

SUBJECT: Coordinating functions of the state auditor

COMMITTEE: State Affairs — favorable, with amendment

VOTE: 14 ayes — Wolens, S. Turner, Alvarado, Brimer, Carter, Counts, Craddick, Danburg, Hilbert, Hunter, Longoria, McCall, Ramsay, Stiles

0 nays

1 absent — D. Jones

WITNESSES: For — None

Against — None

On — Doug Brown, Larry Alwin and Craig Kinton, State Auditor's Office

BACKGROUND
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The state auditor is responsible for conducting audits of all state agencies, including institutions of higher education. The state auditor is appointed by the Legislative Audit Committee, composed of the lieutenant governor, the speaker of the House, the chairs of the Senate State Affairs and Senate Finance committees, and the chairs of the House Appropriations and House Ways and Means committees.

The state auditor conducts audits of agencies based on a yearly auditing plan approved by the Legislative Audit Committee or at the direction of the committee. The auditor may conduct financial, compliance, economy and efficiency, effectiveness, classification or special audits, and has investigative capabilities to inquire into specific acts or allegations of impropriety, fraud, or misappropriation.

Major projects undertaken by the State Auditor's Office include the statewide audit, management control audits, and performance measure certification audits. The statewide audit is performed to check the material accuracy of the financial statements of the state and satisfies the audit requirement established under federal law for the nearly \$16 billion of federal money Texas receives. Performance measure audits evaluate

compliance with performance measures included in the General Appropriations Act.

The auditor must submit an audit report of each agency audited to the governor, lieutenant governor, speaker of the House, secretary of state, chair of the governing body and administrative head of the entity being audited, and the members of the legislative committees with oversight responsibilities for the entity being audited. The auditor also must prepare a special report biennially for the Legislative Audit Committee on the fiscal accountability of the state.

DIGEST: HB 2906 would amend various provisions relating to the State Auditor's Office.

New provisions added by HB 2906 would:

- require the agency audited to report to the Legislative Audit Committee on the manner in which it has addressed the findings and recommendations contained in the audit report. The report would have to include reasons for not implementing any of the recommended changes.
- allow the state auditor to coordinate with independent auditors performing audits on state agencies or other entities. The independent auditor could conduct an audit only if authorized by law and if the audit plan was submitted to the state auditor.
- require administrative heads of state agencies to report allegations of possible fraud or misappropriation to the State Auditor's Office.
- authorize the state auditor to obtain access to criminal history records when performing an investigative audit. The records would be considered working papers of the state auditor and would not be subject to disclosure without the consent of the subject of the record.
- reorganize the cost-benefit study of programs administered by the Texas Agricultural Finance Authority (TAFA), allowing the auditor, the

Legislative Budget Board, and the Governor's Office to aid in developing at least two performance measures for budgeting purposes.

HB 2906 would eliminate duplicative requirement in the Education Code that the state auditor report on internal audits to the Texas Education Agency and repeal provisions requiring bonds for the state auditor and a "full time" internal audit and specifying the contents of audit reports.

The bill also would eliminate requirements that the state auditor:

- conduct annual audits of the liquidator function at the Texas Department of Insurance and the Texas Health Reinsurance System;
- determine the relevant costs considered in the privatization of engineering design contracts for the Texas Department of Transportation;
- review the quality of the Texas Higher Education Coordinating Board's internal audit;
- report annually to the Legislative Audit Committee summarizing the audits for the year and the biennial special report on fiscal accountability in the state; and
- verify the eligibility of all persons enrolled in programs covered by the Texas State College and University Employees Uniform Insurance Benefit Act.

**SUPPORTERS
SAY:**

HB 2906 is statutory cleanup recommended by the State Auditor's Office to remove unnecessary and redundant provisions and consolidate functions. The new provisions would help coordinate audits and auditing procedures and follow-up by audited agencies.

HB 2906 would not make any significant changes to the day-to-day operation of the State Auditor's Office but primarily conform statutes to conform to current practices. There would be no additional fiscal requirements placed on the auditor's office in performing new functions. However, the consolidation and coordination of functions could allow the

auditor's office to spend more time conducting audits and less time on bureaucratic processes.

Coordinating investigative audits with and releasing criminal records to the auditor's office would assist the auditor in conducting investigations while providing adequate protection of the persons who may be the subjects of the investigation.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The companion bill, SB 32 by Ratliff, has been referred to the Senate State Affairs Committee.