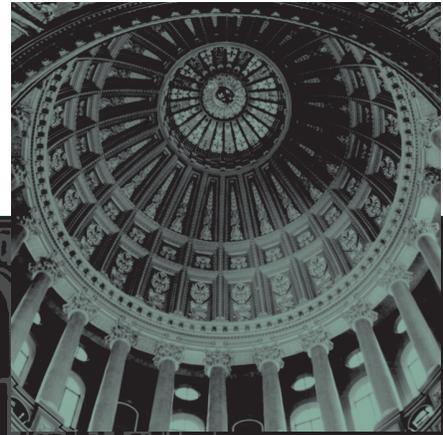




NATIONAL CONFERENCE
of STATE LEGISLATURES

The Forum for America's Ideas



PEER REVIEW

STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMITTEE

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STATE OF WASHINGTON JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE



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The National Conference of State Legislatures is the bipartisan organization that serves the legislators and staffs of the states, 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. Its objectives are:

- 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, Colorado, and Washington, D.C.



NATIONAL CONFERENCE of STATE LEGISLATURES

The Forum for America's Ideas

June 17, 2011

Mr. Keenan Konopaski
Legislative Auditor
State of Washington
Joint Legislative Audit and Review Committee
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Olympia, WA 98504-0910

Richard Moore
Senator
Massachusetts Senate
President, NCSL

Tim Rice
Executive Director
Illinois Legislative Information System
Staff Chair, NCSL

William Pound
Executive Director

Dear Mr. Konopaski:

At your request, and under the terms of a 2011 contract executed with the National Conference of State Legislatures, we assessed your Office's quality review process and overall report quality on a sample of projects completed during the compliance period from 2009 to 2011.

In our opinion, the Joint Legislative Audit and Review Committee (JLARC) is in compliance with all applicable Generally Accepted Government Auditing Standards—general, fieldwork and reporting (defined in the 2007 Revision to United States Government Auditing Standards issued by the Comptroller General of the United States)—pertaining to performance audit engagements.

We base our assessment on observations made during an on-site review conducted May 16 - 20, 2011. It included a review of the JLARC's audit-related policies and procedures, employee handbook, five performance audits and selected personnel records, as well as interviews with several of the office's professional staff. We note that the conduct of our review was not impaired in any way. We were granted full access to relevant reports, working papers, supporting documentation and staff.

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 independence and quality of your audits.

Sincerely,

Jan K. Yamane
Peer Review Team Leader

Bob Boerner

Angus Maciver

Tim Osterstock

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INTRODUCTION

NCSL Peer Review

The State of Washington Joint Legislative Audit and Review Committee (JLARC) contracted with the National Conference of State Legislatures (NCSL) to review and evaluate the office's system of quality control to determine if it is suitably designed and whether JLARC is complying with its quality control system. NCSL's National Legislative Program Evaluation Society's staff liaison organized a peer review team consisting of three highly experienced and respected program evaluators from Hawaii, Montana and Utah.

JLARC conducts its performance audits in compliance with government auditing standards and also uses field work and reporting standards for performance audits contained in the *Generally Accepted Government Auditing Standards* published by the Comptroller General of the United States (often referred to as the "Yellow Book"). The peer review was the second completed by NCSL for the office; the first was completed in November 2007.

Peer Review Purpose

The Washington State Legislature recognized the importance of a peer review for ensuring the quality of JLARC's work by establishing a requirement for periodic peer reviews in JLARC's enabling statute. The purpose of the peer review is to enable JLARC to meet the external peer review requirements of the Generally Accepted Government Auditing Standards (Standards, paragraphs 3.55 to 3.63), thereby fulfilling its statutory requirement to conduct its audits in accordance with Yellow Book standards. To that end, this peer review compared the office's policies and performance to the applicable general and performance audit standards (Standards, chapters 3, 7 and 8). It provided a collective assessment of the office's quality review process, how those quality review processes were used to develop the office's performance audits, and the qualifications of JLARC staff. As provided in standards paragraph 3.51, the peer review team took into consideration that an audit organization's quality control system shall be reasonable and suitably designed for the size of the organization.

Overview and History of the State of Washington Joint Legislative Audit and Review Committee

JLARC works to make state government operations more effective, efficient and accountable. The Committee is comprised of an equal number of House and Senate members, Democrats and Republicans.

JLARC pursues its mission by conducting performance audits, program evaluations, sunset reviews and other analyses. Assignments to conduct studies are made by the Legislature and the committee itself. Based on these assignments, JLARC's non-partisan staff auditors, under the direction of the Legislative Auditor, independently seek answers to audit questions and issue recommendations to improve performance.

Work by JLARC staff is conducted using Generally Accepted Government Auditing Standards. JLARC's authority is established in Chapter 44.28 Revised Code of Washington. A brief history of JLARC follows.

1951 — The Legislature creates the Legislative Budget Committee (LBC).

1971 / 1973 — The Legislature authorizes the LBC to conduct management surveys, program reviews and performance audits.

1977 — The Legislature establishes the Sunset Act, with the LBC conducting program and fiscal reviews of agencies scheduled for termination.

1996 — The Legislature updates its performance audit statutes and changes the name of its auditing agency to the Joint Legislative Audit and Review Committee (JLARC). This statutory change explicitly requires the office to undergo periodic peer reviews, and directs the Legislative Auditor to ensure the office conducts performance audits in accordance with Generally Accepted Government Auditing Standards.

2000 — The Legislature extends its Sunset Act, administered by JLARC, to 2015.

2006 — The Legislature establishes the Citizen Commission for Performance Measurement of Tax Preferences and directs JLARC to support the commission by reviewing all tax preferences every ten years.

Methodology

The State of Washington Joint Legislative Audit and Review Committee is statutorily required to conduct its work according to Generally Accepted Government Auditing Standards (often referred to as the "Yellow Book") issued by the Comptroller General of the United States.

In its peer review, the peer review team assessed JLARC's adherence to the Generally Accepted Government Auditing Standards, including those for performance audit field work and reporting. The peer review team reviewed documentation relating to the function of the office, its policies and procedures and five performance audits produced since April 2010 through December 2010 (Appendix A).

A selection of performance audits completed by the office was chosen for review. The audits were selected individually by members of the peer review team from a list of audits released between January 2010 and December 2010 that had been prepared by JLARC staff. Each peer review team member took lead responsibility for review of one of the performance audits. This included reviewing the performance audit in depth, reviewing the supporting working papers, and interviewing current JLARC staff who worked on the performance audit.

The Legislative Auditor provided the peer review team members with an update of procedures to address each of the observations and recommendations that were contained in the November 2007 National Conference of State Legislatures peer review report.

Team members interviewed Senator Sharon Nelson, Representative Troy Kelley and Representative Gary Alexander (Executive Committee members of JLARC). Team members also interviewed Ken Conte, Staff Director of Office of Program Research in the House of Representatives, and Richard Rodger, Staff Director of Senate Committee Services. The peer review team discussed its preliminary conclusions with the Legislative Auditor, the Deputy Legislative Auditor, the Audit Coordinator and the Administrative Coordinator. The peer review team also prepared and distributed a management document containing details on specific observations and technical suggestions for JLARC consideration.

Appendix A lists the performance audits reviewed by the peer review team.

Appendix B provides profiles of program evaluation offices.

Appendix C describes the qualifications of the peer review team members.

STATE OF WASHINGTON JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE COMPLIANCE WITH YELLOW BOOK STANDARDS

The peer review team found the State of Washington Joint Legislative Audit and Review Committee in compliance with the following standards that were highlighted by the peer review team and applicable to the evaluation process. All references are to the U.S. Government Auditing Standards, 2007 Revision.

General Standards (Chapter 3)

Independence – In all matters relating to evaluation work, JLARC and the individual auditors are free from personal, external and organizational impairments to independence and avoid the appearance of such impairments of independence. During the course of audit engagements, the staff complete and update independence statements. Because JLARC does not perform other professional services, it has sufficient controls that ensure no breach of the independence standard.

Professional judgment – Auditors use professional judgment in planning and performing audits and in reporting the results. JLARC's collective work process provides an assurance of professional judgment.

Competence – The staff assigned to perform audits collectively possess adequate professional competence for the tasks required.

Based on introductions with select JLARC staff and a review of personnel information, the peer review team determined that JLARC staff has combined skills and education to competently complete evaluation reports. The staff appears to be well-qualified and bring a high caliber of legislative familiarity and a variety of undergraduate and advanced degrees. An array of training opportunities is available, both in-house and through many outside resources. These resources include the National Conference of State Legislatures and the National Legislative Program Evaluation Society. A wide variety of in-house training classes are offered, including *Conflicts of Interest and Other Ethical Dilemmas of Public Law*, *Financial Statement Auditing*, *Fiscal Note Process Training*, *GAO Briefing on Federal Stimulus Plan and Recovery Act* and *JLARC Report Style and Writing Guide*.

Technical knowledge – The peer review team determined that JLARC staff collectively possess the technical knowledge, skills and experience necessary to be competent for performance audits being performed. They possess knowledge of Government Auditing Standards, general knowledge of the environment in which audited entities operate and the subject matter under review, skills to communicate effectively and skills appropriate for the performance audits being completed.

Continuing professional education – Auditors performing work under Generally Accepted Government Auditing Standards (GAGAS)—including planning, directing, performing field work, or reporting on a performance audit under GAGAS—maintain their professional competence through continuing professional education.

The peer review team determined that current JLARC staff is in compliance with continuing professional education requirements. Every two years, staff complete at least 80 hours of continuing professional education that directly enhances the evaluators' professional proficiency to performance audits. A minimum of 24 hours in government audit functions was completed. The JLARC training coordinators maintain documentation of completed CPE courses.

Quality control and assurance, including external peer review – JLARC has established a system of quality control that is designed to provide it with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements.

JLARC's previous National Conference of State Legislatures peer review was initiated after the end of the fiscal year 2007, and the peer review report was issued in November 2007. In June 2010, in accordance with government auditing standards, the U.S. Government Accountability Office and the National Conference of State Legislatures approved of JLARC's one-time request of an adjustment to when the next peer review was to be conducted. The current peer review period reflects calendar years 2008 through 2010, and the peer review report is due by June 2011.

Field Work Standards for Performance Audits (Chapter 7)

Planning – Work is adequately planned.

Supervision – Staff is properly supervised. The office utilizes both ongoing informal supervision and a formalized process that provides oversight and observations from other office managers.

Audit documentation – Performance auditors prepare and maintain audit documentation. Documentation related to planning, conducting and reporting on the performance audit contains sufficient information to enable an experienced auditor, who has had no previous connection with the performance audit, to ascertain from the audit documentation the evidence that supports the auditors' significant judgments and conclusions. Audit documentation includes support for findings, conclusions and recommendations.

Reporting Standards for Performance Audits (Chapter 8)

Report contents - The performance audits include the objectives, scope and methodology; the audit results, including findings, conclusions and recommendations, as appropriate; a reference to compliance with Generally Accepted Government Auditing Standards; and the views of responsible officials.

The peer review team found that JLARC staff have strong support from JLARC's elected leadership. Members of the Legislature who were interviewed by the peer review team are

engaged in the office's work and complimentary of JLARC staff, their presentations and their performance audits.

Report issuance and distribution – Performance auditors submit audits to the appropriate officials of the audited entity and to the Legislature. Copies are available to the public.

APPENDIX A. PERFORMANCE AUDITS REVIEWED

- *Analysis of the Costs and Benefits of Accepting Bankcards at WSDOT*, Report 10-4, April 21, 2010
- *School District Cost and Size Study*, Report 10-6, June 16, 2010
- *Department of Early Learning Review*, Report 10-7, July 21, 2010
- *Transparency in Higher Education Data*, Report 10-10, December 1, 2010
- *Review of Motion Picture Competiveness Program*, Report 10-11, December 1, 2010

APPENDIX B. 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. This accountability role is a critical part of the constitutional system of separation of powers and is essential to ensuring the trust that citizens place in government.

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 program evaluations, policy analyses and performance audits—address whether agencies are properly managing public programs and identify ways to improve the programs. 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.

A legislative program evaluation office provides a legislature with an independent, objective source of information. Most, if not almost all, parties presenting information to a legislature have a vested interest in the information. This includes executive branch agencies, citizens’ groups and lobbyists. A legislative program evaluation office can provide objective information without taking a position on results of the use of that information. It also allows a legislature to ensure that it can obtain the information it needs without depending upon the executive branch to provide it.

Forty-six states have established legislative program evaluation offices. Half the offices have existed for at least 25 years, and some for more than 50 years. In 2003, the Maine Legislature created an entirely new program evaluation office. The Nebraska Legislature restructured its legislative audit staff to create the Office of Legislative Audit and Review in 2006.

The average legislative program evaluation office in the United States has 19 staff. The median is 14; thus, half the offices have fewer than 14 staff and half have more. The State of Washington Joint Legislative Audit and Review Committee staff size of 20 auditors and other personnel is slightly larger 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 who edit or review reports.

APPENDIX C. 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, state government 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 in 1999, a review of how Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) reports are used by key stakeholders, and peer reviews of OPPAGA in 2002 and 2006. He also conducted a 2007 peer review and a 2010 peer review of the Hawaii Office of the Auditor, a 2007 peer review of the Washington State Joint Legislative Audit and Review Committee, a 2008 peer review of the Nebraska Legislative Performance Audit Section, and a 2010 peer review of the Wyoming Legislative Service Office's Program Evaluation Section. He supervises NCSL's program to facilitate peer reviews of legislative program evaluation offices. He received his Bachelor of Arts degree from the University of Colorado and his Juris Doctorate from the University of Denver College of Law. He has been a member of the Colorado Bar since 1989.

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Angus Maciver

Angus Maciver is a performance audit manager with the Montana Legislative Audit Division. He has worked for the Montana legislature since 2002 and during this time he has conducted and managed a wide variety of performance audit projects at many of the state's executive branch agencies. Mr. Maciver has been an active member of the National Legislative Program Evaluation Society (NLPES), and has served as a member of the organization's executive committee since 2009. He graduated from the University of Aberdeen, Scotland in 1996 with an MA (hons) in Political Studies and International Relations.

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Tim Osterstock

Tim Osterstock is an audit manager for the Office of the Utah Legislative Auditor General. He started in that office in 1981 and has been an audit manager since 1997. During his career, he has conducted, supervised and managed state agency performance evaluations of most of the state's departments and has spent a great deal of time working with state-mandated local government programming, environmental issues, educational issues and corrections/law enforcement. Mr. Osterstock has been an active member of the National Legislative Program Evaluation Society (NLPES), serving as an executive committee member from 2002 through 2009 and as the executive committee chair for 2007- 2008. He participated as a team member on the 2010 NCSL peer review of the Hawaii Office of the Auditor. A graduate of the University of Utah with a BS in business management and an MBA, he also holds both internal auditor (CIA) and fraud examiner (CFE) certifications.

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Jan Yamane

Jan K. Yamane is Deputy Auditor/General Counsel for the State of Hawai'i, Office of the Auditor. She was the lead staff for the Office of the Auditor's peer reviews in 2007 and 2010. She currently serves on the National Conference of State Legislatures' Executive Committee and Legislative Staff Coordinating Committee. She has also served as Chair of the National Legislative Program Evaluation Society, Staff Vice-Chair of the Education Standing Committee, and as a member of the Legislative Education Staff Network's Steering Committee. Ms. Yamane holds a Bachelor of Arts degree from Vassar College, a Master of Arts degree from Harvard University, a Juris Doctorate from the William S. Richardson School of Law, University of Hawai'i at Mānoa, and a Master of Business Administration degree from Hawai'i Pacific University. She has been a member of the Hawai'i Bar since 1987. She also holds a Management Certificate from the Hawai'i Leadership Academy, sponsored by the State Department of Human Resources Development and the U.S. Office of Personnel Management.

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