

Guide to Initiative 900 Reviewing Government through Performance Audits

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Writer Victor Hugo once said that nothing is more powerful than an idea whose time has come. Though he spoke in another time and another place, his words ring true now in Washington state.

During the 2005 Session, the legislature passed HB 1064, authorizing performance audits of state government. The same day the 2005 Session convened, Tim Eyman filed the text of Initiative 900, which would enact performance audits of state and local governments.

The legislature's audit plan, which is in place now, has a ten-member Citizens Advisory Board that will steer the direction and scope of the audits. The Board consists of seven citizen members (three appointed by the Governor, and one nominated from each legislative caucus and chosen by the Governor).¹ The State Auditor, the head of the Joint Legislative Audit and Review Committee, and the Director of the Office of Financial Management, are non-voting members. The audits are funded by legislative appropriation and are capped at two one-hundredths of one percent of total state general fund appropriation (approximately \$2.8 million per biennium).

Initiative 900, if passed by voters in November, would direct the State Auditor to conduct performance audits of all state and local government agencies, programs, and accounts. It contains its own funding source, allocating 0.16% of state sales tax collections to a treasury account dedicated to funding the audits (approximately \$20 million per biennium).

The funding would be automatic and not subject to the legislative appropriation process. The

State Auditor's office would have sole control over the funds. The Auditor's office would begin work in December 2005, and all audits would be completed in eight to ten years. The Auditor could contract out audits or perform them in-house. This flexibility allows the Auditor to tap the expertise within his own office, recruit new personnel, or use outside resources as he sees fit.

Both proposals aim to examine the financial efficiency and effectiveness of state and local government agencies. The long-term goal is to uncover any waste and unnecessary spending, and identify steps to resolve such problems. Private-sector organizations routinely go through outside performance and accountability evaluations to identify cost savings and to learn whether the organization is achieving its goals.

Comparing the Purpose of the Proposals

While the legislature's plan *authorized* performance audits, the Initiative would *require* them. Initiative 900 says "the state auditor shall conduct independent, comprehensive performance audits of state government." The legislature's plan says "the state auditor is authorized to contract for and oversee performance audits." This distinction in language could have an impact on how audits are implemented.

Comparing the Scope of the Audits

Initiative 900 would audit agencies the legislature's plan does not include, namely transportation agencies, court offices, the legislature and local governments.

Comparing Authority over the Audits

Initiative 900 would place responsibility for audits solely in the hands of the elected State Auditor. The Auditor would conduct or oversee all of the audits, and is the sole controller of the audit funding.

¹ Washington Policy Center president Dann Mead Smith is a member of this board.

The legislature’s plan requires that the audits be contracted out, and makes the Auditor a non-voting member of the Citizen Advisory Board. The Board and the Auditor collaborate in overseeing the audits.

The governor and the legislature are much more involved in the audit plan they passed than they would be under Initiative 900. Under the legislature’s plan, the governor appoints eight members of the ten-member Citizen Advisory Board (the OFM Director is appointed to that position by the Governor).

The funding for the audits is subject to legislative appropriation, meaning the legislature can exercise tremendous influence over the audits, or potentially stifle them before they even get off the ground. Shifting political winds could influence which agencies or programs are audited.

Initiative 900 supporters promote their measure as an “independent performance audits” plan, and say that when compared to the legislature’s plan, it is more independent because it is removed from the political process. The Initiative gives the State Auditor final authority over the audits, while the legislature’s plan gives that authority to the Citizens Advisory Board. The Initiative is worded explicitly to prevent a public official or body from interfering with the audits.

Supporters of the legislature’s plan say that a Citizens Advisory Board is more independent, and involvement by the governor and legislature ensures that new audits do not duplicate the audits already allowed by law, and will filter out those agencies and programs unlikely to benefit from investigation. The Initiative’s supporters, however, argue that truly independent audits that are as far removed from the political process as possible are essential for an honest evaluation of government performance.

Conclusion

Performance audits are not a cure-all for the ills facing state government. But citizens certainly have a right to expect accountability for how their dollars are spent, especially when the state faces serious budget “deficits” year after year because natural revenue increases do not match planned spending increases.

In other states independent performance audits have improved service and reduced cost by identifying waste and inefficiency. If combined with other reforms, regular performance audits of Washington state government would help establish an innovative culture that rewards productivity and efficiency.

It is important to recognize the positive impact of regular oversight. Not only would poor performance be identified and ended, but previously unpublished success stories would become a part of the public record, allowing state managers and workers to establish credibility with voters, something that today is severely lacking.

Both roadmaps for audits claim the same destination—government accountability—though with different twists and turns along the way. In November, voters will decide which road the state will follow.

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Legislature’s Plan	Initiative 900
<i>Authorizes</i> the audit of state agencies and programs except transportation and court agencies.	<i>Directs</i> the audit of all state and local agencies and programs. (There are more than 2000 governmental entities in WA.)
The State Auditor works with a Citizens Advisory Board (all voting members as well as the director of the Office of Financial Management are appointed by the Governor) to decide what will be audited. All audits will be contracted out.	The State Auditor’s office conducts the audits and may contract out at its discretion.
Audits are funded by legislative appropriation each biennium. Currently the maximum allowable amount is about \$2.8 million per biennium.	Audits are funded automatically from 0.16% of state sales tax collections. Currently the amount is about \$20 million per biennium.
Audited agency is solely responsible for implementing corrections from audit results.	State Auditor advises agencies on potential remedies, and legislature must consider audit findings during appropriations process. Justification must be provided for recommendations not implemented.
No official forum provided for receiving public comments on audit results.	Provides post-audit public hearings for soliciting public comment on audit results.