

SHB 1053 - H AMD 1

By Representative Armstrong

ADOPTED 01/29/2003

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

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

4 (1) Public confidence in government is essential. Public programs  
5 must continuously improve in quality, efficiency, and effectiveness in  
6 order to increase public trust;

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

10 (3) An independent citizen oversight board is necessary to  
11 establish an annual assessment and performance grading program to  
12 ensure that government services, customer satisfaction, program  
13 efficiency, and management systems are world class in performance; and

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

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

19 For purposes of sections 3 through 6 of this act:

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

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

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

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

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

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

22 (1) The citizen oversight board is created to improve efficiency,  
23 effectiveness, and accountability in state government.

24 (2) The board shall consist of seven members as follows:

25 (a) One member shall be the state auditor, who shall be a nonvoting  
26 member;

27 (b) One member shall be the chair of the joint legislative audit  
28 and review committee, who shall be a nonvoting member;

29 (c) Four of the members shall be selected by the governor as  
30 follows: Each major caucus of the house of representatives and the  
31 senate shall submit a list of three names. The lists may not include  
32 the names of members of the legislature. The governor shall select a  
33 person from each list provided by each caucus; and

34 (d) The governor shall select the fifth member.

35 (3) The board shall elect a chair. Neither the chair of the joint  
36 legislative audit and review committee nor the state auditor may serve  
37 as chair.

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

5 (5) Appointed members shall serve for terms of four years, with the  
6 terms expiring on June 30th on the fourth year of the term. However,  
7 in the case of the initial members, two members shall serve four-year  
8 terms, two members shall serve three-year terms, and one member shall  
9 serve a two-year term, with each of the terms expiring on June 30th of  
10 the applicable year. Appointees may be reappointed to serve more than  
11 one term.

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

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

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

21 NEW SECTION. **Sec. 4.** A new section is added to chapter 44.28 RCW  
22 to read as follows:

23 (1) The citizen oversight board, created in section 2 of this act,  
24 shall establish an annual assessment and performance grading program.  
25 The program shall consist of conducting annual performance assessments  
26 and grading state agency performance. Assessments shall be implemented  
27 on a phased-in schedule. Initial areas to be assessed shall include  
28 quality management, productivity and fiscal efficiency, program  
29 effectiveness, contract management and oversight, internal audit,  
30 internal and external customer satisfaction, statutory and regulatory  
31 compliance, and technology systems and on-line services. As part of  
32 this program, the board shall:

33 (a) Consult with and seek input from elected officials, state  
34 employees, and professionals with a background in performance  
35 management for establishing the grading standards. In developing the  
36 criteria, the board shall consider already developed best practices and

1 audit criteria used by government or nongovernment organizations.  
2 Before the assessment, the agencies shall be given the criteria for the  
3 assessment and the standards for grading; and

4 (b) Contract or partner with public or private entities that have  
5 expertise in public sector reviews and/or technical expertise in  
6 individual assessment areas to perform the assessments and grading of  
7 all state agencies. The board may contract or partner with more than  
8 one entity for different assessment areas.

9 (2) The board shall submit the results of the assessment and  
10 grading program to the governor, the office of financial management,  
11 appropriate legislative committees, and the public by December 15th of  
12 each year. The results of the annual assessments and performance  
13 grading shall be posted on the internet.

14 (3) The definitions in section 2 of this act apply to this section.

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

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

19 (2) The board shall establish criteria for performance audits.  
20 Agencies shall be audited using criteria that include generally  
21 accepted government auditing standards as well as legislative mandates  
22 and performance objectives established by state agencies. Mandates  
23 include, but are not limited to, agency strategies, time lines, program  
24 objectives, and mission and goals as required in RCW 43.88.090.

25 (3) Using the criteria developed in subsection (2) of this section,  
26 the board and the state auditor shall complete a statewide performance  
27 review within one year of contracting as a preliminary to a draft work  
28 plan for conducting performance audits. The board and the state  
29 auditor shall develop a schedule and common methodology for conducting  
30 these reviews.

31 (4) The board and the state auditor shall develop the draft work  
32 plan for performance audits based on input from citizens, state  
33 employees, state managers, the joint legislative audit and review  
34 committee, public officials, and others. The draft work plan may  
35 include a list of agencies, programs, or systems to be audited on a  
36 time line decided by the board and the state auditor based on a number

1 of factors including risk, importance, and citizen concerns. All  
2 audits shall be designed to be completed within a six-month period.

3 (5) Before adopting the final work plan, the board shall consult  
4 with the legislative auditor and other appropriate oversight and audit  
5 entities to coordinate work plans and avoid duplication of effort in  
6 their planned performance audits of state government agencies. The  
7 board shall defer to the joint legislative audit and review committee  
8 work plan if a similar audit is included on both work plans for  
9 auditing. The final work plan must be agreed upon by the board and the  
10 state auditor.

11 (6) The state auditor shall contract out for performance audits.  
12 In conducting the audits, agency front-line employees and internal  
13 auditors should be involved. The audits may include an evaluation of:

14 (a) Identification of programs and services that can be eliminated,  
15 reduced, consolidated, or enhanced;

16 (b) Identification of funding sources to the state agency, to  
17 programs, and to services that can be eliminated, reduced,  
18 consolidated, or enhanced;

19 (c) Analysis of gaps and overlaps in programs and services and  
20 recommendations for improving, dropping, blending, or separating  
21 functions to correct gaps or overlaps;

22 (d) Analysis and recommendations for pooling information technology  
23 systems used within the state agency, and evaluation of information  
24 processing and telecommunications policy, organization, and management;

25 (e) Analysis of the roles and functions of the state agency, its  
26 programs, and its services and their compliance with statutory  
27 authority and recommendations for eliminating or changing those roles  
28 and functions and ensuring compliance with statutory authority;

29 (f) Recommendations for eliminating or changing statutes, rules,  
30 and policy directives as may be necessary to ensure that the agency  
31 carry out reasonably and properly those functions vested in the agency  
32 by statute;

33 (g) Verification of the reliability and validity of agency  
34 performance data, self-assessments, and performance measurement systems  
35 as required under RCW 43.88.090;

36 (h) Identification of potential cost savings in the state agency,  
37 its programs, and its services;

38 (i) Identification and recognition of best practices;

1 (j) Evaluation of planning, budgeting, and program evaluation  
2 policies and practices;

3 (k) Evaluation of personnel systems operation and management;

4 (l) Evaluation of state purchasing operations and management  
5 policies and practices; and

6 (m) Evaluation of organizational structure and staffing levels,  
7 particularly in terms of the ratio of managers and supervisors to  
8 nonmanagement personnel.

9 (7) The state auditor and the board may develop a grading system  
10 for the audits. The audit report may include the agency grade,  
11 evaluation and identification of best practices, and findings and  
12 recommendations for efficiency and effectiveness of state programs.  
13 The board and the state auditor shall examine a system for grading the  
14 audits. The board shall report its findings to the legislature by  
15 December 31, 2003.

16 (8) The state auditor must solicit comments on preliminary  
17 performance audit reports from the audited state agency, the office of  
18 the governor, the office of financial management, the board, and the  
19 joint legislative audit and review committee for comment. Comments  
20 must be received within thirty days after receipt of the preliminary  
21 performance audit report unless a different time period is approved by  
22 the state auditor. All comments shall be incorporated into the final  
23 performance audit report. The final audit report shall include the  
24 objectives, scope, and methodology; the audit results, including  
25 findings and recommendations; conclusions; and identification of best  
26 practices.

27 (9) The final reports shall be submitted to the board by the state  
28 auditor. The board and the state auditor shall jointly release final  
29 reports to the citizens of Washington, the governor, and the  
30 appropriate legislative committees. Final performance audit reports  
31 shall be posted on the internet.

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

34 In addition to the authority given the state auditor in RCW  
35 43.88.160(6), the state auditor is authorized to conduct performance  
36 audits identified in section 5 of this act.

1        NEW SECTION.    **Sec. 7.**    A new section is added to chapter 43.131 RCW  
2 to read as follows:

3        The citizen oversight board created in section 3 of this act and  
4 its powers and duties shall be terminated June 30, 2010, as provided in  
5 section 8 of this act.    The joint legislative audit and review  
6 committee shall contract with a private entity for the review in this  
7 section.

8        NEW SECTION.    **Sec. 8.**    A new section is added to chapter 43.131 RCW  
9 to read as follows:

10       The following acts or parts of acts, as now existing or hereafter  
11 amended, are each repealed, effective June 30, 2011:

- 12        (1) Section 2 of this act;
- 13        (2) Section 3 of this act;
- 14        (3) Section 4 of this act;
- 15        (4) Section 5 of this act; and
- 16        (5) Section 6 of this act.

17       NEW SECTION.    **Sec. 9.**    If specific funding for the purposes of this  
18 act, referencing this act by bill or chapter number, is not provided by  
19 June 30, 2003, in the omnibus appropriations act, this act is null and  
20 void."

21       Correct the title.

EFFECT:    Establishes the citizen oversight board staffed by the  
joint legislative audit and review committee.    The board establishes an  
annual assessment and scoring program of all state agencies.    A  
statewide performance review is conducted by the board and the state  
auditor prior to establishing a work plan.    The board and the state  
auditor develop a work plan for conducting performance audits of state  
agencies.    The board establishes criteria for performance audits.    The  
state auditor contracts out performance audits and the board and the  
state auditor jointly release final audit reports.    Reports will be  
posted on the internet.    A sunset review will be conducted in seven  
years.

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