

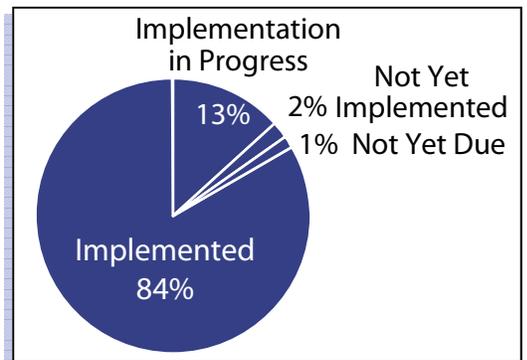
What Is This Document?

This document is the Legislative Auditor's annual report on performance auditing conducted for the Washington State Legislature. It is issued annually after the conclusion of the legislative session. The report describes the results of performance audits conducted for the Legislature and documents impacts resulting from this activity over the last year.

Agencies Implement JLARC Recommendations

Between 2000 and 2007, JLARC issued nearly 240 recommendations directly to state agencies. Some 84% of these recommendations have been implemented to date and another 13% are in progress. These accomplishments cover a wide variety of agency performance improvements, spanning across many areas of state government.

Learn more on page 3.



The Legislature Acts on JLARC's Work

The Legislature uses JLARC's studies and recommendations to impact change through the legislative process. Several bills were passed or considered in the 2008 Legislative Session related to improvement opportunities identified by JLARC. *Learn more on page 4.*

JLARC Studies Reduce Costs

JLARC tracks the fiscal results of implementing its recommendations. Since 1990, JLARC has documented hundreds of millions of dollars in actual savings. JLARC distinguishes between actual savings and cost avoidance versus potential savings.

Learn more on page 5.

Realized Savings and Cost Avoidance from JLARC Studies Completed From 1990 to 2008

Estimated *Realized* Savings and Cost Avoidance from the Implementation of JLARC Recommendations:

\$ 478 million one-time savings/cost avoidance

\$ 88 million annual ongoing savings/cost avoidance

Note: All estimates in Year 2008 dollars.

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About JLARC: the Legislature's Auditor

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more effective, efficient, and accountable. The Committee is comprised of an equal number of House and Senate members, Democrats and Republicans.

JLARC pursues its mission by conducting performance audits, program evaluations, sunset reviews, and other analyses. Assignments to conduct studies are made by the Legislature and the Committee itself. Based on these assignments, JLARC's non-partisan staff auditors, under the direction of the Legislative Auditor, independently seek answers to audit questions and issue recommendations to improve performance.

Work by JLARC staff is conducted using Generally Accepted Government Auditing Standards. These standards ensure audit conclusions are independent, objective, and accurate. JLARC's authority is established in Chapter 44.28 Revised Code of Washington.

In addition to the work done by JLARC auditors, the performance of government agencies in Washington may also be evaluated by the separately elected State Auditor. While performance audits by the State Auditor are independent of JLARC and the legislative branch, JLARC works closely with the State Auditor to coordinate work plans and avoid duplication of effort. In addition, the legislators serving on JLARC hold public hearings on the State Auditor's performance audits.

JLARC's Work Produces Results Several Ways

JLARC gets results by identifying opportunities to improve the effectiveness, efficiency, and accountability of state programs. These results reflect our efforts to help the Legislature improve services and promote accountability through its two primary roles: (1) to provide oversight of the management of government agencies, and (2) to pass legislation that authorizes and governs how public services and public policy are carried out.

The amount of benefits JLARC produces each year that are either financial or non-financial depends on the assignments it receives from the Legislature.

JLARC has historically achieved significant financial savings from its recommendations. In recent years, assignments from the Legislature have focused more on non-financial objectives.



Many of the benefits from JLARC's work cannot be measured purely in dollar terms. So, like other well-regarded audit organizations such as the congressional Government Accountability Office, JLARC measures both the financial and non-financial benefits it produces.

While non-financial benefits are harder to quantify, they are accomplished when:

- ▶ Agencies implement audit recommendations,
- ▶ The Legislature acts on JLARC's work, and
- ▶ JLARC informs policymakers and stakeholders.

How Do Agencies Implement JLARC Recommendations?

Agency actions resulting from JLARC studies are real and result in important tangible benefits to the state and its citizens. Examples include:

- ▶ The **Department of Transportation** and the **Department of Archaeology & Historic Preservation** have incorporated the use of geology in archaeological assessments, to improve the state's ability to prevent construction projects from disrupting culturally significant sites and historic artifacts.
- ▶ The **Office of Financial Management** has updated its capital budgeting system to identify and track the number of staff employed on capital projects, improving accountability and visibility into the use of state resources on capital projects.
- ▶ The **Department of Health** has implemented a workload tracking system to improve its monitoring and reporting on the status and outcome of Certificate of Need applications by health providers.
- ▶ The **Department of Ecology** developed a map identifying where highly urbanized areas intersect with watershed basins, in order to improve the knowledge and planning for stormwater management.
- ▶ The **Washington State Patrol** developed budget requests utilizing a cost allocation model developed by JLARC to more accurately differentiate between transportation-related and non-transportation costs.
- ▶ The **Department of Social and Health Services** provided a report to the legislature on spending for At Risk Youth programs, differentiating those programs with research supporting their cost effectiveness.

While recommendations are key aspects of performance auditing, the Legislature also recognizes that our products do not always include recommendations. Informational reports can be just as useful as those that contain recommendations.

A BRIEF HISTORY OF JLARC

1951

The Legislature creates the Legislative Budget Committee (LBC).

1971/1973

The Legislature authorizes the LBC to conduct management surveys, program reviews, and performance audits.

1977

The Legislature establishes the Sunset Act, with the LBC conducting program and fiscal reviews of agencies scheduled for termination.

1996

The Legislature updates its performance audit statutes and changes the name of its auditing agency to the Joint Legislative Audit and Review Committee (JLARC).

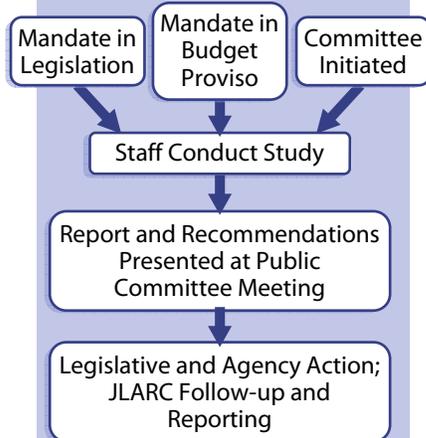
2000

The Legislature extends its Sunset Act, administered by JLARC, to 2015.

2006

The Legislature establishes the Citizen Commission for Performance Measurement of Tax Preferences and directs JLARC to support the Commission by reviewing all tax preferences every ten years.

JLARC STUDY PROCESS



Criteria for Establishing JLARC Work Program Priorities

- Is study consistent with JLARC mission? Is it mandated?
- Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?
- Will there likely be substantive findings and recommendations?
- Is this the best use of JLARC resources: For example:
 - ▶ Is JLARC the most appropriate agency to perform the work?
 - ▶ Would the study be nonduplicating?
 - ▶ Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?
- Is funding available to carry out the project?

How Does the Legislature Act on JLARC's Work?

Reauthorizing...

... the duties of the Office of Public Defense by removing a statutory sunset clause.

Requiring...

... the Office of Financial Management to consult with JLARC on future efforts to score and prioritize higher education capital project requests.

Confirming...

... that a temporary business and occupation tax deduction was no longer needed to assist beef processor's impacted by international import bans on Washington beef products and should expire.

Refocusing...

... a future review of the Home Care Quality Authority on areas related to the agency's direct responsibilities, and saving resources by removing unnecessarily mandated future reviews.

Considering...

... a comprehensive set of recommendations to continue, clarify the intent, or terminate 22 separate state tax preferences, as part of an ongoing effort by JLARC to review whether all tax preferences are meeting the public policy objectives upon which they are based.

In addition to these actions by the Legislature as a whole, individual legislators in 2008 proposed four additional pieces of legislation to implement JLARC recommendations or act on our reports. These bills were introduced but not passed. The bills were related to:

- ▶ Distribution of off-road vehicle funds
- ▶ Taxation of non-profit nursing homes
- ▶ Reporting performance outcomes for small business incubators
- ▶ Financial and strategic planning for information technology projects

New JLARC Assignments Originated in the 2008 Legislative Session

During the 2008 Legislative Session:

- ▶ JLARC received 13 new study assignments, four of which are due during the 2007-09 Biennium.
- ▶ There were an additional 17 studies proposed in legislation, which either did not pass or JLARC's assignment was removed in amendments to the original bills.
- ▶ JLARC prepared 25 fiscal notes at the request of legislators and legislative staff.

JLARC Informs Policymakers and Stakeholders

JLARC holds regular meetings to review the results of its audits. In addition, JLARC's work is also frequently presented or discussed in front of other



audiences, such as legislative committees, professional conferences, work groups, boards or commissions, university classrooms, and the media.

Over the last year, JLARC's work was publicly discussed before 25 different venues, including 11 presentations at legislative committee meetings.

In addition, JLARC held five public hearings on performance audits conducted by the state's separately elected State Auditor.

How Do JLARC Studies Reduce Costs?

Many JLARC recommendations to improve programs have identifiable cost savings that can be easily documented. Other recommendations result in agencies using state resources to achieve their purposes more effectively and efficiently. Examples of quantified savings that have been achieved over the years include:

Department of Natural Resources Fire Suppression Study (2005):

JLARC identified concerns with how the General Fund was being charged for the use of helicopters to fight forest fires. As a result, \$1 million in excess equipment funding was transferred back to the General Fund in 2005.

Higher Education Facilities Preservation Study (2003):

Necessary maintenance and repair backlogs at Washington's public higher education institutions total \$1.3 billion. An estimated \$25 million per year in future costs could be avoided if the state implemented all recommendations for improved facility stewardship. JLARC has subsequently updated the framework used to evaluate facility needs.

Mental Health Performance Audit (2000):

JLARC identified excess fund balances retained by Regional Support Networks in Washington's mental health system. The 2002 Supplemental Budget took \$22 million in savings from these fund balances. In addition, the 2004 Supplemental Budget created a Joint Task Force on Mental Health to examine service delivery and financing issues.

JLARC AWARDS

2007 Impact Award
Review of Port Angeles
Graving Dock

2006 Impact Award
DNR Fire Suppression
Study

2005 Impact Award
WA Medicaid Study

2004 Impact Award
Higher Ed Facilities
Preservation Study

2003 Impact Award
Capital Study of DDD
Residential Habilitation
Centers

2002 Impact Award
Investing in the
Environment:
Environmental Quality
Grant & Loan Program
Performance Audit

2001 Impact Award
Mental Health System
Performance Audit

2000 Impact Award
Rural Area Marketing Plan
Evaluation

**1999 Excellence in
Evaluation Award**
Workers Compensation
Performance Audit and
Department of
Corrections Performance
Audit

1998 Impact Award
Nursing Home
Reimbursement System
Performance Audit

1997 Impact Award
State Investment Board
Performance Audit

**1992 Excellence in
Research Design and
Methodology**
Basic Health Plan Study

Recently Completed JLARC Studies

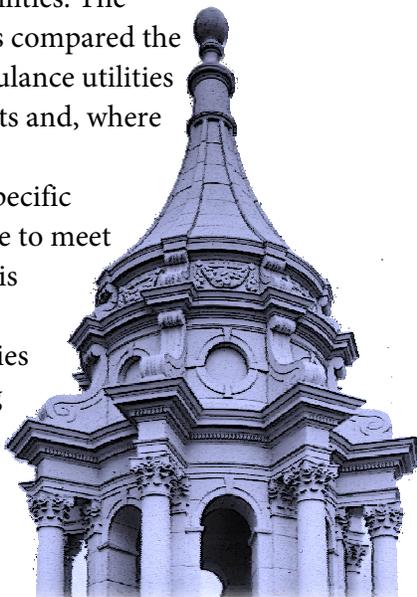
JLARC has issued 167 reports since 1995, covering a wide variety of programs.

Department of Fish & Wildlife Cost Analysis

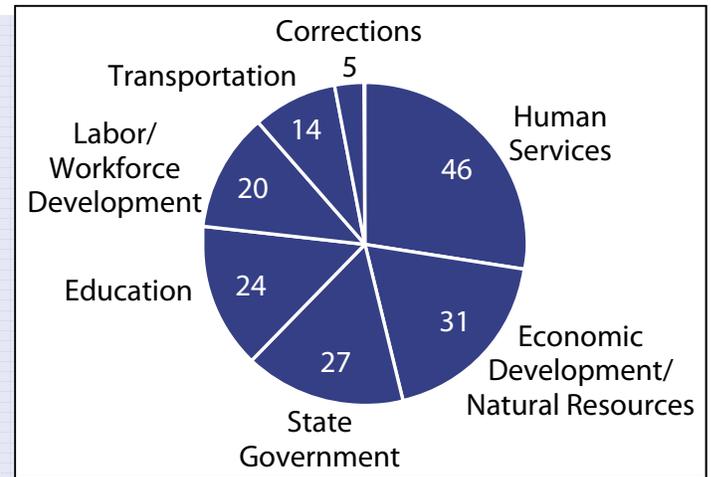
The 2007-09 Biennial Operating Budget directed JLARC to examine how the Washington Department of Fish and Wildlife (WDFW) makes decisions on which funds or revenues to use for its various services and activities. WDFW is mandated to preserve, protect, perpetuate, and manage wildlife and fish. Resources for the Department's broad range of services are provided through a complex structure of different funds and revenues. The audit provided information regarding: 1) sources, strings, and stability of Department funding; 2) Department expenditures and choice of fund sources; and 3) an alternative view of Department expenditures. The audit made three recommendations to improve financial information for decision makers. These recommendations are focused on improving license fee revenue forecasting, improving fund balance accounting, and requiring reporting on the amount of state funds needed to match federal funds.

Review of Ambulance Utilities

An ambulance utility is a specific type of rate structure that may be used for funding ambulance transportation, providing it meets the requirements of RCW 35.21.766. In 2005, the Legislature directed JLARC to review ambulance utilities established and operated by cities or towns. JLARC identified ten cities operating ambulance utilities. The review of these ten cities compared the operations of their ambulance utilities to statutory requirements and, where applicable, provided recommendations for specific actions cities should take to meet those requirements. This review should serve as a useful guide to other cities considering establishing an ambulance utility and to others interested in ambulance services provided by cities.



Policy Categories of 167 JLARC Reports Since 1995



Children's Administration Social Worker Qualifications

The 2007-09 Operating Budget directed JLARC to conduct an analysis of the qualifications required to become a social worker within the DSHS Children's Administration and compare those qualifications with the qualifications required for equivalent positions in other states. The study concluded: 1) there is little research available to identify how staff qualifications impact child outcomes or to identify the appropriate balance of education and experience to be a social worker; 2) Washington's qualifications are similar or more stringent than most other states; 3) experts believe policy decisions on caseloads and visitation rates are more significant for child outcomes than education and experience of social workers; and 4) the educational attainment of social workers has been increasing in recent years. The study offered recommendations for increasing the proportion of supervisory level social workers meeting national accreditation standards and improving the personnel data system.

Office of Public Defense Sunset Review

The Office of Public Defense (OPD) was originally established in 1996 to "implement the constitutional guarantee of counsel" and "ensure the effective and efficient delivery of the indigent appellate services funded by the state of Washington." OPD was scheduled to terminate on June 30, 2008, pursuant to the Washington Sunset Act. As required by this

legislation, JLARC conducted a review of OPD prior to the sunset date. The review concluded that OPD was meeting legislative intent, operating in an efficient and economical manner, with adequate cost controls in place, meeting established goals and targets, and did not substantially duplicate services offered by other agencies or the private sector.

In the 2008 Legislative Session, the Legislature adopted JLARC's recommendation to reauthorize OPD by repealing the sunset provision.

Tax Preference Reviews

In 2006, the Legislature enacted Engrossed House Bill 1069 which mandated audit reviews of Washington's tax preferences. The 2007 reviews covered 22 tax preferences, including some of the state's oldest tax preferences dating to early statehood. The reviews are divided into expedited and full reviews, depending on the fiscal impact of the tax preference. The reports recommend continuation for 15 of the tax preferences reviewed; and clarification, modification, or termination is recommended for seven of the preferences. In addition to the analysis by JLARC's audit staff, the Citizen Commission for Performance Measurement of Tax Preferences conducted a public hearing on the reviews. The Commission took action to endorse the JLARC staff recommendations, and in some cases added additional comments indicating the Legislature should clarify the intent of some of the tax preferences.

Learn more at www.citizentaxpref.wa.gov

Services for Parents to Reunify Families

The 2007 Legislature passed Substitute House Bill 1333, which required JLARC to analyze gaps throughout the state in the availability and accessibility of services identified in the federal Adoption and Safe Families Act. This study focused specifically on services for parents that enable the reunification of families after children have been placed in the state's care. In the absence of available information sources, JLARC conducted surveys of parents, social workers working with the parents, and service providers serving those parents. The study primarily consisted of analysis of the results of those surveys. While the surveys indicated the availability and accessibility of services varies, statewide over 80 percent of parents responding

to the survey reported being able to participate in 17 of 19 services. The study offered recommendations concerning two statutory compliance issues: future reporting on parents' access to services; and the statutory prohibition on limiting parent-child visits as a sanction for parents' failure to comply with court orders or services.

Small Business Incubators

Small business incubators provide services to firms in an attempt to help them succeed and thus lower the rate of small business failures. This review of business incubators was assigned to JLARC in the 2006 Supplemental Budget. The budget proviso asked JLARC to address three topic areas: 1) How many and what types of incubators are in the state? 2) What is the state's role in supporting incubators? and 3) How are incubators performing? The report did not contain recommendations, but did include suggestions for data that if collected systematically can help policymakers better understand how incubators are performing.

Division of Developmental Disabilities: Analysis of How Services Are Prioritized

The 2006 Supplemental Operating Budget directed JLARC to conduct a review of how the Department of Social and Health Services' (DSHS) Division of Developmental Disabilities prioritizes and allocates services. The study analyzed the Division's development of a new standardized assessment process and a case management information system, scheduled for implementation in June 2007 and March 2008, respectively. The study included an updated analysis of the preliminary results of the Division's newly developed Mini-Assessment process for clients who are not receiving paid services from the Division. This study also included a review of Washington State statutes related to prioritizing and allocating services, as well as approaches to prioritizing and allocating services in three other states. The report recommended the following: 1) DSHS should report to the Legislature on implementation of the new standardized assessment process and case management information system by January 2009; 2) the Division should establish a clear set of priorities for case managers to follow in assessing clients, and track the application of those priorities; and 3) the Division should clearly distinguish its high level of need clients when communicating the results of the Mini-Assessment process.



On the Horizon: Upcoming JLARC Studies

Studies due to be completed in the coming months and through the 2007-09 Biennium:

- ▶ Performance Audit of 30 Tax Preferences
- ▶ Review of Eligibility for State Programs Providing Individual Health Care
- ▶ Review of Oil Spill Risk and Comparison to Funding Mechanism
- ▶ Performance Audit of Prescription Drug Purchasing Consortium
- ▶ Evaluation of Public Policy Issues Involved with Reservation of Mineral Rights in the Conveyance of Public Lands
- ▶ Review of Distributions from City-County Assistance Account
- ▶ Pre-Audit: Review of Boards and Commissions
- ▶ Health Care Spending Framework
- ▶ K-12 Facility Inventory Project: Phase 1
- ▶ Rental Housing Voucher Study
- ▶ State Ferries Preservation Costs Review
- ▶ Review of State Ferries' Implementation of Life Cycle Cost Model

To view any JLARC Study from 1995 to the present, visit www.jlarc.leg.wa.gov and select Audit and Study Reports.



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