

1 **SHB 2969 - H AMD Withdrawn March 1, 2002**

2 By Representative Miloscia

3 On page 1, beginning on line 12 strike everything through RCW.-  
4 on page 5, line 22, and insert:

5 NEW SECTION. **Sec. 101.** A new section is added to chapter 47.01  
6 RCW to read as follows:

7 The intent of this act is to create the transportation audit  
8 commission (TAC). A strong, objective, and independent body is  
9 necessary to develop, oversee, and direct a performance audit and  
10 scoring system for all transportation agencies, programs, and systems,  
11 that receive funding from the revenue sources initially authorized in  
12 this act. The office of financial management and the state auditor, in  
13 consultation with the transportation audit commissions, shall audit and  
14 score government entities in order to assist them in developing the  
15 management expertise to continuously improve through continuous  
16 performance review and management leadership.

17 NEW SECTION. **Sec. 102.** A new section is added to chapter 47.01  
18 RCW to read as follows:

19 For the purposes of this act:

20 (1) performance audit- means an objective systematic assessment,  
21 survey, or directed self-assessment of state transportation agencies,  
22 programs, functions, or activities designed to help public officials  
23 demonstrate public accountability. Performance audits shall include,  
24 but not be limited to examination of: (a) quality and process  
25 management practices; (b) independent and effective internal audit  
26 functions; (c) internal and external customer satisfaction; (d) program  
27 and periodic program reviews; (e) financial and fiscal productivity and  
28 efficiency; (f) project and contract management system; and (g)  
29 regulatory and procedural compliance.

30 (2) Transportation agency- means any of the following entities  
31 that receive funding from revenue sources initially authorized by this  
32 act:

33 (a) Any state or local government agency that performs or funds  
34 maintenance, preservation, or improvement work on highways as defined  
35 in RCW 46.04.197;

1 (b) Agencies providing transit or rail service, including but not  
2 limited to public transportation benefit areas, transit agencies  
3 operated by a city, and regional transit authorities;

4 (c) Transportation planning agencies, including but not limited to  
5 metropolitan planning organizations and regional transportation  
6 planning organizations; and

7 (d) Private contractors who obtain contracts with a public  
8 transportation agency that is paid for in whole or in part by funds  
9 from revenue sources initially authorized by this act.

10 NEW SECTION. **Sec. 103.** A new section is added to chapter  
11 47.01 RCW to read as follows:

12 (1) There is hereby created a transportation audit commission  
13 (TAC). The commission will consist of no fewer than five and no more  
14 than nine members appointed by the governor. The members of the  
15 commission must be chosen so the council will have experience and  
16 expertise relating to major civil engineering and construction works  
17 and facilities to include: (a) Design, estimating, contract packaging,  
18 and procurement; (b) construction means and methods and construction  
19 management and administration; (c) project finance, accounting,  
20 controls, and reporting; (d) procedures for obtaining permits and for  
21 assuring regulatory compliance; (e) dispute resolution; (f)  
22 construction work force training and safety; (g) general public  
23 administration; and (h) experience crafting and implementing  
24 environmental mitigation plans. The governor shall designate one of  
25 the appointees as chairman, and may draw on members of the Blue Ribbon  
26 Commission on Transportation for initial appointees.

27 (2) In addition to the criteria TAC members should also  
28 demonstrate knowledge and expertise in auditing, performance  
29 management, quality management, or closely related fields.

30 (3) Each member shall serve a term of four years. No member shall  
31 serve on the commission for more than three consecutive terms. Terms  
32 shall be staggered.

33 (4) The members of the TAC shall be compensated in accordance with  
34 RCW 43.03.220 and reimbursed for travel expenses under RCW 43.03.210  
35 and 43.03.060.

1 (5) The office of financial management shall provide the staff and  
2 resources necessary for implementing sections 101 through 105 of this  
3 act.

4 NEW SECTION. **Sec. 104.** A new section is added to chapter 47.01  
5 RCW to read as follows:

6 The transportation audit commission shall utilize the staff  
7 resources and expertise of the office of financial management and the  
8 state auditor to:

9 (1) Develop audit criteria for performance excellence and a  
10 scoring system for grading overall performance of transportation  
11 agencies, systems, and projects. In developing criteria and a scoring  
12 system, the TAC will consult with and seek input from elected officials  
13 and professionals with a background in performance management. The TAC  
14 will consider already developed best practices and audit criteria used  
15 by government and non-government organizations. Criteria must be  
16 distributed at least one year prior to an audit.

17 (2) Conduct performance audits of transportation agencies;

18 (3) Release audit results to the public and provide public  
19 recognition for outstanding effort. The TAC must report audit results  
20 to the legislature by November 1 of each year;

21 (4) Evaluate all audit findings and identify opportunities to  
22 eliminate agency and program redundancies;

23 (5) Determine the audit jurisdictions of the office of financial  
24 management and the state auditor under this act; and

25 (6) Track transportation agency implementation of suggested  
26 corrective actions.

NEW SECTION. **Sec. 105.** A new section is added to chapter 43.41  
RCW to read as follows:

(1) The director of financial management shall establish a program  
and strategic plan for the conduct of independent performance audits  
and yearly performance scoring of transportation agencies.

(2) The office of financial management may contract with public or  
private entities that have expertise in the conduct of public sector  
reviews to perform the audits and performance scoring. Staff of the

office of financial management or other agency staff may also conduct the audits.

(3) In consultation with the transportation accountability commission, the office of financial management shall develop an implementation plan for a phased-in audit schedule for a program and periodic audit and scoring of transportation agencies, systems, and projects.

(4) The director of financial management shall submit the results of the performance audits, performance scoring, and any necessary implementing legislation to the governor and the legislature by November 1st of each year, and shall release audit results and performance scoring to the public and provide public recognition for outstanding effort.

(5) In consultation with the transportation audit commission, the office of financial management and the state auditor shall collect, disseminate, and share best practices to all transportation agencies.

(6) The director of financial management, in consultation with the transportation audit commission, shall contract for a performance audit of the audit and performance scoring program described in this section by a private professional by November 1, 2004, and every four years thereafter.

NEW SECTION. **Sec. 106.** A new section is added to chapter 47.01 RCW to read as follows:

(1) The state auditor shall establish a program and strategic plan for the conduct of independent performance audits and yearly performance scoring of transportation agencies, systems, and projects. The state auditor's program and strategic plan shall be adopted in consultation with the transportation audit commission created in section 103 of this act.

(2) The state auditor may contract with public or private entities that have expertise in the conduct of public sector reviews to perform the audits and performance scoring. Staff of the state auditor or other agency staff may also conduct the audits.

(3) In consultation with the transportation audit commission, the state auditor shall develop an implementation plan for a phased-in audit schedule for a program and periodic audit and scoring of all transportation agencies.

(4) The state auditor shall submit the results of the performance audits, performance scoring, and any necessary implementing legislation to the governor and the legislature by November first of each year, and shall release audit results and performance scoring to the public and provide public recognition for outstanding effort.

(5) In consultation with the transportation audit commission, the office of financial management and the state auditor shall collect, disseminate, and share best practices to all transportation agencies.

(6) The state auditor, in consultation with the transportation audit commission, shall contract for a performance audit of the audit and performance scoring program described in this section by a private professional by November 1, 2004.

(7) The state auditor shall provide the staff and resources necessary for implementing this section.

NEW SECTION. **Sec. 107.** A new section is added to chapter 43.09 RCW to read as follows:

The state auditor has the authority to conduct performance audits as defined in sections 6 and 7 of this act.

**Sec. 108.** RCW 43.88.160 and 1998 c 135 s 1 are each amended to read as follows:

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

(1) Governor; director of financial management. The governor, through the director of financial management, shall devise and supervise a modern and complete accounting system for each agency to the end that all revenues, expenditures, receipts, disbursements, resources, and obligations of the state shall be properly and systematically accounted for. The accounting system shall include the development of accurate, timely records and reports of all financial affairs of the state. The system shall also provide for central

accounts in the office of financial management at the level of detail deemed necessary by the director to perform central financial management. The director of financial management shall adopt and periodically update an accounting procedures manual. Any agency maintaining its own accounting and reporting system shall comply with the updated accounting procedures manual and the rules of the director adopted under this chapter. An agency may receive a waiver from complying with this requirement if the waiver is approved by the director. Waivers expire at the end of the fiscal biennium for which they are granted. The director shall forward notice of waivers granted to the appropriate legislative fiscal committees. The director of financial management may require such financial, statistical, and other reports as the director deems necessary from all agencies covering any period.

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

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

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

(a) Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each

agency that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies for accounting and financial controls. The system developed by the director shall include criteria for determining the scope and comprehensiveness of internal controls required by classes of agencies, depending on the level of resources at risk.

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

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

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

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

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

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

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

(5) The treasurer shall:

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

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

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

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

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

It shall be unlawful for the treasurer to disburse public funds in the treasury except upon forms or by alternative means duly prescribed by the director of financial management. These forms or alternative means shall provide for authentication and certification by the agency head or the agency head's designee that the services have been rendered or the materials have been furnished; or, in the case of loans or grants, that the loans or grants are authorized by law; or, in the case of payments for periodic maintenance services to be performed on state owned equipment, that a written contract for such periodic maintenance services is currently in effect and copies thereof are on file with the office of financial management; and the treasurer shall not be liable under the treasurer's surety bond for erroneous or improper payments so made. When services are lawfully paid for in advance of full performance by any private individual or business entity other than as provided for by RCW 42.24.035, such individual or entity other than central stores rendering such services shall make a cash deposit or furnish surety bond coverage to the state as shall be fixed in an amount by law, or if not fixed by law, then in such amounts as shall be fixed by the director of the department of general administration but in no case shall such required cash deposit or surety bond be less than an amount which will fully indemnify the state against any and all losses on account of breach of promise to fully perform such services.

No payments shall be made in advance for any equipment maintenance services to be performed more than three months after such payment. Any such bond so furnished shall be conditioned that the person, firm or corporation receiving the advance payment will apply it toward performance of the contract. The responsibility for recovery of erroneous or improper payments made under this section shall lie with the agency head or the agency head's designee in accordance with regulations issued pursuant to this chapter. Nothing in this section shall be construed to permit a public body to advance funds to a private service provider pursuant to a grant or loan before services have been rendered or material furnished.

(6) The state auditor shall:

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

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

(c) Make the auditor's official report on or before the thirty-first of December which precedes the meeting of the legislature. The report shall be for the last complete fiscal period and shall include determinations as to whether agencies, in making expenditures, complied with the laws of this state. The state auditor is authorized to perform or participate in performance verifications and performance audits as expressly authorized by the legislature in the omnibus biennial appropriations acts or in the performance audit work plan approved by the joint legislative audit and review committee. The state auditor, upon completing an audit for legal and financial compliance under chapter 43.09 RCW or a performance verification, may report to the joint legislative audit and review committee or other appropriate committees of the legislature, in a manner prescribed by the joint legislative audit and review committee, on facts relating to the management or performance of governmental programs where such facts

are discovered incidental to the legal and financial audit or performance verification. The auditor may make such a report to a legislative committee only if the auditor has determined that the agency has been given an opportunity and has failed to resolve the management or performance issues raised by the auditor. If the auditor makes a report to a legislative committee, the agency may submit to the committee a response to the report. This subsection (6) shall not be construed to authorize the auditor to allocate other than de minimis resources to performance audits except as expressly authorized in section 6 of this act, in the appropriations acts or in the performance audit work plan. The results of a performance audit conducted by the state auditor that has been requested by the joint legislative audit and review committee must only be transmitted to the joint legislative audit and review committee.

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

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

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

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

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

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

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

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

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

Correct internal references.

Correct the title.

**EFFECT:** Creates transportation audit commission to audit expenditures of additional transportation revenue authorized by underlying bill with the assistance of the state auditor and the office of financial management. Directs the state auditor and the office of financial management to establish a program and strategic plan for the conduct of independent performance audits and yearly performance scoring of transportation agencies in conjunction with the transportation audit commission.