

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 703  
By: Nelson  
Criminal Justice  
4-18-97  
Committee Report (Substituted)

### **DIGEST**

Currently, the Texas Department of Criminal Justice (TDCJ) has two separate and sizable audit units, including an Internal Audit Division and the Community Justice Assistance Division (CJAD). In addition, TDCJ recently launched a program to contract with private accounting firms. In its 1994 report, the Texas Performance Review uncovered expensive, duplicative, and weak audit efforts within TDCJ; and concluded that too much time was dedicated to low-risk operations, with too little time in high-risk areas of high-dollar activity and weak controls. Furthermore, TDCJ's Internal Audit Division published a report in 1996 listing over a dozen major deficiencies in the quality of CJAD's oversight of the financial audit program. This legislation would consolidate all TDCJ audit and program review functions including internal auditing, contract auditing, and CJAD auditing under an Internal Audit Division whose director would be hired and serve at the pleasure of the TDCJ Board. C.S.S.B. 703 also proposes adding another level of accountability over TDCJ's revenue, expenditures, and account balances by requiring all of the agency's funds to be deposited into the state's general revenue fund, in trust with the comptroller, or in a local bank account.

### **PURPOSE**

As proposed, C.S.S.B. 703 establishes the consolidation of the fiscal and program audit functions of the Texas Department of Criminal Justice.

### **RULEMAKING AUTHORITY**

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 491.001(a), Government Code, to define "internal audit division."

SECTION 2. Amends Sections 493.002(a) and (c), Government Code, to include the internal audit division among the divisions within the Texas Department of Criminal Justice (department). Makes conforming changes.

SECTION 3. Amends Section 493.0081, Government Code, to redesignate Section 493.0081 as Section 493.0052, Government Code, as follows:

Sec. 493.0052. New heading: INTERNAL AUDIT DIVISION. Requires the Texas Board of Criminal Justice (board) to hire a director for the internal audit division. Deletes the provision requiring the board to create an office of internal audits and employ a chief of the office. Requires the internal audit division to conduct a program of internal auditing, including internal audits, contract audits, and community supervision and corrections department audits for the department. Requires the director of the internal audit division to send reports, audits, evaluations, and recommendations to the board and to the executive director. Sets forth the terms by which the office of the state auditor is required to provide ongoing training and technical assistance for the benefit of the internal audit division and the department's managers; and assist the department in preparing the annual audit plan for fiscal years 1998 and 1999. Provides that this subsection expires January 1, 2000.

SECTION 4. Amends Chapter 493, Government Code, by adding Section 493.0082, as follows:

Sec. 493.0082. DISPOSITION OF CERTAIN FINANCIAL ASSETS. Requires all money and other financial assets collected or received by the department to be deposited in the general revenue fund of the state treasury; in trust with the comptroller; or in a local bank account on approval by the comptroller. Sets forth the assets included as financial assets collected or received by the department.

SECTION 5. Amends Section 509.005(a), Government Code, to require the community justice assistant division to inspect and evaluate from time to time, and to authorize the internal audit division to conduct an audit of financial, program compliance, or performance records of a department to determine compliance with the division's rules and standards to make certain determinations.

SECTION 6. Effective date: September 1, 1997.

SECTION 7. Provides that not later than October 1, 1997, the custodian of a fund or account in which a financial asset, including money, is held by the department outside of the state treasury is required to deposit that asset.

SECTION 8. Emergency clause.

### **SUMMARY OF COMMITTEE CHANGES**

SECTION 1.

Amends Section 491.001(a), Government Code, to define "internal audit division."

SECTION 3.

Amends Section 493.0081, Government Code, to change the terms by which the internal audit division is required to conduct a program of internal auditing. Requires the director of the division to send reports, audits, evaluations, and recommendations to the board and to the executive director.

SECTION 4.

Amends Section 493.0082, Government Code, to establish the disposition of money and other financial assets collected or received by the department, and delete the provisions regarding money to be deposited in the treasury.

SECTION 5.

Amends Section 509.005(a), Government Code, to set forth the terms by which the community justice assistance division is required, and the internal audit division is authorized, to conduct an audit of the financial, program compliance, or performance records of a department to make certain determinations. Deletes existing text regarding conducting an audit of certain department records.

SECTION 7.

Amends the terms by which the custodian of a fund or account in which a financial asset, including money, is held by the department, is required to deposit the asset.