

# FINAL BILL REPORT

## SHB 1325

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C 374 L 97

Synopsis as Enacted

**Brief Description:** Providing facilities for social service organizations.

**Sponsors:** By House Committee on Capital Budget (originally sponsored by Representatives Ogden, Mitchell, Costa, Hankins, O'Brien and Mason).

### **House Committee on Capital Budget** **Senate Committee on Ways & Means**

**Background:** A variety of social service organizations located in communities around the state provide services to individuals, families, seniors, and youth. These organizations may be housed in leased facilities, donated facilities, or facilities owned by the organization.

The Department of Community, Trade and Economic Development (CTED) administers a number of programs to assist community-based organizations in providing social services. In addition, the CTED administers a competitive capital construction grant program for arts organizations.

During the 1995-97 biennium, the Legislature appropriated \$4 million to the CTED for grants to 16 nonprofit community action agencies to assist the agencies in acquiring, developing, or rehabilitating buildings for the purpose of providing community-based family services. The list of authorized agencies was originally proposed by the Washington State Association of Community Action Agencies. The capital appropriation provided grants for up to 25 percent of the capital costs of a project.

The Office of the State Auditor (OSA) conducts legal and fiscal examinations of state agencies and local governments, prescribes accounting and auditing procedures, and audits the state's annual statewide financial statements.

Federal law requires each non-federal entity that receives over \$300,000 annually in federal funds to complete a single audit that covers all of the operations of the entity. The audit must examine the entity's financial statements, schedule of expenditures, effectiveness of internal controls, and compliance with contracts, grants, laws, and regulations.

**Summary:** A process is established for soliciting and ranking applications for nonresidential capital projects for social service organizations. If the Legislature appropriates moneys to assist nonprofit organizations in acquiring, constructing, or rehabilitating facilities used for the delivery of nonresidential social services, the Legislature may direct the CTED to establish a competitive process to prioritize applications for the assistance. The CTED must conduct a statewide solicitation of project applications, and evaluate and rank applications using objective criteria, including an examination of the existing assets of the organization. An applicant must demonstrate that the state assistance will increase the efficiency or quality of the social services provided to citizens. State assistance is limited to up to 25 percent of the total cost of the project. the CTED must submit a prioritized list of recommended projects to the Legislature by November 1 following the effective date of the appropriation. The CTED may not sign contracts with organizations for funding assistance until the Legislature has approved a specific list of projects. The contracts must require the repayment of both principal and interest costs of the grant if the capital improvements are used for purposes other than that specified in the grant. The CTED must develop and distribute a model contract containing this provision.

State agencies are required to report to the Office of the State Auditor (OSA) all entities that receive over \$300,000 in state moneys annually for the provision of social services. The OSA must select two groups of entities from these reports for audit. The first group must be randomly selected, the second group must be selected based on a risk assessment using specified risk factors. Each selected entity must complete a comprehensive entity-wide audit. Minimum audit requirements are specified. The OSA must adopt policies and procedures for conducting the audits. The OSA must deem audits conducted in conformance with federal requirements to meet the state audit requirements. Audits must be delivered to the OSA and the state agency by April 1 in the year following the selection of the entity for audit. Entities must resolve any audit findings within six months of the delivery of the audit. Entities may not enter into new contracts with state agencies until all major audit findings are resolved.

**Votes on Final Passage:**

House 95 1  
Senate 48 0 (Senate amended)  
House 89 0 (House concurred)

**Effective:** July 27, 1997