

**Department of Planning and Budget  
2004 Fiscal Impact Statement**

**1. Bill Number** HB 1447

**House of Origin**     Introduced     Substitute     Engrossed

**Second House**     In Committee     Substitute     Enrolled

**2. Patron**        Scott, E.T.

**3. Committee** Passed Both Houses

**4. Title**         Recovery audits of state contracts

**5. Summary/Purpose:** The bill would require the Department of Accounts to procure the services of one or more private contractors to conduct systematic recovery audits of state agency contracts. Such recovery audit contracts would be performance-based and would contain a provision that authorizes the contractor to be paid a percentage of any payment error that is recovered by such contractor, not to exceed 10 percent of the amount recovered. Individual recovery audits would consist of the review of contracts to identify payment errors made by state agencies to vendors and other entities resulting from (i) duplicate payments, (ii) invoice errors, (iii) failure to apply applicable discounts, rebates, or other allowances, or (iv) any other errors resulting in inaccurate payments. The Department of Accounts would report on the status and effectiveness of recovery audits, including any savings realized, to the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance by January 1 of each year.

**6. Fiscal impact:** DPB cannot estimate the fiscal impact associated with the provisions of this bill.

**7. Budget amendment necessary:** No.

**8. Fiscal implications:** The bill would require the Department of Accounts to contract with one or more private contractors to conduct systematic recovery audits of state agency contracts. The bill states that the contract would be performance-based with a provision authorizing the contractor to be paid a percentage of any payment error up to 10 percent of the amount recovered. There could be additional costs to the agency depending on the structure of the contract. For example, if there is a basic charge for the contract services and the payment of a percentage of any payment errors would be an additional incentive for the contractor, then the agency would have to pay the basic charge. Conversely, recoveries in excess of 10 percent would be additional revenues for the Commonwealth.

**9. Specific agency or political subdivisions affected:** Department of Accounts.

**10. Technical amendment necessary:** No.

**11. Other comments:** None.

**Date:** 03/23/04 / mar

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cc: Secretary of Finance