

By: Ratliff S.B. No. 19
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COMMITTEE SUBSTITUTE FOR S.B. No. 19 By: Armbrister

A BILL TO BE ENTITLED
AN ACT

relating to audit and other related functions of the State Auditor and of certain other state entities.

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

SECTION 1. Section 320.001, Government Code, is amended to read as follows:

Sec. 320.001. DEFINITION [~~DEFINITIONS~~]. In this chapter, "mandate" [~~+~~

~~[(1) "Interagency work group" means the unfunded mandates interagency work group.~~

~~[(2) "Mandate"]~~ means a requirement made by a statute enacted by the legislature on or after January 1, 1997, that requires a political subdivision to establish, expand, or modify an activity in a way that requires the expenditure of revenue by the political subdivision that would not have been required in the absence of the statutory provision.

SECTION 2. Section 321.001, Government Code, is amended to read as follows:

Sec. 321.001. DEFINITIONS. In this chapter:

(1) "Audit plan" means the outline of work approved by the committee for the State Auditor's Office in a year for the performance of audits and related services, including technical assistance, data analysis, consulting and oversight functions, investigations, and the preparation of audit reports and other types of communications.

(2) "Audit working paper" means all documentary and other information prepared or maintained in conducting an audit or investigation, including all intra-agency and interagency communications relating to an audit or investigation and all draft reports or portions thereof.

(3) [~~(2)~~] "Committee" means the legislative audit committee.

(4) [~~(3)~~] "Department" includes every state department, agency, board, bureau, institution, or commission.

(5) "Risk assessment" means the process by which the State Auditor analyzes risks to the state on the basis of, at a minimum, the following:

(A) the identification of problems that can occur in operational or program areas of departments, including institutions of higher education, that are subject to audit by the State Auditor;

(B) a determination of the potential adverse effects from the problems; and

(C) a ranking of the risks associated with the problems.

SECTION 3. Subsection (a), Section 321.012, Government Code, is amended to read as follows:

(a) The committee directs and controls the expenditure of any money appropriated to the office of the State Auditor and must approve the State Auditor's appropriation requests and audit plan.

SECTION 4. Section 321.013, Government Code, is amended by amending Subsections (c) and (f) and adding Subsection (j) to read as follows:

(c) The State Auditor shall recommend the audit plan for the state for each [~~fiscal~~] year to the committee. In devising the

plan, the State Auditor shall consider recommendations concerning coordination of agency functions made jointly by representatives of the Legislative Budget Board, Sunset Advisory Commission, and State Auditor's Office. The State Auditor shall also consider the extent to which a department has received a significant increase in appropriations, including a significant increase in federal or other money passed through to the department, and shall review procurement activities for compliance with Section 2161.123. The plan shall provide for auditing of federal programs at least as often as required under federal law ~~[once in each fiscal biennium]~~ and shall ensure that audit requirements of all bond covenants and other credit or financial agreements are satisfied. The committee shall review and approve the plan.

(f) The State Auditor may conduct financial audits, compliance audits and investigations, and, with specific authority from the committee, economy and efficiency audits, effectiveness audits, and special audits~~[, and investigations]~~ as defined by this chapter and specified in the audit plan.

(j) In devising the audit plan under Subsection (c), the State Auditor shall perform risk assessments as required by law. The process of assessing risks to the state is the first stage of auditing, and all records of risk assessment are part of the working papers of the State Auditor. Accordingly, all documentation of risk assessments by the State Auditor is exempt from disclosure under Section 552.116.

SECTION 5. Subsections (b) and (g), Section 321.014, Government Code, are amended to read as follows:

(b) The written report must include ~~[a management letter with]~~ comments about internal controls, compliance with state or federal laws, and recommendations for improving financial operations or program effectiveness, as applicable. The report must also include an opinion on fair presentation of financial statements if the State Auditor considers an opinion to be necessary.

(g) If a department or entity does not agree with a finding or a recommendation contained in [implement a change recommended by] the state auditor's report, the department or entity shall file a report with the state auditor and the persons specified by Subsection (c). The report must:

(1) identify the finding or the recommendation with which the department or entity did not agree [implement]; [and]

(2) state the reason the department or entity did not agree with the finding or [implement] the recommendation; and

(3) state whether the department or entity intends to disregard the recommendation.

SECTION 6. Section 325.008, Government Code, is amended by adding Subsection (c) to read as follows:

(c) Work performed under this section by the state auditor is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 7. Subsection (b), Section 325.012, Government Code, is amended to read as follows:

(b) On the date the commission presents its report to the legislature under Section 325.010, the commission shall present to the state auditor the commission's recommendations that do not require a statutory change to be put into effect. Based on a risk assessment and subject to the legislative audit committee's approval of including the examination in the audit plan under Section 321.013, the [The] state auditor may [shall] examine the recommendations and include[,] as part of the next approved [scheduled] audit of the agency[, shall prepare] a report on whether the [manner in which the] agency has implemented the recommendations and, if so, in what manner.

SECTION 8. Subsection (d), Section 326.003, Government Code, is amended to read as follows:

(d) Not later than one month after the date of a meeting, the [The] committee shall submit its recommendations in writing to the head of each agency and the members of the legislative audit committee [not later than one month after the date of a meeting].

SECTION 9. Section 403.028, Government Code, is amended by amending Subsection (a) and adding Subsection (f) to read as follows:

(a) Except as provided by Subsection (f), the [The] comptroller~~[, in consultation with the state auditor's office,]~~ shall conduct a study each biennium to determine:

(1) the number and type of potential fraudulent claims for medical or health care benefits submitted:

(A) under the state Medicaid program, including the Medicaid managed care program implemented under Chapter 533; or

(B) by or on behalf of a state employee and administered by the attorney general under Chapter 501, Labor Code; and

(2) the need for changes to the eligibility system used under the state Medicaid program.

(f) The state auditor, based on a risk assessment and subject to the legislative audit committee's approval of including the state auditor's advisory function in the audit plan under Section 321.013, may advise the comptroller in its conduct of the study required under Subsection (a).

SECTION 10. Subsection (c), Section 403.031, Government Code, is amended to read as follows:

(c) The comptroller, in consultation with the state auditor and the attorney general, may develop standards and criteria to account for or to reclassify receivables determined to be uncollectible. The standards and criteria developed by the comptroller must comply with generally accepted accounting principles as prescribed or modified by the Governmental Accounting Standards Board or its successors and must provide proper accounting controls to protect state finances. ~~The [state auditor and the] attorney general shall review and approve the standards and criteria for classification of receivables. Receivables may be reclassified as collectible or uncollectible [according to the process approved by the state auditor or] on a case-by-case basis as determined or approved by the attorney general [that office].~~ The classification of receivables as uncollectible under this subsection does not constitute forgiveness of the debt, and any person indebted to the state remains subject to Section 403.055.

SECTION 11. Section 403.250, Government Code, is amended to read as follows:

Sec. 403.250. DUTIES OF STATE AUDITOR. The state auditor, based on a risk assessment and subject to the legislative audit committee's approval of including the audit in the audit plan under Section 321.013, may ~~[shall routinely]~~ audit state agencies for the proper use of petty cash accounts and promptly report shortages, abuses, or unwarranted uses of petty cash accounts to the legislature and the comptroller.

SECTION 12. Subsection (b), Section 403.272, Government Code, is amended to read as follows:

(b) All personal property owned by the state shall be accounted for by the agency that possesses the property. The comptroller shall define personal property by rule for the purposes of this subchapter. In adopting rules, the comptroller shall consider the value of the property, its expected useful life, and the cost of recordkeeping. ~~[The comptroller shall consult with the state auditor in drafting rules. The state auditor shall cooperate with the comptroller by giving technical assistance and advice.]~~

SECTION 13. Subsection (h), Section 403.273, Government Code, is amended to read as follows:

(h) The state auditor, based on a risk assessment and subject to the legislative audit committee's approval of including the examination in the audit plan under Section 321.013, may [shall] periodically examine property records or inventory as necessary to determine if controls are adequate to safeguard state property.

SECTION 14. Subsections (c) and (d), Section 441.185, Government Code, are amended to read as follows:

(c) The state records administrator and the state archivist shall review the schedule and recommend the schedule's approval or

disapproval to the director and librarian and the state auditor. The state auditor, based on a risk assessment and subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013, may review the schedule.

(d) If the director and librarian, and the state auditor, if the state auditor reviewed the schedule under Subsection (c), approve the schedule, the schedule may be used as the basis for the lawful disposition of state records under Section 441.187 for a period to be determined by the commission.

SECTION 15. Section 441.203, Government Code, is amended by adding Subsection (k) to read as follows:

(k) Participation by the state auditor under Subsection (a) is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 16. Subsection (d), Section 445.012, Government Code, is amended to read as follows:

(d) The state auditor, based on a risk assessment and subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013, may ~~[shall annually]~~ review the annual report on the fund, and any information used in preparing the report as the auditor determines necessary, and shall report any findings or recommendations to the museum and the legislative audit committee.

SECTION 17. Section 651.007, Government Code, is amended by amending Subsections (b) through (e), (g), and (h) and adding Subsection (j) to read as follows:

(b) Each state agency shall conduct an exit interview with an employee who leaves employment with the agency. The state agency shall conduct the exit interview by having the employee access the questionnaire posted on the state auditor's Internet site and electronically submit the completed questionnaire to the state auditor. The questionnaire must state that the employee has the option of having the employee's questionnaire furnished to the head of the agency or the governor's office.

(c) The state agency shall conduct the exit interview in a manner that allows the employee alone to describe the employee's reason for leaving employment. The state agency may not alter the description stated by the employee. The state agency may not have access to the questionnaire unless it is provided by the employee under Subsection (b).

(d) ~~Subject to Subsection (j), the [The]~~ state auditor shall develop the exit interview questionnaire. In developing the questionnaire under this subsection, the state auditor shall consult with the comptroller and representatives designated by the comptroller from small, medium, and large state agencies.

(e) Not later than the 15th day following the end of the calendar quarter, the state auditor shall submit, subject to Subsection (j), a report to each state agency containing the responses to the exit interview questionnaire submitted by each former employee of the agency during the preceding quarter. The state auditor's report may not contain the name of an employee or any other information identifying the employee.

(g) The responses to an exit interview questionnaire are confidential and not subject to disclosure under Chapter 552, including responses to a questionnaire furnished to an entity listed under Subsection (b). The responses may be disclosed only to a law enforcement agency in a criminal investigation or on order of a court.

(h) ~~Subject to Subsection (j), the [The]~~ state auditor may audit each state agency's records to determine whether the agency is complying with the requirements of this section.

(j) Work performed under this section by the state auditor is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 18. Section 654.037, Government Code, is amended to read as follows:

Sec. 654.037. SALARY STUDIES AND RECOMMENDATIONS. (a) The classification officer shall:

(1) make periodic studies of salary rates in other

governmental units and in industry for similar work performed in state government; and

(2) report the classification officer's findings from the studies made under Subdivision (1) ~~[and recommendations for adjusting state salary ranges]~~ to the governor's budget office and the Legislative Budget Board not later than October 1 preceding each regular session of the legislature.

(b) The classification officer shall conduct, before September 1 of each even-numbered year, a survey of local law enforcement departments that employ more than 1,000 commissioned law enforcement officers to gather information about the total compensation provided by the departments to law enforcement officers. Before January 1 of each odd-numbered year, the classification officer shall analyze the findings of the most recent survey conducted in accordance with this subsection and shall submit to the legislature a report on the findings of the survey and analysis. The report must identify the five local law enforcement departments that provide the highest average total compensation to local law enforcement officers who have been employed by the local law enforcement departments for at least 30 years.

SECTION 19. Section 654.041, Government Code, is amended to read as follows:

Sec. 654.041. EXAMINATION FOR COMPLIANCE BY STATE AUDITOR; REPORTS. The state auditor, subject to a risk assessment and to the Legislative Audit Committee's approval of including the examination in the audit plan under Section 321.013, may ~~[shall]~~:

(1) examine or cause to be examined, in periodic postaudits of their expenditures and by methods the auditor considers appropriate and adequate, whether departments and agencies are in compliance with this chapter; and

(2) report the findings to the governor, the comptroller, and the Legislative Audit Committee.

SECTION 20. Subsections (b) and (c), Section 660.030, Government Code, are amended to read as follows:

(b) The comptroller ~~[and the state auditor]~~ periodically shall examine the vouchers and other expense reimbursement forms submitted by a state agency for payment of a travel expense payable under this chapter to determine compliance with Section 660.003(e) and:

(1) whether the travel expenses were incurred in the conduct of official state business;

(2) whether the state-business-related activities conducted during the travel were necessary to perform the state business;

(3) whether the travel was necessary to perform the state business conducted; and

(4) in a case in which vouchers or other expense reimbursement forms have been submitted for more than one individual for the same or similar travel, whether the number of individuals traveling was necessary to perform the state business.

(c) The comptroller ~~[and the state auditor each]~~ shall develop procedures for examining travel vouchers and other expense reimbursement forms. ~~[If the comptroller believes that the criteria prescribed by Subsection (b) have not been satisfied, the comptroller shall provide that information to the state auditor for review.]~~

SECTION 21. Section 751.011, Government Code, is amended to read as follows:

Sec. 751.011. BOARD DUTIES. ~~[(a)]~~ The board shall review the office's priorities and strategies set forth in the annual report and deliver to the director any suggested modifications.

~~[(b) The board shall review any interagency contract under Section 751.012 and shall approve a contract only if the contract meets the requirements of that section.]~~

SECTION 22. Subsection (d), Section 813.506, Government Code, is amended to read as follows:

(d) As part of the audit of the Texas Department of Criminal Justice by the state auditor in accordance with Chapter 321, the

state auditor may verify the accuracy of reports submitted to the retirement system under this section. ~~[The state auditor shall review biennially the standards adopted by the department under Subsection (a).]~~

SECTION 23. Section 2052.104, Government Code, is amended to read as follows:

Sec. 2052.104. STATE AUDITOR'S POWERS AND DUTIES.
(a) Subject to Subsection (c), the ~~[The]~~ state auditor may audit a state agency to ensure:

(1) the accuracy of information reported under this subchapter; and

(2) compliance with this subchapter.

(b) The state auditor shall:

(1) ~~[adopt rules for the manner in which a report must be made under Section 2052.103;~~

~~[(2)]~~ prepare annual ~~[quarterly]~~ summary reports from ~~[the]~~ information provided in the reports filed under Section 2052.103; and

(2) ~~[(3)]~~ provide copies of the summary reports to:

(A) the Legislative Budget Board;

(B) the governor; and

(C) the comptroller.

(c) Work performed under this section by the state auditor is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 24. Subsection (a), Section 2054.060, Government Code, is amended to read as follows:

(a) A digital signature may be used to authenticate a written electronic communication sent to a state agency if it complies with rules adopted by the department. ~~[Before adopting the rules, the department shall consult with the comptroller, state auditor, attorney general, secretary of state, and office of court administration, and with representatives of county and municipal governments, regarding the content of the rules. When adopting the rules, the department shall consider factors that may affect the reliability of a digital signature, including whether a digital signature is:~~

~~[(1) unique to the person using it;~~

~~[(2) capable of independent verification;~~

~~[(3) under the sole control of the person using it; and~~

~~[(4) transmitted in a manner that will make it infeasible to change the data in the communication or digital signature without invalidating the digital signature.]~~

SECTION 25. Subsections (a) and (b), Section 2054.123, Government Code, are amended to read as follows:

(a) The department, in consultation with the Texas Building and Procurement [General Services] Commission, the state auditor, and the comptroller, shall create an interagency panel of representatives appointed by those agencies and officers to coordinate and maintain [develop and establish] a training program to assist state agencies in performing software audits, managing software, and purchasing software and software licenses. Each state agency shall cooperate with the panel in the evaluation of the agency's needs for software management and shall donate agency resources to the evaluation of the agency as the panel requires.

(b) The interagency panel initially shall concentrate on the software purchasing and management needs of the 20 state agencies that have the largest amounts budgeted for expenditures related to software. The 20 state agencies shall send employees, appropriately selected, to attend training programs developed under this section.

SECTION 26. Subsection (b), Section 2054.253, Government Code, as added by Chapter 342, Acts of the 77th Legislature, Regular Session, 2001, is amended to read as follows:

(b) With the approval of the legislative audit committee, a [A] representative of the state auditor shall advise the authority.

SECTION 27. Section 2055.056, Government Code, is amended to read as follows:

Sec. 2055.056. QUALITY ASSURANCE. (a) In coordination

with the ~~[state auditor, the]~~ Legislative Budget Board, ~~[and]~~ the affected state agency, and, subject to Subsection (b), the state auditor, the office shall provide quality assurance services to monitor electronic government projects selected under Section 2055.101.

(b) Participation by the state auditor under Subsection (a) is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 28. Section 2055.057, Government Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

(a) In coordination with the comptroller, the Governor's Office of Budget and Planning, the ~~[state auditor, and]~~ Legislative Budget Board, and, subject to Subsection (c), the state auditor, the office shall develop a model for funding the office from a portion of the money appropriated for projects selected under Section 2055.101, including staff necessary for the office.

(c) Participation by the state auditor under Subsection (a) is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 29. Section 2055.101, Government Code, is amended by amending Subsections (a) and (c) and adding Subsection (d) to read as follows:

(a) The office, in coordination with the governor, the ~~[state auditor, and]~~ Legislative Budget Board, and, subject to Subsection (d), the state auditor, shall develop selection criteria for the type of electronic government projects that require direct oversight by the office. The criteria must include:

(1) issues related to interagency cooperation and implementation;

(2) costs, including reimbursement strategies;

(3) requirements for authentication and security implications; and

(4) the state's strategic vision regarding electronic government projects.

(c) Based on any selection criteria adopted under Subsection (b) and in coordination with the governor, the ~~[state auditor, and]~~ Legislative Budget Board, and, subject to Subsection (d), the state auditor, the office may select proposed or existing electronic government projects.

(d) Participation by the state auditor under Subsections (a) and (c) is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 30. Section 2055.151, Government Code, is amended by adding Subsection (e) to read as follows:

(e) In serving on the committee, the office of the state auditor may not exceed the number of hours for the service that the legislative audit committee approves for inclusion in the audit plan under Section 321.013(c).

SECTION 31. Section 2055.153, Government Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

(a) In coordination with the quality assurance team of the Legislative Budget Board and, subject to Subsection (c), the state auditor, the office shall establish a state agency reporting system that requires state agencies to report to the office on:

(1) electronic government projects selected under Section 2055.101 so that the office may effectively monitor those projects; and

(2) all other electronic government projects for that agency.

(c) Participation by the state auditor under Subsection (a) is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 32. Section 2102.012, Government Code, is amended to read as follows:

Sec. 2102.012. PROFESSIONAL DEVELOPMENT. (a) Subject to approval by the legislative audit committee, the ~~[The]~~ state auditor may ~~[shall]~~ make available and ~~[shall]~~ coordinate a program

of training and technical assistance to ensure that state agency internal auditors have access to current information about internal audit techniques, policies, and procedures and to provide general technical and audit assistance to agency internal auditors on request.

(b) The state auditor is entitled to reimbursement for costs associated with providing the services under the terms of interagency cooperation contracts negotiated between the state auditor and each agency. The costs may not exceed those allowed by the General Appropriations Act. Work performed under this section by the state auditor is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 33. Section 2104.0215, Government Code, is amended by adding Subsection (e) to read as follows:

(e) Participation by the state auditor under Subsection (a) is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 34. Section 2156.004, Government Code, is amended to read as follows:

Sec. 2156.004. BID DEPOSIT. (a) The commission, as considered necessary, may require a bid deposit in an amount determined by the commission. The amount of the deposit, if any, must be stated in the public notice and the invitation to bid.

~~(b) [The commission, with the cooperation of the state auditor, shall establish and maintain a record of each bid deposit and its disposition.]~~

~~[(c)]~~ On the award of a bid or the rejection of all bids, the commission shall refund the bid deposit of an unsuccessful bidder.

(c) ~~[(d)]~~ The commission may accept from a bidder a bid deposit in the form of a blanket bond.

SECTION 35. Subsection (d), Section 2161.123, Government Code, is amended to read as follows:

(d) The commission and the state auditor shall cooperate to develop procedures providing for random periodic monitoring of [to periodically monitor] state agency compliance with this section. The state auditor shall report to the commission a state agency that is not complying with this section. In determining whether a state agency is making a good faith effort to comply, the state auditor shall consider whether the agency:

(1) has adopted rules under Section 2161.003;
 (2) has used the commission's directory under Section 2161.064 and other resources to identify historically underutilized businesses that are able and available to contract with the agency;

(3) made good faith, timely efforts to contact identified historically underutilized businesses regarding contracting opportunities; and

(4) conducted its procurement program in accordance with the good faith effort methodology set out in commission rules.

SECTION 36. Subsection (b), Section 2161.124, Government Code, is amended to read as follows:

~~(b) The commission[, in cooperation with the state auditor,]~~ shall develop a standard form for the report.

SECTION 37. Section 2175.061, Government Code, is amended by amending Subsection (b) and by adding Subsection (c) to read as follows:

~~(b) Subject to Subsection (c) [the review and comment of the state auditor],~~ the commission may prescribe forms and reports necessary to administer this chapter and may adopt necessary rules, including rules governing the sale or transfer of surplus or salvage property to state agencies, political subdivisions, or assistance organizations.

(c) Subject to a risk assessment and to the legislative audit committee's approval of including the review in the audit plan under Section 321.013, the state auditor may review and comment on the forms and reports prescribed and the rules adopted by the commission under Subsection (b).

SECTION 38. Section 2177.003, Government Code, is amended to read as follows:

9-1 Sec. 2177.003. CONSULTATION. The commission, at least
 9-2 quarterly, shall consult with the following entities to ensure that
 9-3 the electronic procurement system meets the needs of users of the
 9-4 system:

9-5 (1) the department;
 9-6 (2) ~~the state auditor,~~
 9-7 ~~the~~ groups, including coordinating councils,
 9-8 created by the commission to assist with electronic commerce
 9-9 initiatives;

9-10 (3) ~~the~~ the vendor advisory committee established
 9-11 under Section 2155.081; and

9-12 (4) ~~the~~ other state agencies and local governments
 9-13 that use the system.

9-14 SECTION 39. Subsections (a) and (c), Section 2205.004,
 9-15 Government Code, are amended to read as follows:

9-16 (a) The board is composed of:

9-17 (1) a member appointed by the governor;
 9-18 (2) a member appointed by the lieutenant governor;
 9-19 (3) a member appointed by the speaker of the house of
 9-20 representatives; and

9-21 (4) a representative of the Texas Building and
 9-22 Procurement [General Services] Commission, designated from time to
 9-23 time by the presiding officer of the commission~~, and~~

9-24 ~~the~~ ~~(5) a representative of the state auditor's office,~~
 9-25 ~~designated from time to time by the state auditor].~~

9-26 (c) The representative [representatives] of the Texas
 9-27 Building and Procurement [General Services] Commission is an [and
 9-28 the state auditor's office are] ex officio, nonvoting member
 9-29 [members] of the board and serves [serve] only in an advisory
 9-30 capacity.

9-31 SECTION 40. Subsection (n), Section 2256.005, Government
 9-32 Code, is amended to read as follows:

9-33 (n) Except as provided by Subsection (o), at least once
 9-34 every two years a state agency shall arrange for a compliance audit
 9-35 of management controls on investments and adherence to the agency's
 9-36 established investment policies. The compliance audit shall be
 9-37 performed by the agency's internal auditor or by a private auditor
 9-38 employed in the manner provided by Section 321.020. Not later than
 9-39 January 1 of each even-numbered year~~, a~~ a state agency shall report
 9-40 the results of the most recent audit performed under this
 9-41 subsection to the state auditor. Subject to a risk assessment and
 9-42 to the legislative audit committee's approval of including a review
 9-43 by the state auditor in the audit plan under Section 321.013, the
 9-44 state auditor may review information provided under this section.
 9-45 If review by the state auditor is approved by the legislative audit
 9-46 committee, the state auditor may, based on its review, require a [A]
 9-47 state agency to also [shall] report to the state auditor other
 9-48 information the state auditor determines necessary to assess
 9-49 compliance with laws and policies applicable to state agency
 9-50 investments. A report under this subsection shall be prepared in a
 9-51 manner the state auditor prescribes.

9-52 SECTION 41. Section 2256.022, Government Code, is amended
 9-53 to read as follows:

9-54 Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY.
 9-55 Expansion of investment authority granted by this chapter shall
 9-56 require a risk assessment by the state auditor or performed at the
 9-57 direction of the state auditor, subject to the legislative audit
 9-58 committee's approval of including the review in the audit plan
 9-59 under Section 321.013.

9-60 SECTION 42. Section 2261.203, Government Code, is amended
 9-61 to read as follows:

9-62 Sec. 2261.203. COMPARABLE COSTS. ~~Each~~ Each state agency
 9-63 that makes procurements to which this chapter applies shall monitor
 9-64 performance under a contract to verify that comparable costs are
 9-65 being charged for comparable goods and services.

9-66 ~~[(b) The state auditor on request shall assist a state~~
 9-67 ~~agency's monitoring efforts under this section.]~~

9-68 SECTION 43. Subsection (a), Section 2262.051, Government
 9-69 Code, is amended to read as follows:

(a) In consultation with the Texas Building and Procurement Commission, the Department of Information Resources, the comptroller, and the state auditor, the attorney general shall develop and periodically update a contract management guide for use by state agencies. Participation by the state auditor under this subsection is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).

SECTION 44. Subsection (b), Section 2262.052, Government Code, is amended to read as follows:

(b) Subject to the legislative audit committee's approval of including the work described by this subsection in the audit plan under Section 321.013(c), the [The] state auditor may [shall]:

(1) periodically monitor compliance with this section;

(2) report any noncompliance to:

(A) the governor;

(B) the lieutenant governor;

(C) the speaker of the house of representatives; and

(D) the team; and

(3) assist, in coordination with the attorney general and the comptroller, a noncomplying state agency to comply with this section.

SECTION 45. Section 2262.053, Government Code, is amended by adding Subsection (d) to read as follows:

(d) The Texas Building and Procurement Commission shall administer the training program under this section.

SECTION 46. Subsection (a), Section 2306.074, Government Code, is amended to read as follows:

(a) The [state auditor or a certified public accountant shall audit the] department's books and accounts must be audited each fiscal year by a certified public accountant or, if requested by the department and if the legislative audit committee approves including the audit in the audit plan under Section 321.013(c), by the state auditor. A [and file a] copy of the audit must be filed with the governor, the comptroller, and the legislature not later than the 30th day after the submission date for the annual financial report as required by the General Appropriations Act. If the state auditor is conducting the audit and it is not available by the 30th day after the submission date as required by the General Appropriations Act for annual financial reporting, it must be filed as soon as it is available.

SECTION 47. Subsection (b), Section 16.142, Water Code, is amended to read as follows:

(b) The board by rule shall set the fee at an amount it considers necessary to recover the costs incurred or to be incurred by the board in administering the project over its life, including the costs of processing an application, monitoring construction, and auditing and monitoring the project. The state auditor may [shall] review fees charged by the board to determine whether the fees are set consistent with this subsection, based on a risk assessment performed by the state auditor and subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013, Government Code.

SECTION 48. Subsection (b), Section 20.020, Water Code, is amended to read as follows:

(b) The [board shall have an audit made by the] state auditor may audit [or by a certified public accountant of] the authority's books and accounts, based on a risk assessment performed by the state auditor and subject to the legislative audit committee's approval of including the audit in the audit plan under Section 321.013, Government Code [for each fiscal year]. The cost of an [the] audit shall be paid by the authority.

SECTION 49. Subsection (b), Section 36.061, Water Code, is amended to read as follows:

(b) The state auditor may audit the records [financial transactions] of any district if the state auditor determines that the audit is necessary.

SECTION 50. Section 36.153, Water Code, is amended by

amending Subsection (a) and adding Subsections (c) and (d) to read as follows:

(a) Annually and subject to Subsection (c), the board shall have an audit made of the financial condition of the district.

(c) The district is exempt from the requirement under Subsection (a) if it had:

(1) not more than \$500 in receipts from operations, tax assessments, loans, contributions, or any other sources during the calendar year;

(2) not more than \$500 in disbursements of funds during the calendar year;

(3) no bonds or other liabilities with terms of more than one year outstanding during the calendar year; and

(4) no cash or investments amounting to more than \$5,000 at any time during the calendar year.

(d) A financially dormant district may elect to submit to the executive director a financial dormancy affidavit instead of complying with the audit requirements of Section 49.191.

SECTION 51. Subsections (b), (c), and (d), Section 36.302, Water Code, are amended to read as follows:

(b) The commission, the Texas Water Development Board, and the Parks and Wildlife Department shall provide technical assistance to the state auditor's office for a ~~the~~ review performed under Subsection (a).

(c) In a review performed under Subsection (a), the ~~The~~ state auditor shall make a determination of whether a district is actively engaged in achieving the objectives of the district's management plan based on an analysis ~~audit~~ of the district's activities ~~performance under the plan~~.

(d) The state auditor may perform the review under Subsection (a) [shall conduct such audits] following the first anniversary of the initial certification of the plan by the Texas Water Development Board under Section 36.1072 and at least as often as once every seven years after that date, subject to a risk assessment and to the legislative audit committee's approval of including the review in the audit plan under Section 321.013, Government Code [following the end of every five-year period thereafter].

SECTION 52. Section 49.195, Water Code, is amended by amending Subsection (b) and adding Subsection (f) to read as follows:

(b) Subject to Subsection (f), the ~~The~~ commission may request that the state auditor assist in the establishment of standards and procedures for review of district audits by the executive director.

(f) Participation by the state auditor under Subsection (b) is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c), Government Code.

SECTION 53. Subsection (b), Section 152.203, Water Code, is amended to read as follows:

(b) The river authority shall:

(1) maintain the appraisal on file as a public record; and

(2) file a copy of the appraisal with the Texas Commission on Environmental Quality ~~state auditor~~.

SECTION 54. Subsection (h), Section 22.004, Education Code, is amended to read as follows:

(h) An audited financial statement provided under this section must be made in accordance with rules adopted by the commissioner of insurance or with generally accepted accounting principles ~~state auditor~~, as applicable.

SECTION 55. Subsection (q), Section 42.152, Education Code, is amended to read as follows:

(q) The State Board of Education, with the assistance of the ~~state auditor and the~~ comptroller, shall develop and implement by rule a reporting and auditing system for district and campus expenditures of compensatory education funds to ensure that compensatory education funds, other than the indirect cost

allotment, are spent only to supplement the regular program. The commissioner, in the year following an audit of compensatory education expenditures, shall withhold from a district's foundation school fund payment an amount equal to the amount of compensatory education funds the agency determines were not used in compliance with Subsection (c). The commissioner shall release to a district funds withheld under this subsection when the district provides to the commissioner a detailed plan to spend those funds in compliance with Subsection (c).

SECTION 56. Subsection (e), Section 43.006, Education Code, is amended to read as follows:

(e) If an investment contract entered into under Subsection (b) includes the permanent school fund within the scope of funds under the control and management of the State Board of Education to be invested by the corporation, the board shall provide for an annual financial audit of the permanent school fund. Subject to the legislative audit committee's approval of including the audit in the audit plan under Section 321.013(c), Government Code, the ~~[The]~~ audit shall be performed by the state auditor.

SECTION 57. Section 102.52, Education Code, is amended to read as follows:

Sec. 102.52. TRANSFER OF MONEY; DISBURSEMENTS. All money so received shall be transferred as soon as available to the West Texas State University Foundation or to any other fund or foundation chosen by agreement between the donors and the administration of the university. The disbursement of all this money is under the supervision of the business manager of the university~~[, subject to accounting procedures approved by the state auditor]~~.

SECTION 58. Subsection (c), Section 130.0035, Education Code, is amended to read as follows:

(c) The Legislative Budget Board shall be responsible for recommending ~~[develop recommended]~~ standards for reports under this section, in consultation with junior college districts, the Texas Higher Education Coordinating Board, and the governor's office of budget and planning~~[, and the state auditor]~~.

SECTION 59. Subsection (a), Section 21.455, Labor Code, is amended to read as follows:

(a) A state agency shall reimburse the commission through interagency contract for the reasonable and necessary expenses incurred by the commission in conducting a review under Section 21.453. ~~[The actual expenses incurred by the commission shall be determined by the state auditor's office.]~~

SECTION 60. Subsection (e), Section 21.556, Labor Code, is amended to read as follows:

(e) An agency required to participate in a program under this section shall pay the cost of attending the program or shall reimburse the commission or state agency providing the program through interagency contract. The cost of providing the program shall be determined and approved by the commission or state agency ~~[in cooperation with the state auditor's office]~~. The state auditor may audit the commission's expenditure of fees collected under this section based on a risk assessment performed by the state auditor and subject to the approval by the legislative audit committee of including the audit in the audit plan under Section 321.013, Government Code.

SECTION 61. Subsection (d), Section 205.019, Labor Code, is amended to read as follows:

(d) The state auditor may ~~[shall]~~ review the reimbursement of funds ~~[affected entities]~~ for compliance by the affected entities with this section, subject to a risk assessment performed by the state auditor and to the legislative audit committee's approval of including the review in the audit plan under Section 321.013, Government Code.

SECTION 62. Subsection (d), Section 506.002, Labor Code, is amended to read as follows:

(d) The state auditor may ~~[shall]~~ review affected entities for compliance with this section, subject to a risk assessment performed by the state auditor and to the legislative audit

committee's approval of including the review in the audit plan under Section 321.013, Government Code.

SECTION 63. Subsection (a), Section 140.007, Local Government Code, is amended to read as follows:

(a) To assist counties, ~~[the state auditor in consultation with]~~ the comptroller of public accounts may develop, promulgate, and widely distribute forms, with instruction, for cost accounting for public improvements. The ~~[auditor and the]~~ comptroller shall consult with large and small governmental entities and the construction industry prior to the promulgation of the forms and instructions.

SECTION 64. Subsection (e), Section 391.0095, Local Government Code, is amended to read as follows:

(e) A commission shall send to the state auditor, the comptroller, and the Legislative Budget Board a copy of each report and audit required under this section or under Section 391.009. The state auditor may ~~[shall]~~ review each audit and report, subject to a risk assessment performed by the state auditor and to the legislative audit committee's approval of including the review in the audit plan under Section 321.013, Government Code. If the state auditor reviews the audit report, the state auditor ~~[and]~~ must be given access to working papers and other supporting documentation that the state auditor determines is necessary to perform the review. If the state auditor finds significant issues involving the administration or operation of a commission or its programs, the state auditor shall report its findings and related recommendations to the legislative audit committee, the governor, and the commission. The governor and the legislative audit committee may direct the commission to prepare a corrective action plan or other response to the state auditor's findings or recommendations. The legislative audit committee may direct the state auditor to perform any additional audit or investigative work that the committee determines is necessary.

SECTION 65. Subsection (b), Section 11.017, Health and Safety Code, is amended to read as follows:

(b) The state auditor may ~~[shall]~~ audit the financial transactions of the board in accordance with Chapter 321, Government Code, subject to a risk assessment performed by the state auditor and to the legislative audit committee's approval of including the audit in the audit plan under Section 321.013, Government Code.

SECTION 66. Subsection (b), Section 242.005, Health and Safety Code, is amended to read as follows:

(b) The Legislative Budget Board and the state auditor shall jointly prescribe the form and content of reports required under this section, provided, however, that the state auditor's participation under this section is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c), Government Code.

SECTION 67. Subsection (b), Section 451.452, Transportation Code, is amended to read as follows:

(b) The state auditor may elect to ~~[shall]~~ file any comments about the audit with the legislative audit committee and the board, subject to a risk assessment performed by the state auditor and to the legislative audit committee's approval of including the preparation of the comments in the audit plan under Section 321.013, Government Code.

SECTION 68. Subsection (b), Section 452.452, Transportation Code, is amended to read as follows:

(b) The state auditor may elect to ~~[shall]~~ file any comments about the audit with the legislative audit committee and the subregional board, subject to a risk assessment performed by the state auditor and to the legislative audit committee's approval of including the preparation of the comments in the audit plan under Section 321.013, Government Code.

SECTION 69. Section 58.017, Agriculture Code, is amended to read as follows:

Sec. 58.017. PERFORMANCE MEASURES. The Board, in conjunction with the Legislative Budget Board~~[, the state auditor,]~~

and the Office of the Governor, shall develop a minimum of two performance measures that provide information on the benefits of the authority's loan programs. The performance measures shall be included in the report required under Section 58.016(d) of this code or as a component of the measures incorporated into the General Appropriations Act.

SECTION 70. Article 60.02, Code of Criminal Procedure, is amended by adding Subsection (m) to read as follows:

(m) Notwithstanding Subsection (j), work performed under this section by the state auditor is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c), Government Code.

SECTION 71. Subsection (d), Section 231.011, Family Code, as added by Chapter 556, Acts of the 76th Legislature, Regular Session, 1999, is amended to read as follows:

(d) Each agency represented on the work group shall identify specific child support services that are related to the agency's areas of core competence and may be provided by the agency under a contract. ~~The [state auditor and the State Council on Competitive Government shall assist.~~

~~[(1) the agencies in identifying the child support services that are within the agency's core competency, and~~

~~[(2) the] work group shall develop [in developing]~~ strategies to obtain child support services from the agencies.

SECTION 72. Subsection (d), Section 11.0182, Parks and Wildlife Code, is amended to read as follows:

(d) ~~The [At least once each biennium the]~~ state auditor may ~~[shall]~~ audit the fund-raising activities performed under this section, subject to a risk assessment performed by the state auditor and to the legislative audit committee's approval of including the audit in the audit plan under Section 321.013(c), Government Code. If the state auditor performs an audit, the [The] audit shall disclose who has engaged in fund-raising activities for the department and the value of gifts each person has received or solicited. The state auditor shall report the results of the audit to the presiding officer of each house of the legislature and of each committee having primary jurisdiction over the department. Each member of the legislature may access the report.

SECTION 73. The following laws are repealed:

(1) Sections 320.002, 481.123, 552.010, 659.2552, 751.012, 772.0031, 2155.071, 2170.006, and 2176.108, Government Code;

(2) Subsection (g), Section 2155.067, Subsection (l), Section 2155.083, and Subsection (e), Section 2155.144, Government Code;

(3) Article 24.21, Insurance Code;

(4) Subsection (d), Section 302.057, Occupations Code; and

(5) Section 4, Chapter 314, Acts of the 45th Legislature, Regular Session, 1937 (Article 6144cc, Vernon's Texas Civil Statutes).

SECTION 74. This Act takes effect September 1, 2003.

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