

By: Smith of Tarrant

H.B. No. 2801

A BILL TO BE ENTITLED

1 AN ACT

2 relating to audits of state agency expenditures to recover
3 overpayments and lost discounts.

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

5 SECTION 1. Subtitle C, Title 10, Government Code, is
6 amended by adding Chapter 2115 to read as follows:

7 CHAPTER 2115. RECOVERY OF CERTAIN STATE AGENCY OVERPAYMENTS

8 Sec. 2115.001. DEFINITIONS. In this chapter:

9 (1) "Overpayment" includes a duplicate payment made to
10 a vendor for a single invoice and a payment made to a vendor:

11 (A) when an available discount from the vendor
12 was not applied;

13 (B) for a late payment penalty that was
14 improperly applied by the vendor;

15 (C) for shipping costs that were computed
16 incorrectly or incorrectly included in an invoice;

17 (D) for state sales tax; or

18 (E) for a good or service the vendor did not
19 provide.

20 (2) "State agency" means a department, commission,
21 board, office, or other agency, including a university system or an
22 institution of higher education other than a public junior college,
23 that:

24 (A) is in the executive branch of state

1 government;

2 (B) is created by statute; and

3 (C) does not have statutory geographical
4 boundaries limited to a part of the state.

5 Sec. 2115.002. CONTRACT CONSULTANTS FOR RECOVERY AUDITS FOR
6 CERTAIN OVERPAYMENTS. (a) The comptroller shall contract with one
7 or more consultants to conduct recovery audits of payments made by
8 state agencies to vendors. The audits must be designed to detect
9 and recover overpayments to the vendors and to recommend improved
10 state agency accounting operations.

11 (b) A contract under this section:

12 (1) may provide for reasonable compensation for
13 services provided under the contract, including compensation
14 determined by the application of a specified percentage of the
15 total amount recovered because of the consultant's audit activities
16 or recommendations as a fee for services;

17 (2) may permit or require the consultant to pursue a
18 judicial action in a court inside or outside this state to recover
19 an overpaid amount; and

20 (3) to allow time for the performance of existing
21 state payment auditing procedures, may not allow a recovery audit
22 of a payment during the 180-day period after the date the payment
23 was made.

24 (c) The comptroller or a state agency whose payments are
25 being audited may provide a person acting under a contract
26 authorized by this section with any confidential information in the
27 custody of the comptroller or state agency that is necessary for the

1 performance of the audit or the recovery of an overpayment, to the
2 extent the comptroller and state agency are not prohibited from
3 sharing the information under an agreement with another state or
4 the federal government. A person acting under a contract
5 authorized by this section, and each employee or agent of the
6 person, is subject to all prohibitions against the disclosure of
7 confidential information obtained from the state in connection with
8 the contract that apply to the comptroller or applicable state
9 agency or an employee of the comptroller or applicable state
10 agency. A person acting under a contract authorized by this section
11 or an employee or agent of the person who discloses confidential
12 information in violation of a prohibition made applicable to the
13 person under this subsection is subject to the same sanctions and
14 penalties that would apply to the comptroller or applicable state
15 agency or an employee of the comptroller or applicable state agency
16 for that disclosure.

17 Sec. 2115.003. STATE AGENCIES SUBJECT TO MANDATORY RECOVERY
18 AUDITS. (a) The comptroller shall require that recovery audits be
19 performed on the payments to vendors made by each state agency that
20 has total expenditures during a state fiscal biennium in an amount
21 that exceeds \$100 million. Each state agency described by this
22 subsection shall provide the recovery audit consultant with all
23 information necessary for the audit.

24 (b) The comptroller may exempt from the mandatory recovery
25 audit process a state agency that has a low proportion of its
26 expenditures made to vendors, according to criteria the comptroller
27 adopts by rule after consideration of the likely costs and benefits

1 of performing recovery audits for agencies that make relatively few
2 or small payments to vendors.

3 Sec. 2115.004. PAYMENT TO CONTRACTORS. (a) A state agency
4 shall pay, from recovered money appropriated for the purpose, the
5 recovery audit consultant responsible for obtaining for the agency
6 a reimbursement from a vendor.

7 (b) A state agency shall expend or return to the federal
8 government any federal money that is recovered through a recovery
9 audit conducted under this chapter. The state agency shall expend
10 or return the federal money in accordance with the rules of the
11 federal program through which the agency received the federal
12 money.

13 Sec. 2115.005. FORWARDING REPORTS. (a) The comptroller
14 shall provide copies, including electronic form copies, of any
15 reports received from a consultant contracting under Section
16 2115.002 to:

- 17 (1) the governor;
18 (2) the state auditor's office; and
19 (3) the Legislative Budget Board.

20 (b) The comptroller shall provide the copies required by
21 Subsection (a) not later than the seventh day after the date the
22 comptroller receives the consultant's report.

23 (c) Not later than January 1 of each odd-numbered year, the
24 comptroller shall issue a report to the legislature summarizing the
25 contents of all reports received under this chapter during the
26 state fiscal biennium ending August 31 of the previous year.

27 SECTION 2. The comptroller shall adopt rules under Chapter

1 2115, Government Code, as added by this Act, in a timely manner so
2 that the comptroller may begin contracting with a consultant under
3 that chapter not later than January 1, 2006.

4 SECTION 3. This Act takes effect immediately if it receives
5 a vote of two-thirds of all the members elected to each house, as
6 provided by Section 39, Article III, Texas Constitution. If this
7 Act does not receive the vote necessary for immediate effect, this
8 Act takes effect September 1, 2005.