

2 **ESSB 5607** - H COMM AMD **ADOPTED 4/13/95**  
3 By Committee on Government Operations

4

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 of rehabilitation and job support  
15 services provided by the department of social and health services  
16 pursuant to chapter 74.29 RCW and programs, services, and activities  
17 operated by the superintendent of public instruction and the department  
18 of community, trade, and economic development.

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

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

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

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

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

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

5 (a) Identification of which activities of the superintendent of  
6 public instruction are the result of legal mandates; which activities  
7 are the result of legislative or client requests; and which activities  
8 do not serve a useful purpose;

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

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

15 (4) The state auditor may require any state agency to provide  
16 information required for completion of the audits, and each state  
17 agency shall fully and completely cooperate with the state auditor for  
18 the purposes of this section.

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

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

35 (7) The state auditor shall present an audit work plan to the  
36 legislative budget committee within sixty days of the effective date of  
37 this act. The state auditor shall present the audit reports to the  
38 legislature, the governor, and citizens by one year from the effective  
39 date of this act, except that the audit report of the office of the

1 superintendent of public instruction shall be presented by December 31,  
2 1995.

3 **Sec. 3.** RCW 43.88.160 and 1994 c 184 s 11 are each amended to read  
4 as follows:

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

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

35 (2) The director of financial management is responsible for  
36 quarterly reporting of primary operating budget drivers such as  
37 applicable workloads, caseload estimates, and appropriate unit cost  
38 data. These reports shall be transmitted to the legislative fiscal

1 committees or by electronic means to the legislative evaluation and  
2 accountability program committee. Quarterly reports shall include  
3 actual monthly data and the variance between actual and estimated data  
4 to date. The reports shall also include estimates of these items for  
5 the remainder of the budget period.

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

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

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

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

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

37 (c) Establish policies for allowing the contracting of child care  
38 services;

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

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

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

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

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

28 (5) The treasurer shall:

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

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

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

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

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

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

39 (6) The state auditor shall:

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

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

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

1 report to a legislative committee, the agency may submit to the  
2 committee a response to the report. (~~(This subsection (6) shall not be~~  
3 ~~construed to authorize the auditor to allocate other than de minimis~~  
4 ~~resources to performance audits except as expressly authorized in the~~  
5 ~~appropriations acts.)) When the state auditor has completed a  
6 performance audit authorized by the legislature, the auditor shall  
7 transmit the audit to the state agency for its comments. The state  
8 agency shall provide any response to the state auditor within thirty  
9 days after receipt of the performance audit. The response of the state  
10 agency shall be incorporated into the final performance audit report.  
11 Before releasing the results of any performance audit to the  
12 legislature or general public, the state auditor shall submit the  
13 performance audit to the legislative budget committee and the  
14 performance partnership operating committee established in chapter  
15 43.88B RCW for their recommendations and comments.~~

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

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

26 (f) Investigate improper governmental activity under chapter 42.40  
27 RCW.

28 (7) The legislative budget committee may:

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

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

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



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

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

9 **Sec. 4.** RCW 43.88.090 and 1994 c 184 s 10 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. The estimates shall include consideration of  
28 recommendations made by the state auditor pursuant to a performance  
29 audit of the agency.

30 (2) In the year of the gubernatorial election, the governor shall  
31 invite the governor-elect or the governor-elect's designee to attend  
32 all hearings provided in RCW 43.88.100; and the governor shall furnish  
33 the governor-elect or the governor-elect's designee with such  
34 information as will enable the governor-elect or the governor-elect's  
35 designee to gain an understanding of the state's budget requirements.  
36 The governor-elect or the governor-elect's designee may ask such  
37 questions during the hearings and require such information as the  
38 governor-elect or the governor-elect's designee deems necessary and may

1 make recommendations in connection with any item of the budget which,  
2 with the governor-elect's reasons therefor, shall be presented to the  
3 legislature in writing with the budget document. Copies of all such  
4 estimates and other required information shall also be submitted to the  
5 standing committees on ways and means of the house and senate.

6 NEW SECTION. **Sec. 5.** This act is necessary for the immediate  
7 preservation of the public peace, health, or safety, or support of the  
8 state government and its existing public institutions, and shall take  
9 effect immediately."

10 **ESSB 5607** - H COMM AMD  
11 By Committee on Government Operations

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13 On page 1, line 1 of the title, after "government;" strike the  
14 remainder of the title and insert "amending RCW 43.88.160 and  
15 43.88.090; creating new sections; and declaring an emergency."

--- END ---