

Joint Legislative Audit & Review Committee

2017 Annual Report

Message from the Legislative Auditor

Over the last year, the Joint Legislative Audit and Review Committee (JLARC) has produced work that demonstrates a strong impact and a broad and innovative body of high-quality work. JLARC is a bicameral, bipartisan committee with a staff of 21 professionals. I'm pleased to share the highlights with you.



- **Studies reflect the top concerns of the Legislature.** Our recent studies, assigned by the Legislature, addressed issues such as tax preferences, land acquisition and regulation, and youth homelessness.
- **Recommendations lead to improved government performance.** All of the 19 recommendations issued to state agencies over the last four years (2013-16) have been implemented or are in progress.
- **Our work is recognized nationally.** Our work won two awards from the National Conference of State Legislatures and recognition from The Pew Charitable Trusts. A 2017 review by peers from other states confirmed the quality of our work and concluded that JLARC is an effective performance audit organization.

The Legislature assigns new studies every session. Over the next year, our work will answer questions about topics such as low-income housing and services for people with developmental disabilities. You can stay informed through [our web site](#) and by [following us on Twitter](#).

A handwritten signature in blue ink, appearing to read 'K. Konopaski'.

Keenan Konopaski, Washington State Legislative Auditor

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Bicameral, bipartisan committee works to make state government operations more effective, efficient, and accountable

The Joint Legislative Audit and Review Committee (JLARC) is composed of an equal number of House and Senate members, Democrats and Republicans.

JLARC members as of December 31, 2017

Representatives			Senators		
					
Derek Stanford Chair	Ed Orcutt Secretary		John Braun Vice Chair	Mark Mullet Asst. Secretary	
					
Jake Fey	Larry Haler	Christine Kilduff	Bob Hasegawa	Mark Miloscia	Rebecca Saldaña
					
Vicki Kraft	Gerry Pollet	Drew Stokesbary	Shelly Short	Dean Takko	Lynda Wilson

The following legislators also served during 2017:

- Senators Randi Becker, Sharon Brown, Annette Cleveland, and David Frockt
- Representative Drew MacEwen

JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards

The statutory authority for JLARC, established in [Chapter 44.28 RCW](#), requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for any JLARC report provides a reasonable basis for the findings and conclusions, and any exceptions to the application of audit standards are explicitly disclosed in the body of the report.

Recent audits and studies

Studies in 2017 evaluated issues such as land acquisition and regulation, youth homelessness, health disparities, and construction contracts



Wildfire Suppression
Funding and Costs



UW Alternative
Contract Process



Tax Preferences
(16 reviewed)



Unaccompanied
Homeless Youth

8 final reports in 2017



Council on Health
Disparities



Puget Sound
Partnership



Forest Fire
Protection Fees



Measuring Outcomes of
Land Acquisitions and
Regulations

Studies reflect Legislature's policy concerns

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 to reflect top public policy concerns.

Based on these assignments, JLARC's non-partisan staff analysts, under the direction of the Legislative Auditor, independently seek answers to audit questions and issue recommendations to improve performance.

2017 Report Conclusions and Recommendations

Study Title	Legislative Auditor Conclusion	Recommendations
Wildfire Suppression Funding and Costs Report 18-02 One-page overview	<p>Wildfire suppression costs are shared with other agencies consistent with formal agreements.</p> <p>Accurate and refined data collection is needed to improve information about costs and characteristics.</p>	<ol style="list-style-type: none"> 1. Department of Natural Resources (DNR) should refine its collection of key data elements and seek input from the appropriate Legislative committees. 2. DNR should improve the accuracy and reliability of the key data elements it collects. 3. DNR should develop a systematic and verifiable way to identify the costs of individual fires.
Measuring Outcomes of Land Acquisitions and Regulations Report 18-01 One-page overview	<p>Regulations and acquisitions protect habitat in different ways. Outcome information can be improved through statutory direction, along with agency planning and investment for monitoring.</p>	<ol style="list-style-type: none"> 1. The Office of Financial Management and the Recreation and Conservation Office should develop and submit a joint plan to the Legislature detailing the actions, costs, and timelines needed to comply with statutes that direct them to measure performance of land acquisitions and related grant programs. 2. If the Legislature wants reliable information about the outcomes of regulatory programs implemented at the local level, it should consider requiring state agencies to work with local governments to develop outcome-focused performance measures. 3. Department of Fish and Wildlife, the State Parks and Recreation Commission, and the Department of Natural Resources should provide the Legislature with a plan detailing the resources necessary to report stewardship needs.
Fees Assessed for Forest Fire Protection Report 17-06 One-page overview	<p>Department of Natural Resources (DNR) can improve consistency of landowner assessments by clarifying definitions and coordinating with county assessors</p>	<ol style="list-style-type: none"> 1. DNR should clarify the definition of forest land and implement a process to consistently apply the definition across the state. 2. DNR should coordinate with county officials to create consistent policies for administering the assessment.

Study Title	Legislative Auditor Conclusion	Recommendations
Puget Sound Partnership 2016 Report 17-05 One-page summary	<p>The Puget Sound Partnership (Partnership) has improved the information it shares with the Legislature and public about the health of Puget Sound. However, short planning timeframes, an incomplete inventory of actions and funding, and an unclear monitoring approach hinder recovery efforts.</p>	<ol style="list-style-type: none"> 1. Partnership should submit a plan to the Legislature that identifies and addresses needed revisions to the planning and recovery timeframes. 2. The Office of Financial Management and the Partnership should submit a plan to the Legislature that details how they will create a more complete inventory of recovery actions and funding. 3. The Partnership should submit a plan to the Legislature that details how it will address the deficiencies in its ability to meet the essential requirements for a monitoring program, as identified by JLARC staff. The plan should also address how the Partnership will improve and clarify links between monitoring and planning.
Governor's Interagency Coordinating Council on Health Disparities Report 17-04	<p>The Governor's Interagency Coordinating Council on Health Disparities (Council) meets statutory administrative requirements. Progress on eliminating health disparities is unknown because reports do not track status of recommendations or trends in health disparities.</p>	<ol style="list-style-type: none"> 1. The Council should submit action plan updates every two years with content that reflects the entire prioritized list of health disparities. 2. The Council should include the status of all recommendations and all diseases, conditions, and health indicators from the prioritized list in its progress reports.
Unaccompanied Homeless Youth Performance Measures and Population Estimates Report 17-03 One-page overview	<p>Homeless youth programs need specific performance measures.</p> <p>Ability to evaluate outcomes hindered by state limits on collecting personal data.</p>	<ol style="list-style-type: none"> 1. The Department of Commerce (Commerce) should brief relevant legislative committees about how current consent law is interpreted, its effect on collecting data from homeless youth, and the potential impacts and trade-offs of collecting this data to evaluate program outcomes. 2. Commerce should develop program-specific performance measures. Commerce should incorporate performance measurement into grant agreements beginning in fiscal year 2018. 3. Commerce and the Office of the Superintendent of Public Instruction should issue joint guidance to counties and school districts, and clarify how they can work

Study Title	Legislative Auditor Conclusion	Recommendations
		together to improve estimates of the unaccompanied homeless youth population.
Second Sunset Review of UW's Alternative Process for Selecting Medical Facility Construction Contractors Report 17-01	The Legislature should reauthorize the University of Washington's (UW) alternative process for contractor selection because timeliness and contractor performance have improved	<ol style="list-style-type: none"> 1. The Legislature should continue UW's alternative process for selecting medical facility construction contractors because overall timeliness and contractor performance ratings have improved. 2. UW should establish timeliness goals for selecting a contractor and beginning construction, and annually monitor its progress in meeting its goals. The UW should report this information to the Capital Projects Advisory Review Board (CPARB) by September 2017, and in its subsequent biennial reports. 3. In consultation with the Office of Minority and Women's Business Enterprises (OMWBE), the University of Washington should identify the barriers it believes impede its use of certified minority and woman owned firms and suggest remedies to those barriers. The UW should report this information to the Capital Projects Advisory Review Board (CPARB) by September 2017, and in its subsequent biennial reports. CPARB can then determine whether or not to recommend policy changes to the Legislature.
Tax Preference Reviews Report 17-07	JLARC staff reviewed 16 tax preferences in 2017.	JLARC staff reviewed 16 tax preferences in 2017. The recommendation varied by preference.

Previous studies

Briefing Report: Student Mental Health Services Inventory

At the Legislature's request, JLARC staff inventoried mental health services available to students through schools, school districts, and educational service districts (ESDs). This report received a 2017 Notable Documents Award from the National Conference of State Legislatures.

Read the [briefing report](#)

K-12 Health Benefits

At the Legislature's request, JLARC staff identified and evaluated options to improve equity and affordability of full-family health care coverage for K-12 employees. This report identified policy options but made no audit recommendations.

Read the [report](#)

K-12 Higher Ed Part-Time Employees Health Benefits Exchange Phase I

The Legislature directed JLARC to estimate the cost impacts of shifting part-time K-12 and state higher education employees from their current health benefit plans to plans the employees would purchase on Washington's Health Benefit Exchange. This report concluded that many of these employees would likely pay more if insured through the Exchange and identified additional policy considerations.

Read the [report](#)

Unemployment Insurance Training Benefits Program

JLARC staff reviewed the outcomes and administration of the Training Benefits Program, which is operated by the Employment Security Department (ESD). The program provides additional unemployment benefits to eligible workers while they train for new, high-demand occupations. The recommendations issued for this report are included in the recommendation status summary.

Read the [report](#)

Workers' Compensation Claims Management

The Legislature directed JLARC staff to review workers' compensation claims management at the Department of Labor & Industries (L&I). The audit concluded that claims management by L&I is unbiased and decisions are generally timely. However, outcomes could be improved if systems were more focused on prompt and safe return to work. The recommendations issued for this report are included in the recommendation status summary.

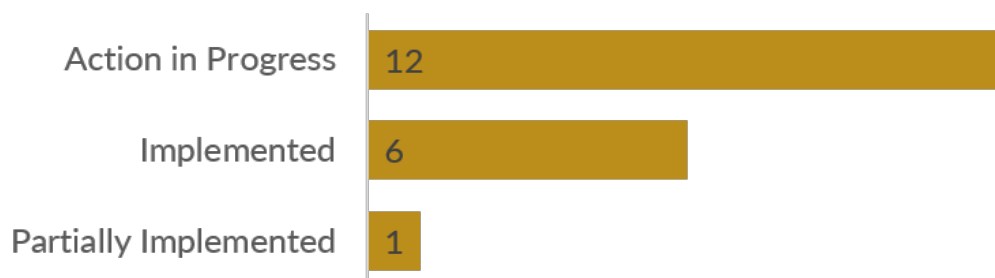
Read the [report](#)

2016 Tax Preference Performance Reviews

JLARC staff reviewed 22 tax preferences in 2016, organized in 14 reports.

Read the [report](#)

All recommendations to state agencies have been implemented or are in progress



Our audits offer recommendations to improve agencies' performance or respond directly to questions posed by the Legislature. Between 2013 and 2016, JLARC issued 19 recommendations to state agencies to improve the efficiency, effectiveness, and accountability of their operations.

In addition, the Legislature implemented recommendations to reauthorize the Medicaid Fraud False Claims Act and the alternative contracting processes for University of Washington patient care facilities. Both would have ended under the Sunset Act.

Status of Agency Recommendations

Alternative Public Works Procedures Sunset Review: [Report 13-2](#)

Capital Projects Advisory Board (CPARB)

Recommendation	Status
CPARB should revise job order contract reporting to clearly identify separate contracts with and payments to the same contractor during the July 1-June 30 reporting period.	Implemented
Public bodies using a general contractor/construction manager (GCCM) procedure should obtain information on project subcontract awards and payments and provide a final project report on their GCCM subcontracting to CPARB.	Action in Progress
CPARB should refocus its efforts and limited resources on collecting information that will more readily assist the Board in developing recommendations to improve public works delivery methods.	Action in Progress

Competency to Stand Trial: Report 14-1

Department of Social and Health Services

Recommendation	Status
The Behavioral Health and Service Integration Administration (the Administration) should provide accurate, consistent, and timely reporting on the number of defendants referred for competency evaluations, the number of evaluations completed, the timelines in admitting defendants to the hospitals.	Action in Progress
After collecting and analyzing descriptive data about its current operations, the Department of Social and Health Services (DSHS) should hire an independent, external consultant to develop 1) a service delivery approach that enables the Behavioral Health and Service Integration Administration to meet the statutory targets, and 2) a staffing model to implement the new approach.	Action in Progress
The Behavioral Health and Service Integration Administration should take actions to comply with additional statutory requirements from SSB 6492.	Partially Implemented
The Behavioral Health and Service Integration Administration, its primary judicial system partners, including the Administrative Office of the Courts, and other stakeholders should meet to develop an approach to assure collaboration and communication among the partners.	Implemented
The Behavioral Health and Service Integration Administration should work with its judicial system partners, including the Administrative Office of the Courts and other stakeholders, to develop training specific to their professions, as well as training material appropriate for cross training.	Action in Progress

UW Alternative Public Works Sunset Review: [Report 14-3](#)

University of Washington (UW)

Recommendation	Status
UW should identify opportunities to reduce the time to select contractors for Harborview projects. UW should report the results of its review to the Legislature and the Capital Projects Advisory Review Board.	Implemented
UW should track use of woman- and minority-owned subcontractors on projects using the alternative process to determine whether it is meeting its internal goal.	Implemented
UW should review the other contracting steps that follow contractor selection to identify opportunities to reduce the time to begin constructing Harborview projects. UW should report the results of its review to the Legislature and the Capital Projects Advisory Board.	Implemented

Gas Vapor Regulations: [Report 14-4](#)

Department of Ecology, Puget Sound Clean Air Agency, Southwest Clean Air Agency

Recommendation	Status
The Department of Ecology and the local clean air agencies should estimate and publish when Stage II requirements will begin to increase emissions. This analysis should determine whether keeping Stage II systems helps the regions meet EPA's current ozone standard and the costs and cost effectiveness associated with keeping these systems.	Implemented

Highway Maintenance and Preservation Needs: [Report 14-5](#)

Department of Transportation, Office of Financial Management

Recommendation	Status
WSDOT and OFM should develop a process to improve stakeholders' confidence in its highway estimates.	Action in Progress

State Recreation and Habitat Lands: [Report 15-1](#)

Recreation and Conservation Office, Department of Natural Resources, Department of Fish and Wildlife, Washington State Parks and Recreation Commission

Recommendation	Status
The Legislative Auditor recommends that the five agencies develop a single, easily-accessible source for information about proposed recreation and habitat land acquisitions, including detailed outcomes and future costs.	Action in Progress

Workers' Compensation Claims Management: [Report 15-4](#)

Department of Labor and Industries

Recommendation	Status
L&I should institute standards for early phone contact, claim management planning, and clear documentation in claims management. L&I should provide a plan to JLARC for how and when it will achieve the standards and provide annual progress reports describing actions taken to complete the plan.	Action in Progress
L&I should expand its pilot programs and enhance its claims management support systems (training, performance measures, and technology) with a focus on return to work. L&I should provide a plan to JLARC for how and when it will expand pilot programs and enhance support systems and should provide annual progress reports describing actions taken to complete the plan.	Action in Progress

Unemployment Insurance Training Benefits: [Report 16-1](#)

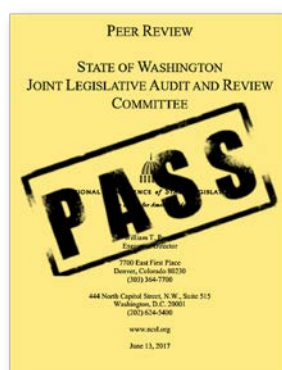
Employment Security Department

Recommendation	Status
The Employment Security Department should prepare a plan to identify reasons why outcomes improve for some training benefits participants and not others, and determine whether there are opportunities to change the Program to improve outcomes for all participants.	Action in Progress
The Employment Security Department should develop a plan and associated cost estimate to improve its administration of the Training Benefits Program, to include: improving the application form, improving guidance to its Program partners, improving the timeliness of its decisions, establishing quality assurance review, and improving its performance measures.	Action in Progress

Peer reviewers confirm quality of JLARC's work

In 2017, JLARC successfully passed our [peer review](#), conducted by the National Conference of State Legislatures (NCSL). Done every three years, a peer review is a formal process for monitoring an audit organization's compliance with quality control policies and procedures. Respected program evaluators from Maine, Minnesota, and Nebraska — possessing a collective 77 years of experience — conducted the review. They reviewed documents (e.g., policies, quality control systems, and training), and they visited our office to interview staff and legislators. They also inspected the evidence we used in our studies.

Peer reviewers noted that JLARC is an effective performance audit organization, and that the office includes experienced, well-educated staff. Their report notes that "JLARC Executive Committee members, the Citizen [Tax Preference] Commission chair and others interviewed by the peer review team expressed satisfaction with the work of JLARC staff and confidence that the information and conclusions in JLARC reports are accurate, complete and well-supported."



"JLARC is an effective performance audit organization."

"[Legislators and others] expressed satisfaction... and confidence that the **information and conclusions** in JLARC reports are **accurate, complete and well-supported.**"

"The office includes **experienced, well-educated staff**. The staff's diverse backgrounds and skill sets are beneficial."

[JLARC] has **established internal procedures** for planning audits, supervising staff, obtaining evidence, and documenting and reporting that **ensure its reliability.**"

JLARC recognized by NCSL and Pew

2017 Notable Documents Award

Student Mental Health Services Inventory

JLARC staff received the 2017 Notable Documents Award from the National Conference of State Legislatures, Legislative Research Librarians section for an inventory of mental health services available to students through schools, school districts, and educational service districts (ESDs). The award recognizes excellence in documents that explore topics of interest to legislators and staff, and present substantive material in an outstanding format. JLARC staff completed the inventory through surveys of school districts and ESDs, supplemented by interviews and analysis of existing data. The web page report includes both summary information as well as topic-specific tables. Readers can sort, filter, and explore data on mental health services, funding, and barriers using interactive spreadsheets.

2017 Certificate of Impact

Sunset Review of University of Washington's Alternative Process for Selecting Medical Facility Construction Contractors

JLARC staff received a 2017 Certificate of Impact from the National Conference of State Legislatures' Legislative Program Evaluation Society. The office was recognized for demonstrating a "significant impact on state government." The Legislative Auditor recommended that the alternative contracting process continue because average contracting speed and performance have improved. The report also identified some areas for the university to focus on, including setting timeliness goals and identifying barriers to using certified minority or woman owned firms. The 2017 Legislature passed legislation signed by the Governor to remove the sunset provision, authorizing the alternative process to continue. The Capital Projects Advisory Review Board (Board), a contracting oversight body, also invited the University of Washington to address the Board about its outreach efforts to disadvantaged firms.

Recognition by The Pew Charitable Trusts

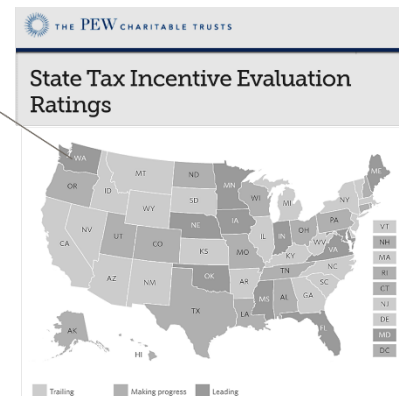
In May 2017, The Pew Charitable Trusts issued an [analysis and rating of state efforts to evaluate tax incentives](#). Pew assessed each state on the extent to which it has made a plan, measured the impact, and informed policy choices. The analysis noted that "Washington has one of the nation's longest-standing and most successful tax incentive evaluation processes." The analysis also report that "Washington is leading other states because it has a well-designed plan to regularly evaluate tax incentives, experience producing quality evaluations that rigorously measure economic impact, and a process for informing policy choices."

Leading

"Washington... has a **well-designed plan** to regularly evaluate tax incentives, experience producing **quality evaluations that rigorously measure economic impact**, and a process for informing policy choices."

[JLARC] has **long provided valuable insights** on the history, purpose, and design of incentives."

May 2017



JLARC staff shared results and methods with legislative committees, stakeholders, and peers

JLARC staff are often asked to present our work to legislative committees and other interested groups. In 2017, we presented information about our tax preference performance reviews, the study of unaccompanied homeless youth, and recommendations to update and improve annual surveys and reports for tax purposes.

In addition, JLARC staff were invited to present our results and methods to other organizations across the nation. This includes the Pew Charitable Trusts, the National Conference of State Legislatures, the National Legislative Program Evaluation Society, and Pacific Northwest Intergovernmental Audit Forum.

We also focused efforts on preparing the next generation of legislative analysts by presenting information about our work to both the University of Washington Evans School of Public Policy and Governance and the Pacific Lutheran University School of Political Science.

18 Presentations and Trainings



Committees of the Washington State Legislature

Pew Charitable Trusts/NCSL Roundtable

National Legislative Program Evaluation Society Training Conference

Pacific Northwest Intergovernmental Audit Forum

University of Washington Evans School of Public Policy and Governance

Pacific Lutheran University School of Political Science

Washington Finance Officers Association Annual Conference

Washington Association of Public Records Officers Conference

At the Legislature's direction, JLARC's upcoming work will address these topics

JLARC staff complete performance audits and studies on behalf of the Legislature. Our assignments often come through legislative provisos in the budgets and policy bills. You can find the [work plan for the current biennium](#) on our web site. Here are a few highlights.

Aerospace Technology Innovation Sunset

JLARC is to complete a formal sunset review of the joint center for aerospace technology innovation.

Questions? Contact [Zack Freeman](#) or [Amanda Eadrick](#)

Cost Effectiveness of Housing Approaches for Low Income Households

JLARC is to evaluate and compare the cost efficiency of market rate housing in Washington versus publicly subsidized housing projects intended to assist low-income households. This review will attempt to standardize total costs for both approaches, including land acquisition, pre-construction, construction and rehabilitation, financing, administration, maintenance, and operations.

Questions? Contact [Amanda Eadrick](#)

Employment and Community Access Services for People with Developmental Disabilities

JLARC is to evaluate the employment and community access services that the Department of Social and Health Services provides to people with developmental disabilities.

Questions? Contact [Ryan McCord](#) or [Melanie Stidham](#)

Evaluation of the Effectiveness of the Local Infrastructure Financing Tool

The local infrastructure financing tool (LIFT) program was created to help local governments promote economic development. JLARC must evaluate the effectiveness of the program.

Questions? Contact [Melanie Stidham](#)

Lodging Tax Expenditures Reported by Municipalities: Annual Non-Audit Report

Municipalities must annually report their use of lodging tax revenues to JLARC, which makes this information available publicly through an on-line reporting system. The [most recent lodging tax information](#) reported by municipalities is on our web site.

Questions? Contact [Suzanna Pratt](#)

Higher Education Tuition and Other Programs

The Legislature has modified the policy for setting tuition over the last few biennia. In addition, the Opportunity Scholarship and Opportunity Expansion programs were created to

mitigate the impact of tuition increases, increase the number of certain baccalaureate degrees, and invest in programs and students to meet labor market demands. JLARC is to evaluate the impacts of tuition policy and these scholarship and expansion programs.

Questions? Contact [Casey Radostitz](#)

Office of Youth Homelessness Performance Based Contracting

JLARC is to evaluate the adequacy and effectiveness of the Department of Commerce's Office of Youth Homelessness performance based contracting with homelessness service providers, including compliance with performance measurement and reporting.

Questions? Contact [Suzanna Pratt](#)

Public Records Data Reporting: Annual Non-Audit Report

Certain state agencies, municipalities, and other public entities will annually report data about the characteristics of public records requests and the costs and timeliness of responding to them. Data could be submitted by over 2,000 governmental entities. [Click here](#) for the most recent information about this project.

Questions? Contact [Valerie Whitener](#)

Public Records: AG Consultation / Archivist Training and Grants

The Attorney General must establish a consultation program to help local governments with best practices for managing public records. The State Archivist must establish a competitive grant program to improve local technology public records management and provide records retention training. JLARC must these programs.

Questions? Contact [Rebecca Connolly](#)

2018 Tax Preference Performance Reviews

JLARC staff review the preferences included in the schedule developed by the Citizen Commission for Performance Measurement of Tax Preferences. Our [2018 preference review](#) will include topics such as farming, multi-unit urban housing, air ambulances, and corporate headquarters.

Questions? Contact [Eric Thomas](#)

Underground Storage Tank Program Sunset

JLARC will conduct a sunset review of the Department of Ecology's regulatory program for underground storage tanks. Ecology operates the program under a delegation of authority from the federal Environmental Protection Agency in order to implement requirements of the federal Underground Storage Act of 2005. The program is intended to reduce leaky underground storage tanks and ensure that ground water protection measures include secondary containment and monitoring.

Questions? Contact [Suzanna Pratt](#)