

**SUBJECT:** Revising processes for post-payment audits, annual financial reports

**COMMITTEE:** State Affairs — committee substitute recommended

**VOTE:** 8 ayes — Phelan, Guerra, Harless, Holland, Hunter, P. King, Raymond, Springer

0 nays

5 absent — Hernandez, Deshotel, Parker, E. Rodriguez, Smithee

**WITNESSES:** For — None

Against — None

On — (*Registered, but did not testify*: Rob Coleman, Comptroller of Public Accounts)

**BACKGROUND:** Government Code sec. 403.071(g) allows the comptroller and a state agency to contract in writing for the comptroller to audit claims presented by the agency after the comptroller pays the claims. If a contract is executed, the comptroller may decide the types of post-payment claims that will be audited. Under sec. 403.071(h), if the comptroller and a state agency contracted, the comptroller has to conduct post-payment audits in the same way as pre-payment audits.

Government Code sec. 2101.011(b) requires a state agency to submit by November 20 of each year an annual financial report on its use of appropriations during the preceding fiscal year to the governor, the comptroller, the Legislative Reference Library, the state auditor, and the Legislative Budget Board. The report must include a detailed assessment of all assets, liabilities, and fund balances, including certain listed items.

Sec. 2101.012 requires the comptroller to prescribe uniform accounting and financial reporting procedures for state agencies to prepare the annual financial report. The procedures must comply with generally accepted

accounting principles established by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants and include requirements to comply with other law.

Some have noted that the procedures for post-payment audits of state agencies by the comptroller are cumbersome and taking up extraneous time and resources. Others have suggested allowing greater flexibility in the type of information and timing required for state agency annual financial reports to make the process more efficient and useful.

DIGEST:

CSHB 2042 would amend certain processes relating to audits of claims after payment and to state agencies' required annual financial reports.

**Post-payment audits.** The bill would revise the process by which post-payment audits were conducted under Government Code sec. 403.071(g) and sec. 403.071(h). The comptroller would be authorized to audit claims presented by a state agency after paying the claims without first contracting with the agency. The bill would remove the requirement that the comptroller audit claims after payment in the same way as before payment.

The bill would allow the comptroller to access the books, accounts, confidential or nonconfidential reports, vouchers, electronic data, or other records or information of a state agency subject to a post-payment audit. The comptroller would have to use reasonable efforts to avoid hindering the daily operations of the agency by coordinating requests for access to information.

The comptroller would not be allowed to access information that could not be released under federal law without approval of the appropriate federal agency.

The bill's provisions related to a post-payment audit would apply to those initiated on or after the bill's effective date.

**Annual financial report.** The bill would allow the comptroller to

designate a date earlier than November 20 of each year for a state agency to submit the annual financial report required under Government Code sec. 2101.011(b).

CSHB 2042 would specify that a state agency had to include information on all assets, liabilities, and fund balances, rather than a detailed statement of those items. The annual financial report would not have to include information on the value of consumable supplies or on all other assets.

The comptroller's uniform accounting and financial reporting procedures that each state agency had to use in preparing an annual financial report no longer would have to comply with generally accepted accounting principles established by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

The bill would take effect September 1, 2019.