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HOUSE BILL 2977

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State of Washington

56th Legislature

2000 Regular Session

By Representatives D. Schmidt and Romero; by request of State Board for  
Community and Technical Colleges

Read first time 01/25/2000. Referred to Committee on State Government.

1 AN ACT Relating to the office of financial management's budgeting,  
2 accounting, and reporting requirements for state agencies; and amending  
3 RCW 43.88.160.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 43.88.160 and 1998 c 135 s 1 are each amended to read  
6 as follows:

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

15 (1) Governor; director of financial management. The governor,  
16 through the director of financial management, shall devise and  
17 supervise a modern and complete accounting system for each agency to  
18 the end that all revenues, expenditures, receipts, disbursements,  
19 resources, and obligations of the state shall be properly and

1 systematically accounted for. The accounting system shall include the  
2 development of accurate, timely records and reports of all financial  
3 affairs of the state. The system shall also provide for central  
4 accounts in the office of financial management at the level of detail  
5 deemed necessary by the director to perform central financial  
6 management. The director of financial management shall adopt and  
7 periodically update an accounting procedures manual. Any agency  
8 maintaining its own accounting and reporting system shall comply with  
9 the updated accounting procedures manual and the rules of the director  
10 adopted under this chapter. An agency may receive a waiver from  
11 complying with this requirement if the waiver is approved by the  
12 director. Waivers expire at the end of the fiscal biennium for which  
13 they are granted. The director shall forward notice of waivers granted  
14 to the appropriate legislative fiscal committees. The director of  
15 financial management may require such financial, statistical, and other  
16 reports as the director deems necessary from all agencies covering any  
17 period.

18 (2) Except as provided in chapter 43.88C RCW, the director of  
19 financial management is responsible for quarterly reporting of primary  
20 operating budget drivers such as applicable workloads, caseload  
21 estimates, and appropriate unit cost data. These reports shall be  
22 transmitted to the legislative fiscal committees or by electronic means  
23 to the legislative evaluation and accountability program committee.  
24 Quarterly reports shall include actual monthly data and the variance  
25 between actual and estimated data to date. The reports shall also  
26 include estimates of these items for the remainder of the budget  
27 period.

28 (3) The director of financial management shall report at least  
29 annually to the appropriate legislative committees regarding the status  
30 of all appropriated capital projects, including transportation  
31 projects, showing significant cost overruns or underruns. If funds are  
32 shifted from one project to another, the office of financial management  
33 shall also reflect this in the annual variance report. Once a project  
34 is complete, the report shall provide a final summary showing estimated  
35 start and completion dates of each project phase compared to actual  
36 dates, estimated costs of each project phase compared to actual costs,  
37 and whether or not there are any outstanding liabilities or unsettled  
38 claims at the time of completion.

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

3 (a) Develop and maintain a system of internal controls and internal  
4 audits comprising methods and procedures to be adopted by each agency  
5 that will safeguard its assets, check the accuracy and reliability of  
6 its accounting data, promote operational efficiency, and encourage  
7 adherence to prescribed managerial policies for accounting and  
8 financial controls. The system developed by the director shall include  
9 criteria for determining the scope and comprehensiveness of internal  
10 controls required by classes of agencies, depending on the level of  
11 resources at risk.

12 Each agency head or authorized designee shall be assigned the  
13 responsibility and authority for establishing and maintaining internal  
14 audits following the standards of internal auditing of the institute of  
15 internal auditors;

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

21 (c) Establish policies for allowing the contracting of child care  
22 services;

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

25 (e) Review any pay and classification plans, and changes  
26 thereunder, developed by any agency for their fiscal impact: PROVIDED,  
27 That none of the provisions of this subsection shall affect merit  
28 systems of personnel management now existing or hereafter established  
29 by statute relating to the fixing of qualifications requirements for  
30 recruitment, appointment, or promotion of employees of any agency. The  
31 director shall advise and confer with agencies including appropriate  
32 standing committees of the legislature as may be designated by the  
33 speaker of the house and the president of the senate regarding the  
34 fiscal impact of such plans and may amend or alter said plans, except  
35 that for the following agencies no amendment or alteration of said  
36 plans may be made without the approval of the agency concerned:  
37 Agencies headed by elective officials;

38 (f) Fix the number and classes of positions or authorized man years  
39 of employment for each agency and during the fiscal period amend the

1 determinations previously fixed by the director except that the  
2 director shall not be empowered to fix said number or said classes for  
3 the following: Agencies headed by elective officials;

4 (g) Adopt rules to effectuate provisions contained in (a) through  
5 (f) of this subsection.

6 (5) The treasurer shall:

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

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

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

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

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

21 It shall be unlawful for the treasurer to disburse public funds in  
22 the treasury except upon forms or by alternative means duly prescribed  
23 by the director of financial management. These forms or alternative  
24 means shall provide for authentication and certification by the agency  
25 head or the agency head's designee that the services have been rendered  
26 or the materials have been furnished; or, in the case of loans or  
27 grants, that the loans or grants are authorized by law; or, in the case  
28 of payments for periodic maintenance services to be performed on state  
29 owned equipment, that a written contract for such periodic maintenance  
30 services is currently in effect (~~and copies thereof are on file with~~  
31 ~~the office of financial management)); and the treasurer shall not be~~  
32 liable under the treasurer's surety bond for erroneous or improper  
33 payments so made. When services are lawfully paid for in advance of  
34 full performance by any private individual or business entity other  
35 than as provided for by RCW 42.24.035, such individual or entity other  
36 than central stores rendering such services (~~shall~~) may be requested  
37 to make a cash deposit or furnish surety bond coverage to the state as  
38 shall be fixed in an amount by law, or if not fixed by law, then in  
39 such amounts as shall be fixed by the director of the department of

1 general administration but in no case shall such (~~required~~) cash  
2 deposit or surety bond, if requested, be less than an amount which will  
3 fully indemnify the state against any and all losses on account of  
4 breach of promise to fully perform such services. No payments shall be  
5 made in advance for any equipment maintenance services to be performed  
6 more than (~~three~~) twelve months after such payment. Any such bond so  
7 furnished shall be conditioned that the person, firm or corporation  
8 receiving the advance payment will apply it toward performance of the  
9 contract. The responsibility for recovery of erroneous or improper  
10 payments made under this section shall lie with the agency head or the  
11 agency head's designee in accordance with regulations issued pursuant  
12 to this chapter. Nothing in this section shall be construed to permit  
13 a public body to advance funds to a private service provider pursuant  
14 to a grant or loan before services have been rendered or material  
15 furnished.

16 (6) The state auditor shall:

17 (a) Report to the legislature the results of current post audits  
18 that have been made of the financial transactions of each agency; to  
19 this end the auditor may, in the auditor's discretion, examine the  
20 books and accounts of any agency, official, or employee charged with  
21 the receipt, custody, or safekeeping of public funds. Where feasible  
22 in conducting examinations, the auditor shall utilize data and findings  
23 from the internal control system prescribed by the office of financial  
24 management. The current post audit of each agency may include a  
25 section on recommendations to the legislature as provided in (c) of  
26 this subsection.

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

29 (c) Make the auditor's official report on or before the thirty-  
30 first of December which precedes the meeting of the legislature. The  
31 report shall be for the last complete fiscal period and shall include  
32 determinations as to whether agencies, in making expenditures, complied  
33 with the laws of this state. The state auditor is authorized to  
34 perform or participate in performance verifications and performance  
35 audits as expressly authorized by the legislature in the omnibus  
36 biennial appropriations acts or in the performance audit work plan  
37 approved by the joint legislative audit and review committee. The  
38 state auditor, upon completing an audit for legal and financial  
39 compliance under chapter 43.09 RCW or a performance verification, may

1 report to the joint legislative audit and review committee or other  
2 appropriate committees of the legislature, in a manner prescribed by  
3 the joint legislative audit and review committee, on facts relating to  
4 the management or performance of governmental programs where such facts  
5 are discovered incidental to the legal and financial audit or  
6 performance verification. The auditor may make such a report to a  
7 legislative committee only if the auditor has determined that the  
8 agency has been given an opportunity and has failed to resolve the  
9 management or performance issues raised by the auditor. If the auditor  
10 makes a report to a legislative committee, the agency may submit to the  
11 committee a response to the report. This subsection (6) shall not be  
12 construed to authorize the auditor to allocate other than de minimis  
13 resources to performance audits except as expressly authorized in the  
14 appropriations acts or in the performance audit work plan. The results  
15 of a performance audit conducted by the state auditor that has been  
16 requested by the joint legislative audit and review committee must only  
17 be transmitted to the joint legislative audit and review committee.

18 (d) Be empowered to take exception to specific expenditures that  
19 have been incurred by any agency or to take exception to other  
20 practices related in any way to the agency's financial transactions and  
21 to cause such exceptions to be made a matter of public record,  
22 including disclosure to the agency concerned and to the director of  
23 financial management. It shall be the duty of the director of  
24 financial management to cause corrective action to be taken within six  
25 months, such action to include, as appropriate, the withholding of  
26 funds as provided in RCW 43.88.110. The director of financial  
27 management shall annually report by December 31st the status of audit  
28 resolution to the appropriate committees of the legislature, the state  
29 auditor, and the attorney general. The director of financial  
30 management shall include in the audit resolution report actions taken  
31 as a result of an audit including, but not limited to, types of  
32 personnel actions, costs and types of litigation, and value of recouped  
33 goods or services.

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

35 (f) Investigate improper governmental activity under chapter 42.40  
36 RCW.

37 (7) The joint legislative audit and review committee may:

38 (a) Make post audits of the financial transactions of any agency  
39 and management surveys and program reviews as provided for in chapter

1 44.28 RCW as well as performance audits and program evaluations. To  
2 this end the joint committee may in its discretion examine the books,  
3 accounts, and other records of any agency, official, or employee.

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

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

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

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

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