

By: Hughes

S.B. No. 1427

A BILL TO BE ENTITLED

AN ACT

relating to the conduct of efficiency audits of state agencies.

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

SECTION 1. Subtitle C, Title 3, Government Code, is amended by adding Chapter 327 to read as follows:

CHAPTER 327. EFFICIENCY AUDITS OF STATE AGENCIES

Sec. 327.001. DEFINITIONS. In this chapter:

(1) "Audit plan" has the meaning assigned by Section 321.001.

(2) "Department" has the meaning assigned by Section 321.001.

(3) "Efficiency audit" means an evaluation of the economy, efficiency, and effectiveness of department operations, including the effectiveness of department programs at achieving intended objectives.

(4) "External auditor" means a private entity selected by the state auditor to conduct an efficiency audit of a department.

(5) "Legislative audit committee" means the committee described by Section 321.002.

Sec. 327.002. REQUIRED EFFICIENCY AUDIT. (a) Each department, including an institution of higher education, as defined by Section 61.003, Education Code, shall undergo an efficiency audit in accordance with this chapter.

(b) The state auditor, subject to the legislative audit

1 committee's approval, shall adopt a schedule for conducting the
2 efficiency audits required by this chapter and include the annual
3 portion of the schedule in the audit plan under Section 321.013.
4 The schedule must provide for each department to be audited every
5 six years. A department may not be audited under this chapter in
6 the same year that the department is reviewed under Chapter 325
7 (Texas Sunset Act).

8 (c) A department required by law to perform an internal
9 efficiency audit is not required to perform the audit in any year
10 the department is audited under this chapter.

11 (d) A department shall pay the costs incurred by the state
12 auditor relating to an efficiency audit required by this chapter.
13 The state auditor shall determine the costs of the audit and the
14 department shall pay the amount of those costs promptly on receipt
15 of a statement from the state auditor regarding those costs.

16 Sec. 327.003. SELECTION AND SUPERVISION OF AUDITOR. (a)
17 Not later than March 1 of the year in which an efficiency audit of a
18 department is scheduled under this chapter, the state auditor shall
19 contract with an external auditor to conduct the audit.

20 (b) The state auditor shall oversee the external auditor and
21 ensure that the efficiency audit is conducted in accordance with
22 the requirements of this chapter.

23 (c) The external auditor is not subject to direction from
24 the department being audited.

25 Sec. 327.004. SCOPE OF AUDIT. (a) The state auditor shall
26 establish the scope of each efficiency audit conducted under this
27 chapter with the external auditor contracted to perform the audit.

1 (b) At a minimum, an efficiency audit must:

2 (1) examine all state resources, including financial
3 resources, staff, and technology, to determine whether those
4 resources:

5 (A) are used effectively and efficiently to
6 achieve the desired outcome for a department's program
7 beneficiaries; and

8 (B) are not used for purposes other than the
9 intended goals of the audited programs;

10 (2) identify and recommend cost savings and
11 reallocation of resources to improve the effectiveness of audited
12 programs; and

13 (3) identify opportunities for improving services
14 through consolidation of functions, outsourcing, and elimination
15 of duplicative efforts.

16 Sec. 327.005. REPORT TO LEGISLATURE. (a) Not later than
17 November 1 of the year an efficiency audit is conducted under this
18 chapter, the state auditor shall:

19 (1) prepare a report with the external auditor
20 contracted to perform the audit and submit the report to the chairs
21 of the standing committees of each house of the legislature with
22 primary jurisdiction over the audited department; and

23 (2) submit the report, recommendations, and complete
24 audit to the audited department.

25 (b) The state auditor and the audited department shall
26 publish the report, recommendations, and complete efficiency audit
27 on the entity's Internet website.

1 Sec. 327.006. REQUIRED IMPLEMENTATION PLAN. (a) Not later
2 than the 90th day after receiving the complete audit and
3 recommendations, the administrative head of the audited department
4 shall deliver a plan for implementing the recommendations to:

5 (1) the legislative audit committee; and

6 (2) the chairs of the standing committees of each
7 house of the legislature with primary jurisdiction over the audited
8 department.

9 (b) The implementation plan must include a justification
10 for any recommendation the audited department declines to
11 implement.

12 SECTION 2. Section [322.017](#), Government Code, is repealed.

13 SECTION 3. Not later than January 1, 2026, the state auditor
14 shall adopt the schedule required by Section 327.002, Government
15 Code, as added by this Act, for conducting efficiency audits of each
16 department.

17 SECTION 4. This Act takes effect September 1, 2025.