

December 2009

**STATUS OF
PERFORMANCE
AUDIT
RECOMMENDATIONS
THROUGH
JUNE 30, 2009**

Report No. 1002767



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

From State Auditor Brian Sonntag

Citizens gave this Office the authority to conduct performance audits in November 2005 with the passage of Initiative 900. We take that authority, granted from citizens, as a charge and incorporated it into our mission.



Part of that mission is reporting back to citizens how governments have used the tool that is performance audit.

This report tells citizens how performance audits have made a difference in Washington and how audited governments have responded to recommendations.

We added to our Web site a searchable database showing the status of performance audit recommendations.

About Initiative 900

Initiative 900 sets out requirements for how governments use performance audit recommendations.

For performance audits of **state governments**, the Legislature must:

- Consider the reports in connection with the legislative appropriations process.
- Issue an annual report from the Joint Legislative Audit and Review Committee by July 1 of each year detailing the status of the legislative implementation of the State Auditor's recommendations.
- Justify recommendations not implemented.
- Provide details of other corrective action.

JLARC's reports are available [on its Web site](#).

For performance audits of **local governments**, the legislative body must:

- Consider the reports in connection with its spending practices.
- Submit an annual report by July 1 of each year detailing the status of the legislative implementation of the state auditor's recommendations.
- Justify recommendations not implemented.
- Provide details of other corrective action.

Follow-up performance audits of any state or local government entity or program may be conducted when determined necessary by the State Auditor.

In addition to gathering the information required by state law, we contacted governments to which we made

recommendations in the performance audits we issued through June 30, 2009.

How to use this report

This report covers actions taken by state and local governments through June 30, 2009. We are not reporting on the Legislature's actions. Those can be found on [JLARC's Web site](#).

State agencies that are under the direction of the Governor report their status and action steps to the Governor's Government Management Accountability and Performance program. That information is displayed on the GMAP Web site on varying schedules, often quarterly. GMAP's Audit Action Plans are available [on its Web site](#).

FROM FEBRUARY
2007 THROUGH
JUNE 2009, THE
STATE AUDITOR'S
OFFICE RELEASED
16 PERFORMANCE
AUDIT REPORTS ON
STATE AGENCIES
AND LOCAL
GOVERNMENTS.

For performance audit reports issued in 2009, the agencies had only a few months before we asked for the status of their recommendations.

Appendix A shows each agency's resolution of our performance audit recommendations.

In 2010, we will report on recommendations we made after July 1, 2009.

State Auditor's online database

The State Auditor's Office created a database that shows all of the recommendations we have made since the program's inception and each government organization's action on each recommendation through June 30, 2009.

We conducted an independent analysis of each government's response to each recommendation. In many cases, we made recommendations to multiple entities, including:

- Entities that may not have been part of the audit but that work with the entity; e.g. the Department of Information Systems, which provides IT services to most state agencies.
- Entities that provide oversight; e.g. the Office of Superintendent of Public Instruction provides oversight in some areas to school districts.

For the resolution of recommendations to the Legislature, we provide a link to JLARC's report.

The State Auditor's online database is available [on our Web site](#).

I-900 elements

I-900 specifies performance audits shall address the following elements:

- Identification of cost savings.
- Identification of services that can be reduced or eliminated.
- Identification of programs or services that can be transferred to the private sector.
- Analysis of gaps or overlaps in programs or services and recommendations to correct them.
- Feasibility of pooling the entity's information technology systems.



- Analysis of the roles and functions of the entity and recommendations to change or eliminate roles or functions.
- Recommendations for statutory or regulatory changes that may be necessary for the entity to properly carry out its functions.
- Analysis of the entity's performance data, performance measures and self-assessment systems.
- Identification of best practices.

Summarized Performance Audit Recommendations

We made a total of 705 recommendations from February 2007 through July 1, 2009. Some of those recommendations are directed to one organization; others are directed to more than one organization. For example, in the state Parks Commission audit, we made one recommendation to Parks and to the Department of Information Services to work on one task. In that case, we have two statuses for one recommendation.

We are reporting on 1,206 statuses of recommendations to 73 local governments and state agencies. Details are in Appendix A.

We did not follow up on 311 recommendations we made to broad government types as a whole outside of the audit. For example, in the Open Public Records audit, we made recommendations to all governments in Washington. However, we audited 30 state, county and city governments. Therefore, we tracked the resolution of recommendations we made to the 30 governments we audited.

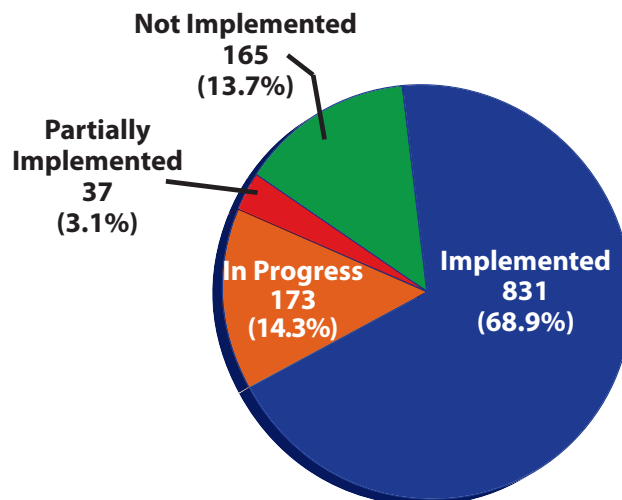
Status of the Recommendations

We contacted governments regarding the status of the recommendations we made. We categorized the status of each recommendation as:

- **Implemented:** Entity fully implemented the recommendation. Entity may have addressed underlying issue differently than suggested, but the action satisfies the concerns raised.
- **In progress:** Entity is continuing action toward complete implementation.
- **Partially implemented:** Entity implemented the recommendation in part, but is making no ongoing effort toward full implementation.
- **Not implemented:** Entity did not implement recommendation.

THE U.S. GOVERNMENT ACCOUNTABILITY OFFICE
STARTS FOLLOWING UP ON RECOMMENDATIONS FOUR YEARS AFTER THEY ARE MADE. FEDERAL AGENCIES IMPLEMENTED ROUGHLY 83 PERCENT OF GAO'S RECOMMENDATIONS DURING 2004 - 2008.

Status of Recommendations from February 2007 - June 30, 2009



Total Recommendations = 1,206

Financial impacts of our recommendations

From February 2007 through June 30, 2009, performance audits identified nearly \$3.6 billion in cost savings, unnecessary expenditures and economic benefits.

Some recommendations have a financial impact, such as past costs that were questionable or avoidable, those with future cost savings and recommendations with future revenue opportunities. The figure below is focused on recommendations with future revenue opportunities or future

THE FERRIES DIVISION SAVED \$158,000 FOR SUMMER AND FALL 2009 QUARTERS IN FUEL COSTS BY CUTTING LOW-OCCUPANCY FERRY RUNS...

cost savings that can be realized when the recommendations are implemented.

We made 214 recommendations with future cost savings or revenue opportunities; 67 percent of those recommendations have been fully or partially implemented or are in progress, as shown below.

Most state agencies do not track the cost of their products and services or any realized cost savings from performance audits. They are, however, encouraged to track the cost of participating in performance audits.

We followed up with the following governments to obtain their estimates of the net cost savings they were able to achieve by implementing our recommendations.

Department of Labor and Industries Collection of State Debt performance audit

The Department of Labor and Industries indicated it started using the best practices we recommended during fiscal year 2007 and experienced a significant increase in collecting claims benefit overpayments over the previous year. As of August

12, 2009, the Department reports it collected overpayment of claims benefits and insurance reimbursements totaling \$29.6 million since it started using the best practices we recommended. The Department spent \$400,000 on the effort.

Washington Department of Transportation Ferries Division

Based on the Department’s calculations, the Ferries Division saved \$320,000 in fuel costs during the Summer 2009 and Fall 2009 quarters by cutting low-occupancy ferry runs on the Port Townsend/Keystone route.

Our 2007 performance audit recommended the Ferries Division cut runs at this route because of consistently low ridership. In addition, the Ferries Division retired two steel-electric ferries from this route and replaced only one with a new ferry.

Three Public Hospital Districts

This performance audit made recommendations for Stevens and Evergreen to better manage their staffing levels. With better management, we estimated the two districts could collectively save more than \$8 million over five years by reducing their use of higher-priced third-party nursing. Although this audit published in November 2009 and is not reflected in the data in this report, Evergreen took corrective action before the audit was concluded and indicates it experienced savings of nearly \$5 million by December 2009.

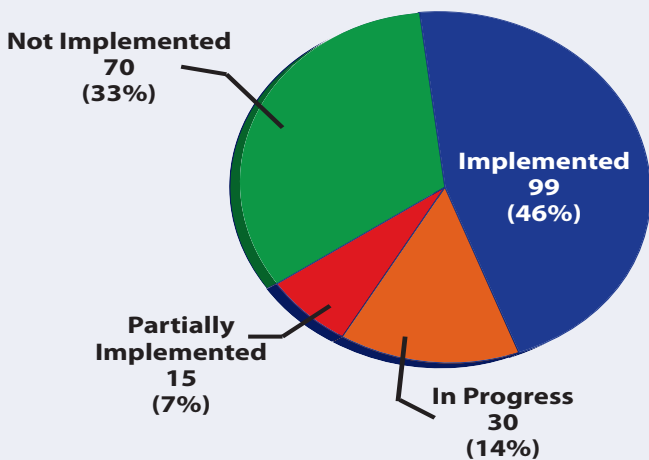
Unnecessary expenditures

In addition to future cost savings, we identified approximately \$102 million in unnecessary expenditures that cannot be recovered.

- Port of Seattle: \$97.2 million
- Sound Transit : \$5.1 million

Both organizations have taken steps to eliminate unnecessary spending since we completed the performance audits.

Recommendations with Future Cost Savings or Revenue Opportunities through June 30, 2009



Total Recommendations = 214

Result	Projected Amount	Dollar %
Implemented	\$167,607,855	59%
In Progress	\$70,883,617	25%
Partially Implemented	\$5,466,271	2%
Not Implemented	\$40,727,221	14%

Total Savings and Revenue Possible \$284,684,964*

*Total savings and revenue possible over five years

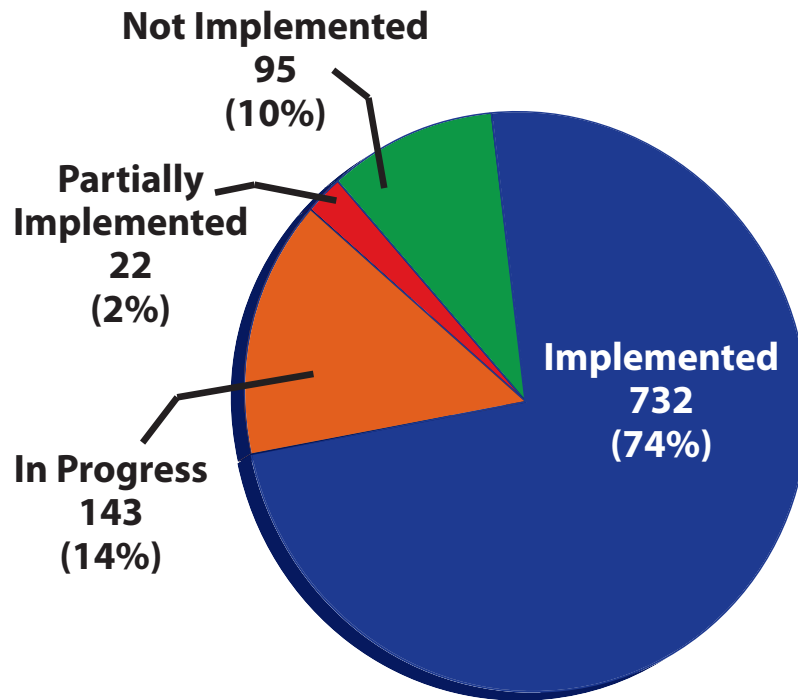
Recommendations with nonfinancial benefits

Most of our recommendations provide value in areas beyond financial benefit.

- Transparency:** One of the fundamental responsibilities of public agencies and officials in Washington is open government. The Open Public Records audit looked at how well 30 government agencies respond to citizens' requests for public information. We found entities that demonstrated top-notch customer service in responding to requests and identified best practices in responding to public records requests. The audit also recommends that training needs to be provided for public records officers.
- Public safety:** Our Department of Health performance audit, issued in August 2007, made a series of high-impact recommendations intended to improve the way doctors, nurses and other health care professionals are credentialed and disciplined. In response to one of our recommendations, the Legislature and Governor enacted laws in 2008 authorizing and funding comprehensive criminal background checks. Five of seven legislative recommendations were swiftly addressed by the 2008 Legislature. The Department has addressed all recommendations within its statutory authority. The Department ensures that more than 300,000 health care professionals are practicing competently and ethically.
- Improvements in mobility:** Our audit of congestion in Puget Sound responded to one of citizens' primary concerns. We made far-reaching recommendations that get at the core of what has to happen to relieve congestion. Noting that we have a multitude of overlapping transportation jurisdictions, the audit recommended a single entity needs to be put in charge. The audit also makes recommendations for how projects should be selected and funded along with strategies for the types of projects that could have the biggest impacts. The actions outlined in the report could reduce hours of traffic delay by 15 to 20

OUR RECOMMENDATIONS FOR RESPONDING TO PUBLIC RECORDS REQUESTS CAN BE FOLLOWED BY ALL GOVERNMENTS IN WASHINGTON ...

Recommendations with Nonfinancial Benefits through June 30, 2009



Total Recommendations = 992

percent—12 million to 16 million hours—saving the average commuter some 10 hours of delay each year. Congestion costs our Puget Sound regional economy approximately \$700 million per year.

- Strategic planning and performance management:** In 2003, the Washington State Parks and Recreation Commission made a commitment to citizens to improve and clear backlogs of maintenance at parks and facilities before the agency's 100-year anniversary, captured in a 10-year strategic plan called Centennial 2013. Director Rex Derr reports that since we completed a performance audit less than a year ago, the Department has completed \$90 million in capital construction projects and tightened its information technology controls so they are not vulnerable to unauthorized access and loss of data. The Department has completed 43 of 58 action steps associated with implementing our recommendations, with eight in progress and seven on hold waiting future budget requests.

... THE LEGISLATURE AND GOVERNOR ENACTED LAWS AUTHORIZING AND FUNDING COMPREHENSIVE CRIMINAL BACKGROUND CHECKS

Best practices

Performance audits must identify criteria for assessing performance, which often include best practices. When we see best practices in place at one audited organization, we regularly suggest them for others.

We created an online database containing all of the best practices we've identified in our performance as a tool for state and local governments. Government employees and managers can find best practices related to the areas we have audited.

THE STATE AUDITOR'S
BEST PRACTICES
DATABASE IS
AVAILABLE ON OUR
[WEB SITE.](#)

The database is also an interactive tool that professionals from anywhere in the world can use. They can upload their own best practices through our Web site as a resource for our auditors and for auditors anywhere.

When we identify best practices already in place at government entities, we commend them in our performance audit reports. Examples of best practices that we have identified and shared through our online tool:

- We commended the Department of Revenue and the Employment Security Department's Benefit Overpayment Recoveries Unit for employing best practices in debt collection and for their excellent performance measures for debt collection. Revenue had no findings in the report.
- We commended Evergreen, Kent and Lake Washington school districts for automating school bus routing and achieving optimal performance.
- We commended Edmonds, Seattle, Spokane, Tacoma and Vancouver school districts for limiting the use of portable buildings. We commended Kent School District for using new school designs that incorporate portables as a flexibility option.
- We commended Vancouver School District for its comprehensive strategic planning process that involves community members.
- We commended Puyallup, Seattle and Edmonds school districts for attempting to allocate indirect costs to different programs and performing cost analysis of different operational models that resulted in significant cost savings.
- We commended Kent, Tacoma, Seattle and Puyallup school districts for their fund balance management policies that guided them in establishing adequate fund balances.
- We commended the cities of Redmond and Vancouver for using several best practices in managing impact fees.
- We commended the following governments for performed better than average among 30 entities

when responding to public records requests:

- Spokane County
- Whatcom County
- Benton County
- City of Spokane Valley
- City of Vancouver
- City of Bellevue
- State Department of General Administration
- State Department of Social and Health Services




Blueprints for efficiency

- Our audits of debt collection and fleet practices are easy to replicate at state and local governments. We gathered the benchmarks based on best practices in the private sector. Most of the recommendations do not require additional resources to improve collections or fleet practices.
- We audited 13 school districts' travel practices; many of the recommendations, such as shopping around for the best price on airfare and carpooling when possible, can be easily instituted by any government for no additional cost.
- Our recommendations for responding to public records requests can be followed by all governments in Washington. They are easy to implement and mirror the best practices identified by the state Attorney General.
- The recommendations we made in our audit of school district administration and overhead are specific to school districts; however, we made recommendations that all districts could review and implement if they would improve operations at that district.

Governments see value in our work




- The state Department of Health implemented 12 of its 65 recommendations before the audit was published.
- We gave King County Library System tools for saving money on a series of large construction projects before the projects were complete. The Library System started using many of our recommended practices during the audit to save money on the projects.
- Our audit of the state Parks and Recreation Commission in part looked at the risk the agency would fail to meet its strategic goals based on its strategic planning process. Strategic plans are a best practices for good performance and our report lays out recommendations for solid strategic planning and performance management.
- We determined the Port of Seattle could significantly improve its management of construction projects. To assist with these improvements, we recommended the state Legislature modify statutes to improve competition for construction contracts and services. In response, the state legislature modified state statutes to improve contracting at ports.




Appendix A: Recommendation status by entity — February 2007 through June 2009




Audit Report	Government Responsible for Recommendation	Govt. Type		%		%	partial	%		%	Total
King County Library System Construction Management	King County Library System	County	3	8%	31	86%	0	0%	2	6%	36
State Parks and Recreation Commission	Dept. of Information Services	State	1	100%							1
	State Parks and Recreation Commission	State	21	75%	7	25%	0	0%	0	0%	28
School District Travel Practices	Central Valley School District	School District	5	100%	0	0%	0	0%	0	0%	5
	Clover Park School District	School District	5	83%	0	0%	0	0%	1	17%	6
	Evergreen School District	School District	3	60%	2	40%	0	0%	0	0%	5
	Pasco School District	School District	3	60%	0	0%	0	0%	0	0%	3
	Port Angeles School District	School District	1	20%	4	80%	0	0%	0	0%	5
	Seattle School District	School District	0	0%	6	100%	0	0%	0	0%	6
	Spokane School District	School District	1	20%	2	67%	0	0%	0	0%	3
	Sunnyside School District	School District	6	100%	0	0%	0	0%	0	0%	6
	Tacoma School District	School District	5	100%	0	0%	0	0%	0	0%	5
	Toppenish School District	School District	5	100%	0	0%	0	0%	0	0%	5




Key

- Implemented
- In Progress
- Partially Implemented
- Not Implemented

Audit Report	Government Responsible for Recommendation	Govt. Type		%		%	partial	%		%	Total
	Vancouver School District	School District	5	83%	1	17%	0	0%	0	0%	6
	Walla Walla School District	School District	4	80%	0	0%	0	0%	1	20%	5
	Yakima School District	School District	1	33%	0	0%	1	33%	1	33%	3
	Total		44	70%	15	24%	1	2%	3	5%	63
Impact Fees	City of Olympia	City	4	50%	4	50%	0	0%	0	0%	8
	City of Federal Way	City	3	75%	0	0%	0	0%	1	25%	4
	City of Maple Valley	City	0	0%	1	33%	0	0%	2	67%	3
	City of Redmond	City	2	33%	0	0%	1	17%	3	50%	6
	City of Vancouver	City	4	100%	0	0%	0	0%	0	0%	4
	Total		13	52%	5	20%	1	4%	6	24%	25
School Districts Administration and Support Services	Office of Superintendent of Public Instruction	State	0	0%	0	0%	1	33%	2	67%	3
	Edmonds School District	School District	0	0%	2	50%	1	25%	1	25%	4
	Evergreen School District	School District	1	25%	0	0%	1	25%	2	50%	4
	Federal Way School District	School District	0	0%	1	25%	2	50%	1	25%	4
	Kent School District	School District	0	0%	2	50%	1	25%	1	25%	4
	Lake Washington School District	School District	1	20%	1	20%	1	20%	2	40%	5
	Puyallup School District	School District	1	17%	0	0%	1	17%	4	67%	6
	Seattle School District	School District	1	20%	4	80%	0	0%	0	0%	5
	Spokane School District	School District	0	0%	0	0%	1	50%	1	50%	2

Audit Report	Government Responsible for Recommendation	Govt. Type		%		%	partial	%		%	Total
	Tacoma School District	School District	3	75%	0	0%	1	25%	0	0%	4
	Vancouver School District	School District	2	40%	1	20%	1	20%	1	20%	5
	Total		9	20%	11	24%	11	24%	15	33%	46
Collection of State Debt	Dept. of Community, Trade and Economic Development	State	1	50%	1	50%	0	0%	0	0%	2
	Department of Ecology	State	1	100%	0	0%	0	0%	0	0%	1
	Employment Security	State	2	100%	0	0%	0	0%	0	0%	2
	Department of Labor and Industries	State	4	100%	0	0%	0	0%	0	0%	4
	Department of Revenue	State	0	N/A	0	N/A	0	N/A	0	N/A	0
	Dept. of Transportation	State	2	50%	2	50%	0	0%	0	0%	4
	Total		10	77%	3	23%	0	0%	0	0%	13
Open Public Records Practices at 30 Governments	Attorney General		1	100%	0	0%	0	0%	0	0%	1
	City of Bellevue	City	24	100%	0	0%	0	0%	0	0%	24
	City of Everett	City	10	63%	2	13%	2	13%	2	13%	16
	City of Federal Way	City	12	86%	2	14%	0	0%	0	0%	14
	City of Kent	City	14	93%	0	0%	1	7%	0	0%	15
	City of Seattle	City	9	47%	10	53%	0	0%	0	0%	19
	City of Spokane	City	15	79%	1	5%	2	11%	1	5%	19
	City of Spokane Valley	City	10	77%	1	8%	0	0%	2	15%	13
	City of Tacoma	City	14	93%	1	7%	0	0%	0	0%	15
	City of Vancouver	City	13	87%	2	13%	0	0%	0	0%	15
	City of Yakima	City	12	92%	0	0%	0	0%	1	8%	13
	Benton County	County	0	0%	12	80%	0	0%	3	20%	15
	Clark County	County	13	100%	0	0%	0	0%	0	0%	13

Audit Report	Government Responsible for Recommendation	Govt. Type		%		%	partial	%		%	Total
	King County	County	15	88%	2	12%	0	0%	0	0%	17
	Kitsap County	County	11	73%	4	27%	0	0%	0	0%	15
	Pierce County	County	4	67%	0	0%	0	0%	2	33%	6
	Snohomish County	County	7	50%	0	0%	6	43%	1	7%	14
	Spokane County	County	5	100%	0	0%	0	0%	0	0%	5
	Thurston County	County	7	47%	2	13%	5	33%	1	7%	15
	Whatcom County	County	16	89%	1	6%	0	0%	1	6%	18
	Yakima County	County	14	93%	1	7%	0	0%	0	0%	15
	Dept. of Corrections	State	18	82%	1	5%	0	0%	3	14%	22
	Dept. of General Administration	State	18	82%	1	5%	0	0%	3	14%	22
	Department of Labor and Industries	State	17	77%	1	5%	0	0%	4	18%	22
	Department of Social and Health Services	State	17	77%	2	9%	0	0%	3	14%	22
	Department of Revenue	State	18	82%	1	5%	0	0%	3	14%	22
	Office of Financial Management	State	18	82%	1	5%	0	0%	3	14%	22
	Office of Insurance Commissioner	State	13	100%	0	0%	0	0%	0	0%	13
	State Investment Board	State	13	93%	0	0%	0	0%	1	7%	14
	Washington Lottery	State	18	82%	1	5%	0	0%	3	14%	22
	Washington State Patrol	State	18	82%	1	5%	0	0%	3	14%	22
	Total		394	79%	50	10%	16	3%	40	8%	500
Highway Maintenance & Construction Management	Department of Transportation	State	46	78%	12	20%	0	0%	1	2%	59
Construction Management	Port of Seattle	Port	46	90%	0	0%	1	2%	4	8%	51
Administration and Overhead	Department of Transportation	State	5	45%	3	27%	1	9%	2	18%	11

Audit Report	Government Responsible for Recommendation	Govt. Type		%		%	partial	%		%	Total
Managing and Reducing Congestion in Puget Sound	Department of Transportation	State	18	95%	1	5%	0	0%	0	0%	19
Link Light Rail Project	Sound Transit	Transit	21	100%	0	0%	0	0%	0	0%	21
Educational Service Districts	ESD 101	ESD	14	58%	3	13%	0	0%	7	29%	24
	ESD 105	ESD	17	71%	0	0%	1	4%	6	25%	24
	ESD 112	ESD	19	90%	0	0%	0	0%	2	10%	21
	ESD 113	ESD	15	68%	0	0%	4	18%	3	14%	22
	ESD 114	ESD	30	91%	0	0%	0	0%	3	9%	33
	ESD 121	ESD	16	84%	1	5%	0	0%	2	11%	19
	ESD 123	ESD	15	50%	6	20%	0	0%	9	30%	30
	ESD 171	ESD	10	43%	8	35%	1	4%	4	17%	23
	ESD 189	ESD	0	0%	0	0%	0	0%	16	100%	16
	Association of ESDs		19	41%	0	0%	0	0%	27	59%	46
	Total		155	60%	18	7%	6	2%	79	31%	258
Washington State Ferries	Dept. of Transportation	State	5	50%	4	40%	0	0%	1	10%	10
Health Professions Quality Assurance	Department of Health	State	37	61%	13	21%	0	0%	11	18%	61
State Motor Pool	Department of General Administration	State	3	75%	0	0%	0	0%	1	25%	4
Totals											
16	87	82	831	69%	173	14%	37	3%	165	14%	1,206

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