

1 **SB 5629** - H COMM AMD **Adopted 3-8-03**

2 By Committee on State Government

3 On page 10, after line 10, insert the following:

4 "NEW SECTION. **Sec. 7.** A new section is added to chapter 39.29
5 RCW to read as follows:

6 (1) The office of financial management shall adopt uniform
7 guidelines for the effective and efficient management of personal
8 service contracts and client service contracts by all state agencies.
9 The guidelines must, at a minimum, include:

10 (a) Accounting methods, systems, measures, and principles to be
11 used by agencies and contractors;

12 (b) Precontract procedures for selecting potential contractors
13 based on their qualifications and ability to perform;

14 (c) Incorporation of performance measures and measurable
15 benchmarks in contracts, and the use of performance audits;

16 (d) Uniform contract terms to ensure contract performance and
17 compliance with state and federal standards;

18 (e) Proper payment and reimbursement methods to ensure that the
19 state receives full value for taxpayer moneys, including cost
20 settlements and cost allowance;

21 (f) Postcontract procedures, including methods for recovering
22 improperly spent or overspent moneys for disallowance and adjustment;

23 (g) Adequate contract remedies and sanctions to ensure compliance;

24 (h) Monitoring, fund tracking, risk assessment, and auditing
25 procedures and requirements;

26 (i) Financial reporting, record retention, and record access
27 procedures and requirements;

28 (j) Procedures and criteria for terminating contracts for cause or
29 otherwise; and

30 (k) Any other subject related to effective and efficient contract
31 management.

32 (2) The office of financial management shall submit the guidelines
33 required by subsection (1) of this section to the governor and the
34 appropriate standing committees of the legislature no later than
35 December 1, 2002.

1 (3) The office of financial management shall publish a guide book
2 for use by state agencies containing the guidelines required by
3 subsection (1) of this section.

4 NEW SECTION. Sec. 8. A new section is added to chapter 39.29 RCW
5 to read as follows:

6 (1) A state agency entering into or renewing personal service
7 contracts or client service contracts shall follow the guidelines
8 required by section 7 of this act.

9 (2) A state agency that has entered into or renewed personal
10 service contracts or client service contracts during a calendar year
11 shall, on or before January 1st of the following calendar year, provide
12 the office of financial management with a report detailing the
13 procedures the agency employed in entering into, renewing, and managing
14 the contracts.

15 (3) The provisions of this section apply to state agencies
16 entering into or renewing contracts after January 1, 2003.

17 NEW SECTION. Sec. 9. A new section is added to chapter 39.29 RCW
18 to read as follows:

19 (1) The office of financial management shall provide a training
20 course for agency personnel responsible for executing and managing
21 personal service contracts and client service contracts. The course
22 must contain training on effective and efficient contract management
23 under the guidelines established under section 7 of this act. State
24 agencies shall require agency employees responsible for executing or
25 managing personal service contracts and client service contracts to
26 complete the training course to the satisfaction of the office of
27 financial management. Beginning January 1, 2004, no agency employee
28 may execute or manage personal service contracts or client service
29 contracts unless the employee has completed the training course. Any
30 request for exception to this requirement shall be submitted to the
31 office of financial management in writing and shall be approved by the
32 office of financial management prior to the employee executing or
33 managing the contract.

34 (2)(a) The office of financial management shall conduct risk-based
35 audits of the contracting practices associated with individual personal
36 service and client service contracts from multiple state agencies to
37 ensure compliance with the guidelines established in section 8 of this

1 act. The office of financial management shall conduct the number of
2 audits deemed appropriate by the director of the office of financial
3 management based on funding provided.

4 (b) The office of financial management shall forward the results
5 of the audits conducted under this section to the governor, the
6 appropriate standing committees of the legislature, and the joint
7 legislative audit and review committee.

8 NEW SECTION. **Sec. 10.** A new section is added to chapter 39.29
9 RCW to read as follows:

10 The state auditor and the attorney general shall annually by
11 November 30th of each year provide a collaborative report of contract
12 audit and investigative findings, enforcement actions, and the status
13 of agency resolution to the governor and the policy and fiscal
14 committees of the legislature.

15 **Sec. 11.** RCW 39.29.040 and 1998 c 101 s 7 are each amended to
16 read as follows:

17 This chapter does not apply to:

18 (1) Contracts specifying a fee of less than five thousand dollars
19 if the total of the contracts from that agency with the contractor
20 within a fiscal year does not exceed five thousand dollars;

21 (2) Contracts awarded to companies that furnish a service where
22 the tariff is established by the utilities and transportation
23 commission or other public entity;

24 (3) Intergovernmental agreements awarded to any governmental
25 entity, whether federal, state, or local and any department, division,
26 or subdivision thereof;

27 (4) Contracts awarded for services to be performed for a standard
28 fee, when the standard fee is established by the contracting agency or
29 any other governmental entity and a like contract is available to all
30 qualified applicants;

31 (5) Contracts for services that are necessary to the conduct of
32 collaborative research if prior approval is granted by the funding
33 source;

34 (6) Contracts for client services except as otherwise indicated in
35 this chapter;

1 (7) Contracts for architectural and engineering services as
2 defined in RCW 39.80.020, which shall be entered into under chapter
3 39.80 RCW;

4 (8) Contracts for the employment of expert witnesses for the
5 purposes of litigation; and

6 (9) Contracts for bank supervision authorized under RCW 30.38.040.

7 NEW SECTION. **Sec. 12.** Section 7 of this act is necessary for the
8 immediate preservation of the public peace, health, or safety, or
9 support of the state government and its existing public institutions,
10 and takes effect immediately.

11 NEW SECTION. **Sec. 13.** Sections 8 and 9 of this act take effect
12 January 1, 2003."

13 Renumber sections consecutively and correct the title.

EFFECT: Adds language that requires OFM to develop mandatory guidelines for the management of personal service and client service contracts by state agencies; requires OFM to provide training for state agency personnel entering into and managing personal service and client service contracts; requires OFM to conduct risk-based audits of the contracting practices associated with personal service and client service contracts; and requires the Attorney General and the State Auditor to provide an annual report to the Governor and to the Legislature of contract audit and investigative findings, enforcement actions, and the status of agency resolution.