

By: Hochberg

H.B. No. 2485

A BILL TO BE ENTITLED

AN ACT

relating to internal auditing of state agencies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 2102.004, Government Code, is amended to read as follows:

Sec. 2102.004. APPLICABILITY. (a) Sections 2102.005-2102.012 apply only to a ~~[This chapter applies to each]~~ state agency that:

(1) has an annual operating budget that exceeds \$10 million;

(2) has a staff of more than 100 full-time equivalent employees; or

(3) receives and processes more than \$10 million in cash in a fiscal year.

(b) Sections 2102.013 and 2102.014 apply to each state agency that receives an appropriation and that is not described by Subsection (a).

SECTION 2. Chapter 2102, Government Code, is amended by adding Sections 2102.013 and 2102.014 to read as follows:

Sec. 2102.013. ANNUAL RISK ASSESSMENT; REPORT. (a) A state agency described by Section 2102.004(b) shall conduct each year a formal risk assessment consisting of an executive management review of agency functions, activities, and processes.

(b) The risk assessment must evaluate the probability of and

1 the likely effect of observed financial, managerial, and compliance  
2 risks and must rank risks according to the probability and likely  
3 effect of the risks evaluated.

4 (c) The state agency shall submit the written risk  
5 assessment to the state auditor in the form and at the time  
6 prescribed by the state auditor.

7 Sec. 2102.014. EVALUATION OF RISK ASSESSMENT REPORTS;  
8 AUDITS. (a) The state auditor shall:

9 (1) evaluate reports submitted under Section  
10 2102.013;

11 (2) identify agencies with significant financial,  
12 managerial, or compliance risk; and

13 (3) recommend to the governor that the identified  
14 agencies be ordered to conduct an internal audit.

15 (b) The governor shall order agencies identified under this  
16 section to conduct internal audits and submit reports as required  
17 by Sections 2102.005-2102.011.

18 (c) The governor may provide available money to agencies as  
19 necessary to pay the costs of audits ordered under this section.

20 SECTION 3. This Act takes effect immediately if it receives  
21 a vote of two-thirds of all the members elected to each house, as  
22 provided by Section 39, Article III, Texas Constitution. If this  
23 Act does not receive the vote necessary for immediate effect, this  
24 Act takes effect September 1, 2003.