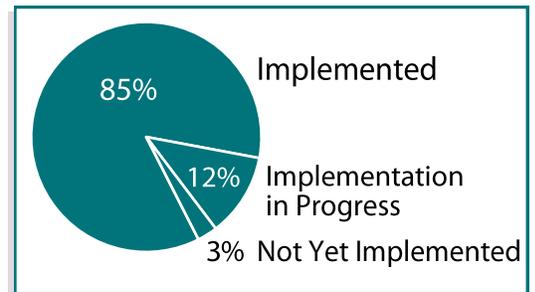


Purpose of the Annual Report

This report is issued after the conclusion of each legislative session to describe the impacts of performance audits JLARC has conducted for the Washington State Legislature.

Agencies Implement JLARC Recommendations

Between 2002 and 2009, JLARC issued over 213 recommendations directly to state agencies. Some 85% of these recommendations have been implemented to date and another 12% are in progress. These accomplishments cover a wide variety of agency performance improvements, spanning 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 2010 Legislative Session related to improvement opportunities identified by JLARC. *Learn more on page 4.*

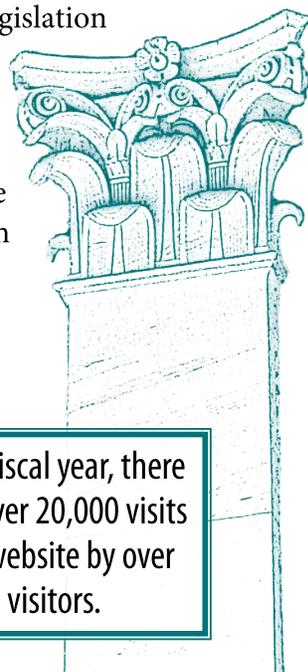
JLARC's Work Produces Results Several Ways

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.

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.



During this fiscal year, there have been over 20,000 visits to JLARC's website by over 9,000 visitors.

COMMITTEE MEMBERS

SENATORS

Randy Gordon

Janéa Holmquist

Jeanne Kohl-Welles

Eric Oemig
Assistant Secretary

Linda Evans Parlette
Vice Chair

Cheryl Pflug

Craig Pridemore

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Gary Alexander
Secretary

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Kathy Haigh

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Dan Kristiansen

Sharon Nelson

Dan Roach

Deb Wallace

LEGISLATIVE AUDITOR

Ruta Fanning

AUDIT COORDINATORS

Keenan Konopaski

David Dean

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.

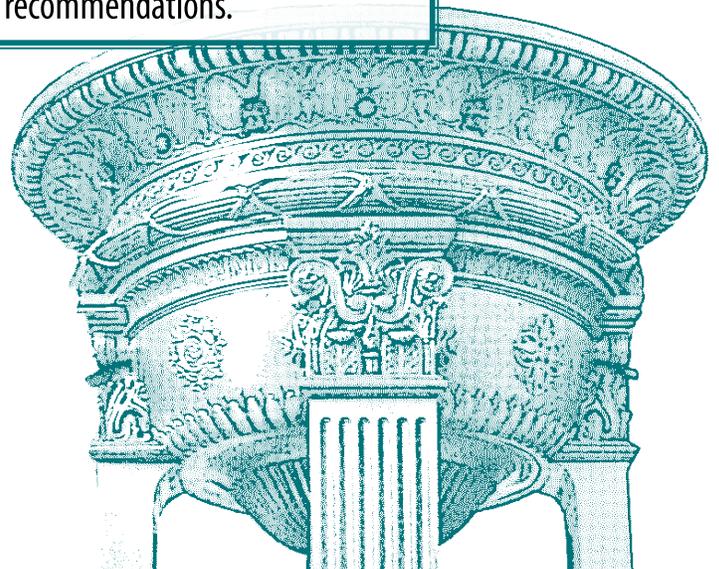
JLARC pursues its mission by conducting performance audits, program evaluations, sunset reviews, and other analyses. Assignments to conduct studies are made by the Legislature and the Committee itself. Based on these assignments, JLARC's non-partisan staff auditors, under the direction of the Legislative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

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.



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:

WSDOT using new tool to anticipate presence of historically significant sites, such as Tse-whit-zen village

During the course of JLARC's review of the Port Angeles Graving Dock Project, we identified the need for standardized geologic mapping/modeling across areas that are expected to have a large developmental need for archaeological surveys in the next five to ten years. The Department of Transportation is now using a statewide archaeological predictive model, which was developed by the Department of Archaeology and Historic Preservation. The model is also available to other agencies as part of the Washington Information System for Architectural and Archaeological Data.

State agencies now required to develop detailed cost estimates when proposing new IT projects

During the course of JLARC's evaluation of the budget process for information technology projects, we discovered a need for greater reliability in the initial planning estimates for IT projects. Following the release of JLARC's study, the Department of Information Services and the Office of Financial Management created an IT addendum to the budget instructions for the 2009-11 biennium requiring agencies to perform detailed project cost estimates when seeking funding for new IT projects.

Governor relies on upcoming JLARC study when vetoing creation of School District Reorganization Commission

In vetoing a proviso in the 2010 Supplemental Operating Budget creating a statewide commission on school district reorganization, the Governor pointed to JLARC's upcoming study of the relationship between the cost of school districts and their enrollment size. The Governor stressed that upon completion of JLARC's report, the Legislature and the Office of Superintendent of Public Instruction should explore opportunities for a focused review of school district organization.

A BRIEF HISTORY OF JLARC

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.

2000

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

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).

1977

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

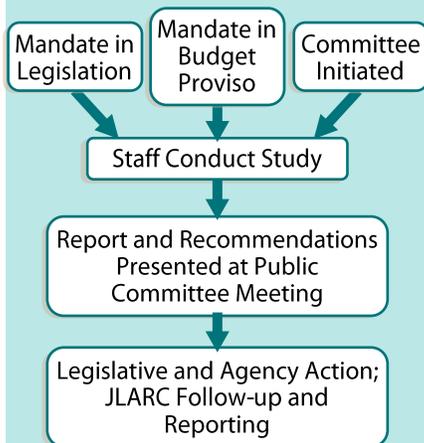
1971/1973

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

1951

The Legislature creates the Legislative Budget Committee (LBC).

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?

The Legislature Acts on JLARC's Work

Legislature funds JLARC blueprint for new K-12 facility inventory and condition system

During the course of JLARC's pilot of a K-12 facility inventory, condition, and use system, we determined that the state has no comprehensive statewide data system for collecting and reporting information about K-12 facilities. JLARC developed four different options for creating such a statewide system. The 2010 Supplemental Capital Budget includes \$250,000 for the Office of Superintendent of Public Instruction to develop a K-12 facility inventory and condition system based on one of the options developed by JLARC.

Legislature considers 9 bills addressing JLARC recommendations on existing tax preferences

During the 2010 Session, the Legislature considered nine bills that addressed a total of 35 recommendations from the tax preference performance reviews produced by JLARC staff. The bills that were enacted fulfilled JLARC's recommendations by extending the aluminum smelter tax preferences, two preferences relating to the production of alcohol and biodiesel fuel, and two preferences relating to the production of wood biomass fuel.

View JLARC's tax preference reports at www.citizentaxpref.wa.gov

JLARC's inventory of state boards and commissions continues to spur action by Legislature and Governor

For the second session in a row, JLARC's inventory of state boards and commissions drew the focus of members of the Legislature, the Governor, and the press. Legislation was enacted in 2010 eliminating 45 statutory boards, commissions, committees, or councils. In addition, before session began, the Governor eliminated 17 boards or commissions through executive order.

Legislature requires DNR to explore alternative methods for setting aquatic lands lease rates for boat moorage

JLARC's review of state-owned aquatic lands lease rates analyzed current practice and assessed the advantages and disadvantages of alternative approaches to setting lease rates. The 2010 Supplemental Operating Budget requires the Department of Natural Resources to review the statutory method for determining aquatic lands lease rates for entities leasing state land for boat moorage. The review must consider alternative methods for determining rents for these entities for a fair distribution of rent, consistent with statutory requirements for management of state aquatic lands.

New JLARC Assignments Originated in the 2010 Legislative Sessions

As a result of the 2010 Legislative Session:

- ▶ JLARC took on two new study assignments, to be completed before the 2011 Legislative Session.
- ▶ JLARC also received two new staffing assignments, providing support for:
 - ◇ Newly created Task Force for Reform of Executive and Legislative Procedures Dealing with Tax Preferences
 - ◇ JLARC members' new responsibility to select a topic area for future performance audits by the State Auditor's Office.
- ▶ There were an additional 18 studies proposed in legislation, which either did not pass or were passed without JLARC's assignment.
- ▶ JLARC prepared 12 fiscal notes at the request of legislators and legislative staff.

See page 8 for a full list of upcoming JLARC studies.

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.

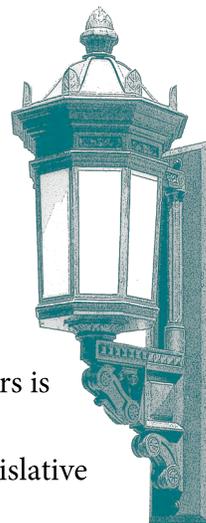
Over the last year, JLARC's work was publicly discussed before 10 different venues, including seven presentations at legislative committee meetings.

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

Legislature Updates JLARC Enabling Statutes

At the request of JLARC's Executive Committee, legislation was enacted in 2010 to update the enabling statutes that govern JLARC's operations. This new legislation took effect in June 2010 and will:

- ▶ Ensure that the process for appointing JLARC members is in step with similar appointment processes;
- ▶ Align the timing of JLARC's audit work plans with legislative sessions;
- ▶ Clarify JLARC's access to requested records and information; and
- ▶ Remove outdated references.



JLARC AWARDS

2009 Excellence in Research Methods Award

Comparing Costs and Characteristics of Housing Assistance Programs

1999 Excellence in Evaluation Award

Workers Compensation Performance Audit and Department of Corrections Performance Audit

1992 Excellence in Research Design and Methodology

Basic Health Plan Study

Impact Awards

2010: Review of Boards and Commissions

2009: Tax Preference Performance Review: Beef Processors

2008: Life Cycle Cost Model Update

2007: Review of Port Angeles Graving Dock

2006: DNR Fire Suppression Study

2005: Washington Medicaid Study

2004: Higher Ed Facilities Preservation Study

2003: Capital Study of DDD Residential Habilitation Centers

2002: Investing in the Environment: Environmental Quality Grant & Loan Programs Performance Audit

2001: Mental Health System Performance Audit

2000: Rural Area Marketing Plan Evaluation

1998: Nursing Home Reimbursement System Performance Audit

1997: State Investment Board Performance Audit

Recently Completed JLARC Studies

JLARC has issued 195 reports since 1995, covering a wide variety of programs.

Ongoing Performance Audits of Tax Preferences

JLARC continues to conduct reviews of tax preferences under the guidance of Engrossed House Bill 1069 (2006). The 2010 report covers 58 tax preference reviews of preferences dating back to the 1930s. The Legislature's tax preference review system also includes a role for the Citizen Commission for Performance Measurement of Tax Preferences, as well as for the newly created Task Force for Reform of Executive and Legislative Procedures Dealing with Tax Preferences.

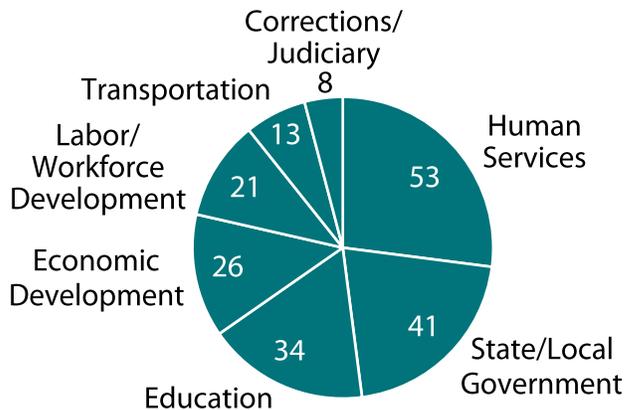
Health Professions Disciplinary Activities Workload Model Review

In 2006, the Legislature required the Department of Health (DOH) to develop and use a workload formula for developing its biennial budget requests for health professions disciplinary activities, and required JLARC to review that workload formula. JLARC's report concludes that DOH's workload model is based on reliable and statistically valid data collected from a workload study that used random work sampling, a commonly accepted method for analyzing staff time and resources. While DOH is currently in compliance with the legislative mandate to develop a workload formula for disciplinary activities, the report recommends a formal process for periodic updates to help ensure compliance in the future. The report also recommends additional clarity of legislative intent regarding the use of workload models for a current pilot program.

Washington State Department of Transportation: Scoping and Cost Estimating for Highway Construction Projects

The 2009-11 Transportation Budget directed JLARC to review scoping and cost estimates for transportation highway improvement and preservation projects. JLARC concluded that the Washington State Department of Transportation's (WSDOT) policies and procedures for scoping and estimating the cost of highway construction projects currently align with industry guidelines. In addition, JLARC identified three issues that are critical to considering the accuracy of highway project cost estimates: 1) Time—when a

Policy Categories of 195 JLARC Reports Since 1995



transportation agency is given more time to fully understand a project's needs and risks, there is greater chance for more accuracy in a project's cost estimate; 2) Resources—investing more money into the scoping process may result in more accurate initial project cost estimates; and 3) Communication—clear communication about the uncertainty of project cost estimates and the reasons for any changes in estimates is critical to maintaining stakeholder trust and building confidence in an estimate. The report recommends that WSDOT project records include an easy-to-follow trail between cost estimates and budget requests.

Performance Audit of the Home Care Quality Authority

This report constitutes JLARC's second performance audit of the Home Care Quality Authority (HCQA). The agency was created by initiative in 2001 to regulate and improve the quality of long-term in-home care services by recruiting, training, and stabilizing the workforce of individual providers. The Legislature directed JLARC to audit HCQA with a focus on how it is performing its statutory duties. JLARC found that HCQA is meeting its statutory duties and met 14 of its 15 performance targets. However, the report recommends that HCQA develop performance measures that reflect its impact on the stability of the individual provider workforce on, or hired from, HCQA's referral registries.

K-12 Pilot Facility Inventory, Condition and Use System

The 2008 Supplemental Capital Budget directed JLARC to define and develop a pilot facility condition and inventory system for K-12 public school facilities. JLARC's report describes the information collected on

10 participating school districts during the pilot, and compares data reported by school districts to data reported by JLARC's consultants. The report also includes a discussion of the feasibility of collecting certain types of facilities data, and proposes methods for collecting and maintaining the data and connecting it to other relevant sources. The report concludes with four cost options for expanding the pilot statewide.

Review of Child Support Guidelines

As part of a new process for the federally required reviews of the state's Child Support Guidelines, the Legislature directed JLARC to: review the efforts of a 2007 child support workgroup; summarize research on the cost of raising children; and analyze the current data collected by the Department of Social and Health Services (DSHS) for assessing deviations from the state's Child Support Guidelines. JLARC determined that the 2007 workgroup recommended statutory changes on a number of issues which the Legislature implemented in 2009, but that the workgroup did not resolve three main issues. JLARC's review of research showed that these same three issues are of concern to many states, and included a summary of the research on these issues in the report. Finally, JLARC found that the data currently collected by DSHS is inadequate to perform a review of deviations from the state's Child Support Guidelines. The report includes recommendations to both DSHS and the Legislature regarding the use of an existing, reliable data source for reviewing child support orders that deviate from the Guidelines.

Analysis of the Costs and Benefits of Accepting Bankcards at WSDOT

The 2009-11 Transportation Budget directed JLARC to conduct an analysis of the cost of credit card payment options at the Washington State Department of Transportation (WSDOT), at a time when WSDOT's costs for accepting credit and debit cards were increasing. Through a comparison of the costs of accepting customer payments via bankcards with other methods of payment, JLARC found that the least costly method of accepting customer payments varied across three key WSDOT programs. Automation and reduction of labor costs, not payment method, was found to be the key to cost savings. The report identifies two opportunities to lower or defray bankcard costs. The report also includes a recommendation that WSDOT identify alternatives for reducing bankcard fees, and a recommendation that the Office of Financial

Management and the State Treasurer provide guidance to other state agencies for situations where lower cost options to bankcards may be suitable.

School District Cost and Size

The 2009-11 Operating Budget directed JLARC to conduct a study of the relationship between the cost of school districts and their enrollment size. JLARC's analysis found that the highest expenditures per pupil occur in 85 districts with fewer than 1,000 students, but that not all small school districts have high expenditures per pupil. This pattern is true for total district expenditures and for major activities such as teaching, administration, facility operation, and transportation. The analysis found that districts with the highest per pupil expenditures only represent 2.5 percent of school district expenditures statewide. JLARC also found that high expenditures per pupil are largely the result of the statutory formula for distributing state educational funding. In addition, the report notes that school districts placed under state financial oversight have used a variety of methods to balance their budgets. Finally, though there has been extensive research on school and school district size, the research does not identify an optimal size for either.

Information-Sharing and Medicaid Reinstatement for Individuals Released from Confinement

The 2009-11 Operating Budget directed JLARC to review the status of implementation of four specific bills related to: 1) increasing information-sharing between the criminal justice and behavioral health systems (E2SSB 6358 (2004) and E2SSB 5763 (2005)); and 2) facilitating reinstatement of Medicaid coverage for adults with a mental illness, and juveniles, upon their release from correctional or therapeutic confinement (E2SHB 1290 (2005) and 2SHB 1088 (2007)). For each of these two topics, this JLARC study identifies the relevant provisions from these laws and reports on the status of their implementation. On the information-sharing topic, the report includes recommendations to the Legislature regarding further documentation on implementation of and an assessment of the outcomes from these provisions, as well as recommendations relating to compliance for three entities. On the Medicaid reinstatement topic, the report includes one recommendation to DSHS' Research and Data Analysis Division to further study the impact of these provisions of law.

On the Horizon: Upcoming JLARC Studies

Studies due to be completed in the coming months and through the 2009-11 Biennium:

- ▶ Performance Audits of Tax Preferences
- ▶ Developmental Disability Employment and Day Program Services
- ▶ Review of Motion Picture Industry Competitiveness Program
- ▶ Office of Regulatory Assistance Sunset Review
- ▶ Transparency in Higher Education Data
- ▶ State Activities Supporting Recreational Boating in Washington
- ▶ Review of Mitigation Provisions in Washington's Streamlined Sales and Use Tax Agreement
- ▶ Cost and Use of Helicopters in Suppressing Wildfires
- ▶ Performance Audit of Washington State Ferries Capital Cost Accounting Practices
- ▶ Storm Water Permit Requirements
- ▶ Study of Washington State's Risk Management Practices
- ▶ Performance Review of the High-Performance Public Buildings Program



Studies due to be completed in the 2011-13 Biennium:

- ▶ Performance Audit of the Puget Sound Partnership
- ▶ Evaluation of the Effectiveness of Microenterprise Development
- ▶ Manufacturing Innovation Sunset Review
- ▶ State Lottery Commission: Review of Marketing and Vendor Expenditures and Incentive Program
- ▶ Review of Washington's Workplace Safety and Health Program
- ▶ Review of the Use and Economic Impact of Lodging Tax Revenues
- ▶ Performance Audits of Tax Preferences
- ▶ Alternative Public Works Sunset Review
- ▶ Sex Offender Policy Board Sunset Review
- ▶ Evaluation of the Higher Education Performance Agreement Pilot Test: Pre-Audit
- ▶ Evaluation of the Effectiveness of the Local Infrastructure Financing Tool

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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