

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1325**

Chapter 374, Laws of 1997

55th Legislature  
1997 Regular Session

DEVELOPMENT OF CAPITAL PROJECTS FOR SOCIAL SERVICE ORGANIZATIONS

EFFECTIVE DATE: 7/27/97

Passed by the House April 19, 1997  
Yea 89 Nays 0

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CLYDE BALLARD  
**Speaker of the  
House of Representatives**

Passed by the Senate April 15, 1997  
Yea 48 Nays 0

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BRAD OWEN  
**President of the Senate**

Approved May 15, 1997

CERTIFICATE

I, Timothy A. Martin, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1325** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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TIMOTHY A. MARTIN  
**Chief Clerk**

FILED

May 15, 1997 - 4:24 p.m.

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GARY LOCKE  
**Governor of the State of Washington**

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 1325**

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Passed Legislature - 1997 Regular Session

AS AMENDED BY THE SENATE

**State of Washington**

**55th Legislature**

**1997 Regular Session**

**By** House Committee on Capital Budget (originally sponsored by Representatives Ogden, Mitchell, Costa, Hankins, O'Brien and Mason)

Read first time 03/05/97.

1       AN ACT Relating to capital projects for social service  
2 organizations; adding a new section to chapter 43.63A RCW; adding a new  
3 section to chapter 43.88 RCW; and creating a new section.

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

5       NEW SECTION.   **Sec. 1.**   The legislature finds that nonprofit  
6 organizations provide a variety of social services that serve the needs  
7 of the citizens of Washington, including many services implemented  
8 under contract with state agencies. The legislature also finds that  
9 the efficiency and quality of these services may be enhanced by the  
10 provision of safe, reliable, and sound facilities, and that, in certain  
11 cases, it may be appropriate for the state to assist in the development  
12 of these facilities.

13       NEW SECTION.   **Sec. 2.**   A new section is added to chapter 43.63A RCW  
14 to read as follows:

15       If the legislature provides an appropriation to assist nonprofit  
16 organizations in acquiring, constructing, or rehabilitating facilities  
17 used for the delivery of nonresidential social services, the  
18 legislature may direct the department of community, trade, and economic

1 development to establish a competitive process to prioritize  
2 applications for the assistance as follows:

3       (1) The department shall conduct a state-wide solicitation of  
4 project applications from local governments, nonprofit organizations,  
5 and other entities, as determined by the department. The department  
6 shall evaluate and rank applications in consultation with a citizen  
7 advisory committee using objective criteria. At a minimum, applicants  
8 must demonstrate that the requested assistance will increase the  
9 efficiency or quality of the social services it provides to citizens.  
10 The evaluation and ranking process shall also include an examination of  
11 existing assets that applicants may apply to projects. Grant  
12 assistance under this section shall not exceed twenty-five percent of  
13 the total cost of the project. The nonstate portion of the total  
14 project cost may include, but is not limited to, land, facilities, and  
15 in-kind contributions.

16       (2) The department shall submit a prioritized list of recommended  
17 projects to the legislature by November 1st following the effective  
18 date of the appropriation. The list shall include a description of  
19 each project, the amount of recommended state funding, and  
20 documentation of nonstate funds to be used for the project. The  
21 department shall not sign contracts or otherwise financially obligate  
22 funds under this section until the legislature has approved a specific  
23 list of projects.

24       (3) In contracts for grants authorized under this section the  
25 department shall include provisions which require that capital  
26 improvements shall be held by the grantee for a specified period of  
27 time appropriate to the amount of the grant and that facilities shall  
28 be used for the express purpose of the grant. If the grantee is found  
29 to be out of compliance with provisions of the contract, the grantee  
30 shall repay to the state general fund the principal amount of the grant  
31 plus interest calculated at the rate of interest on state of Washington  
32 general obligation bonds issued most closely to the date of  
33 authorization of the grant.

34       (4) The department shall develop model contract provisions for  
35 compliance with subsection (3) of this section and shall distribute its  
36 recommendations to the appropriate legislative committees, the office  
37 of financial management, and to all state agencies which provide  
38 capital grants to nonstate entities.

1        NEW SECTION. **Sec. 3.** A new section is added to chapter 43.88 RCW  
2 to read as follows:

3            (1) Each state agency shall submit a report to the office of the state  
4 auditor listing each nongovernment entity that received over  
5 three hundred thousand dollars in state moneys during the previous  
6 fiscal year under contract with the agency for purposes related to the  
7 provision of social services. The report must be submitted by  
8 September 1 each year, and must be in a form prescribed by the office  
9 of the state auditor.

10          (2) The office of the state auditor shall select two groups of  
11 entities from the reports for audit as follows:

12            (a) The first group shall be selected at random using a procedure  
13 prescribed by the office of the state auditor. The office of the state  
14 auditor shall ensure that the number of entities selected under this  
15 subsection (2)(a) each year is sufficient to ensure a statistically  
16 representative sample of all reported entities.

17            (b) The second group shall be selected based on a risk assessment  
18 of entities conducted by the office of the state auditor in  
19 consultation with state agencies. The office of the state auditor  
20 shall consider, at a minimum, the following factors when conducting  
21 risk assessments: Findings from previous audits; decentralization of  
22 decision making and controls; turnover in officials and key personnel;  
23 changes in management structure or operations; and the presence of new  
24 programs, technologies, or funding sources.

25          (3) Each entity selected under subsection (2) of this section shall  
26 be required to complete a comprehensive entity-wide audit in accordance  
27 with generally accepted government auditing standards. The audit shall  
28 determine, at a minimum, whether:

29            (a) The financial statements of the entity are presented fairly in  
30 all material respects in conformity with generally accepted accounting  
31 principles;

32            (b) The schedule of expenditures of state moneys is presented  
33 fairly in all material respects in relation to the financial statements  
34 taken as a whole;

35            (c) Internal accounting controls exist and are effective; and

36            (d) The entity has complied with laws, regulations, and contract  
37 and grant provisions that have a direct and material effect on  
38 performance of the contract and the expenditure of state moneys.

1       (4) The office of the state auditor shall prescribe policies and  
2 procedures for the conduct of audits under this section. The office of  
3 the state auditor shall deem single audits completed in compliance with  
4 federal requirements to be in fulfillment of the requirements of this  
5 section if the audit meets the requirements of subsection (3)(a)  
6 through (d) of this section.

7       (5) Completed audits must be delivered to the office of the state  
8 auditor and the state agency by April 1 in the year following the  
9 selection of the entity for audit. Entities must resolve any findings  
10 contained in the audit within six months of the delivery of the audit.  
11 Entities may not enter into new contracts with state agencies until all  
12 major audit findings are resolved.

13       (6) Nothing in this section limits the authority of the state  
14 auditor to carry out statutorily and contractually prescribed powers  
15 and duties.

Passed the House April 19, 1997.

Passed the Senate April 15, 1997.

Approved by the Governor May 15, 1997.

Filed in Office of Secretary of State May 15, 1997.