

BILL ANALYSIS

C.S.H.B. 3498
By: Raymond
State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Section 321.013(a) of the Government Code provides that, at the direction of the Legislative Audit Committee, the State Auditor shall conduct an audit or investigation of any entity receiving funds from the state. However, because current law does not require that state agency contracts include a provision to that effect, contractors and subcontractors may not be aware of the State Auditor's legal authority to conduct an audit or investigation. Requiring a provision in state contracts alerting state contractors and subcontractors to the State Auditor's audit and investigative authority may have a deterrent effect upon improper use or expenditure of contract funds, and may also facilitate access by the State Auditor in the event an audit or investigation is deemed necessary. The purpose of C.S.H.B. 3498 is to require state agencies to include a contract provision which will serve to notify contractors and subcontractors of the State Auditor's authority to audit or investigate an entity receiving funds directly or indirectly under the contract.

RULEMAKING AUTHORITY

It is the opinion of the committee that this bill does not grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3498 amends Chapter 2262, Government Code, by adding Section 2262.003 which directs state agencies to include a provision in each contract stating that:

- the State Auditor may conduct an audit or investigation of any entity receiving funds from the state directly under a contract with the state or indirectly through a subcontract under the contract; and
- acceptance of funds directly under the contract or indirectly through a subcontract under the contract acts as acceptance of the authority of the State Auditor, under the direction of the Legislative Audit Committee, to conduct an audit or investigation in connection with those funds.

C.S.H.B. 3498 also includes a provision requiring the State Auditor to provide assistance to a state agency in developing the contract provision.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003. The changes made by the Act only apply to a state contract entered into on or after the effective date of the Act.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The original bill was not drafted by the Texas Legislative Council. The substitute is a Legislative Council draft, but is not substantively different from the original bill.

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