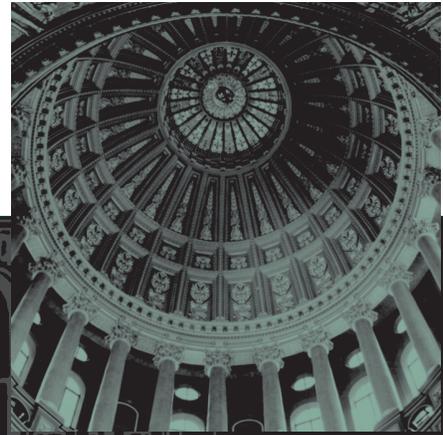




NATIONAL CONFERENCE
of STATE LEGISLATURES

The Forum for America's Ideas



PEER REVIEW

STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMITTEE

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STATE OF WASHINGTON JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE



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The Forum for America's Ideas

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The National Conference of State Legislatures is the bipartisan organization that serves the legislators and staffs of the nation's 50 states, its commonwealths and territories.

NCSL provides research, technical assistance and opportunities for policymakers to exchange ideas on the most pressing state issues and is an effective and respected advocate for the interests of the states in the American federal system.

NCSL has three objectives:

- To improve the quality and effectiveness of state legislatures.
- To promote policy innovation and communication among state legislatures.
- To ensure state legislatures a strong, cohesive voice in the federal system.

The Conference operates from offices in Denver, Colorado, and Washington, D.C.



NATIONAL CONFERENCE of STATE LEGISLATURES

The Forum for America's Ideas

June 17, 2014

Mr. Keenan Konopaski
Legislative Auditor
Washington Joint Legislative Audit and Review Committee
P.O. Box 40910
Olympia, Washington 98504

Bruce W. Starr
Senator
Oregon
President, NCSL

Thomas W. Wright
Chief of Staff to Speaker
Alaska
Staff Chair, NCSL

William T. Pound
Executive Director

Dear Mr. Konopaski:

At your request, and under the terms of a 2014 contract executed with the National Conference of State Legislatures (NCSL), we reviewed the system of quality control of the Washington Joint Legislative Audit and Review Committee that was in effect for a three-year compliance period from 2011 to 2013.

Section 3.101 of *Government Auditing Standards, 2011 Revision* (i.e., the Yellow Book, or GAGAS) by the Comptroller General of the United States allows the peer-reviewed agency to receive one of three possible ratings—pass, pass with deficiencies or fail.

In the peer review team's opinion, JLARC's quality control system is suitably designed and followed, providing reasonable assurance that the office is performing and reporting performance audit engagements in conformity with applicable Yellow Book standards for the period reviewed. Based on its professional judgment, the peer review team gives a rating of "pass" to the Washington Joint Legislative Audit and Review Committee.

The team's assessment is based on observations made during an onsite visit conducted May 19-23, 2014. During this visit, the team reviewed the office's audit-related policies and procedures, six performance audits and continuing professional education records. Team members also interviewed members of the JLARC Executive Committee, three legislative staff from outside JLARC, JLARC office managers and some randomly selected JLARC analysts. The team notes that the conduct of the peer review work was not impaired in any way. Team members were granted full access to relevant reports, working papers, supporting documentation and staff.

The peer review team appreciates the courtesy and cooperation extended to us in conducting this review. We commend you for your willingness to contract for this peer review to independently confirm the quality of your performance audits.

Sincerely,

James Barber
Deputy Director
Mississippi

Matt Taylor
Audit Manager
Georgia

Darin Underwood
Audit Manager
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INTRODUCTION

NCSL Peer Review

The Washington Joint Legislative Audit and Review Committee (JLARC) contracted with the National Conference of State Legislatures (NCSL) to review and assess JLARC's system of quality control, the quality of its performance audits and its staff competency during a three-year period from 2011 to 2013 (see Appendix A). The National Legislative Program Evaluation Society (NLPES) Peer Review Committee and the NCSL liaison to NLPES organized a peer review team consisting of three highly experienced and respected program evaluators from Georgia, Mississippi and Utah (see Appendix B).

Conclusion

Section 3.101 of *Government Auditing Standards, 2011 Revision* (i.e., the Yellow Book, or GAGAS) by the Comptroller General of the United States allows the peer-reviewed agency to receive one of three possible ratings—pass, pass with deficiencies or fail.

In the peer review team's opinion, JLARC's quality control system is suitably designed and followed, providing reasonable assurance that the office is performing and reporting performance audit engagements in conformity with applicable Yellow Book standards for the period reviewed. Based on its professional judgment, the peer review team gives a rating of "pass" to the Washington Joint Legislative Audit and Review Committee.

Peer Review Purpose

The Washington Joint Legislative Audit and Review Committee adheres to Yellow Book standards for performance audits. These standards require the office to undergo a peer review every three years. The office recognizes the importance of a peer review for ensuring the quality of its legislative audit work.

The purpose of this peer review is to identify whether the Washington Joint Legislative Audit and Review Committee meets Yellow Book standards and professional best practices as determined by its NCSL/NLPES peer reviewers.

History of the Washington Joint Legislative Audit and Review Committee

In 1951, the Washington Legislature created the Legislative Budget Committee (LBC). Throughout the 1970s, the Legislature increased LBC duties to include management surveys, program reviews, performance audits and sunset reviews. In 1996, the Legislature updated its performance audit statutes, and the agency was renamed the Joint Legislative Audit and Review Committee. In 2006, the Legislature directed JLARC to support the Citizen Commission for Performance Measurement of Tax Preferences by reviewing tax preferences every 10 years. JLARC also holds hearings on performance audit reports issued by the Washington State Auditor's Office.

The Washington Joint Legislative Audit and Review Committee continues to work to make state government operations more effective, efficient and accountable. The committee is comprised of an equal number of Senate and House members and has a balanced partisan make-up. The chairmanship alternates between the Senate and House; the chair is elected by committee members from the majority party of the appropriate chamber. The vice chair is elected by committee members from the opposite house and political party from which the chair is elected.

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. Considering these assignments, the committee develops a biennial work plan, which may be modified at the end of each legislative session to reflect actions taken by the Legislature and the committee. JLARC's nonpartisan staff, under the direction of the legislative auditor, independently seek answers to audit questions and issue recommendations to improve performance. Per Revised Code of Washington Section 44.28.065, JLARC work is to be conducted according to *Government Auditing Standards*.

Methodology

The Washington Joint Legislative Audit and Review Committee contracted with NCSL to perform its 2014 peer review.

The Washington Joint Legislative Audit and Review Committee adheres to *Government Auditing Standards* (i.e., the Yellow Book, or GAGAS) published by the Comptroller General of the United States. This peer review compared the office's policies and performance to core Yellow Book principles and the knowledge base of peers from similar offices. The review provided a collective assessment of the office's quality

assurance and review processes, how those quality processes were used to develop the office's performance audits, and the qualifications of staff.

Specifically, the peer review team sought to determine whether the sample of reports reviewed, as well as the processes that underlie the reports, met the following criteria:

- 1) Work is professional, independent, and objectively designed and executed.
- 2) Evidence is competent and reliable.
- 3) Conclusions are supported.
- 4) Products are fair and balanced.
- 5) Staff is competent to perform work required.

The peer review team reviewed documentation relating to the function of JLARC and its policies and procedures. The audits were selected by members of the peer review team from a list of audits released between May 2012 and December 2013 (Appendix A). Each peer review team member took lead responsibility for review of two performance audits. This included reviewing the performance audits, reviewing the supporting working papers, and interviewing current staff who worked on the performance audit. Five performance audits received in-depth reviews, and another report received a partial review.

The peer review team met with the full JLARC staff. During the all-staff meeting, everyone introduced themselves and provided short descriptions of their backgrounds, including education and relevant work experience. To evaluate staff competence, continuing professional education (CPE) records were reviewed to determine whether staff receive 80 hours of training every two years. Interviews with randomly selected analysts were conducted to assess application of the office's internal quality assurance system.

To determine the extent to which stakeholders and users of JLARC's reports are satisfied, the peer review team interviewed members of the JLARC Executive Committee and three legislative staff from outside JLARC.

The team discussed its preliminary conclusions with the legislative auditor, deputy auditor and audit coordinator. In addition, the peer review team presented its overall conclusion to the entire JLARC staff and answered questions from them.

Appendix A lists the performance audits reviewed by the peer review team. Appendix B describes the qualifications of the peer review team members. Appendix C provides a general profile of program evaluation offices.

JLARC COMPLIANCE WITH YELLOW BOOK STANDARDS AND BEST PRACTICES

Section 3.101 of *Government Auditing Standards, 2011 Revision* (i.e., the Yellow Book, or GAGAS) by the Comptroller General of the United States allows the peer-reviewed agency to receive one of three possible ratings—pass, pass with deficiencies or fail.

In the peer review team’s opinion, JLARC’s quality control system is suitably designed and followed, providing reasonable assurance that the office is performing and reporting performance audit engagements in conformity with applicable Yellow Book standards for the period reviewed. Based on its professional judgment, the peer review team gives a rating of “pass” to the Washington Joint Legislative Audit and Review Committee.

Independence

JLARC’s authority is established in Revised Code of Washington Section 44.28. This statutory authority provides JLARC with considerable assurance that the office can function independently. Section 44.28.065 specifically requires the office to perform its audits in conformity with *Government Auditing Standards*. JLARC also has statutory access to properties, equipment, facilities, files, records and accounts of any entity being audited.

The office has implemented a process for internal disclosure of potential impairments to independence on the part of the analysts assigned to audits. During the course of audit engagements, analysts complete and update independence statements. Management documents its review and consideration of threats to independence.

Professional Judgment

Analysts use professional judgment in planning, performing and reporting audits. JLARC's collective work process provides an assurance that professional judgment is applied during the course of an audit.

Competence

The competence standard addresses technical knowledge requirements for analysts assigned to audits. Technical knowledge is defined broadly to include any specialized subject matter.

JLARC analysts appear to be well-qualified. They hold a variety of advanced degrees, and several have had audit experience in other states or with local entities.

Competence may be maintained through a commitment to continued learning and development. Continuing professional education plays an integral part in maintaining competence. Professional judgment must be exercised to select suitable educational activities and comply with CPE requirements. JLARC has procedures in place to help ensure that its analysts meet CPE requirements, and the office has a system to document CPE hours. All analysts received the required CPE hours for the two-year period reviewed.

Quality Control and Assurance

JLARC documents its system of quality control and assurance through its mission statement, the outline of its study process, the project management handbook, its quality control system document and other means. These documents provide detailed, useful guidance to analysts regarding how the organization assures implementation of GAGAS through the course of an audit. The project management section and the quality control system document provide clear links between the audit process used by the office and specific GAGAS standards.

JLARC also is required by statute to undergo external quality control reviews at regular intervals. These reviews must be conducted by an independent organization that has experience in conducting performance audits. JLARC contracted with NCSL to perform peer reviews in 2007, 2011 and 2014.

Planning

JLARC has established and implemented processes to ensure the analysts adequately plan and document the work necessary to address audit objectives. Each report has a project checklist that includes required deliverables and a schedule. Standard deliverables for each audit include a pre-audit plan, a scope and objectives statement, and a fieldwork plan for addressing the objectives.

Supervision

Analysts are properly supervised. The office's internal project checklist is well-constructed and includes a place to document the planned date, completion date and coordinator (manager) approval for each significant task, phase or deliverable of the project. The office's project management handbook and quality control system document are well-constructed and well-written.

Evidence

JLARC has established and implemented processes to ensure its analysts obtain sufficient and appropriate evidence to provide a reasonable basis for their findings and conclusions. The office's guides provide specific guidelines concerning collection and analysis of evidence and preparation of bridging documents. Assessment of evidence typically occurs during project team meetings, ad hoc meetings with audit coordinators and "whiteboard sessions" where other analysts in the office are asked to provide insights and suggestions.

Documentation

Audit work must be complete, thorough, reliable and defensible. Documentation is the "principal record of work," and it is an "essential element of audit quality."

Analysts prepare adequate audit documentation related to the planning, conducting and reporting for each assigned project. The office uses electronic working papers, which is an efficient way to determine the support for the findings, conclusions and recommendations contained in each report.

Reporting

JLARC complies with the reporting standards of the Yellow Book. For example, final performance audits include the objectives, scope, methodology, results and views of the audited entity.

The peer review team found that JLARC analysts are held in high regard by legislators and legislative staff who were interviewed. The members of the JLARC Executive Committee are engaged in the office's work and complimentary of staff, their presentations and their performance audits.

APPENDIX A. PERFORMANCE AUDITS REVIEWED

Trout Production: Estimates Suggest Price Competitive Options are Available, Report 13-3, February 20, 2013.

Alternative Public Works Procedures Sunset Review: Legislature Should Continue Authority to Use Alternative Procedures, Report 13-2, February 20, 2013.

Involuntary Treatment Judicial Costs: Actual Cost Data Not Available; Estimates Suggest Wide Range in Average Case Costs, Report 12-5, July 18, 2012. [Note: Only a partial review of this report was conducted.]

Workplace Safety & Health Program: Activities Are Responsive and Preventative, Using Data-Driven Approaches, Report 12-6, July 18, 2012.

Lodging Tax Revenues: About Eight Percent of Funds Sponsor Nonprofit Events and Facilities, But Information is Inadequate to Estimate Economic Impact, Report 12-3, May 17, 2012.

Lottery Marketing & Incentive Pay: Jackpot and Economy, Not Advertising or Beneficiary Change, Appeared to Impact Ticket Sales, Report 12-4, May 17, 2012.

APPENDIX B: PEER REVIEW TEAM

James Barber

James Barber presently serves as the deputy director of the Mississippi Joint Committee on Performance Evaluation and Expenditure Review (PEER), where he has been employed since 1978. During his tenure with PEER, he has directed many reviews and evaluations on a broad range of topics. Mr. Barber holds bachelor of science and master of business administration degrees from the University of Southern Mississippi, with majors in management. He also attended the Legislative Staff Management Institute in 1992, which then was cosponsored by NCSL and the University of Minnesota. Mr. Barber is active in the National Legislative Program Evaluation Society. He served twice as the NLPES Executive Committee chair and was editor of the NLPES newsletter for nine years.

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Brenda Erickson

Brenda Erickson is a program principal in the Legislative Management Program at NCSL. She specializes in legislative processes and serves as the NCSL liaison to NLPES. Ms. Erickson coordinated peer reviews for the Nebraska Legislative Audit Office, the South Carolina Legislative Audit Council and the Hawaii Office of the Auditor. She also has participated in numerous assessments of legislative process and staffing, including studies in Arizona, Arkansas, Maine, Oregon, Tennessee and Virginia. She has worked at NCSL for 29 years. Before joining NCSL, she worked for the Minnesota House of Representatives for five years. Ms. Erickson received her bachelor's degree in math from Bemidji State University.

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Matt Taylor

Matt Taylor has worked for the Georgia Department of Audits and Accounts, Performance Audit Division for 16 years, serving as an audit manager for eight years. During his tenure with the office, he has conducted audits in many areas, including healthcare, criminal justice, public safety, revenue and transportation. Mr. Taylor is a certified government auditing professional; his certification was received from the Institute of Internal Auditors. He has bachelor of arts and master of arts degrees in political science from Mississippi State University.

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Darin (Dru) Underwood

Darin Underwood has worked for the Utah Office of the Legislative Auditor General since 1994. As an audit manager, he enjoys working in the legislative environment and providing citizens, legislators and other decision makers with independent, objective and insightful performance audit analysis. He also seeks to fulfill the office's mission to improve programs, reduce costs and promote accountability in state government. He enjoys the variety each audit brings, the challenge of addressing increasingly difficult public policy issues and the satisfaction of working with a variety of public professionals. Mr. Underwood is a certified internal auditor. He received his bachelor of arts degree in political science and master of public administration degree from Brigham Young University.

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APPENDIX C. PROFILES OF PROGRAM EVALUATION OFFICES

Among the many roles state legislatures play—debating public policy, enacting laws and appropriating funds—is the fundamental responsibility to oversee government operations and ensure that public services are effectively and efficiently delivered to citizens.

To help meet this oversight responsibility, most state legislatures have created specialized offices that conduct research studies and evaluate state government policies and programs. These studies—variously called policy analyses, program evaluations and performance audits—address whether agencies are properly managing public programs and identify ways to improve them. Similar offices in legislatures around the country serve a vital function. They significantly bolster legislatures’ ability to conduct independent oversight of the other branches of government and determine if legislative program priorities are adequately fulfilled.

A legislative program evaluation office provides a legislature with an independent, objective source of information. Most, if not all, parties presenting information to a legislature have a vested interest in the information. These include executive branch agencies, citizens’ groups and lobbyists. A legislative program evaluation office can provide objective information without taking a position on results of its use. It also allows a legislature to ensure that it can obtain the information it needs without depending upon the executive branch to provide it.

Forty-six states have established legislative program evaluation offices. Half the offices have existed for at least 25 years, and some have been in existence for more than 40 years. In 2003, the Maine Legislature created an entirely new program evaluation office. Most recently, in 2007, North Carolina created a Program Evaluation Division within its Legislative Services Office. The Washington Joint Legislative Audit and Review

Committee has been in existence since 1996, but the Washington Legislature actually has had a legislative auditing function in place for much longer.

Legislative program evaluation offices employ a variety of professional staff. Almost all offices have full-time analysts and supervisors. About two-thirds of the offices employ support staff, and about half have full-time computer and technical support personnel. About a third of the offices also have specialized staff who edit or review reports.

Legislative program evaluation offices vary substantially in size, reflecting the diversity among states and legislatures. According to the 2012 Ensuring the Public Trust survey, the offices can be classified into four major groups:

- Ten or fewer staff. About one-fifth of the states have small audit staffs, although most offices in this category have at least seven staff.
- Eleven to 25 staff. More than one-third of the offices are medium-sized.
- Twenty-six to 50 staff. Another third fall into this category.
- More than 50 employees. The remaining states have large offices.

On average, the typical legislative program evaluation office has about 28 employees. The Washington Joint Legislative Audit and Review Committee staff of 21 is slightly smaller than the national average for audit offices.

