



# COMMONWEALTH of VIRGINIA

DAVID A. VON MOLL, CPA  
COMPTROLLER

Office of the Comptroller

P. O. BOX 1971  
RICHMOND, VIRGINIA 23218-1971

December 29, 2004

The Honorable John H. Chichester  
Chairman, Senate Finance Committee  
P. O. Box 904  
Fredericksburg, Virginia 22404-9040

The Honorable Vincent F. Callahan, Jr.  
Chairman, House Appropriations Committee  
P. O. Box 1173  
McClean, Virginia 22101

Dear Messrs Chairmen:

Pursuant to § 2.2-1822.1 of the *Code of Virginia*, I hereby report on the status of the Commonwealth's recovery audit program. Since enactment, we have researched of the recovery auditing industry and the recovery audit experience of the federal and state governments and have developed the contract requirements for Virginia's program. We are preparing to issue a Request for Proposal to procure recovery audit services within a matter of days.

Please be aware that our research indicates that the ten percent limit specified in the *Code* on payments to the recovery audit contractor could severely limit our ability to establish an optimal recovery audit program. Our research found the following percentages of recovered amounts paid to auditors pursuant to contracts issued by the federal government and other states:

Federal Government	19.7%	North Carolina	31%
Delaware	25%	Missouri	35-30%*
Arizona	15 & 25%**	Utah	18%
Oregon	35-30%*		

\* Sliding scale within this range based on amount recovered

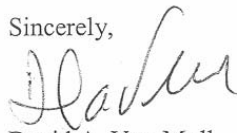
\*\* 15% for disbursement errors, 25% for contract-related errors

We are concerned that the specific cap will reduce competition among potential bidders for the contract and limit the quality of the recovery audit services we are ultimately able to obtain under the contract to be awarded. Although we will negotiate the most advantageous split of recovery audit proceeds as possible for the Commonwealth, we believe elimination of the cap will allow the competitive procurement process to work towards an optimal balance between service and cost. In the end, if the percentage payout to the contractor is too restrictive, the level of audit and recovery services ultimately

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obtained may not meet the industry or the Commonwealth's high standards. Accordingly, legislation will be introduced during the 2005 session of the General Assembly to eliminate the rate cap. If I can provide any additional information, please contact me at 804.225.2109 or [david.vonmoll@doa.virginia.gov](mailto:david.vonmoll@doa.virginia.gov)

Sincerely,

A handwritten signature in cursive script, appearing to read "David A. Von Moll".

David A. Von Moll

Copy: The Honorable John M. Bennett  
Robert Vaughn, Staff Director, House Appropriations  
Betsey Daley, Staff Director, Senate Finance