

SENATE BILL REPORT

SB 5607

As Reported By Senate Committee On:
Ways & Means, March 6, 1995

Title: An act relating to performance audits of state government.

Brief Description: Auditing state government.

Sponsors: 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].

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 Substitute 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.

The definition of performance audit is essentially the same as the original bill and, subject to an annual audit plan, may require the director 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 substitute 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.

Substitute Bill Compared to Original Bill: The primary responsibility for performance audits is given to the Director of the new joint Legislative Office of Performance Audit and Fiscal Analysis, rather than the State Auditor. The director is required to work in consultation with the State Auditor.

A new Joint Committee on Performance Audits is responsible to hire the director and to develop an annual performance audit plan. The Legislative Budget Committee and the Legislative Evaluation and Accountability Program Committee are consolidated to create the new committee.

Zero-based budget reviews are included as a part of the responsibilities of the joint Legislative Office, along with independent review and approval of all fiscal notes used in committees of the Senate and House.

A revolving fund is established to recover all or a portion of the costs of performance audits and zero-based budget reviews, 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.