

**SHB 1064** - H AMD

By Representative Haigh

1           Strike everything after the enacting clause and insert the  
2 following:

3           "NEW SECTION.   **Sec. 1.** The legislature finds that:

4           (1) Citizens demand and deserve accountability of public  
5 programs. Public programs must continuously improve in quality,  
6 efficiency, and effectiveness in order to increase public trust;

7           (2) Washington state government and other entities that receive  
8 tax dollars must continuously improve the way they operate and  
9 deliver services so citizens receive maximum value for their tax  
10 dollars;

11          (3) An independent citizen advisory board is necessary to  
12 ensure that government services, customer satisfaction, program  
13 efficiency, and management systems are world class in performance;  
14 and

15          (4) Fair, independent, professional performance audits of state  
16 agencies by the state auditor are essential to improving the  
17 efficiency and effectiveness of government.

18          NEW SECTION.   **Sec. 2.** A new section is added to chapter 43.09  
19 RCW to read as follows:

20          For purposes of sections 3 through 8 of this act:

21          (1) "Board" means the citizen advisory board created in section  
22 3 of this act.

23          (2) "Draft work plan" means the work plan for conducting  
24 performance audits of state agencies proposed by the board and  
25 state auditor after the statewide performance review.

26          (3) "Final performance audit report" means a written document  
27 jointly released by the citizen advisory board and the state  
28 auditor that includes the findings and comments from the  
29 preliminary performance audit report.

1 (4) "Final work plan" means the work plan for conducting  
2 performance audits of state agencies adopted by the board and state  
3 auditor.

4 (5) "Performance audit" means an objective and systematic  
5 assessment of a state agency or any of its programs, functions, or  
6 activities by an independent evaluator in order to help public  
7 officials improve efficiency, effectiveness, and accountability.  
8 Performance audits include economy and efficiency audits and  
9 program audits.

10 (6) "Preliminary performance audit report" means a written  
11 document prepared after the completion of a performance audit to be  
12 submitted for comment before the final performance audit report.  
13 The preliminary performance audit report must contain the audit  
14 findings and any proposed recommendations to improve the  
15 efficiency, effectiveness, or accountability of the state agency  
16 being audited.

17 (7) "State agency" or "agency" means a state agency,  
18 department, office, officer, board, commission, bureau, division,  
19 institution, or institution of higher education. "State agency"  
20 includes all offices of executive branch state government elected  
21 officials.

22 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.09  
23 RCW to read as follows:

24 (1) The citizen advisory board is created to improve  
25 efficiency, effectiveness, and accountability in state government.

26 (2) The board shall consist of ten members as follows:

27 (a) One member shall be the state auditor, who shall be a  
28 nonvoting member;

29 (b) One member shall be the legislative auditor, who shall be  
30 a nonvoting member;

31 (c) One member shall be the director of the office of financial  
32 management, who shall be a nonvoting member;

33 (d) Four of the members shall be selected by the governor as  
34 follows: Each major caucus of the house of representatives and the  
35 senate shall submit a list of three names. The lists may not  
36 include the names of members of the legislature or employees of the  
37 state. The governor shall select a person from each list provided  
38 by each caucus; and

1 (e) The governor shall select three citizen members who are not  
2 state employees.

3 (3) The board shall elect a chair. The legislative auditor,  
4 the state auditor, and the director of the office of financial  
5 management may not serve as chair.

6 (4) Appointees shall be individuals who have a basic  
7 understanding of state government operations with knowledge and  
8 expertise in performance management, quality management, strategic  
9 planning, performance assessments, or closely related fields.

10 (5) Members selected under subsection (2)(d) and (e) of this  
11 section shall serve for terms of four years, with the terms  
12 expiring on June 30th on the fourth year of the term. However, in  
13 the case of the initial members, two members shall serve four-year  
14 terms, two members shall serve three-year terms, and one member  
15 shall serve a two-year term, with each of the terms expiring on  
16 June 30th of the applicable year. Appointees may be reappointed to  
17 serve more than one term.

18 (6) The joint legislative audit and review committee shall  
19 provide clerical, technical, and management personnel to the board  
20 to serve as the board's staff.

21 (7) The board shall meet at least once a quarter and may hold  
22 additional meetings at the call of the chair or by a majority vote  
23 of the members of the board.

24 (8) The members of the board shall be compensated in accordance  
25 with RCW 43.03.220 and reimbursed for travel expenses in accordance  
26 with RCW 43.03.050 and 43.03.060.

27 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.09  
28 RCW to read as follows:

29 (1) The board and the state auditor shall work together  
30 regarding performance audits of state government.

31 (a) The board shall establish criteria for performance audits.  
32 Agencies shall be audited using criteria that include generally  
33 accepted government auditing standards as well as legislative  
34 mandates and performance objectives established by state agencies  
35 and the legislature. Mandates include, but are not limited to,  
36 agency strategies, timelines, program objectives, and mission and  
37 goals as required in RCW 43.88.090.

1 (b) Using the criteria developed in (a) of this subsection, the  
2 state auditor shall complete a statewide performance review within  
3 one year of contracting as a preliminary to a draft work plan for  
4 conducting performance audits. The board and the state auditor  
5 shall develop a schedule and common methodology for conducting  
6 these reviews.

7 (c) The board and the state auditor shall develop the draft  
8 work plan for performance audits based on input from citizens,  
9 state employees, including front line employees, state managers,  
10 chairs and ranking members of appropriate legislative committees,  
11 the joint legislative audit and review committee, public officials,  
12 and others. The draft work plan may include a list of agencies,  
13 programs, or systems to be audited on a timeline decided by the  
14 board and the state auditor based on a number of factors including  
15 risk, importance, and citizen concerns. When putting together the  
16 draft work plan, there should be consideration of all audits and  
17 reports already required. On average, audits shall be designed to  
18 be completed within a six-month period.

19 (d) Before adopting the final work plan, the board shall  
20 consult with the legislative auditor and other appropriate  
21 oversight and audit entities to coordinate work plans and avoid  
22 duplication of effort in their planned performance audits of state  
23 government agencies. The board shall defer to the joint  
24 legislative audit and review committee work plan if a similar audit  
25 is included on both work plans for auditing. The final work plan  
26 must be agreed upon by the board and the state auditor.

27 (e) The state auditor shall contract out for performance  
28 audits. In conducting the audits, agency front-line employees and  
29 internal auditors should be involved.

30 (f) All audits must include consideration of reports prepared  
31 by other government oversight entities.

32 (g) The audits may include:

33 (i) Identification of programs and services that can be  
34 eliminated, reduced, consolidated, or enhanced;

35 (ii) Identification of funding sources to the state agency, to  
36 programs, and to services that can be eliminated, reduced,  
37 consolidated, or enhanced;

1 (iii) Analysis of gaps and overlaps in programs and services  
2 and recommendations for improving, dropping, blending, or  
3 separating functions to correct gaps or overlaps;

4 (iv) Analysis and recommendations for pooling information  
5 technology systems used within the state agency, and evaluation of  
6 information processing and telecommunications policy, organization,  
7 and management;

8 (v) Analysis of the roles and functions of the state agency,  
9 its programs, and its services and their compliance with statutory  
10 authority and recommendations for eliminating or changing those  
11 roles and functions and ensuring compliance with statutory  
12 authority;

13 (vi) Recommendations for eliminating or changing statutes,  
14 rules, and policy directives as may be necessary to ensure that the  
15 agency carry out reasonably and properly those functions vested in  
16 the agency by statute;

17 (vii) Verification of the reliability and validity of agency  
18 performance data, self-assessments, and performance measurement  
19 systems as required under RCW 43.88.090;

20 (viii) Identification of potential cost savings in the state  
21 agency, its programs, and its services;

22 (ix) Identification and recognition of best practices;

23 (x) Evaluation of planning, budgeting, and program evaluation  
24 policies and practices;

25 (xi) Evaluation of personnel systems operation and management;

26 (xii) Evaluation of state purchasing operations and management  
27 policies and practices; and

28 (xiii) Evaluation of organizational structure and staffing  
29 levels, particularly in terms of the ratio of managers and  
30 supervisors to nonmanagement personnel.

31 (h) The state auditor must solicit comments on preliminary  
32 performance audit reports from the audited state agency, the office  
33 of the governor, the office of financial management, the board, the  
34 chairs and ranking members of appropriate legislative committees,  
35 and the joint legislative audit and review committee for comment.  
36 Comments must be received within thirty days after receipt of the  
37 preliminary performance audit report unless a different time period  
38 is approved by the state auditor. All comments shall be  
39 incorporated into the final performance audit report. The final

1 performance audit report shall include the objectives, scope, and  
2 methodology; the audit results, including findings and  
3 recommendations; conclusions; and identification of best practices.

4 (i) The final performance audit reports shall be submitted to  
5 the board and the governor by the state auditor. The board and the  
6 state auditor shall jointly release final performance audit reports  
7 to the citizens of Washington and the appropriate legislative  
8 committees. Final performance audit reports shall be posted on the  
9 internet.

10 (j) For institutions of higher education, the board shall  
11 consider the reviews and standards of nationally or regionally  
12 recognized accreditation organizations, including accreditations of  
13 hospitals licensed under RCW 70.41 and ambulatory care facilities.

14 (2) The citizen board created under RCW 44.75.030 shall be  
15 responsible for performance audits for transportation related  
16 agencies as defined under RCW 44.75.020.

17 (3) Each biennium the legislature shall appropriate an amount  
18 equal to two one-hundredths of one percent of the total general  
19 fund state appropriation in that biennium's omnibus operating  
20 appropriations act for purposes of the performance audits  
21 authorized by this section.

22 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.09  
23 RCW to read as follows:

24 If the legislative authority of a local jurisdiction requests  
25 a performance audit of programs under its jurisdiction, the state  
26 auditor has the discretion to conduct such a review under separate  
27 contract and funded by local funds.

28 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.88  
29 RCW to read as follows:

30 In addition to the authority given the state auditor in RCW  
31 43.88.160(6), the state auditor is authorized to contract for and  
32 oversee performance audits pursuant to section 4 of this act.

33 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.09  
34 RCW to read as follows:

1 By June 30, 2007, and each four years thereafter, the joint  
2 legislative audit and review committee shall contract with a  
3 private entity for a performance audit of the performance audit  
4 program established in section 4 of this act and the board's  
5 responsibilities under the performance audit program.

6 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.09  
7 RCW to read as follows:

8 The audited agency is responsible for follow-up and corrective  
9 action on all performance audit findings and recommendations. The  
10 audited agency's plan for addressing each audit finding and  
11 recommendation shall be included in the final audit report. The  
12 plan shall provide the name of the contact person responsible for  
13 each action, the action planned, and the anticipated completion  
14 date. If the audited agency does not agree with the audit findings  
15 and recommendations or believes action is not required, then the  
16 action plan shall include an explanation and specific reasons.

17 For agencies under the authority of the governor, the governor  
18 may require periodic progress reports from the audited agency until  
19 all resolution has occurred.

20 For agencies under the authority of an elected official other  
21 than the governor, the auditor and the board may require periodic  
22 reports of the action taken by the audited agency until all  
23 resolution has occurred.

24 The board may request status reports on specific audits or  
25 findings.

26 NEW SECTION. **Sec. 9.** A new section is added to chapter 2.56  
27 RCW to read as follows:

28 The office of the administrator for the courts is encouraged to  
29 conduct performance audits of courts under the authority of the  
30 supreme court, in conformity with criteria and methods developed by  
31 the board for judicial administration that have been approved by  
32 the supreme court. In developing criteria and methods for  
33 conducting performance audits, the board for judicial  
34 administration is encouraged to consider quality improvement  
35 programs, audits, and scoring. The judicial branch is encouraged  
36 to submit the results of these efforts to the chief justice of the

1 supreme court or his or her designee, and with any other applicable  
2 boards or committees established under the authority of the supreme  
3 court to oversee government accountability."

**EFFECT:** The citizen oversight board is changed to the citizen advisory board. The director of the office of financial management shall serve as a non-voting member of the board and the number of members selected by the governor increases from one to three. Board members selected by the governor may not be state employees. The annual assessment and performance grading program and the quality management program are removed. Accreditation standards for institutions of higher education shall be considered for performance audits. Chairs and ranking members of the appropriate legislative committees shall be consulted regarding the work plan and preliminary draft audit reports. The sunset provisions are removed. The null and void clause is removed and the legislature is directed to appropriate an amount equal to two one-hundredths of one percent of the total general fund state appropriation in a biennium's omnibus operating appropriations act for performance audits.