



To: Keenan Konopaski, Legislative Auditor
Washington Joint Legislative Audit and Review Committee

From: Jon Courtney, Deputy Director
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Date: November 17, 2020

Subject: 2020 Peer Review of the Washington Joint Legislative Audit and Review Committee

Robin Vos
Assembly Speaker
Wisconsin
President, NCSL

Martha R. Wigton
Director
House Budget
& Research Office
Georgia
Staff Chair, NCSL

Tim Storey
Executive Director

At your request, and under the terms of a 2020 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 in effect for a three-year compliance period from 2017 to 2020.

Section 3.101 of “Government Auditing Standards, 2011 Revision”—or Section 5.72 of “Government Auditing Standards, 2018 Revision”—by the Comptroller General of the United States (i.e., the Yellow Book or GAGAS) 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, the Washington Joint Legislative Audit and Review Committee has a quality control system that is suitably designed and followed, providing reasonable assurance that the office is performing and reporting performance audit engagements in conformity with applicable “Government Auditing 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 a remote peer review conducted Nov. 2-6, 2020. The team reviewed statutes relevant to the office, the office’s audit-related policies and procedures, two performance audits and continuing professional education records. Team members also interviewed the four members of the JLARC Executive Committee, two legislative staff directors from outside JLARC, and JLARC office managers and selected staff. The team notes that the conduct of the peer review work was not impaired in any way. To the extent allowed under Washington law, team members were granted 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.

PEER REVIEW

STATE OF WASHINGTON JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE



PEER REVIEW

STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND REVIEW
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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.

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- 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, Colo., and Washington, D.C.

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INTRODUCTION

Peer Review Purpose

The Washington Joint Legislative Audit and Review Committee (JLARC) follows “Government Auditing Standards” (i.e., the Yellow Book, or GAGAS) 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 a peer review is to identify whether the Washington Joint Legislative Audit and Review Committee’s system of quality control provides reasonable assurance of compliance with “Government Auditing Standards” and professional best practices as determined by peer reviewers with respect to performance audit engagements.

To maintain its 3-year cycle for peer review, JLARC’s 2020 peer review originally was due by July 1, 2020. The national public health emergency caused by COVID-19 created workload and scheduling complications for NCSL, NLPES and JLARC, however, making it unlikely that the original deadline would be met. As a result, an extension to the peer review deadline was requested, as allowed under section 6.54 of “Government Auditing Standards, 2018 Revision.” The U.S. Government Accountability Office (GAO) authorized a six-month extension to complete JLARC’s 2020 peer review.

NCSL/NLPES Peer Review Methodology

The Washington Joint Legislative Audit and Review Committee contracted with the National Conference of State Legislatures (NCSL) to perform its 2020 peer review to assess the office’s system of quality control and overall quality of reports in a sample taken from performance audits and tax preference performance reviews completed during the period from 2017 to 2020 (see Appendix A). The NCSL staff liaison to the National Legislative Program Evaluation Society organized a peer review team consisting of two experienced and respected program evaluators from Montana and New Mexico (see Appendix B).

As noted above, 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 Yellow Book requirements 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 and independence 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) Stakeholders and users of JLARC’s products are satisfied with the quality of work performed.
- 6) Staff is competent to perform work required.

On Oct. 16, 2020, a conference call was held for the peer review team, the legislative auditor, deputy legislative auditor, audit coordinator and other JLARC staff assisting with the peer review. During the call, background about JLARC office operations and the NCSL/NLPES peer review process was provided.

The team received and reviewed JLARC’s mission, vision and values statement, its annual report, an outline of its study process, the project management section of the employee handbook, the quality control systems document, rules of procedure, enabling statutes, staff organization chart and short descriptions of staff backgrounds, including education and relevant work experience.

A remote peer review was conducted during the week of Nov. 2-6, 2020. The peer review team reviewed documentation relating to the function of JLARC, its audit-related policies and procedures, and two performance audits. The audits were selected by members of the peer review team from a list of audits released between 2017 and 2020 (Appendix A). Each peer review team member took lead responsibility for one or two reports. This included studying the performance audit in depth, reviewing the supporting working papers and interviewing current staff who worked on the performance audit.

The peer review team conducted interviews with four members of JLARC’s Executive Committee, the committee staff directors for the Washington Senate and House, the legislative auditor, deputy legislative auditor, audit coordinator and selected JLARC staff. The peer review team also met with the entire JLARC staff during the remote review.

To evaluate staff competence, continuing professional education (CPE) records were reviewed to determine whether staff receive 80 hours of training every two years.

The team discussed its preliminary conclusions with the legislative auditor, deputy legislative auditor, audit coordinator and other JLARC staff assisting with the peer review.

Appendix A lists the performance audits and tax preference reviews 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.

COMPLIANCE WITH YELLOW BOOK STANDARDS AND BEST PRACTICES

Section 3.101 of “Government Auditing Standards, 2011 Revision”—or Section 5.72 of “Government Auditing Standards, 2018 Revision”—by the Comptroller General of the United States (i.e., the Yellow Book or GAGAS) allows the peer-reviewed agency to receive one of three possible ratings—pass, pass with deficiencies, or fail.

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Independence. The Washington Joint Legislative Audit and Review Committee is established by statute. Revised Code of Washington Section 44.28.065 specifically requires the office to perform its audits in conformity with “Government Auditing Standards.” Its statutory authority also provides the JLARC with access to documents, records and people within other branches of government, and confidentiality and other independence protections for the office’s work while audits are underway.

JLARC policies and project handbook clearly outline staff independence expectations and practices. The legislative auditor reviews and assesses the independence of staff when assigning them to an audit project. During the course of audit projects, the staff completes and updates independence statements. If used, contractors also are required to sign independence statements.

These factors give considerable assurance that the office can—and does—function independently.

Credibility/Effectiveness. The JLARC is an effective performance audit organization, overseen by an engaged joint legislative committee. JLARC Executive Committee members and others interviewed by the peer review team expressed satisfaction with the work of JLARC staff, and they believe the information and conclusions in JLARC reports are objective and well-supported. They also indicated they value JLARC’s work and have a positive working relationship with the staff.

Reliability/Quality Control and Assurance. JLARC has a very collaborative environment where management and staff work together to ensure that the office’s products are of the utmost quality. The office has established internal procedures for planning audits, supervising staff, obtaining evidence, and documenting and reporting that are thorough and well managed. JLARC’s project management handbook and quality control system are referenced to the “Government Auditing Standards.” The written guidance materials are clear and comprehensive. The project checklist is a good tool for staff. Work paper summaries and bridging documents are well organized.

JLARC is required by statute to perform its audits in conformity with “Government Auditing Standards.” As a result, the office must 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, 2014, 2017 and 2020.

Objectivity/Professional Judgment. Auditors use professional judgment in planning and performing audits. JLARC has built the application of collective professional judgment into its quality control system. The office’s policy manuals and project handbook material incorporate references to professional judgement. The consideration of professional judgement is woven into much of the staff’s daily work. JLARC audit teams conduct weekly team meetings, bi-weekly management meetings and whiteboard sessions. A record of project discussions is kept.

Competence. JLARC is an organization with a group of experienced, well-educated analysts with deep and diverse skill sets suited to their work. The staff assigned to perform audits collectively possess adequate professional competence for the tasks required.

Competence may be maintained through a commitment to continued learning and development. An internal training work group surveys JLARC staff about training needs. The work group coordinates trainings that will benefit JLARC staff, seeking to fill gaps in staff knowledge, build new skills or reinforce core competencies. Training is available both in-house and through many outside resources, including the National Conference of State Legislatures and the National Legislative Program Evaluation Society.

Every two years, JLARC staff must complete at least 80 hours of continuing education. The JLARC uses an electronic system for tracking continuing professional education. JLARC management receives CPE reports on a regular basis, and CPE reminders are sent to staff. If applicable, the reason for any discrepancy in hours was documented in the electronic tracking

system. GAO is providing a six-month grace period to obtain CPEs due to the COVID pandemic; if used, an extension under this allowance was noted.

Suggestions for Improvement. As noted above, the peer review team found positive aspects of JLARC’s quality assurance process and the staff’s work. During its review, the peer review team also offered additional technical and procedural suggestions for the legislative auditor, deputy legislative auditor and audit coordinator to consider. The suggestions were not criticisms of the office; rather, they were provided as opportunities to further refine its practice of the audit profession and do not affect the peer review team’s overall judgment of the office or its compliance with “Government Auditing Standards.”

APPENDIX A. PERFORMANCE AUDITS REVIEWED

“Fees Assessed for Forest Fire Protection,” Report No. 17-06, September 2017

“Opportunity Scholarship and Opportunity Expansion Programs,” Report No. 19-05, December 2019.

APPENDIX B: PEER REVIEW TEAM

Jon Courtney

Jon Courtney is a deputy director with the New Mexico Legislative Finance Committee. He has worked for the State of New Mexico for more than a decade. Prior to this, he worked as a researcher for the federal government. He earned a doctorate in cognitive psychology at Texas Christian University. Jon currently is the immediate past chair of the NLPES Executive Committee.

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Will Soller

Will Soller is a deputy legislative auditor in the Montana Legislative Audit Division. He has worked for the Legislative Audit Division for 14 years. He has led numerous audit examinations on a variety of topics, including environmental remediation, radio interoperability, property tax relief, highway infrastructure and the management of state trust lands. Previously, he managed AmeriCorps programming in Montana and served as a Peace Corps Volunteer. He has undergraduate degrees in English and Biology, and a graduate degree in English.

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Brenda Erickson

Brenda Erickson is a program principal in the Legislative Staff Services Program at NCSL. She specializes in legislative processes and serves as the NCSL liaison to NLPES. She coordinated peer reviews for the Office of the District of Columbia Auditor, Hawaii Office of the Auditor, Nebraska Legislative Audit Office, South Carolina Legislative Audit Council, and West Virginia Post Audit Division. She has worked at NCSL for 36 years. Before joining NCSL, she worked for the Minnesota House of Representatives for five years. She received her bachelor's degree in math from Bemidji State 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, performance audits or sunset reviews—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.

Most parties presenting information to a legislature—such as executive branch agencies, citizen groups and lobbyists—have a vested interest in that information. A legislative sunset, audit or program evaluation office provides a legislature with an independent, objective source of information.

Most legislative program evaluation offices have been in operation for several decades. According to a 2019 NLPES survey of legislative audit offices, about 25 percent of these offices have served their legislatures for more than 50 years. Approximately two-third of audit offices were created during the 1970s, 1980s and 1990s. At least six offices have been created since 2000. The Washington Legislature created the Legislative Budget Committee in 1951, and throughout the 1970s, the Legislature increased the budget committee’s responsibilities to include management surveys, program reviews, performance audit and sunset reviews. In 1996, the Legislature updated its performance audits statutes, and the agency was renamed as the Joint Legislative Audit and Review Committee.

To help ensure that they produce high-quality work, audit offices use professional standards to guide their activities. Approximately 65 percent of offices follow “Government Auditing Standards,” issued by the by the Comptroller General of the United States. One quarter of offices use either American Evaluation Association or internally developed standards. Only a handful of offices have not adopted formal standards. The Washington Joint Legislative Audit and Review Committee conducts its performance audits in accordance with the generally accepted government auditing standards for performance audits contained in the “Government Auditing Standards”

(2011 Revision or 2018 Revision, whichever is appropriate), internal operating guidelines and professional best practices.

Legislative program evaluation offices vary substantially in size, reflecting the diversity among states and legislatures. According to a 2019 NLPES survey, 22 percent of legislative audit offices reported having fewer than 10 staff, 50 percent have 11-30 evaluation staff, 9 percent have 31-50 staff, and 19 percent of the offices have 51 or more staff. The Washington Joint Legislative Audit and Review Committee has 24 staff, so its staff size aligns with half of its peer audit offices.