



National Conference of State Legislatures

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# Peer Review

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## Washington Joint Legislative Audit and Review Committee

November 2007



NATIONAL CONFERENCE  
of STATE LEGISLATURES

*The Forum for America's Ideas*

November 12, 2007

Ms. Ruta Fanning  
Legislative Auditor  
Joint Legislative Audit and Review Committee  
506 16<sup>th</sup> Avenue SE  
Olympia, WA 98501-2323

Dear Legislative Auditor Fanning:

At your request, and under the terms of a 2007 contract executed with the National Conference of State Legislatures, we have reviewed the quality review process employed by the State of Washington's Joint Legislative Audit and Review Committee (JLARC) for its performance audit engagements for the period from 2004 through early 2007. We reviewed JLARC's quality review process, the overall quality of JLARC audits, and the qualifications of JLARC staff.

In our opinion, the Office's quality review process was designed and employed effectively during the period reviewed. Consequently, we provide reasonable assurance that the Office was in conformance with applicable quality assurance, report quality, and staff competency standards, as defined in the United States Government Auditing Standards issued by the Comptroller General of the United States, during the period reviewed. We found overall report quality to be high and the staff to be competent.

We base our assessment on observations made during an on-site review conducted, October 9 – 11, 2007. We note that the conduct of our review was not impaired in any way. We were granted full access to relevant reports, working papers and other supporting documentation, and Committee staff.

We discuss our conclusions in more detail on the following pages. We appreciate 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.



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Sincerely,

Philip Durgin  
Executive Director  
Pennsylvania Legislative Budget and Finance Committee

Walt Smiley  
Section Manager for Fiscal Analysis  
Virginia Joint Legislative Audit and Review Commission

Jane Thesing  
Deputy Director  
South Carolina Legislative Audit Council

Bob Boerner  
Program Principal  
National Conference of State Legislatures



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### Washington Joint Legislative Audit and Review Committee

#### Introduction

The Washington State Joint Legislative Audit and Review Committee (JLARC) contracted with the National Conference of State Legislatures (NCSL) to organize a team of peers from around the nation to review and evaluate the internal quality assurance system, overall report quality, and staff competency for performance audits released by the staff of the JLARC Office during the period from 2004 through early 2007.

To accomplish this goal of evaluating the JLARC Office's internal quality control system, NCSL organized a project team consisting of three highly experienced and respected program evaluators from Pennsylvania, South Carolina, and Virginia, and the National Legislative Program Evaluation Society staff liaison. (See appendix for names, addresses, and qualifications of the peer review team.)



## Methodology

The JLARC has adopted the government auditing standards issued by the Comptroller General of the United States (often referred to as the “Yellow Book”) as the principles by which it performs work.

The peer review team used these standards in its assessment. The review included an examination of the JLARC Office’s *Policy Manual* and *Project Management Handbook*, the following guides: *Strategic Plan*, *Flow of JLARC’s Study Process*, *Criteria for Establishing JLARC Work Program Priorities*, and *JLARC’s Quality Control Review Process* and JLARC Continuing Professional Education Reports. Three reports completed by the JLARC Office during the compliance period were selected for review. The reports were selected individually by members of the peer review team from a listing of reports released between January 2006 and March 2007 that had been prepared by JLARC Office staff. One of the reviewed reports was included at the request of the JLARC Executive Committee.

Each peer review team member took lead responsibility for one of the reports. This included reviewing the report in depth, reviewing the supporting working papers, and interviewing the JLARC Office staff who worked on the report. Senior managers and selected performance audit staff were interviewed. The team members also held a conference call with Senator Debbie Regala and Representative Ross Hunter, two members of the JLARC Committee, and met with three legislative staff from outside of the JLARC Office. The peer review team discussed its preliminary conclusions with the legislative auditor, audit coordinator, administrative coordinator and research analyst onsite.



## Quality Review Process

The peer review team's conclusions follow. All references are to the 2007 Revision to United States Government Auditing Standards.

The JLARC Office has an extensive and innovative quality review process. The reviewers were particularly impressed with the JLARC Office's positive office "energy," including participation by all staff in the JLARC Office's "whiteboard" feedback technique and the mentor/study advisor system. The use of biweekly briefings/planning sessions for each project with the audit coordinator and the legislative auditor also contributes to timely supervision and quality assurance.

## Quality of Reports

The JLARC Office reports are well-written, solid, substantial and professional. And the JLARC Office appears to be professional, impartial, independent and reliable. The reviewers found that the JLARC Office was held in very high regard by the Legislators and legislative staff interviewed. Evidence was abundant that the JLARC Office's research was thorough, its analysis professional, and its communication techniques polished. The reports were well organized and clearly written.

## Staff Competency

The staff appear to be well-qualified and bring with them a high caliber of legislative experience and wealth of education. There is a variety of training opportunities available for both new staff and veteran staff. Based on interviews with upper management and a review of personnel information, the reviewers determined that both JLARC Office audit staff and peer advisors assigned to audits, possess combined skills and education to competently complete reports. The staff appear to be well-qualified and bring with them a high caliber of legislative familiarity and a variety of advanced degrees. There is a array of available training opportunities, both in-house and by multiple outside resources (including the National Conference of State Legislatures and the National Legislative Program Evaluation Society), for both new staff and veteran staff. In-house training classes are offered in rich variety; from internal training on the audit process to lessons on the budget process.

The reviewers encouraged the JLARC Office to continue the current practice of including professional training objectives in all staff members' formal goals.



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The reviewers determined the current JLARC Office staff are in compliance with their Continuing Professional Education requirements.

There are 47 legislative program evaluation offices in the nation. The average program evaluation office in the United States has 19 staff. The median is 14, which means that half the offices have fewer than 14 staff and half of them have more than 14 staff. The JLARC Office staff size of 22 staff members is compatible with the national office size.

Legislative program evaluation offices employ a variety of professional staff. Almost all offices have full-time analysts and supervisors. About two-thirds of the offices employ support staff and about half have full-time computer and technical support personnel. About a third of the offices also have specialized staff that edit or review reports. The JLARC Office staff structure is, therefore, compatible with other program evaluation offices.

### Specific Observations and Recommendations

The reviewers believe that several report-specific observations and recommendations, if implemented, may enhance the quality and accuracy of performance audits issued by the JLARC Office.

- The reviewers noted that the work of one of the JLARC Office's contractors could have benefited from further editing for tone and unnecessary "editorial" remarks.
- Two reviewers commented that documentation of supervisory reviews could be improved. Although the peer review team felt reasonably assured that work had been reviewed and supervision had in fact taken place, the reviewers suggested additional evidence be generated on current or future reports that would help persuade outsiders that, in fact, supervisory reviews did take place as prescribed.
- The reviewers observed that the JLARC Office's staff structure is very egalitarian with little hierarchy. However, the span of control for the single audit coordinator is much larger than norms would recommend. If he is too thinly-stretched, this could raise the risk for report errors or inconsistencies.
- The reviewers understand JLARC Office staff complete their own self-evaluation form and applauded the JLARC Office's innovative spirit. The Legislative Auditor then completes formal evaluations for all professional staff. However, the reviewers also encouraged the formal review of staff evaluations to be completed by more than one staff person, as it is difficult to see how one



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individual could be aware of the strengths and weaknesses of everyone on staff.

- The reviewers believe that the JLARC Office should implement a clearer and more consistent filing system for work papers or reports. While the reviewers understand the drawbacks of the single “cookie cutter” approach, greater standardization of work paper filing systems would strengthen the JLARC Office’s adherence to the audit documentation standard.
- One reviewer observed that there was inadequate evidence that audit planning considerations mandated by standards were completed for one audit. The JLARC Office’s newly implemented requirement for a planning work paper summary should alleviate this concern.
- The reviewers observed the JLARC Office did not complete a peer review in 2004. Generally accepted government auditing standards mandate that peer reviews be conducted every three years.
- The reviewers noted that the JLARC Office had not included an appropriate statement of compliance with auditing standards in the specific reports reviewed and applauded the JLARC Office for including a new statement of compliance in its current reports.
- One reviewer noted inconsistent source statements. For example, in one report, charts and tables that simply presented information provided by the audited agency were sourced to “JLARC staff,” whereas in another report, such charts and tables were more appropriately sourced as having been developed by JLARC staff from information provided by another source.
- The Legislative Auditor and Audit Coordinator have a process for documenting the independence of the professional staff they have assigned to specific projects. The reviewers encouraged the Legislative Auditor and Audit Coordinator to also consider and document their own independence using the report independence statements completed by other staff.





## Appendix A – Reports Reviewed

The following reports were selected for review.

| <b>Number</b> | <b>Project Name</b>  |
|---------------|--|
| 06-08         | “Transportation Performance Audit Board – Review of Port Angeles Graving Dock Project” |
| 06-10         | “K-12 Pupil Transportation Funding Study”  |
| 07-01         | “Performance Audit of the Implementation of Competitive Contracting”                   |



## Appendix B – Peer Review Team

Bob Boerner

Bob Boerner is a Program Principal in the legislative information services program of NCSL. He specializes in several topic areas, including cable television, consumer rights, and telecommunications, and serves as staff liaison to the National Legislative Program Evaluation Society. He conducted a sunset review of the Arizona Office of the Auditor General, a review of how Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) reports are used by key stakeholders, and the peer review of OPPAGA in 2002 and 2006; and a 2007 peer review of the Hawaii Office of the Auditor. He supervises NCSL's program to facilitate peer reviews of legislative program evaluation offices. He has been a member of the Colorado Bar since 1989.

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### **Philip Durgin**

Philip Durgin has worked for the Pennsylvania Legislative Budget and Finance Committee since 1981 and has been the Executive Director since 1988. As director he has supervised a wide variety of program audits and evaluation studies. Mr. Durgin participated in a National State Auditors Association peer review of the Florida State Auditor General's Office, and in 1991 the LB&FC underwent a NSAA peer review that found the LB&FC to be in compliance with generally accepted government auditing standards. Mr. Durgin served on the board of the National Legislative Program Evaluation Society from July 2002 through August 2005. He graduated from Haverford College, has a MPA from The Pennsylvania State University with a certificate in policy and program analysis, and is a CPA.



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### **Walt Smiley**

Walt has over 30 years' experience in state government in both legislative and executive branches. He currently directs reviews of state spending and provides second opinions on the fiscal impact of proposed legislation, among other things. He has held a variety of roles including deputy director and chief financial officer of a large state agency, section manager in the state budget office, project director of numerous legislative program reviews and evaluations, editor of a handbook on Virginia local government, and has served as professional research staff for legislative committees as well as adjunct faculty member. Walt holds an undergraduate degree from Kansas State University, and a Master's in Political Science from the University of Kansas.

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### **Jane Thesing**

Jane Thesing is the Deputy Director of the South Carolina Legislative Audit Council (LAC). The LAC conducts performance audits in compliance with Generally Accepted Government Auditing Standards (Yellow Book). Jane has been with the LAC since 1985, and over this period has managed audits covering a wide variety of state agencies and programs. She has also participated as a team member in a peer review of the Illinois Office of the Auditor General. Jane has been active in the National Legislative Program Evaluation Society, serving on the executive committee for six years from 1997 to 2003, and as secretary of the committee from 2000-2003. She has an MA in history (1974) and an MLS in library science (1975) from Indiana University, and an MS in business administration from the University of South Carolina (1985).

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