
SUBSTITUTE HOUSE BILL 1325

State of Washington

55th Legislature

1997 Regular Session

By House Committee on Capital Budget (originally sponsored by Representatives Ogden, Mitchell, Costa, Hankins, O'Brien and Mason)

Read first time 03/05/97.

1 AN ACT Relating to capital projects for social service
2 organizations; adding a new section to chapter 43.63A RCW; adding a new
3 section to chapter 43.88 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 nonprofit
6 organizations provide a variety of social services that serve the needs
7 of the citizens of Washington, including many services implemented
8 under contract with state agencies. The legislature also finds that
9 the efficiency and quality of these services may be enhanced by the
10 provision of safe, reliable, and sound facilities, and that, in certain
11 cases, it may be appropriate for the state to assist in the development
12 of these facilities.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.63A RCW
14 to read as follows:

15 If the legislature provides an appropriation to assist nonprofit
16 organizations in acquiring, constructing, or rehabilitating facilities
17 used for the delivery of nonresidential social services, the
18 legislature may direct the department of community, trade, and economic

1 development to establish a competitive process to prioritize
2 applications for the assistance as follows:

3 (1) The department shall conduct a state-wide solicitation of
4 project applications from local governments, nonprofit organizations,
5 and other entities, as determined by the department. The department
6 shall evaluate and rank applications in consultation with a citizen
7 advisory committee using objective criteria. At a minimum, applicants
8 must demonstrate that the requested assistance will increase the
9 efficiency or quality of the social services it provides to citizens.
10 The evaluation and ranking process shall also include an examination of
11 existing assets that applicants may apply to projects. Grant
12 assistance under this section shall not exceed twenty-five percent of
13 the total cost of the project. The nonstate portion of the total
14 project cost may include, but is not limited to, land, facilities, and
15 in-kind contributions.

16 (2) The department shall submit a prioritized list of recommended
17 projects to the legislature by November 1st following the effective
18 date of the appropriation. The list shall include a description of
19 each project, the amount of recommended state funding, and
20 documentation of nonstate funds to be used for the project. The
21 department shall not sign contracts or otherwise financially obligate
22 funds under this section until the legislature has approved a specific
23 list of projects.

24 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.88 RCW
25 to read as follows:

26 (1) Each state agency shall submit a report to the office of
27 financial management listing each nongovernment entity that received
28 over three hundred thousand dollars in state moneys during the previous
29 fiscal year under contract with the agency for purposes related to the
30 provision of social services. The report must be submitted by
31 September 1 each year, and must be in a form prescribed by the office
32 of financial management.

33 (2) The office of financial management shall select two groups of
34 entities from the reports for audit as follows:

35 (a) The first group shall be selected at random using a procedure
36 prescribed by the office of financial management. The office of
37 financial management shall ensure that the number of entities selected

1 under this subsection (2)(a) each year is sufficient to ensure a
2 statistically representative sample of all reported entities.

3 (b) The second group shall be selected based on a risk assessment
4 of entities conducted by the office of financial management in
5 consultation with state agencies. The office of financial management
6 shall consider, at a minimum, the following factors when conducting
7 risk assessments: Findings from previous audits; decentralization of
8 decision making and controls; turnover in officials and key personnel;
9 changes in management structure or operations; and the presence of new
10 programs, technologies, or funding sources.

11 (3) Each entity selected under subsection (2) of this section shall
12 be required to complete a comprehensive entity-wide audit in accordance
13 with generally accepted government auditing standards. The audit shall
14 determine, at a minimum, whether:

15 (a) The financial statements of the entity are presented fairly in
16 all material respects in conformity with generally accepted accounting
17 principles;

18 (b) The schedule of expenditures of state moneys is presented
19 fairly in all material respects in relation to the financial statements
20 taken as a whole;

21 (c) Internal accounting controls exist and are effective; and

22 (d) The entity has complied with laws, regulations, and contract
23 and grant provisions that have a direct and material effect on
24 performance of the contract and the expenditure of state moneys.

25 (4) The office of financial management shall prescribe policies and
26 procedures for the conduct of audits under this section. The office of
27 financial management may deem single audits completed in compliance
28 with federal requirements to be in fulfillment of the requirements of
29 this section if the audit meets the requirements of subsection (3)(a)
30 through (d) of this section.

31 (5) Completed audits must be delivered to the office of financial
32 management and the state agency by April 1 in the year following the
33 selection of the entity for audit. Entities must resolve any findings
34 contained in the audit within six months of the delivery of the audit.
35 Entities may not enter into new contracts with state agencies until all
36 audit findings are resolved.

1 (6) Nothing in this section limits the authority of the state
2 auditor to carry out statutorily and contractually prescribed powers
3 and duties.

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