

3SHB 2585 - S COMM AMD

By Committee on Higher Education & Workforce Development

OUT OF ORDER 02/29/2012

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

3 "Sec. 1. RCW 43.88.160 and 2006 c 1 s 6 are each amended to read  
4 as follows:

5 This section sets forth the major fiscal duties and  
6 responsibilities of officers and agencies of the executive branch. The  
7 regulations issued by the governor pursuant to this chapter shall  
8 provide for a comprehensive, orderly basis for fiscal management and  
9 control, including efficient accounting and reporting therefor, for the  
10 executive branch of the state government and may include, in addition,  
11 such requirements as will generally promote more efficient public  
12 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 to  
16 the end that all revenues, expenditures, receipts, disbursements,  
17 resources, and obligations of the state shall be properly and  
18 systematically accounted for. The accounting system shall include the  
19 development of accurate, timely records and reports of all financial  
20 affairs of the state. The system shall also provide for central  
21 accounts in the office of financial management at the level of detail  
22 deemed necessary by the director to perform central financial  
23 management. The director of financial management shall adopt and  
24 periodically update an accounting procedures manual. Any agency  
25 maintaining its own accounting and reporting system shall comply with  
26 the updated accounting procedures manual and the rules of the director  
27 adopted under this chapter. An agency may receive a waiver from  
28 complying with this requirement if the waiver is approved by the  
29 director. Waivers expire at the end of the fiscal biennium for which  
30 they are granted. The director shall forward notice of waivers granted

1 to the appropriate legislative fiscal committees. The director of  
2 financial management may require such financial, statistical, and other  
3 reports as the director deems necessary from all agencies covering any  
4 period.

5 (2) Except as provided in chapter 43.88C RCW, the director of  
6 financial management is responsible for quarterly reporting of primary  
7 operating budget drivers such as applicable workloads, caseload  
8 estimates, and appropriate unit cost data. These reports shall be  
9 transmitted to the legislative fiscal committees or by electronic means  
10 to the legislative evaluation and accountability program committee.  
11 Quarterly reports shall include actual monthly data and the variance  
12 between actual and estimated data to date. The reports shall also  
13 include estimates of these items for the remainder of the budget  
14 period.

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

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

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

37 Each agency head or authorized designee shall be assigned the

1 responsibility and authority for establishing and maintaining internal  
2 audits following the standards of internal auditing of the institute of  
3 internal auditors;

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

9 (c) Establish policies for allowing the contracting of child care  
10 services;

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

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

26 (f) Fix the number and classes of positions or authorized employee  
27 years of employment for each agency and during the fiscal period amend  
28 the determinations previously fixed by the director except that the  
29 director shall not be empowered to fix the number or the classes for  
30 the following: Agencies headed by elective officials;

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

33 (5) The treasurer shall:

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

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

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

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

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

10 It shall be unlawful for the treasurer to disburse public funds in  
11 the treasury except upon forms or by alternative means duly prescribed  
12 by the director of financial management. These forms or alternative  
13 means shall provide for authentication and certification by the agency  
14 head or the agency head's designee that the services have been rendered  
15 or the materials have been furnished; or, in the case of loans or  
16 grants, that the loans or grants are authorized by law; or, in the case  
17 of payments for periodic maintenance services to be performed on state  
18 owned equipment, that a written contract for such periodic maintenance  
19 services is currently in effect; and the treasurer shall not be liable  
20 under the treasurer's surety bond for erroneous or improper payments so  
21 made. When services are lawfully paid for in advance of full  
22 performance by any private individual or business entity other than  
23 equipment maintenance providers or as provided for by RCW 42.24.035,  
24 such individual or entity other than central stores rendering such  
25 services shall make a cash deposit or furnish surety bond coverage to  
26 the state as shall be fixed in an amount by law, or if not fixed by  
27 law, then in such amounts as shall be fixed by the director of the  
28 department of (~~general administration~~) enterprise services but in no  
29 case shall such required cash deposit or surety bond be less than an  
30 amount which will fully indemnify the state against any and all losses  
31 on account of breach of promise to fully perform such services. No  
32 payments shall be made in advance for any equipment maintenance  
33 services to be performed more than twelve months after such payment  
34 except that institutions of higher education as defined in RCW  
35 28B.10.016 may make payments in advance for equipment maintenance  
36 services to be performed up to sixty months after such payment. Any  
37 such bond so furnished shall be conditioned that the person, firm or  
38 corporation receiving the advance payment will apply it toward

1 performance of the contract. The responsibility for recovery of  
2 erroneous or improper payments made under this section shall lie with  
3 the agency head or the agency head's designee in accordance with  
4 ((regulations)) rules issued pursuant to this chapter. Nothing in this  
5 section shall be construed to permit a public body to advance funds to  
6 a private service provider pursuant to a grant or loan before services  
7 have been rendered or material furnished.

8 (6) The state auditor shall:

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

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

21 (c) Make the auditor's official report on or before the thirty-  
22 first of December which precedes the meeting of the legislature. The  
23 report shall be for the last complete fiscal period and shall include  
24 determinations as to whether agencies, in making expenditures, complied  
25 with the laws of this state. The state auditor is authorized to  
26 perform or participate in performance verifications and performance  
27 audits as expressly authorized by the legislature in the omnibus  
28 biennial appropriations acts or in the performance audit work plan  
29 approved by the joint legislative audit and review committee. The  
30 state auditor, upon completing an audit for legal and financial  
31 compliance under chapter 43.09 RCW or a performance verification, may  
32 report to the joint legislative audit and review committee or other  
33 appropriate committees of the legislature, in a manner prescribed by  
34 the joint legislative audit and review committee, on facts relating to  
35 the management or performance of governmental programs where such facts  
36 are discovered incidental to the legal and financial audit or  
37 performance verification. The auditor may make such a report to a  
38 legislative committee only if the auditor has determined that the

1 agency has been given an opportunity and has failed to resolve the  
2 management or performance issues raised by the auditor. If the auditor  
3 makes a report to a legislative committee, the agency may submit to the  
4 committee a response to the report. This subsection (6) shall not be  
5 construed to authorize the auditor to allocate other than de minimis  
6 resources to performance audits except as expressly authorized in the  
7 appropriations acts or in the performance audit work plan. The results  
8 of a performance audit conducted by the state auditor that has been  
9 requested by the joint legislative audit and review committee must only  
10 be transmitted to the joint legislative audit and review committee.

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

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

28 (f) Investigate improper governmental activity under chapter 42.40  
29 RCW.

30 (~~(g)~~) In addition to the authority given to the state auditor in  
31 this subsection (6), the state auditor is authorized to conduct  
32 performance audits identified in RCW 43.09.470. Nothing in this  
33 subsection (6) shall limit, impede, or restrict the state auditor from  
34 conducting performance audits identified in RCW 43.09.470.

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

36 (a) Make post audits of the financial transactions of any agency  
37 and management surveys and program reviews as provided for in chapter

1 44.28 RCW as well as performance audits and program evaluations. To  
2 this end the joint committee may in its discretion examine the books,  
3 accounts, and other records of any agency, official, or employee.

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

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

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

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

17 **Sec. 2.** RCW 41.06.157 and 2011 1st sp.s. c 43 s 411 are each  
18 amended to read as follows:

19 (1) To promote the most effective use of the state's workforce and  
20 improve the effectiveness and efficiency of the delivery of services to  
21 the citizens of the state, the director shall adopt and maintain a  
22 comprehensive classification plan for all positions in the classified  
23 service. The classification plan must:

24 (a) Be simple and streamlined;

25 (b) Support state agencies in responding to changing technologies,  
26 economic and social conditions, and the needs of its citizens;

27 (c) Value workplace diversity;

28 (d) Facilitate the reorganization and decentralization of  
29 governmental services;

30 (e) Enhance mobility and career advancement opportunities; and

31 (f) Consider rates in other public employment and private  
32 employment in the state.

33 (2) An appointing authority and an employee organization  
34 representing classified employees of the appointing authority for  
35 collective bargaining purposes may jointly request the human resources  
36 director to initiate a classification study.

1 (3) For institutions of higher education and related boards, the  
2 director may adopt special salary ranges to be competitive with  
3 positions of a similar nature in the state or the locality in which the  
4 institution of higher education or related board is located.

5 (4) For health care classifications, institutions of higher  
6 education may implement higher education health care special pay plans  
7 to be competitive with positions of a similar nature in the locality in  
8 which the institution of higher education is located. In administering  
9 a special pay plan, institutions may authorize compensation changes  
10 including but not limited to increases in salary ranges, new top steps  
11 in salary ranges, premium pay, and adjustments for community practice.  
12 Such special pay plans are not subject to director approval or  
13 adoption; however, institutions of higher education shall report  
14 annually to the director actions they have taken under the provisions  
15 of this section.

16 (5) The director may undertake salary surveys of positions in other  
17 public and private employment to establish market rates. Any salary  
18 survey information collected from private employers which identifies a  
19 specific employer with salary rates which the employer pays to its  
20 employees shall not be subject to public disclosure under chapter 42.56  
21 RCW.

22 **Sec. 3.** RCW 41.04.240 and 1977 ex.s. c 269 s 1 are each amended to  
23 read as follows:

24 (1) Except with regard to institutions of higher education as  
25 defined in RCW 28B.10.016, any official of the state or of any  
26 political subdivision, municipal corporation, or quasi-municipal  
27 corporation authorized to disburse funds in payment of salaries and  
28 wages of employees is authorized upon written request of at least  
29 twenty-five employees to pay all or part of such salaries or wages to  
30 any financial institution for either: ((+1)) (a) Credit to the  
31 employees' accounts in such financial institution; or ((+2)) (b)  
32 immediate transfer therefrom to the employees' accounts in any other  
33 financial institutions(~~(+3) PROVIDED, That~~)).

34 (2) In disbursing funds for payment of salaries and wages of  
35 employees, institutions of higher education as defined in RCW  
36 28B.10.016 are authorized to require the following payment methods:



1       (a) For employees who have an account in a financial institution,  
2 payment to any financial institution for either: (i) Credit to the  
3 employees' accounts in such financial institution; or (ii) immediate  
4 transfer therefrom to the employees' accounts in any other financial  
5 institutions; and

6       (b) For employees who do not have an account in a financial  
7 institution, payment by alternate methods such as payroll cards.

8       (3) Nothing in this section shall be construed as authorizing any  
9 employer to require the employees to have an account in any particular  
10 financial institution or type of financial institution. A single  
11 warrant may be drawn in favor of such financial institution, for the  
12 total amount due the employees involved, and written directions  
13 provided to such financial institution of the amount to be credited to  
14 the account of an employee or to be transferred to an account in  
15 another financial institution for such employee. The issuance and  
16 delivery by the disbursing officer of a warrant in accordance with the  
17 procedure set forth herein and proper indorsement thereof by the  
18 financial institution shall have the same legal effect as payment  
19 directly to the employee.

20       For the purposes of this section "financial institution" means any  
21 bank or trust company established in this state pursuant to chapter 2,  
22 Title 12, United States Code, or Title 30 RCW, and any credit union  
23 established in this state pursuant to chapter 14, Title 12, United  
24 States Code, or chapter 31.12 RCW, and any mutual savings bank  
25 established in this state pursuant to Title 32 RCW, and any savings and  
26 loan association established in this state pursuant to chapter 12,  
27 Title 12, United States Code, or Title 33 RCW.

28       **Sec. 4.** RCW 28B.10.029 and 2011 1st sp.s. c 43 s 303 and 2011 c  
29 198 s 1 are each reenacted and amended to read as follows:

30       (1)(a) An institution of higher education may exercise  
31 independently those powers otherwise granted to the director of  
32 enterprise services in chapter 43.19 RCW in connection with the  
33 purchase and disposition of all material, supplies, services, and  
34 equipment needed for the support, maintenance, and use of the  
35 respective institution of higher education.

36       (b) Property disposition policies followed by institutions of

1 higher education shall be consistent with policies followed by the  
2 department of enterprise services.

3 (c)(i) Except as provided in (c)(ii) and (iii) of this subsection,  
4 purchasing policies and procedures followed by institutions of higher  
5 education shall be in compliance with chapters 39.19, 39.29, and 43.03  
6 RCW, and RCW 43.19.1901, 43.19.1906, 43.19.1911, 43.19.1917,  
7 43.19.1937, 43.19.685, 43.19.700 through 43.19.704, and 43.19.560  
8 through 43.19.637.

9 (ii) Institutions of higher education may use all appropriate means  
10 for making and paying for travel arrangements including, but not  
11 limited to, electronic booking and reservations, advance payment and  
12 deposits for tours, lodging, and other necessary expenses, and other  
13 travel transactions based on standard industry practices and federal  
14 accountable plan requirements. Such arrangements shall support  
15 student, faculty, staff, and other participants' travel, by groups and  
16 individuals, both domestic and international, in the most cost-  
17 effective and efficient manner possible, regardless of the source of  
18 funds.

19 (iii) Formal sealed, electronic, or web-based competitive bidding  
20 is not necessary for purchases or personal services contracts by  
21 institutions of higher education for less than one hundred thousand  
22 dollars. However, for purchases and personal services contracts of ten  
23 thousand dollars or more and less than one hundred thousand dollars,  
24 quotations must be secured from at least three vendors to assure  
25 establishment of a competitive price and may be obtained by telephone,  
26 electronic, or written quotations, or any combination thereof. As part  
27 of securing the three vendor quotations, institutions of higher  
28 education must invite at least one quotation each from a certified  
29 minority and a certified woman-owned vendor that otherwise qualifies to  
30 perform the work. A record of competition for all such purchases and  
31 personal services contracts of ten thousand dollars or more and less  
32 than one hundred thousand dollars must be documented for audit  
33 purposes.

34 (d) Purchases under chapter 39.29, 43.19, or 43.105 RCW by  
35 institutions of higher education may be made by using contracts for  
36 materials, supplies, services, or equipment negotiated or entered into  
37 by, for, or through group purchasing organizations.

1 (e) The community and technical colleges shall comply with RCW  
2 43.19.450.

3 (f) Except for the University of Washington, institutions of higher  
4 education shall comply with RCW 43.19.769, 43.19.763, and 43.19.781.

5 (g) If an institution of higher education can satisfactorily  
6 demonstrate to the director of the office of financial management that  
7 the cost of compliance is greater than the value of benefits from any  
8 of the following statutes, then it shall be exempt from them: RCW  
9 43.19.685 and 43.19.637.

10 (h) Any institution of higher education that chooses to exercise  
11 independent purchasing authority for a commodity or group of  
12 commodities shall notify the director of enterprise services.  
13 Thereafter the director of enterprise services shall not be required to  
14 provide those services for that institution for the duration of the  
15 enterprise services contract term for that commodity or group of  
16 commodities.

17 (2) The council of presidents and the state board for community and  
18 technical colleges shall convene its correctional industries business  
19 development advisory committee, and work collaboratively with  
20 correctional industries, to:

21 (a) Reaffirm purchasing criteria and ensure that quality, service,  
22 and timely delivery result in the best value for expenditure of state  
23 dollars;

24 (b) Update the approved list of correctional industries products  
25 from which higher education shall purchase; and

26 (c) Develop recommendations on ways to continue to build  
27 correctional industries' business with institutions of higher  
28 education.

29 (3) Higher education and correctional industries shall develop a  
30 plan to build higher education business with correctional industries to  
31 increase higher education purchases of correctional industries  
32 products, based upon the criteria established in subsection (2) of this  
33 section. The plan shall include the correctional industries'  
34 production and sales goals for higher education and an approved list of  
35 products from which higher education institutions shall purchase, based  
36 on the criteria established in subsection (2) of this section. Higher  
37 education and correctional industries shall report to the legislature

1 regarding the plan and its implementation no later than January 30,  
2 2005.

3 (4)(a) Institutions of higher education shall set as a target to  
4 contract, beginning not later than June 30, 2006, to purchase one  
5 percent of the total goods and services required by the institutions  
6 each year produced or provided in whole or in part from class II inmate  
7 work programs operated by the department of corrections. Institutions  
8 of higher education shall set as a target to contract, beginning not  
9 later than June 30, 2008, to purchase two percent of the total goods  
10 and services required by the institutions each year produced or  
11 provided in whole or in part from class II inmate work programs  
12 operated by the department of corrections.

13 (b) Institutions of higher education shall endeavor to assure the  
14 department of corrections has notifications of bid opportunities with  
15 the goal of meeting or exceeding the purchasing target in (a) of this  
16 subsection.

17 NEW SECTION. **Sec. 5.** By January 1, 2017, institutions of higher  
18 education as defined in RCW 28B.10.016 must report to the legislature  
19 and the governor on: (1) The amount of savings resulting from use of  
20 the higher education provisions of sections 1 through 3 of this act;  
21 and (2) the manner in which such savings were used to promote student  
22 academic success."

**3SHB 2585** - S COMM AMD

By Committee on Higher Education & Workforce Development

**OUT OF ORDER 02/29/2012**

23 On page 1, line 2 of the title, after "education;" strike the  
24 remainder of the title and insert "amending RCW 43.88.160, 41.06.157,  
25 and 41.04.240; reenacting and amending RCW 28B.10.029; and creating a  
26 new section."

EFFECT: Removes the requirement that institutions must post

specific information about purchases or contracts between \$10,000 and \$100,000 on their web sites.

Adds a provision allowing institutions of higher education to implement compensation changes for health care special pay classifications and other identified health care classifications. Annually, the institutions must report about changes they have made under this provision.

--- END ---