

2 HB 1835 - S COMM AMD  
3 By Committee on Ways & Means

4 ADOPTED 3/4/98

5 Strike everything after the enacting clause and insert the  
6 following:

7 "Sec. 1. RCW 43.88.160 and 1997 c 168 s 6 are each amended to read  
8 as follows:

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

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

1 reports as the director deems necessary from all agencies covering any  
2 period.

3 (2) Except as provided in chapter 43.88C RCW, the director of  
4 financial management is responsible for quarterly reporting of primary  
5 operating budget drivers such as applicable workloads, caseload  
6 estimates, and appropriate unit cost data. These reports shall be  
7 transmitted to the legislative fiscal committees or by electronic means  
8 to the legislative evaluation and accountability program committee.  
9 Quarterly reports shall include actual monthly data and the variance  
10 between actual and estimated data to date. The reports shall also  
11 include estimates of these items for the remainder of the budget  
12 period.

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

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

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

35 Each agency head or authorized designee shall be assigned the  
36 responsibility and authority for establishing and maintaining internal  
37 audits following the standards of internal auditing of the institute of  
38 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) Adopt rules to effectuate provisions contained in (a) through  
29 (f) of this subsection.

30 (5) The treasurer shall:

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

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

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

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

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

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

39 (6) The state auditor shall:

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

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

13 (c) Make the auditor's official report on or before the thirty-  
14 first of December which precedes the meeting of the legislature. The  
15 report shall be for the last complete fiscal period and shall include  
16 determinations as to whether agencies, in making expenditures, complied  
17 with the laws of this state. The state auditor is authorized to  
18 perform or participate in performance verifications and performance  
19 audits as expressly authorized by the legislature in the omnibus  
20 biennial appropriations acts or in the performance audit work plan  
21 approved by the joint legislative audit and review committee. The  
22 state auditor, upon completing an audit for legal and financial  
23 compliance under chapter 43.09 RCW or a performance verification, may  
24 report to the joint legislative audit and review committee or other  
25 appropriate committees of the legislature, in a manner prescribed by  
26 the joint legislative audit and review committee, on facts relating to  
27 the management or performance of governmental programs where such facts  
28 are discovered incidental to the legal and financial audit or  
29 performance verification. The auditor may make such a report to a  
30 legislative committee only if the auditor has determined that the  
31 agency has been given an opportunity and has failed to resolve the  
32 management or performance issues raised by the auditor. If the auditor  
33 makes a report to a legislative committee, the agency may submit to the  
34 committee a response to the report. This subsection (6) shall not be  
35 construed to authorize the auditor to allocate other than de minimis  
36 resources to performance audits except as expressly authorized in the  
37 appropriations acts or in the performance audit work plan. The results  
38 of a performance audit conducted by the state auditor that has been

1 requested by the joint legislative audit and review committee must only  
2 be transmitted to the joint legislative audit and review committee.

3 (d) Be empowered to take exception to specific expenditures that  
4 have been incurred by any agency or to take exception to other  
5 practices related in any way to the agency's financial transactions and  
6 to cause such exceptions to be made a matter of public record,  
7 including disclosure to the agency concerned and to the director of  
8 financial management. It shall be the duty of the director of  
9 financial management to cause corrective action to be taken  
10 (~~promptly~~) within six months, such action to include, as appropriate,  
11 the withholding of funds as provided in RCW 43.88.110. The director of  
12 financial management shall annually report by December 31st the status  
13 of audit resolution to the appropriate committees of the legislature,  
14 the state auditor, and the attorney general. The director of financial  
15 management shall include in the audit resolution report actions taken  
16 as a result of an audit including, but not limited to, types of  
17 personnel actions, costs and types of litigation, and value of recouped  
18 goods or services.

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

20 (f) Investigate improper governmental activity under chapter 42.40  
21 RCW.

22 (7) The joint legislative audit and review committee may:

23 (a) Make post audits of the financial transactions of any agency  
24 and management surveys and program reviews as provided for in chapter  
25 44.28 RCW as well as performance audits and program evaluations. To  
26 this end the joint committee may in its discretion examine the books,  
27 accounts, and other records of any agency, official, or employee.

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

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

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

37 (ii) Such plans as it deems expedient for the support of the  
38 state's credit, for lessening expenditures, for promoting frugality and

1 economy in agency affairs, and generally for an improved level of  
2 fiscal management."

3 **HB 1835** - S COMM AMD  
4 By Committee on Ways & Means

ADOPTED 3/4/98

5  
6 On page 1, line 1 of the title, after "reports;" strike the  
7 remainder of the title and insert "and amending RCW 43.88.160."

--- END ---