

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 1064

Chapter 385, Laws of 2005

(partial veto)

59th Legislature
2005 Regular Session

GOVERNMENT ACCOUNTABILITY--CITIZEN ADVISORY BOARD

EFFECTIVE DATE: 7/24/05

Passed by the House April 19, 2005
Yeas 75 Nays 22

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 7, 2005
Yeas 30 Nays 19

BRAD OWEN

President of the Senate

Approved May 11, 2005, with the
exception of Section 4, which is vetoed.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1064** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

May 11, 2005 - 9:08 a.m.

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 1064

AS AMENDED BY THE SENATE

Passed Legislature - 2005 Regular Session

State of Washington 59th Legislature 2005 Regular Session

By House Committee on State Government Operations & Accountability (originally sponsored by Representatives Miloscia, Nixon, Haigh, Shabro, Green, Hunt, Priest, Linville, Armstrong, Simpson, Bailey, Kenney, Haler, Springer, Chase, Quall, Murray, Wallace, McDermott, Upthegrove, Kilmer, Moeller, Kessler, Appleton, Williams, McCoy, Blake, Dickerson, Conway, Tom, P. Sullivan, Kagi, Morris, Wood, McIntire, Lantz, Hudgins, Ericks, Darneille, Clibborn, Morrell, Takko, O'Brien, Ormsby, McDonald and B. Sullivan)

READ FIRST TIME 01/24/05.

1 AN ACT Relating to improving government performance and
2 accountability; adding new sections to chapter 43.09 RCW; adding a new
3 section to chapter 43.88 RCW; adding a new section to chapter 2.56 RCW;
4 and creating a new section.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that:

7 (1) Citizens demand and deserve accountability of public programs.
8 Public programs must continuously improve in quality, efficiency, and
9 effectiveness in order to increase public trust;

10 (2) Washington state government and other entities that receive tax
11 dollars must continuously improve the way they operate and deliver
12 services so citizens receive maximum value for their tax dollars;

13 (3) An independent citizen advisory board is necessary to ensure
14 that government services, customer satisfaction, program efficiency,
15 and management systems are world class in performance;

16 (4) Fair, independent, professional performance audits of state
17 agencies are essential to improving the efficiency and effectiveness of
18 government; and

1 (5) The performance audit activities of the joint legislative audit
2 and review committee should be supplemented by making fuller use of the
3 state auditor's resources and capabilities.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.09 RCW
5 to read as follows:

6 For purposes of sections 3 through 6, 8, 9, and 11 of this act:

7 (1) "Board" means the citizen advisory board created in section 3
8 of this act.

9 (2) "Draft work plan" means the work plan for conducting
10 performance audits of state agencies proposed by the board and state
11 auditor after the statewide performance review.

12 (3) "Final performance audit report" means a written document
13 jointly released by the citizen advisory board and the state auditor
14 that includes the findings and comments from the preliminary
15 performance audit report.

16 (4) "Final work plan" means the work plan for conducting
17 performance audits of state agencies adopted by the board and state
18 auditor.

19 (5) "Performance audit" means an objective and systematic
20 assessment of a state agency or any of its programs, functions, or
21 activities by an independent evaluator in order to help public
22 officials improve efficiency, effectiveness, and accountability.
23 Performance audits include economy and efficiency audits and program
24 audits.

25 (6) "Preliminary performance audit report" means a written document
26 prepared after the completion of a performance audit to be submitted
27 for comment before the final performance audit report. The preliminary
28 performance audit report must contain the audit findings and any
29 proposed recommendations to improve the efficiency, effectiveness, or
30 accountability of the state agency being audited.

31 (7) "State agency" or "agency" means a state agency, department,
32 office, officer, board, commission, bureau, division, institution, or
33 institution of higher education. "State agency" includes all offices
34 of executive branch state government elected officials.

35 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.09 RCW
36 to read as follows:

1 (1) The citizen advisory board is created to improve efficiency,
2 effectiveness, and accountability in state government.

3 (2) The board shall consist of ten members as follows:

4 (a) One member shall be the state auditor, who shall be a nonvoting
5 member;

6 (b) One member shall be the legislative auditor, who shall be a
7 nonvoting member;

8 (c) One member shall be the director of the office of financial
9 management, who shall be a nonvoting member;

10 (d) Four of the members shall be selected by the governor as
11 follows: Each major caucus of the house of representatives and the
12 senate shall submit a list of three names. The lists may not include
13 the names of members of the legislature or employees of the state. The
14 governor shall select a person from each list provided by each caucus;
15 and

16 (e) The governor shall select three citizen members who are not
17 state employees.

18 (3) The board shall elect a chair. The legislative auditor, the
19 state auditor, and the director of the office of financial management
20 may not serve as chair.

21 (4) Appointees shall be individuals who have a basic understanding
22 of state government operations with knowledge and expertise in
23 performance management, quality management, strategic planning,
24 performance assessments, or closely related fields.

25 (5) Members selected under subsection (2)(d) and (e) of this
26 section shall serve for terms of four years, with the terms expiring on
27 June 30th on the fourth year of the term. However, in the case of the
28 initial members, two members shall serve four-year terms, two members
29 shall serve three-year terms, and one member shall serve a two-year
30 term, with each of the terms expiring on June 30th of the applicable
31 year. Appointees may be reappointed to serve more than one term.

32 (6) The office of the state auditor shall provide clerical,
33 technical, and management personnel to the board to serve as the
34 board's staff.

35 (7) The board shall meet at least once a quarter and may hold
36 additional meetings at the call of the chair or by a majority vote of
37 the members of the board.

1 (8) The members of the board shall be compensated in accordance
2 with RCW 43.03.220 and reimbursed for travel expenses in accordance
3 with RCW 43.03.050 and 43.03.060.

4 ***NEW SECTION.** **Sec. 4.** *A new section is added to chapter 43.09 RCW
5 to read as follows:*

6 *The board shall establish an assessment and performance grading
7 program. The program shall consist of conducting performance
8 assessments and grading state agency performance. Assessments shall be
9 implemented on a phased-in schedule. Initial areas to be assessed
10 shall include quality management, productivity and fiscal efficiency,
11 program effectiveness, contract management and oversight, internal
12 audit, internal and external customer satisfaction, statutory and
13 regulatory compliance, and technology systems and on-line services. As
14 part of this program, the board shall:*

15 *(1) Consult with and seek input from elected officials, state
16 employees including front-line employees, and professionals with a
17 background in performance management for establishing the grading
18 standards. In developing the criteria, the board shall consider
19 already developed best practices and audit criteria used by government
20 or nongovernment organizations. Before the assessment, the agencies
21 shall be given the criteria for the assessment and the standards for
22 grading;*

23 *(2) Contract or partner with those public or private entities that
24 have expertise in developing public sector reviews applying fact-based
25 objective criteria and/or technical expertise in individual assessment
26 areas to perform the assessments and grading of all state agencies.
27 The board may contract or partner with more than one entity for
28 different assessment areas; and*

29 *(3) Submit the results of the assessment and grading program to the
30 governor, the office of financial management, appropriate legislative
31 committees, and the public by December 15th of each year. The results
32 of the assessments and performance grading shall be posted on the
33 internet.*

**Sec. 4 was vetoed. See message at end of chapter.*

34 **NEW SECTION.** **Sec. 5.** *A new section is added to chapter 43.09 RCW
35 to read as follows:*

1 (1) The board and the state auditor shall collaborate with the
2 joint legislative audit and review committee regarding performance
3 audits of state government.

4 (a) The board shall establish criteria for performance audits
5 consistent with the criteria and standards followed by the joint
6 legislative audit and review committee. This criteria shall include,
7 at a minimum, the auditing standards of the United States government
8 accountability office, as well as legislative mandates and performance
9 objectives established by state agencies and the legislature. Mandates
10 include, but are not limited to, agency strategies, timelines, program
11 objectives, and mission and goals as required in RCW 43.88.090.

12 (b) Using the criteria developed in (a) of this subsection, the
13 state auditor shall contract for a statewide performance review to be
14 completed as expeditiously as possible as a preliminary to a draft work
15 plan for conducting performance audits. The board and the state
16 auditor shall develop a schedule and common methodology for conducting
17 these reviews. The purpose of these performance reviews is to identify
18 those agencies, programs, functions, or activities most likely to
19 benefit from performance audits and to identify likely areas warranting
20 early review, taking into account prior performance audits, if any, and
21 prior fiscal audits.

22 (c) The board and the state auditor shall develop the draft work
23 plan for performance audits based on input from citizens, state
24 employees, including front-line employees, state managers, chairs and
25 ranking members of appropriate legislative committees, the joint
26 legislative audit and review committee, public officials, and others.
27 The draft work plan may include a list of agencies, programs, or
28 systems to be audited on a timeline decided by the board and the state
29 auditor based on a number of factors including risk, importance, and
30 citizen concerns. When putting together the draft work plan, there
31 should be consideration of all audits and reports already required. On
32 average, audits shall be designed to be completed as expeditiously as
33 possible.

34 (d) Before adopting the final work plan, the board shall consult
35 with the legislative auditor and other appropriate oversight and audit
36 entities to coordinate work plans and avoid duplication of effort in
37 their planned performance audits of state government agencies. The

1 board shall defer to the joint legislative audit and review committee
2 work plan if a similar audit is included on both work plans for
3 auditing.

4 (e) The state auditor shall contract out for performance audits.
5 In conducting the audits, agency front-line employees and internal
6 auditors should be involved.

7 (f) All audits must include consideration of reports prepared by
8 other government oversight entities.

9 (g) The audits may include:

10 (i) Identification of programs and services that can be eliminated,
11 reduced, consolidated, or enhanced;

12 (ii) Identification of funding sources to the state agency, to
13 programs, and to services that can be eliminated, reduced,
14 consolidated, or enhanced;

15 (iii) Analysis of gaps and overlaps in programs and services and
16 recommendations for improving, dropping, blending, or separating
17 functions to correct gaps or overlaps;

18 (iv) Analysis and recommendations for pooling information
19 technology systems used within the state agency, and evaluation of
20 information processing and telecommunications policy, organization, and
21 management;

22 (v) Analysis of the roles and functions of the state agency, its
23 programs, and its services and their compliance with statutory
24 authority and recommendations for eliminating or changing those roles
25 and functions and ensuring compliance with statutory authority;

26 (vi) Recommendations for eliminating or changing statutes, rules,
27 and policy directives as may be necessary to ensure that the agency
28 carry out reasonably and properly those functions vested in the agency
29 by statute;

30 (vii) Verification of the reliability and validity of agency
31 performance data, self-assessments, and performance measurement systems
32 as required under RCW 43.88.090;

33 (viii) Identification of potential cost savings in the state
34 agency, its programs, and its services;

35 (ix) Identification and recognition of best practices;

36 (x) Evaluation of planning, budgeting, and program evaluation
37 policies and practices;

38 (xi) Evaluation of personnel systems operation and management;

1 (xii) Evaluation of state purchasing operations and management
2 policies and practices; and

3 (xiii) Evaluation of organizational structure and staffing levels,
4 particularly in terms of the ratio of managers and supervisors to
5 nonmanagement personnel.

6 (h) The state auditor must solicit comments on preliminary
7 performance audit reports from the audited state agency, the office of
8 the governor, the office of financial management, the board, the chairs
9 and ranking members of appropriate legislative committees, and the
10 joint legislative audit and review committee for comment. Comments
11 must be received within thirty days after receipt of the preliminary
12 performance audit report unless a different time period is approved by
13 the state auditor. All comments shall be incorporated into the final
14 performance audit report. The final performance audit report shall
15 include the objectives, scope, and methodology; the audit results,
16 including findings and recommendations; conclusions; and identification
17 of best practices.

18 (i) The board and the state auditor shall jointly release final
19 performance audit reports to the governor, the citizens of Washington,
20 the joint legislative audit and review committee, and the appropriate
21 standing legislative committees. Final performance audit reports shall
22 be posted on the internet.

23 (j) For institutions of higher education, performance audits shall
24 not duplicate, and where applicable, shall make maximum use of existing
25 audit records, accreditation reviews, and performance measures required
26 by the office of financial management, the higher education
27 coordinating board, and nationally or regionally recognized
28 accreditation organizations including accreditation of hospitals
29 licensed under chapter 70.41 RCW and ambulatory care facilities.

30 (2) The citizen board created under RCW 44.75.030 shall be
31 responsible for performance audits for transportation related agencies
32 as defined under RCW 44.75.020.

33 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.09 RCW
34 to read as follows:

35 If the legislative authority of a local jurisdiction requests a
36 performance audit of programs under its jurisdiction, the state auditor

1 has the discretion to conduct such a review under separate contract and
2 funded by local funds.

3 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.88 RCW
4 to read as follows:

5 In addition to the authority given the state auditor in RCW
6 43.88.160(6), the state auditor is authorized to contract for and
7 oversee performance audits pursuant to section 5 of this act.

8 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.09 RCW
9 to read as follows:

10 By June 30, 2007, and each four years thereafter, the joint
11 legislative audit and review committee shall contract with a private
12 entity for a performance audit of the performance audit program
13 established in section 5 of this act and the board's responsibilities
14 under the performance audit program.

15 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.09 RCW
16 to read as follows:

17 The audited agency is responsible for follow-up and corrective
18 action on all performance audit findings and recommendations. The
19 audited agency's plan for addressing each audit finding and
20 recommendation shall be included in the final audit report. The plan
21 shall provide the name of the contact person responsible for each
22 action, the action planned, and the anticipated completion date. If
23 the audited agency does not agree with the audit findings and
24 recommendations or believes action is not required, then the action
25 plan shall include an explanation and specific reasons.

26 For agencies under the authority of the governor, the governor may
27 require periodic progress reports from the audited agency until all
28 resolution has occurred.

29 For agencies under the authority of an elected official other than
30 the governor, the appropriate elected official may require periodic
31 reports of the action taken by the audited agency until all resolution
32 has occurred.

33 The board may request status reports on specific audits or
34 findings.

1 NEW SECTION. **Sec. 10.** A new section is added to chapter 2.56 RCW
2 to read as follows:

3 The office of the administrator for the courts is encouraged to
4 conduct performance audits of courts under the authority of the supreme
5 court, in conformity with criteria and methods developed by the board
6 for judicial administration that have been approved by the supreme
7 court. In developing criteria and methods for conducting performance
8 audits, the board for judicial administration is encouraged to consider
9 quality improvement programs, audits, and scoring. The judicial branch
10 is encouraged to submit the results of these efforts to the chief
11 justice of the supreme court or his or her designee, and with any other
12 applicable boards or committees established under the authority of the
13 supreme court to oversee government accountability.

14 NEW SECTION. **Sec. 11.** A new section is added to chapter 43.09 RCW
15 to read as follows:

16 (1) Each biennium the legislature shall appropriate such sums as
17 may be necessary, not to exceed an amount equal to two one-hundredths
18 of one percent of the total general fund state appropriation in that
19 biennium's omnibus operating appropriations act for purposes of the
20 performance review, performance audits, and activities of the board
21 authorized by this chapter.

22 (2) The board and the state auditor shall submit recommended
23 budgets for their responsibilities under sections 2 through 6, 8, and
24 9 of this act to the auditor, who shall then prepare a consolidated
25 budget request, in the form of request legislation, to assist in
26 determining the funding under subsection (1) of this section.

 Passed by the House April 19, 2005.

 Passed by the Senate April 7, 2005.

 Approved by the Governor May 11, 2005, with the exception of
 certain items that were vetoed.

 Filed in Office of Secretary of State May 11, 2005.

Note: Governor's explanation of partial veto is as follows:

"I am returning, without my approval as to Section 4, Engrossed
Substitute House Bill No. 1064 entitled:

"AN ACT Relating to improving government performance and
accountability."

This bill is an important step in strengthening accountability in
state government agencies. Alongside the Government Management,
Accountability, and Performance program (GMAP), the statewide
performance audits contemplated in this bill usher in a new era of
responsible state governance.

In discussion with our State Auditor, I have decided to veto Section 4 of this bill due to funding considerations. Section 4 establishes an assessment and grading program, and authorizes the citizen advisory board to contract each year for an assessment and grading of all agency management systems, as well as all agency technology, procurement, compliance monitoring, on-line contracting and internal audit systems. The performance assessment and grading program, if implemented in all agencies every year in a meaningful way, is likely to quickly exhaust the appropriated funding for performance audits.

In addition, with the passage of House Bill 1970, all agencies will be required to apply for an independent assessment of their management systems every three years. The assessments that would result will identify strengths and weaknesses in each agency's management systems, and will give agencies more actionable feedback on a regular basis. Section 4 of Engrossed Substitute House Bill No. 1064 therefore duplicates efforts that will be accomplished more costeffectively under House Bill 1970.

For these reasons, I have vetoed Section 4 of Engrossed Substitute House Bill No. 1064.

With the exception of Section 4, Engrossed Substitute House Bill No. 1064 is approved."