

SENATE BILL REPORT

SSB 5748

As Passed Senate, March 11, 2003

Title: An act relating to transportation-related performance audits.

Brief Description: Implementing performance audits of transportation-related agencies.

Sponsors: Senate Committee on Highways & Transportation (originally sponsored by Senators Finkbeiner, Haugen, Horn, Spanel, Jacobsen, Swecker, Benton, Hale, Kohl-Welles, Oke, Rasmussen, Esser, Schmidt and Shin).

Brief History:

Committee Activity: Highways & Transportation: 2/11/03, 3/4/03 [DPS].
Passed Senate: 3/11/03, 49-0.

SENATE COMMITTEE ON HIGHWAYS & TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5748 be substituted therefor, and the substitute bill do pass.

Signed by Senators Horn, Chair; Benton, Vice Chair; Swecker, Vice Chair; Esser, Finkbeiner, Haugen, Jacobsen; Kastama, Mulliken, Oke, Prentice and Spanel.

Staff: Greg Doss (786-7341)

Background: The State Auditor's Office regularly audits state and local government agencies. These fiscal audits focus on accounting controls and statutory compliance. Performance audits, on the other hand, focus on the operational effectiveness and efficiency of an organization or program. These audits are most typically conducted through the Joint Legislative Audit and Review Committee (JLARC) at the direction of the Legislature. Neither the State Auditor nor JLARC conduct regular scheduled performance audits of agencies.

Since 1991 there have been eight performance audits performed (seven since 1998) on the three major transportation-related agencies: Department of Licensing (DOL); Washington State Patrol (WSP); and the Department of Transportation (DOT). All of the performance audits had recommendations to improve the efficiency and effectiveness of the agency and/or programs. Many (but not all) of the recommendations were implemented.

Most recently, there have been initiatives or referenda that required some form of performance auditing of transportation agencies. Referendum 51 contained provisions requiring a new citizen board to analyze and report on the expenditures and progress of new transportation projects that were to be funded with the new taxes proposed in that measure. Initiative 745 would have required (among other things) the State Auditor to conduct transportation performance audits. Proposed Initiative 257 would have required the State Auditor to conduct performance audits of all state agencies.

Summary of Bill: The Transportation Performance Audit Board (TPAB) is created to direct a two step performance review and audit process. The TPAB consists of the majority and minority leaders of the House and Senate Transportation Committees, five citizens with expertise in delivering transportation services, one gubernatorial appointee and one ex-officio member. The citizen members are nominated by professional associations and appointed by the Governor for four-year terms. The ex-officio member is the State Legislative Auditor. The Legislative Transportation Committee (LTC) provides staff services to the TPAB.

Step 1. Performance Reviews: The TPAB develops schedules and methodology for conducting performance reviews of transportation agencies. Reviews of agency performance and outcome measures provide the TPAB with information necessary to determine if a full functional or performance audit is needed.

At the request of the TPAB, the Executive Committee of LTC may request the State Legislative Auditor to conduct a full functional or performance audit. To the greatest extent possible, the Legislative Auditor shall contract with the private sector for audit services. The Joint Legislative Audit Review Committee receives cost-reimbursement from LTC for audit services or consultant services provided through contract.

Step 2. Performance Audits: If a functional or performance audit is warranted, the Legislative Auditor develops an audit scope. The Executive Committee of LTC and Audit Board must approve the audit scope. The audit scope may include nine specific elements: (1) identification of cost savings; (2) identification of services that can be reduced or eliminated; (3) identification of programs or services that can be transferred to the private sector; (4) analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps; (5) feasibility of pooling information technology systems within the department; (6) analysis of the roles and functions of the department, and recommendations to change or eliminate departmental roles or functions; (7) recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions; (8) analysis of departmental performance data, performance measures, and self-assessment systems; and (9) identification of best practices.

Appropriation: None.

Fiscal Note: Requested on February 10, 2003.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The Department of Transportation welcomes performance audits. The general public feels that accountability is lacking, and these performance audits will help create greater accountability. Audit board members should not be current employees of the Department of Transportation.

Testimony Against: None.

Testified: Representative Deb Wallace; Kevin Shively, Transportation Choices Coalition.

House Amendment(s): The Legislative Transportation Committee (LTC) is required to review the performance and outcome measures of transportation-related agencies. The schedule and

frequency of the reviews is to be determined by LTC. The Department of Transportation must be the first agency subject to the review process.

Criteria are established for the performance reviews to be conducted by LTC. The criteria include the examination of how agency management uses the performance measures to manage resources, assessing how benchmarks are established, and determining how the measures are used to make budget decisions.

Based on the outcome of the performance reviews, LTC may retain a consultant or request the Joint Legislative Audit and Review Committee (JLARC) to conduct performance or program audits of an agency, a specific program, or an activity area. LTC will pay for all costs associated with the requested audits.

The scope of the audit must be approved by LTC. LTC and the entity retained to do the audit must consider inclusion of specific audit elements that are established in the bill. Audit elements include the identification of potential cost savings in the agency or program, identifying funding that could be eliminated, and identifying programs or services that could be eliminated.

Completed audit reports must be submitted to LTC or its executive committee, and must include, at a minimum, recommendations on: (a) the continuation, abolition, consolidation, or reorganization of each affected agency or program; and (b) opportunities to develop government partnerships, and eliminate redundant programs. The act takes effect immediately.