

2ESHB 1053 - H AMD TO
By Representative Miloscia

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

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

4 (1) Citizens demand and deserve accountability of public
5 programs. Public programs must continuously improve in quality,
6 efficiency, and effectiveness in order to increase public trust;

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (a) One member shall be the state auditor, who shall be a
28 nonvoting member;

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

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

36 (d) The governor shall select a member.

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

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

8 (5) Members selected under subsection (2) (a) and (b) shall
9 serve for terms of four years, with the terms expiring on June 30th
10 on the fourth year of the term. However, in the case of the
11 initial members, two members shall serve four-year terms, two
12 members shall serve three-year terms, and one member shall serve a
13 two-year term, with each of the terms expiring on June 30th of the
14 applicable year. Appointees may be reappointed to serve more than
15 one term.

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

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

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

25 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.09
26 RCW to read as follows:

27 (1) The citizen oversight board, created in section 3 of this
28 act, shall establish an annual assessment and performance grading
29 program. The program shall consist of conducting annual
30 performance assessments and grading state agency performance.
31 Assessments shall be implemented on a phased-in schedule. Initial
32 areas to be assessed shall include quality management, productivity
33 and fiscal efficiency, program effectiveness, contract management
34 and oversight, internal audit, internal and external customer
35 satisfaction, statutory and regulatory compliance, and technology
36 systems and on-line services. As part of this program, the board
37 shall:

1 (a) Consult with and seek input from elected officials, state
2 employees, and professionals with a background in performance
3 management for establishing the grading standards. In developing
4 the criteria, the board shall consider already developed best
5 practices and audit criteria used by government or nongovernment
6 organizations. Before the assessment, the agencies shall be given
7 the criteria for the assessment and the standards for grading; and

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

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

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

20 (a) The board shall establish criteria for performance audits.
21 Agencies shall be audited using criteria that include generally
22 accepted government auditing standards as well as legislative
23 mandates and performance objectives established by state agencies.
24 Mandates include, but are not limited to, agency strategies, time
25 lines, program objectives, and mission and goals as required in RCW
26 43.88.090.

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

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

1 citizen concerns. All audits shall be designed to be completed
2 within a six-month period.

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

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

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

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

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

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

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

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

36 (vii) Verification of the reliability and validity of agency
37 performance data, self-assessments, and performance measurement
38 systems as required under RCW 43.88.090;

1 (viii) Identification of potential cost savings in the state
2 agency, its programs, and its services;

3 (ix) Identification and recognition of best practices;

4 (x) Evaluation of planning, budgeting, and program evaluation
5 policies and practices;

6 (xi) Evaluation of personnel systems operation and management;

7 (xii) Evaluation of state purchasing operations and management
8 policies and practices; and

9 (xiii) Evaluation of organizational structure and staffing
10 levels, particularly in terms of the ratio of managers and
11 supervisors to nonmanagement personnel.

12 (f) The state auditor and the board may develop a grading
13 system for the audits. The audit report may include the agency
14 grade, evaluation and identification of best practices, and
15 findings and recommendations for efficiency and effectiveness of
16 state programs. The board and the state auditor shall examine a
17 system for grading the audits. The board shall report its findings
18 to the legislature by December 31, 2004.

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

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

35 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.88
36 RCW to read as follows:

1 In addition to the authority given the state auditor in RCW
2 43.88.160(6), the state auditor is authorized to contract for and
3 oversee performance audits pursuant to section 4 of this act.

4 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.09
5 RCW to read as follows:

6 The audited agency is responsible for follow-up and corrective
7 action on all performance audit findings and recommendations. The
8 audited agency's plan for addressing each audit finding and
9 recommendation shall be included in the final audit report. The
10 plan shall provide the name of the contact person responsible for
11 each action, the action planned, and the anticipated completion
12 date. If the audited agency does not agree with the audit findings
13 and recommendations or believes action is not required, then the
14 action plan shall include an explanation and specific reasons.

15 For agencies under the authority of the governor, the governor
16 may require periodic progress reports from the audited agency until
17 all resolution has occurred.

18 For agencies under the authority of an elected official other
19 than the governor, the auditor and the board may require periodic
20 reports of the action taken by the audited agency until all
21 resolution has occurred.

22 The board may request status reports on specific audits or
23 findings.

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

26 The citizen oversight board created in section 3 of this act
27 and its powers and duties shall be terminated June 30, 2011, as
28 provided in section 8 of this act. The joint legislative audit and
29 review committee shall contract with a private entity for the
30 review in this section.

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

33 The following acts or parts of acts, as now existing or
34 hereafter amended, are each repealed, effective June 30, 2012:

- 35 (1) Section 2 of this act;

- 1 (2) Section 3 of this act;
- 2 (3) Section 4 of this act;
- 3 (4) Section 5 of this act; and
- 4 (5) Section 6 of this act.

5

6 NEW SECTION. **Sec. 9.** If specific funding for the purposes of
7 this act, referencing this act by bill or chapter number, is not
8 provided by June 30, 2004, in the omnibus appropriations act, this
9 act is null and void."

10

EFFECT: Creates the citizen oversight board staffed by the joint legislative audit and review committee. The board will conduct an annual assessment and performance grading program. With the state auditor, the board establishes criteria for performance audits of state agencies. Preliminary to submitting a draft work plan for conducting performance audits, the board and the state auditor shall complete a statewide performance review. The state auditor will contract out for performance audits of state agencies. Audited agencies are responsible for follow-up and corrective action on all performance audit findings and recommendations.