
SECOND ENGROSSED SUBSTITUTE HOUSE BILL 1053

State of Washington

58th Legislature

2003 Regular Session

By House Committee on State Government (originally sponsored by Representatives Miloscia, Armstrong, Haigh, Simpson, Schoesler, Quall, O'Brien, Kirby, Cox, Eickmeyer, Berkey, McCoy, Ruderman, Hatfield, Sullivan, Morris, Linville, Ahern, Veloria, Bush, Conway, Dickerson, Lovick, Fromhold, Dunshee, Gombosky, Kenney, Kagi, Schual-Berke and Campbell)

READ FIRST TIME 01/23/03.

1 AN ACT Relating to government accountability; adding new sections
2 to chapter 43.09 RCW; adding a new section to chapter 43.88 RCW; adding
3 new sections to chapter 43.131 RCW; creating a new section; and making
4 appropriations.

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

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

7 (1) Public confidence in government is essential. Public programs
8 must continuously improve in quality, efficiency, and effectiveness in
9 order to increase public trust;

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

13 (3) An independent citizen oversight board is necessary to
14 establish a program to ensure that government services, customer
15 satisfaction, program efficiency, and management systems are world
16 class in performance; and

17 (4) Fair, independent, professional performance audits of state
18 agencies by the state auditor are essential to improving the efficiency
19 and effectiveness of government.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.09 RCW
2 to read as follows:

3 For purposes of sections 3 through 6 of this act:

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

6 (2) "Draft work plan" means the work plan for conducting
7 performance audits of state agencies proposed by the board and state
8 auditor after the statewide performance review.

9 (3) "Final performance audit report" means a written document
10 jointly released by the citizen oversight board and the state auditor
11 that includes the findings and comments from the preliminary
12 performance audit report.

13 (4) "Final work plan" means the work plan for conducting
14 performance audits of state agencies adopted by the board and state
15 auditor.

16 (5) "Performance audit" means an objective and systematic
17 assessment of a state agency or any of its programs, functions, or
18 activities by an independent evaluator in order to help public
19 officials improve efficiency, effectiveness, and accountability.
20 Performance audits include economy and efficiency audits and program
21 audits.

22 (6) "Preliminary performance audit report" means a written document
23 prepared after the completion of a performance audit to be submitted
24 for comment before the final performance audit report. The preliminary
25 performance audit report must contain the audit findings and any
26 proposed recommendations to improve the efficiency, effectiveness, or
27 accountability of the state agency being audited.

28 (7) "State agency" or "agency" means a state agency, department,
29 office, officer, board, commission, bureau, division, institution, or
30 institution of higher education. "State agency" includes all elective
31 offices in the executive branch of state government.

32 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.09 RCW
33 to read as follows:

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

36 (2) The board shall consist of seven members as follows:

1 (a) One member shall be the state auditor, who shall be a nonvoting
2 member;

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

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

11 (d) The governor shall select the fifth member.

12 (3) The board shall elect a chair. Neither the chair of the joint
13 legislative audit and review committee nor the state auditor may serve
14 as chair.

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

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

26 (6) The office of the state auditor shall provide clerical,
27 technical, and management personnel to the board to serve as the
28 board's staff.

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 of
31 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 43.09 RCW
36 to read as follows:

1 (1) The board and the state auditor shall work together regarding
2 performance audits of state government.

3 (2) The board shall establish criteria for performance audits.
4 Agencies shall be audited using criteria that include generally
5 accepted government auditing standards as well as legislative mandates
6 and performance objectives established by state agencies. Mandates
7 include, but are not limited to, agency strategies, time lines, program
8 objectives, and mission and goals as required in RCW 43.88.090.

9 (3) Using the criteria developed in subsection (2) of this section,
10 the board and the state auditor shall complete a statewide performance
11 review as a preliminary to a draft work plan for conducting performance
12 audits. The board and the state auditor shall develop a schedule and
13 common methodology for conducting these reviews.

14 (4) The board and the state auditor shall develop the draft work
15 plan for performance audits based on input from citizens, state
16 employees, state managers, the joint legislative audit and review
17 committee, public officials, and others. The draft work plan may
18 include a list of agencies, programs, or systems to be audited on a
19 time line decided by the board and the state auditor based on a number
20 of factors including risk, importance, and citizen concerns. All
21 audits shall be designed to be completed within a six-month period.

22 (5) Before adopting the final work plan, the board shall consider
23 other relevant audits, accreditation, and operational or management
24 reviews and consult with the legislative auditor and other appropriate
25 oversight and audit entities to coordinate work plans and avoid
26 duplication of effort. The board shall defer to the joint legislative
27 audit and review committee work plan if a similar performance audit is
28 included on both work plans for auditing. The final work plan must be
29 agreed upon by the board and the state auditor.

30 (6) The state auditor shall contract out for performance audits.
31 In conducting the audits, agency front-line employees and internal
32 auditors should be involved. The audits may include an evaluation of:

33 (a) Identification of programs and services that can be eliminated,
34 reduced, consolidated, or enhanced;

35 (b) Identification of funding sources to the state agency, to
36 programs, and to services that can be eliminated, reduced,
37 consolidated, or enhanced;

1 (c) Analysis of gaps and overlaps in programs and services and
2 recommendations for improving, dropping, blending, or separating
3 functions to correct gaps or overlaps;

4 (d) Analysis and recommendations for pooling information technology
5 systems used within the state agency, and evaluation of information
6 processing and telecommunications policy, organization, and management;

7 (e) Analysis of the roles and functions of the state agency, its
8 programs, and its services and their compliance with statutory
9 authority and recommendations for eliminating or changing those roles
10 and functions and ensuring compliance with statutory authority;

11 (f) Recommendations for eliminating or changing statutes, rules,
12 and policy directives as may be necessary to ensure that the agency
13 carry out reasonably and properly those functions vested in the agency
14 by statute;

15 (g) Verification of the reliability and validity of agency
16 performance data, self-assessments, and performance measurement systems
17 as required under RCW 43.88.090;

18 (h) Identification of potential cost savings in the state agency,
19 its programs, and its services;

20 (i) Identification and recognition of best practices;

21 (j) Evaluation of planning, budgeting, and program evaluation
22 policies and practices;

23 (k) Evaluation of personnel systems operation and management;

24 (l) Evaluation of state purchasing operations and management
25 policies and practices; and

26 (m) Evaluation of organizational structure and staffing levels,
27 particularly in terms of the ratio of managers and supervisors to
28 nonmanagement personnel.

29 (7) The state auditor and the board may develop a grading system
30 for the audits. The audit report may include the agency grade,
31 evaluation and identification of best practices, and findings and
32 recommendations for efficiency and effectiveness of state programs.
33 The board and the state auditor shall examine a system for grading the
34 audits. The board shall report its findings to the legislature by
35 December 31, 2003.

36 (8) The state auditor must solicit comments on preliminary
37 performance audit reports from the audited state agency, the office of
38 the governor, the office of financial management, the board, and the

1 joint legislative audit and review committee for comment. Comments
2 must be received within thirty days after receipt of the preliminary
3 performance audit report unless a different time period is approved by
4 the state auditor. All comments shall be incorporated into the final
5 performance audit report. The final audit report shall include the
6 objectives, scope, and methodology; the audit results, including
7 findings and recommendations; conclusions; and identification of best
8 practices.

9 (9) The final reports shall be submitted to the board by the state
10 auditor. The board and the state auditor shall jointly release final
11 reports to the citizens of Washington, the governor, and the
12 appropriate legislative committees. Final performance audit reports
13 shall be posted on the internet.

14 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.09 RCW
15 to read as follows:

16 The audited agency is responsible for follow-up and corrective
17 action on all performance audit findings and recommendations. The
18 audited agency's plan for addressing each audit finding and
19 recommendation shall be included in the final audit report. The plan
20 shall provide the name of the contact person responsible for each
21 action, the action planned, and the anticipated completion date. If
22 the audited agency does not agree with the audit findings and
23 recommendations or believes action is not required, then the action
24 plan shall include an explanation and specific reasons.

25 For agencies under the authority of the governor, the governor may
26 require periodic progress reports from the audited agency until all
27 resolution has occurred.

28 For agencies under the authority of an elected official other than
29 the governor, the auditor and the board may require periodic reports of
30 the action taken by the audited agency until all resolution has
31 occurred.

32 The board may request status reports on specific audits or
33 findings.

34 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.88 RCW
35 to read as follows:

1 In addition to the authority given the state auditor in RCW
2 43.88.160(6), the state auditor is authorized to contract out for
3 performance audits identified in section 4 of this act.

4 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.131 RCW
5 to read as follows:

6 The citizen oversight board created in section 3 of this act and
7 its powers and duties shall be terminated June 30, 2010, as provided in
8 section 8 of this act. The joint legislative audit and review
9 committee shall contract with a private entity for the review in this
10 section.

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

13 The following acts or parts of acts, as now existing or hereafter
14 amended, are each repealed, effective June 30, 2011:

- 15 (1) Section 2 of this act;
- 16 (2) Section 3 of this act;
- 17 (3) Section 4 of this act;
- 18 (4) Section 5 of this act; and
- 19 (5) Section 6 of this act.

20 NEW SECTION. **Sec. 9.** (1) The sum of one hundred ninety-two
21 thousand dollars, or as much thereof as may be necessary, is
22 appropriated for the fiscal year ending June 30, 2004, from the general
23 fund to the state auditor for the purposes of this act.

24 (2) The sum of seven hundred sixty-eight thousand dollars, or as
25 much thereof as may be necessary, is appropriated for the fiscal year
26 ending June 30, 2005, from the general fund to the state auditor for
27 the purposes of this act.

28 (3) The sum of forty thousand dollars, or as much thereof as may be
29 necessary, is appropriated for the fiscal year ending June 30, 2005,
30 from the general fund to the joint legislative audit and review
31 committee for the purposes of this act.

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