

# SENATE BILL REPORT

## ESHB 1064

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As Reported By Senate Committee On:  
Government Operations & Elections, February 24, 2005  
Ways & Means, April 4, 2005

**Title:** An act relating to improving government performance and accountability.

**Brief Description:** Improving government performance and accountability.

**Sponsors:** House Committee on State Government Operations & Accountability (originally sponsored by Representatives Miloscia, Nixon, Haigh, Shabro, Green, Hunt, Priest, Linville, Armstrong, Simpson, Bailey, Kenney, Haler, Springer, Chase, Quall, Murray, Wallace, McDermott, Upthegrove, Kilmer, Moeller, Kessler, Appleton, Williams, McCoy, Blake, Dickerson, Conway, Tom, P. Sullivan, Kagi, Morris, Wood, McIntire, Lantz, Hudgins, Ericks, Darneille, Clibborn, Morrell, Takko, O'Brien, Ormsby, McDonald and B. Sullivan).

**Brief History:** Passed House: 2/02/05, 74-22.

**Committee Activity:** Government Operations & Elections: 2/8/05, 2/24/05 [DPA-WM, DNP].

Ways & Means: 3/30/05, 4/4/05 [DPA, DNP, w/oRec].

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Berkey, Vice Chair; Fairley, Haugen, Kline and Pridemore.

**Minority Report:** Do not pass.

Signed by Senators Roach, Ranking Minority Member; Benton and Mulliken.

**Staff:** Mac Nicholson (786-7445)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

**Minority Report:** Do not pass.

Signed by Senator Roach.

**Minority Report:** That it be referred without recommendation. Signed by Senators Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug and Schoesler.

**Staff:** Steve Jones (786-7440)

**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: (1) establish mission statements and set goals; (2) develop strategies to achieve goals; (3) set outcome based objectives; (4) provide continuous self-assessment of each program; (5) link budget proposals with their mission statements and goals; and (6) objectively determine the success in achieving goals.

Executive Order 97-03, issued in 1997, required 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. Executive Order 97-02 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 Joint Legislative Audit and Review Committee (JLARC) is authorized to conduct performance audits. The State Auditor may also conduct performance audits at the direction of JLARC if the legislature appropriates money for specific performance audits in the state budget.

**Summary of Amended Bill:** The Citizen Advisory Board (Board) is created to improve efficiency, effectiveness, and accountability in state government. The Board consists of ten members as follows: the State Auditor, the Legislative Auditor, and the Director of OFM, who are non-voting members; four citizen members selected by the Governor from a list submitted by each major caucus in the Senate and the House of Representatives; and three citizen members appointed by the Governor. Citizen members may not be state employees and must have an understanding of state government operations and knowledge and expertise in performance management, quality management, strategic planning, performance assessments, or closely related fields. The State Auditor provides staff support to the Board.

Annual Assessment and Performance Grading. The Board must establish an annual assessment and performance grading program to be implemented on a phased-in schedule. Areas to be assessed include quality management, productivity and fiscal efficiency, program effectiveness, customer satisfaction, and statutory and regulatory compliance. The Board, in establishing grading standards, must seek input from elected officials, state employees, and professionals with a background in performance management. In developing program criteria, the Board must consider already developed best practices and audit criteria. Criteria for the assessment and standards for grading must be given to agencies prior to the assessment. The Board must contract or partner with public or private entities to perform the assessment and grading of all state agencies. Results of the assessment and grading must be submitted to the governor, OFM, the appropriate legislative committees, the public, and posted on the internet by December 15th of each year.

Performance Audits. The Board, Auditor, and JLARC must work together regarding performance audits of state government. The Board establishes the criteria for audits based on generally accepted government auditing standards, JLARC standards, federal audit standards, legislative mandates, and performance objectives established by the agencies.

Using the established audit criteria, the Auditor must contract for a statewide performance review. The statewide review must be completed within one year as a preliminary to a draft performance audit work plan. In development of a draft performance audit work plan, the Board and Auditor must seek input from citizens, state employees, legislative committee chairs and ranking members, JLARC, and others. The draft work plan may include a list of agencies or programs to be audited and a time line for doing so based on factors such as risk, importance, and citizen concerns. In developing the draft work plan, consideration should be given to all audits and reports already required. On average, audits must be designed to be completed in a six month period.

Before the final work plan is adopted, the Board must consult with the legislative auditor and other oversight and audit entities to coordinate work plans and avoid duplication of effort. The Board must defer to JLARC if a similar audit is included on both work plans.

The Auditor contracts out for execution of the performance audits. All audits must include consideration of reports prepared by other government oversight entities. The audits may include identification of programs and services that can be eliminated, reduced, consolidated, or enhanced; analysis of gaps and overlaps in programs and services and recommendations to correct them; analysis of the roles and functions of the state agency, its programs, and its services and their compliance with statutory authority; identification of potential cost savings in the state agency, its programs, and its services; and identification and recognition of best practices. The Auditor must solicit comments on the preliminary audit reports from the audited agency, Governor, OFM, the Board, legislative committee chairs and ranking members, and JLARC, which must be incorporated into the final report. The final audit report must include the objectives, scope, and methodology; the audit results, including findings and recommendations; conclusions; and identification of best practices. The final report must be jointly released by the Board and Auditor to the citizens of Washington, the Governor, the appropriate legislative committee, and posted on the internet.

For institutions of higher education, the performance audit must not duplicate, and where applicable, make maximum use of existing audit records, accreditation reviews, and performance measures required by the office of financial management, the higher education coordinating board and nationally or regionally recognized accreditation organizations, including accreditations of hospitals and ambulatory care facilities.

Transportation related agencies must be audited by the Transportation Performance Audit Board.

The Auditor may conduct a performance audit of local programs if so requested by the local jurisdiction and local funds are made available.

JLARC must contract with a private entity every four years to conduct a performance audit of the performance audit program.

Audited agencies are responsible for follow-up and corrective action on all audit findings and recommendations. The audited agency must develop a corrective action plan to be included in the final report that provides the action planned by the agency, the anticipated completion date, and a contact person responsible for the action. If the agency disagrees with the audit, it

must provide an explanation in the corrective action plan. The Board can request status reports on specific audit findings.

The Administrative Office of the Courts is encouraged to conduct performance audits of the courts under the authority of the Supreme Court, in conformity with the methods developed by the Board for Judicial Administration that have been approved by the Supreme Court.

Each biennium, the Legislature must appropriate for performance reviews and audits an amount not to exceed two one-hundredths of one percent of state General Fund appropriations.

**Amended Bill Compared to Original Bill:** The Auditor, instead of JLARC, provides staff to the Board. Performance audit criteria must be consistent with audit standards established by JLARC and federal audit standards. The appropriation clause is modified and the emergency clause is removed.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** Yes.

**Testimony For:** Performance audits will restore public trust in state government. They were adopted in 1972 at the national level. They are part of a complete auditing picture. The JLARC audit and the performance audit are not mutually exclusive: they can compliment each other. The Governor has her own bill, recognizing that an ounce of prevention is worth a pound of cure, she wants to get the most bang for the buck. We want to avoid duplication with higher education, given that it is "audited" by accrediting organizations on a regular basis. Front line state employees can benefit from this, since the management/employee ratio is going the wrong way.

**Testimony Against:** None.

**Who Testified:** PRO: Representative Mark Miloscia, prime sponsor; Brian Sonntag, State Auditor; Mary Campbell, Governor's Office; Terry Teale, Council of Presidents; Chuck Greenough, State Board for Community and Technical Cosseges; Dennis Eagle, Washington Federation of State Employees.