
THIRD ENGROSSED SUBSTITUTE HOUSE BILL 1053

State of Washington

58th Legislature

2004 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 a new section
2 to chapter 43.88 RCW; adding new sections to chapter 43.131 RCW; adding
3 a new chapter to Title 43 RCW; and creating new sections.

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

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

6 (1) Citizens demand and deserve more accountability of public
7 programs;

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

11 (3) A comprehensive system of measuring performance is necessary to
12 evaluate the effectiveness of agency programs and agency performance
13 management practices, and to demonstrate 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 most
17 productive manner.

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

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

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

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

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

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

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

22 (7) "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 (8) "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.** (1) The citizen oversight board is created
33 to improve efficiency, effectiveness, and accountability in state
34 government.

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

36 (a) One member shall be the state auditor, who shall be a nonvoting
37 member;

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

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

6 (d) 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 (e) The governor shall select one additional member.

12 (3) The board shall elect a chair. Neither the chair of the joint
13 legislative audit and review committee, the director of the office of
14 financial management, nor the state auditor may serve 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) Members selected under subsection (2)(d) and (e) of this
20 section shall serve for terms of four years, with the terms expiring on
21 June 30th on the fourth year of the term. However, in the case of the
22 initial members, two members shall serve four-year terms, two members
23 shall serve three-year terms, and one member shall serve a two-year
24 term, with each of the terms expiring on June 30th of the applicable
25 year. Appointees may be reappointed to serve more than one term.

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

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

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

36 NEW SECTION. **Sec. 4.** (1) The board will work with the office of
37 financial management and the joint legislative audit and review

1 committee regarding reviews of agency performance measurement systems.
2 The reviews shall include regular assessments of the measures and
3 methods that state agencies use to manage program and agency
4 performance.

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

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

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

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

36 (ii) An examination of how agency management uses the measures to
37 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 to
8 which the agency is in compliance with its responsibilities under RCW
9 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 by
15 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 related
19 to planning, resourcing, organizing, directing, and controlling program
20 operations, and the systems put in place for measuring, evaluating,
21 reporting, and monitoring program performance. Such systems include
22 personnel systems, purchasing systems, contracting systems,
23 organizational structures, and information technology systems; and

24 (x) Recommendations as necessary or appropriate.

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

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

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

36 (a) The board shall establish criteria for performance audits.
37 Agencies shall be audited using criteria that include generally

1 accepted government auditing standards. Audits may evaluate the
2 effectiveness of agency programs as well as agency internal performance
3 management systems and controls.

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

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

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

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

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

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

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

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

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

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

22 NEW SECTION. **Sec. 5.** The citizen oversight board shall establish
23 an annual assessment and performance grading program. The program
24 shall consist of conducting annual performance assessments and grading
25 state agency performance. Assessments shall be implemented on a
26 phased-in schedule. Initial areas to be assessed shall include quality
27 management, productivity and fiscal efficiency, program effectiveness,
28 contract management and oversight, internal audit, internal and
29 external customer satisfaction, statutory and regulatory compliance,
30 and technology systems and on-line services. As part of this program,
31 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 the
35 criteria, the board shall consider already developed best practices and
36 audit criteria used by government or nongovernment organizations.

1 Before the assessment, the agencies shall be given the criteria for the
2 assessment and the standards for grading; and

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

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

12 NEW SECTION. **Sec. 6.** (1) The reviewed agency is responsible for
13 follow-up and corrective action on performance measurement system
14 reviews. Agencies under the authority of or appointed by the governor
15 shall submit periodic progress reports detailing actions undertaken
16 toward achieving resolution to the governor and the board until all
17 resolution has occurred. Agencies under the authority of an elected
18 official other than the governor shall submit periodic progress reports
19 detailing actions undertaken toward achieving resolution to the board
20 until all resolution has occurred. Progress reports shall be available
21 on the internet.

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

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

