
SECOND SUBSTITUTE HOUSE BILL 2738

State of Washington**56th Legislature****2000 Regular Session**

By House Committee on Appropriations (originally sponsored by Representatives Dickerson, Clements, Romero and Miloscia)

Read first time 02/08/2000. Referred to Committee on .

1 AN ACT Relating to state agency personal service contracting
2 practices; amending RCW 39.29.040; adding new sections to chapter 39.29
3 RCW; adding new sections to chapter 43.131 RCW; creating a new section;
4 providing an effective date; and declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 39.29 RCW
7 to read as follows:

8 (1) The office of financial management shall adopt uniform
9 guidelines for the effective and efficient management of personal
10 service contracts and client service contracts by all state agencies.
11 The guidelines must, at a minimum, include:

12 (a) Accounting methods, systems, measures, and principles to be
13 used by agencies and contractors;

14 (b) Precontract procedures for selecting potential contractors
15 based on their qualifications and ability to perform;

16 (c) Incorporation of performance measures and measurable benchmarks
17 in contracts, and the use of performance audits;

18 (d) Uniform contract terms to ensure contract performance and
19 compliance with state and federal standards;

1 (e) Proper payment and reimbursement methods to ensure that the
2 state receives full value for taxpayer moneys, including cost
3 settlements and cost allowance;

4 (f) Post-contract procedures, including methods for recovering
5 improperly spent or overspent moneys for disallowance and adjustment;

6 (g) Adequate contract remedies and sanctions to ensure compliance;

7 (h) Monitoring, fund tracking, risk assessment, and auditing
8 procedures and requirements;

9 (i) Financial reporting, record retention, and record access
10 procedures and requirements;

11 (j) Procedures and criteria for terminating contracts for cause or
12 otherwise; and

13 (k) Any other subject related to effective and efficient contract
14 management.

15 (2) The office of financial management shall submit the guidelines
16 required by subsection (1) of this section to the governor and the
17 appropriate standing committees of the legislature no later than
18 December 1, 2000.

19 (3) The office of financial management shall publish a guide book
20 for use by state agencies containing the guidelines required by
21 subsection (1) of this section.

22 NEW SECTION. **Sec. 2.** A new section is added to chapter 39.29 RCW
23 to read as follows:

24 (1) A state agency entering into or renewing personal service
25 contracts or client service contracts shall follow the guidelines
26 required by section 1 of this act.

27 (2) A state agency that has entered into or renewed personal
28 service contracts or client service contracts during a calendar year
29 shall, on or before January 1 of the following calendar year, provide
30 the office of financial management with a report detailing the
31 procedures the agency employed in entering into, renewing, and managing
32 the contracts.

33 (3) The provisions of this section apply to state agencies entering
34 into or renewing contracts after January 1, 2001.

35 NEW SECTION. **Sec. 3.** A new section is added to chapter 39.29 RCW
36 to read as follows:

1 (1) The office of financial management shall provide a training
2 course for agency personnel responsible for executing and managing
3 personal service contracts and client service contracts. The course
4 must contain training on effective and efficient contract management
5 under the guidelines established under section 1 of this act. State
6 agencies shall require agency employees responsible for executing or
7 managing personal service contracts and client service contracts to
8 complete the training course to the satisfaction of the office of
9 financial management. Beginning January 1, 2002, no agency employee
10 may execute or manage personal service contracts or client service
11 contracts unless the employee has completed the training course. Any
12 request for exception to this requirement shall be submitted to the
13 office of financial management in writing and shall be approved by the
14 office of financial management prior to the employee executing or
15 managing the contract.

16 (2)(a) The office of financial management shall conduct risk-based
17 audits of the contracting practices of personal service contracts and
18 client service contracts from multiple state agencies entered into or
19 renewed by state agencies to ensure compliance with the guidelines
20 established in section 1 of this act. The office shall conduct the
21 audits according to the following schedule:

22 (i) In fiscal 2001, a minimum of eighteen risk-based audits,
23 involving at least six in each of at least three agencies, shall be
24 conducted on the contracting practices of personal service contracts
25 and client service contracts; and

26 (ii) In fiscal 2002 and each fiscal year thereafter, a
27 statistically appropriate number of risk-based audits shall be
28 conducted annually on the contracting practices of personal service
29 contracts and client service contracts of multiple state agencies.

30 (b) The office of financial management shall forward the results of
31 the audits conducted under this section to the governor, the
32 appropriate standing committees of the legislature, and the joint
33 legislative audit and review committee.

34 (c) This section does not preclude the office of financial
35 management from conducting additional risk-based audits of the
36 contracting practices of agencies to ensure compliance with the
37 guidelines established in section 1 of this act.

1 **NEW SECTION.** **Sec. 4.** A new section is added to chapter 39.29 RCW
2 to read as follows:

3 The state auditor and the attorney general shall annually by
4 November 30th of each year provide a collaborative report of contract
5 audit and investigative findings, enforcement actions, and the status
6 of agency resolution to the governor and the policy and fiscal
7 committees of the legislature.

8 **Sec. 5.** RCW 39.29.040 and 1998 c 101 s 7 are each amended to read
9 as follows:

10 This chapter does not apply to:

11 (1) Contracts specifying a fee of less than five thousand dollars
12 if the total of the contracts from that agency with the contractor
13 within a fiscal year does not exceed five thousand dollars;

14 (2) Contracts awarded to companies that furnish a service where the
15 tariff is established by the utilities and transportation commission or
16 other public entity;

17 (3) Intergovernmental agreements awarded to any governmental
18 entity, whether federal, state, or local and any department, division,
19 or subdivision thereof;

20 (4) Contracts awarded for services to be performed for a standard
21 fee, when the standard fee is established by the contracting agency or
22 any other governmental entity and a like contract is available to all
23 qualified applicants;

24 (5) Contracts for services that are necessary to the conduct of
25 collaborative research if prior approval is granted by the funding
26 source;

27 (6) Contracts for client services except as otherwise indicated in
28 this chapter;

29 (7) Contracts for architectural and engineering services as defined
30 in RCW 39.80.020, which shall be entered into under chapter 39.80 RCW;

31 (8) Contracts for the employment of expert witnesses for the
32 purposes of litigation; and

33 (9) Contracts for bank supervision authorized under RCW 30.38.040.

34 **NEW SECTION.** **Sec. 6.** If specific funding for the purposes of this
35 act, referencing this act by bill or chapter number, is not provided by
36 June 30, 2000, in the omnibus appropriations act, this act is null and
37 void.

1 **NEW SECTION.** **Sec. 7.** Section 1 of this act is necessary for the
2 immediate preservation of the public peace, health, or safety, or
3 support of the state government and its existing public institutions,
4 and takes effect immediately.

5 **NEW SECTION.** **Sec. 8.** Sections 2 and 3 of this act take effect
6 January 1, 2001.

7 **NEW SECTION.** **Sec. 9.** A new section is added to chapter 43.131 RCW
8 to read as follows:

9 The duties and powers of the office of financial management
10 relating to oversight of personal service and client service contracts
11 in sections 1 through 3 of this act shall be terminated on June 30,
12 2006.

13 **NEW SECTION.** **Sec. 10.** A new section is added to chapter 43.131
14 RCW to read as follows:

15 The following acts or parts of acts, as now existing or hereafter
16 amended, are each repealed, effective June 30, 2007:

- 17 (1) Section 1 of this act;
- 18 (2) Section 2 of this act; and
- 19 (3) Section 3 of this act.

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