



THE AUDIT CONNECTION

Performance Reviews: Making the Most of Performance Auditing

In 2005, Washington voters gave state government a powerful new tool to help make government work better, faster, cheaper — performance audit. A performance audit looks at more than financial records. It audits a whole government agency or program — what workers do and what citizens get — to determine if it delivers the results taxpayers expect.

The Washington State Auditor's Office, which is charged with conducting performance audits, discovered something important: it is more effective and efficient to first conduct a review of a government function or program to determine if it could benefit from a full performance audit. We call this a performance review.

A good example is the 2009 performance review that explored whether the state should get out of the liquor business. The review, released last year, remains viable even after voters rejected two ballot measures in November that would have privatized the liquor business.

Another example, just released, is our performance review that explores issues citizens face in connecting relevant services or people in state government. The review offers a potential solution — one number to call to connect citizens with the service they need — which is already in use in other states and

some of the nation's biggest cities.

In selecting topics for performance reviews, we focus on services for which taxpayers are spending the most money, such as the Department of Social and Health Services, the largest state government agency.

We look at services that can be made more efficient, such as the fragmented management of the state's real estate holdings. And we focus on services where we can ask: Can the private sector better serve taxpayers?

Once we launch a review, we thoroughly explore four questions:

- Is this service a core function of government?
- If not, can it be scaled back, eliminated, or transferred to the private sector?
- Can we get better results from the money we're already spending?
- Has the idea produced good results elsewhere in the public or private sector?

We are posting our recent reviews **on our website** as we complete them. We hope you will look at the site and find reviews that help you deliver services better, faster, and cheaper.

FOR MORE INFORMATION ON PERFORMANCE REVIEWS:
WWW.SAO.WA.GOV/EN/AUDITS/SGPR/PAGES/DEFAULT.ASPX

Example Ideas

IDEA IN BRIEF: ONE NUMBER TO CALL
State Government Performance Review

Washington State Auditor BRIAN SONNITAG, CGFM (360) 902-0360 Brian.Sonnitag@sa.wa.gov	What is it? Thousands of Washingtonians dial 9-1-1 every day. It's that simple. Why not give our information or help from state government Citizens — the ones who pay for state services with a worker trained to handle myriad questions or solve the problem right the worker would link the caller directly New York City, Chicago and Philadelphia systems. In New York City, 80 percent of person within 30 seconds and are core trained, knowledgeable listeners. Beh
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Could the state offer a 3-1-1 service to help citizens find services, solve problems and participate in government?

IDEA IN BRIEF: K-20 NETWORK
State Government Performance Review

Washington State Auditor BRIAN SONNITAG, CGFM (360) 902-0360 Brian.Sonnitag@sa.wa.gov	What is it? The state K-20 Network provides the internal network (or intranet) linking in districts, libraries and other institutions two school districts in the state are part the 14-year-old network for videoconferencing teacher training data services for fiscal including K-12 payroll and report cards The Network's three underlying goals income school districts have equal participation and collaboration among broad access to teacher resources and
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Could the K-20 Network cut costs through privatization, using the Internet, or using a new funding model? Could it include other agencies?

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State Auditor's Office Improves Reporting of Local Government Data

The State Auditor's Office is improving the way we collect and report local government data. Our goal is to improve the performance of the online application that displays the data and to streamline the process we use to collect it. We expect to complete this project in Spring 2012.

Although the project includes upgrading databases to reduce maintenance and processing costs, the real benefits will be the streamlined data entry process for local governments. This will result in additional and more accurate data being available on the Internet.

Currently, revenue and expenditure data is available at www.sao.wa.gov/applications/lgfrs/ for cities, counties, ports and transits. At the end of the project, the database will include all local government types and data such as cash balances, debt limits, and fund balances. These additional data

elements will allow for tracking financial trends and will improve government transparency.

Data entry will be streamlined to allow for Internet collection of data. For example, some of the annual report schedules will be imported directly to the Internet, eliminating the need for manual entry. We will also enable local governments to edit their own data to improve timeliness and accuracy. The State Auditor's Office will work with the local governments over the next few years to make them aware of the edits they eventually will be required to make before their data is accepted in the database.

This process will start with the 2010 annual report data and preparers will receive a list of incorrect Budget, Account and Reporting System (BARS) accounts. In future years we plan to require these corrections to be made by the government submitting the data in

order for the data to be accepted by our office.

The BARS revision project parallels this effort and will be completed for the 2012 BARS update. Revisions to the BARS accounts will in many cases reduce the required detail reported in annual reports. The new online reporting option available to users also supports these efforts since it will become the basis for data editing and reporting.

These combined efforts will mean more efficient collection of data, which will result in more reliable information to users and transparency to citizens. Ultimately, more useful information will be available to the public and policymakers to make informed decisions.

If you have any questions regarding the changes, please contact the State Auditor's Office Local Government Support Manager Christy Raske at Christy.raske@sao.wa.gov.

Decreasing Property Values and Debt Limitations

Question: With the economic downturn happening, property values are declining. Does this mean that our debt limitation will decrease each year and put us in violation of the limit even though we have not issued debt this year?

Answer: The State Auditor's Office has addressed this in the 2011 BARS update. Local governments should use the last assessed valuation of taxable property. The last assessed valuation is the valuation placed on the last completed and balanced tax rolls of the county preceding the date of contracting the debt or incurring the liability (RCW 39.36.010, RCW 39.36.015 and RCW 84.52.080). Refer to BARS for detailed instructions on completing the Schedule 10 for your annual financial report.

Initiative 937 - Renewable energy sources and conservation programs

In 2006, Washington voters approved Initiative 937, establishing the Energy Independence Act. The Act requires electric utility companies to invest in renewable energy sources and energy conservation programs. Utility companies with more than 25,000 customers that are subject to these requirements include municipal governments, public utility districts, investor-owned utilities and cooperatives.

Initiative 937 calls on the State Auditor's Office to review municipal

and public utility districts' compliance with these new regulations. We will audit 10 public utility districts and two municipal utilities for compliance with renewable energy and conservation requirements they must meet beginning in 2012.

*Energy audits on our website:
<http://www.sao.wa.gov/EN/Audits/LocalGovernment/Pages/energy.aspx>*

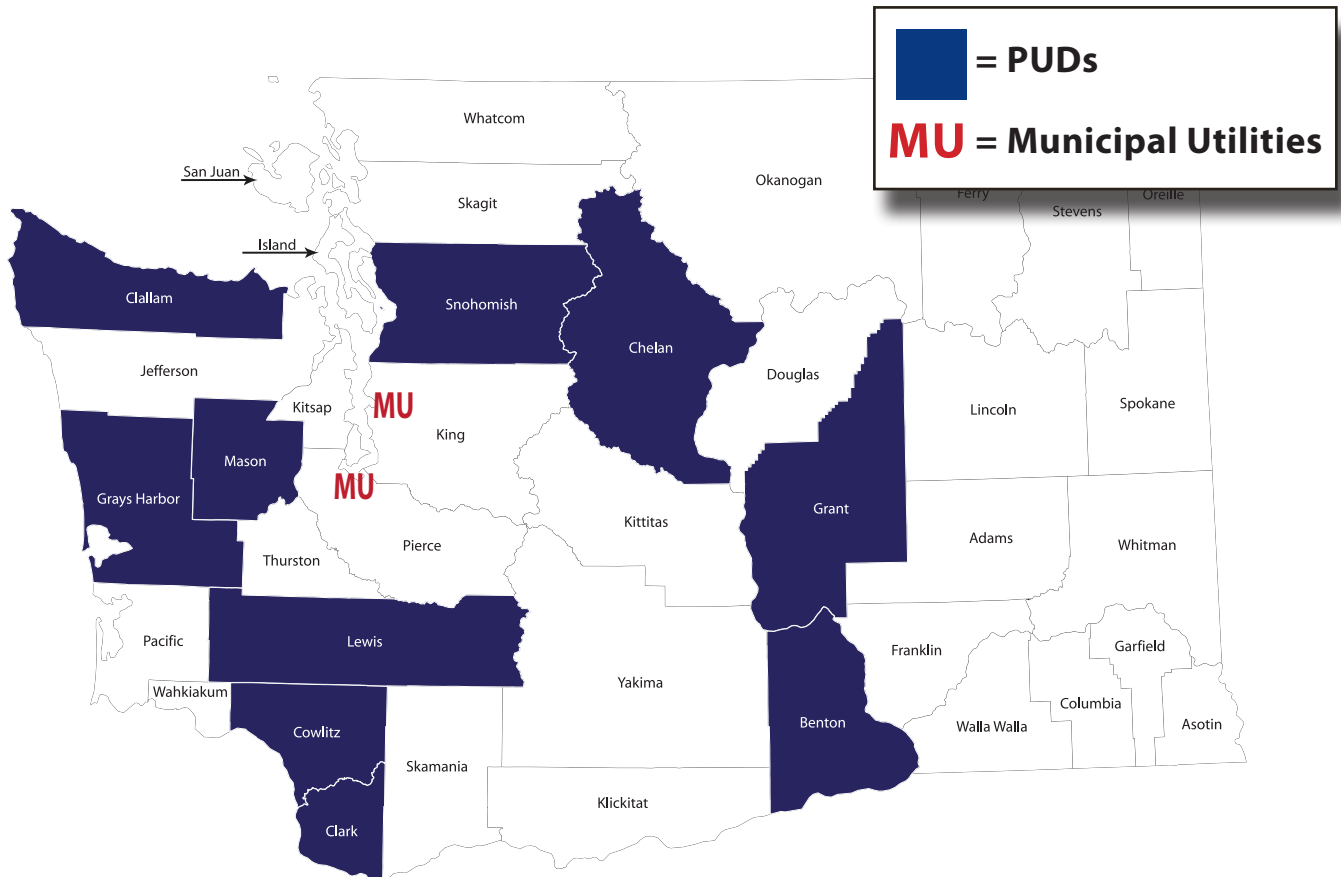
We welcome this new responsibility and have engaged in significant outreach to utilities, key agencies, and the Legislature in preparation for these new audits. We have been communicating with several key parties such as each electric

utility, Department of Commerce, Utilities & Transportation Commission, Bonneville Power Administration, and respective energy committees of the state House and Senate.

We have already begun the planning phase of our audits and expect to commence fieldwork during 2011. It is our goal to issue all 12 audit reports – one for each utility – by December 31, 2012.

We are encouraged by the cooperation received from all parties. We look forward to our continued relationships as we start our first audits.

Utilities to be audited



Attorney General Opinion: Interest Placed in Current Expense Fund

Background:

As revenues have not kept up with the demands for services, local governments have looked for new sources to provide some relief to the current expense or general fund. In the case of counties, there is a state law, RCW 36.29.020, that provides:

Whenever the funds of any municipal corporation which are not required for immediate expenditure are in the custody or control of the county treasurer, and the governing body of such municipal corporation has not taken any action pertaining to the investment of any such funds, the county finance committee shall direct the county treasurer, under the investment policy of the county treasurer to invest, to the maximum prudent extent, such funds or any portion thereof... or deposit such funds... Provided... the interest or other earnings from such investments or deposits shall be deposited in the current expense fund of the county and may be used for general county purposes. The investment or deposit and disposition of the interest or other earnings therefrom authorized by this paragraph shall not apply to such funds as may be prohibited by the state Constitution from being so invested or deposited.

Some counties have used this statute to redirect interest earned on many county funds to the current expense. The State Auditor's

Office has taken exception with counties redirecting the interest of some restricted funds to the current expense fund. This difference in interpretation of the applicable laws continued for a number of years.

In 2010, the interest diversions resulted in a large enough unrecorded liability to impact the financial opinion of two counties. Since this issue had elevated from a compliance interpretation to impacting the financial reporting of the counties, our Office requested a formal opinion from the Attorney General's Office on this issue.

Opinion:

On December 21, 2010, the Attorney General's Office issued AGO 2010 No. 10. They answered the two questions asked by our Office as listed below:

1. Does RCW 36.29.020 allow a county treasurer to allocate the interest earned on investment of a county's own funds to the current expense fund, or does it apply only to the funds of other municipal corporations that are held by a county treasurer?

Answer:

Yes, counties are municipal corporations and are generally authorized under RCW 36.29.020 to allocate interest earned on investment of county funds into the county current expense fund.

2. If RCW 36.29.020 applies to county funds, what statutory language is necessary to indicate legislative intent that interest must remain with a county fund rather than be allocated into the county current expense fund?

Answer:

First, RCW 36.20.020 allows allocation of inter-

est into the current expense fund only when the county legislative authority has not taken action pertaining to the investment of the fund. When the legislative authority has not taken action pertaining to the fund, the Opinion concluded that specific legislative intent is necessary to override the authorization granted to counties in RCW 36.29.020. The Attorney General found three particular statutes that specifically state that interest earned on fund investments must remain with those funds. The other statutes that were referenced in the opinion may have implied a restriction but were not specific enough to override RCW 36.29.020.

The State Auditor's Office is in the process of updating guidance in our Budgeting, Accounting and Reporting System (BARS) Manual and to our auditors.

Since this AGO is addressing a specific county statute, there is no application or changes to other local government guidance or audits.

A copy of the Opinion may be found on the Attorney General's website: www.atg.wa.gov.

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