
SECOND SUBSTITUTE HOUSE BILL 1345

State of Washington

57th Legislature

2002 Regular Session

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

Read first time 02/07/2002. 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; providing an effective date; and declaring an emergency.

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

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

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

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

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

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

17 (d) Uniform contract terms to ensure contract performance and
18 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) Postcontract 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, 2002.

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 1st 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, 2003.

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, 2004, 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 associated with individual personal
18 service and client service contracts from multiple state agencies to
19 ensure compliance with the guidelines established in section 1 of this
20 act. The office of financial management shall conduct the number of
21 audits deemed appropriate by the director of the office of financial
22 management based on funding provided.

23 (b) The office of financial management shall forward the results of
24 the audits conducted under this section to the governor, the
25 appropriate standing committees of the legislature, and the joint
26 legislative audit and review committee.

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

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

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

36 This chapter does not apply to:

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

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

7 (3) Intergovernmental agreements awarded to any governmental
8 entity, whether federal, state, or local and any department, division,
9 or subdivision thereof;

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

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

17 (6) Contracts for client services except as otherwise indicated in
18 this chapter;

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

21 (8) Contracts for the employment of expert witnesses for the
22 purposes of litigation; and

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

24 NEW SECTION. **Sec. 6.** Section 1 of this act is necessary for the
25 immediate preservation of the public peace, health, or safety, or
26 support of the state government and its existing public institutions,
27 and takes effect immediately.

28 NEW SECTION. **Sec. 7.** Sections 2 and 3 of this act take effect
29 January 1, 2003.

--- END ---