

2 **ESHB 1372** - CONF REPT - S3494.1
3 By Conference Committee

4 ADOPTED 4/25/93

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** The legislature finds that many of the
8 systems currently in place for assuring accountability in state
9 government programs are not operated comprehensively, do not take
10 advantage of modern management techniques, and do not contribute
11 adequately to the optimum use of scarce resources. Critical variables
12 that are not always taken into account include whether stated goals and
13 objectives are being achieved, and whether desired results are being
14 accomplished.

15 Agency executives need more accurate information for setting
16 policy, determining whether new or existing programs are effective, and
17 improving internal controls for agency management. These needs must be
18 met at all levels of operation, and must be clearly communicated to the
19 legislature and all interested parties.

20 Ensuring accountability in government involves a long-term
21 commitment to policy planning, quality management, and results-oriented
22 evaluation. It is the intent of the legislature to facilitate program
23 evaluations and performance audits of selected state agencies and
24 programs through the coordinated resources of the executive and
25 legislative branches of state government.

26 **Sec. 2.** RCW 43.88.020 and 1991 c 358 s 6 are each amended to read
27 as follows:

28 (1) "Budget" means a proposed plan of expenditures for a given
29 period or purpose and the proposed means for financing these
30 expenditures.

31 (2) "Budget document" means a formal, written statement offered by
32 the governor to the legislature, as provided in RCW 43.88.030.

33 (3) "Director of financial management" means the official appointed
34 by the governor to serve at the governor's pleasure and to whom the
35 governor may delegate necessary authority to carry out the governor's

1 duties as provided in this chapter. The director of financial
2 management shall be head of the office of financial management which
3 shall be in the office of the governor.

4 (4) "Agency" means and includes every state office, officer, each
5 institution, whether educational, correctional or other, and every
6 department, division, board and commission, except as otherwise
7 provided in this chapter.

8 (5) "Public funds", for purposes of this chapter, means all moneys,
9 including cash, checks, bills, notes, drafts, stocks, and bonds,
10 whether held in trust, for operating purposes, or for capital purposes,
11 and collected or disbursed under law, whether or not such funds are
12 otherwise subject to legislative appropriation, including funds
13 maintained outside the state treasury.

14 (6) "Regulations" means the policies, standards, and requirements,
15 stated in writing, designed to carry out the purposes of this chapter,
16 as issued by the governor or the governor's designated agent, and which
17 shall have the force and effect of law.

18 (7) "Ensuing biennium" means the fiscal biennium beginning on July
19 1st of the same year in which a regular session of the legislature is
20 held during an odd-numbered year pursuant to Article II, section 12 of
21 the Constitution and which biennium next succeeds the current biennium.

22 (8) "Dedicated fund" means a fund in the state treasury, or a
23 separate account or fund in the general fund in the state treasury,
24 that by law is dedicated, appropriated or set aside for a limited
25 object or purpose; but "dedicated fund" does not include a revolving
26 fund or a trust fund.

27 (9) "Revolving fund" means a fund in the state treasury,
28 established by law, from which is paid the cost of goods or services
29 furnished to or by a state agency, and which is replenished through
30 charges made for such goods or services or through transfers from other
31 accounts or funds.

32 (10) "Trust fund" means a fund in the state treasury in which
33 designated persons or classes of persons have a vested beneficial
34 interest or equitable ownership, or which was created or established by
35 a gift, grant, contribution, devise, or bequest that limits the use of
36 the fund to designated objects or purposes.

37 (11) "Administrative expenses" means expenditures for: (a)
38 Salaries, wages, and related costs of personnel and (b) operations and

1 maintenance including but not limited to costs of supplies, materials,
2 services, and equipment.

3 (12) "Fiscal year" means the year beginning July 1st and ending the
4 following June 30th.

5 (13) "Lapse" means the termination of authority to expend an
6 appropriation.

7 (14) "Legislative fiscal committees" means the legislative budget
8 committee, the legislative evaluation and accountability program
9 committee, the ways and means committees of the senate and house of
10 representatives, and, where appropriate, the legislative transportation
11 committee.

12 (15) "Fiscal period" means the period for which an appropriation is
13 made as specified within the act making the appropriation.

14 (16) "Primary budget driver" means the primary determinant of a
15 budget level, other than a price variable, which causes or is
16 associated with the major expenditure of an agency or budget unit
17 within an agency, such as a caseload, enrollment, workload, or
18 population statistic.

19 (17) "Stabilization account" means the budget stabilization account
20 created under RCW 43.88.525 as an account in the general fund of the
21 state treasury.

22 (18) "State tax revenue limit" means the limitation created by
23 chapter 43.135 RCW.

24 (19) "General state revenues" means the revenues defined by Article
25 VIII, section 1(c) of the state Constitution.

26 (20) "Annual growth rate in real personal income" means the
27 estimated percentage growth in personal income for the state during the
28 current fiscal year, expressed in constant value dollars, as published
29 by the office of financial management or its successor agency.

30 (21) "Estimated revenues" means estimates of revenue in the most
31 recent official economic and revenue forecast prepared under RCW
32 82.33.020, and prepared by the office of financial management for those
33 funds, accounts, and sources for which the office of the economic and
34 revenue forecast council does not prepare an official forecast
35 including estimates of revenues to support financial plans under RCW
36 44.40.070, that are prepared by the office of financial management in
37 consultation with the interagency task force.

38 (22) "Estimated receipts" means the estimated receipt of cash in
39 the most recent official economic and revenue forecast prepared under

1 RCW 82.33.020, and prepared by the office of financial management for
2 those funds, accounts, and sources for which the office of the economic
3 and revenue forecast council does not prepare an official forecast.

4 (23) "State budgeting, accounting, and reporting system" means a
5 system that gathers, maintains, and communicates fiscal information.
6 The system links fiscal information beginning with development of
7 agency budget requests through adoption of legislative appropriations
8 to tracking actual receipts and expenditures against approved plans.

9 (24) "Allotment of appropriation" means the agency's statement of
10 proposed expenditures, the director of financial management's review of
11 that statement, and the placement of the approved statement into the
12 state budgeting, accounting, and reporting system.

13 (25) "Statement of proposed expenditures" means a plan prepared by
14 each agency that breaks each appropriation out into monthly detail
15 representing the best estimate of how the appropriation will be
16 expended.

17 (26) "Undesignated fund balance (or deficit)" means unreserved and
18 undesignated current assets or other resources available for
19 expenditure over and above any current liabilities which are expected
20 to be incurred by the close of the fiscal period.

21 (27) "Internal audit" means an independent appraisal activity
22 within an agency for the review of operations as a service to
23 management, including a systematic examination of accounting and fiscal
24 controls to assure that human and material resources are guarded
25 against waste, loss, or misuse; and that reliable data are gathered,
26 maintained, and fairly disclosed in a written report of the audit
27 findings.

28 (28) "Performance audit" means an audit that determines the
29 following: (a) Whether a government entity is acquiring, protecting,
30 and using its resources economically and efficiently; (b) the causes of
31 inefficiencies or uneconomical practices; (c) whether the entity has
32 complied with laws and rules applicable to the program; (d) the extent
33 to which the desired results or benefits established by the legislature
34 are being achieved; and (e) the effectiveness of organizations,
35 programs, activities, or functions.

36 (29) "Program evaluation" means the use of a variety of policy and
37 fiscal research methods to (a) determine the extent to which a program
38 is achieving its legislative intent in terms of producing the effects
39 expected, and (b) make an objective judgment of the implementation,

1 outcomes, and net cost or benefit impact of programs in the context of
2 their goals and objectives. It includes the application of systematic
3 methods to measure the results, intended or unintended, of program
4 activities.

5 **Sec. 3.** RCW 43.88.090 and 1989 c 273 s 26 are each amended to read
6 as follows:

7 (1) For purposes of developing budget proposals to the legislature,
8 the governor shall have the power, and it shall be the governor's duty,
9 to require from proper agency officials such detailed estimates and
10 other information in such form and at such times as the governor shall
11 direct. The estimates for the legislature and the judiciary shall be
12 transmitted to the governor and shall be included in the budget without
13 revision. The estimates for state pension contributions shall be based
14 on the rates provided in chapter 41.45 RCW. Copies of all such
15 estimates shall be transmitted to the standing committees on ways and
16 means of the house and senate at the same time as they are filed with
17 the governor and the office of financial management.

18 ~~((2) Estimates from each agency shall include goals and objectives~~
19 ~~for each program administered by the agency. The goals and objectives~~
20 ~~shall, whenever possible, be stated in terms of objective measurable~~
21 ~~results.))~~

22 The estimates shall include statements or tables which indicate, by
23 agency, the state funds which are required for the receipt of federal
24 matching revenues. The estimates shall be revised as necessary to
25 reflect legislative enactments and adopted appropriations and shall be
26 included with the initial biennial allotment submitted under RCW
27 43.88.110.

28 ~~((3))~~ (2) It is the policy of the state that each state agency
29 define its mission and establish measurable goals for achieving
30 desirable results for those who receive its services. This section
31 shall not be construed to require an agency to develop a new mission or
32 goals in place of identifiable missions or goals that meet the intent
33 of this section. State agencies should involve affected groups and
34 individuals in developing their missions and goals.

35 (3) For the purpose of assessing program performance, each state
36 agency shall establish program objectives for each major program in its
37 budget. The objectives shall be consistent with the missions and goals
38 developed under this section. The objectives shall be expressed to the

1 extent practicable in outcome-based, objective, and measurable form
2 unless permitted by the office of financial management to adopt a
3 different standard.

4 (4) In concert with legislative and executive agencies, the office
5 of financial management shall develop a plan for using these outcome-
6 based objectives in the evaluation of agency performance for improved
7 accountability of state government. Any elements of the plan requiring
8 legislation shall be submitted to the legislature no later than
9 November 30, 1994.

10 (5) In the year of the gubernatorial election, the governor shall
11 invite the governor-elect or the governor-elect's designee to attend
12 all hearings provided in RCW 43.88.100; and the governor shall furnish
13 the governor-elect or the governor-elect's designee with such
14 information as will enable the governor-elect or the governor-elect's
15 designee to gain an understanding of the state's budget requirements.
16 The governor-elect or the governor-elect's designee may ask such
17 questions during the hearings and require such information as the
18 governor-elect or the governor-elect's designee deems necessary and may
19 make recommendations in connection with any item of the budget which,
20 with the governor-elect's reasons therefor, shall be presented to the
21 legislature in writing with the budget document. Copies of all such
22 estimates and other required information shall also be submitted to the
23 standing committees on ways and means of the house and senate.

24 **Sec. 4.** RCW 43.88.160 and 1992 c 118 s 8 are each amended to read
25 as follows:

26 This section sets forth the major fiscal duties and
27 responsibilities of officers and agencies of the executive branch. The
28 regulations issued by the governor pursuant to this chapter shall
29 provide for a comprehensive, orderly basis for fiscal management and
30 control, including efficient accounting and reporting therefor, for the
31 executive branch of the state government and may include, in addition,
32 such requirements as will generally promote more efficient public
33 management in the state.

34 (1) Governor; director of financial management. The governor,
35 through the director of financial management, shall devise and
36 supervise a modern and complete accounting system for each agency to
37 the end that all revenues, expenditures, receipts, disbursements,
38 resources, and obligations of the state shall be properly and

1 systematically accounted for. The accounting system shall include the
2 development of accurate, timely records and reports of all financial
3 affairs of the state. The system shall also provide for central
4 accounts in the office of financial management at the level of detail
5 deemed necessary by the director to perform central financial
6 management. The director of financial management shall adopt and
7 periodically update an accounting procedures manual. Any agency
8 maintaining its own accounting and reporting system shall comply with
9 the updated accounting procedures manual and the rules of the director
10 adopted under this chapter. An agency may receive a waiver from
11 complying with this requirement if the waiver is approved by the
12 director. Waivers expire at the end of the fiscal biennium for which
13 they are granted. The director shall forward notice of waivers granted
14 to the appropriate legislative fiscal committees. The director of
15 financial management may require such financial, statistical, and other
16 reports as the director deems necessary from all agencies covering any
17 period.

18 (2) The director of financial management is responsible for
19 quarterly reporting of primary operating budget drivers such as
20 applicable workloads, caseload estimates, and appropriate unit cost
21 data. These reports shall be transmitted to the legislative fiscal
22 committees or by electronic means to the legislative evaluation and
23 accountability program committee. Quarterly reports shall include
24 actual monthly data and the variance between actual and estimated data
25 to date. The reports shall also include estimates of these items for
26 the remainder of the budget period.

27 (3) The director of financial management shall report at least
28 annually to the appropriate legislative committees regarding the status
29 of all appropriated capital projects, including transportation
30 projects, showing significant cost overruns or underruns. If funds are
31 shifted from one project to another, the office of financial management
32 shall also reflect this in the annual variance report. Once a project
33 is complete, the report shall provide a final summary showing estimated
34 start and completion dates of each project phase compared to actual
35 dates, estimated costs of each project phase compared to actual costs,
36 and whether or not there are any outstanding liabilities or unsettled
37 claims at the time of completion.

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

1 (a) Develop and maintain a system of internal controls and internal
2 audits comprising methods and procedures to be adopted by each agency
3 that will safeguard its assets, check the accuracy and reliability of
4 its accounting data, promote operational efficiency, and encourage
5 adherence to prescribed managerial policies for accounting and
6 financial controls. The system developed by the director shall include
7 criteria for determining the scope and comprehensiveness of internal
8 controls required by classes of agencies, depending on the level of
9 resources at risk.

10 Each agency head or authorized designee shall be assigned the
11 responsibility and authority for establishing and maintaining internal
12 audits following the standards of internal auditing of the institute of
13 internal auditors;

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

19 ~~((b))~~ (c) Report to the governor with regard to duplication of
20 effort or lack of coordination among agencies;

21 ~~((e))~~ (d) Review any pay and classification plans, and changes
22 thereunder, developed by any agency for their fiscal impact: PROVIDED,
23 That none of the provisions of this subsection shall affect merit
24 systems of personnel management now existing or hereafter established
25 by statute relating to the fixing of qualifications requirements for
26 recruitment, appointment, or promotion of employees of any agency. The
27 director shall advise and confer with agencies including appropriate
28 standing committees of the legislature as may be designated by the
29 speaker of the house and the president of the senate regarding the
30 fiscal impact of such plans and may amend or alter said plans, except
31 that for the following agencies no amendment or alteration of said
32 plans may be made without the approval of the agency concerned:
33 Agencies headed by elective officials;

34 ~~((d))~~ (e) Fix the number and classes of positions or authorized
35 man years of employment for each agency and during the fiscal period
36 amend the determinations previously fixed by the director except that
37 the director shall not be empowered to fix said number or said classes
38 for the following: Agencies headed by elective officials;

1 (~~(e)~~) (f) Provide for transfers and repayments between the budget
2 stabilization account and the general fund as directed by appropriation
3 and RCW 43.88.525 through 43.88.540;

4 (~~(f) Promulgate regulations~~) (g) Adopt rules to effectuate
5 provisions contained in (a) through (~~(e)~~) (f) of this subsection.

6 (5) The treasurer shall:

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

12 (b) Disburse public funds under the treasurer's supervision or
13 custody by warrant or check;

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

16 (d) Perform such other duties as may be required by law or by
17 regulations issued pursuant to this law.

18 It shall be unlawful for the treasurer to issue any warrant or
19 check for public funds in the treasury except upon forms duly
20 prescribed by the director of financial management. Said forms shall
21 provide for authentication and certification by the agency head or the
22 agency head's designee that the services have been rendered or the
23 materials have been furnished; or, in the case of loans or grants, that
24 the loans or grants are authorized by law; or, in the case of payments
25 for periodic maintenance services to be performed on state owned
26 equipment, that a written contract for such periodic maintenance
27 services is currently in effect and copies thereof are on file with the
28 office of financial management; and the treasurer shall not be liable
29 under the treasurer's surety bond for erroneous or improper payments so
30 made: PROVIDED, That when services are lawfully paid for in advance of
31 full performance by any private individual or business entity other
32 than as provided for by RCW 42.24.035, such individual or entity other
33 than central stores rendering such services shall make a cash deposit
34 or furnish surety bond coverage to the state as shall be fixed in an
35 amount by law, or if not fixed by law, then in such amounts as shall be
36 fixed by the director of the department of general administration but
37 in no case shall such required cash deposit or surety bond be less than
38 an amount which will fully indemnify the state against any and all
39 losses on account of breach of promise to fully perform such services:

1 AND PROVIDED FURTHER, That no payments shall be made in advance for any
2 equipment maintenance services to be performed more than three months
3 after such payment. Any such bond so furnished shall be conditioned
4 that the person, firm or corporation receiving the advance payment will
5 apply it toward performance of the contract. The responsibility for
6 recovery of erroneous or improper payments made under this section
7 shall lie with the agency head or the agency head's designee in
8 accordance with regulations issued pursuant to this chapter. Nothing
9 in this section shall be construed to permit a public body to advance
10 funds to a private service provider pursuant to a grant or loan before
11 services have been rendered or material furnished.

12 (6) The state auditor shall:

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

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

25 (c) Make the auditor's official report on or before the thirty-
26 first of December which precedes the meeting of the legislature. The
27 report shall be for the last complete fiscal period and shall include
28 ~~((at least the following:))~~ determinations as to whether agencies, in
29 making expenditures, complied with the laws of this state(~~(: PROVIDED,~~
30 ~~That nothing in this section may be construed to grant))~~). The state
31 auditor ~~((the right))~~ is authorized to perform or participate in
32 performance audits only as expressly authorized by the legislature in
33 the omnibus biennial appropriations acts. A performance audit for the
34 purpose of this section is the examination of the effectiveness of the
35 administration, its efficiency, and its adequacy in terms of the
36 programs of departments or agencies as previously approved by the
37 legislature. ~~((The authority and responsibility to conduct such an~~
38 ~~examination shall be vested in the legislative budget committee as~~
39 ~~prescribed in RCW 44.28.085.))~~ The state auditor, upon completing an

1 audit for legal and financial compliance under chapter 43.09 RCW, may
2 report to the legislative budget committee or other appropriate
3 committees of the legislature, in a manner prescribed by the
4 legislative budget committee, on facts relating to the management or
5 performance of governmental programs where such facts are discovered
6 incidental to the legal and financial audit. The auditor may make such
7 a report to a legislative committee only if the auditor has determined
8 that the agency has been given an opportunity and has failed to resolve
9 the management or performance issues raised by the auditor. If the
10 auditor makes a report to a legislative committee, the agency may
11 submit to the committee a response to the report. This subsection (6)
12 shall not be construed to authorize the auditor to allocate other than
13 de minimis resources to performance audits except as expressly
14 authorized in the appropriations acts.

15 (d) Be empowered to take exception to specific expenditures that
16 have been incurred by any agency or to take exception to other
17 practices related in any way to the agency's financial transactions and
18 to cause such exceptions to be made a matter of public record,
19 including disclosure to the agency concerned and to the director of
20 financial management. It shall be the duty of the director of
21 financial management to cause corrective action to be taken promptly,
22 such action to include, as appropriate, the withholding of funds as
23 provided in RCW 43.88.110.

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

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

27 (7) The legislative budget committee may:

28 (a) Make post audits of the financial transactions of any agency
29 and management surveys and program reviews as provided for in RCW
30 44.28.085 as well as performance audits and program evaluations. To
31 this end the committee may in its discretion examine the books,
32 accounts, and other records of any agency, official, or employee.

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

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

38 (i) Determinations as to the extent to which agencies in making
39 expenditures have complied with the will of the legislature and in this

1 connection, may take exception to specific expenditures or financial
2 practices of any agencies; and

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

7 NEW SECTION. **Sec. 5.** A new section is added to chapter 44.28 RCW
8 to read as follows:

9 (1) In conducting program evaluations as defined in RCW 43.88.020,
10 the legislative budget committee may establish a biennial work plan
11 that identifies state agency programs for which formal evaluation
12 appears necessary. Among the factors to be considered in preparing the
13 work plan are:

14 (a) Whether a program newly created or significantly altered by the
15 legislature warrants continued oversight because (i) the fiscal impact
16 of the program is significant, or (ii) the program represents a
17 relatively high degree of risk in terms of reaching the stated goals
18 and objectives for that program;

19 (b) Whether implementation of an existing program has failed to
20 meet its goals and objectives by any significant degree.

21 (2) The project description for each program evaluation shall
22 include start and completion dates, the proposed research approach, and
23 cost estimates.

24 (3) The overall plan may include proposals to employ contract
25 evaluators. As conditions warrant, the program evaluation work plan
26 may be amended from time to time. All biennial work plans shall be
27 transmitted to the appropriate fiscal and policy committees of the
28 senate and the house of representatives.

29 **Sec. 6.** RCW 44.28.085 and 1975 1st ex.s. c 293 s 15 are each
30 amended to read as follows:

31 The legislative budget committee shall make management surveys and
32 program reviews as to every public body, officer or employee subject to
33 the provisions of RCW 43.09.290 through 43.09.340. The legislative
34 budget committee may also make management surveys and program reviews
35 of local school districts, intermediate school districts, and other
36 units of local government receiving state funds as grants-in-aid or as
37 shared revenues. Management surveys for the purposes of this section

1 shall be an independent examination for the purpose of providing the
2 legislature with an evaluation and report of the manner in which any
3 public agency, officer, administrator, or employee has discharged the
4 responsibility to faithfully, efficiently, and effectively administer
5 any legislative purpose of the state. Program reviews for the purpose
6 of this section shall be an examination of state or local government
7 programs to ascertain whether or not such programs continue to serve
8 their intended purposes, are conducted in an efficient and effective
9 manner, or require modification or elimination(~~(: PROVIDED, That)~~).
10 Nothing in this section shall limit the power or duty of the state
11 auditor to report to the legislature as directed by (~~subsection (3)~~
12 ~~of~~) RCW 43.88.160 (~~as now or hereafter amended. The authority in~~
13 ~~this section conferred excludes a like authority in the state~~
14 ~~auditor~~)).

15 The legislative budget committee shall receive a copy of each
16 report of examination issued by the state auditor under RCW 43.09.310,
17 shall review all such reports, and shall make such recommendations to
18 the legislature and to the state auditor as it deems appropriate.

19 NEW SECTION. **Sec. 7.** This act may be known and cited as the
20 performance-based government act of 1993.

21 NEW SECTION. **Sec. 8.** If specific funding for the purposes of this
22 act, referencing this act by bill number, is not provided by June 30,
23 1993, in the omnibus appropriations act, this act shall be null and
24 void."

25 **ESHB 1372** - CONF REPT
26 By Conference Committee

27 ADOPTED 4/25/93

28 On page 1, line 1 of the title, after "government;" strike the
29 remainder of the title and insert "amending RCW 43.88.020, 43.88.090,
30 43.88.160, and 44.28.085; adding a new section to chapter 44.28 RCW;
31 and creating new sections."

--- END ---