

2 **ESSB 5607** - H COMM AMD
3 By Committee on Government Operations

4 ADOPTED AS AMENDED 4/13/95

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

7 "NEW SECTION. **Sec. 1.** The legislature seeks to achieve efficiency
8 and effectiveness in state government in order to make the state of
9 Washington the most effective and best-performing state government in
10 the United States, measured in terms of quality of customer service,
11 accountability for cost-effective services, and productivity. This act
12 is an initial step toward this goal.

13 NEW SECTION. **Sec. 2.** (1) The state auditor shall undertake
14 comprehensive performance audits required under sections 3 through 5 of
15 this act.

16 (2) In addition to the criteria for performance audits set forth in
17 RCW 43.88.160, the audits must include:

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

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

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

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

32 (3) In addition to the criteria for performance audits set forth in
33 subsection (2) of this section, the performance audit of programs,
34 services, and activities operated by the superintendent of public
35 instruction must also include the following:

1 (a) Identification of which activities of the superintendent of
2 public instruction are the result of legal mandates; which activities
3 are the result of legislative or client requests; and which activities
4 do not serve a useful purpose;

5 (b) A determination of the fiscal savings that could be achieved by
6 the state or by districts by eliminating the programs that are
7 determined to serve no useful purpose; and

8 (c) An examination of the efficiency with which the office of the
9 superintendent of public instruction operates the programs under its
10 jurisdiction and fulfills the duties assigned to it by law.

11 (4) The state auditor may require any state agency to provide
12 information required for completion of the audits, and each state
13 agency shall fully and completely cooperate with the state auditor for
14 the purposes of this section.

15 (5) The office of the state auditor shall provide the staff
16 necessary for the audits. The state auditor shall involve private-
17 sector professional and technical experts in conducting the audits, and
18 may contract with private-sector professionals and other experts for
19 that purpose.

20 (6) The state auditor shall solicit suggestions for improving
21 government performance from both front-line public employees and
22 government service recipients in the conduct of the audits. In
23 conducting the audit of the office of the superintendent of public
24 instruction, the auditor shall also solicit suggestions from
25 legislators, the governor, school districts, educational service
26 district employees, students, state-wide education and parent
27 associations, and other appropriate interest groups. The state auditor
28 shall establish a toll-free telephone number at which the public may
29 make suggestions and report government waste, in order to aid the
30 identification of both waste and innovation.

31 (7) The state auditor shall present an audit work plan to the
32 legislative budget committee within sixty days of the effective date of
33 this act. The state auditor shall present the audit reports to the
34 legislature, the governor, and citizens by one year from the effective
35 date of this act, except that the audit report of the office of the
36 superintendent of public instruction shall be presented by December 31,
37 1995.

1 NEW SECTION. **Sec. 3.** Subject to the provisions of sections 2 and
2 6 of this act, the state auditor shall undertake a comprehensive
3 performance audit of the rehabilitation and job support services
4 provided by the department of social and health services.

5 NEW SECTION. **Sec. 4.** Subject to the provisions of sections 2 and
6 6 of this act, the state auditor shall undertake a comprehensive
7 performance audit of the programs, services, and activities operated by
8 the superintendent of public instruction.

9 NEW SECTION. **Sec. 5.** Subject to the provisions of sections 2 and
10 6 of this act, the state auditor shall undertake a comprehensive
11 performance audit of the department of community, trade, and economic
12 development.

13 NEW SECTION. **Sec. 6.** If specific funding for the performance
14 audit specified under section 3 of this act, referencing section 3 of
15 this act by bill number, is not provided by June 30, 1995, in the
16 omnibus appropriations act, section 3 of this act shall not be
17 implemented and is null and void unless specific funding for the
18 performance audit, referencing section 3 of this act, is provided by
19 June 30, 1996, in the omnibus appropriations act for the second year of
20 the biennium.

21 If specific funding for the performance audit specified under
22 section 4 of this act, referencing section 4 of this act by bill
23 number, is not provided by June 30, 1995, in the omnibus appropriations
24 act, section 4 of this act shall not be implemented and is null and
25 void unless specific funding for the performance audit, referencing
26 section 4 of this act, is provided by June 30, 1996, in the omnibus
27 appropriations act for the second year of the biennium.

28 If specific funding for the performance audit specified under
29 section 5 of this act, referencing section 5 of this act by bill
30 number, is not provided by June 30, 1995, in the omnibus appropriations
31 act, section 5 of this act shall not be implemented and is null and
32 void unless specific funding for the performance audit, referencing
33 section 5 of this act, is provided by June 30, 1996, in the omnibus
34 appropriations act for the second year of the biennium.

1 **Sec. 7.** RCW 43.88.160 and 1994 c 184 s 11 are each amended to read
2 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))~~ the plans,
9 except that for ~~((the following))~~ agencies headed by elected officials
10 no amendment or alteration of ~~((said))~~ the plans may be made without
11 the approval of the agency concerned(~~(: Agencies headed by elective~~
12 ~~officials))~~);

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

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

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

24 (5) The treasurer shall:

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

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

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

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

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

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

34 (6) The state auditor shall:

35 (a) Report to the legislature the results of current post audits
36 that have been made of the financial transactions of each agency; to
37 this end the auditor may, in the auditor's discretion, examine the
38 books and accounts of any agency, official or employee charged with the
39 receipt, custody or safekeeping of public funds. Where feasible in

1 conducting examinations, the auditor shall utilize data and findings
2 from the internal control system prescribed by the office of financial
3 management. The current post audit of each agency may include a
4 section on recommendations to the legislature as provided in (c) of
5 this subsection.

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

8 (c) Make the auditor's official report on or before the thirty-
9 first of December which precedes the meeting of the legislature. The
10 report shall be for the last complete fiscal period and shall include
11 determinations as to whether agencies, in making expenditures, complied
12 with the laws of this state. The state auditor is authorized to
13 perform or participate in performance (~~verifications only as expressly~~
14 ~~authorized by the legislature in the omnibus biennial appropriations~~
15 ~~acts~~) audits only as expressly authorized by the legislature. A
16 performance audit for the purpose of this section is an audit that
17 determines the following: Whether a government entity is acquiring,
18 protecting, and using its resources economically and efficiently in
19 accordance with all significant laws and rules; the causes of
20 inefficiencies or uneconomical practices; the extent to which the
21 desired outcomes or results intended by the legislature are being
22 achieved; the causes for not achieving intended outcomes or results;
23 and compliance with significant laws and rules applicable to the
24 program. The state auditor, upon completing an audit for legal and
25 financial compliance under chapter 43.09 RCW (~~or a performance~~
26 ~~verification~~), may report to the legislative budget committee or other
27 appropriate committees of the legislature, in a manner prescribed by
28 the legislative budget committee, on facts relating to the management
29 or performance of governmental programs where such facts are discovered
30 incidental to the legal and financial audit (~~or performance~~
31 ~~verification~~). The auditor may make such a report to a legislative
32 committee only if the auditor has determined that the agency has been
33 given an opportunity and has failed to resolve the management or
34 performance issues raised by the auditor. If the auditor makes a
35 report to a legislative committee, the agency may submit to the
36 committee a response to the report. (~~This subsection (6) shall not be~~
37 ~~construed to authorize the auditor to allocate other than de minimis~~
38 ~~resources to performance audits except as expressly authorized in the~~
39 ~~appropriations acts.~~) When the state auditor has completed a

1 performance audit authorized by the legislature, the auditor shall
2 transmit the audit to the state agency for its comments. The state
3 agency shall provide any response to the state auditor within thirty
4 days after receipt of the performance audit. The response of the state
5 agency shall be incorporated into the final performance audit report.
6 Before releasing the results of any performance audit to the
7 legislature or general public, the state auditor shall submit the
8 performance audit to the legislative budget committee and the
9 performance partnership operating committee established in chapter
10 43.88B RCW for their recommendations and comments.

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. 8.** RCW 43.88.090 and 1994 c 184 s 10 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) 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.

