

2 2SHB 1298 - S AMD - 000279

3 By Senator Erwin

4 On page 4, after line 19 insert the following:

5 "NEW SECTION. **Sec. 5.** (1) The state auditor shall undertake a
6 comprehensive, state-wide performance audit of school districts and
7 programs, services, and activities operated by those agencies.

8 (2) The audit must include:

9 (a) An evaluation of the efficiency with which school districts
10 operate the programs under their jurisdictions and fulfill the duties
11 assigned to them by law;

12 (b) A determination of methods to maximize the amount of federal
13 funds received by the school districts in order to better ensure that
14 the people of Washington receive a greater share of the taxes levied on
15 them by the federal government;

16 (c) Identification of potential cost savings and of any district or
17 any program or service now offered by a school district that can be
18 eliminated or transferred to the private sector without injury to the
19 public good and well-being;

20 (d) Recommendations for the elimination of or reduction in funding
21 to various school districts, programs, or services based on the results
22 of the performance audit; and

23 (e) Analysis of gaps and overlaps in programs offered by school
24 districts in relation to educational service districts and
25 recommendations for improving, dropping, blending, or separating
26 functions to correct gaps or overlaps.

27 (3) The state auditor may require any school district to provide
28 information required for completion of the audit, and each state agency
29 shall fully and completely cooperate with the state auditor for the
30 purposes of this section.

31 (4) The office of the state auditor shall provide the staff
32 necessary for the audit. The state auditor shall involve private
33 sector auditors in conducting the audit, and may contract with private
34 sector auditors for that purpose.

1 (5) The state auditor shall solicit suggestions for improving
2 government performance from both front-line school district employees
3 and government service recipients in the conduct of the audit. The
4 state auditor shall establish a toll-free telephone number at which the
5 public may make suggestions and report government waste, in order to
6 aid the identification of both waste and innovation.

7 (6) The state auditor shall present an audit work plan to the
8 legislative budget committee within sixty days of the effective date of
9 this act. The state auditor shall present the audit report to the
10 legislature and the governor by December 1, 1995.

11 **Sec. 6.** RCW 43.88.160 and 1993 c 500 s 7, 1993 c 406 s 4, and 1993
12 c 194 s 6 are each reenacted and amended to read as follows:

13 This section sets forth the major fiscal duties and
14 responsibilities of officers and agencies of the executive branch. The
15 regulations issued by the governor pursuant to this chapter shall
16 provide for a comprehensive, orderly basis for fiscal management and
17 control, including efficient accounting and reporting therefor, for the
18 executive branch of the state government and may include, in addition,
19 such requirements as will generally promote more efficient public
20 management in the state.

21 (1) Governor; director of financial management. The governor,
22 through the director of financial management, shall devise and
23 supervise a modern and complete accounting system for each agency to
24 the end that all revenues, expenditures, receipts, disbursements,
25 resources, and obligations of the state shall be properly and
26 systematically accounted for. The accounting system shall include the
27 development of accurate, timely records and reports of all financial
28 affairs of the state. The system shall also provide for central
29 accounts in the office of financial management at the level of detail
30 deemed necessary by the director to perform central financial
31 management. The director of financial management shall adopt and
32 periodically update an accounting procedures manual. Any agency
33 maintaining its own accounting and reporting system shall comply with
34 the updated accounting procedures manual and the rules of the director
35 adopted under this chapter. An agency may receive a waiver from
36 complying with this requirement if the waiver is approved by the
37 director. Waivers expire at the end of the fiscal biennium for which
38 they are granted. The director shall forward notice of waivers granted

1 to the appropriate legislative fiscal committees. The director of
2 financial management may require such financial, statistical, and other
3 reports as the director deems necessary from all agencies covering any
4 period.

5 (2) The director of financial management is responsible for
6 quarterly reporting of primary operating budget drivers such as
7 applicable workloads, caseload estimates, and appropriate unit cost
8 data. These reports shall be transmitted to the legislative fiscal
9 committees or by electronic means to the legislative evaluation and
10 accountability program committee. Quarterly reports shall include
11 actual monthly data and the variance between actual and estimated data
12 to date. The reports shall also include estimates of these items for
13 the remainder of the budget period.

14 (3) The director of financial management shall report at least
15 annually to the appropriate legislative committees regarding the status
16 of all appropriated capital projects, including transportation
17 projects, showing significant cost overruns or underruns. If funds are
18 shifted from one project to another, the office of financial management
19 shall also reflect this in the annual variance report. Once a project
20 is complete, the report shall provide a final summary showing estimated
21 start and completion dates of each project phase compared to actual
22 dates, estimated costs of each project phase compared to actual costs,
23 and whether or not there are any outstanding liabilities or unsettled
24 claims at the time of completion.

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

27 (a) Develop and maintain a system of internal controls and internal
28 audits comprising methods and procedures to be adopted by each agency
29 that will safeguard its assets, check the accuracy and reliability of
30 its accounting data, promote operational efficiency, and encourage
31 adherence to prescribed managerial policies for accounting and
32 financial controls. The system developed by the director shall include
33 criteria for determining the scope and comprehensiveness of internal
34 controls required by classes of agencies, depending on the level of
35 resources at risk.

36 Each agency head or authorized designee shall be assigned the
37 responsibility and authority for establishing and maintaining internal
38 audits following the standards of internal auditing of the institute of
39 internal auditors;

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

6 (c) Establish policies for allowing the contracting of child care
7 services;

8 (d) Report to the governor with regard to duplication of effort or
9 lack of coordination among agencies;

10 (e) Review any pay and classification plans, and changes
11 thereunder, developed by any agency for their fiscal impact: PROVIDED,
12 That none of the provisions of this subsection shall affect merit
13 systems of personnel management now existing or hereafter established
14 by statute relating to the fixing of qualifications requirements for
15 recruitment, appointment, or promotion of employees of any agency. The
16 director shall advise and confer with agencies including appropriate
17 standing committees of the legislature as may be designated by the
18 speaker of the house and the president of the senate regarding the
19 fiscal impact of such plans and may amend or alter said plans, except
20 that for the following agencies no amendment or alteration of said
21 plans may be made without the approval of the agency concerned:
22 Agencies headed by elective officials;

23 (f) Fix the number and classes of positions or authorized man years
24 of employment for each agency and during the fiscal period amend the
25 determinations previously fixed by the director except that the
26 director shall not be empowered to fix said number or said classes for
27 the following: Agencies headed by elective officials;

28 (g) Provide for transfers and repayments between the budget
29 stabilization account and the general fund as directed by appropriation
30 and RCW 43.88.525 through 43.88.540;

31 (h) Adopt rules to effectuate provisions contained in (a) through
32 (g) of this subsection.

33 (5) The treasurer shall:

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

1 (b) Receive, disburse, or transfer public funds under the
2 treasurer's supervision or custody;

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

5 (d) Coordinate agencies' acceptance and use of credit cards and
6 other payment methods, if the agencies have received authorization
7 under RCW 43.41.180;

8 (e) Perform such other duties as may be required by law or by
9 regulations issued pursuant to this law.

10 It shall be unlawful for the treasurer to disburse public funds in
11 the treasury except upon forms or by alternative means duly prescribed
12 by the director of financial management. These forms or alternative
13 means shall provide for authentication and certification by the agency
14 head or the agency head's designee that the services have been rendered
15 or the materials have been furnished; or, in the case of loans or
16 grants, that the loans or grants are authorized by law; or, in the case
17 of payments for periodic maintenance services to be performed on state
18 owned equipment, that a written contract for such periodic maintenance
19 services is currently in effect and copies thereof are on file with the
20 office of financial management; and the treasurer shall not be liable
21 under the treasurer's surety bond for erroneous or improper payments so
22 made. When services are lawfully paid for in advance of full
23 performance by any private individual or business entity other than as
24 provided for by RCW 42.24.035, such individual or entity other than
25 central stores rendering such services shall make a cash deposit or
26 furnish surety bond coverage to the state as shall be fixed in an
27 amount by law, or if not fixed by law, then in such amounts as shall be
28 fixed by the director of the department of general administration but
29 in no case shall such required cash deposit or surety bond be less than
30 an amount which will fully indemnify the state against any and all
31 losses on account of breach of promise to fully perform such services.
32 No payments shall be made in advance for any equipment maintenance
33 services to be performed more than three months after such payment.
34 Any such bond so furnished shall be conditioned that the person, firm
35 or corporation receiving the advance payment will apply it toward
36 performance of the contract. The responsibility for recovery of
37 erroneous or improper payments made under this section shall lie with
38 the agency head or the agency head's designee in accordance with
39 regulations issued pursuant to this chapter. Nothing in this section

1 shall be construed to permit a public body to advance funds to a
2 private service provider pursuant to a grant or loan before services
3 have been rendered or material furnished.

4 (6) The state auditor shall:

5 (a) Report to the legislature the results of current post audits
6 that have been made of the financial transactions of each agency; to
7 this end the auditor may, in the auditor's discretion, examine the
8 books and accounts of any agency, official or employee charged with the
9 receipt, custody or safekeeping of public funds. Where feasible in
10 conducting examinations, the auditor shall utilize data and findings
11 from the internal control system prescribed by the office of financial
12 management. The current post audit of each agency may include a
13 section on recommendations to the legislature as provided in (c) of
14 this subsection.

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

17 (c) Make the auditor's official report on or before the thirty-
18 first of December which precedes the meeting of the legislature. The
19 report shall be for the last complete fiscal period and shall include
20 determinations as to whether agencies, in making expenditures, complied
21 with the laws of this state. Other than for school district
22 performance audits authorized under section 5, ((F))the state auditor
23 is authorized to perform or participate in performance audits only as
24 expressly authorized by the legislature in the omnibus biennial
25 appropriations acts. A performance audit for the purpose of this
26 section is the examination of the effectiveness of the administration,
27 its efficiency, and its adequacy in terms of the programs of
28 departments or agencies as previously approved by the legislature.
29 The state auditor, upon completing an audit for legal and financial
30 compliance under chapter 43.09 RCW, may report to the legislative
31 budget committee or other appropriate committees of the legislature, in
32 a manner prescribed by the legislative budget committee, on facts
33 relating to the management or performance of governmental programs
34 where such facts are discovered incidental to the legal and financial
35 audit. The auditor may make such a report to a legislative committee
36 only if the auditor has determined that the agency has been given an
37 opportunity and has failed to resolve the management or performance
38 issues raised by the auditor. If the auditor makes a report to a
39 legislative committee, the agency may submit to the committee a

1 response to the report. Other than for school district performance
2 audits authorized under section 5, ((F))this subsection (6) shall not
3 be construed to authorize the auditor to allocate other than de minimis
4 resources to performance audits except as expressly authorized in the
5 appropriations acts.

6 (d) Be empowered to take exception to specific expenditures that
7 have been incurred by any agency or to take exception to other
8 practices related in any way to the agency's financial transactions and
9 to cause such exceptions to be made a matter of public record,
10 including disclosure to the agency concerned and to the director of
11 financial management. It shall be the duty of the director of
12 financial management to cause corrective action to be taken promptly,
13 such action to include, as appropriate, the withholding of funds as
14 provided in RCW 43.88.110.

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

16 (f) Investigate improper governmental activity under chapter 42.40
17 RCW.

18 (7) The legislative budget committee may:

19 (a) Make post audits of the financial transactions of any agency
20 and management surveys and program reviews as provided for in RCW
21 44.28.085 as well as performance audits and program evaluations. To
22 this end the committee may in its discretion examine the books,
23 accounts, and other records of any agency, official, or employee.

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

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

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

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

37 **Sec. 7.** RCW 43.88.090 and 1993 c 406 s 3 are each amended to read
38 as follows:

1 (1) For purposes of developing budget proposals to the legislature,
2 the governor shall have the power, and it shall be the governor's duty,
3 to require from proper agency officials such detailed estimates and
4 other information in such form and at such times as the governor shall
5 direct. The estimates for the legislature and the judiciary shall be
6 transmitted to the governor and shall be included in the budget without
7 revision. The estimates for state pension contributions shall be based
8 on the rates provided in chapter 41.45 RCW. Copies of all such
9 estimates shall be transmitted to the standing committees on ways and
10 means of the house and senate at the same time as they are filed with
11 the governor and the office of financial management.

12 The estimates shall include statements or tables which indicate, by
13 agency, the state funds which are required for the receipt of federal
14 matching revenues. The estimates shall be revised as necessary to
15 reflect legislative enactments and adopted appropriations and shall be
16 included with the initial biennial allotment submitted under RCW
17 43.88.110. The estimates shall include consideration of
18 recommendations made by the state auditor pursuant to the performance
19 audit authorized under section 5.

20 (2) It is the policy of the state that each state agency define its
21 mission and establish measurable goals for achieving desirable results
22 for those who receive its services. This section shall not be
23 construed to require an agency to develop a new mission or goals in
24 place of identifiable missions or goals that meet the intent of this
25 section. State agencies should involve affected groups and individuals
26 in developing their missions and goals.

27 (3) For the purpose of assessing program performance, each state
28 agency shall establish program objectives for each major program in its
29 budget. The objectives shall be consistent with the missions and goals
30 developed under this section. The objectives shall be expressed to the
31 extent practicable in outcome-based, objective, and measurable form
32 unless permitted by the office of financial management to adopt a
33 different standard.

34 (4) In concert with legislative and executive agencies, the office
35 of financial management shall develop a plan for using these outcome-
36 based objectives in the evaluation of agency performance for improved
37 accountability of state government. Any elements of the plan requiring
38 legislation shall be submitted to the legislature no later than
39 November 30, 1994.

1 (5) In the year of the gubernatorial election, the governor shall
2 invite the governor-elect or the governor-elect's designee to attend
3 all hearings provided in RCW 43.88.100; and the governor shall furnish
4 the governor-elect or the governor-elect's designee with such
5 information as will enable the governor-elect or the governor-elect's
6 designee to gain an understanding of the state's budget requirements.
7 The governor-elect or the governor-elect's designee may ask such
8 questions during the hearings and require such information as the
9 governor-elect or the governor-elect's designee deems necessary and may
10 make recommendations in connection with any item of the budget which,
11 with the governor-elect's reasons therefor, shall be presented to the
12 legislature in writing with the budget document. Copies of all such
13 estimates and other required information shall also be submitted to the
14 standing committees on ways and means of the house and senate."

15 **2SHB 1298** - S AMD
16 By Senator Erwin

17 On page 1, line 2, after "84.52.056," strike "and"

18 On page 1, line 2, after "39.36.020:" insert "and 43.88.090;
19 reenacting and amending RCW 43.88.160; creating a new section;"

20 --- END ---

21 **EFFECT:** Authorizes state auditor to audit school districts for
22 performance, including efficiency in use of funds.