



Revised August 30, 2005

SUMMARY OF INITIATIVE 900 TO THE PEOPLE **Concerns performance audits of governmental entities**

*This information has been prepared in response to specific questions about the provisions and effects of Initiative 900 and is provided for legislative purposes only; it is **not** provided as an expression for or against the ballot measure. Please remember that it is inappropriate to use public resources to support or oppose a ballot measure. Please refer to pages 22-25 of the 2004-05 Legislative Ethics Manual or contact Senate Counsel for further guidance on when and how comment on ballot measures is appropriate.*

BRIEF SUMMARY

Initiative 900 (I-900) requires that the State Auditor perform audits of state and local government agencies, accounts, and programs. The auditor also has authority to perform audits of both the legislative and judicial branches of government. The audits are to include a review and analysis of the economy, efficiency, and effectiveness of governmental policies, management, fiscal affairs, and operations. The audit results and the auditor's recommendations must be submitted to the appropriate legislative body and the public. The legislative body is required to hold a public hearing on the audit's results.

BACKGROUND

During the 2005 session, the legislature passed two bills designed to address government accountability.

In Engrossed Substitute House Bill 1064, the legislature created a Citizen Oversight Board (Board) to improve efficiency, effectiveness, and accountability in state government. The Board and the State Auditor are to collaborate with the Joint Legislative Audit and Review Committee (JLARC) regarding performance audits of state government. The Board must establish performance audit criteria consistent with criteria and standards used by JLARC when they conduct audits. Using these criteria, the State Auditor must contract for a statewide performance review as a preliminary step to preparing a draft performance audit plan. The purpose of the review is to identify agencies, programs, functions, or activities most likely to benefit from performance audits and identify likely areas warranting early review. The Board and the State Auditor must develop the draft plan on performance audits based upon input from citizens, state employees, legislators, JLARC, public officials, and others. Before adopting a final work plan, the Board and the State Auditor must consult with the Legislative Auditor to coordinate work plans and avoid duplication.

Under Second Substitute House Bill 1970, state agencies are required to develop and implement a quality management, accountability, and performance system. Managers and staff at all levels must be involved and training must be provided. Agencies are required to report quarterly to the Governor, and the Governor must report on the performance of state agency programs annually

to the citizens of the state. The Governor's report must include progress made toward the priorities of government and improvements in agency management systems, fiscal efficiency, process efficiency, asset management, personnel management, statutory and regulatory compliance, and management of technology systems.

SUMMARY OF INITIATIVE 900

Under the Initiative, the State Auditor is required to conduct independent, comprehensive performance audits of state and local governments. This authority extends to public education agencies, transportation agencies, and all elective and nonelective offices in the executive branch, as well as judicial and legislative offices.

The scope of each performance audit must include the following nine elements but is otherwise unlimited:

- identifying cost savings;
- identifying services that can be reduced or eliminated;
- identifying programs or services that can be transferred to the private sector;
- analyzing gaps or overlaps in programs or services and recommendations to correct these;
- feasibility of pooling information technology systems within a department;
- analyzing roles and functions of a department and recommendations to change or eliminate these roles or functions;
- recommendations for statutory or regulatory changes that may be necessary for a department to properly carry out its functions;
- analysis of departmental performance data, performance measures, and self-assessment systems; and
- identification of best practices.

The State Auditor may conduct these audits or contract with an outside entity to conduct them.

Each audit report must be submitted to the corresponding legislative body. For example, if the audit is conducted of a city office, the report must be submitted to the city council or its equivalent. The report must be made available to the legislative body and the public within 30 days after the conclusion of the audit. Within 30 days after the report is made public, the appropriate legislative body must hold at least one public hearing to consider the audit findings and allow the public to comment.

The State Auditor is authorized to issue subpoenas to governmental entities for required documents, memos, and budgets while conducting a performance audit. No legislative body, officeholder, or employee may impede the audit.

To the extent possible, the State Auditor must advise and assist the audited entity on how to correct the problems discovered as part of the audit. For audits of state governmental agencies, the state legislature must consider the auditor's reports as part of the budget process.

JLARC must submit an annual report by July 1st detailing the status of the legislative implementation of the State Auditor's recommendations.

For audits of local governmental agencies, the local legislative body must consider the auditor's report in connection with its spending practices. The legislative body must provide an annual report by July 1st detailing the status of the legislative implementation of the auditor's findings.

I-900 creates a new account called the Performance Audits of Government Account (Performance Audits). Into this account is deposited 0.16% of the state's existing retail sales and use tax revenue. The deposits into the Performance Audits account begin December 8, 2005.

Based upon projections as of August 3, 2005, for the 2005-2007 biennium, about \$17 million will be deposited into the Performance Audits account rather than into the state general fund; for the 2007-2009 biennium, the deposit is expected to be approximately \$25 million.

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