

SUBJECT: Requiring external efficiency audits of the DFPS

COMMITTEE: Human Services — favorable, without amendment

VOTE: 5 ayes — Frank, Hull, Klick, Noble, Shaheen

3 nays — Hinojosa, Meza, Rose

1 absent — Neave

WITNESSES: For — Julia Hatcher, Texas Association of Family Defense Attorneys (TAFDA); Andrew Brown, Texas Public Policy Foundation; (*Registered, but did not testify*: Judy Powell, Parent Guidance Center; Thomas Parkinson)

Against — (*Registered, but did not testify*: Tyler Sheldon, Texas State Employees Union)

On — (*Registered, but did not testify*: Chance Watson, Department of Family and Protective Services)

BACKGROUND: Government Code ch. 2102 requires the Department of Family and Protective Services (DFPS) to conduct an annual internal audit, the findings of which must be submitted in an annual report before November 1 of each year to certain governmental entities.

DIGEST: HB 2374 would require the Department of Family and Protective Services (DFPS) to conduct an efficiency audit during fiscal 2022 and every fourth year after that examining fiscal management, efficiency, outcomes for children and families served by the department, and utilization of resources.

The Legislative Budget Board (LBB) would establish the scope of the efficiency audit and would determine the areas of investigation for the audit, including:

- review of DFPS resources to determine whether they were being used effectively and efficiently to achieve desired outcomes for children and families served by the department;
- identification of cost savings or reallocations of resources; and
- identification of opportunities for improving services through consolidation of essential functions, outsourcing, and elimination of duplicative efforts.

External auditor and report. By March 1 of the state fiscal year in which an efficiency audit was required, the DFPS commissioner, in collaboration with the Family and Protective Services Council, DFPS's chief financial officer, and DFPS's internal audit director, would have to select an external auditor to conduct the efficiency audit. The external auditor would have to be independent of DFPS's direction and would be required to complete the audit by the 90th day after selection by the DFPS commissioner.

By November 1 of the calendar year in which an efficiency audit was conducted, the auditor would be required to prepare and submit a report of the audit and recommendations for efficiency improvements to the governor, the LBB, the state auditor, the DFPS commissioner, the Family and Protective Services Council, and the chairs of the House Human Services Committee and the Senate Health and Human Services Committee.

Other provisions. An efficiency audit completed under the bill would satisfy the department's annual internal audit requirements for the year. DFPS would be required to pay the costs associated with the efficiency audit using money appropriated for administrative and internal audit operations in the state fiscal year the audit was conducted.

If DFPS failed to conduct an efficiency audit under the bill's provisions, the amount appropriated to the department by the Legislature for the next state fiscal biennium could not exceed the department's baseline budget.

The bill would take effect September 1, 2021.

SUPPORTERS
SAY:

HB 2374 would identify areas of improvement and promote innovation of services and processes within the Department of Family and Protective Services (DFPS) by requiring regular efficiency audits examining fiscal management, efficiency, utilization of resources, and outcomes for the children and families served by the department.

Efficiency audits are intended to determine if taxpayer dollars spent by the agency are achieving desired outcomes, unlike traditional financial audits, which only look at the financial statements of a government agency to ensure that the records provide a fair and accurate representation of financial activities. In the context of child welfare, an efficiency audit could help ensure that agency activities are prioritizing the safety of children and generating positive outcomes in the lives of children served. The efficiency audits required by HB 2374 would help DFPS provide these improved outcomes for families at a lower cost to taxpayers, as the audit would identify duplicative efforts and other inefficiencies.

The unique evaluation that an efficiency audit provides is critical for Texas as the state continues to work toward successful compliance with remedial actions, while transitioning to the community-based care model. The results of the efficiency audit would provide DFPS with a workable plan for addressing such issues and ongoing improvement efforts, and the independent nature of the audit would ensure the department was held accountable for the millions of dollars it receives on a yearly basis.

The bill would require DFPS to pay costs associated with the efficiency audit using money appropriated for administrative and internal audit operations in the fiscal year that the efficiency audit was completed. Concerns about the payment requirement are misplaced because the efficiency audit would satisfy DFPS's annual internal audit requirements for the year.

CRITICS
SAY:

HB 2374 would require DFPS to conduct an efficiency audit, which would be unnecessary because the Department of Family and Protective Services (DFPS) already is required to conduct an internal audit annually,

the findings of which are reported to the appropriate entities. Even though the stated purpose of the efficiency audits would be to achieve optimal outcomes for children and families within the most cost-effective manner, the results of the audits could be used to justify financial reductions for certain social services on which vulnerable Texans rely.

HB 2374 would require DFPS to fund the costs of the efficiency audit using money appropriated for administrative and internal audit operations, which could result in a loss of funds for maintenance of current department functions and staff. The bill also requires the external auditor to complete the audit within 90 days of selection by the DFPS commissioner, and if the 90-day time frame is not met, all requests by the department for additional appropriations or exceptional items for the next fiscal biennium would be denied by the Legislature. The current DFPS internal audit does not place a similar time frame on the department, and there are concerns that an external auditor may not be able to comply with the 90-day time frame, leading to financial repercussions for the department that would make its crucial job of serving some of the most at-risk Texans more difficult.