

January 23, 2023

The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House
Members of the 88th Legislature

Ladies and Gentlemen:

Texas Government Code, Chapter 2115, allows the Texas Comptroller of Public Accounts (Comptroller's office) to contract with one or more consultants to perform overpayment recovery audits at certain state agencies. Texas Government Code, Section 2115.005(c), requires the results of this effort to be summarized and reported to the Legislature before February 1 of each odd-numbered year.

Texas Government Code, Chapter 2115, enacted by the 79th Legislature in 2005, required the Comptroller's office to contract with consultants to perform overpayment recovery audits. In 2019, the 86th Legislature passed Senate Bill 1571, which allowed the Comptroller's office to determine the frequency of the recovery audits and lowered the threshold of biennial expenditures from \$100 million to \$50 million, increasing the potential audit population and thus the amount potentially available for recovery.

The Comptroller's office issued a request for proposal (RFP) for recovery audit services on December 5, 2019, that reflected changes made by Senate Bill 1571. To further increase the audit population and amount available for recovery, the Comptroller's office extended the audit scope to cover fiscal years 2016-2019. Auditors selected 51 agencies for the audit. For the audit period, the 51 agencies recorded gross expenditures totaling approximately \$462 billion and eligible vendor expenditures totaling \$54 billion. A contract was signed on April 17, 2020, with AudiTec Solutions, Inc. (AudiTec). The contract included two renewal options, with the latest expiring on August 31, 2023; however, the vendor declined to exercise the renewal option and the contract ended on August 31, 2021. According to the vendor, the engagement was not profitable because the vendor is paid based on a percentage of the recouped overpayments.

As part of the audit, AudiTec performed three distinct reviews:

- Analyzed invoice payment data to identify duplicate payments and payments made to the wrong vendor;
- Contacted 4,331 vendors to obtain account statements and received statements from 2,095 vendors, which represented 48 percent vendor compliance; and
- Reviewed a selected sample of Texas Department of Transportation construction vendor contracts to assess risk of overcharge.

Throughout the course of the audit, AudiTec reported that it made 6,530 phone calls and sent 19,816 emails.

AudiTec reported a number of issues that affected audit field work and delayed access to information. See details in the [State of Texas Overpayment Recovery Audit, Report to the 87th Legislature](#).

Despite the efforts of the Comptroller's office to increase the audit population, of the \$54 billion eligible vendor expenditures, audit results showed valid recoverable claims totaling \$840,613 and only \$205,475 recovered as of the August 31, 2021, the contract expiration date. AudiTec concluded that the percentage of discrepant transactions identified per agency is low and that the 51 participating state agencies have established processes to prevent overpayments and reduce the rate of failure to 0.05 percent on average from the expected 0.1 percent of overall spend.



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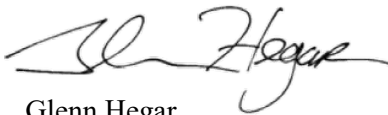
Based on our experience with the recovery audit consultants, the Comptroller's office has integrated various techniques and reports into the Comptroller's post-payment audit process. For example, the Comptroller's office enhanced existing reports to find duplicate payments and created new reports to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

For the reporting period spanning the state fiscal biennium ending August 31, 2021, the Comptroller's office determined not to issue a new RFP due to lack of interest from the last recovery audit contractor in renewing the contract due to the low recovery rate and the limited years available for review.

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

If you have any questions or comments, please contact Rob Coleman, Director of the Fiscal Management Division, at 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

