

SENATE BILL REPORT

SB 5172

As of February 28, 1995

Title: An act relating to performance audits of the state investment board.

Brief Description: Auditing the state investment board.

Sponsors: Senators Snyder, Winsley, Haugen, Heavey, Bauer, Roach and Gaspard; by request of State Treasurer.

Brief History:

Committee Activity: Ways & Means: 2/27/95.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Denise Graham (786-7715)

Background: Authority and responsibility for performance assessment, performance audits, and performance improvement is vested in a number of agencies within state government.

The Legislative Budget Committee is authorized to conduct performance audits, program evaluations, and management surveys, all of which are intended to provide independent examination of agency and program performance, along with recommendations for improvement.

Currently, the State Auditor conducts fiscal audits, and is authorized to conduct performance verifications to verify the accuracy of measurements and reports used by agencies in measuring their performance. Such performance verifications must be specifically authorized by the Legislature in the omnibus biennial appropriations act.

Summary of Bill: The State Auditor, in consultation with the Legislative Budget Committee, is responsible for obtaining the services of a private firm to conduct performance audits of the State Investment Board. The audits are conducted at least every four years.

"Performance audit" as defined in the bill means: (1) identifying the appropriate statutory mandates and limitations that apply to the board; (2) determining whether the board is complying with its statutory mandates; (3) recommending corrective action, if necessary; (4) identifying appropriate standards for management practices and operations and determining the extent to which the board is complying with such standards; and (5) recommending ways for the board to improve its level of compliance.

The auditor coordinates, to the greatest extent possible, with the Legislative Budget Committee and the Office of Financial Management in developing performance audit goals, objectives and standards of the board.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill will provide for a regular performance audit of the Investment Board, allowing continual oversight through an independent contractor. The specialized resources that a contractor can provide are not available from any state agency. The Investment Board welcomes the helpful scrutiny of an independent audit, which will look beyond mere statutory compliance and examine management practices, investment strategies, asset allocation, etc.

Testimony Against: None.

Testified: Dan Grimm, State Treasurer (pro); Sheryl Wilson, Director of Retirement Systems (pro); James Parker, Executive Director, State Investment Board (pro).