

GOVERNMENT CODE

TITLE 3. LEGISLATIVE BRANCH

SUBTITLE C. LEGISLATIVE AGENCIES AND OVERSIGHT COMMITTEES

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) "Commission" means the Sunset Advisory Commission.

(3) "Efficiency audit" means an evaluation of the economy, efficiency, and effectiveness of state agency operations, including:

(A) determining whether the state agency is managing or using its resources, including state money, personnel, property, equipment, and space, in an economical and efficient manner;

(B) identifying causes of inefficiencies or uneconomical practices, including inadequacies in management information systems, internal and administrative procedures, organizational structure, use of resources, allocation of personnel, purchasing, agency policies, and equipment;

(C) determining whether financial, program, and statistical reports of the state agency contain useful data and are fairly presented;

(D) determining whether the objectives and intended benefits of the agency's program are being achieved efficiently and effectively, according to:

(i) established or designated:

(a) program objectives;

(b) responsibilities or duties;

(c) program performance criteria; or

(d) program evaluation standards; or

(ii) statutes and rules; and

(E) determining whether the agency's program duplicates, overlaps, or conflicts with another state program.

(4) "External auditor" means a private entity selected

by the state auditor to conduct an efficiency audit of a state agency.

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

(6) "State agency" means an entity expressly made subject to Chapter 325 (Texas Sunset Act) other than an entity listed in Section [325.025\(b\)](#).

Added by Acts 2025, 89th Leg., R.S., Ch. 360 (H.B. [12](#)), Sec. 6, eff. September 1, 2025.

Sec. 327.002. REQUIRED EFFICIENCY AUDIT. (a) Each state agency shall undergo an efficiency audit in accordance with this chapter.

(b) The state auditor, subject to the legislative audit committee's approval, shall adopt a schedule for conducting the efficiency audits required by this chapter and include the annual portion of the schedule in the audit plan under Section [321.013](#). The schedule must provide for each state agency to be audited during the two-year period beginning on September 1 four years before the date the state agency is scheduled to be abolished under Chapter 325 (Texas Sunset Act).

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

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

(e) The state auditor, subject to the legislative audit committee's approval, may determine, in the interests of efficiency, whether the audit should be performed by the state auditor or an external auditor.

Added by Acts 2025, 89th Leg., R.S., Ch. 360 (H.B. [12](#)), Sec. 6, eff. September 1, 2025.

Sec. 327.003. SELECTION AND SUPERVISION OF AUDITOR.

(a) Not later than March 1 of the year in which an efficiency audit of a state agency is scheduled under this chapter, the state auditor may contract with an external auditor to conduct the audit.

(b) The state auditor, in cooperation with the Legislative Budget Board, shall oversee the external auditor and ensure that the efficiency audit is conducted in accordance with the requirements of this chapter and the scope of the audit established under this chapter.

(c) The external auditor is not subject to direction from the state agency being audited.

Added by Acts 2025, 89th Leg., R.S., Ch. 360 (H.B. 12), Sec. 6, eff. September 1, 2025.

Sec. 327.004. SCOPE OF AUDIT. (a) The state auditor, in cooperation with the Legislative Budget Board, shall establish the scope of each efficiency audit conducted under this chapter.

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

(1) examine state resources, including financial resources, staff, personal property, real property, and technology, to determine whether those resources:

(A) are used effectively and efficiently to achieve the desired outcome for a state agency's program beneficiaries; and

(B) are used for purposes other than the intended goals of the audited programs;

(2) identify and make recommendations for cost savings and reallocation of resources to improve the effectiveness of audited programs; and

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

Added by Acts 2025, 89th Leg., R.S., Ch. 360 (H.B. 12), Sec. 6, eff. September 1, 2025.

Sec. 327.005. REPORT TO LEGISLATURE. (a) Not later than November 1 of the year an efficiency audit is conducted under this

chapter, the state auditor, in cooperation with the Legislative Budget Board and in consultation with any external auditor contracted to perform the audit, shall:

(1) prepare a report of the audit with the recommendations; and

(2) submit the report, recommendations, and complete audit to the commission, the governor, the lieutenant governor, the speaker of the house of representatives, the legislative audit committee, the chairs of the standing committees of each house of the legislature with primary jurisdiction over the audited state agency, and the audited state agency.

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

Added by Acts 2025, 89th Leg., R.S., Ch. 360 (H.B. 12), Sec. 6, eff. September 1, 2025.

Sec. 327.006. REQUIRED IMPLEMENTATION PLAN. Not later than the 90th day after the date of receiving the complete audit and recommendations, the administrative head of the audited state agency shall deliver a plan for implementing the recommendations to the commission, the governor, the lieutenant governor, the speaker of the house of representatives, the legislative audit committee, and the chairs of the standing committees of each house of the legislature with primary jurisdiction over the audited state agency. The implementation plan must include a reasoned justification for any recommendation the audited state agency declines to implement.

Added by Acts 2025, 89th Leg., R.S., Ch. 360 (H.B. 12), Sec. 6, eff. September 1, 2025.