



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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July 15, 2015

Ms. Jan Jutte
Acting Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Ms. Jutte:

On behalf of the audited agencies, thank you for the opportunity to review and respond to the State Auditor's Office (SAO) performance audit report, "Regulatory Reform: Enhancing Regulatory Agency Coordination." To provide this consolidated response, the Office of Financial Management worked with the Gambling Commission, Liquor Control Board, Lottery, Office for Regulatory Innovation and Assistance, State Patrol (WSP), and the departments of Archeology and Historic Preservation, Commerce, Ecology, Employment Security, Fish and Wildlife, Health, Labor and Industries, Social and Health Services (DSHS), and Transportation.

Governor Inslee and agency leaders are committed to continuous improvement and promoting efficiency. For some projects, regulatory coordination adds value by sharing information and streamlining the application process for businesses — resulting in cost savings for agencies and business. In other cases, agencies have learned that coordinating approval processes may add undue time and cost for business.

We appreciate the SAO acknowledging that it is not practical to ask agencies to formalize all of their coordination activities or to coordinate on every type of approval process.

We support identifying where regulatory coordination would add value and agree in concept with appointing a lead agency to develop a long-term strategy for identifying and prioritizing multi-agency processes. Such efforts — either initiated ad hoc by agencies as resources allow or through formal statute — take thoughtful consideration and resources. There also may be constraints that prevent agencies from sharing information, including laws or system limitations from legacy computers.

While the report provided helpful information about three hypothetical scenarios and five coordination initiatives, much more will need to be known to strategically prioritize the more than 1,100 regulations across the 26 state agencies that regulate Washington's dynamic and innovative business community. We appreciate the report acknowledging the regulatory coordination efforts and leading practices of Health, DSHS and WSP for assisted living facilities. However, it would have been valuable for the report to help prioritize specific processes in which more regulatory coordination would benefit businesses.

Ms. Jan Jutte
July 15, 2015
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Please relay our appreciation to your staff for their time and effort on this important topic.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Schumacher', with a long horizontal flourish extending to the right.

David Schumacher
Director

cc: Joby Shimomura, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Miguel Pérez-Gibson, Executive Director of Legislative Affairs, Office of the Governor
Matt Steuerwalt, Executive Director of Policy, Office of the Governor
Tracy Guerin, Deputy Director, Office of Financial Management
Wendy Korthuis-Smith, Director, Results Washington, Office of the Governor
Tammy Firkins, Performance Audit Liaison, Results Washington, Office of the Governor
David Trujillo, Director, Gambling Commission
Jane Rushford, Chair, Liquor Control Board
Bill Hanson, Director, Lottery
Jesus Sanchez, Director, Office for Regulatory Innovation and Assistance
John Batiste, Chief, Washington State Patrol
Allyson Brooks, Director, Department of Archeology and Historic Preservation
Brian Bonlender, Director, Department of Commerce
Maia Bellon, Director, Department of Ecology
Dale Peinecke, Commissioner, Employment Security Department
Jim Unsworth, Director, Department of Fish and Wildlife
John Wiesman, Secretary, Department of Health
Joel Sacks, Director, Department of Labor and Industries
Kevin Quigley, Secretary, Department of Social and Health Services
Lynn Peterson, Secretary, Department of Transportation

OFFICIAL COORDINATED AGENCY RESPONSE TO THE PERFORMANCE AUDIT ON REGULATORY REFORM: ENHANCING REGULATORY AGENCY COORDINATION

JULY 15, 2015

This coordinated management response to the State Auditor's Office (SAO) performance audit report received June 24, 2015, is provided by the Office of Financial Management, Gambling Commission, Liquor Control Board, Lottery, Office for Regulatory Innovation and Assistance, State Patrol, and the departments of Archeology and Historic Preservation, Commerce, Ecology, Employment Security, Fish and Wildlife, Health, Labor and Industries, Social and Health Services, and Transportation.

SAO Performance Audit Objectives

The SAO sought to answer these questions:

- Are state agencies currently coordinating their processes to minimize resources needed for businesses' regulatory approvals?
 - Do opportunities exist for expanded coordination among Washington's regulatory agencies?
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SAO Recognition 1: Leading practices used to evaluate agencies have proven success on the federal level.

SAO Recognition 2: Several multi-agency coordination efforts are already in place, and some have aligned well with leading practices.

SAO Issue 1: Three hypothetical projects showed that agency coordination is limited.

SAO Issue 2: The state does not have a strategic approach to identify and prioritize opportunities to coordinate.

SAO Recommendation 1: To ensure ongoing coordination among regulatory agencies, reduce costs to government and businesses, and promote economic vitality, we recommend the Legislature assign a lead agency to:

1. Develop a long-term strategy for identifying and prioritizing multi-agency regulatory processes that can be streamlined through better coordination, based on such things as:
 - Industry needs determined in collaboration with businesses
 - Importance to the state
 - Potential for savings to businesses and agencies
2. Develop a timetable for prioritized regulatory processes to be streamlined through coordination
3. Identify agencies involved in each regulatory process to be streamlined through coordination
4. Convene agencies involved in those regulatory processes and facilitate ongoing coordination

5. Work with identified agencies on prioritized processes to:
 - a. Scope and understand the problem
 - b. Establish written policies and protocols for coordinating
 - c. Identify structured communication channels between agencies
 - d. Develop methods for sharing of applicant information between agencies to reduce duplication of what businesses need to submit, where possible
 - e. Promote concurrent reviews of applicant materials or comment periods
 - f. Ensure compatible regulatory requirements
 - g. Develop and track performance measures

6. Report to the Governor and Legislature annually on:
 - a. Progress of prioritized regulatory processes being streamlined through coordination
 - b. Performance measures for each process

STATE RESPONSE

We appreciate the SAO acknowledging that it is not practical to ask agencies to formalize all of their coordination activities or to coordinate on every type of approval process.

We support identifying where regulatory coordination would add value and agree in concept with appointing a lead agency to develop a long-term strategy for identifying and prioritizing multi-agency processes. Such efforts — either initiated ad hoc by agencies as resources allow or through formal statute — take thoughtful consideration and resources. There also may be constraints that prevent agencies from sharing information, including laws or system limitations such as cobalt programmed legacy computer systems.

Action Steps and Time Frame

- None applicable. *Directed to the Legislature.*
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