

# HOUSE BILL REPORT

## 3ESHB 1053

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### As Amended by the Senate

**Title:** An act relating to government accountability.

**Brief Description:** Enhancing government accountability.

**Sponsors:** By House Committee on State Government (originally sponsored by Representatives Miloscia, Armstrong, Haigh, G. Simpson, Schoesler, Quall, O'Brien, Kirby, Cox, Eickmeyer, Berkey, McCoy, Ruderman, Hatfield, Sullivan, Morris, Linville, Ahern, Veloria, Bush, Conway, Dickerson, Lovick, Fromhold, Dunshee, Gomboski, Kenney, Kagi, Schual-Berke and Campbell).

#### **Brief History:**

##### **Committee Activity:**

State Government: 1/21/03, 1/23/03 [DPS].

##### **Floor Activity:**

Passed House: 1/29/03, 97-0.

##### **First Special Session**

##### **Floor Activity:**

Passed House: 6/10/03, 92-0.

##### **Floor Activity:**

Passed House: 2/6/04, 97-0.

Senate Amended.

Passed Senate: 3/4/04, 36-8.

House Refused to Concur.

#### **Brief Summary of Third Engrossed Substitute Bill**

- Establishes a Priorities of Government Oversight Board to prioritize conduct up to two performance audits each year of a high priority government program, and an activity assessment of one or more lower-priority programs.

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### HOUSE COMMITTEE ON STATE GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Haigh, Chair; Miloscia, Vice Chair; Armstrong, Ranking Minority Member; Shabro, Assistant Ranking Minority Member; Hunt, McDermott, Nixon, Tom and Wallace.

**Staff:** Marsha Reilly (786-7135).

**Background:**

A number of programs have been instituted to improve government efficiency and accountability.

Legislation was enacted in 1996 establishing a performance based budgeting system for state agencies. Agencies are expected to: (a) establish mission statements and set goals; (b) develop strategies to achieve goals; (c) set outcome based objectives; (d) provide continuous self-assessment of each program; (e) link budget proposals with their mission statements and goals; and (f) objectively determine the success in achieving goals.

The Governor issued Executive Order 97-03 in 1997 requiring all state agencies to develop and implement programs to improve the quality, efficiency, and effectiveness of public services they provide using quality improvement, business process redesign, employee involvement, and other quality improvement techniques.

Executive Order 97-02 established a rules review process for state agencies to periodically review their rules to determine if the rules should be retained, modified, or repealed.

The Productivity Board was established to administer the employee suggestion program and the teamwork incentive program. State agencies are authorized to make employee recognition awards.

The Joint Legislative Audit and Review Committee (JLARC) conducts performance audits. The State Auditor conducts performance audits if the Legislature appropriates moneys for specific performance audits in the state budget.

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**Summary of Third Engrossed Substitute Bill:**

An eight member citizen oversight board is created to improve efficiency, effectiveness, and accountability in state government. The board will consist of eight members, including the state auditor, the chair of the JLARC, and the director of the Office of Financial Management (OFM), who will be non-voting members; four members chosen by the Governor, one from each list of names submitted by each major caucus in the Senate and the House of Representatives; and a member selected by the Governor. Appointed members must have knowledge and expertise in performance management, quality management, strategic planning, performance assessments, or a closely related fields. The JLARC and the OFM will staff the board jointly.

The board will work with OFM and JLARC on reviews of agency performance measure

systems. The reviews will include regular assessments of the measures and methods that state agencies use to manage program and agency performance.

The board will work with OFM, JLARC, and the state auditor regarding performance audits of state government. The results of the performance system reviews, as well as other factors including risk, importance, and citizen concerns, will be considered in preparation of a draft work plan for conducting the performance audits.

The state auditor is directed to contract with qualified independent evaluators to conduct the performance audits. The audits may evaluate efficiency and program effectiveness and may include:

- The extent to which legislative, regulatory, or organizational goals and objectives are being achieved;
- The relative ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness;
- The relative cost and benefits or cost effectiveness of program performance;
- Whether a program produced intended results or produced effects that were not intended by the program's objectives;
- The extent to which programs duplicate, overlap, or conflict with other related programs; and
- The validity and reliability of performance measures concerning program effectiveness and results, or economy and efficiency.

The state auditor is directed to solicit comments on preliminary performance audit reports from the audited state agency, the Office of the Governor, OFM, and JLARC for comment. All comments must be incorporated into the final performance audit report. The state auditor submits the final audit report to the board and the board will release the report to the public, the Governor, and appropriate legislative committees. Final performance audit reports will be posted on the internet.

The board is also directed to establish and conduct an annual assessment and performance grading program of all state agencies on a phased-in schedule. Areas to be assessed include quality management, productivity and fiscal efficiency, program effectiveness, contract management and oversight, internal audit, internal and external customer satisfaction, statutory and regulatory compliance, and technology systems and on-line services. The results of the annual assessment and grading program will be submitted to the Governor, the appropriate legislative committees, and the public by December 15 of each year. Results will be posted on the internet.

Reviewed agencies are responsible for follow-up and corrective action on the performance measurement system reviews and performance audit findings. Agencies must submit periodic progress reports detailing their actions towards resolution of audit findings. Progress reports will be available on the internet.

A sunset review of the board is required in 2011.

If funding to carry out this act is not provided in the omnibus appropriations act, this act is null and void.

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## **EFFECT OF SENATE AMENDMENT(S):**

### Priorities of Government Established

Priorities of government are established as those that serve the following objectives:

Improve student achievement in elementary, middle, and high schools; Improve the quality and productivity of, and respect for, the state's work force, including consideration of competitive compensation, realistic workloads, and recruitment and retention; Improve the value of a state college or university education; Improve the health of the state's citizens; Improve the security of the state's vulnerable children and adults; Improve the economic vitality of businesses and individuals; Improve statewide mobility of people, goods, information, and energy; Improve the safety of people and property; Improve the quality of the state's natural resources; and Improve cultural and recreational opportunities throughout the state.

### Priorities of Government Oversight Board

The Priorities of Government Oversight Board (Board) is established to oversee performance audits and priority-based activity assessments based on the Priorities of Government. The fifteen-member Board includes:

The director of the Office of Financial Management, as chair; The state auditor; Chairs and ranking minority members of Senate Ways and Means and House Appropriations committees; The legislative auditor; The director of the State Institute for Public Policy; One private citizen with expertise in organizational improvement strategies, appointed by the Governor; A state employee, appointed by the Governor; and Five citizens selected by the Governor from lists of names submitted by each major caucus of the House and Senate. The Governor will select one name from each of these four lists, and the fifth person will be the Governor's choice.

The Office of Financial Management will staff the board, with additional support provided by other public members of the Board.

### Performance Audits

By January 1 of each year, the Board will select one of the ten priority functions of government and, by July 1 of that same year, prioritize each program and activity within that governmental function based on its contribution to the overall objectives of the function. Once this is completed, the Board selects up to two programs for a performance audit, based on evidence that the program or activity would benefit from a review.

The state auditor will oversee the performance audits and will contract the audits to a public or private entity. Performance audit criteria are established by the board using generally accepted government auditing standards, as well as legislative mandates and performance objectives established by state agencies. Final audit reports will be jointly released by the Board and the state auditor. The Board and the State Auditor will also submit proposed legislation necessary to implement recommendations based on findings contained in the performance audits.

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Activity Assessments

Based on the same priority list, the Board also will select one or more of the lowest priority programs or activities for an activity assessment that will be conducted by an independent contractor. An activity assessment will address the following questions:

Does the program or activity continue to serve the purpose for which it was created? In comparison to other programs and priorities, does this purpose continue to merit the use of the state's limited resources? Does this program or activity continue to contribute to the priorities of government? Are there better alternatives for the use of these resources or to accomplish the objective of the program or activity?

The Board will release activity assessments to the public, the Governor, the appropriate legislative committees and will submit proposed legislation necessary to implement recommendations based on findings contained in the activity assessments.

Termination of the Board

The oversight board and its powers and duties terminate on June 30, 2010, and a sunset review will be contracted out by the Joint Legislative Audit and Review Committee.

Funding

The bill is contingent on funding being provided in the state budget.

**Appropriation:** \$192,000 for the fiscal year ending June 30, 2004, and \$768,000 for the fiscal year ending June 30, 2005, is appropriated to the State Auditor. \$40,000 for the fiscal year ending June 30, 2005, is appropriated to the JLARC.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (In support) The bill will help restore trust in government. It will cost about \$2.5 million, but should save the government money in the long run. The concept of performance audits is essential to good government. The State Auditor, an independently elected official that reports directly to the public, would provide independence. The Office of the State Auditor welcomes the opportunity for an unbiased

review of audit programs and to work toward a more efficient and effective government. However, the definition of state agency is too broad.

(In support with concerns) Community college boards of trustees are among the most unaccountable public officials in government. There is a need for this bill but care must be taken that it does not evolve into the micro-management of agencies. A suggestion might be to issue policies and directives rather than assisting agencies in developing guidelines. A sunset provision is recommended.

The State Auditor can conduct audits and report directly to the Legislature rather than the Governor. This would eliminate the need to establish a new board.

**Testimony Against:** None.

(With concerns) There is concern about establishing a new and separate board to coordinate performance audits of agency programs. It is the Joint Legislative Audit and Review Committee's responsibility to review legislatively authorized programs to ensure that they are effective. A separate board creates the potential for two entities to develop different audit criteria to which an agency would have to respond. There is also concern about the cost of implementing the bill.

There is further concern that qualifications for selection of board members, as outlined in the bill, limit the diversity of the board.

**Testified:** (In support) Representative Miloscia, prime sponsor; Brian Sonntag, Washington State Auditor; Dennis Eagle, Washington Federation of State Employees; and Kristen Sawin, Association of Washington Business.

(In support with concerns) Richard Davis, Washington Federation of Teachers; and Rob Kavanaugh.

(With concerns) Mary Campbell, Governor's Office; Don Griffith, Department of Transportation; Nina Carter, Audubon Washington; and Bruce Wishart, People for Puget Sound.