

# HOUSE BILL REPORT

## HB 1053

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### As Reported by House Committee On:

State Government

**Title:** An act relating to government accountability.

**Brief Description:** Enhancing government accountability.

**Sponsors:** Representatives Miloscia, Armstrong, Haigh, Simpson, Schoesler, Quall, O'Brien, Kirby, Cox, Eickmeyer, Berkey, McCoy, Ruderman, Hatfield, Sullivan, Morris, Linville, Ahern, Veloria, Bush, Conway, Dickerson, Lovick, Fromhold, Dunshee, Gombosky, Kenney, Kagi, Schual-Berke and Campbell.

### Brief History:

#### Committee Activity:

State Government: 1/21/03, 1/23/03 [DPS].

#### Brief Summary of Substitute Bill

- Establishes the Citizen Oversight Board to develop an annual assessment and performance grading program for all state agencies.
- Authorizes the State Auditor to develop and implement a plan for conducting recurring performance audits of government systems and operations.

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### HOUSE COMMITTEE ON STATE GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Haigh, Chair; Miloscia, Vice Chair; Armstrong, Ranking Minority Member; Shabro, Assistant Ranking Minority Member; Hunt, McDermott, Nixon, Tom and Wallace.

**Staff:** Marsha Reilly (786-7135).

### Background:

A number of programs have been instituted to improve government efficiency and accountability.

Legislation was enacted in 1996 establishing a performance based budgeting system for

state agencies. Agencies are expected to: (a) establish mission statements and set goals; (b) develop strategies to achieve goals; (c) set outcome based objectives; (d) provide continuous self-assessment of each program; (e) link budget proposals with their mission statements and goals; and (f) objectively determine the success in achieving goals.

The Governor issued Executive Order 97-03 in 1997 requiring all state agencies to develop and implement programs to improve the quality, efficiency, and effectiveness of public services they provide using quality improvement, business process redesign, employee involvement, and other quality improvement techniques.

The Executive Order established a rules review process for state agencies to periodically review their rules to determine if the rules should be retained, modified, or repealed.

The Productivity Board was established to administer the employee suggestion program and the teamwork incentive program. State agencies are authorized to make employee recognition awards.

The Joint Legislative Audit and Review Committee (JLARC) conducts performance audits. The State Auditor conducts performance audits if the Legislature appropriates moneys for specific performance audits in the state budget.

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### **Summary of Substitute Bill:**

#### **The Citizen Oversight Board**

The Citizen Oversight Board (Board) is established. The primary mission of the Board is to guide and assist agencies in developing performance standards, measures, outcomes, and goals; and to seek, review, and recommend best practices for all agencies. Eight members of the Board are appointed by the Governor and the ninth member is the chair of the JLARC. Four of the members appointed by the Governor are selected from a list containing three names submitted by each major caucus of the House of Representatives and the Senate. Members serve terms of four years and may be reappointed. The Department of Community, Trade, and Economic Development will staff the Board.

The Board will review the various government performance and accountability systems in place and will make recommendations for integration into one performance measurement system by December 15, 2004.

The Board will establish a program for an annual assessment and performance grading of all state agencies and will consult with and seek input from elected officials, state employees, and professionals in performance management in establishing the grading standards. The Board will contract or partner with qualified public or private entities to conduct the annual assessments and performance grading. One entity may be selected to

conduct the entire assessment, or different entities may be selected for each assessment area.

Results of the assessment and grading program and recommendations that would improve agency efficiency and effectiveness will be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives by December 15 of each year. The Board will also make the report available to the public on the internet.

### **State Auditor**

The State Auditor (Auditor) will conduct performance audits in accordance with generally accepted government auditing standards. The Auditor will seek input from employees and the public on all audits. All audits will be designed to be completed within a period of six months.

The Auditor will develop and implement a phased-in, recurring plan for conducting the performance audits of state agency systems and operations. The Board will review, evaluate, and comment on the plan. The Board and the Auditor will develop a grading system for the audits and the audit report will include the agency grade, an evaluation and identification of best practices, and findings and recommendations for efficiency and effectiveness of state programs.

The Board will review, evaluate, and comment on the audit results and the Auditor will include the Board's comments in the final audit reports. The reports will be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives. The final audit reports will be available to the public on the internet.

### **Substitute Bill Compared to Original Bill:**

The name of the Board is changed to the Citizen Oversight Board. The substitute bill deletes rule-making authority of the Board and limits the definition of state agency to the executive branch of government, including any board, commission, and department, and institutions of higher education.

The substitute bill makes clear that the Board oversees an annual assessment and performance scoring of state agencies and the Auditor conducts performance audits of state agency systems and operations. The Board reviews, evaluates, and comments on the Auditor's plan for developing and implementing performance audits. The Board and the Auditor develop a grading system for the performance audits, and the audit reports will include a grade.

The Board reviews, evaluates, and comments on the performance audits conducted by the Auditor. The Auditor must include the Board's comments in the final audit report.

Reports and recommendations for both the annual assessment and performance scoring program and the performance audits conducted by the Auditor are submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives. Both reports are available to the public on the internet.

The budget and accounting act is amended authorizing the Auditor to conduct performance audits.

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**Appropriation:** None.

**Fiscal Note:** Requested on substitute bill on January 23, 2003.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (In support) The bill will help restore trust in government. It will cost about \$2.5 million, but should save the government money in the long run. The concept of performance audits is essential to good government. The State Auditor, an independently elected official that reports directly to the public, would provide independence. The Office of the State Auditor welcomes the opportunity for an unbiased review of audit programs and to work toward a more efficient and effective government. However, the definition of state agency is too broad.

(In support with concerns) Community College boards of trustees are among the most unaccountable public officials in government. There is a need for this bill but care must be taken that it does not evolve into the micro-management of agencies. A suggestion might be to issue policies and directives rather than assisting agencies in developing guidelines. A sunset provision is recommended.

The State Auditor can conduct audits and report directly to the Legislature rather than the Governor. This would eliminate the need to establish a new board.

**Testimony Against:** None.

(With concerns) There is concern about establishing a new and separate board to coordinate performance audits of agency programs. It is the Joint Legislative Audit and Review Committee's responsibility to review legislatively authorized programs to ensure that they are effective. A separate board creates the potential for two entities to develop different audit criteria to which an agency would have to respond. There is also concern about the cost of implementing the bill.

There is further concern that qualifications for selection of board members, as outlined in the bill, limit the diversity of the board.

**Testified:** (In support) Representative Miloscia, prime sponsor; Brian Sonntag, Washington State Auditor; Dennis Eagle, Washington Federation of State Employees; and Kristen Sawin, Association of Washington Business.

(In support with concerns) Richard Davis, Washington Federation of Teachers; and Rob Kavanaugh.

(With concerns) Mary Campbell, Governor's Office; Don Griffith, Department of Transportation; Nina Carter, Audubon Washington; and Bruce Wishart, People for Puget Sound.