

# SENATE BILL REPORT

## ESSB 5607

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As Passed Senate, March 14, 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:** Ways & Means: 2/27/95, 3/6/95 [DPS].  
Passed Senate, 3/14/95, 46-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5607 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Gaspard, Hargrove, Hochstatter, Johnson, Long, Moyer, Pelz, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

**Staff:** Stan Pynch (786-7512)

**Background:** Authority and responsibility for performance assessment, performance audits, and performance improvement is vested in a number of agencies within state government.

The Legislature created the Washington Performance Partnership (WPP) in 1994, setting forth the expectation that Washington State government be the most effective and best performing state government in the United States, measured in terms of quality of customer service, accountability for cost-effective services, and productivity. The WPP is a two-tracked process for the long-term improvement of state government. The first area of effort is to clarify the purpose, goals, basic services, priorities, and values of state government, consistent with the desires of the public. The second area of effort is a focus on improving performance of programs and services by clarifying objectives, measuring performance, analyzing and improving processes, redesigning systems, and removing barriers to performance.

In addition, the Legislative Budget Committee is authorized to conduct performance audits, program evaluations, and management surveys, all of which are intended to provide independent examination of agency and program performance, along with recommendations for improvement.

Currently, the State Auditor is authorized to conduct performance verifications to verify the accuracy of measurements and reports used by agencies in measuring their performance.

Such performance verifications must be specifically authorized by the Legislature in the omnibus biennial appropriations act.

**Summary of Bill:** The Legislative Budget Committee and the Legislative Evaluation and Accountability Program Committee are consolidated and re-constituted into a new Joint Committee on Performance Audits. The 12-member committee consists of an even number of House and Senate and minority and majority party members: the minority and majority leaders of each house, the chairs and ranking minority members of the appropriations committees of each house, and four additional members, one from each caucus.

An executive committee consisting of the minority and majority leaders of each house appoints a director who will be employed through a three-year contract, renewable at the end of each year by an affirmative vote of three of the four members. The director establishes and manages the Legislative Office of Performance Audit and Fiscal Analysis.

The director has primary responsibility for performance audits of state agencies, programs, and activities, including any unit of local government receiving state funds. The director is required to work in consultation with the State Auditor to conduct performance audits. As authorized by the Legislature in the annual audit plan or the budget bill, the State Auditor is authorized to participate in or perform performance audits, with findings submitted to the Director of the Legislative Office. The director is also required to use other private and public sector expertise when necessary, and to involve front-line employees in the performance audit process.

Performance audit is defined as an objective and systematic assessment of state agencies and programs by an independent evaluator in order to improve efficiency, effectiveness, and accountability. In conducting performance audits subject to an annual audit plan, the director may be required to: (1) determine whether an agency or program is using its resources economically and efficiently, (2) identify causes of inefficient or uneconomical practices, (3) determine the extent to which an agency or program is achieving desired results, (4) identify causes for not achieving results, (5) examine costs and benefits of agency programs, (6) identify alternative service delivery options, and (7) identify gaps and overlaps in service delivery, along with corrective action.

The bill requires that expenditures for each agency be thoroughly examined, without consideration as to whether expenditures are included in the base or are incremental changes to the base. The zero-base review must identify staff and costs associated with each discreet program, function, and activity of an agency, including administrative staffing levels and an estimate of the amount of funds that reach the intended recipients of the program or activity.

The Legislative Office also conducts independent review and analysis of fiscal notes, working with agencies to develop cost estimates that accurately reflect the intent of the proposed legislation, or submitting an alternative to the agency estimates. The director must approve all fiscal notes submitted to standing committees of the Legislature.

The Joint Committee on Performance Audits is required to develop an annual performance audit plan prior to the completion of each legislative session. The plan identifies agencies and programs subject to audit in the subsequent year, along with the respective roles of the Legislative Office, the State Auditor, and other public and private sector experts.

The Performance Audit Revolving Fund is created, allowing the cost of performance audits to be partially or wholly charged to the audited agency. The fund is subject to appropriation.

**Appropriation:** None.

**Fiscal Note:** Requested on February 20, 1995.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Citizens expect accountability from state government. Performance audits are a valuable means to provide accountability. The State Auditor will bring value to the process. If programs don't produce results, they should not be continued. The legislation provides oversight through the auditor committee.

**Testimony Against:** None.

**Testified:** Brian Sonntag, State Auditor.

**House Amendment(s):** Subject to funding in the omnibus appropriations act, 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 audits 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 program or service now offered by an agency 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 audits. The auditor must involve private sector professionals and other experts in conducting the audits, and may contract with them for conducting the audits.

The auditor may require any state agency to provide information to complete the audits. The auditor must solicit suggestions for improving government performance from both public

employees and recipients of the government services as part of the audits. 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.