

Legislative Analysis



AUDITS OF SERVICE CONTRACTS AND GRANTS

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House Bill 5158

Sponsor: Rep. Anthony G. Forlini

Committee: Oversight, Reform, and Ethics

Complete to 2-6-12

A SUMMARY OF HOUSE BILL 5158 AS INTRODUCED 11-8-11

House Bill 5158 would allow the Department of Technology, Management and Budget to conduct audits of contract expenditures for all organizations and individuals who provide service contracts for the State of Michigan, beginning January 1, 2012. The bill would amend the Management and Budget Act (MCL 18.1470). A more detailed description of the bill follows.

Under the bill, beginning January 1, 2012, if a state agency entered into a *procurement contract for service*, the contract would have to provide that the DTMB (or its designees) could audit the vendor to verify compliance with the contract, and to require that the financial and account records associated with the contract be made available to the department, its designees, and the Auditor General upon request. The requirement would be in effect during the term of the contract, during any extension of the contract, and for three years after the later of the expiration date or final payment under the contract. The bill would also prohibit the department from auditing any matters outside the scope of the contract.

House Bill 5158 also specifies that beginning January 1, 2012, any person who receives a *grant of state funds* must agree to allow the department (or its designees) to audit the person to verify compliance with the terms of the grant. Under the bill, the person would be required to agree that the financial and accounting records associated with the grant be made available to the department, its designees, and the auditor general, upon request, during the term of the grant and during any extensions, and for three years after the later of the expiration date or the final payment under the grant. As with vendor service contracts, the bill would prohibit the department from auditing any matters outside the scope of the grant.

FISCAL IMPACT:

House Bill 5158 would impose certain costs on state government. Under the provisions of the bill, the state would be allowed to conduct certain audits on those persons contracting or receiving grant money from the state of Michigan. Presumably, the department conducting the audit would cover the cost of conducting the audit. The overall fiscal impact would be a function of the number and complexity of audits conducted. Costs could include staff time in conducting an audit, travel, and other administrative costs. To the extent that funds could be recouped due to an audit finding, any costs would be offset and the state could realize a positive fiscal impact.

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