

2 **ESSB 5607 - H COMM AMD NOT ADOPTED 4/13/95**

3 By Committee on Government Operations

4

5 Strike everything after the enacting clause and insert the  
6 following:

7 "NEW SECTION. **Sec. 1.** The legislature seeks to achieve efficiency  
8 and effectiveness in state government in order to make the state of  
9 Washington the most effective and best-performing state government in  
10 the United States, measured in terms of quality of customer service,  
11 accountability for cost-effective services, and productivity. This act  
12 is an initial step toward this goal.

13 NEW SECTION. **Sec. 2.** (1) The state auditor shall undertake  
14 comprehensive performance audits of rehabilitation and job support  
15 services provided by the department of social and health services  
16 pursuant to chapter 74.29 RCW and programs, services, and activities  
17 operated by the superintendent of public instruction and the department  
18 of community, trade, and economic development.

19 (2) In addition to the criteria for performance audits set forth in  
20 RCW 43.88.160, the audits must include:

21 (a) A determination of methods to maximize the amount of federal  
22 funds received by the state in order to better ensure that the people  
23 of Washington receive a greater share of the taxes levied on them by  
24 the federal government;

25 (b) Identification of potential cost savings and of any state  
26 program or service now offered by an agency that can be eliminated or  
27 transferred to the private sector without injury to the public good and  
28 well-being;

29 (c) Recommendations for the elimination of or reduction in funding  
30 to various agencies, programs, or services based on the results of the  
31 performance audits; and

32 (d) Analysis of gaps and overlaps in programs offered by state  
33 agencies and recommendations for improving, dropping, blending, or  
34 separating functions to correct gaps or overlaps.

1 (3) The state auditor may require any state agency to provide  
2 information required for completion of the audits, and each state  
3 agency shall fully and completely cooperate with the state auditor for  
4 the purposes of this section.

5 (4) The office of the state auditor shall provide the staff  
6 necessary for the audits. The state auditor shall involve private-  
7 sector professional and technical experts in conducting the audits, and  
8 may contract with private-sector professionals and other experts for  
9 that purpose.

10 (5) The state auditor shall solicit suggestions for improving  
11 government performance from both front-line public employees and  
12 government service recipients in the conduct of the audits. The state  
13 auditor shall establish a toll-free telephone number at which the  
14 public may make suggestions and report government waste, in order to  
15 aid the identification of both waste and innovation.

16 (6) The state auditor shall present an audit work plan to the  
17 legislative budget committee within sixty days of the effective date of  
18 this act. The state auditor shall present the audit reports to the  
19 legislature, the governor, and citizens by one year from the effective  
20 date of this act.

21 **Sec. 3.** RCW 43.88.160 and 1994 c 184 s 11 are each amended to read  
22 as follows:

23 This section sets forth the major fiscal duties and  
24 responsibilities of officers and agencies of the executive branch. The  
25 regulations issued by the governor pursuant to this chapter shall  
26 provide for a comprehensive, orderly basis for fiscal management and  
27 control, including efficient accounting and reporting therefor, for the  
28 executive branch of the state government and may include, in addition,  
29 such requirements as will generally promote more efficient public  
30 management in the state.

31 (1) Governor; director of financial management. The governor,  
32 through the director of financial management, shall devise and  
33 supervise a modern and complete accounting system for each agency to  
34 the end that all revenues, expenditures, receipts, disbursements,  
35 resources, and obligations of the state shall be properly and  
36 systematically accounted for. The accounting system shall include the  
37 development of accurate, timely records and reports of all financial  
38 affairs of the state. The system shall also provide for central

1 accounts in the office of financial management at the level of detail  
2 deemed necessary by the director to perform central financial  
3 management. The director of financial management shall adopt and  
4 periodically update an accounting procedures manual. Any agency  
5 maintaining its own accounting and reporting system shall comply with  
6 the updated accounting procedures manual and the rules of the director  
7 adopted under this chapter. An agency may receive a waiver from  
8 complying with this requirement if the waiver is approved by the  
9 director. Waivers expire at the end of the fiscal biennium for which  
10 they are granted. The director shall forward notice of waivers granted  
11 to the appropriate legislative fiscal committees. The director of  
12 financial management may require such financial, statistical, and other  
13 reports as the director deems necessary from all agencies covering any  
14 period.

15 (2) The director of financial management is responsible for  
16 quarterly reporting of primary operating budget drivers such as  
17 applicable workloads, caseload estimates, and appropriate unit cost  
18 data. These reports shall be transmitted to the legislative fiscal  
19 committees or by electronic means to the legislative evaluation and  
20 accountability program committee. Quarterly reports shall include  
21 actual monthly data and the variance between actual and estimated data  
22 to date. The reports shall also include estimates of these items for  
23 the remainder of the budget period.

24 (3) The director of financial management shall report at least  
25 annually to the appropriate legislative committees regarding the status  
26 of all appropriated capital projects, including transportation  
27 projects, showing significant cost overruns or underruns. If funds are  
28 shifted from one project to another, the office of financial management  
29 shall also reflect this in the annual variance report. Once a project  
30 is complete, the report shall provide a final summary showing estimated  
31 start and completion dates of each project phase compared to actual  
32 dates, estimated costs of each project phase compared to actual costs,  
33 and whether or not there are any outstanding liabilities or unsettled  
34 claims at the time of completion.

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

37 (a) Develop and maintain a system of internal controls and internal  
38 audits comprising methods and procedures to be adopted by each agency  
39 that will safeguard its assets, check the accuracy and reliability of

1 its accounting data, promote operational efficiency, and encourage  
2 adherence to prescribed managerial policies for accounting and  
3 financial controls. The system developed by the director shall include  
4 criteria for determining the scope and comprehensiveness of internal  
5 controls required by classes of agencies, depending on the level of  
6 resources at risk.

7 Each agency head or authorized designee shall be assigned the  
8 responsibility and authority for establishing and maintaining internal  
9 audits following the standards of internal auditing of the institute of  
10 internal auditors;

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

16 (c) Establish policies for allowing the contracting of child care  
17 services;

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

20 (e) Review any pay and classification plans, and changes  
21 thereunder, developed by any agency for their fiscal impact: PROVIDED,  
22 That none of the provisions of this subsection shall affect merit  
23 systems of personnel management now existing or hereafter established  
24 by statute relating to the fixing of qualifications requirements for  
25 recruitment, appointment, or promotion of employees of any agency. The  
26 director shall advise and confer with agencies including appropriate  
27 standing committees of the legislature as may be designated by the  
28 speaker of the house and the president of the senate regarding the  
29 fiscal impact of such plans and may amend or alter ((said)) the plans,  
30 except that for ((~~the following~~)) agencies headed by elected officials  
31 no amendment or alteration of ((said)) the plans may be made without  
32 the approval of the agency concerned((~~Agencies headed by elective~~  
33 ~~officials~~));

34 (f) Fix the number and classes of positions or authorized man years  
35 of employment for each agency and during the fiscal period amend the  
36 determinations previously fixed by the director except that the  
37 director shall not be empowered to fix ((said)) the number or ((said))  
38 the classes for ((~~the following~~)) agencies headed by ((elective))  
39 elected officials;

1 (g) Provide for transfers and repayments between the budget  
2 stabilization account and the general fund as directed by appropriation  
3 (~~and RCW 43.88.525 through 43.88.540~~);

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

6 (5) The treasurer shall:

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

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

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

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

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

21 It shall be unlawful for the treasurer to disburse public funds in  
22 the treasury except upon forms or by alternative means duly prescribed  
23 by the director of financial management. These forms or alternative  
24 means shall provide for authentication and certification by the agency  
25 head or the agency head's designee that the services have been rendered  
26 or the materials have been furnished; or, in the case of loans or  
27 grants, that the loans or grants are authorized by law; or, in the case  
28 of payments for periodic maintenance services to be performed on state  
29 owned equipment, that a written contract for such periodic maintenance  
30 services is currently in effect and copies thereof are on file with the  
31 office of financial management; and the treasurer shall not be liable  
32 under the treasurer's surety bond for erroneous or improper payments so  
33 made. When services are lawfully paid for in advance of full  
34 performance by any private individual or business entity other than as  
35 provided for by RCW 42.24.035, such individual or entity other than  
36 central stores rendering such services shall make a cash deposit or  
37 furnish surety bond coverage to the state as shall be fixed in an  
38 amount by law, or if not fixed by law, then in such amounts as shall be  
39 fixed by the director of the department of general administration but

1 in no case shall such required cash deposit or surety bond be less than  
2 an amount which will fully indemnify the state against any and all  
3 losses on account of breach of promise to fully perform such services.  
4 No payments shall be made in advance for any equipment maintenance  
5 services to be performed more than three months after such payment.  
6 Any such bond so furnished shall be conditioned that the person, firm  
7 or corporation receiving the advance payment will apply it toward  
8 performance of the contract. The responsibility for recovery of  
9 erroneous or improper payments made under this section shall lie with  
10 the agency head or the agency head's designee in accordance with  
11 regulations issued pursuant to this chapter. Nothing in this section  
12 shall be construed to permit a public body to advance funds to a  
13 private service provider pursuant to a grant or loan before services  
14 have been rendered or material furnished.

15 (6) The state auditor shall:

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

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

28 (c) Make the auditor's official report on or before the thirty-  
29 first of December which precedes the meeting of the legislature. The  
30 report shall be for the last complete fiscal period and shall include  
31 determinations as to whether agencies, in making expenditures, complied  
32 with the laws of this state. The state auditor is authorized to  
33 perform or participate in performance (~~verifications only as expressly~~  
34 ~~authorized by the legislature in the omnibus biennial appropriations~~  
35 ~~acts~~) audits only as expressly authorized by the legislature. A  
36 performance audit for the purpose of this section is an audit that  
37 determines the following: Whether a government entity is acquiring,  
38 protecting, and using its resources economically and efficiently in  
39 accordance with all significant laws and rules; the causes of

1 inefficiencies or uneconomical practices; the extent to which the  
2 desired outcomes or results intended by the legislature are being  
3 achieved; the causes for not achieving intended outcomes or results;  
4 and compliance with significant laws and rules applicable to the  
5 program. The state auditor, upon completing an audit for legal and  
6 financial compliance under chapter 43.09 RCW (~~or a performance~~  
7 ~~verification~~), may report to the legislative budget committee or other  
8 appropriate committees of the legislature, in a manner prescribed by  
9 the legislative budget committee, on facts relating to the management  
10 or performance of governmental programs where such facts are discovered  
11 incidental to the legal and financial audit (~~or performance~~  
12 ~~verification~~). The auditor may make such a report to a legislative  
13 committee only if the auditor has determined that the agency has been  
14 given an opportunity and has failed to resolve the management or  
15 performance issues raised by the auditor. If the auditor makes a  
16 report to a legislative committee, the agency may submit to the  
17 committee a response to the report. (~~This subsection (6) shall not be~~  
18 ~~construed to authorize the auditor to allocate other than de minimis~~  
19 ~~resources to performance audits except as expressly authorized in the~~  
20 ~~appropriations acts.~~) When the state auditor has completed a  
21 performance audit authorized by the legislature, the auditor shall  
22 transmit the audit to the state agency for its comments. The state  
23 agency shall provide any response to the state auditor within thirty  
24 days after receipt of the performance audit. The response of the state  
25 agency shall be incorporated into the final performance audit report.  
26 Before releasing the results of any performance audit to the  
27 legislature or general public, the state auditor shall submit the  
28 performance audit to the legislative budget committee and the  
29 performance partnership operating committee established in chapter  
30 43.88B RCW for their recommendations and comments.

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

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

2 (f) Investigate improper governmental activity under chapter 42.40  
3 RCW.

4 (7) The legislative budget committee may:

5 (a) Make post audits of the financial transactions of any agency  
6 and management surveys and program reviews as provided for in RCW  
7 44.28.085 as well as performance audits and program evaluations. To  
8 this end the committee may in its discretion examine the books,  
9 accounts, and other records of any agency, official, or employee.

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

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

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

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

23 **Sec. 4.** RCW 43.88.090 and 1994 c 184 s 10 are each amended to read  
24 as follows:

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

36 The estimates shall include statements or tables which indicate, by  
37 agency, the state funds which are required for the receipt of federal  
38 matching revenues. The estimates shall be revised as necessary to

1 reflect legislative enactments and adopted appropriations and shall be  
2 included with the initial biennial allotment submitted under RCW  
3 43.88.110. The estimates shall include consideration of  
4 recommendations made by the state auditor pursuant to a performance  
5 audit of the agency.

6 (2) In the year of the gubernatorial election, the governor shall  
7 invite the governor-elect or the governor-elect's designee to attend  
8 all hearings provided in RCW 43.88.100; and the governor shall furnish  
9 the governor-elect or the governor-elect's designee with such  
10 information as will enable the governor-elect or the governor-elect's  
11 designee to gain an understanding of the state's budget requirements.  
12 The governor-elect or the governor-elect's designee may ask such  
13 questions during the hearings and require such information as the  
14 governor-elect or the governor-elect's designee deems necessary and may  
15 make recommendations in connection with any item of the budget which,  
16 with the governor-elect's reasons therefor, shall be presented to the  
17 legislature in writing with the budget document. Copies of all such  
18 estimates and other required information shall also be submitted to the  
19 standing committees on ways and means of the house and senate.

20 NEW SECTION. **Sec. 5.** This act is necessary for the immediate  
21 preservation of the public peace, health, or safety, or support of the  
22 state government and its existing public institutions, and shall take  
23 effect immediately."

24 **ESSB 5607** - H COMM AMD  
25 By Committee on Government Operations

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27 On page 1, line 1 of the title, after "government;" strike the  
28 remainder of the title and insert "amending RCW 43.88.160 and  
29 43.88.090; creating new sections; and declaring an emergency."

--- END ---