

STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE (JLARC)



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AGENDA

July 22, 2009
10:00 a.m. – 12:00 p.m.
John A. Cherberg Building
Senate Hearing Room 4
Olympia, Washington

► Brief descriptions of agenda items are on the reverse side.

- 10:00 – 10:05 *1. Approval of June 17, 2009, JLARC Meeting Minutes
- 10:05 – 10:35 2. Evaluation of the Accuracy of Capital Project Estimates – Preliminary Report
- 10:35 – 10:50 *3. Medicaid Prescription Drug Purchasing: Preferred Drug List – Proposed Final Report
- 10:50 – 11:40 4. 2009 Annual Reports on Tax Preference Reviews – Preliminary Reports
- 11:40 – 11:50 5. Status Report: Implementation of State Auditor I-900 Recommendations to the Legislature
- 11:50 – 12:00 6. Proposed Scope and Objectives
- a. Scoping and Cost Estimating for Highway Projects
 - b. Credit and Debit Cards: Costs and Benefits Associated with Acceptance of Cards at WSDOT

* Action Item

Please note: All listed times are estimates only and the Committee reserves the right to move agenda items as needed.

1. **Approval of Meeting Minutes:** Approval of minutes from the June 17, 2009, JLARC meeting.
2. **Evaluation of the Accuracy of Capital Project Estimates – Preliminary Report:** The 2008 Supplemental Operating Budget directed JLARC to evaluate the accuracy of capital project cost (ESHB 2765). This report focuses on ten state agencies with large capital programs and compares cost estimates prepared during project development to final costs. Review of 96 major projects completed since 2002 shows that between 71 and 74 percent of cost estimates meet expectations for accuracy. The report finds that the processes for developing and reviewing project cost estimates at the selected agencies and OFM procedures for evaluating those estimates are consistent with professional practices. Lack of readily available, total information on completed capital construction projects, however, limits both legislative and executive oversight of these projects. The report includes recommendations to the Office of Financial Management to improve the accounting and reporting on capital projects.
3. **Medicaid Prescription Drug Purchasing: Preferred Drug List – Proposed Final Report:** This JLARC sponsored performance audit examines the creation and use of the state preferred drug list (PDL) by the Health and Recovery Services Administration (HRSA) within the Department of Social and Health Services. HRSA and two other state agencies select preferred drugs based on the safety, efficacy, effectiveness, and cost of the drugs. The report evaluates the impact the PDL has had on Medical Assistance prescription drug utilization and costs. The study identifies six positive indicators that suggest costs savings are likely occurring due to use of the PDL. However, exact savings cannot be calculated because of other cost containment measures implemented by HRSA, population and market factors, and challenges with cost savings estimation methodologies. The study concludes that for budget development purposes, the Legislature may no longer need specific estimates of Medicaid cost savings related to the PDL.
4. **2009 Annual Reports on Tax Preference Reviews – Preliminary Reports:** In 2006, the Legislature enacted EHB 1069 which mandated audit reviews of Washington's tax preferences. There are two reports detailing the review of 25 statutory references to tax preferences for 2009. The reviews are divided into expedited and full depending on the size of the tax preference. Full tax preference performance reviews answer ten primary questions outlined in law and the expedited tax preference performance reviews answer four questions. All tax preference performance reviews place an emphasis on whether the preference has met its public policy objectives.
5. **Status Report: Implementation of State Auditor I-900 Recommendations to the Legislature:** Initiative 900 (2005) directed the State Auditor to conduct performance audits of state and local government agencies. The initiative also provides that JLARC will prepare an annual report detailing the status of the legislative implementation of the State Auditor recommendations. This report represents JLARC's compliance with this requirement for 2009.
6. **Proposed Scope and Objectives**
 - a. **Scoping and Cost Estimating for Highway Projects:** The 2009-11 Transportation Budget directed the Joint Legislative Audit and Review Committee (JLARC) to review the Washington State Department of Transportation's (WSDOT) scoping and cost estimating practices. JLARC is to analyze how WSDOT is developing scope and cost estimates for future highway construction projects. The review will examine whether the scoping and cost estimate guidelines used by the WSDOT are consistent with general construction industry practices and other appropriate standards. The review will include an analysis of the scope and cost estimates for select future projects.
 - b. **Credit and Debit Cards: Costs and Benefits Associated with Acceptance of Cards 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). The Legislature's assignment to JLARC comes at a time when WSDOT's costs for accepting credit and debit cards have been increasing. WSDOT accepts credit and debit card payments for a number of goods and services, including fares on Washington State Ferries, tolls on the Tacoma Narrows Bridge and State Route 167, and permits issued by the Commercial Vehicle Services Office. JLARC will focus on identifying and comparing WSDOT's costs for accepting credit cards, debit cards, and other forms of customer payments. The study will also review what other non-financial benefits result from accepting electronic payment methods.