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**ENGROSSED SUBSTITUTE HOUSE BILL 1064**

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**State of Washington**

**59th Legislature**

**2005 Regular Session**

**By** House Committee on State Government Operations & Accountability (originally sponsored by Representatives Miloscia, Nixon, Haigh, Shabro, Green, Hunt, Priest, Linville, Armstrong, Simpson, Bailey, Kenney, Haler, Springer, Chase, Quall, Murray, Wallace, McDermott, Upthegrove, Kilmer, Moeller, Kessler, Appleton, Williams, McCoy, Blake, Dickerson, Conway, Tom, P. Sullivan, Kagi, Morris, Wood, McIntire, Lantz, Hudgins, Ericks, Darneille, Clibborn, Morrell, Takko, O'Brien, Ormsby, McDonald and B. Sullivan)

READ FIRST TIME 01/24/05.

1       AN ACT Relating to improving government performance and  
2       accountability; adding new sections to chapter 43.09 RCW; adding a new  
3       section to chapter 43.88 RCW; adding a new section to chapter 2.56 RCW;  
4       creating new sections; and declaring an emergency.

5       BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6       NEW SECTION.   **Sec. 1.** The legislature finds that:

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

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

13       (3) An independent citizen advisory board is necessary to ensure  
14       that government services, customer satisfaction, program efficiency,  
15       and management systems are world class in performance; and

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

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

3        For purposes of sections 3 through 6, 8, 9, and 11 of this act:

4        (1) "Board" means the citizen advisory board created in section 3  
5 of this act.

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

9        (3) "Final performance audit report" means a written document  
10 jointly released by the citizen advisory board and the state auditor  
11 that includes the findings and comments from the preliminary  
12 performance audit report.

13        (4) "Final work plan" means the work plan for conducting  
14 performance audits of state agencies adopted by the board and state  
15 auditor.

16        (5) "Performance audit" means an objective and systematic  
17 assessment of a state agency or any of its programs, functions, or  
18 activities by an independent evaluator in order to help public  
19 officials improve efficiency, effectiveness, and accountability.  
20 Performance audits include economy and efficiency audits and program  
21 audits.

22        (6) "Preliminary performance audit report" means a written document  
23 prepared after the completion of a performance audit to be submitted  
24 for comment before the final performance audit report. The preliminary  
25 performance audit report must contain the audit findings and any  
26 proposed recommendations to improve the efficiency, effectiveness, or  
27 accountability of the state agency being audited.

28        (7) "State agency" or "agency" means a state agency, department,  
29 office, officer, board, commission, bureau, division, institution, or  
30 institution of higher education. "State agency" includes all offices  
31 of executive branch state government elected officials.

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

34        (1) The citizen advisory board is created to improve efficiency,  
35 effectiveness, and accountability in state government.

36        (2) The board shall consist of ten members as follows:

1 (a) One member shall be the state auditor, who shall be a nonvoting  
2 member;

3 (b) One member shall be the legislative auditor, who shall be a  
4 nonvoting member;

5 (c) One member shall be the director of the office of financial  
6 management, who shall be a nonvoting member;

7 (d) Four of the members shall be selected by the governor as  
8 follows: Each major caucus of the house of representatives and the  
9 senate shall submit a list of three names. The lists may not include  
10 the names of members of the legislature or employees of the state. The  
11 governor shall select a person from each list provided by each caucus;  
12 and

13 (e) The governor shall select three citizen members who are not  
14 state employees.

15 (3) The board shall elect a chair. The legislative auditor, the  
16 state auditor, and the director of the office of financial management  
17 may not serve as chair.

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

22 (5) Members selected under subsection (2)(d) and (e) of this  
23 section shall serve for terms of four years, with the terms expiring on  
24 June 30th on the fourth year of the term. However, in the case of the  
25 initial members, two members shall serve four-year terms, two members  
26 shall serve three-year terms, and one member shall serve a two-year  
27 term, with each of the terms expiring on June 30th of the applicable  
28 year. Appointees may be reappointed to serve more than one term.

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

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

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

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

3        The board shall establish an annual assessment and performance  
4 grading program.    The program shall consist of conducting annual  
5 performance assessments and grading state agency performance.  
6 Assessments shall be implemented on a phased-in schedule.    Initial  
7 areas to be assessed shall include quality management, productivity and  
8 fiscal efficiency, program effectiveness, contract management and  
9 oversight, internal audit, internal and external customer satisfaction,  
10 statutory and regulatory compliance, and technology systems and on-line  
11 services.    As part of this program, the board shall:

12        (1) Consult with and seek input from elected officials, state  
13 employees including front-line employees, and professionals with a  
14 background in performance management for establishing the grading  
15 standards.    In developing the criteria, the board shall consider  
16 already developed best practices and audit criteria used by government  
17 or nongovernment organizations.    Before the assessment, the agencies  
18 shall be given the criteria for the assessment and the standards for  
19 grading;

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

25        (3) Submit the results of the assessment and grading program to the  
26 governor, the office of financial management, appropriate legislative  
27 committees, and the public by December 15th of each year.    The results  
28 of the annual assessments and performance grading shall be posted on  
29 the internet.

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

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

34        (a) The board shall establish criteria for performance audits.  
35 Agencies shall be audited using criteria that include generally  
36 accepted government auditing standards as well as legislative mandates  
37 and performance objectives established by state agencies and the

1 legislature. Mandates include, but are not limited to, agency  
2 strategies, timelines, program objectives, and mission and goals as  
3 required in RCW 43.88.090.

4 (b) Using the criteria developed in (a) of this subsection, the  
5 state auditor shall contract for a statewide performance review to be  
6 completed within one year of contracting as a preliminary to a draft  
7 work plan for conducting performance audits. The board and the state  
8 auditor shall develop a schedule and common methodology for conducting  
9 these reviews.

10 (c) The board and the state auditor shall develop the draft work  
11 plan for performance audits based on input from citizens, state  
12 employees, including front-line employees, state managers, chairs and  
13 ranking members of appropriate legislative committees, the joint  
14 legislative audit and review committee, public officials, and others.  
15 The draft work plan may include a list of agencies, programs, or  
16 systems to be audited on a timeline decided by the board and the state  
17 auditor based on a number of factors including risk, importance, and  
18 citizen concerns. When putting together the draft work plan, there  
19 should be consideration of all audits and reports already required. On  
20 average, audits shall be designed to be completed within a six-month  
21 period.

22 (d) Before adopting the final work plan, the board shall consult  
23 with the legislative auditor and other appropriate oversight and audit  
24 entities to coordinate work plans and avoid duplication of effort in  
25 their planned performance audits of state government agencies. The  
26 board shall defer to the joint legislative audit and review committee  
27 work plan if a similar audit is included on both work plans for  
28 auditing. The final work plan must be agreed upon by the board and the  
29 state auditor.

30 (e) The state auditor shall contract out for performance audits.  
31 In conducting the audits, agency front-line employees and internal  
32 auditors should be involved.

33 (f) All audits must include consideration of reports prepared by  
34 other government oversight entities.

35 (g) The audits may include:

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

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

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

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

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

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

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

24 (ix) Identification and recognition of best practices;

25 (x) Evaluation of planning, budgeting, and program evaluation  
26 policies and practices;

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

28 (xii) Evaluation of state purchasing operations and management  
29 policies and practices; and

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

33 (h) The state auditor must solicit comments on preliminary  
34 performance audit reports from the audited state agency, the office of  
35 the governor, the office of financial management, the board, the chairs  
36 and ranking members of appropriate legislative committees, and the  
37 joint legislative audit and review committee for comment. Comments  
38 must be received within thirty days after receipt of the preliminary

1 performance audit report unless a different time period is approved by  
2 the state auditor. All comments shall be incorporated into the final  
3 performance audit report. The final performance audit report shall  
4 include the objectives, scope, and methodology; the audit results,  
5 including findings and recommendations; conclusions; and identification  
6 of best practices.

7 (i) The final performance audit reports shall be submitted to the  
8 board and the governor by the state auditor. The board and the state  
9 auditor shall jointly release final performance audit reports to the  
10 citizens of Washington and the appropriate legislative committees.  
11 Final performance audit reports shall be posted on the internet.

12 (j) For institutions of higher education, the board shall consider  
13 the reviews and standards of nationally or regionally recognized  
14 accreditation organizations, including accreditations of hospitals  
15 licensed under chapter 70.41 RCW and ambulatory care facilities.

16 (2) The citizen board created under RCW 44.75.030 shall be  
17 responsible for performance audits for transportation related agencies  
18 as defined under RCW 44.75.020.

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

21 If the legislative authority of a local jurisdiction requests a  
22 performance audit of programs under its jurisdiction, the state auditor  
23 has the discretion to conduct such a review under separate contract and  
24 funded by local funds.

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

27 In addition to the authority given the state auditor in RCW  
28 43.88.160(6), the state auditor is authorized to contract for and  
29 oversee performance audits pursuant to section 5 of this act.

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

32 By June 30, 2007, and each four years thereafter, the joint  
33 legislative audit and review committee shall contract with a private  
34 entity for a performance audit of the performance audit program

1 established in section 5 of this act and the board's responsibilities  
2 under the performance audit program.

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

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

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

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

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

23 NEW SECTION. **Sec. 10.** A new section is added to chapter 2.56 RCW  
24 to read as follows:

25 The office of the administrator for the courts is encouraged to  
26 conduct performance audits of courts under the authority of the supreme  
27 court, in conformity with criteria and methods developed by the board  
28 for judicial administration that have been approved by the supreme  
29 court. In developing criteria and methods for conducting performance  
30 audits, the board for judicial administration is encouraged to consider  
31 quality improvement programs, audits, and scoring. The judicial branch  
32 is encouraged to submit the results of these efforts to the chief  
33 justice of the supreme court or his or her designee, and with any other  
34 applicable boards or committees established under the authority of the  
35 supreme court to oversee government accountability.



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

3        Each biennium the legislature shall appropriate an amount equal to  
4   two one-hundredths of one percent of the total general fund state  
5   appropriation in that biennium's omnibus operating appropriations act  
6   for purposes of the performance review, performance audits, and  
7   activities of the board authorized by this act.

8        NEW SECTION.   **Sec. 12.**   This act is necessary for the immediate  
9   preservation of the public peace, health, or safety, or support of the  
10   state government and its existing public institutions, and takes effect  
11   immediately.

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