

**SHB 1064** - H AMD

By Representative Armstrong

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; and

11           (3) Fair, independent, professional performance audits of state  
12 agencies by the state auditor are essential to improving the  
13 efficiency and effectiveness of government.

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

16           For purposes of sections 4 through 6 of this act:

17           (1) "Board" means the citizen accountability advisory board  
18 created in section 4 of this act.

19           (2) "Performance audit" means an objective and systematic  
20 assessment of a state agency or agencies or any of its programs,  
21 functions, or activities by an independent auditor in order to help  
22 improve agency efficiency, effectiveness, and accountability.  
23 Performance audits include economy and efficiency audits and  
24 program audits.

25           (3) "State agency" or "agency" means a state agency,  
26 department, office, officer, board, commission, bureau, division,  
27 institution, or institution of higher education. "State agency"

1 includes all elective offices in the executive branch of state  
2 government. This includes state agencies and programs as well as  
3 those programs and activities that cross agency lines.

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

6 The state auditor is authorized to conduct performance audits  
7 under the provisions of this act. The auditor may contract for  
8 performance audits as the state auditor may determine.

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

11 (1) A citizen accountability advisory board is created to  
12 provide advice to the state auditor on performance audits of state  
13 government.

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

15 (a) One member shall be selected by the state auditor;

16 (b) One member shall be selected by the chair of the joint  
17 legislative audit and review committee;

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

23 (d) One member shall be selected by the governor.

24 (3) The board shall elect a chair.

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

29 (5) Members shall serve for terms of four years, with the  
30 terms expiring on June 30th of the fourth year of the term.  
31 However, in the case of the initial members, two members shall  
32 serve four-year terms, two members shall serve three-year terms,  
33 and one member shall serve a two-year term, with each of the terms  
34 expiring on June 30th of the applicable year. Appointees may be  
35 reappointed to serve more than one term.

1 (6) The state auditor's office shall provide staff assistance  
2 to the board.

3 (7) The board shall meet at least once a quarter and may hold  
4 additional meetings at the call of the chair or by a majority vote  
5 of the members of the board. The meetings are subject to the  
6 provisions of chapter 42.30 RCW.

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

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

12 The board shall establish an annual assessment and performance  
13 grading program. The program shall consist of conducting annual  
14 performance assessments and grading state agency performance.  
15 Assessments shall be implemented on a phased-in schedule. Initial  
16 areas to be assessed shall include quality management, productivity  
17 and fiscal efficiency, program effectiveness, contract management  
18 and oversight, internal audit, internal and external customer  
19 satisfaction, statutory and regulatory compliance, and technology  
20 systems and on-line services. As part of this program, the board  
21 shall:

22 (1) Consult with and seek input from elected officials, state  
23 employees including front-line employees, and professionals with a  
24 background in performance management for establishing the grading  
25 standards. In developing the criteria, the board shall consider  
26 already developed best practices and audit criteria used by  
27 government or nongovernment organizations. Before the assessment,  
28 the agencies shall be given the criteria for the assessment and the  
29 standards for grading;

30 (2) Contract or partner with public or private entities that  
31 have expertise in public sector reviews and/or technical expertise  
32 in individual assessment areas to perform the assessments and  
33 grading of all state agencies. The board may contract or partner  
34 with more than one entity for different assessment areas; and

35 (3) Submit the results of the assessment and grading program to  
36 the governor, the office of financial management, appropriate  
37 legislative committees, and the public by December 15th of each

1 year. The results of the annual assessments and performance  
2 grading shall be posted on the internet.

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

5 (1) The state auditor shall establish criteria and protocols  
6 for performance audits. Agencies shall be audited using criteria  
7 that include generally accepted government auditing standards as  
8 well as legislative mandates and performance objectives established  
9 by state agencies. Mandates include, but are not limited to,  
10 agency strategies, timelines, program objectives, and mission and  
11 goals as required in RCW 43.88.090.

12 (2) Using the criteria developed in subsection(1) of this  
13 section, the state auditor shall complete a statewide performance  
14 review as a preliminary to a work plan for conducting performance  
15 audits. The state auditor shall develop a schedule and common  
16 methodology for conducting performance audits.

17 (3) In developing the work plan, the state auditor shall  
18 consider input from the board, citizens, state employees, state  
19 managers, the joint legislative audit and review committee, public  
20 officials, and others. The work plan may include a list of  
21 agencies, programs, or systems to be audited on a timeline decided  
22 by the state auditor based on a number of factors including risk,  
23 importance, and citizen concerns. All audits shall be designed to  
24 be completed within a six-month period.

25 (4) Before adopting the final work plan, the state auditor  
26 shall consult with the legislative auditor and other appropriate  
27 oversight and audit entities to coordinate work plans and avoid  
28 duplication of effort in their planned performance audits of state  
29 government. The state auditor shall defer to the joint legislative  
30 audit and review committee work plan if a similar audit is included  
31 on both work plans for auditing.

32 (5) In conducting the audits, agency front-line employees and  
33 internal auditors should be involved. The audits may include:

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

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

4 (c) Analysis of gaps and overlaps in programs and services and  
5 recommendations for improving, dropping, blending, or separating  
6 functions to correct gaps or overlaps;

7 (d) Analysis and recommendations for pooling information  
8 technology systems used within the state agency, and evaluation of  
9 information processing and telecommunications policy, organization,  
10 and management;

11 (e) Analysis of the roles and functions of the state agency,  
12 its programs, and its services and their compliance with statutory  
13 authority and recommendations for eliminating or changing those  
14 roles and functions and ensuring compliance with statutory  
15 authority;

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

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

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

25 (i) Identification and recognition of best practices;

26 (j) Evaluation of planning, budgeting, and program evaluation  
27 policies and practices;

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

29 (l) Evaluation of state purchasing operations and management  
30 policies and practices; and

31 (m) Evaluation of organizational structure and staffing levels,  
32 particularly in terms of the ratio of managers and supervisors to  
33 nonmanagement personnel.

34 (6) The state auditor's performance audit work plan shall be  
35 updated at least annually.

36 (7) The state auditor must provide the preliminary performance  
37 audit reports to the audited state agency for comment. The auditor  
38 also may seek input on the preliminary report from other  
39 appropriate officials. Comments must be received within thirty

1 days after receipt of the preliminary performance audit report  
2 unless a different time period is approved by the state auditor.  
3 The final performance audit report shall include the objectives,  
4 scope, and methodology; the audit results, including findings and  
5 recommendations; the agency's response; conclusions; and  
6 identification of best practices.

7 (8) The state auditor shall provide final performance audit  
8 reports to the citizens of Washington, the governor, the board, the  
9 joint legislative audit and review committee, the appropriate  
10 legislative committees, and other appropriate officials. Final  
11 performance audit reports shall be posted on the internet.

12 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.88  
13 RCW to read as follows:

14 The audited agency is responsible for follow-up and corrective  
15 action on all performance audit findings and recommendations. The  
16 audited agency's plan for addressing each audit finding and  
17 recommendation shall be included in the final audit report. The  
18 plan shall provide the name of the contact person responsible for  
19 each action, the action planned, and the anticipated completion  
20 date. If the audited agency does not agree with the audit findings  
21 and recommendations or believes action is not required, then the  
22 action plan shall include an explanation and specific reasons.

23 The office of financial management shall require periodic  
24 progress reports from the audited agency until all resolution has  
25 occurred. The office of financial management is responsible for  
26 achieving audit resolution. The office of financial management  
27 shall annually report by December 31st the status of performance  
28 audit resolution to the appropriate legislative committees and the  
29 state auditor. The legislature shall consider the performance  
30 audit results in connection with the state budget process. The  
31 state auditor may request status reports on specific audits or  
32 findings.

33 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.09  
34 RCW to read as follows:

35 If a local governmental entity requests a performance audit of  
36 its activities, the state auditor has the discretion to conduct

1 such a review under separate contract with the auditor and funded  
2 by local funds.

3 NEW SECTION. **Sec. 9.** RCW 43.88.160 and 2002 c 260 s 1 are  
4 each amended to read as follows:

5 This section sets forth the major fiscal duties and  
6 responsibilities of officers and agencies of the executive branch.  
7 The regulations issued by the governor pursuant to this chapter  
8 shall provide for a comprehensive, orderly basis for fiscal  
9 management and control, including efficient accounting and  
10 reporting therefor, for the executive branch of the state  
11 government and may include, in addition, such requirements as will  
12 generally promote more efficient public management in the state.

13 (1) Governor; director of financial management. The governor,  
14 through the director of financial management, shall devise and  
15 supervise a modern and complete accounting system for each agency  
16 to the end that all revenues, expenditures, receipts,  
17 disbursements, resources, and obligations of the state shall be  
18 properly and systematically accounted for. The accounting system  
19 shall include the development of accurate, timely records and  
20 reports of all financial affairs of the state. The system shall  
21 also provide for central accounts in the office of financial  
22 management at the level of detail deemed necessary by the director  
23 to perform central financial management. The director of financial  
24 management shall adopt and periodically update an accounting  
25 procedures manual. Any agency maintaining its own accounting and  
26 reporting system shall comply with the updated accounting  
27 procedures manual and the rules of the director adopted under this  
28 chapter. An agency may receive a waiver from complying with this  
29 requirement if the waiver is approved by the director. Waivers  
30 expire at the end of the fiscal biennium for which they are  
31 granted. The director shall forward notice of waivers granted to  
32 the appropriate legislative fiscal committees. The director of  
33 financial management may require such financial, statistical, and  
34 other reports as the director deems necessary from all agencies  
35 covering any period.

36 (2) Except as provided in chapter 43.88C RCW, the director of  
37 financial management is responsible for quarterly reporting of  
38 primary operating budget drivers such as applicable workloads,

1 caseload estimates, and appropriate unit cost data. These reports  
2 shall be transmitted to the legislative fiscal committees or by  
3 electronic means to the legislative evaluation and accountability  
4 program committee. Quarterly reports shall include actual monthly  
5 data and the variance between actual and estimated data to date.  
6 The reports shall also include estimates of these items for the  
7 remainder of the budget period.

8 (3) The director of financial management shall report at least  
9 annually to the appropriate legislative committees regarding the  
10 status of all appropriated capital projects, including  
11 transportation projects, showing significant cost overruns or  
12 under-runs. If funds are shifted from one project to another, the  
13 office of financial management shall also reflect this in the  
14 annual variance report. Once a project is complete, the report  
15 shall provide a final summary showing estimated start and  
16 completion dates of each project phase compared to actual dates,  
17 estimated costs of each project phase compared to actual costs, and  
18 whether or not there are any outstanding liabilities or unsettled  
19 claims at the time of completion.

20 (4) In addition, the director of financial management, as agent  
21 of the governor, shall:

22 (a) Develop and maintain a system of internal controls and  
23 internal audits comprising methods and procedures to be adopted by  
24 each agency that will safeguard its assets, check the accuracy and  
25 reliability of its accounting data, promote operational efficiency,  
26 and encourage adherence to prescribed managerial policies for  
27 accounting and financial controls. The system developed by the  
28 director shall include criteria for determining the scope and  
29 comprehensiveness of internal controls required by classes of  
30 agencies, depending on the level of resources at risk.

31 Each agency head or authorized designee shall be assigned the  
32 responsibility and authority for establishing and maintaining  
33 internal audits following the standards of internal auditing of the  
34 institute of internal auditors;

35 (b) Make surveys and analyses of agencies with the object of  
36 determining better methods and increased effectiveness in the use  
37 of manpower and materials; and the director shall authorize  
38 expenditures for employee training to the end that the state may  
39 benefit from training facilities made available to state employees;



1 (c) Establish policies for allowing the contracting of child  
2 care services;

3 (d) Report to the governor with regard to duplication of effort  
4 or lack of coordination among agencies;

5 (e) Review any pay and classification plans, and changes  
6 thereunder, developed by any agency for their fiscal impact:  
7 PROVIDED, That none of the provisions of this subsection shall  
8 affect merit systems of personnel management now existing or  
9 hereafter established by statute relating to the fixing of  
10 qualifications requirements for recruitment, appointment, or  
11 promotion of employees of any agency. The director shall advise  
12 and confer with agencies including appropriate standing committees  
13 of the legislature as may be designated by the speaker of the house  
14 and the president of the senate regarding the fiscal impact of such  
15 plans and may amend or alter the plans, except that for the  
16 following agencies no amendment or alteration of the plans may be  
17 made without the approval of the agency concerned: Agencies headed  
18 by elective officials;

19 (f) Fix the number and classes of positions or authorized  
20 employee years of employment for each agency and during the fiscal  
21 period amend the determinations previously fixed by the director  
22 except that the director shall not be empowered to fix the number  
23 or the classes for the following: Agencies headed by elective  
24 officials;

25 (g) Adopt rules to effectuate provisions contained in (a)  
26 through (f) of this subsection.

27 (5) The treasurer shall:

28 (a) Receive, keep, and disburse all public funds of the state  
29 not expressly required by law to be received, kept, and disbursed  
30 by some other persons: PROVIDED, That this subsection shall not  
31 apply to those public funds of the institutions of higher learning  
32 which are not subject to appropriation;

33 (b) Receive, disburse, or transfer public funds under the  
34 treasurer's supervision or custody;

35 (c) Keep a correct and current account of all moneys received  
36 and disbursed by the treasurer, classified by fund or account;

37 (d) Coordinate agencies' acceptance and use of credit cards and  
38 other payment methods, if the agencies have received authorization  
39 under RCW 43.41.180;

1 (e) Perform such other duties as may be required by law or by  
2 regulations issued pursuant to this law.

3 It shall be unlawful for the treasurer to disburse public funds  
4 in the treasury except upon forms or by alternative means duly  
5 prescribed by the director of financial management. These forms or  
6 alternative means shall provide for authentication and  
7 certification by the agency head or the agency head's designee that  
8 the services have been rendered or the materials have been  
9 furnished; or, in the case of loans or grants, that the loans or  
10 grants are authorized by law; or, in the case of payments for  
11 periodic maintenance services to be performed on state owned  
12 equipment, that a written contract for such periodic maintenance  
13 services is currently in effect; and the treasurer shall not be  
14 liable under the treasurer's surety bond for erroneous or improper  
15 payments so made. When services are lawfully paid for in advance  
16 of full performance by any private individual or business entity  
17 other than equipment maintenance providers or as provided for by  
18 RCW 42.24.035, such individual or entity other than central stores  
19 rendering such services shall make a cash deposit or furnish surety  
20 bond coverage to the state as shall be fixed in an amount by law,  
21 or if not fixed by law, then in such amounts as shall be fixed by  
22 the director of the department of general administration but in no  
23 case shall such required cash deposit or surety bond be less than  
24 an amount which will fully indemnify the state against any and all  
25 losses on account of breach of promise to fully perform such  
26 services. No payments shall be made in advance for any equipment  
27 maintenance services to be performed more than twelve months after  
28 such payment. Any such bond so furnished shall be conditioned that  
29 the person, firm or corporation receiving the advance payment will  
30 apply it toward performance of the contract. The responsibility  
31 for recovery of erroneous or improper payments made under this  
32 section shall lie with the agency head or the agency head's  
33 designee in accordance with regulations issued pursuant to this  
34 chapter. Nothing in this section shall be construed to permit a  
35 public body to advance funds to a private service provider pursuant  
36 to a grant or loan before services have been rendered or material  
37 furnished.

38 (6) The state auditor shall:

1 (a) Report to the legislature the results of current post  
2 audits that have been made of the financial transactions of each  
3 agency; to this end the auditor may, in the auditor's discretion,  
4 examine the books and accounts of any agency, official, or employee  
5 charged with the receipt, custody, or safekeeping of public funds.  
6 Where feasible in conducting examinations, the auditor shall  
7 utilize data and findings from the internal control system  
8 prescribed by the office of financial management. The current post  
9 audit of each agency may include a section on recommendations to  
10 the legislature as provided in (c) of this subsection.

11 (b) Give information to the legislature, whenever required,  
12 upon any subject relating to the financial affairs of the state.

13 (c) Make the auditor's official report on or before the thirty-  
14 first of December which precedes the meeting of the legislature.  
15 The report shall be for the last complete fiscal period and shall  
16 include determinations as to whether agencies, in making  
17 expenditures, complied with the laws of this state. ~~((The state  
18 auditor is authorized to perform or participate in performance  
19 verifications and performance audits as expressly authorized by the  
20 legislature in the omnibus biennial appropriations acts or in the  
21 performance audit work plan approved by the joint legislative audit  
22 and review committee. The state auditor, upon completing an audit  
23 for legal and financial compliance under chapter 43.09 RCW or a  
24 performance verification, may report to the joint legislative audit  
25 and review committee or other appropriate committees of the  
26 legislature, in a manner prescribed by the joint legislative audit  
27 and review committee, on facts relating to the management or  
28 performance of governmental programs where such facts are  
29 discovered incidental to the legal and financial audit or  
30 performance verification. The auditor may make such a report to a  
31 legislative committee only if the auditor has determined that the  
32 agency has been given an opportunity and has failed to resolve the  
33 management or performance issues raised by the auditor. If the  
34 auditor makes a report to a legislative committee, the agency may  
35 submit to the committee a response to the report. This subsection  
36 (6) shall not be construed to authorize the auditor to allocate  
37 other than de minimis resources to performance audits except as  
38 expressly authorized in the appropriations acts or in the  
39 performance audit work plan. The results of a performance audit~~

1 ~~conducted by the state auditor that has been requested by the joint~~  
2 ~~legislative audit and review committee must only be transmitted to~~  
3 ~~the joint legislative audit and review committee.))~~

4 (d) Be empowered to take exception to specific expenditures  
5 that have been incurred by any agency or to take exception to other  
6 practices related in any way to the agency's financial transactions  
7 and to cause such exceptions to be made a matter of public record,  
8 including disclosure to the agency concerned and to the director of  
9 financial management. It shall be the duty of the director of  
10 financial management to cause corrective action to be taken within  
11 six months, such action to include, as appropriate, the withholding  
12 of funds as provided in RCW 43.88.110. The director of financial  
13 management shall annually report by December 31st the status of  
14 audit resolution to the appropriate committees of the legislature,  
15 the state auditor, and the attorney general. The director of  
16 financial management shall include in the audit resolution report  
17 actions taken as a result of an audit including, but not limited  
18 to, types of personnel actions, costs and types of litigation, and  
19 value of recouped goods or services.

20 (e) Promptly report any irregularities to the attorney general.

21 (f) Investigate improper governmental activity under chapter  
22 42.40 RCW.

23 (7) The joint legislative audit and review committee may:

24 (a) Make post audits of the financial transactions of any  
25 agency and management surveys and program reviews as provided for  
26 in chapter 44.28 RCW as well as performance audits and program  
27 evaluations. To this end the joint committee may in its discretion  
28 examine the books, accounts, and other records of any agency,  
29 official, or employee.

30 (b) Give information to the legislature or any legislative  
31 committee whenever required upon any subject relating to the  
32 performance and management of state agencies.

33 (c) Make a report to the legislature which shall include at  
34 least the following:

35 (i) Determinations as to the extent to which agencies in making  
36 expenditures have complied with the will of the legislature and in  
37 this connection, may take exception to specific expenditures or  
38 financial practices of any agencies; and

1 (ii) Such plans as it deems expedient for the support of the  
2 state's credit, for lessening expenditures, for promoting frugality  
3 and economy in agency affairs, and generally for an improved level  
4 of fiscal management.

5 NEW SECTION. **Sec. 10.** A new section is added to chapter 41.04  
6 RCW to read as follows:

7 (1) Each state agency shall, within available funds, develop  
8 and implement a quality management program to improve the quality,  
9 efficiency, and effectiveness of the public services it provides  
10 through business process redesign, employee involvement, and other  
11 quality management techniques. Each agency shall ensure that  
12 front-line agency employees are engaged in the program and shall  
13 provide employees with the training necessary for successful  
14 implementation of efforts toward quality improvement.

15 (2) Each agency shall, within available funds, ensure that its  
16 quality management program:

17 (a) Identifies immediate-term and near-term opportunities to  
18 improve services and reduce costs;

19 (b) Identifies goals and uses strategic business planning and  
20 performance measures to establish priorities and measure progress  
21 toward meeting them. Each state agency shall develop performance  
22 measures to assess customer satisfaction, agency progress toward  
23 accomplishing outcomes specified in the agency budget under RCW  
24 43.88.090, and the impact of initiatives instituted under the  
25 quality management program as a whole;

26 (c) Reports the results of its quality management program on a  
27 regular basis. Each agency shall ensure that its report specifies  
28 improved outcomes for public service and efficiency. Any agency in  
29 its report may describe methods of measuring customer and  
30 stakeholder satisfaction, of engaging agency employees in the  
31 program, and of assessing the extent to which business practices  
32 have been changed to improve quality, efficiency, and  
33 effectiveness;

34 (d) Evaluates the results of its quality, service, and  
35 management improvement programs and assesses program effects upon  
36 leadership, information and analysis, strategic planning, human

1 resource development and management, process improvement, business  
2 results, and customer focus and satisfaction; and

3 (e) Develops a plan for quality improvement, documenting  
4 efforts made up to the date of the report and addressing all  
5 matters enumerated in this subsection.

6 (3) State agencies whose chief executives are appointed by the  
7 governor shall report program results to the governor on a regular  
8 basis. State agencies whose chief executives are elected officials  
9 other than the governor shall report program results to the elected  
10 official on a regular basis.

11 (4) Each state agency shall integrate efforts made under this  
12 section with quality management programs undertaken under executive  
13 order or other authority. The office of the secretary of state,  
14 the department of social and health services, and the department of  
15 corrections shall develop and implement a complete quality  
16 management program by June 30, 2007. The office of insurance  
17 commissioner, the department of natural resources, and four-year  
18 institutions of higher education shall develop and implement a  
19 complete quality management program by June 30, 2008. All other  
20 state agencies shall develop and implement a complete quality  
21 management program by June 30, 2006.

22 (5) Starting in 2008 and at least once every three years  
23 thereafter, the office of the secretary of state, the department of  
24 social and health services, and the department of corrections shall  
25 apply for the Washington state quality award, or an equivalent  
26 outside quality assessment, for potential recognition. Starting in  
27 2010 and at least once every three years thereafter, the office of  
28 insurance commissioner, the department of natural resources, and  
29 four-year institutions of higher education, or their subdivisions,  
30 or both, shall apply for the Washington state quality award or an  
31 equivalent outside quality assessment, for potential recognition.  
32 Starting in 2007 and at least once every three years thereafter,  
33 all other state agencies or their subdivisions, or both, shall  
34 apply for the Washington state quality award or an equivalent  
35 outside quality assessment, for potential recognition. Every  
36 subdivision of a state agency with three thousand or more full-time  
37 equivalent employees must complete an application in each three-  
38 year period.

1 (6) For purposes of this section, "state agency" means those  
2 state agencies within the executive branch of government including  
3 institutions of higher education.

4 NEW SECTION. **Sec. 11.** A new section is added to chapter 44.04  
5 RCW to read as follows:

6 The senate and the house of representatives shall each develop  
7 and implement quality management programs as described under  
8 section 10 of this act by June 30, 2007, and shall report the  
9 results of these efforts to the leadership of each major political  
10 party caucus within its respective chamber.

11 NEW SECTION. **Sec. 12.** A new section is added to chapter 2.04  
12 RCW to read as follows:

13 The supreme court is encouraged to develop and implement  
14 quality management programs, as described under section 10 of this  
15 act, for the judicial branch of government, by June 30, 2007, and  
16 shall report the results of these efforts to the chief justice.  
17 The programs may be implemented directly by the supreme court or  
18 may be delegated to the administrator for the courts.

19 NEW SECTION. **Sec. 13.** A new section is added to chapter 41.04  
20 RCW to read as follows:

21 (1) Local governments are encouraged to develop and implement  
22 quality management programs as described in section 10 of this act.

23 (2) For purposes of this section, "local government" includes  
24 every county, city, town, special district, municipal corporation,  
25 and quasi-municipal corporation in the state.

26 NEW SECTION. **Sec. 14.** A new section is added to chapter 43.09  
27 RCW to read as follows:

28 Funding for these performance audits shall be equal to two one-  
29 hundredths of one percent of the state's total general fund state  
30 budget for each biennium."

31 Correct the title.

**EFFECT:** The citizen oversight board is changed to the citizen accountability advisory board. Instead of being members of the board, the state auditor and the chair of the joint legislative audit and review committee each select a member. Board meetings are subject to the provisions of the open public meetings act. The state auditor shall establish criteria and protocols for performance audits and shall complete a statewide review as a preliminary to the audit work plan. The office of financial management is responsible for follow-up and audit resolution. The state auditor's authorizing statute is amended to remove prohibitions for conducting performance audits. Local governments may request the state auditor to conduct performance audits under separate contract and with funds provided by the local entity.