as shall be fixed in an
15 amount by law, or if not fixed by law, then in such amounts as shall be
16 fixed by the director of the department of general administration but
17 in no case shall such required cash deposit or surety bond be less than
18 an amount which will fully indemnify the state against any and all
19 losses on account of breach of promise to fully perform such services.
20 No payments shall be made in advance for any equipment maintenance
21 services to be performed more than three months after such payment.
22 Any such bond so furnished shall be conditioned that the person, firm
23 or corporation receiving the advance payment will apply it toward
24 performance of the contract. The responsibility for recovery of
25 erroneous or improper payments made under this section shall lie with
26 the agency head or the agency head's designee in accordance with
27 regulations issued pursuant to this chapter. Nothing in this section
28 shall be construed to permit a public body to advance funds to a
29 private service provider pursuant to a grant or loan before services
30 have been rendered or material furnished.

31 (6) The state auditor shall:

32 (a) Report to the legislature the results of current post audits
33 that have been made of the financial transactions of each agency; to
34 this end the auditor may, in the auditor's discretion, examine the
35 books and accounts of any agency, official or employee charged with the
36 receipt, custody or safekeeping of public funds. Where feasible in
37 conducting examinations, the auditor shall utilize data and findings
38 from the internal control system prescribed by the office of financial
39 management. The current post audit of each agency may include a

1 section on recommendations to the legislature as provided in (c) of
2 this subsection.

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

5 (c) Make the auditor's official report on or before the thirty-
6 first of December which precedes the meeting of the legislature. The
7 report shall be for the last complete fiscal period and shall include
8 determinations as to whether agencies, in making expenditures, complied
9 with the laws of this state. The state auditor is authorized to
10 perform or participate in performance ~~((audits))~~ verifications only as
11 expressly authorized by the legislature in the omnibus biennial
12 appropriations acts. ~~((A performance audit for the purpose of this
13 section is the examination of the effectiveness of the administration,
14 its efficiency, and its adequacy in terms of the programs of
15 departments or agencies as previously approved by the legislature.))~~
16 The state auditor, upon completing an audit for legal and financial
17 compliance under chapter 43.09 RCW or a performance verification, may
18 report to the legislative budget committee or other appropriate
19 committees of the legislature, in a manner prescribed by the
20 legislative budget committee, on facts relating to the management or
21 performance of governmental programs where such facts are discovered
22 incidental to the legal and financial audit or performance
23 verification. The auditor may make such a report to a legislative
24 committee only if the auditor has determined that the agency has been
25 given an opportunity and has failed to resolve the management or
26 performance issues raised by the auditor. If the auditor makes a
27 report to a legislative committee, the agency may submit to the
28 committee a response to the report. This subsection (6) shall not be
29 construed to authorize the auditor to allocate other than de minimis
30 resources to performance audits except as expressly authorized in the
31 appropriations acts.

32 (d) Be empowered to take exception to specific expenditures that
33 have been incurred by any agency or to take exception to other
34 practices related in any way to the agency's financial transactions and
35 to cause such exceptions to be made a matter of public record,
36 including disclosure to the agency concerned and to the director of
37 financial management. It shall be the duty of the director of
38 financial management to cause corrective action to be taken promptly,

1 such action to include, as appropriate, the withholding of funds as
2 provided in RCW 43.88.110.

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

4 (f) Investigate improper governmental activity under chapter 42.40
5 RCW.

6 (7) The legislative budget committee may:

7 (a) Make post audits of the financial transactions of any agency
8 and management surveys and program reviews as provided for in RCW
9 44.28.085 as well as performance audits and program evaluations. To
10 this end the committee may in its discretion examine the books,
11 accounts, and other records of any agency, official, or employee.

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

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

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

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

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

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

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

30 NEW SECTION. **Sec. 15.** This act is necessary for the immediate
31 preservation of the public peace, health, or safety, or support of the
32 state government and its existing public institutions, and shall take
33 effect immediately.

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