

**2ESHB 1053** - H AMD  
By Representative

1 Strike everything after the enacting clause and insert the  
2 following:

3 **NEW SECTION.** **Sec. 1.** The legislature finds that:

4 (1) Citizens demand and deserve more accountability of public  
5 programs;

6 (2) Washington state government and other entities that receive  
7 tax dollars must continuously improve the way they operate and  
8 deliver services so citizens receive maximum value for their tax  
9 dollars;

10 (3) A comprehensive system of measuring performance is  
11 necessary to evaluate the effectiveness of agency programs and  
12 agency performance management practices, and to demonstrate  
13 accountability; and

14 (4) Fair, independent, and professional audits of agency  
15 performance are necessary to ensure that government programs are  
16 achieving their intended goals and using their resources in the  
17 most productive manner.

18 **NEW SECTION.** **Sec. 2.** A new section is added to chapter 43 RCW  
19 to read as follows: For purposes of sections 3 through 6 of this  
20 act:

21 (1) "Board" means the citizen oversight board created in  
22 section 3 of this act.

23 (2) "Draft work plan" means the work plan for conducting  
24 performance audits of state agencies proposed by the board based on  
25 the statewide performance system review.

1 (3) "Final performance audit report" means a written document  
2 released by the citizen oversight board that includes the findings  
3 and comments from the preliminary performance audit report.

4 (4) "Final work plan" means the work plan for conducting  
5 performance audits of state agencies adopted by the board.

6 (5) "Performance audit" means an objective and systematic  
7 assessment of a state agency or any of its programs, functions, or  
8 activities by an independent evaluator in order to help public  
9 officials improve efficiency, effectiveness, and accountability.  
10 Performance audits include economy and efficiency audits and  
11 program effectiveness audits.

12 (6) "Performance system review" means an objective and  
13 systematic assessment of a state agency's performance and outcome  
14 measures and its systems for managing towards accomplishment of the  
15 outcomes.

16 (7) "Preliminary performance audit report" means a written  
17 document prepared after the completion of a performance audit to be  
18 submitted for comment before the final performance audit report.  
19 The preliminary performance audit report must contain the audit  
20 findings and any proposed recommendations to improve the  
21 efficiency, effectiveness, or accountability of the state agency  
22 being audited.

23 (8) "State agency" or "agency" means a state agency,  
24 department, office, officer, board, commission, bureau, division,  
25 institution, or institution of higher education. "State agency"  
26 includes all elective offices in the executive branch of state  
27 government.

28 NEW SECTION. **Sec. 3.** A new section is added to chapter 43 RCW  
29 to read as follows:

30 (1) The citizen oversight board is created to improve  
31 efficiency, effectiveness, and accountability in state government.

32 (2) The board shall consist of eight members as follows:

33 (a) One member shall be the state auditor, who shall be a  
34 nonvoting member;

35 (b) One member shall be the chair of the joint legislative  
36 audit and review committee, or his or her designee, who shall be a  
37 nonvoting member;

1 (c) One member shall be the director of the office of financial  
2 management, who shall be a nonvoting member;

3 (d) Four of the members shall be selected by the governor as  
4 follows: Each major caucus of the house of representatives and the  
5 senate shall submit a list of three names. The lists may not  
6 include the names of members of the legislature. The governor  
7 shall select a person from each list provided by each caucus; and

8 (e) The governor shall select one additional member.

9 (3) The board shall elect a chair. Neither the chair of the  
10 joint legislative audit and review committee, the director of the  
11 office of financial management, nor the state auditor may serve as  
12 chair.

13 (4) Appointees shall be individuals who have a basic  
14 understanding of state government operations with knowledge and  
15 expertise in performance management, quality management, strategic  
16 planning, performance assessments, or closely related fields.

17 (5) Members selected under subsection (2) (d) and (e) shall  
18 serve for terms of four years, with the terms expiring on June 30th  
19 on the fourth year of the term. However, in the case of the  
20 initial members, two members shall serve four-year terms, two  
21 members shall serve three-year terms, and one member shall serve a  
22 two-year term, with each of the terms expiring on June 30th of the  
23 applicable year. Appointees may be reappointed to serve more than  
24 one term.

25 (6) The joint legislative audit and review committee and the  
26 office of financial management shall provide clerical, technical,  
27 and management personnel to the board to serve as the board's staff  
28 jointly.

29 (7) The board shall meet at least once a quarter and may hold  
30 additional meetings at the call of the chair or by a majority vote  
31 of the members of the board.

32 (8) The members of the board shall be compensated in accordance  
33 with RCW 43.03.220 and reimbursed for travel expenses in accordance  
34 with RCW 43.03.050 and 43.03.060.

35 NEW SECTION. **Sec. 4.** A new section is added to chapter 43 RCW  
36 to read as follows:

1 (1) The board will work with the office of financial management  
2 and the joint legislative audit and review committee regarding  
3 reviews of agency performance measurement systems. The reviews  
4 shall include regular assessments of the measures and methods that  
5 state agencies use to manage program and agency performance.

6 (a) The office of financial management shall review the  
7 performance measurement systems of state agencies. The purpose of  
8 these reviews is to ensure that the governor, agency management and  
9 the legislature has the means to adequately and accurately assess  
10 the performance and outcomes of those agencies and departments.  
11 Where two or more agencies have shared responsibility for functions  
12 or priorities of government, these reviews can also ensure that  
13 effective interagency cooperation and collaboration occurs in areas  
14 such as program coordination, administrative structures,  
15 information systems and administration of grants and loans.

16 (b) The office of financial management shall review the  
17 performance measurement system of each agency, board, department or  
18 institution not less than every five years. In setting the  
19 schedule and the extent of reviews, the office of financial  
20 management shall consider the timing and results of other recent  
21 reviews and audits conducted by the joint legislative audit and  
22 review committee and performance audits under subsection (2) of  
23 this section, the seriousness of past findings, any inadequate  
24 remedial action taken by an agency, department or institution,  
25 whether a state agency lacks performance and outcome measures, and  
26 the desirability to include a diverse range of agencies each year.

27 (c) The office of financial management shall work with the  
28 board to develop the criteria, schedule and methodology for  
29 conducting these reviews. The reviews may include, but not be  
30 limited to, the following:

31 (i) A determination of whether the performance and outcome  
32 measures are consistent with legislative mandates, strategic plans,  
33 mission statements and goals and objectives, and whether the  
34 legislature has established clear mandates, strategic plans,  
35 mission statements and goals and objectives that lend themselves to  
36 performance and outcome measure;

37 (ii) An examination of how agency management uses the measures  
38 to manage resources in an efficient and effective manner;

1 (iii) An assessment of how performance benchmarks are used to  
2 assess overall performance compared to external standards and  
3 benchmarks;

4 (iv) An examination of how measurement data is used to make  
5 planning and operational improvements;

6 (v) A determination of how performance measures are used in the  
7 budget planning, development, and allotment process and the extent  
8 to which the agency is in compliance with its responsibilities  
9 under RCW 43.88.090;

10 (vi) A review of how performance data are reported to the  
11 legislature;

12 (vii) An assessment of whether the performance measure data are  
13 reliable and collected in a uniform and timely manner;

14 (viii) An assessment of whether the collection of measures used  
15 by an agency is balanced and reflects service quality, internal and  
16 external customer satisfaction, productivity, efficiency, program  
17 effectiveness, and regulatory compliance;

18 (ix) An assessment of the effectiveness of agency programs  
19 related to planning, resourcing, organizing, directing, and  
20 controlling program operations, and the systems put in place for  
21 measuring, evaluating, reporting, and monitoring program  
22 performance. Such systems include personnel systems, purchasing  
23 systems, contracting systems, organizational structures, and  
24 information technology systems; and

25 (x) Recommendations as necessary or appropriate.

26 (d) Completed performance measurement system reviews shall be  
27 presented to the board and the governor and published on the  
28 internet. Final reports shall also be transmitted to the joint  
29 legislative audit and review committee and the appropriate policy  
30 and fiscal standing committees of the legislature.

31 (e) The office of financial management shall provide guidance  
32 and training to state agencies to support their development of  
33 performance measurement systems.

34 (2) The board shall work with the state auditor's office and  
35 the joint legislative audit and review committee regarding  
36 performance audits of state government.

37 (a) The board shall establish criteria for performance audits.  
38 Agencies shall be audited using criteria that include generally  
39 accepted government auditing standards. Audits may evaluate the

1 effectiveness of agency programs as well as agency internal  
2 performance management systems and controls.

3 (b) The board shall use the results of the performance system  
4 reviews conducted by the office of financial management, as well as  
5 input from citizens, state employees, state managers, the joint  
6 legislative audit and review committee, public officials and others  
7 to prepare a draft work plan for conducting performance audits.  
8 The board shall develop a schedule and common methodology for  
9 conducting these audits.

10 (c) The draft work plan may include a list of agencies,  
11 programs, or systems to be audited on a time line decided by the  
12 board based on a number of factors including risk, importance, and  
13 citizen concerns. All audits shall be designed to be completed  
14 within a six-month period.

15 (d) Before adopting the final work plan, the board shall  
16 consult with the legislative auditor and other appropriate  
17 oversight and audit entities to coordinate work plans and avoid  
18 duplication of effort in their planned performance audits of state  
19 government agencies. The board shall defer to the joint  
20 legislative audit and review committee work plan if a similar audit  
21 is included on both work plans for auditing.

22 (e) The state auditor shall contract with qualified independent  
23 evaluators to conduct the performance audits included in the final  
24 work plan approved by the board. In conducting the audits, the  
25 independent evaluator may consult with agency front-line employees  
26 and internal auditors.

27 (f) The audits may evaluate efficiency as well as program  
28 effectiveness and may include:

29 (i) The extent to which legislative, regulatory, or  
30 organizational goals and objectives are being achieved;

31 (ii) The relative ability of alternative approaches to yield  
32 better program performance or eliminate factors that inhibit  
33 program effectiveness;

34 (iii) The relative cost and benefits or cost effectiveness of  
35 program performance;

36 (iv) Whether a program produced intended results or produced  
37 effects that were not intended by the program's objectives;

38 (v) The extent to which programs duplicate, overlap, or  
39 conflict with other related programs;

1 (vi) The validity and reliability of performance measures  
2 concerning program effectiveness and results, or economy and  
3 efficiency.

4 (g) Audits may also identify and recognize best practices.

5 (h) The state auditor shall solicit comments on preliminary  
6 performance audit reports from the audited state agency, the office  
7 of the governor, the office of financial management, the board, and  
8 the joint legislative audit and review committee for comment.  
9 Comments must be received within thirty days after receipt of the  
10 preliminary performance audit report unless a different time period  
11 is approved by the state auditor. All comments shall be  
12 incorporated into the final performance audit report. The final  
13 audit report shall include the objectives, scope, and methodology;  
14 the audit results, including findings and recommendations;  
15 conclusions; and identification of best practices.

16 (i) The final reports shall be submitted to the board by the  
17 state auditor. The board shall release final reports to the  
18 citizens of Washington, the governor, and the appropriate  
19 legislative committees. Final performance audit reports shall be  
20 posted on the internet.

21 NEW SECTION. **Sec. 5.** A new section is added to chapter 43 RCW  
22 to read as follows: The citizen oversight board shall establish an  
23 annual assessment and performance grading program. The program  
24 shall consist of conducting annual performance assessments and  
25 grading state agency performance. Assessments shall be implemented  
26 on a phased-in schedule. Initial areas to be assessed shall  
27 include quality management, productivity and fiscal efficiency,  
28 program effectiveness, contract management and oversight, internal  
29 audit, internal and external customer satisfaction, statutory and  
30 regulatory compliance, and technology systems and on-line services.  
31 As part of this program, the board shall:

32 (1) Consult with and seek input from elected officials, state  
33 employees, and professionals with a background in performance  
34 management for establishing the grading standards. In developing  
35 the criteria, the board shall consider already developed best  
36 practices and audit criteria used by government or nongovernment  
37 organizations. Before the assessment, the agencies shall be given  
38 the criteria for the assessment and the standards for grading; and

1 (2) Contract or partner with public or private entities that  
2 have expertise in public sector reviews and/or technical expertise  
3 in individual assessment areas to perform the assessments and  
4 grading of all state agencies. The board may contract or partner  
5 with more than one entity for different assessment areas.

6 (3) The board shall submit the results of the assessment and  
7 grading program to the governor, the appropriate legislative  
8 committees, and the public by December 15th of each year. The  
9 results of the annual assessments and performance grading shall be  
10 posted on the internet.

11 NEW SECTION. **Sec. 6.** A new section is added to chapter 43  
12 RCW to read as follows:

13 (1) The reviewed agency is responsible for followup and  
14 corrective action on performance measurement system reviews.  
15 Agencies under the authority of or appointed by the governor shall  
16 submit periodic progress reports detailing actions undertaken  
17 toward achieving resolution to the governor and the board until all  
18 resolution has occurred. Agencies under the authority of an  
19 elected official other than the governor shall submit periodic  
20 progress reports detailing actions undertaken toward achieving  
21 resolution to the board until all resolution has occurred.  
22 Progress reports shall be available on the internet.

23 (2) The audited agency is responsible for follow-up and  
24 corrective action on all performance audit findings and  
25 recommendations. The audited agency's plan for addressing each  
26 audit finding and recommendation shall be included in the final  
27 audit report. The plan shall provide the name of the contact  
28 person responsible for each action, the action planned, and the  
29 anticipated completion date. If the audited agency does not agree  
30 with the audit findings and recommendations or believes action is  
31 not required, then the action plan shall include an explanation and  
32 specific reasons.

33 Agencies under the authority of or appointed by the governor,  
34 the governor shall submit periodic progress reports to the governor  
35 and the board until all resolution has occurred. Agencies under  
36 the authority of an elected official other than the governor shall  
37 submit periodic reports to the board of the action taken by the



1 audited agency until all resolution has occurred. Progress reports  
2 shall be available on the internet.

3 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.88  
4 RCW to read as follows:

5 In addition to the authority given the state auditor in RCW  
6 43.88.160(6), the state auditor is only authorized to contract for  
7 and oversee performance audits pursuant to section 4 of this act.

8 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.131  
9 RCW to read as follows:

10 The citizen oversight board created in section 3 of this act  
11 and its powers and duties shall be terminated June 30, 2011, as  
12 provided in section 9 of this act. The joint legislative audit and  
13 review committee shall contract with a private entity for the  
14 review in this section.

15 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.131  
16 RCW to read as follows:

17 The following acts or parts of acts, as now existing or  
18 hereafter amended, are each repealed, effective June 30, 2012:

- 19 (1) Section 2 of this act;
- 20 (2) Section 3 of this act;
- 21 (3) Section 4 of this act;
- 22 (4) Section 5 of this act;
- 23 (5) Section 6 of this act; and
- 24 (6) Section 7 of this act.

25  
26 NEW SECTION. **Sec. 10.** If specific funding for the purposes of  
27 this act, referencing this act by bill or chapter number, is not  
28 provided by June 30, 2004, in the omnibus appropriations act, this  
29 act is null and void.

30  
31 NEW SECTION. **Sec. 11.** Sections 2 through 6 of this act  
32 constitute a new chapter in Title 43 RCW."

33 Correct the title.

**EFFECT:** An eight member citizen oversight board is created to improve efficiency, effectiveness, and accountability in state government. The board will consist of eight members, including the state auditor, the chair of the JLARC, and the director of the OFM, who will be non-voting members; four members chosen by the governor, one from each list of names submitted by each major caucus in the Senate and the House of Representatives; and a member selected by the governor. Appointed members must have knowledge and expertise in performance management, quality management, strategic planning, performance assessments, or a closely related fields. The JLARC and the OFM will staff the board jointly.

The board will work with OFM and JLARC on reviews of agency performance measure systems. The reviews will include regular assessments of the measures and methods that state agencies use to manage program and agency performance.

The board will work with OFM, JLARC, and the state auditor regarding performance audits of state government. The results of the performance system reviews, as well as other factors including risk, importance, and citizen concerns, will be considered in preparation of a draft work plan for conducting the performance audits.

The state auditor is directed to contract with qualified independent evaluators to conduct the performance audits. The audits may evaluate efficiency and program effectiveness and may include:

The extent to which legislative, regulatory, or organizational goals and objectives are being achieved;

The relative ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness;

The relative cost and benefits or cost effectiveness of program performance;

Whether a program produced intended results or produced effects that were not intended by the program's objectives;

The extent to which programs duplicate, overlap, or conflict with other related programs; and

The validity and reliability of performance measures concerning program effectiveness and results, or economy and efficiency.

The state auditor is directed to solicit comments on preliminary performance audit reports from the audited state agency, the Office of the Governor, OFM, and JLARC for comment. All comments must be incorporated into the final performance audit report. The state auditor submits the final audit report to the board and the board will release the report to the

public, the governor, and appropriate legislative committees. Final performance audit reports will be posted on the internet.

The board is also directed to establish and conduct an annual assessment and performance grading program of all state agencies on a phased-in schedule. Areas to be assessed include quality management, productivity and fiscal efficiency, program effectiveness, contract management and oversight, internal audit, internal and external customer satisfaction, statutory and regulatory compliance, and technology systems and on-line services. The results of the annual assessment and grading program will be submitted to the governor, the appropriate legislative committees, and the public by December 15th of each year. Results will be posted on the internet.

Reviewed agencies are responsible for follow-up and corrective action on the performance measurement system reviews and performance audit findings. Agencies must submit periodic progress reports detailing their actions towards resolution of audit findings. Progress reports will be available on the internet.

A sunset review of the board is required in 2011.