

# HOUSE BILL REPORT

## SHB 1190

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### As Passed Legislature

**Title:** An act relating to performance audits.

**Brief Description:** Requiring preliminary compliance reviews of performance audits and consideration of performance audit recommendations in budget preparation.

**Sponsors:** By House Committee on Government Administration (originally sponsored by Representatives Backlund, Huff, Lambert, McMorris, Cairnes, Honeyford, Sherstad, McDonald, D. Schmidt and Wensman).

#### **Brief History:**

##### **Committee Activity:**

Government Administration: 2/7/97, 2/21/97 [DPS].

##### **Floor Activity:**

Passed House: 3/11/97, 81-16.

Senate Amended.

House Concurred.

Passed Legislature.

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### HOUSE COMMITTEE ON GOVERNMENT ADMINISTRATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives D. Schmidt, Chairman; D. Sommers, Vice Chairman; Scott, Ranking Minority Member; Gardner, Assistant Ranking Minority Member; Doumit; Dunn; Murray; Reams; Smith; L. Thomas; Wensman and Wolfe.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Dunshee.

**Staff:** Bill Lynch (786-7092).

**Background:** In 1996 the Legislature enacted comprehensive legislation pertaining to performance audits. This legislation requires the Joint Legislative Audit and Review Committee (JLARC) to develop a performance audit work plan in each odd-numbered year for the subsequent 16-24 months. This plan is to be developed beginning in 1997.

When the legislative auditor has completed a performance audit authorized in the work plan, the preliminary performance audit report is transmitted to the affected state agency or local government and the Office of Financial Management (OFM) for comment. The preliminary performance audit report must also be forwarded to the JLARC for its review, comments, and final recommendations. Any comments by the audited entity, the OFM, and the JLARC are incorporated into the final performance audit report. The final performance audit report is sent to the audited entity, the OFM, the leadership of the House and Senate, and the appropriate standing committees of the House and Senate. The results of the final report must be published and the report must be made available to the public.

No later than nine months after the final performance audit has been transmitted to the appropriate legislative committees, the JLARC may issue a preliminary compliance report on the agency's or local government's compliance with the final performance audit report recommendations. The preliminary compliance report must be prepared in consultation with the standing committees. The agency or local government may attach its comments to the joint committee's preliminary compliance report as a separate addendum. There is no requirement for the JLARC to prepare a preliminary compliance report.

If a preliminary compliance report is issued by the JLARC, it may hold a public hearing and receive public testimony regarding the findings and recommendations contained within the preliminary compliance report. The JLARC must issue any final compliance report within four weeks after the public hearing or hearings. There is no requirement for the JLARC to hold a public hearing if it issues a preliminary compliance report.

The Governor vetoed a section of the 1996 legislation that would have required agencies to consider performance audit findings in the budget estimates that they submit to the Governor for budget preparation.

**Summary of Bill:** An agency or local government that has undergone a performance audit must produce a preliminary compliance report on its compliance with the final performance audit recommendations. This report must be submitted to the JLARC. The agency or local government must provide JLARC with periodic updates to the preliminary compliance report if requested until JLARC determines that the agency or local government has complied with the final performance audit recommendations to its satisfaction. JLARC no longer produces preliminary compliance reports.

JLARC may hold public hearings and receive public testimony if the agency or local government is not making satisfactory progress in achieving compliance. JLARC may issue a final compliance report after the agency or local government has satisfactorily complied with the final audit recommendations.

Agencies must consider any alternatives to reduce costs or improve service delivery identified in a JLARC performance audit in the budget estimates submitted to the Governor for the preparation of the budget.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 13, 1997.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This will allow for follow-up on performance audits in an even-handed manner. There was a misunderstanding last year by the Governor about the information to be contained in budget estimates. Compliance information does not have to be included in the budget the Governor submits.

**Testimony Against:** None.

**Testified:** Representative Backlund, prime sponsor; and Cheryle Broom, JLARC.