



Washington State Auditor's Office

2017-19 Biennium Budget Decision Package

Agency: 095 – State Auditor

Decision Package Code/Title: ML-9J – Non-Appropriated Fund Adjustment

Budget Period: 2017-19

Budget Level: Maintenance Level

Agency Recommendation Summary Text:

The State Auditor's Office requests a technical adjustment to update the 2017-19 baseline budget to 2015-17 current allotted levels. The 2017-19 maintenance level budget will spend about 56 percent of the anticipated 2017-19 revenue transfers to the Performance Audits of Government Account, based on the latest revenue estimate from the Economic and Revenue Forecast Council.

This adjustment will allow us to maintain our Performance Audit program's current level of audit staff and a limited amount of contracting to hire subject matter experts for some audits.

Fiscal Summary:

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 553 – Performance Audits of Government Account	\$3,869,000	\$3,869,000	\$3,869,000	\$3,869,000
Total Cost	\$3,869,000	\$3,869,000	\$3,869,000	\$3,869,000
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. A	2,033,285	2,033,285	2,033,285	2,033,285
Obj. B	713,766	713,766	713,766	713,766
Obj. C	812,490	812,490	812,490	812,490
Obj. E	270,839	270,839	270,839	270,839
Obj. G	38,620	38,620	38,620	38,620

Package Description

Initiative 900, as passed by the citizens of Washington, created a dedicated funding source for the Performance Audit program, using a percentage of sales tax revenues. The initiative also required specific performance audit elements. The current 2017-19 Carry Forward Levels do not fund the Performance Audit program at an adequate level to meet those requirements.

Our performance audits provide recommendations and guidance to state and local governments in order to improve government efficiency and effectiveness.

Some of the notable audits completed in the last year include:

- **Washington’s Criminal History Records**, which examined the completeness of records in the State Patrol’s identification system used for background checks.
- **Improving Prison Staff Safety**, which evaluated how well the Department of Corrections developed and implemented safety measures after the death of a corrections officer.
- **Requests for State and Local Governments’ Public Records**, which studied the changing environment and associated costs of fulfilling requests for government records.
- **Enhancing Washington’s Regulatory Agency Coordination**, which focused on streamlining the processes private businesses must navigate when applying for permits and meeting other state requirements. This audit was the third in a series that focuses on reforms to Washington’s regulatory business environment.
- **Improving the Toll Collection System**, which analyzed the functions and operations that affect toll processing, collection and managerial reporting.

Base Budget:

The table below outlines our Office’s level of expenditures from the Performance Audits of Government Account since the 2011-13 biennium:

2011-13	2013-15	2015-17 (Approved Allotments)	2017-19 ML Request
\$15,631,000	\$16,119,000	\$18,852,000	\$18,852,000

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

Our Office has spent the past few years building the Performance Audit program to an appropriate level. The maintenance level budget will allow our Office to continue Performance Audit operations by maintaining existing staffing levels and continuing to

contract with subject matter experts to enhance our audits. Maintenance level funding will allow for about 40 dedicated Performance Audit FTEs and about \$3.8 million in contracting. Funding below the maintenance level would significantly reduce the recommendations and guidance given to state and local governments, and would result in a significant layoff of experienced performance audit staff in addition to elimination of subject matter expert contracting. This could also result in the termination of some current audits.

Decision Package Justification and Impacts

Maintenance level funding will allow our Office to continue to conduct performance audits that focus on improving the efficiency and effectiveness of Washington's state and local governments, the outcome of which is government that works better for citizens.

Our Office annually tracks whether governments implement our audit recommendations. Implementing our recommendations demonstrates that the work we do provides value not only to decision makers but also directly to the audited agency or program. To date, we have made more than 2,100 recommendations, 87 percent of which have been fully or partially implemented.

This decision package directly supports the Results Washington goal of Efficient, Effective and Accountable Government.

Performance Measure detail:

This decision package supports the Results Washington goal #5:
Efficient and Effective and Accountable Government

This decision package supports the State Auditor's Office goal #1:
Government that works better, costs less, and earns greater public trust

This decision package supports the State Auditor's Office Performance Measure 1933:
Percentage of performance audit recommendations implemented

Fully describe and quantify expected impacts on state residents and specific populations served.

The recommendations and guidance we develop through our Performance Audit work result in greater program efficiency and effectiveness. A few examples that have direct impact to Washington residents include:

- The **criminal records** audit recommendations will provide better information for law enforcement and help to ensure the safety of state residents.

- Recommendations from our **prison safety** audit will not only improve the safety of Department of Corrections' staff, but also reduce Washington's potential liability.
- The **tolling** audit will result in a more accurate and streamlined process for collecting revenue.
- Our **regulatory reform** recommendations will make it easier for business and citizens to navigate the complex regulatory environment. This will strengthen Washington's world-class economy.
- The audit of services to the **developmentally disabled** resulted in making services available to an additional 15,000 of Washington's most vulnerable residents.
- **Information technology security** audits ensure the protection of Washington residents' confidential information and the safeguarding of public assets. These audits improve the information technology security of the state and local governments.

What are other important connections or impacts related to this proposal? Please complete the following table and provide detailed explanations or information below:

Impact(s) To:		Identify / Explanation
Regional/County impacts?	Yes	Recommendations, guidance and training provided to local governments
Other local gov't impacts?	Yes	Recommendations, guidance and training provided to local governments
Tribal gov't impacts?	No	Identify:
Other state agency impacts?	Yes	Recommendations and other information provided to numerous state agencies
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

Local government – We provide training upon request to local governments. In this current biennium, we have provided more than 700 direct training hours to over 30 local governments. We also provide recommendations, guidance and training materials to all local governments.

State government – We will review programs and services at more than 40 state agencies, and make recommendations to improve program effectiveness and operational efficiency, and to help agencies earn greater public trust.

What alternatives were explored by the agency and why was this option chosen?
There are no alternatives to fund the Performance Audit program.

What are the consequences of not funding this request?

Not funding this request would significantly reduce our ability to provide meaningful recommendations and guidance to government entities. We would be forced to lay off a significant number of performance auditors, and we would have to eliminate existing contracts for subject matter experts. Not funding this request also could result in the termination of some audits already in progress.

How has or can the agency address the issue or need in its current appropriation level?

The Performance Audits of Government Account is a non-appropriated account. This request is to bring the budget level up to the current approved allotment.



Washington State Auditor's Office

2017-19 Biennium Budget Decision Package

Agency: 095 – State Auditor

Decision Package Code/Title: PL-AA Policy level fund adjustment

Budget Period: 2017-19

Budget Level: Policy Level

Agency Recommendation Summary Text:

The State Auditor's Office requests \$1,348,000 in the 2017-19 biennium to increase the Performance Audit program over the 2015-17 expenditure level. Approval of this increase would put the total 2017-19 Performance Audit budget at about \$20.2 million – around 60 percent of the 2017-19 projected revenue transfer available. This would leave about \$13.4 million of the Performance Audits of Government Account unspent in the 2017-19 biennium.

Fiscal Summary:

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 553	\$674,000	\$674,000	\$674,000	\$674,000
Total Cost	\$674,000	\$674,000	\$674,000	\$674,000
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. A	354,197	354,197	354,197	354,197
Obj. B	124,342	124,342	124,342	124,342
Obj. C	141,540	141,540	141,540	141,540
Obj. E	47,279	47,279	47,279	47,279
Obj. G	6,642	6,642	6,642	6,642

Package Description

This increased funding level would allow us to perform audits beyond those that are already planned or under way. Two of the Governor's priorities are Education, and Energy and Environment, which are areas where our Office wants to expand its audit work. We would research and select from areas including the following:

EDUCATION

Every child deserves a world-class education that prepares them for a healthy, productive future. Supporting the full continuum of education, from early learning through post-secondary and workforce training, ensures that students are prepared to pursue their goals and keep Washington's world-class economy strong.

We will continue work under way and expand our work in education, including K-12 and higher education. The increased policy level funding requested would allow us to select from the following audits:

School Safety:

Safety in our K-12 schools establishes a positive working and learning environment, is essential for student success and is therefore an essential component of the state's obligation to deliver a quality education to all children. School safety plans are intended to ensure that schools provide security to Washington's students and educators both day-to-day and in emergency and natural disaster situations. We are considering two performance audits in the field of school safety.

The first audit would determine if school safety plans developed by schools and districts conform to state law and federal guidance and, if not, identify improvement opportunities for the safety planning process.

Another school safety audit we are considering would verify if the Department of Social and Health Services, as required, notifies school districts of crimes committed by students (including crimes that are violent, sexual or drug-related), and if districts properly notify school employees. This audit will additionally consider ways to improve the notification process if problems are found.

Charter Schools:

The number of charter schools — independent, publicly-funded schools of choice — is growing nationally and in Washington. Though independent, charter schools are publicly funded and accountable for ensuring their students meet specific academic goals, and are responsible for student success. We have been approached by the Charter School Commission to conduct mandated ongoing performance audits of charter schools and would like to expand into this K-12 area.

Most charter schools in Washington are very new, and this limits the range of possible performance audits. One audit we would consider in this area would evaluate, based on best practices and state requirements, the business structure of charter schools to identify if they are in a position to be financially and administratively sound to encourage student success and, if not, to make recommendations for improvement.

Cost Drivers/Cost Centers/Cost Allocation in Higher Education:

As the cost of obtaining a college degree has risen, various stakeholders have questioned what is driving the cost to operate Washington's public universities and colleges. It is essential that students, families, taxpayers, public institutions of higher education and lawmakers understand the factors that contribute to the cost of higher education at a public four-year college or university.

This audit would begin to study higher education cost centers and identify cost drivers, including research, faculty and staff salaries, administration and other staffing costs. This study will also identify focus areas for potential future audits, such as the methods used to allocate indirect costs to programs.

Energy and Environment

From the shores of Puget Sound to the majesty of the Palouse, we live in a magnificent state. Part of our responsibility as Washingtonians is to keep our state's water and air clean, and to preserve our public lands for our families and future generations.

It has been more than five years since our Office has published a report directly related to environmental topics. The increased policy level funding requested would allow us to select from the following audits:

Water Rights

Freshwater availability is of critical importance to Washington's economic well-being and environmental quality. Water scarcity is a serious economic problem in many parts of the state, contributing to agricultural losses and limiting opportunities for economic development. At the same time, low water levels adversely affect many of Washington's fisheries and aquatic ecosystems, leading to deteriorating environmental quality. In the face of population growth, legal environmental conservation imperatives, increasing demand from agriculture and industry, and variability in water levels stemming from climate change, water scarcity is likely to become an even more serious problem in coming years.

We are exploring a performance audit of Washington's water banking programs and the extent to which they have been successful in increasing the available supply of water to meet current and emerging needs.

Water Quality

The quality of Washington's salt and fresh water impacts public health and the environment. Protecting water quality is made difficult by the many miles of shoreline and many potential contaminating sources, such as private septic systems, farms, industry and recreation. Developing effective water quality management plans, establishing water quality standards, and anticipating problems through ongoing water quality monitoring and assessment are key to sustaining healthy water.

A performance audit of this topic could examine varying aspects of the efforts to improve water quality. We plan to further research this topic, including identifying leading practices in other states, to assess where to focus audit objectives in anticipation of conducting a performance audit.

Renewable Energy

The electricity sector is the second largest source of greenhouse gas emissions in Washington, behind only transportation. The Energy Independence Act (EIA or I-937) was passed by voters in 2005 and calls for larger state electric utilities (25,000+ customers) to acquire 15 percent of their electricity from new renewable resources by 2020. Eligible resources include wind, solar, geothermal energy, landfill and sewer gas, wave and tidal power, and certain biomass and biodiesel fuels. Eligible production facilities must also be built more recently than March 1999, and either located in the Pacific Northwest or produce electricity that is delivered to Washington on a real-time basis.

This performance audit would examine the EIA's effect on consumers and power supply companies.

Base Budget:

The table below outlines our Office's level of expenditures from the Performance Audits of Government Account since the 2011-13 biennium:

2011-13	2013-15	2015-17 (Current Allotments)	2017-19 PL Proposal
\$15,631,000	\$16,119,000	\$18,852,000	\$20,200,000

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

We estimate that we would use about half of this request to increase internal Performance Audit capacity and the other half to hire subject matter experts. This is subject to change depending on the topics that are selected for audit.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Our Office annually tracks whether audited governments implement our recommendations. Implementing our recommendations demonstrates that the work we do provides value not only to decision makers but also directly to the audited agency or program. To date, we have made more than 2,100 recommendations, 87 percent of which have been fully or partially implemented.

Performance Measure detail:

This decision package supports the Results Washington goal #5:
Efficient and Effective and Accountable Government

This decision package supports the State Auditor's Office goal #1:
Government that works better, costs less, and earns greater public trust

This decision package supports the State Auditor's Office Performance Measure 1933:
Percentage of performance audit recommendations implemented

Fully describe and quantify expected impacts on state residents and specific populations served.

School safety audits will produce recommendations to improve the safety of Washington students.

Performance audits of charter schools will improve the effectiveness of school operations to increase both financial stability and student performance.

Water rights and water quality audit recommendations will help to increase the available supply and the improve water quality for Washington residents.

What are other important connections or impacts related to this proposal? Please complete the following table and provide detailed explanations or information below:

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov't impacts?	Yes	School districts / charter schools
Tribal gov't impacts?	No	Identify:
Other state agency impacts?	Yes	Multiple state agency programs
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

School districts – Review and make recommendations related to school safety programs as well as how schools get offender background information and the related notification process.

Charter schools – Working with charter schools to review their business structure and make recommendations for improvement if needed.

State agency programs – Working with environmental agencies to recommend best practices.

What alternatives were explored by the agency and why was this option chosen?

There are no alternatives to fund the Performance Audit program.

What are the consequences of not funding this request?

A decision to not fund this request will reduce the ability to expand Performance Audit into areas of the Governor’s priorities.

How has or can the agency address the issue or need in its current appropriation level?

The Performance Audits of Government Account is a non-appropriated account. This request will bring the 2017-19 budget up to 60 percent of the anticipated revenue for the Performance Audits of Government Account.

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.