
SENATE BILL 6594

State of Washington

62nd Legislature

2012 Regular Session

By Senators Kastama, Hobbs, Tom, and Hatfield

Read first time 02/09/12. Referred to Committee on Government Operations, Tribal Relations & Elections.

1 AN ACT Relating to government operation; amending RCW 43.09.260,
2 43.17.390, 82.08.020, and 82.12.0201; adding a new section to chapter
3 44.04 RCW; adding a new section to chapter 43.09 RCW; and making
4 appropriations.

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

6 **Sec. 1.** RCW 43.09.260 and 2009 c 564 s 927 are each amended to
7 read as follows:

8 (1) The examination of the financial affairs of all local
9 governments shall be made at such reasonable, periodic intervals as the
10 state auditor shall determine, except as provided in subsection (3) of
11 this section regarding school districts. However, an examination of
12 the financial affairs of all local governments shall be made at least
13 once in every three years, and an examination of individual local
14 government health and welfare benefit plans and local government self-
15 insurance programs shall be made at least once every two years.

16 (2) During the 2009-2011 fiscal biennium, the state auditor shall
17 conduct audits no more often than once every two years of local
18 governments with annual general fund revenues of ten million dollars or
19 less and no findings of impropriety for the three-year period

1 immediately preceding the audit period. This subsection does not
2 prohibit the state auditor from conducting audits: (a) To address
3 suspected fraud or irregular conduct; (b) at the request of the local
4 government governing body; or (c) as required by federal laws or
5 regulations.

6 (3)(a) Beginning in the 2012-13 school year, a school district is
7 subject to an examination of its financial affairs at least once every
8 three years, but more frequent periodic audits may occur only as
9 provided in this subsection (3):

10 (i) If the previous financial or accountability audit or audit
11 assessment of the school district resulted in no findings of
12 impropriety, the state auditor may not conduct an audit, but the school
13 district shall apply for a full evaluation from the Baldrige
14 performance excellence program or the Washington state quality award.
15 The goal for the evaluation is for the school district to achieve an
16 overall score of sixty percent. In the next succeeding school year,
17 the state auditor may not conduct an audit.

18 (ii) If the previous accountability audit or audit assessment of
19 the school district resulted in findings of impropriety, the state
20 auditor may conduct an audit, and the school district shall also apply
21 for a full evaluation from the Baldrige performance excellence program
22 or the Washington state quality award. However, in no case is a school
23 district required to apply for a Baldrige or Washington state quality
24 award evaluation more than once every two years.

25 (b) This subsection (3) does not prohibit the state auditor from
26 conducting audits: (i) To address suspected fraud or irregular
27 conduct; (ii) at the request of the local government governing body; or
28 (iii) as required by federal laws or regulations.

29 (4) The term local governments for purposes of this chapter
30 includes but is not limited to all counties, cities, and other
31 political subdivisions, municipal corporations, and quasi-municipal
32 corporations, however denominated.

33 ((+4)) (5) The state auditor shall establish a schedule to govern
34 the auditing of local governments which shall include: A designation
35 of the various classifications of local governments; a designation of
36 the frequency for auditing each type of local government; and a
37 description of events which cause a more frequent audit to be
38 conducted.

1 ((+5)) (6) On every such examination, inquiry shall be made as to
2 the financial condition and resources of the local government; whether
3 the Constitution and laws of the state, the ordinances and orders of
4 the local government, and the requirements of the state auditor have
5 been properly complied with; and into the methods and accuracy of the
6 accounts and reports.

7 ((+6)) (7) A report of such examination shall be made and filed in
8 the office of state auditor, and one copy shall be transmitted to the
9 local government. A copy of any report containing findings of
10 noncompliance with state law shall be transmitted to the attorney
11 general. If any such report discloses malfeasance, misfeasance, or
12 nonfeasance in office on the part of any public officer or employee,
13 within thirty days from the receipt of his or her copy of the report,
14 the attorney general shall institute, in the proper county, such legal
15 action as is proper in the premises by civil process and prosecute the
16 same to final determination to carry into effect the findings of the
17 examination.

18 ((+7)) (8) It shall be unlawful for any local government or the
19 responsible head thereof, to make a settlement or compromise of any
20 claim arising out of such malfeasance, misfeasance, or nonfeasance, or
21 any action commenced therefor, or for any court to enter upon any
22 compromise or settlement of such action, without the written approval
23 and consent of the attorney general and the state auditor.

24 **Sec. 2.** RCW 43.17.390 and 2009 c 564 s 931 are each amended to
25 read as follows:

26 (1) Starting in 2012, and at least once every three years
27 thereafter, each agency shall apply to the Washington state quality
28 award(~~(, or similar organization,)~~) for an independent assessment of
29 its quality management, accountability, and performance system. The
30 assessment shall evaluate the effectiveness of all elements of its
31 management, accountability, and performance system, including:
32 Leadership, strategic planning, customer focus, analysis and
33 information, employee performance management, and process improvement.
34 The purpose of the assessment is to recognize best practice and
35 identify improvement opportunities.

36 (2) Each agency shall provide the governor's office with an

1 electronic copy of its independent assessment application and any
2 feedback provided by the independent assessor.

3 (3) Pursuant to subsection (1) of this section, state agencies must
4 provide electronic copies of Washington state quality award
5 assessments, feedback reports, and corrective action plans to the
6 government management accountability and performance program, the joint
7 legislative audit and review committee, and the state auditor. Each of
8 these entities must post the assessments, feedback reports, and
9 corrective action plans on its web site.

10 (4) Agencies must track employees trained in performance management
11 and report to the government management accountability and performance
12 program.

13 (5) The government management accountability and performance
14 program must coordinate with the Washington state quality award to
15 develop an implementation plan with dates for all state agencies to
16 accomplish a full assessment by 2013 and every three years thereafter
17 until a score of sixty percent is obtained.

18 (6) The office of financial management must use the Washington
19 state quality award assessments as a measure for the priorities of
20 government program.

21 (7) A performance audit of the priorities of government program
22 must be completed by January 2013. The state auditor must review each
23 state agency's performance management system, Washington state quality
24 award assessment, annual self-assessments, and corrective action plans
25 for all performance audits.

26 NEW SECTION. Sec. 3. A new section is added to chapter 44.04 RCW
27 to read as follows:

28 The house of representatives must complete a Washington state
29 quality award assessment by June 30, 2013, and every two years
30 thereafter until a score of sixty percent is obtained.

31 NEW SECTION. Sec. 4. (1) The sum of fifty thousand dollars, or as
32 much thereof as may be necessary, is appropriated for the fiscal year
33 ending June 30, 2013, from the general fund to the Washington quality
34 award council for Washington state quality awards, or other quality
35 management training, as provided in section 2(4) of this act.

1 (2) The sum of fifty thousand dollars, or as much thereof as may be
2 necessary, is appropriated for the fiscal year ending June 30, 2014,
3 from the general fund to the Washington quality award council for
4 Washington state quality awards, or other quality management training,
5 as provided in section 2(4) of this act.

6 NEW SECTION. **Sec. 5.** The sum of two hundred thousand dollars, or
7 as much thereof as may be necessary, is appropriated for the fiscal
8 year ending June 30, 2013, from the general fund to the state auditor
9 for a performance audit of the priorities of government program as
10 provided in section 2(7) of this act.

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

13 The auditor shall establish an annual assessment and performance
14 grading program. The program shall consist of conducting annual
15 performance assessments and grading state agency performance. Areas to
16 be assessed shall include quality management, productivity, fiscal
17 efficiency, program effectiveness, contract management and oversight,
18 internal audit, internal and external customer satisfaction, statutory
19 and regulatory compliance, and technology systems and online services.
20 As part of this program, the auditor shall:

21 (1) Consult with and seek input from elected officials, state
22 employees including front-line employees, and professionals with a
23 background in performance management for establishing the grading
24 standards. In developing the criteria, the auditor shall consider
25 already developed best practices and audit criteria used by government
26 or nongovernment organizations. Before the assessment, the agencies
27 must be given the criteria for the assessment and the standards for
28 grading;

29 (2) Contract or partner with public or private entities that have
30 expertise in either public sector reviews or technical expertise, or
31 both, in individual assessment areas to perform the assessments and
32 grading of all state agencies. The auditor may contract or partner
33 with more than one entity for different assessment areas; and

34 (3) Submit the results of the assessment and grading program to the
35 governor, the office of financial management, appropriate legislative

1 committees, and the public by December 15th of each year. The results
2 of the annual assessments and performance grading must be posted on the
3 internet.

4 **Sec. 7.** RCW 82.08.020 and 2011 c 171 s 120 are each amended to
5 read as follows:

6 (1) There is levied and collected a tax equal to six and five-
7 tenths percent of the selling price on each retail sale in this state
8 of:

9 (a) Tangible personal property, unless the sale is specifically
10 excluded from the RCW 82.04.050 definition of retail sale;

11 (b) Digital goods, digital codes, and digital automated services,
12 if the sale is included within the RCW 82.04.050 definition of retail
13 sale;

14 (c) Services, other than digital automated services, included
15 within the RCW 82.04.050 definition of retail sale;

16 (d) Extended warranties to consumers; and

17 (e) Anything else, the sale of which is included within the RCW
18 82.04.050 definition of retail sale.

19 (2) There is levied and collected an additional tax on each retail
20 car rental, regardless of whether the vehicle is licensed in this
21 state, equal to five and nine-tenths percent of the selling price. The
22 revenue collected under this subsection must be deposited in the
23 multimodal transportation account created in RCW 47.66.070.

24 (3) Beginning July 1, 2003, there is levied and collected an
25 additional tax of three-tenths of one percent of the selling price on
26 each retail sale of a motor vehicle in this state, other than retail
27 car rentals taxed under subsection (2) of this section. The revenue
28 collected under this subsection must be deposited in the multimodal
29 transportation account created in RCW 47.66.070.

30 (4) For purposes of subsection (3) of this section, "motor vehicle"
31 has the meaning provided in RCW 46.04.320, but does not include farm
32 tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181,
33 off-road vehicles as defined in RCW 46.04.365, nonhighway vehicles as
34 defined in RCW 46.09.310, and snowmobiles as defined in RCW 46.04.546.

35 (5) Beginning on December 8, 2005, 0.16 percent of the taxes
36 collected under subsection (1) of this section must be dedicated to
37 funding comprehensive performance audits required under RCW 43.09.470

1 and the performance assessments and scorecard program in section 6 of
2 this act. The revenue identified in this subsection must be deposited
3 in the performance audits of government account created in RCW
4 43.09.475.

5 (6) The taxes imposed under this chapter apply to successive retail
6 sales of the same property.

7 (7) The rates provided in this section apply to taxes imposed under
8 chapter 82.12 RCW as provided in RCW 82.12.020.

9 **Sec. 8.** RCW 82.12.0201 and 2006 c 1 s 4 are each amended to read
10 as follows:

11 Beginning on December 8, 2005, 0.16 percent of the taxes collected
12 under RCW 82.12.020 based on the rate in RCW 82.08.020(1) shall be
13 dedicated to funding comprehensive performance audits under RCW
14 43.09.470 and the performance assessments and scorecard program under
15 section 6 of this act. Revenue identified in this section shall be
16 deposited in the performance audits of government account created in
17 RCW 43.09.475.

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