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**SUBSTITUTE HOUSE BILL 2563**

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**State of Washington**

**57th Legislature**

**2002 Regular Session**

**By** House Committee on State Government (originally sponsored by Representatives Miloscia, O'Brien, Kirby, Kessler, Haigh and McIntire)

Read first time 02/08/2002. Referred to Committee on .

1 AN ACT Relating to performance audits; and adding new sections to  
2 chapter 43.41 RCW.

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

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.41 RCW  
5 to read as follows:

6 The legislature finds that public confidence in government is  
7 essential and that programs to improve quality, efficiency, and  
8 effectiveness of public functions must be enhanced. The legislature  
9 recognizes that all Washington state agencies must transform the way  
10 they operate and deliver services to respond to severe, ongoing budget  
11 shortfalls and declining revenues.

12 The intent of this act is to establish an independent ongoing  
13 performance audit and yearly scoring program in the office of financial  
14 management for the conduct of independent performance audits and  
15 scoring for state government entities to ensure all are world class in  
16 management, program outcomes, customer satisfaction, and efficiency.  
17 The office of financial management, in consultation with the governor's  
18 performance audit standards and scorecard commission shall audit and  
19 score government entities in order to assist them in developing the

1 management expertise to continuously improve through continuous  
2 performance review and management leadership.

3 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.41 RCW  
4 to read as follows:

5 (1) The director of financial management shall establish a program  
6 and strategic plan for the conduct of independent performance audits  
7 and yearly performance scoring of state agencies and their programs and  
8 functions.

9 (2) The office of financial management may contract with public or  
10 private entities that have expertise in the conduct of public sector  
11 reviews to perform the audits and performance scoring. Staff of the  
12 office of financial management or other agency staff may also conduct  
13 the audits.

14 (3) In consultation with the governor's performance audit standards  
15 and scorecard commission, the office of financial management shall  
16 develop an implementation plan for a phased-in audit schedule for a  
17 program and periodic audit and scoring of all state government  
18 agencies, including higher education.

19 (4) The director of financial management shall submit the results  
20 of the performance audits, performance scoring, and any necessary  
21 implementing legislation to the governor and the legislature by  
22 November 1st of each year, and shall release audit results and  
23 performance scoring to the public and provide public recognition for  
24 outstanding effort.

25 (5) In consultation with the governor's performance audit standards  
26 and scorecard commission, the office of financial management shall  
27 collect, disseminate, and share best practices to all state agencies  
28 and institutions of higher education.

29 (6) The director of financial management, in consultation with the  
30 governor's performance audit standards and scorecard commission, shall  
31 contract for a performance audit of the audit and performance scoring  
32 program described in this section by a private professional by November  
33 1, 2004.

34 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.41 RCW  
35 to read as follows:

36 The governor's performance audit standards and scorecard commission  
37 is established.

1 (1) The commission consists of seven citizen members appointed to  
2 staggered terms by the governor. The citizen members shall demonstrate  
3 professional knowledge and expertise in performance management, quality  
4 management, auditing, or a closely related field.

5 (2) The office of financial management shall provide the staff and  
6 resources necessary for implementing sections 1 through 4 of this act.

7 (3) Except for initial members, commission members shall serve for  
8 terms of four years, with the terms expiring on June 30th on the fourth  
9 year of the term. Members may serve more than one term.

10 (4) Members of the commission shall be compensated in accordance  
11 with RCW 43.03.220 and reimbursed for travel expenses under RCW  
12 43.03.050 and 43.03.060.

13 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.41 RCW  
14 to read as follows:

15 The governor's performance audit standards and scorecard commission  
16 shall:

17 (1) Assist in the development of criteria for performance audits  
18 and a scoring system for grading overall agency performance. In  
19 developing criteria and a scoring system, the commission shall consult  
20 with and seek input from elected officials and professionals with a  
21 background in performance management. Audit criteria shall be  
22 distributed at least six weeks before an audit. The governor's  
23 performance audit standards and scorecard commission shall consider  
24 already developed best practices and audit criteria used by government  
25 or nongovernment organizations;

26 (2) Advise the governor and the director of financial management on  
27 the conduct of the performance audit program;

28 (3) Develop recommendations for the director of financial  
29 management on the subjects of performance audits and the audit  
30 schedule; and

31 (4) Evaluate audit findings and performance scoring in order to  
32 identify opportunities to develop government partnerships and eliminate  
33 program duplications and redundancies resulting in increased quality,  
34 effectiveness, and efficiency of state agencies.

35 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.41 RCW  
36 to read as follows:

1       For purposes of sections 1 through 5 of this act, "performance  
2       audit" means an objective systematic assessment, survey, or directed  
3       self-assessment of state agencies, programs, functions, or activities  
4       to provide for public accountability. Initial performance audits and  
5       performance scoring shall include, but are not limited to: (1) Quality  
6       and process management practices; (2) independent and internal audit  
7       functions; (3) internal and external customer satisfaction; (4) program  
8       effectiveness; (5) fiscal productivity and efficiency; (6) regulatory  
9       and procedural compliance; and (7) any other areas as appropriate.

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