

3ESHB 1053 - S AMD 833
By Senator Roach

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 tax
7 dollars must continuously improve the way they operate and deliver
8 services so citizens receive maximum value for their tax dollars;

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

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

16 NEW SECTION. **Sec. 2.** For purposes of sections 3 through 6 of this
17 act:

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

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

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

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

28 (5) "Performance audit" means an objective and systematic
29 assessment of a state agency or any of its programs, functions, or
30 activities by an independent evaluator in order to help public

1 officials improve efficiency, effectiveness, and accountability.
2 Performance audits include economy and efficiency audits and program
3 effectiveness audits.

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

7 (7) "Preliminary performance audit report" means a written document
8 prepared after the completion of a performance audit to be submitted
9 for comment before the final performance audit report. The preliminary
10 performance audit report must contain the audit findings and any
11 proposed recommendations to improve the efficiency, effectiveness, or
12 accountability of the state agency being audited.

13 (8) "State agency" or "agency" means a state agency, department,
14 office, officer, board, commission, bureau, division, institution, or
15 institution of higher education. "State agency" includes all elective
16 offices in the executive branch of state government.

17 NEW SECTION. **Sec. 3.** (1) The citizen oversight board is created
18 to improve efficiency, effectiveness, and accountability in state
19 government.

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

21 (a) One member shall be the state auditor, who shall be a nonvoting
22 member;

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

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

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

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

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

37 (4) Appointees shall be individuals who have a basic understanding

1 of state government operations with knowledge and expertise in
2 performance management, quality management, strategic planning,
3 performance assessments, or closely related fields.

4 (5) Members selected under subsection (2)(d) and (e) of this
5 section shall serve for terms of four years, with the terms expiring on
6 June 30th on the fourth year of the term. However, in the case of the
7 initial members, two members shall serve four-year terms, two members
8 shall serve three-year terms, and one member shall serve a two-year
9 term, with each of the terms expiring on June 30th of the applicable
10 year. Appointees may be reappointed to serve more than one term.

11 (6) The joint legislative audit and review committee and the office
12 of financial management shall provide clerical, technical, and
13 management personnel to the board to serve as the board's staff
14 jointly.

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

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

21 NEW SECTION. **Sec. 4.** (1) The board will work with the office of
22 financial management and the joint legislative audit and review
23 committee regarding reviews of agency performance measurement systems.
24 The reviews shall include regular assessments of the measures and
25 methods that state agencies use to manage program and agency
26 performance.

27 (a) The office of financial management shall review the performance
28 measurement systems of state agencies. The purpose of these reviews is
29 to ensure that the governor, agency management, and the legislature
30 have the means to adequately and accurately assess the performance and
31 outcomes of those agencies and departments. Where two or more agencies
32 have shared responsibility for functions or priorities of government,
33 these reviews can also ensure that effective interagency cooperation
34 and collaboration occurs in areas such as program coordination,
35 administrative structures, information systems, and administration of
36 grants and loans.

37 (b) The office of financial management shall review the performance
38 measurement system of each agency, board, department, or institution

1 not less than every five years. In setting the schedule and the extent
2 of reviews, the office of financial management shall consider the
3 timing and results of other recent reviews and audits conducted by the
4 joint legislative audit and review committee and performance audits
5 under subsection (2) of this section, the seriousness of past findings,
6 any inadequate remedial action taken by an agency, department, or
7 institution, whether a state agency lacks performance and outcome
8 measures, and the desirability to include a diverse range of agencies
9 each year.

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

14 (i) A determination of whether the performance and outcome measures
15 are consistent with legislative mandates, strategic plans, mission
16 statements, and goals and objectives, and whether the legislature has
17 established clear mandates, strategic plans, mission statements, and
18 goals and objectives that lend themselves to performance and outcome
19 measure;

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

22 (iii) An assessment of how performance benchmarks are used to
23 assess overall performance compared to external standards and
24 benchmarks;

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

27 (v) A determination of how performance measures are used in the
28 budget planning, development, and allotment process and the extent to
29 which the agency is in compliance with its responsibilities under RCW
30 43.88.090;

31 (vi) A review of how performance data are reported to the
32 legislature;

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

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

1 (ix) An assessment of the effectiveness of agency programs related
2 to planning, resourcing, organizing, directing, and controlling program
3 operations, and the systems put in place for measuring, evaluating,
4 reporting, and monitoring program performance. Such systems include
5 personnel systems, purchasing systems, contracting systems,
6 organizational structures, and information technology systems; and

7 (x) Recommendations as necessary or appropriate.

8 (d) Completed performance measurement system reviews shall be
9 presented to the board and the governor and published on the internet.
10 Final reports shall also be transmitted to the joint legislative audit
11 and review committee and the appropriate policy and fiscal standing
12 committees of the legislature.

13 (e) The office of financial management shall provide guidance and
14 training to state agencies to support their development of performance
15 measurement systems.

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

19 (a) The board shall establish criteria for performance audits.
20 Agencies shall be audited using criteria that include generally
21 accepted government auditing standards. Audits may evaluate the
22 effectiveness of agency programs as well as agency internal performance
23 management systems and controls.

24 (b) The board shall use the results of the performance system
25 reviews conducted by the office of financial management, as well as
26 input from citizens, state employees, state managers, the joint
27 legislative audit and review committee, public officials, and others to
28 prepare a draft work plan for conducting performance audits. The board
29 shall develop a schedule and common methodology for conducting these
30 audits.

31 (c) The draft work plan may include a list of agencies, programs,
32 or systems to be audited on a timeline decided by the board based on a
33 number of factors including risk, importance, and citizen concerns.
34 All audits shall be designed to be completed within a six-month period.

35 (d) Before adopting the final work plan, the board shall consult
36 with the legislative auditor and other appropriate oversight and audit
37 entities to coordinate work plans and avoid duplication of effort in
38 their planned performance audits of state government agencies. The

1 board shall defer to the joint legislative audit and review committee
2 work plan if a similar audit is included on both work plans for
3 auditing.

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

9 (f) The audits may evaluate efficiency as well as program
10 effectiveness and may include:

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

13 (ii) The relative ability of alternative approaches to yield better
14 program performance or eliminate factors that inhibit program
15 effectiveness;

16 (iii) The relative cost and benefits or cost-effectiveness of
17 program performance;

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

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

22 (vi) The validity and reliability of performance measures
23 concerning program effectiveness and results, or economy and
24 efficiency.

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

26 (h) The state auditor shall solicit comments on preliminary
27 performance audit reports from the audited state agency, the office of
28 the governor, the office of financial management, the board, and the
29 joint legislative audit and review committee. Comments must be
30 received within thirty days after receipt of the preliminary
31 performance audit report unless a different time period is approved by
32 the state auditor. All comments shall be incorporated into the final
33 performance audit report. The final audit report shall include the
34 objectives, scope, and methodology; the audit results, including
35 findings and recommendations; conclusions; and identification of best
36 practices.

37 (i) The final reports shall be submitted to the board by the state
38 auditor. The board shall release final reports to the citizens of

1 Washington, the governor, and the appropriate legislative committees.
2 Final performance audit reports shall be posted on the internet.

3 NEW SECTION. **Sec. 5.** The citizen oversight board shall establish
4 an annual assessment and performance grading program. The program
5 shall consist of conducting annual performance assessments and grading
6 state agency performance. Assessments shall be implemented on a
7 phased-in schedule. Initial areas to be assessed shall include quality
8 management, productivity and fiscal efficiency, program effectiveness,
9 contract management and oversight, internal audit, internal and
10 external customer satisfaction, statutory and regulatory compliance,
11 and technology systems and on-line services. As part of this program,
12 the board shall:

13 (1) Consult with and seek input from elected officials, state
14 employees, and professionals with a background in performance
15 management for establishing the grading standards. In developing the
16 criteria, the board shall consider already developed best practices and
17 audit criteria used by government or nongovernment organizations.
18 Before the assessment, the agencies shall be given the criteria for the
19 assessment and the standards for grading; and

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

25 The board shall submit the results of the assessment and grading
26 program to the governor, the appropriate legislative committees, and
27 the public by December 15th of each year. The results of the annual
28 assessments and performance grading shall be posted on the internet.

29 NEW SECTION. **Sec. 6.** (1) The reviewed agency is responsible for
30 follow-up and corrective action on performance measurement system
31 reviews. Agencies under the authority of or appointed by the governor
32 shall submit periodic progress reports detailing actions undertaken
33 toward achieving resolution to the governor and the board until all
34 resolution has occurred. Agencies under the authority of an elected
35 official other than the governor shall submit periodic progress reports
36 detailing actions undertaken toward achieving resolution to the board

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

3 (2) The audited agency is responsible for follow-up and corrective
4 action on all performance audit findings and recommendations. The
5 audited agency's plan for addressing each audit finding and
6 recommendation shall be included in the final audit report. The plan
7 shall provide the name of the contact person responsible for each
8 action, the action planned, and the anticipated completion date. If
9 the audited agency does not agree with the audit findings and
10 recommendations or believes action is not required, then the action
11 plan shall include an explanation and specific reasons.

12 Agencies under the authority of or appointed by the governor, shall
13 submit periodic progress reports to the governor and the board until
14 all resolution has occurred. Agencies under the authority of an
15 elected official other than the governor shall submit periodic reports
16 to the board of the action taken by the audited agency until all
17 resolution has occurred. Progress reports shall be available on the
18 internet.

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

21 In addition to the authority given the state auditor in RCW
22 43.88.160(6), the state auditor is only authorized to contract for and
23 oversee performance audits pursuant to section 4 of this act.

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

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

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

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

- 35 (1) Section 2 of this act;
- 36 (2) Section 3 of this act;

- 1 (3) Section 4 of this act;
2 (4) Section 5 of this act;
3 (5) Section 6 of this act; and
4 (6) Section 7 of this act.

5 NEW SECTION. **Sec. 10.** The provisions of this act shall be
6 implemented to the extent possible using specific funds provided by
7 June 30, 2004, in the omnibus appropriations act.

8 If specific funding for the purposes of this act, referencing this
9 act by bill or chapter number, is not provided by June 30, 2004, in the
10 omnibus appropriations act, this act is null and void.

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

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13 On page 1, line 1 of the title, after "accountability;" strike the
14 remainder of the title and insert "adding a new section to chapter
15 43.88 RCW; adding new sections to chapter 43.131 RCW; adding a new
16 chapter to Title 43 RCW; and creating new sections."

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