
SENATE BILL 5417

State of Washington 58th Legislature 2003 Regular Session

By Senators Reardon, Kastama, Schmidt, Eide, Esser, Benton and Shin

Read first time 01/24/2003. Referred to Committee on Government Operations & Elections.

1 AN ACT Relating to performance audits; amending RCW 43.88.160;
2 creating new sections; making an appropriation; and providing
3 expiration dates.

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

5 NEW SECTION. **Sec. 1.** The legislature recognizes the importance of
6 public confidence in government. It further recognizes public
7 confidence will be enhanced through more efficient and effective
8 management and operation of state agencies and programs. Therefore,
9 the legislature intends to provide greater accountability to the public
10 through an independent performance audit of government agencies. The
11 legislature finds that performance audit findings may include the
12 identification of potential cost savings and ways to improve service
13 delivery.

14 NEW SECTION. **Sec. 2.** (1) The state auditor shall contract for a
15 performance audit of the executive branch of state government.

16 (2) The performance audit shall include an examination of the
17 efficiency and effectiveness of major management policies, practices,
18 and functions across all executive branch agencies. The audit shall be

1 done in accordance with generally accepted government auditing
2 standards. The performance audit of executive branch agencies may
3 encompass entire departments, agencies, or institutions, or similar
4 programs in several departments. The audit shall include, but not be
5 limited to, the following:

6 (a) Planning, budgeting, and program evaluation policies and
7 practices;

8 (b) Personnel systems operations and management;

9 (c) State purchasing operations and management policies and
10 practices;

11 (d) Information processing and telecommunications systems policy,
12 organization, and management; and

13 (e) Organizational and staffing patterns, especially in terms of
14 the ratio of managers and supervisors to nonmanagement personnel.

15 (3) Audit staff shall have access to any state agency records,
16 data, and other information deemed necessary to carry out the audit.
17 State agencies shall provide the requested information at no cost and
18 in a timely manner.

19 (4) The audit shall be completed by June 30, 2004.

20 (5) The state auditor shall report the results of the audit to the
21 legislature by September 1, 2004. Findings and recommendations, to the
22 extent practicable, shall be quantified in terms of cost and benefit.
23 The report shall also include identification of and recommendations for
24 best practices.

25 (6) State agencies have ninety days to respond to the legislature
26 regarding the findings and recommendations of the audit. In their
27 report, state agencies shall identify actions planned to implement
28 audit findings and recommendations as well as a timeline for
29 implementation.

30 (7) This section expires December 31, 2005.

31 NEW SECTION. **Sec. 3.** (1) The legislature shall establish a joint
32 committee on government accountability. The joint committee shall
33 include the chairs and ranking members of the house of representatives
34 committees on state government and on appropriations and the senate
35 committees on government operations and on ways and means. Senate
36 committee services and the house of representatives office of program
37 research shall staff the committee. The committee shall:

1 (a) Hold four public hearings in different geographic areas across
2 the state. The purpose of the hearings is to receive public input
3 regarding the audit; and

4 (b) Develop legislation, as appropriate, based on the findings and
5 recommendations of the audit and public comment.

6 (2) This section expires December 31, 2005.

7 **Sec. 4.** RCW 43.88.160 and 2002 c 260 s 1 are each amended to read
8 as follows:

9 This section sets forth the major fiscal duties and
10 responsibilities of officers and agencies of the executive branch. The
11 regulations issued by the governor pursuant to this chapter shall
12 provide for a comprehensive, orderly basis for fiscal management and
13 control, including efficient accounting and reporting therefor, for the
14 executive branch of the state government and may include, in addition,
15 such requirements as will generally promote more efficient public
16 management in the state.

17 (1) Governor; director of financial management. The governor,
18 through the director of financial management, shall devise and
19 supervise a modern and complete accounting system for each agency to
20 the end that all revenues, expenditures, receipts, disbursements,
21 resources, and obligations of the state shall be properly and
22 systematically accounted for. The accounting system shall include the
23 development of accurate, timely records and reports of all financial
24 affairs of the state. The system shall also provide for central
25 accounts in the office of financial management at the level of detail
26 deemed necessary by the director to perform central financial
27 management. The director of financial management shall adopt and
28 periodically update an accounting procedures manual. Any agency
29 maintaining its own accounting and reporting system shall comply with
30 the updated accounting procedures manual and the rules of the director
31 adopted under this chapter. An agency may receive a waiver from
32 complying with this requirement if the waiver is approved by the
33 director. Waivers expire at the end of the fiscal biennium for which
34 they are granted. The director shall forward notice of waivers granted
35 to the appropriate legislative fiscal committees. The director of
36 financial management may require such financial, statistical, and other

1 reports as the director deems necessary from all agencies covering any
2 period.

3 (2) Except as provided in chapter 43.88C RCW, the director of
4 financial management is responsible for quarterly reporting of primary
5 operating budget drivers such as applicable workloads, caseload
6 estimates, and appropriate unit cost data. These reports shall be
7 transmitted to the legislative fiscal committees or by electronic means
8 to the legislative evaluation and accountability program committee.
9 Quarterly reports shall include actual monthly data and the variance
10 between actual and estimated data to date. The reports shall also
11 include estimates of these items for the remainder of the budget
12 period.

13 (3) The director of financial management shall report at least
14 annually to the appropriate legislative committees regarding the status
15 of all appropriated capital projects, including transportation
16 projects, showing significant cost overruns or underruns. If funds are
17 shifted from one project to another, the office of financial management
18 shall also reflect this in the annual variance report. Once a project
19 is complete, the report shall provide a final summary showing estimated
20 start and completion dates of each project phase compared to actual
21 dates, estimated costs of each project phase compared to actual costs,
22 and whether or not there are any outstanding liabilities or unsettled
23 claims at the time of completion.

24 (4) In addition, the director of financial management, as agent of
25 the governor, shall:

26 (a) Develop and maintain a system of internal controls and internal
27 audits comprising methods and procedures to be adopted by each agency
28 that will safeguard its assets, check the accuracy and reliability of
29 its accounting data, promote operational efficiency, and encourage
30 adherence to prescribed managerial policies for accounting and
31 financial controls. The system developed by the director shall include
32 criteria for determining the scope and comprehensiveness of internal
33 controls required by classes of agencies, depending on the level of
34 resources at risk.

35 Each agency head or authorized designee shall be assigned the
36 responsibility and authority for establishing and maintaining internal
37 audits following the standards of internal auditing of the institute of
38 internal auditors;

1 (b) Make surveys and analyses of agencies with the object of
2 determining better methods and increased effectiveness in the use of
3 manpower and materials; and the director shall authorize expenditures
4 for employee training to the end that the state may benefit from
5 training facilities made available to state employees;

6 (c) Establish policies for allowing the contracting of child care
7 services;

8 (d) Report to the governor with regard to duplication of effort or
9 lack of coordination among agencies;

10 (e) Review any pay and classification plans, and changes
11 thereunder, developed by any agency for their fiscal impact: PROVIDED,
12 That none of the provisions of this subsection shall affect merit
13 systems of personnel management now existing or hereafter established
14 by statute relating to the fixing of qualifications requirements for
15 recruitment, appointment, or promotion of employees of any agency. The
16 director shall advise and confer with agencies including appropriate
17 standing committees of the legislature as may be designated by the
18 speaker of the house and the president of the senate regarding the
19 fiscal impact of such plans and may amend or alter the plans, except
20 that for the following agencies no amendment or alteration of the plans
21 may be made without the approval of the agency concerned: Agencies
22 headed by elective officials;

23 (f) Fix the number and classes of positions or authorized employee
24 years of employment for each agency and during the fiscal period amend
25 the determinations previously fixed by the director except that the
26 director shall not be empowered to fix the number or the classes for
27 the following: Agencies headed by elective officials;

28 (g) Adopt rules to effectuate provisions contained in (a) through
29 (f) of this subsection.

30 (5) The treasurer shall:

31 (a) Receive, keep, and disburse all public funds of the state not
32 expressly required by law to be received, kept, and disbursed by some
33 other persons: PROVIDED, That this subsection shall not apply to those
34 public funds of the institutions of higher learning which are not
35 subject to appropriation;

36 (b) Receive, disburse, or transfer public funds under the
37 treasurer's supervision or custody;

1 (c) Keep a correct and current account of all moneys received and
2 disbursed by the treasurer, classified by fund or account;

3 (d) Coordinate agencies' acceptance and use of credit cards and
4 other payment methods, if the agencies have received authorization
5 under RCW 43.41.180;

6 (e) Perform such other duties as may be required by law or by
7 regulations issued pursuant to this law.

8 It shall be unlawful for the treasurer to disburse public funds in
9 the treasury except upon forms or by alternative means duly prescribed
10 by the director of financial management. These forms or alternative
11 means shall provide for authentication and certification by the agency
12 head or the agency head's designee that the services have been rendered
13 or the materials have been furnished; or, in the case of loans or
14 grants, that the loans or grants are authorized by law; or, in the case
15 of payments for periodic maintenance services to be performed on state
16 owned equipment, that a written contract for such periodic maintenance
17 services is currently in effect; and the treasurer shall not be liable
18 under the treasurer's surety bond for erroneous or improper payments so
19 made. When services are lawfully paid for in advance of full
20 performance by any private individual or business entity other than
21 equipment maintenance providers or as provided for by RCW 42.24.035,
22 such individual or entity other than central stores rendering such
23 services shall make a cash deposit or furnish surety bond coverage to
24 the state as shall be fixed in an amount by law, or if not fixed by
25 law, then in such amounts as shall be fixed by the director of the
26 department of general administration but in no case shall such required
27 cash deposit or surety bond be less than an amount which will fully
28 indemnify the state against any and all losses on account of breach of
29 promise to fully perform such services. No payments shall be made in
30 advance for any equipment maintenance services to be performed more
31 than twelve months after such payment. Any such bond so furnished
32 shall be conditioned that the person, firm or corporation receiving the
33 advance payment will apply it toward performance of the contract. The
34 responsibility for recovery of erroneous or improper payments made
35 under this section shall lie with the agency head or the agency head's
36 designee in accordance with regulations issued pursuant to this
37 chapter. Nothing in this section shall be construed to permit a public

1 body to advance funds to a private service provider pursuant to a grant
2 or loan before services have been rendered or material furnished.

3 (6) The state auditor shall:

4 (a) Report to the legislature the results of current post audits
5 that have been made of the financial transactions of each agency; to
6 this end the auditor may, in the auditor's discretion, examine the
7 books and accounts of any agency, official, or employee charged with
8 the receipt, custody, or safekeeping of public funds. Where feasible
9 in conducting examinations, the auditor shall utilize data and findings
10 from the internal control system prescribed by the office of financial
11 management. The current post audit of each agency may include a
12 section on recommendations to the legislature as provided in (c) of
13 this subsection.

14 (b) Give information to the legislature, whenever required, upon
15 any subject relating to the financial affairs of the state.

16 (c) Make the auditor's official report on or before the thirty-
17 first of December which precedes the meeting of the legislature. The
18 report shall be for the last complete fiscal period and shall include
19 determinations as to whether agencies, in making expenditures, complied
20 with the laws of this state. The state auditor is authorized to
21 perform or participate in performance verifications and performance
22 audits, independently or as (~~expressly~~) authorized by the legislature
23 in the omnibus biennial appropriations acts or in the performance audit
24 work plan approved by the joint legislative audit and review committee.
25 The state auditor, upon completing an audit for legal and financial
26 compliance under chapter 43.09 RCW or a performance verification, may
27 report to the joint legislative audit and review committee or other
28 appropriate committees of the legislature, in a manner prescribed by
29 the joint legislative audit and review committee, on facts relating to
30 the management or performance of governmental programs where such facts
31 are discovered incidental to the legal and financial audit or
32 performance verification. The auditor may make such a report to a
33 legislative committee only if the auditor has determined that the
34 agency has been given an opportunity and has failed to resolve the
35 management or performance issues raised by the auditor. If the auditor
36 makes a report to a legislative committee, the agency may submit to the
37 committee a response to the report. (~~This subsection (6) shall not be~~
38 ~~construed to authorize the auditor to allocate other than de minimis~~

1 ~~resources to performance audits except as expressly authorized in the~~
2 ~~appropriations acts or in the performance audit work plan.)~~) The
3 results of a performance audit conducted by the state auditor that has
4 been requested by the joint legislative audit and review committee must
5 only be transmitted to the joint legislative audit and review
6 committee.

7 (d) Be empowered to take exception to specific expenditures that
8 have been incurred by any agency or to take exception to other
9 practices related in any way to the agency's financial transactions and
10 to cause such exceptions to be made a matter of public record,
11 including disclosure to the agency concerned and to the director of
12 financial management. It shall be the duty of the director of
13 financial management to cause corrective action to be taken within six
14 months, such action to include, as appropriate, the withholding of
15 funds as provided in RCW 43.88.110. The director of financial
16 management shall annually report by December 31st the status of audit
17 resolution to the appropriate committees of the legislature, the state
18 auditor, and the attorney general. The director of financial
19 management shall include in the audit resolution report actions taken
20 as a result of an audit including, but not limited to, types of
21 personnel actions, costs and types of litigation, and value of recouped
22 goods or services.

23 (e) Promptly report any irregularities to the attorney general.

24 (f) Investigate improper governmental activity under chapter 42.40
25 RCW.

26 (7) The joint legislative audit and review committee may:

27 (a) Make post audits of the financial transactions of any agency
28 and management surveys and program reviews as provided for in chapter
29 44.28 RCW as well as performance audits and program evaluations. To
30 this end the joint committee may in its discretion examine the books,
31 accounts, and other records of any agency, official, or employee.

32 (b) Give information to the legislature or any legislative
33 committee whenever required upon any subject relating to the
34 performance and management of state agencies.

35 (c) Make a report to the legislature which shall include at least
36 the following:

37 (i) Determinations as to the extent to which agencies in making

1 expenditures have complied with the will of the legislature and in this
2 connection, may take exception to specific expenditures or financial
3 practices of any agencies; and

4 (ii) Such plans as it deems expedient for the support of the
5 state's credit, for lessening expenditures, for promoting frugality and
6 economy in agency affairs, and generally for an improved level of
7 fiscal management.

8 NEW SECTION. **Sec. 5.** The sum of five million dollars, or as much
9 thereof as may be necessary, is appropriated for the fiscal year ending
10 June 30, 2004, from the general fund to the state auditor for the
11 purposes of sections 2 and 3 of this act.

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