

2 **SHB 1325** - S COMM AMD
3 By Committee on Ways & Means

4 ADOPTED 4/15/97

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

7 NEW SECTION. **Sec. 1.** The legislature finds that nonprofit
8 organizations provide a variety of social services that serve the needs
9 of the citizens of Washington, including many services implemented
10 under contract with state agencies. The legislature also finds that
11 the efficiency and quality of these services may be enhanced by the
12 provision of safe, reliable, and sound facilities, and that, in certain
13 cases, it may be appropriate for the state to assist in the development
14 of these facilities.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.63A RCW
16 to read as follows:

17 If the legislature provides an appropriation to assist nonprofit
18 organizations in acquiring, constructing, or rehabilitating facilities
19 used for the delivery of nonresidential social services, the
20 legislature may direct the department of community, trade, and economic
21 development to establish a competitive process to prioritize
22 applications for the assistance as follows:

23 (1) The department shall conduct a state-wide solicitation of
24 project applications from local governments, nonprofit organizations,
25 and other entities, as determined by the department. The department
26 shall evaluate and rank applications in consultation with a citizen
27 advisory committee using objective criteria. At a minimum, applicants
28 must demonstrate that the requested assistance will increase the
29 efficiency or quality of the social services it provides to citizens.
30 The evaluation and ranking process shall also include an examination of
31 existing assets that applicants may apply to projects. Grant
32 assistance under this section shall not exceed twenty-five percent of
33 the total cost of the project. The nonstate portion of the total
34 project cost may include, but is not limited to, land, facilities, and
35 in-kind contributions.

1 (2) The department shall submit a prioritized list of recommended
2 projects to the legislature by November 1st following the effective
3 date of the appropriation. The list shall include a description of
4 each project, the amount of recommended state funding, and
5 documentation of nonstate funds to be used for the project. The
6 department shall not sign contracts or otherwise financially obligate
7 funds under this section until the legislature has approved a specific
8 list of projects.

9 (3) In contracts for grants authorized under this section the
10 department shall include provisions which require that capital
11 improvements shall be held by the grantee for a specified period of
12 time appropriate to the amount of the grant and that facilities shall
13 be used for the express purpose of the grant. If the grantee is found
14 to be out of compliance with provisions of the contract, the grantee
15 shall repay to the state general fund the principal amount of the grant
16 plus interest calculated at the rate of interest on state of Washington
17 general obligation bonds issued most closely to the date of
18 authorization of the grant.

19 (4) The department shall develop model contract provisions for
20 compliance with subsection (3) of this section and shall distribute its
21 recommendations to the appropriate legislative committees, the office
22 of financial management, and to all state agencies which provide
23 capital grants to nonstate entities.

24 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.88 RCW
25 to read as follows:

26 (1) Each state agency shall submit a report to the office of the
27 state auditor listing each nongovernment entity that received over
28 three hundred thousand dollars in state moneys during the previous
29 fiscal year under contract with the agency for purposes related to the
30 provision of social services. The report must be submitted by
31 September 1 each year, and must be in a form prescribed by the office
32 of the state auditor.

33 (2) The office of the state auditor shall select two groups of
34 entities from the reports for audit as follows:

35 (a) The first group shall be selected at random using a procedure
36 prescribed by the office of the state auditor. The office of the state
37 auditor shall ensure that the number of entities selected under this

1 subsection (2)(a) each year is sufficient to ensure a statistically
2 representative sample of all reported entities.

3 (b) The second group shall be selected based on a risk assessment
4 of entities conducted by the office of the state auditor in
5 consultation with state agencies. The office of the state auditor
6 shall consider, at a minimum, the following factors when conducting
7 risk assessments: Findings from previous audits; decentralization of
8 decision making and controls; turnover in officials and key personnel;
9 changes in management structure or operations; and the presence of new
10 programs, technologies, or funding sources.

11 (3) Each entity selected under subsection (2) of this section shall
12 be required to complete a comprehensive entity-wide audit in accordance
13 with generally accepted government auditing standards. The audit shall
14 determine, at a minimum, whether:

15 (a) The financial statements of the entity are presented fairly in
16 all material respects in conformity with generally accepted accounting
17 principles;

18 (b) The schedule of expenditures of state moneys is presented
19 fairly in all material respects in relation to the financial statements
20 taken as a whole;

21 (c) Internal accounting controls exist and are effective; and

22 (d) The entity has complied with laws, regulations, and contract
23 and grant provisions that have a direct and material effect on
24 performance of the contract and the expenditure of state moneys.

25 (4) The office of the state auditor shall prescribe policies and
26 procedures for the conduct of audits under this section. The office of
27 the state auditor shall deem single audits completed in compliance with
28 federal requirements to be in fulfillment of the requirements of this
29 section if the audit meets the requirements of subsection (3)(a)
30 through (d) of this section.

31 (5) Completed audits must be delivered to the office of the state
32 auditor and the state agency by April 1 in the year following the
33 selection of the entity for audit. Entities must resolve any findings
34 contained in the audit within six months of the delivery of the audit.
35 Entities may not enter into new contracts with state agencies until all
36 major audit findings are resolved.

37 (6) Nothing in this section limits the authority of the state
38 auditor to carry out statutorily and contractually prescribed powers
39 and duties."

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4 On page 1, line 2 of the title, after "organizations;" strike the
5 remainder of the title and insert "adding a new section to chapter
6 43.63A RCW; adding a new section to chapter 43.88 RCW; and creating a
7 new section."

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