

# HOUSE BILL REPORT

## HB 1367

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**As Reported by House Committee On:**  
State Government

**Title:** An act relating to government accountability.

**Brief Description:** Authorizing the legislative accountability board to conduct expanded performance reviews.

**Sponsors:** Representatives Rockefeller, Alexander, Morris, Jarrett, Conway, Murray, Clibborn, Kenney, Wallace, McIntire, Anderson, Upthegrove, Berkey, Campbell, Kagi, McDermott, Darneille, Wood, Hudgins, Simpson and Ruderman.

**Brief History:**

**Committee Activity:**

State Government: 1/30/03, 2/6/03 [DPS].

**Brief Summary of Substitute Bill**

- Changes the name of the Joint Legislative Audit and Review Committee to the Legislative Accountability Board (Board).
- Requires the Board to review the performance measures of state agencies on a five-year cycle.
- Requires the Board to conduct full performance audits where appropriate, after receiving input from the public and from experts and representatives in the field.

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### HOUSE COMMITTEE ON STATE GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Haigh, Chair; Miloscia, Vice Chair; Armstrong, Ranking Minority Member; Shabro, Assistant Ranking Minority Member; Hunt, McDermott, Nixon, Tom and Wallace.

**Staff:** Katie Blinn (786-7114).

**Background:**

The Joint Legislative Audit and Review Committee (JLARC) has eight senators and eight representatives, with four from each caucus of each chamber. During odd-year regular legislative sessions, the JLARC develops a performance audit work plan for the next 16 to 24 months that includes state agencies and programs that necessitate formal evaluation. The legislative auditor and JLARC staff conduct performance audits and other reviews as required by the JLARC work plan and by other legislation passed by the Legislature. As necessary, the JLARC staff may consult or contract with private or other public experts to conduct the performance audits. The staff must also involve front-line employees and internal auditors as much as possible. A performance audit may involve:

- assessing the efficiency, effectiveness and accountability of agencies, programs, or activities;
- examining the costs and benefits of programs and activities;
- examining viable alternatives to reduce costs or improve service delivery;
- identifying gaps and overlap in service delivery;
- comparing Washington agencies to agencies in other states that perform similar functions; and
- comparing actual costs of new programs with the costs estimated and appropriated.

In addition to performance audits, the JLARC may examine issues, hold hearings, hear complaints, make findings, conduct sunset reviews, make reports to the Legislature, and conduct any other business relating to economy, efficiency and effectiveness in state government.

When the JLARC staff has completed a performance audit, the preliminary report is presented to the agency and to the Office of Financial Management (OFM) for comment. The agency and the OFM may provide a response, which is incorporated into the final report. The preliminary report must be submitted to the committee for their review, comments, and final recommendations, which are included as a separate addendum to the final report. The final performance audit report is published to the agency, the OFM, the appropriate standing committees of the Legislature, and the public. Nine months later, the JLARC may produce a preliminary compliance report detailing the agency's compliance with the committee's recommendations. The agency may respond and, three months later, the committee may hold a hearing and receive public testimony. The JLARC must issue a final compliance report within four weeks of the public hearing.

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### **Summary of Substitute Bill:**

The name of the Joint Legislative Audit and Review Committee is changed to the Legislative Accountability Board (Board). At least every five years, the Board must review the performance and outcome measures of all state agencies that are under the authority of:

- the Governor;

- a board or commission;
- the Commissioner of Public Lands;
- the Insurance Commissioner;
- the State Treasurer;
- the Attorney General;
- the Superintendent of Public Instruction;
- the State Auditor; and
- the Secretary of State.

This is an outside evaluation of how an agency uses its performance measures to assess the outcomes of those activities authorized by the Legislature. The purpose of reviewing these performance measures is to ensure that the Legislature has means to adequately and accurately assess the performance and outcomes of the agencies. Completed performance reviews must be published to the agency, the OFM, the Board, the appropriate standing committees of the Legislature, and the public.

After reviewing the performance and outcome measures of an agency, the legislative auditor must recommend whether a full performance audit is appropriate, and publicly post those recommendations. The Board must solicit input from the public at a subsequent hearing to decide whether and how to proceed with a full performance audit. If the Board decides that a full performance audit is appropriate, the Board shall add the audit to its biennial performance audit work plan. The Board must solicit input from appropriate representatives and experts in the field that is the subject of an audit regarding the conduct of a performance audit and regarding recommendations and preliminary and final reports. The Board must conduct operations through the use of qualified public and private resources and entities when appropriate and feasible or when staff resources are insufficient in order to minimize costs. Ultimately, the Board must make recommendations regarding the continuation, abolition, consolidation, or reorganization of each agency, department or program. The Board must identify opportunities to develop government partnerships, and eliminate program redundancies to increase the quality, effectiveness, and efficiency of agencies.

The Board must review and re-approve its rules every two years. The Board, the legislative auditor, and the Board staff must undergo a performance audit every three years, with the first to be completed by June 30, 2004.

#### **Substitute Bill Compared to Original Bill:**

The scope and definition of "performance audit" is changed. The definition of "performance measure review" is changed. The Board must review and re-approve its rules every two years. Prior to a performance audit, the legislative auditor must solicit input from appropriate representatives and experts in the field. The legislative auditor must consult OFM, chairs and staff of relevant legislative committees, and the state auditor when developing a performance audit work plan. The Board must make reports

available on its website. The Board, the legislative auditor, and Board staff must undergo a performance audit every three years, with the first to be completed by June 30, 2004.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The Legislature should maintain its role in auditing state agencies. Legislators represent the people and provide a link between state government and the people. It is the responsibility of legislators to examine whether the results we receive from state agencies are the results we intended and made a priority. The audit process must remain within the legislative arena, and must take a more vital role in a systematic examination of agencies. The striking amendment makes good improvements on the definition of performance audit. Results of performance measure reviews and performance audits should play a more vital role in the legislative budgeting process. It is important to examine whether the Legislature has established clear mandates and goals for an agency, and whether the Legislature gave an agency adequate direction. Legislative bodies should be less prescriptive. Auditing is a legislative function rather than a function of the State Auditor. The State Auditor would have to build and develop skills that the legislative auditors already have. The Governor supports the bill. The process outlined in the bill sends agencies a clear message that they need to develop good performance measures. The name change for the agency is welcome. The Legislature should put its performance expectations in statute.

The costs and time required by the bill are difficult to estimate. Currently, approximately 25 to 30 performance audits are conducted by JLARC each biennium. JLARC currently uses contracts to perform approximately 40 percent of the cost of the audits. Many of JLARC's audits are not ordered by JLARC but by budget provisos or other legislation. This consumes the scarce resources JLARC has.

**Testimony Against:** None.

**Testified:** (In support) Representative Rockefeller, prime sponsor; Representative Jarrett; Mary Campbell, Governor's Office; and Nina Carter, Audubon Washington.