
SUBSTITUTE SENATE BILL 5226

State of Washington

53rd Legislature

1993 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Skratek, Haugen, Talmadge, Winsley, M. Rasmussen and Quigley)

Read first time 03/08/93.

1 AN ACT Relating to management and evaluation of state programs;
2 amending RCW 43.88.020, 43.88.090, 43.88.160, and 44.28.085; adding a
3 new section to chapter 44.28 RCW; and creating a new section.

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

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

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

18 Ensuring accountability in government involves a long-term
19 commitment to policy planning, quality management, and results-oriented

1 evaluation. It is the intent of this act to facilitate program
2 evaluations and performance audits of selected state agencies and
3 programs through the coordinated resources of the executive and
4 legislative branches of state government.

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

7 (1) "Budget" means a proposed plan of expenditures for a given
8 period or purpose and the proposed means for financing these
9 expenditures.

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

12 (3) "Director of financial management" means the official appointed
13 by the governor to serve at the governor's pleasure and to whom the
14 governor may delegate necessary authority to carry out the governor's
15 duties as provided in this chapter. The director of financial
16 management shall be head of the office of financial management which
17 shall be in the office of the governor.

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

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

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

32 (7) "Ensuing biennium" means the fiscal biennium beginning on July
33 1st of the same year in which a regular session of the legislature is
34 held during an odd-numbered year pursuant to Article II, section 12 of
35 the Constitution and which biennium next succeeds the current biennium.

36 (8) "Dedicated fund" means a fund in the state treasury, or a
37 separate account or fund in the general fund in the state treasury,
38 that by law is dedicated, appropriated or set aside for a limited

1 object or purpose; but "dedicated fund" does not include a revolving
2 fund or a trust fund.

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

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

13 (11) "Administrative expenses" means expenditures for: (a)
14 Salaries, wages, and related costs of personnel and (b) operations and
15 maintenance including but not limited to costs of supplies, materials,
16 services, and equipment.

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

19 (13) "Lapse" means the termination of authority to expend an
20 appropriation.

21 (14) "Legislative fiscal committees" means the legislative budget
22 committee, the legislative evaluation and accountability program
23 committee, the ways and means committees of the senate and house of
24 representatives, and, where appropriate, the legislative transportation
25 committee.

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

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

33 (17) "Stabilization account" means the budget stabilization account
34 created under RCW 43.88.525 as an account in the general fund of the
35 state treasury.

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

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

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

5 (21) "Estimated revenues" means estimates of revenue in the most
6 recent official economic and revenue forecast prepared under RCW
7 82.33.020, and prepared by the office of financial management for those
8 funds, accounts, and sources for which the office of the economic and
9 revenue forecast council does not prepare an official forecast
10 including estimates of revenues to support financial plans under RCW
11 44.40.070, that are prepared by the office of financial management in
12 consultation with the interagency task force.

13 (22) "Estimated receipts" means the estimated receipt of cash in
14 the most recent official economic and revenue forecast prepared under
15 RCW 82.33.020, and prepared by the office of financial management for
16 those funds, accounts, and sources for which the office of the economic
17 and revenue forecast council does not prepare an official forecast.

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

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

27 (25) "Statement of proposed expenditures" means a plan prepared by
28 each agency that breaks each appropriation out into monthly detail
29 representing the best estimate of how the appropriation will be
30 expended.

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

35 (27) "Internal audit" means an independent appraisal activity
36 within an agency for the review of operations as a service to
37 management, including a systematic examination of accounting and fiscal
38 controls to assure that human and material resources are guarded
39 against waste, loss, or misuse; and that reliable data are gathered,

1 maintained, and fairly disclosed in a written report of the audit
2 findings.

3 (28) "Performance audit" means an audit which determines the
4 following: (a) Whether a government entity is acquiring, protecting,
5 and using its resources economically and efficiently; (b) the causes of
6 inefficiencies or uneconomical practices; (c) whether the entity has
7 complied with laws and regulations applicable to the program; (d) the
8 extent to which the desired results or benefits established by the
9 legislature are being achieved; and (e) the effectiveness of
10 organizations, programs, activities, or functions.

11 (29) "Program evaluation" means the use of a variety of policy and
12 fiscal research methods to (a) determine the extent to which a program
13 is achieving its legislative intent in terms of producing the effects
14 expected, and (b) make an objective judgment of the implementation,
15 outcomes, and net cost or benefit impact of programs in the context of
16 their goals and objectives. It includes the application of systematic
17 methods to measure the results, intended or unintended, of program
18 activities.

19 (30) "Success measures" include, but are not limited to the
20 following types of indicators: (a) Indicators of service efforts,
21 stated in terms of human and material resource inputs expended on a
22 service during a specific period; (b) indicators of service
23 accomplishments or outputs, such as the amount of workload
24 accomplished; and outcomes, such as numeric indicators of program
25 results and service quality; and (c) indicators that relate service
26 efforts to service accomplishments, such as indexes of productivity,
27 efficiency, or effectiveness.

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

30 (1) For purposes of developing budget proposals to the legislature,
31 the governor shall have the power, and it shall be the governor's duty,
32 to require from proper agency officials such detailed estimates and
33 other information in such form and at such times as the governor shall
34 direct. The estimates for the legislature and the judiciary shall be
35 transmitted to the governor and shall be included in the budget without
36 revision. The estimates for state pension contributions shall be based
37 on the rates provided in chapter 41.45 RCW. Copies of all such
38 estimates shall be transmitted to the standing committees on ways and

1 means of the house and senate at the same time as they are filed with
2 the governor and the office of financial management.

3 (2) (~~Estimates from each agency shall include goals and objectives~~
4 ~~for each program administered by the agency. The goals and objectives~~
5 ~~shall, whenever possible, be stated in terms of objective measurable~~
6 ~~results.)) For the purpose of assessing program performance, each
7 state agency shall establish results-oriented goals and objectives, and
8 develop success measures based on these goals and objectives, for each
9 major program in its budget. Each agency shall express the success
10 measures in an objective, quantifiable, and measurable form unless
11 permitted by the office of financial management to adopt a different
12 standard.~~

13 The estimates shall include statements or tables which indicate, by
14 agency, the state funds which are required for the receipt of federal
15 matching revenues. The estimates shall be revised as necessary to
16 reflect legislative enactments and adopted appropriations and shall be
17 included with the initial biennial allotment submitted under RCW
18 43.88.110.

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

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

35 This section sets forth the major fiscal duties and
36 responsibilities of officers and agencies of the executive branch. The
37 regulations issued by the governor pursuant to this chapter shall
38 provide for a comprehensive, orderly basis for fiscal management and

1 control, including efficient accounting and reporting therefor, for the
2 executive branch of the state government and may include, in addition,
3 such requirements as will generally promote more efficient public
4 management in the state.

5 (1) Governor; director of financial management. The governor,
6 through the director of financial management, shall devise and
7 supervise a modern and complete accounting system for each agency to
8 the end that all revenues, expenditures, receipts, disbursements,
9 resources, and obligations of the state shall be properly and
10 systematically accounted for. The accounting system shall include the
11 development of accurate, timely records and reports of all financial
12 affairs of the state. The system shall also provide for central
13 accounts in the office of financial management at the level of detail
14 deemed necessary by the director to perform central financial
15 management. The director of financial management shall adopt and
16 periodically update an accounting procedures manual. Any agency
17 maintaining its own accounting and reporting system shall comply with
18 the updated accounting procedures manual and the rules of the director
19 adopted under this chapter. An agency may receive a waiver from
20 complying with this requirement if the waiver is approved by the
21 director. Waivers expire at the end of the fiscal biennium for which
22 they are granted. The director shall forward notice of waivers granted
23 to the appropriate legislative fiscal committees. The director of
24 financial management may require such financial, statistical, and other
25 reports as the director deems necessary from all agencies covering any
26 period.

27 (2) The director of financial management is responsible for
28 quarterly reporting of primary operating budget drivers such as
29 applicable workloads, caseload estimates, and appropriate unit cost
30 data. These reports shall be transmitted to the legislative fiscal
31 committees or by electronic means to the legislative evaluation and
32 accountability program committee. Quarterly reports shall include
33 actual monthly data and the variance between actual and estimated data
34 to date. The reports shall also include estimates of these items for
35 the remainder of the budget period.

36 (3) The director of financial management shall report at least
37 annually to the appropriate legislative committees regarding the status
38 of all appropriated capital projects, including transportation
39 projects, showing significant cost overruns or underruns. If funds are

1 shifted from one project to another, the office of financial management
2 shall also reflect this in the annual variance report. Once a project
3 is complete, the report shall provide a final summary showing estimated
4 start and completion dates of each project phase compared to actual
5 dates, estimated costs of each project phase compared to actual costs,
6 and whether or not there are any outstanding liabilities or unsettled
7 claims at the time of completion.

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

10 (a) Develop and maintain a system of internal controls and internal
11 audits comprising methods and procedures to be adopted by each agency
12 which will safeguard its assets, check the accuracy and reliability of
13 its accounting data, promote operational efficiency, and encourage
14 adherence to prescribed managerial policies for accounting and
15 financial controls. The system developed by the director shall include
16 criteria for determining the scope and comprehensiveness of internal
17 controls required by classes of agencies, depending on the level of
18 resources at risk.

19 Each agency head or authorized designee shall be assigned the
20 responsibility and authority for establishing and maintaining internal
21 controls following the standards of internal auditing of the institute
22 of internal auditors;

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

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

30 ~~((e))~~ (d) Review any pay and classification plans, and changes
31 thereunder, developed by any agency for their fiscal impact: PROVIDED,
32 That none of the provisions of this subsection shall affect merit
33 systems of personnel management now existing or hereafter established
34 by statute relating to the fixing of qualifications requirements for
35 recruitment, appointment, or promotion of employees of any agency. The
36 director shall advise and confer with agencies including appropriate
37 standing committees of the legislature as may be designated by the
38 speaker of the house and the president of the senate regarding the
39 fiscal impact of such plans and may amend or alter said plans, except

1 that for the following agencies no amendment or alteration of said
2 plans may be made without the approval of the agency concerned:
3 Agencies headed by elective officials;

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

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

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

14 (5) The treasurer shall:

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

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

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

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

26 It shall be unlawful for the treasurer to issue any warrant or
27 check for public funds in the treasury except upon forms duly
28 prescribed by the director of financial management. Said forms shall
29 provide for authentication and certification by the agency head or the
30 agency head's designee that the services have been rendered or the
31 materials have been furnished; or, in the case of loans or grants, that
32 the loans or grants are authorized by law; or, in the case of payments
33 for periodic maintenance services to be performed on state owned
34 equipment, that a written contract for such periodic maintenance
35 services is currently in effect and copies thereof are on file with the
36 office of financial management; and the treasurer shall not be liable
37 under the treasurer's surety bond for erroneous or improper payments so
38 made: PROVIDED, That when services are lawfully paid for in advance of
39 full performance by any private individual or business entity other

1 than as provided for by RCW 42.24.035, such individual or entity other
2 than central stores rendering such services shall make a cash deposit
3 or furnish surety bond coverage to the state as shall be fixed in an
4 amount by law, or if not fixed by law, then in such amounts as shall be
5 fixed by the director of the department of general administration but
6 in no case shall such required cash deposit or surety bond be less than
7 an amount which will fully indemnify the state against any and all
8 losses on account of breach of promise to fully perform such services:
9 AND PROVIDED FURTHER, That no payments shall be made in advance for any
10 equipment maintenance services to be performed more than three months
11 after such payment. Any such bond so furnished shall be conditioned
12 that the person, firm or corporation receiving the advance payment will
13 apply it toward performance of the contract. The responsibility for
14 recovery of erroneous or improper payments made under this section
15 shall lie with the agency head or the agency head's designee in
16 accordance with regulations issued pursuant to this chapter. Nothing
17 in this section shall be construed to permit a public body to advance
18 funds to a private service provider pursuant to a grant or loan before
19 services have been rendered or material furnished.

20 (6) The state auditor shall:

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

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

33 (c) Make the auditor's official report on or before the thirty-
34 first of December which precedes the meeting of the legislature. The
35 report shall be for the last complete fiscal period and shall include
36 ~~((at least the following:))~~ determinations as to whether agencies, in
37 making expenditures, complied with the laws of this state(~~(: PROVIDED,~~
38 ~~That nothing in this section may be construed to grant))~~). The state
39 auditor ((the right)) is authorized to perform or participate in

1 performance audits only as expressly authorized by the legislature in
2 the omnibus biennial appropriations acts. A performance audit for the
3 purpose of this section is the examination of the effectiveness of the
4 administration, its efficiency, and its adequacy in terms of the
5 programs of departments or agencies as previously approved by the
6 legislature. ~~((The authority and responsibility to conduct such an~~
7 ~~examination shall be vested in the legislative budget committee as~~
8 ~~prescribed in RCW 44.28.085.))~~ The state auditor, upon completing an
9 audit for legal and financial compliance under chapter 43.09 RCW, may
10 report to the legislative budget committee or other appropriate
11 committees of the legislature, in a manner prescribed by the
12 legislative budget committee, on facts relating to the management or
13 performance of governmental programs where such facts are discovered
14 incidental to the legal and financial audit. This subsection (6) shall
15 not be construed to authorize the auditor to allocate other than de
16 minimis resources to performance audits except as expressly authorized
17 in the appropriations acts.

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

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

28 (f) Investigate improper governmental activity under chapter 42.40
29 RCW.

30 (7) The legislative budget committee may:

31 (a) Make post audits of the financial transactions of any agency
32 and management surveys and program reviews as provided for in RCW
33 44.28.085 as well as performance audits and program evaluations. To
34 this end the committee may in its discretion examine the books,
35 accounts, and other records of any agency, official, or employee.

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

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

3 (i) Determinations as to the extent to which agencies in making
4 expenditures have complied with the will of the legislature and in this
5 connection, may take exception to specific expenditures or financial
6 practices of any agencies; and

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

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

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

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

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

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

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

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

35 The legislative budget committee shall make management surveys and
36 program reviews as to every public body, officer or employee subject to
37 the provisions of RCW 43.09.290 through 43.09.340. The legislative

1 budget committee may also make management surveys and program reviews
2 of local school districts, intermediate school districts, and other
3 units of local government receiving state funds as grants-in-aid or as
4 shared revenues. Management surveys for the purposes of this section
5 shall be an independent examination for the purpose of providing the
6 legislature with an evaluation and report of the manner in which any
7 public agency, officer, administrator, or employee has discharged the
8 responsibility to faithfully, efficiently, and effectively administer
9 any legislative purpose of the state. Program reviews for the purpose
10 of this section shall be an examination of state or local government
11 programs to ascertain whether or not such programs continue to serve
12 their intended purposes, are conducted in an efficient and effective
13 manner, or require modification or elimination: PROVIDED, That nothing
14 in this section shall limit the power or duty of the state auditor to
15 report to the legislature as directed by (~~subsection (3) of~~) RCW
16 43.88.160 (~~as now or hereafter amended. The authority in this section~~
17 ~~conferred excludes a like authority in the state auditor~~)).

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

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