

December 17, 2018

The Honorable Greg Abbott, Governor  
The Honorable Dan Patrick, Lieutenant Governor  
The Honorable Joe Straus, Speaker of the House  
Members of the 85th Legislature  
Members-elect of the 86th Legislature

Ladies and Gentlemen:

Texas Government Code, Chapter 2115, requires the Texas Comptroller of Public Accounts to contract with one or more consultants to perform overpayment recovery audits at certain state agencies spanning the state fiscal biennium ending Aug. 31. The results are to be summarized and reported to the Legislature before Jan. 1 of each odd-numbered year.

The Comptroller's office issued a request for proposal (RFP) on Oct. 20, 2017, and solicited proposals from 268 eligible vendors listed on the Centralized Master Bidders List. Estimates show approximately \$35 billion of payments were eligible for overpayment audit. However, as no qualified consultants responded to the RFP, a contract was not awarded. **This marks the second consecutive time a contract award was not made due to lack of interest from qualified consultants.**

Services requested in the RFPs included detection, confirmation and collection of overpayments state agencies made to vendors resulting from duplicate payments; invoice errors; pricing errors; failure to apply discounts, rebates or other allowances; failure to comply with purchasing agreements; or any other errors resulting in overpayments the Comptroller's office believes would create economic benefit for the state if recovered. In addition, the successful consultant was required to determine the causes of the overpayments, provide recommendations to remedy those causes and issue the Comptroller's office formal reports documenting the results of each audit performed. By statute, the consultant's compensation is a percentage of the actual amount recovered from the recovery audit process.

By rule, certain payments were not eligible for recovery audit activities, such as payroll, benefit and insurance payments to or for state employees, teachers or retirees; annuitant payments; investments, loans, bond debt service; unemployment compensation; judgments and settlements; and certain grant payments. In addition, a provision in the Patient Protection and Affordable Care Act required states to establish a recovery audit contract program for Medicaid providers by April 1, 2011. The Health and Human Services Commission independently pursued a Medicaid recovery audit contract, eliminating Medicaid



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payments from the statewide recovery audit program beginning fiscal 2011. One of the Comptroller's former consultants expressed that inclusion of the Medicaid payments in the state agencies' potential audit population would make pursuing the audit contract more appealing. Vendors identified the following challenges to pursuing the contract:

- Vendor expenses potentially exceeding compensation
- Travel costs are difficult to estimate due to decentralization of state agencies and institutions

Based on our experience with the recovery audit consultants, the Comptroller's office has integrated various techniques and reports into the Comptroller's post-payment audit process. For example, the Comptroller's office has enhanced existing reports to find duplicate payments and created new reports to find price-discount errors. The agency continues to search for ways to improve the expenditure audit program using the latest data-analysis techniques.

The Comptroller's office will produce another RFP in fiscal 2019 to solicit an audit consultant unless the 86th Legislature changes the statute affecting the recovery audit program. Our program recommendations include:

- **Allowing the Comptroller's office to determine the frequency of these audits based on what is in the best interest of the state**
- **Lowering the threshold of expenditures to increase the potential audit population**

Reports to the Legislature regarding the overpayment recovery audit program are available online at <https://fm.xcpa.texas.gov/fm/audit/recovery/index.php>.

Should you have any questions or comments, please contact Rob Coleman, Director of Fiscal Management Division at [rob.coleman@cpa.texas.gov](mailto:rob.coleman@cpa.texas.gov) or 512-463-7630. We hope this information is helpful. Please let us know if we can be of further assistance.

Sincerely,



Glenn Hegar

cc: Rob Coleman

