

1 **SHB 2563 - H AMD 0300 Adopted 2-18-02**

2 By Representative Ogden

3 On page 4, after line 9, insert the following:

4 NEW SECTION. **Sec. 6.** (1) A pilot performance audit of the  
5 department of agriculture is authorized to be performed in the 01-03  
6 biennium by the state auditor. In conducting the performance audit,  
7 the office of the state auditor shall work in cooperation with the  
8 office of financial management and state agency personnel. The state  
9 auditor shall use the guidelines for a performance audit contained in  
10 RCW 44.28.075.

11 (2) The performance audit of the department of agriculture by the  
12 state auditor shall be completed by December 31, 2002 and shall be  
13 presented to the appropriate policy and fiscal committees of the  
14 legislature. The state auditor shall include in the report to the  
15 legislature information on the staffing, time, and cost used by the  
16 office of the state auditor to complete the performance audit of the  
17 Department of Agriculture. This section shall expire June 30, 2003.

18 **Sec. 7.** RCW 43.88.160 and 1998 c 135 s 1 are each amended to read  
19 as follows:

20 This section sets forth the major fiscal duties and  
21 responsibilities of officers and agencies of the executive branch. The  
22 regulations issued by the governor pursuant to this chapter shall  
23 provide for a comprehensive, orderly basis for fiscal management and  
24 control, including efficient accounting and reporting therefor, for the  
25 executive branch of the state government and may include, in addition,  
26 such requirements as will generally promote more efficient public  
27 management in the state.

28 (1) Governor; director of financial management. The governor,  
29 through the director of financial management, shall devise and  
30 supervise a modern and complete accounting system for each agency to  
31 the end that all revenues, expenditures, receipts, disbursements,  
32 resources, and obligations of the state shall be properly and  
33 systematically accounted for. The accounting system shall include the  
34 development of accurate, timely records and reports of all financial  
35 affairs of the state. The system shall also provide for central

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

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

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

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

38 (a) Develop and maintain a system of internal controls and  
39 internal audits comprising methods and procedures to be adopted by each

1 agency that will safeguard its assets, check the accuracy and  
2 reliability of its accounting data, promote operational efficiency, and  
3 encourage adherence to prescribed managerial policies for accounting  
4 and financial controls. The system developed by the director shall  
5 include criteria for determining the scope and comprehensiveness of  
6 internal controls required by classes of agencies, depending on the  
7 level of resources at risk.

8 Each agency head or authorized designee shall be assigned the  
9 responsibility and authority for establishing and maintaining internal  
10 audits following the standards of internal auditing of the institute of  
11 internal auditors;

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

17 (c) Establish policies for allowing the contracting of child care  
18 services;

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

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

34 (f) Fix the number and classes of positions or authorized man  
35 years of employment for each agency and during the fiscal period amend  
36 the determinations previously fixed by the director except that the  
37 director shall not be empowered to fix said number or said classes for  
38 the following: Agencies headed by elective officials;

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

3 (5) The treasurer shall:

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

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

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

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

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

18 It shall be unlawful for the treasurer to disburse public funds in  
19 the treasury except upon forms or by alternative means duly prescribed  
20 by the director of financial management. These forms or alternative  
21 means shall provide for authentication and certification by the agency  
22 head or the agency head's designee that the services have been rendered  
23 or the materials have been furnished; or, in the case of loans or  
24 grants, that the loans or grants are authorized by law; or, in the case  
25 of payments for periodic maintenance services to be performed on state  
26 owned equipment, that a written contract for such periodic maintenance  
27 services is currently in effect and copies thereof are on file with the  
28 office of financial management; and the treasurer shall not be liable  
29 under the treasurer's surety bond for erroneous or improper payments so  
30 made. When services are lawfully paid for in advance of full  
31 performance by any private individual or business entity other than as  
32 provided for by RCW 42.24.035, such individual or entity other than  
33 central stores rendering such services shall make a cash deposit or  
34 furnish surety bond coverage to the state as shall be fixed in an  
35 amount by law, or if not fixed by law, then in such amounts as shall be  
36 fixed by the director of the department of general administration but  
37 in no case shall such required cash deposit or surety bond be less than  
38 an amount which will fully indemnify the state against any and all  
39 losses on account of breach of promise to fully perform such services.

1 No payments shall be made in advance for any equipment maintenance  
2 services to be performed more than three months after such payment.  
3 Any such bond so furnished shall be conditioned that the person, firm  
4 or corporation receiving the advance payment will apply it toward  
5 performance of the contract. The responsibility for recovery of  
6 erroneous or improper payments made under this section shall lie with  
7 the agency head or the agency head's designee in accordance with  
8 regulations issued pursuant to this chapter. Nothing in this section  
9 shall be construed to permit a public body to advance funds to a  
10 private service provider pursuant to a grant or loan before services  
11 have been rendered or material furnished.

12 (6) The state auditor shall:

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

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

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

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

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

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

32 (f) Investigate improper governmental activity under chapter 42.40  
33 RCW.

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

35 (a) Make post audits of the financial transactions of any agency  
36 and management surveys and program reviews as provided for in chapter  
37 44.28 RCW as well as performance audits and program evaluations. To  
38 this end the joint committee may in its discretion examine the books,  
39 accounts, and other records of any agency, official, or employee.

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

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

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

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

14 Correct the title.

15 Correct internal references.

**EFFECT:** Authorizes and requires the state auditor to conduct a pilot performance audit of the department of agriculture by December 31, 2002, and to report the results to the appropriate policy and fiscal committees of the legislature. This authorization expires June 30, 2003.