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**State Government Operations &  
Accountability Committee**

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**HB 1064**

**Brief Description:** Improving government performance and accountability.

**Sponsors:** Representatives Miloscia, Nixon, Haigh, Shabro, Green, Hunt, Priest, Linville, Armstrong, Simpson, Bailey, Kenney, Haler, Springer, Chase, Quall, Murray, Wallace, McDermott, Upthegrove, Kilmer, Moeller, Kessler, Appleton, Williams, McCoy, Blake, Dickerson, Conway, Tom, P. Sullivan, Kagi, Morris, Wood, McIntire, Lantz, Hudgins, Ericks, Darneille, Clibborn, Morrell, Takko, O'Brien, Ormsby, McDonald and B. Sullivan.

**Brief Summary of Bill**

- Creates a Citizen Oversight Board to develop assessments and grading systems for state agencies.
- Authorizes the State Auditor, in collaboration with the Board, to develop and implement a plan for performance audits of state government.
- Directs state agencies to implement quality management programs.

**Hearing Date:** 1/18/05

**Staff:** James Allen (786-7114).

**Background:**

Various state agencies and programs address government efficiency and accountability.

The Joint Legislative Audit and Review Committee (JLARC) employs the Legislative Auditor and conducts performance audits, program evaluations, sunset reviews, and other studies. The State Auditor audits public accounts in state agencies and local governments. In addition, the State Auditor may conduct performance audits or performance verifications if authorized to do so in the budget act or in JLARC's work plan.

Legislation was enacted in 1996 establishing a performance based budgeting system for state agencies. Agencies are expected to: (a) establish mission statements and set goals; (b) develop strategies to achieve goals; (c) set outcome based objectives; (d) provide continuous self-assessment of each program; (e) link budget proposals with their mission statements and goals;

and (f) objectively determine the success in achieving goals. The Office of Financial Management (OFM) assists agencies in developing strategic plans.

The Productivity Board was established to administer the employee suggestion program and the teamwork incentive program. State agencies are authorized to make employee recognition awards.

Governor Locke issued Executive Order 97-03 in 1997. The executive order directed all agencies to develop and implement programs to improve the quality, efficiency, and effectiveness of its public services using quality improvement, business process redesign, employee involvement, and other quality improvement techniques.

### **Summary of Bill:**

#### Citizen Oversight Board

A Citizen Oversight Board ("the Board") is created to improve efficiency, effectiveness, and accountability in state government. The Board consists of seven members as follows: the state auditor and the JLARC chair, who are non-voting members, four citizen members elected by the governor from a list submitted by each major caucus in the Senate and the House of Representatives, and a citizen member selected by the Governor. Appointed members serve staggered terms and must have an understanding of state government operations and knowledge and expertise in performance management, quality management, strategic planning, performance assessments, or closely related fields. The JLARC provides staff support to the Board.

#### Assessment and Performance Grading

The Board must establish and conduct an annual assessment and performance grading program of all state agencies on a phased-in schedule. Areas to be assessed include quality management, productivity and fiscal efficiency, program effectiveness, contract management and oversight, internal audit, internal and external customer satisfaction, statutory and regulatory compliance, and technology systems and on-line services. The results of the annual assessment and grading program will be submitted to the Governor, the appropriate legislative committees, and the public by December 15 of each year. Results will be posted on the internet.

#### Performance Audits

The Board must work with the State Auditor regarding performance audits of state government. The Board must establish performance audit criteria, including generally accepted government auditing standards, legislative mandates, and performance objectives established by state agencies. Using these criteria, the the Board and the State Auditor must complete a statewide performance review as a preliminary step to preparing a draft performance audit plan. Using these criteria, the Board and the State Auditor must develop a draft work plan on performance audits, seeking input from the JLARC, citizens, state employees, and state managers. Before adopting a final workplan, the Board and the State Auditor must consult with the Legislative Auditor to coordinate workplans and avoid duplication.

The State Auditor must contract out for the performance audits. Areas that performance audits may consider are listed, including:

- Identification of programs and services that can be eliminated, reduced, consolidated, or enhanced.
- Analysis of gaps and overlaps in programs and services and recommendations to correct gaps or overlaps.
- Analysis of and recommendations about the roles and functions of the state agency, its programs, and its services and their compliance with statutory authority.
- Identification of potential cost savings in the state agency, its programs, and its services.
- Identification and recognition of best practices.

The State Auditor and the Board may develop a grading system for the audits. The State Auditor is directed to solicit comments on preliminary performance audit reports from the audited state agency, the Office of the Governor, OFM, and JLARC. All comments must be incorporated into the final performance audit report. The State Auditor submits the final audit report to the Board, and the Board will release the report to the public, the Governor, and appropriate legislative committees. Final performance audit reports will be posted on the internet.

A sunset review of the Board is required in 2012.

### Quality Management

Each state agency, within available funds, must develop and implement a quality management program to improve the quality, efficiency, and effectiveness of the public services it provides. The program must identify immediate-term and near-term opportunities to improve services and reduce costs; identify goals and measure progress toward meeting them; evaluate and report the results of the program on a regular basis; and develop a plan for quality improvement. Efforts undertaken pursuant to the program must be integrated with quality management programs undertaken under an executive order or other authority.

State agencies whose chief executive is appointed by the Governor must report the quality management program results to the Governor on a regular basis, and state agencies whose chief executive is an elected official must report results to that elected official on a regular basis.

The Office of the Secretary of State, the Department of Social and Health Services, and the Department of Corrections must develop and implement a complete quality management plan by June 30, 2007. The Office of the Insurance Commissioner, the Department of Natural Resources, and the four-year institutions of higher education must do so by June 30, 2008. All other state agencies must develop and implement the Program by June 30, 2006.

Beginning in 2007, and at least once every three years thereafter, various state agencies on a phased-in basis must apply for the Washington State Quality Award, or an equivalent outside quality assessment.

The Senate and House of Representatives must each develop a quality management program and report the results of the program to leadership of each major political party caucus. The Supreme Court is encouraged to develop a quality management program and report the results of the program to the chief justice. Local governments are also encouraged to implement a quality management program.

**Appropriation:** None.

**Fiscal Note:** Requested on 1/14/2005.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.