

SHB 1064 - H AMD

By Representative Haigh

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 accountability of public
5 programs. Public programs must continuously improve in quality,
6 efficiency, and effectiveness in order to increase public trust;

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

11 (3) An independent citizen advisory board is necessary to
12 ensure that government services, customer satisfaction, program
13 efficiency, and management systems are world class in performance;
14 and

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

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

20 For purposes of sections 3 through 8 of this act:

21 (1) "Board" means the citizen advisory board created in section
22 3 of this act.

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

26 (3) "Final performance audit report" means a written document
27 jointly released by the citizen advisory board and the state
28 auditor that includes the findings and comments from the
29 preliminary performance audit report.

1 (4) "Final work plan" means the work plan for conducting
2 performance audits of state agencies adopted by the board and state
3 auditor.

4 (5) "Performance audit" means an objective and systematic
5 assessment of a state agency or any of its programs, functions, or
6 activities by an independent evaluator in order to help public
7 officials improve efficiency, effectiveness, and accountability.
8 Performance audits include economy and efficiency audits and
9 program audits.

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

17 (7) "State agency" or "agency" means a state agency,
18 department, office, officer, board, commission, bureau, division,
19 institution, or institution of higher education. "State agency"
20 includes all offices of executive branch state government elected
21 officials.

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

24 (1) The citizen advisory board is created to improve
25 efficiency, effectiveness, and accountability in state government.

26 (2) The board shall consist of ten members as follows:

27 (a) One member shall be the state auditor, who shall be a
28 nonvoting member;

29 (b) One member shall be the legislative auditor, who shall be
30 a nonvoting member;

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

33 (d) Four of the members shall be selected by the governor as
34 follows: Each major caucus of the house of representatives and the
35 senate shall submit a list of three names. The lists may not
36 include the names of members of the legislature or employees of the
37 state. The governor shall select a person from each list provided
38 by each caucus; and

1 (e) The governor shall select three citizen members who are not
2 state employees.

3 (3) The board shall elect a chair. The legislative auditor,
4 the state auditor, and the director of the office of financial
5 management may not serve as chair.

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

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

18 (6) The joint legislative audit and review committee shall
19 provide clerical, technical, and management personnel to the board
20 to serve as the board's staff.

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

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

27 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.09
28 RCW to read as follows:

29 The board shall establish an annual assessment and performance
30 grading program. The program shall consist of conducting annual
31 performance assessments and grading state agency performance.
32 Assessments shall be implemented on a phased-in schedule. Initial
33 areas to be assessed shall include quality management, productivity
34 and fiscal efficiency, program effectiveness, contract management
35 and oversight, internal audit, internal and external customer
36 satisfaction, statutory and regulatory compliance, and technology
37 systems and on-line services. As part of this program, the board
38 shall:

1 (1) Consult with and seek input from elected officials, state
2 employees including frontline employees, and professionals with a
3 background in performance management for establishing the grading
4 standards. In developing the criteria, the board shall consider
5 already developed best practices and audit criteria used by
6 government or nongovernment organizations. Before the assessment,
7 the agencies shall be given the criteria for the assessment and the
8 standards for grading;

9 (2) Contract or partner with public or private entities that
10 have expertise in public sector reviews and/or technical expertise
11 in individual assessment areas to perform the assessments and
12 grading of all state agencies. The board may contract or partner
13 with more than one entity for different assessment areas; and

14 (3) Submit the results of the assessment and grading program to
15 the governor, the office of financial management, appropriate
16 legislative committees, and the public by December 15th of each
17 year. The results of the annual assessments and performance
18 grading shall be posted on the internet.

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

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

23 (a) The board shall establish criteria for performance audits.
24 Agencies shall be audited using criteria that include generally
25 accepted government auditing standards as well as legislative
26 mandates and performance objectives established by state agencies
27 and the legislature. Mandates include, but are not limited to,
28 agency strategies, timelines, program objectives, and mission and
29 goals as required in RCW 43.88.090.

30 (b) Using the criteria developed in (a) of this subsection, the
31 state auditor shall contract for a statewide performance review to
32 be completed within one year of contracting as a preliminary to a
33 draft work plan for conducting performance audits. The board and
34 the state auditor shall develop a schedule and common methodology
35 for conducting these reviews.

36 (c) The board and the state auditor shall develop the draft
37 work plan for performance audits based on input from citizens,

1 state employees, including front line employees, state managers,
2 chairs and ranking members of appropriate legislative committees,
3 the joint legislative audit and review committee, public officials,
4 and others. The draft work plan may include a list of agencies,
5 programs, or systems to be audited on a timeline decided by the
6 board and the state auditor based on a number of factors including
7 risk, importance, and citizen concerns. When putting together the
8 draft work plan, there should be consideration of all audits and
9 reports already required. On average, audits shall be designed to
10 be completed within a six-month period.

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

19 (e) The state auditor shall contract out for performance
20 audits. In conducting the audits, agency front-line employees and
21 internal auditors should be involved.

22 (f) All audits must include consideration of reports prepared
23 by other government oversight entities.

24 (g) The audits may include:

25 (i) Identification of programs and services that can be
26 eliminated, reduced, consolidated, or enhanced;

27 (ii) Identification of funding sources to the state agency, to
28 programs, and to services that can be eliminated, reduced,
29 consolidated, or enhanced;

30 (iii) Analysis of gaps and overlaps in programs and services
31 and recommendations for improving, dropping, blending, or
32 separating functions to correct gaps or overlaps;

33 (iv) Analysis and recommendations for pooling information
34 technology systems used within the state agency, and evaluation of
35 information processing and telecommunications policy, organization,
36 and management;

37 (v) Analysis of the roles and functions of the state agency,
38 its programs, and its services and their compliance with statutory
39 authority and recommendations for eliminating or changing those

1 roles and functions and ensuring compliance with statutory
2 authority;

3 (vi) Recommendations for eliminating or changing statutes,
4 rules, and policy directives as may be necessary to ensure that the
5 agency carry out reasonably and properly those functions vested in
6 the agency by statute;

7 (vii) Verification of the reliability and validity of agency
8 performance data, self-assessments, and performance measurement
9 systems as required under RCW 43.88.090;

10 (viii) Identification of potential cost savings in the state
11 agency, its programs, and its services;

12 (ix) Identification and recognition of best practices;

13 (x) Evaluation of planning, budgeting, and program evaluation
14 policies and practices;

15 (xi) Evaluation of personnel systems operation and management;

16 (xii) Evaluation of state purchasing operations and management
17 policies and practices; and

18 (xiii) Evaluation of organizational structure and staffing
19 levels, particularly in terms of the ratio of managers and
20 supervisors to nonmanagement personnel.

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

33 (i) The final performance audit reports shall be submitted to
34 the board and the governor by the state auditor. The board and the
35 state auditor shall jointly release final performance audit reports
36 to the citizens of Washington and the appropriate legislative
37 committees. Final performance audit reports shall be posted on the
38 internet.

1 (j) For institutions of higher education, the board shall
2 consider the reviews and standards of nationally or regionally
3 recognized accreditation organizations, including accreditations of
4 hospitals licensed under RCW 70.41 and ambulatory care facilities.

5 (2) The citizen board created under RCW 44.75.030 shall be
6 responsible for performance audits for transportation related
7 agencies as defined under RCW 44.75.020.

8 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.09
9 RCW to read as follows:

10 If the legislative authority of a local jurisdiction requests
11 a performance audit of programs under its jurisdiction, the state
12 auditor has the discretion to conduct such a review under separate
13 contract and funded by local funds.

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

16 In addition to the authority given the state auditor in RCW
17 43.88.160(6), the state auditor is authorized to contract for and
18 oversee performance audits pursuant to section 4 of this act.

19 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.09
20 RCW to read as follows:

21 By June 30, 2007, and each four years thereafter, the joint
22 legislative audit and review committee shall contract with a
23 private entity for a performance audit of the performance audit
24 program established in section 4 of this act and the board's
25 responsibilities under the performance audit program.

26 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.09
27 RCW to read as follows:

28 The audited agency is responsible for follow-up and corrective
29 action on all performance audit findings and recommendations. The
30 audited agency's plan for addressing each audit finding and
31 recommendation shall be included in the final audit report. The
32 plan shall provide the name of the contact person responsible for
33 each action, the action planned, and the anticipated completion
34 date. If the audited agency does not agree with the audit findings

1 and recommendations or believes action is not required, then the
2 action plan shall include an explanation and specific reasons.

3 For agencies under the authority of the governor, the governor
4 may require periodic progress reports from the audited agency until
5 all resolution has occurred.

6 For agencies under the authority of an elected official other
7 than the governor, the auditor and the board may require periodic
8 reports of the action taken by the audited agency until all
9 resolution has occurred.

10 The board may request status reports on specific audits or
11 findings.

12 NEW SECTION. **Sec. 10.** A new section is added to chapter 2.56
13 RCW to read as follows:

14 The office of the administrator for the courts is encouraged to
15 conduct performance audits of courts under the authority of the
16 supreme court, in conformity with criteria and methods developed by
17 the board for judicial administration that have been approved by
18 the supreme court. In developing criteria and methods for
19 conducting performance audits, the board for judicial
20 administration is encouraged to consider quality improvement
21 programs, audits, and scoring. The judicial branch is encouraged
22 to submit the results of these efforts to the chief justice of the
23 supreme court or his or her designee, and with any other applicable
24 boards or committees established under the authority of the supreme
25 court to oversee government accountability.

26 NEW SECTION. **Sec. 11.** Each biennium the legislature shall
27 appropriate an amount equal to two one-hundredths of one percent of
28 the total general fund state appropriation in that biennium's
29 omnibus operating appropriations act for purposes of the
30 performance review, performance audits, and activities of the board
31 authorized by this act.

32 NEW SECTION. **Sec. 12.** This act is necessary for the immediate
33 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and
2 takes effect immediately."

3 Correct the title.

EFFECT: The citizen oversight board is changed to the citizen advisory board. The director of the office of financial management shall serve as a non-voting member of the board and the number of members selected by the governor increases from one to three. Board members selected by the governor may not be state employees. The quality management program is removed. The state auditor is directed to contract out the performance review and the review must be completed within one year of contracting. Accreditation standards for institutions of higher education shall be considered for performance audits. Chairs and ranking members of the appropriate legislative committees shall be consulted regarding the work plan and preliminary draft audit reports. The sunset provisions are removed. The null and void clause is removed and the legislature is directed to appropriate an amount equal to two one-hundredths of one percent of the total general fund state appropriation in a biennium's omnibus operating appropriations act for the performance review, the performance audits, and activities of the board. An emergency clause is added and the act takes effect immediately.