
SUBSTITUTE HOUSE BILL 1345

State of Washington

57th Legislature

2002 Regular Session

By House Committee on State Government (originally sponsored by Representatives Dickerson, Clements, Romero and Miloscia)

Read first time 01/24/2002. Referred to Committee on .

1 AN ACT Relating to state agency personal service contracting
2 practices; amending RCW 39.29.040; adding new sections to chapter 39.29
3 RCW; providing an effective date; and declaring an emergency.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 39.29 RCW
6 to read as follows:

7 (1) The office of financial management shall adopt uniform
8 guidelines for the effective and efficient management of personal
9 service contracts and client service contracts by all state agencies.
10 The guidelines must, at a minimum, include:

11 (a) Accounting methods, systems, measures, and principles to be
12 used by agencies and contractors;

13 (b) Precontract procedures for selecting potential contractors
14 based on their qualifications and ability to perform;

15 (c) Incorporation of performance measures and measurable benchmarks
16 in contracts, and the use of performance audits;

17 (d) Uniform contract terms to ensure contract performance and
18 compliance with state and federal standards;

1 (e) Proper payment and reimbursement methods to ensure that the
2 state receives full value for taxpayer moneys, including cost
3 settlements and cost allowance;

4 (f) Postcontract procedures, including methods for recovering
5 improperly spent or overspent moneys for disallowance and adjustment;

6 (g) Adequate contract remedies and sanctions to ensure compliance;

7 (h) Monitoring, fund tracking, risk assessment, and auditing
8 procedures and requirements;

9 (i) Financial reporting, record retention, and record access
10 procedures and requirements;

11 (j) Procedures and criteria for terminating contracts for cause or
12 otherwise; and

13 (k) Any other subject related to effective and efficient contract
14 management.

15 (2) The office of financial management shall submit the guidelines
16 required by subsection (1) of this section to the governor and the
17 appropriate standing committees of the legislature no later than
18 December 1, 2002.

19 (3) The office of financial management shall publish a guide book
20 for use by state agencies containing the guidelines required by
21 subsection (1) of this section.

22 NEW SECTION. **Sec. 2.** A new section is added to chapter 39.29 RCW
23 to read as follows:

24 (1) A state agency entering into or renewing personal service
25 contracts or client service contracts shall follow the guidelines
26 required by section 1 of this act.

27 (2) A state agency that has entered into or renewed personal
28 service contracts or client service contracts during a calendar year
29 shall, on or before January 1st of the following calendar year, provide
30 the office of financial management with a report detailing the
31 procedures the agency employed in entering into, renewing, and managing
32 the contracts.

33 (3) The provisions of this section apply to state agencies entering
34 into or renewing contracts after January 1, 2003.

35 NEW SECTION. **Sec. 3.** A new section is added to chapter 39.29 RCW
36 to read as follows:

1 (1) The office of financial management shall provide a training
2 course for agency personnel responsible for executing and managing
3 personal service contracts and client service contracts. The course
4 must contain training on effective and efficient contract management
5 under the guidelines established under section 1 of this act. State
6 agencies shall require agency employees responsible for executing or
7 managing personal service contracts and client service contracts to
8 complete the training course to the satisfaction of the office of
9 financial management. Beginning January 1, 2004, no agency employee
10 may execute or manage personal service contracts or client service
11 contracts unless the employee has completed the training course. Any
12 request for exception to this requirement shall be submitted to the
13 office of financial management in writing and shall be approved by the
14 office of financial management prior to the employee executing or
15 managing the contract.

16 (2)(a) The office of financial management shall conduct risk-based
17 audits of the contracting practices associated with individual personal
18 service and client service contracts from multiple state agencies to
19 ensure compliance with the guidelines established in section 1 of this
20 act. The office of financial management shall conduct the audits
21 according to the following schedule:

22 (i) In fiscal 2003, the office of financial management shall
23 conduct a minimum of eighteen risk-based audits, involving at least six
24 contracts from each of at least three agencies; and

25 (ii) In fiscal 2004 and each fiscal year thereafter, the office of
26 financial management shall conduct a statistically appropriate number
27 of risk-based audits.

28 (b) The office of financial management shall forward the results of
29 the audits conducted under this section to the governor, the
30 appropriate standing committees of the legislature, and the joint
31 legislative audit and review committee.

32 (c) This section does not preclude the office of financial
33 management from conducting additional risk-based audits of the
34 contracting practices of agencies to ensure compliance with the
35 guidelines established in section 1 of this act.

36 NEW SECTION. **Sec. 4.** A new section is added to chapter 39.29 RCW
37 to read as follows:

1 The state auditor and the attorney general shall annually by
2 November 30th of each year provide a collaborative report of contract
3 audit and investigative findings, enforcement actions, and the status
4 of agency resolution to the governor and the policy and fiscal
5 committees of the legislature.

6 **Sec. 5.** RCW 39.29.040 and 1998 c 101 s 7 are each amended to read
7 as follows:

8 This chapter does not apply to:

9 (1) Contracts specifying a fee of less than five thousand dollars
10 if the total of the contracts from that agency with the contractor
11 within a fiscal year does not exceed five thousand dollars;

12 (2) Contracts awarded to companies that furnish a service where the
13 tariff is established by the utilities and transportation commission or
14 other public entity;

15 (3) Intergovernmental agreements awarded to any governmental
16 entity, whether federal, state, or local and any department, division,
17 or subdivision thereof;

18 (4) Contracts awarded for services to be performed for a standard
19 fee, when the standard fee is established by the contracting agency or
20 any other governmental entity and a like contract is available to all
21 qualified applicants;

22 (5) Contracts for services that are necessary to the conduct of
23 collaborative research if prior approval is granted by the funding
24 source;

25 (6) Contracts for client services except as otherwise indicated in
26 this chapter;

27 (7) Contracts for architectural and engineering services as defined
28 in RCW 39.80.020, which shall be entered into under chapter 39.80 RCW;

29 (8) Contracts for the employment of expert witnesses for the
30 purposes of litigation; and

31 (9) Contracts for bank supervision authorized under RCW 30.38.040.

32 NEW SECTION. **Sec. 6.** Section 1 of this act is necessary for the
33 immediate preservation of the public peace, health, or safety, or
34 support of the state government and its existing public institutions,
35 and takes effect immediately.

1 NEW SECTION. **Sec. 7.** Sections 2 and 3 of this act take effect
2 January 1, 2003.

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