
SENATE BILL 5992

State of Washington

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By Senators Cantu, Erwin, Winsley, Oke, Bluechel, Amondson, Hochstatter, Anderson, L. Smith, Moyer, Nelson, Morton, Roach, McDonald and Schow

Read first time 01/10/94. Referred to Committee on Ways & Means.

1 AN ACT Relating to performance audits conducted by the state
2 auditor; amending RCW 43.88.090; reenacting and amending RCW 43.88.160;
3 creating a new section; and declaring an emergency.

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

5 NEW SECTION. **Sec. 1.** (1) The state auditor shall undertake a
6 comprehensive, state-wide performance audit of state agencies and
7 programs, services, and activities operated by those agencies. For the
8 purposes of this section, "state agency" includes a board, commission,
9 department, committee, institution, agency, or office within the
10 legislative, executive, and judicial branch of state government,
11 including any institution of higher education.

12 (2) The audit must include:

13 (a) An evaluation of the efficiency with which state agencies
14 operate the programs under their jurisdictions and fulfill the duties
15 assigned to them by law;

16 (b) A determination of methods to maximize the amount of federal
17 funds received by the state in order to better ensure that the people
18 of Washington receive a greater share of the taxes levied on them by
19 the federal government;

1 (c) Identification of potential cost savings and of any state
2 agency or any program or service now offered by an agency that can be
3 eliminated or transferred to the private sector without injury to the
4 public good and well-being;

5 (d) Recommendations for the elimination of or reduction in funding
6 to various agencies, programs, or services based on the results of the
7 performance audit; and

8 (e) Analysis of gaps and overlaps in programs offered by state
9 agencies and recommendations for improving, dropping, blending, or
10 separating functions to correct gaps or overlaps.

11 (3) The state auditor may require any state agency to provide
12 information required for completion of the audit, and each state agency
13 shall fully and completely cooperate with the state auditor for the
14 purposes of this section.

15 (4) The office of the state auditor shall provide the staff
16 necessary for the audit. The state auditor shall involve private
17 sector auditors in conducting the audit, and may contract with private
18 sector auditors for that purpose.

19 (5) The state auditor shall solicit suggestions for improving
20 government performance from both front-line public employees and
21 government service recipients in the conduct of the audit. The state
22 auditor shall establish a toll-free telephone number at which the
23 public may make suggestions and report government waste, in order to
24 aid the identification of both waste and innovation.

25 (6) The state auditor shall present an audit work plan to the
26 legislative budget committee within sixty days of the effective date of
27 this act. The state auditor shall present the audit report to the
28 legislature and the governor by December 1, 1995.

29 **Sec. 2.** RCW 43.88.160 and 1993 c 500 s 7, 1993 c 406 s 4, and 1993
30 c 194 s 6 are each reenacted and amended to read as follows:

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

1 (1) Governor; director of financial management. The governor,
2 through the director of financial management, shall devise and
3 supervise a modern and complete accounting system for each agency to
4 the end that all revenues, expenditures, receipts, disbursements,
5 resources, and obligations of the state shall be properly and
6 systematically accounted for. The accounting system shall include the
7 development of accurate, timely records and reports of all financial
8 affairs of the state. The system shall also provide for central
9 accounts in the office of financial management at the level of detail
10 deemed necessary by the director to perform central financial
11 management. The director of financial management shall adopt and
12 periodically update an accounting procedures manual. Any agency
13 maintaining its own accounting and reporting system shall comply with
14 the updated accounting procedures manual and the rules of the director
15 adopted under this chapter. An agency may receive a waiver from
16 complying with this requirement if the waiver is approved by the
17 director. Waivers expire at the end of the fiscal biennium for which
18 they are granted. The director shall forward notice of waivers granted
19 to the appropriate legislative fiscal committees. The director of
20 financial management may require such financial, statistical, and other
21 reports as the director deems necessary from all agencies covering any
22 period.

23 (2) The director of financial management is responsible for
24 quarterly reporting of primary operating budget drivers such as
25 applicable workloads, caseload estimates, and appropriate unit cost
26 data. These reports shall be transmitted to the legislative fiscal
27 committees or by electronic means to the legislative evaluation and
28 accountability program committee. Quarterly reports shall include
29 actual monthly data and the variance between actual and estimated data
30 to date. The reports shall also include estimates of these items for
31 the remainder of the budget period.

32 (3) The director of financial management shall report at least
33 annually to the appropriate legislative committees regarding the status
34 of all appropriated capital projects, including transportation
35 projects, showing significant cost overruns or underruns. If funds are
36 shifted from one project to another, the office of financial management
37 shall also reflect this in the annual variance report. Once a project
38 is complete, the report shall provide a final summary showing estimated
39 start and completion dates of each project phase compared to actual

1 dates, estimated costs of each project phase compared to actual costs,
2 and whether or not there are any outstanding liabilities or unsettled
3 claims at the time of completion.

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

6 (a) Develop and maintain a system of internal controls and internal
7 audits comprising methods and procedures to be adopted by each agency
8 that will safeguard its assets, check the accuracy and reliability of
9 its accounting data, promote operational efficiency, and encourage
10 adherence to prescribed managerial policies for accounting and
11 financial controls. The system developed by the director shall include
12 criteria for determining the scope and comprehensiveness of internal
13 controls required by classes of agencies, depending on the level of
14 resources at risk.

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

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

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

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

28 (e) Review any pay and classification plans, and changes
29 thereunder, developed by any agency for their fiscal impact: PROVIDED,
30 That none of the provisions of this subsection shall affect merit
31 systems of personnel management now existing or hereafter established
32 by statute relating to the fixing of qualifications requirements for
33 recruitment, appointment, or promotion of employees of any agency. The
34 director shall advise and confer with agencies including appropriate
35 standing committees of the legislature as may be designated by the
36 speaker of the house and the president of the senate regarding the
37 fiscal impact of such plans and may amend or alter said plans, except
38 that for the following agencies no amendment or alteration of said

1 plans may be made without the approval of the agency concerned:

2 Agencies headed by elective officials;

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

8 (g) Provide for transfers and repayments between the budget
9 stabilization account and the general fund as directed by appropriation
10 and RCW 43.88.525 through 43.88.540;

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

13 (5) The treasurer shall:

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

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

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

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

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

28 It shall be unlawful for the treasurer to disburse public funds in
29 the treasury except upon forms or by alternative means duly prescribed
30 by the director of financial management. These forms or alternative
31 means shall provide for authentication and certification by the agency
32 head or the agency head's designee that the services have been rendered
33 or the materials have been furnished; or, in the case of loans or
34 grants, that the loans or grants are authorized by law; or, in the case
35 of payments for periodic maintenance services to be performed on state
36 owned equipment, that a written contract for such periodic maintenance
37 services is currently in effect and copies thereof are on file with the
38 office of financial management; and the treasurer shall not be liable
39 under the treasurer's surety bond for erroneous or improper payments so

1 made. When services are lawfully paid for in advance of full
2 performance by any private individual or business entity other than as
3 provided for by RCW 42.24.035, such individual or entity other than
4 central stores rendering such services shall make a cash deposit or
5 furnish surety bond coverage to the state as shall be fixed in an
6 amount by law, or if not fixed by law, then in such amounts as shall be
7 fixed by the director of the department of general administration but
8 in no case shall such required cash deposit or surety bond be less than
9 an amount which will fully indemnify the state against any and all
10 losses on account of breach of promise to fully perform such services.
11 No payments shall be made in advance for any equipment maintenance
12 services to be performed more than three months after such payment.
13 Any such bond so furnished shall be conditioned that the person, firm
14 or corporation receiving the advance payment will apply it toward
15 performance of the contract. The responsibility for recovery of
16 erroneous or improper payments made under this section shall lie with
17 the agency head or the agency head's designee in accordance with
18 regulations issued pursuant to this chapter. Nothing in this section
19 shall be construed to permit a public body to advance funds to a
20 private service provider pursuant to a grant or loan before services
21 have been rendered or material furnished.

22 (6) The state auditor shall:

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

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

35 (c) Make the auditor's official report on or before the thirty-
36 first of December which precedes the meeting of the legislature. The
37 report shall be for the last complete fiscal period and shall include
38 determinations as to whether agencies, in making expenditures, complied
39 with the laws of this state. The state auditor is authorized to

1 perform or participate in performance audits (~~(only as expressly~~
2 ~~authorized by the legislature in the omnibus biennial appropriations~~
3 ~~acts))~~). A performance audit for the purpose of this section is (~~(the~~
4 ~~examination of the effectiveness of the administration, its efficiency,~~
5 ~~and its adequacy in terms of the programs of departments or agencies as~~
6 ~~previously approved by the legislature))~~ an audit that determines the
7 following: Whether a government entity is acquiring, protecting, and
8 using its resources economically and efficiently; the causes of
9 inefficiencies or uneconomical practices; whether the entity has
10 complied with laws and rules applicable to the program; the extent to
11 which the desired results or benefits established by the legislature
12 are being achieved; and the effectiveness of organizations, programs,
13 activities, or functions. The state auditor, upon completing an audit
14 for legal and financial compliance under chapter 43.09 RCW, may report
15 to the legislative budget committee or other appropriate committees of
16 the legislature, in a manner prescribed by the legislative budget
17 committee, on facts relating to the management or performance of
18 governmental programs (~~(where such facts are discovered incidental to~~
19 ~~the legal and financial audit. The auditor may make such a report to~~
20 ~~a legislative committee only if the auditor has determined that the~~
21 ~~agency has been given an opportunity and has failed to resolve the~~
22 ~~management or performance issues raised by the auditor. If the auditor~~
23 ~~makes a report to a legislative committee, the agency may submit to the~~
24 ~~committee a response to the report. This subsection (6) shall not be~~
25 ~~construed to authorize the auditor to allocate other than de minimis~~
26 ~~resources to performance audits except as expressly authorized in the~~
27 ~~appropriations acts))~~).

28 (d) Be empowered to take exception to specific expenditures that
29 have been incurred by any agency or to take exception to other
30 practices related in any way to the agency's financial transactions and
31 to cause such exceptions to be made a matter of public record,
32 including disclosure to the agency concerned and to the director of
33 financial management. It shall be the duty of the director of
34 financial management to cause corrective action to be taken promptly,
35 such action to include, as appropriate, the withholding of funds as
36 provided in RCW 43.88.110.

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

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

1 (7) The legislative budget committee may:

2 (a) Make post audits of the financial transactions of any agency
3 and management surveys and program reviews as provided for in RCW
4 44.28.085 as well as performance audits and program evaluations. To
5 this end the committee may in its discretion examine the books,
6 accounts, and other records of any agency, official, or employee.

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

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

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

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

20 **Sec. 3.** RCW 43.88.090 and 1993 c 406 s 3 are each amended to read
21 as follows:

22 (1) For purposes of developing budget proposals to the legislature,
23 the governor shall have the power, and it shall be the governor's duty,
24 to require from proper agency officials such detailed estimates and
25 other information in such form and at such times as the governor shall
26 direct. The estimates for the legislature and the judiciary shall be
27 transmitted to the governor and shall be included in the budget without
28 revision. The estimates for state pension contributions shall be based
29 on the rates provided in chapter 41.45 RCW. Copies of all such
30 estimates shall be transmitted to the standing committees on ways and
31 means of the house and senate at the same time as they are filed with
32 the governor and the office of financial management.

33 The estimates shall include statements or tables which indicate, by
34 agency, the state funds which are required for the receipt of federal
35 matching revenues. The estimates shall be revised as necessary to
36 reflect legislative enactments and adopted appropriations and shall be
37 included with the initial biennial allotment submitted under RCW
38 43.88.110. The estimates shall include consideration of

1 recommendations made by the state auditor pursuant to a performance
2 audit of the agency.

3 (2) It is the policy of the state that each state agency define its
4 mission and establish measurable goals for achieving desirable results
5 for those who receive its services. This section shall not be
6 construed to require an agency to develop a new mission or goals in
7 place of identifiable missions or goals that meet the intent of this
8 section. State agencies should involve affected groups and individuals
9 in developing their missions and goals.

10 (3) For the purpose of assessing program performance, each state
11 agency shall establish program objectives for each major program in its
12 budget. The objectives shall be consistent with the missions and goals
13 developed under this section. The objectives shall be expressed to the
14 extent practicable in outcome-based, objective, and measurable form
15 unless permitted by the office of financial management to adopt a
16 different standard.

17 (4) In concert with legislative and executive agencies, the office
18 of financial management shall develop a plan for using these outcome-
19 based objectives in the evaluation of agency performance for improved
20 accountability of state government. Any elements of the plan requiring
21 legislation shall be submitted to the legislature no later than
22 November 30, 1994.

23 (5) In the year of the gubernatorial election, the governor shall
24 invite the governor-elect or the governor-elect's designee to attend
25 all hearings provided in RCW 43.88.100; and the governor shall furnish
26 the governor-elect or the governor-elect's designee with such
27 information as will enable the governor-elect or the governor-elect's
28 designee to gain an understanding of the state's budget requirements.
29 The governor-elect or the governor-elect's designee may ask such
30 questions during the hearings and require such information as the
31 governor-elect or the governor-elect's designee deems necessary and may
32 make recommendations in connection with any item of the budget which,
33 with the governor-elect's reasons therefor, shall be presented to the
34 legislature in writing with the budget document. Copies of all such
35 estimates and other required information shall also be submitted to the
36 standing committees on ways and means of the house and senate.

37 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
38 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and shall take
2 effect immediately.

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