LEGISLATIVE BUDGET BOARD

Preventing Fraud, Waste, and Abuse

PRESENTED TO SENATE FINANCE COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

JULY 2026

Statement of Interim Charge

Preventing Fraud, Waste, and Abuse

Review state agencies' strategies to detect and mitigate fraud, waste, and abuse. Quantify the fiscal impact of financial impropriety on the state budget. Identify high-risk areas such as entitlement programs, contracted services, and technology contracts. Assess prevention and recovery efforts, including data analytics, reporting mechanisms, financial recoveries, and prosecutions. Make recommendations to strengthen oversight and better protect public funds.

Defining the Terms

Texas does not provide a standard statutory definition of fraud, waste, and abuse, however certain chapters within statute define the terms for the specific corresponding functions.

Definitions of the terms as established by the U.S. General Services Administration Inspector General:

- **Fraud:** Any deception designed to unlawfully deprive the United States of something of value or to secure from the United States for a benefit, privilege, allowance, or consideration to which an individual(s) is not entitled.
- **Waste:** The extravagant, careless, or needless expenditure of Government funds, or the consumption of Government property that results from deficient practices, systems, controls, or decisions.
- **Abuse:** The intentional or improper use of Government resources. Examples include misuse of position, authority, or the misuse of resources such as tools, vehicles, or office equipment.

Example of Definitions in Texas Statute

Government Code, Subtitle I. Health and Human Services, Chapter 544. Fraud, Waste, Abuse, and Overcharges Relating to Health and Human Services

- **Fraud: "**An intentional deception or misrepresentation a person makes with the knowledge that the deception or misrepresentation could result in an *unauthorized benefit* to that person or another person. The term does not include unintentional technical, clerical, or administrative errors."
- **Abuse:**
  - **"**A practice a <u>provider</u> engages in that is inconsistent with sound fiscal, business, or medical practices and that results in 1) an *unnecessary cost* to Medicaid; or 2) reimbursement for services that are not medically necessary or that fail to meet professionally recognized standards for health care; or
  - a practice a <u>recipient</u> engages in that results in an *unnecessary cost* to Medicaid."

State Appropriations for Oversight

Inspectors General – Offices that serve an independent function within agencies to assist in the detection and prevention of fraud, waste, and abuse within the agency's programs and operations. The following four agencies have specific appropriations to support an independent Office of Inspector General within their bill pattern:

Agency	2026-27 Appropriations (in millions)
Health and Human Services	$158.5
Texas Department of Criminal Justice	$37.5
Texas Juvenile Justice Department	$30.7
Department of Public Safety	$7.4
TOTAL	**$234.1**

Source: General Appropriations Act

State Appropriations for Oversight

Medicaid Benefit Oversight – The Office of the Attorney General works with the Health and Human Services to conduct criminal investigations into allegations of fraud and abuse by Medicaid providers:

Agency	2026-27 Appropriations (in millions)
Office of the Attorney General	$49.8

Source: General Appropriations Act

State Appropriations for Oversight

Audit Oversight – While not specific to addressing fraud, waste, and abuse, state agencies also conduct audit functions to assess and improve the effectiveness of related risk management and control processes. Major audit functions receiving direct appropriations include:

Agency	2026-27 Appropriations (in millions)
Comptroller of Public Accounts	$249.1
State Auditor's Office	$47.0
TOTAL	**$296.1**

Source: General Appropriations Act

State Appropriations for Oversight

Fiscal Oversight – While not specific to addressing fraud, waste, and abuse, state agencies also conduct oversight functions to monitor the implementation of state appropriations. Major fiscal oversight functions receiving direct appropriations include:

Agency	2026-27 Appropriations (in millions)
Comptroller of Public Accounts	$57.0
Legislative Budget Board	$32.9
TOTAL	**$89.9**

Source: General Appropriations Act

State Appropriations for Oversight

Select exceptional items directly addressing fraud, waste, and abuse funded by the 89th Legislature include:

Agency	2026-27 Appropriations (in millions)
Office of the Attorney General, Fraud Control Unit	$1.0
Health and Human Services, Fraud Detection	$1.0
Health and Human Services, Recovery Auditors	$5.0

Source: General Appropriations Act

State Appropriations for Oversight

General Oversight – Few agencies have specific appropriations for addressing fraud, waste, and abuse, but all agencies utilize general appropriations for this purpose. Examples of functions that agencies implement to prevent fraud, waste, and abuse include:

- Internal audits and utilization reviews;
- Regulatory and enforcement functions;
- Tax law compliance;
- Quality assurance;
- Cybersecurity; and
- Data analytics.

Legislative Contract Oversight

Contract Oversight – Legislative Budget Board (LBB) staff provides contract oversight to increase accountability and transparency in State procurement.

The Contracts Oversight Team

- Oversees the LBB Contracts Database with over 265,000 publicly available and searchable state contracts;
- Reviews contracts over $1.0 million;
- Compiles quarterly reports on contracts that have increased in value by ten percent or more;
- Publishes an annual report on every state entities' actions to comply with procurement rules; and
- Serves as an available resource to all Legislators.

Contract Reporting and Notice Requirements

Contract Action	Requirement	Criteria
Contracts	Report	All contracts greater than **$50,000**
Attestation Letters	Report	Certain purchases, contract awards, amendments, and extensions for - non-competitive contracts over **$1,000,000**; or - Competitive contracts over **$10,000,000**
10% Amendments	Report	Amendments/renewals for contracts over **$1,000,000** that have increased in value by 10 percent or more
Contract Management and Oversight	Report	All agencies/institutions that receive GAA appropriations
Non-Compliance with Recommendations	Notification	Written explanation required regarding non-compliance with any Contract Advisory Team recommendations
Exemption for Contracts in Effect More Than 5 Years	Request for Approval	Requests from agencies seeking exemption from competitive bidding before renewing certain contracts that have been in effect more than 5 years
Contract Extension	Notification	Contracts that extend beyond the base term and any optional extensions provided in the contract
Major Consulting Services Contract	Notification	Consulting contracts that will exceed $15,000
Contingent Fee Contract for Legal Services	Notification	Contingent fee contracts for legal services that exceed $100,000

Statutory Authority: Texas Government Code §322.020, 2166.2551, 2254.006, 2254.028, 2254.0301, 2254.103; 2026-27 General Appropriations Act, Article IX, Section 7.04, 7.09, 17.11, 17.12

Contracts Database

The Contracts Database is the repository for all contracts awarded by state entities that meet the reporting thresholds established by statute and the General Appropriations Act.

Texas State Contracts

The information provided here is as reported by the state agency or institution to the Legislative Budget Board (LBB) Contracts Database. Since September 1st, 2015, the General Appropriations Act, Acticle IX, Section 7.04(d) has required agencies and institutions to report all contracts $50,000 and greater to the LBB. Prior to that date several types of contracts were not reportable.

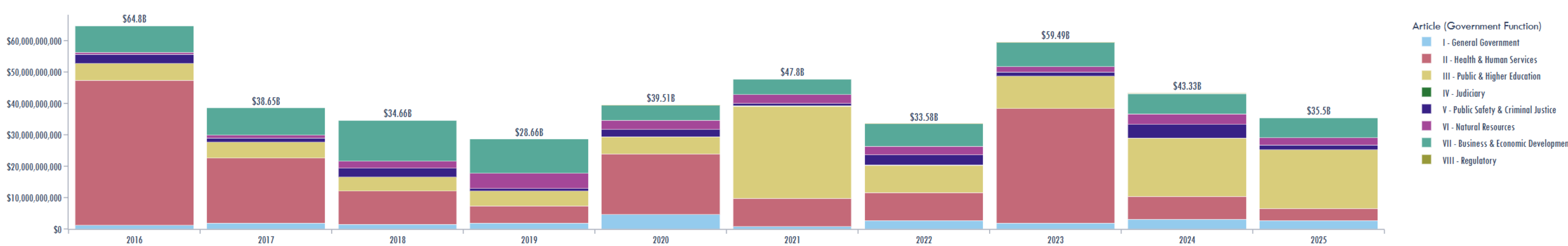
Total Reported Contracts Over Time

State Agency

× All

Select Topic

Article (Government Function)



Source: contracts.lbb.texas.gov

Federal Actions

General oversight actions taken by the federal government, impacting all policy areas:

- Executive Orders
  - **Establishing the Task Force to Eliminate Fraud**: Creates a group to coordinate and accelerate national strategy to stop fraud, waste, and abuse within federal benefit programs.
  - **Improving Oversight of Federal Grantmaking**: Requires agencies to designate a senior appointee to oversee and ensure grants are consistent with agency priorities and national interest.
  - **Stopping Waste, Fraud, and Abuse by Eliminating Information Silos**: Requires that President or Agency Heads have full access to agency records and data system to identify and eliminate waste, fraud, and abuse.
- Proposed Rules
  - **Uniform Guidance (2 CFR 200) for Federal Financial Assistance**: Would expand federal agency authority to modify, suspend, or terminate grant awards outside of non-compliance or performance issues to combat waste.

Federal Actions

Examples of federal oversight actions targeting specific policy areas:

- Health and Human Services
  - **National Fraud Enforcement Division (NFED) and the Health Care Strike Force**: A division to combat fraud involving tax-payer funded programs via federal memorandum.
  - **Supplemental Nutrition Assistance Program (SNAP):** Provisions within the One Big Beautiful Bill Act (OBBBA) to require states
    - to contribute towards SNAP benefit costs based on the state's payment error rate; and
    - to alter the criteria that exempts able-bodied adults without independents (ABAWD) from work requirements
  - **Medicaid and the Children's Health Insurance Program (CHIP)**: Provisions within OBBBA to combat fraud, waste, and abuse through changes to eligibility, payments, and enrollment provisions.

Federal Actions

Examples of federal oversight actions targeting specific policy areas:

- Higher Education:
  - **FAFSA Anti-Fraud Screening** tool to screen student aid applications for fraud.
- Workforce:
  - **Unemployment Insurance Fraud Letter** issued to states urging action to combat fraud, waste, and abuse within the unemployment program.
- Transportation:
  - **Motus Registration System** replaces the previous network to use biometrics and modern data analytics to strengthen security against fraud, waste, and abuse.
- Housing
  - **HUD Unified Grant System** and **Project Voucher: Strengthening Rental Assistance Integrity** tools to better review and analyze expenditures to identify potential fraud, waste, and abuse.

Contact the LBB

Legislative Budget Board
www.lbb.texas.gov
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