

HOUSE BILL REPORT

ESSB 5607

As Passed House - Amended:

April 13, 1995

Title: An act relating to performance audits of state government.

Brief Description: Auditing state government.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Gaspard, Cantu, Haugen, Prentice, Wood, Snyder, Long, A. Anderson, Deccio, Kohl, Wojahn, Oke, Rasmussen and Winsley; by request of State Auditor).

Brief History:

Committee Activity:

Government Operations: 3/29/95, 3/31/95 [DPA];

Appropriations: 4/3/95 [DPA(GOVT)].

Floor Activity:

Amended.

Passed House: 4/13/95, 93-1.

HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

Majority Report: Do pass as amended. Signed by 15 members: Representatives Reams, Chairman; Goldsmith, Vice Chairman; L. Thomas, Vice Chairman; Rust, Ranking Minority Member; Scott, Assistant Ranking Minority Member; Chopp; R. Fisher; Hargrove; Honeyford; Hymes; Mulliken; D. Schmidt; Sommers; Van Luven and Wolfe.

Staff: Bill Lynch (786-7092).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Government Operations. Signed by 29 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dellwo; G. Fisher; Foreman; Grant; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Talcott and Wolfe.

Minority Report: Do not pass. Signed by 1 member: Representative Thibaudeau.

Staff: Dan Chang (786-7191).

Background: Role of the State Auditor in Conducting Audits

The Division of Departmental Audits within the Office of the State Auditor annually audits the state-wide combined financial statements prepared by the Office of Financial Management.

The Division of Departmental Audits also prepares post-audits of the financial transactions of state agencies at such periodic intervals as the State Auditor determines. The State Auditor is limited to reporting whether agencies complied with the laws of the state in making expenditures, unless expressly authorized in the operating budget to perform or participate in performance verifications.

A "performance verification" is defined as an analysis that verifies the accuracy of data used by agencies in quantifying intended results and measuring performance towards those results, and verifies whether or not the reported results were achieved.

The State Auditor, upon the completion of an audit or a performance verification, may report to the Legislative Budget Committee (LBC) or other committees of the Legislature on facts relating to the management or performance of governmental programs where such facts are discovered incidental to the legal and financial audit or performance verification.

The auditor must make these reports to the Legislature in a manner prescribed by LBC, and is prohibited from making a report to the Legislature unless the auditor has determined that the agency has been given an opportunity and has failed to resolve the issues raised by the auditor. The auditor is expressly forbidden to allocate other than de minimis resources to performance audits except as expressly authorized by the operating budget.

Role of the Legislative Budget Committee in Conducting Audits

The Legislative Budget Committee (LBC) consists of eight Senators and eight Representatives from the House. The LBC is authorized to conduct management surveys and program evaluations of state agencies. The LBC is also required to review all post-audit reports of state agencies made by the State Auditor, and make recommendations to the Legislature and the State Auditor as it deems appropriate.

The LBC's authority to conduct management surveys includes the authority to conduct comprehensive performance audits to ensure that agency programs are being conducted in accordance with legislative intent and program goals and objectives.

The purpose of the management surveys is to provide the Legislature with an independent examination of the manner in which an agency, officer, or employee has discharged the responsibility to faithfully, efficiently, and effectively administer the prescribed legislative purpose.

The state program reviews conducted by LBC are an examination of state programs to determine whether or not the programs continue to serve their intended purposes, are conducted in an efficient and effective manner, or require modification or elimination. The LBC may establish a biennial work plan for identifying state agency programs for which formal evaluation appears necessary. The plan may include proposals to employ contract evaluators.

Summary of Bill: The State Auditor is required to undertake a comprehensive performance audit of programs, services, and activities conducted by the Division of Vocational Rehabilitation within the Department of Social and Health Services, the Department of Community, Trade, and Economic Development, and the Superintendent of Public Instruction (SPI).

The auditor must present an audit work plan to the Legislative Budget Committee within 60 days of the effective date of the act. The auditor must submit the audit report within one year from the effective date of the legislation, except that the audit of SPI must be submitted by December 31, 1995.

The audit must include:

- (1) An evaluation of the efficiency with which agencies operate their programs and fulfill their assigned duties;
- (2) A determination of methods to maximize the amount of federal funds received by the state;
- (3) Identification of potential cost savings and of any agency, program, or service that can be eliminated or transferred to the private sector without causing injury to the public good;
- (4) Recommendations for the elimination of or reduction in funding to various agencies, programs, or services based upon the audit results; and
- (5) An analysis of gaps and overlays in programs offered by state agencies and recommendations for correcting these gaps and overlays.

The performance audit of SPI must also: identify activities which no longer serve a useful purpose and the cost-savings that can be achieved if they were eliminated; identify activities which are the result of legal mandates, legislative requests, or client

requests; and examine the efficiency by which SPI operates its programs and fulfills its responsibilities.

The auditor provides the necessary staff for the audit. The auditor must involve private sector professionals and other experts in conducting the audit, and may contract with them for conducting the audit.

The auditor may require any state agency to provide information to complete the audit. The auditor must solicit suggestions for improving government performance from both public employees and recipients of the government services as part of the audit. The auditor must also solicit suggestions from legislators, the Governor, school districts employees, students, and statewide education and parent associations when conducting the SPI audit. The auditor must also establish a toll-free telephone number for the public to report government waste and make suggestions.

The auditor may only perform or participate in performance audits as expressly authorized by the Legislature. Performance audits are for the purpose of determining: (1) whether a government entity is acquiring, protecting, and using its resources economically and efficiently in accordance with all significant laws and rules; (2) the cause of inefficiencies or uneconomical practices; (3) the extent to which the desired results or benefits established by the Legislature are being achieved; (4) the causes for not allowing intended outcomes or results; and (5) compliance with significant laws and rules applicable to the program.

The auditor must give a state agency 30 days to respond to the audit findings. The response by the state agency becomes part of the final audit report. Before releasing a performance audit, the auditor must submit it to the Legislative Budget Committee and the Performance Partnership Operating Committee for their recommendations and comments.

Estimates for budget proposals submitted to the Governor must include consideration of recommendations made by the State Auditor pursuant to a performance audit.

If specific funding is not provided in the omnibus appropriations bill for the audits, the requirement to do the audits is null and void.

All budget documents submitted by the Governor to the Legislature must identify the costs, full-time equivalent employees, administrative staffing levels, and administrative costs associated with each discrete program, function, and activity of each state agency. The budget documents must also include an estimate of the amount of funds or benefits that reach the intended recipients.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: (Government Operations) (original bill): This will allow better service delivery. There is a need to increase the analytical capacity of LBC and LEAP. Fiscal notes need to be taken out of the political arena.

(Appropriations) None.

Testimony Against: (Government Operations) None.

(Appropriations) None.

Testified: (Government Operations) Senator McDonald; Senator Rinehart; and Senator West.

(Appropriations) None.