

HOUSE BILL REPORT

SB 5629

As Reported by House Committee On:
State Government

Title: An act relating to the office of financial management's budgeting, accounting, and reporting requirements for state agencies.

Brief Description: Changing the office of financial management's budgeting, accounting, and reporting requirements for state agencies.

Sponsors: Senators Patterson and Horn; by request of Office of Financial Management.

Brief History:

Committee Activity:

State Government: 2/21/02, 3/1/02 [DPA].

Brief Summary of Bill
(As Amended by House Committee)

- Removes requirements that certain information on equipment maintenance services and assessing districts be filed with the Office of Financial Management (OFM).
- Removes the cash deposit/bond requirement for equipment maintenance providers.
- Increases the amount of time in which payments for equipment maintenance may be made in advance.
- Requires the OFM to develop mandatory guidelines for the effective and efficient management of personal service and client service contracts by state agencies.
- Requires the OFM to provide training for state agency personnel entering into and managing personal service and client service contracts.
- Requires the OFM to conduct risk-based audits of the contracting practices associated with individual personal service and client service contracts as deemed appropriate, based on funding provided.
- Requires the Attorney General and the State Auditor to provide an annual report on contract audit and investigative findings.

HOUSE COMMITTEE ON STATE GOVERNMENT

Majority Report: Do pass as amended. Signed by 4 members: Representatives Romero, Chair; Miloscia, Vice Chair; McDermott and Upthegrove.

Minority Report: Without recommendation. Signed by 3 members: Representatives McMorris, Ranking Minority Member; Schindler and Schmidt.

Staff: Catherine Blinn (786-7114).

Background:

I. Equipment Maintenance Service

In order for the State Treasurer to disburse funds for equipment maintenance services, a written contract for such maintenance must be currently in effect and filed with the Office of Financial Management (OFM). If services are paid for in advance, the provider of the services must make a cash deposit or furnish a surety bond to indemnify the state in case the services are not fully performed. Payments for equipment maintenance may not be made more than three months in advance.

II. Assessing Districts

Assessing districts are cities, towns, units of local government, and municipal corporations or public agencies with the power to levy statutory local improvement or other assessments, rates, or charges on state lands. Assessing districts may impose assessments against state lands for improvements authorized by statutes. The assessments become liens against the property and may be foreclosed for delinquent payments.

Assessing districts must send a variety of information to the OFM including:

- Notice of the assessing district's intention to make an improvement or impose an assessment;
- A list of the state lands to be assessed;
- Notice that an assessment has been made against a leasehold, contractual, or possessory interest for a local improvement;
- Notification if a lien has been foreclosed; and
- Notice of eminent domain assessments.

The director of the OFM must adopt rules governing the disclosure of this information as well as rules authorizing additional reports, assuring the payment of assessments chargeable to the state, and protecting the state against illegal or inequitable assessments.

III. Personal Service and Client Service Contracting

State agencies enter into a variety of contracts, including contracts for personal services and client services. Personal service contracts are contracts with consultants to provide professional or technical expertise to accomplish a specific study, project, task, or other work statement. An example of a personal service contract is a contract for a statistical analysis.

Client service contracts are contracts for services provided directly to agency clients. An example of a client service contract is a contract to provide job training to unemployed workers.

Most personal service contracts over \$20,000 must be competitively bid. Competitively bid personal service contracts must be filed with the OFM. Certain competitively bid personal service contracts must also be approved by the OFM. Client service contracts are not subject to these requirements.

Summary of Amended Bill:

I. Equipment Maintenance Service

Contracts for equipment maintenance services no longer must be filed with the OFM. Equipment maintenance providers are exempt from the cash deposit/bond requirement. Payments for equipment maintenance may not be made more than 12 months in advance, rather than three months in advance.

II. Assessing Districts

Assessing districts no longer must submit the following information to the OFM:

- Notice of the assessing district's intention to make an improvement or impose an assessment;
- A list of the state lands to be assessed;
- Notice that an assessment has been made against a leasehold, contractual, or possessory interest for a local improvement;
- Notification if a lien has been foreclosed; and
- Notice of eminent domain assessments.

The director of the OFM's rule-making authority, with respect to disclosing assessing district information, authorizing additional reports, assuring the payment of assessments chargeable to the state, and protecting the state against illegal or inequitable assessments, is removed.

III. Personal Service and Client Service Contracting

The OFM must adopt uniform guidelines for the effective and efficient management of

personal service contracts and client service contracts by all state agencies. The guidelines must cover subjects relating to effective and efficient management including accounting methods, performance measures, and contract monitoring.

Agencies entering into personal service and client service contracts after January 1, 2003, must follow the OFM guidelines. Agencies must provide the OFM with a report detailing the procedures used in entering into and managing the contracts. The OFM must conduct risk-based audits of personal service and client service contracting practices.

The OFM must provide a training course on effective and efficient contract management. Beginning on January 1, 2004, all agency employees executing or managing personal service or client service contracts must have completed the training. An agency may request an exemption from the training course requirement.

The Attorney General and the State Auditor must provide an annual report on contract audit and investigative findings, enforcement actions, and the status of agency resolution to the Governor and the Legislature.

Amended Bill Compared to Original Bill:

The amended bill adds language that requires the OFM to develop mandatory guidelines for the management of personal service and client service contracts by state agencies, requires the OFM to provide training for state agency personnel entering into and managing personal service and client service contracts, requires the OFM to conduct risk-based audits of the contracting practices associated with personal service and client service contracts, and requires the Attorney General and the State Auditor to provide an annual report to the Governor and to the Legislature of contract audit and investigative findings, enforcement actions, and the status of agency resolution.

Appropriation: None.

Fiscal Note: Requested March 1, 2002.

Effective Date of Amended Bill: The bill contains several effective dates. Please refer to the bill.

Testimony For: (Original bill) The OFM is in support of the bill. The bill attempts to change statutes to conform the OFM's business practices so they conform with the current business practices of the industry. Vendors in the industry usually bill yearly, rather than quarterly. Agencies can continue to pay the bills quarterly. The bond requirement should not be necessary for vendors who have a history of proper performance. Maintenance contracts are already filed with the agencies; the OFM does

not need duplicates.

Testimony Against: None.

Testified: Jim Hedrick, Office of Financial Management.