
SUBSTITUTE HOUSE BILL 1064

State of Washington

59th Legislature

2005 Regular Session

By House Committee on State Government Operations & Accountability (originally sponsored by 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)

READ FIRST TIME 01/24/05.

1 AN ACT Relating to improving government performance and
2 accountability; adding new sections to chapter 43.09 RCW; adding a new
3 section to chapter 43.88 RCW; adding new sections to chapter 43.131
4 RCW; adding a new section to chapter 2.56 RCW; adding new sections to
5 chapter 41.04 RCW; adding a new section to chapter 44.04 RCW; adding a
6 new section to chapter 2.04 RCW; and creating new sections.

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

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

9 (1) Citizens demand and deserve accountability of public programs.
10 Public programs must continuously improve in quality, efficiency, and
11 effectiveness in order to increase public trust;

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

15 (3) An independent citizen oversight board is necessary to
16 establish an annual assessment and performance grading program to
17 ensure that government services, customer satisfaction, program
18 efficiency, and management systems are world class in performance; and

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

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

6 For purposes of sections 3 through 7 of this act:

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

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

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

16 (4) "Final work plan" means the work plan for conducting
17 performance audits of state agencies adopted by the board and state
18 auditor.

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

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

31 (7) "State agency" or "agency" means a state agency, department,
32 office, officer, board, commission, bureau, division, institution, or
33 institution of higher education. "State agency" includes all offices
34 of executive branch state government elected officials.

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

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

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

4 (a) One member shall be the state auditor, who shall be a nonvoting
5 member;

6 (b) One member shall be the chair of the joint legislative audit
7 and review committee, who shall be a nonvoting member;

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

13 (d) The governor shall select a member.

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

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

21 (5) Members selected under subsection (2)(a) and (b) of this
22 section shall serve for terms of four years, with the terms expiring on
23 June 30th on the fourth year of the term. However, in the case of the
24 initial members, two members shall serve four-year terms, two members
25 shall serve three-year terms, and one member shall serve a two-year
26 term, with each of the terms expiring on June 30th of the applicable
27 year. Appointees may be reappointed to serve more than one term.

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

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

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

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

3 (1) The board shall establish an annual assessment and performance
4 grading program. The program shall consist of conducting annual
5 performance assessments and grading state agency performance.
6 Assessments shall be implemented on a phased-in schedule. Initial
7 areas to be assessed shall include quality management, productivity and
8 fiscal efficiency, program effectiveness, contract management and
9 oversight, internal audit, internal and external customer satisfaction,
10 statutory and regulatory compliance, and technology systems and on-line
11 services. As part of this program, the board shall:

12 (a) Consult with and seek input from elected officials, state
13 employees including frontline employees, and professionals with a
14 background in performance management for establishing the grading
15 standards. In developing the criteria, the board shall consider
16 already developed best practices and audit criteria used by government
17 or nongovernment organizations. Before the assessment, the agencies
18 shall be given the criteria for the assessment and the standards for
19 grading;

20 (b) Contract or partner with public or private entities that have
21 expertise in public sector reviews and/or technical expertise in
22 individual assessment areas to perform the assessments and grading of
23 all state agencies. The board may contract or partner with more than
24 one entity for different assessment areas; and

25 (c) Submit the results of the assessment and grading program to the
26 governor, the office of financial management, appropriate legislative
27 committees, and the public by December 15th of each year. The results
28 of the annual assessments and performance grading shall be posted on
29 the internet.

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

32 (a) The board shall establish criteria for performance audits.
33 Agencies shall be audited using criteria that include generally
34 accepted government auditing standards as well as legislative mandates
35 and performance objectives established by state agencies. Mandates
36 include, but are not limited to, agency strategies, timelines, program
37 objectives, and mission and goals as required in RCW 43.88.090.

1 (b) Using the criteria developed in (a) of this subsection, the
2 state auditor shall complete a statewide performance review within one
3 year of contracting as a preliminary to a draft work plan for
4 conducting performance audits. The board and the state auditor shall
5 develop a schedule and common methodology for conducting these reviews.

6 (c) The board and the state auditor shall develop the draft work
7 plan for performance audits based on input from citizens, state
8 employees, state managers, the joint legislative audit and review
9 committee, public officials, and others. The draft work plan may
10 include a list of agencies, programs, or systems to be audited on a
11 timeline decided by the board and the state auditor based on a number
12 of factors including risk, importance, and citizen concerns. All
13 audits shall be designed to be completed within a six-month period.

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

22 (e) The state auditor shall contract out for performance audits.
23 In conducting the audits, agency front-line employees and internal
24 auditors should be involved. The audits may include:

25 (i) Identification of programs and services that can be eliminated,
26 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 and
31 recommendations for improving, dropping, blending, or separating
32 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, and
36 management;

37 (v) Analysis of the roles and functions of the state agency, its

1 programs, and its services and their compliance with statutory
2 authority and recommendations for eliminating or changing those roles
3 and functions and ensuring compliance with statutory authority;

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

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

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

13 (ix) Identification and recognition of best practices;

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

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

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

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

22 (f) The state auditor and the board may develop a grading system
23 for the audits. The audit report may include the agency grade,
24 evaluation and identification of best practices, and findings and
25 recommendations for efficiency and effectiveness of state programs.
26 The board and the state auditor shall examine a system for grading the
27 audits. The board shall report its findings to the legislature by
28 December 31, 2005.

29 (g) The state auditor must solicit comments on preliminary
30 performance audit reports from the audited state agency, the office of
31 the governor, the office of financial management, the board, and the
32 joint legislative audit and review committee for comment. Comments
33 must be received within thirty days after receipt of the preliminary
34 performance audit report unless a different time period is approved by
35 the state auditor. All comments shall be incorporated into the final
36 performance audit report. The final performance audit report shall
37 include the objectives, scope, and methodology; the audit results,

1 including findings and recommendations; conclusions; and identification
2 of best practices.

3 (h) The final performance audit reports shall be submitted to the
4 board by the state auditor. The board and the state auditor shall
5 jointly release final performance audit reports to the citizens of
6 Washington, the governor, and the appropriate legislative committees.
7 Final performance audit reports shall be posted on the internet.

8 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.88 RCW
9 to read as follows:

10 In addition to the authority given the state auditor in RCW
11 43.88.160(6), the state auditor is authorized to contract for and
12 oversee performance audits pursuant to section 4 of this act.

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

15 By June 30, 2007, and each four years thereafter, the joint
16 legislative audit and review committee shall contract with a private
17 entity for a performance audit of the performance audit program
18 established in section 4(2) of this act and the board's
19 responsibilities under the performance audit program.

20 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.09 RCW
21 to read as follows:

22 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 For agencies under the authority of the governor, the governor may
32 require periodic progress reports from the audited agency until all
33 resolution has occurred.

34 For agencies under the authority of an elected official other than

1 the governor, the auditor and the board may require periodic reports of
2 the action taken by the audited agency until all resolution has
3 occurred.

4 The board may request status reports on specific audits or
5 findings.

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

8 The citizen oversight board created in section 3 of this act and
9 its powers and duties shall be terminated June 30, 2012, as provided in
10 section 9 of this act. The joint legislative audit and review
11 committee shall contract with a private entity for the review in this
12 section.

13 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.131 RCW
14 to read as follows:

15 The following acts or parts of acts, as now existing or hereafter
16 amended, are each repealed, effective June 30, 2013:

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

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

24 The office of the administrator for the courts is encouraged to
25 conduct performance audits of courts under the authority of the supreme
26 court, in conformity with criteria and methods developed by the board
27 for judicial administration that have been approved by the supreme
28 court. In developing criteria and methods for conducting performance
29 audits, the board for judicial administration is encouraged to consider
30 quality improvement programs, audits, and scoring. The judicial branch
31 is encouraged to submit the results of these efforts to the chief
32 justice of the supreme court or his or her designee, and with any other
33 applicable boards or committees established under the authority of the
34 supreme court to oversee government accountability.

1 NEW SECTION. **Sec. 11.** A new section is added to chapter 41.04 RCW
2 to read as follows:

3 (1) Each state agency shall, within available funds, develop and
4 implement a quality management program to improve the quality,
5 efficiency, and effectiveness of the public services it provides
6 through business process redesign, employee involvement, and other
7 quality management techniques. Each agency shall ensure that front
8 line agency employees are engaged in the program and shall provide
9 employees with the training necessary for successful implementation of
10 efforts toward quality improvement.

11 (2) Each agency shall, within available funds, ensure that its
12 quality management program:

13 (a) Identifies immediate-term and near-term opportunities to
14 improve services and reduce costs;

15 (b) Identifies goals and uses strategic business planning and
16 performance measures to establish priorities and measure progress
17 toward meeting them. Each state agency shall develop performance
18 measures to assess customer satisfaction, agency progress toward
19 accomplishing outcomes specified in the agency budget under RCW
20 43.88.090, and the impact of initiatives instituted under the quality
21 management program as a whole;

22 (c) Reports the results of its quality management program on a
23 regular basis. Each agency shall ensure that its report specifies
24 improved outcomes for public service and efficiency. Any agency in its
25 report may describe methods of measuring customer and stakeholder
26 satisfaction, of engaging agency employees in the program, and of
27 assessing the extent to which business practices have been changed to
28 improve quality, efficiency, and effectiveness;

29 (d) Evaluates the results of its quality, service, and management
30 improvement programs and assesses program effects upon leadership,
31 information and analysis, strategic planning, human resource
32 development and management, process improvement, business results, and
33 customer focus and satisfaction; and

34 (e) Develops a plan for quality improvement, documenting efforts
35 made up to the date of the report and addressing all matters enumerated
36 in this subsection.

37 (3) State agencies whose chief executives are appointed by the
38 governor shall report program results to the governor on a regular

1 basis. State agencies whose chief executives are elected officials
2 other than the governor shall report program results to the elected
3 official on a regular basis.

4 (4) Each state agency shall integrate efforts made under this
5 section with quality management programs undertaken under executive
6 order or other authority. The office of the secretary of state, the
7 department of social and health services, and the department of
8 corrections shall develop and implement a complete quality management
9 program by June 30, 2007. The office of insurance commissioner, the
10 department of natural resources, and four-year institutions of higher
11 education shall develop and implement a complete quality management
12 program by June 30, 2008. All other state agencies shall develop and
13 implement a complete quality management program by June 30, 2006.

14 (5) Starting in 2008 and at least once every three years
15 thereafter, the office of the secretary of state, the department of
16 social and health services, and the department of corrections shall
17 apply for the Washington state quality award, or an equivalent outside
18 quality assessment, for potential recognition. Starting in 2010 and at
19 least once every three years thereafter, the office of insurance
20 commissioner, the department of natural resources, and four-year
21 institutions of higher education, or their subdivisions, or both, shall
22 apply for the Washington state quality award or an equivalent outside
23 quality assessment, for potential recognition. Starting in 2007 and at
24 least once every three years thereafter, all other state agencies or
25 their subdivisions, or both, shall apply for the Washington state
26 quality award or an equivalent outside quality assessment, for
27 potential recognition. Every subdivision of a state agency with three
28 thousand or more full-time equivalent employees must complete an
29 application in each three-year period.

30 (6) For purposes of this section, "state agency" means those state
31 agencies within the executive branch of government including
32 institutions of higher education.

33 NEW SECTION. **Sec. 12.** A new section is added to chapter 44.04 RCW
34 to read as follows:

35 The senate and the house of representatives shall each develop and
36 implement quality improvement programs as described under section 11 of

1 this act by June 30, 2007, and shall report the results of these
2 efforts to the leadership of each major political party caucus within
3 its respective house.

4 NEW SECTION. **Sec. 13.** A new section is added to chapter 2.04 RCW
5 to read as follows:

6 The supreme court is encouraged to develop and implement quality
7 improvement programs, as described under section 11 of this act, for
8 the judicial branch of government, by June 30, 2007, and shall report
9 the results of these efforts to the chief justice. The programs may be
10 implemented directly by the supreme court or may be delegated to the
11 administrator for the courts.

12 NEW SECTION. **Sec. 14.** A new section is added to chapter 41.04 RCW
13 to read as follows:

14 (1) Local governments are encouraged to develop and implement
15 quality management programs as described in section 11 of this act.

16 (2) For purposes of this section, "local government" includes every
17 county, city, town, special district, municipal corporation, and quasi-
18 municipal corporation in the state.

19 NEW SECTION. **Sec. 15.** If specific funding for the purposes of
20 this act, referencing this act by bill or chapter number, is not
21 provided by June 30, 2005, in the omnibus appropriations act, this act
22 is null and void.

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