

LSC Redbook

Analysis of the Executive Budget Proposal

Office of the Inspector General

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Inspector General's Office (IGO), which includes the following three sections.

1. **Overview:** Provides a brief description of IGO and an overview of the provisions of the executive budget that affect the Office.
2. **Analysis of Executive Proposal:** Provides a detailed analysis of the executive budget recommendations for IGO, including funding for each appropriation line item.
3. **Attachments:** Includes the catalog of budget line items (COBLI) for IGO, which briefly describes each line item, accompanied by the LSC budget spreadsheet.

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Office of the Inspector General

- \$1,989,218 in each fiscal year
- New funding mechanisms for Deputy Inspector General positions

OVERVIEW

Agency Overview

The Office of Inspector General (IGO) investigates fraud, waste, abuse, and corruption within the executive branch of state government. Complaints received by the Office are reviewed and evaluated to determine whether there is reasonable cause to believe the underlying allegations, if true, would constitute a "wrongful act or omission" on the part of a state officer, agency, or employee. The jurisdiction of this office extends to the Governor, his staff, state agencies, departments, boards, commissions, and any other entities appointed, employed, controlled, directed, or subject to the authority of the Governor.

At the conclusion of an IGO investigation, a report of investigation is completed and provided to the Governor and the agency subject to investigation. The report may include recommendations for the board to consider in addressing and avoiding the recurrence of fraud, waste, abuse, or corruption uncovered by the investigation. When appropriate, a report of investigation may also be forwarded to a prosecutor for review to determine whether the underlying facts give rise to a criminal prosecution.

The Office employs a staff of 19. This includes eight employees who were hired after the creation of the Deputy Inspector General for the Ohio Department of Transportation (ODOT) and the Deputy Inspector General for the Bureau of Workers' Compensation and the Industrial Commission (BWC and OIC) in FY 2008.

Appropriation Overview

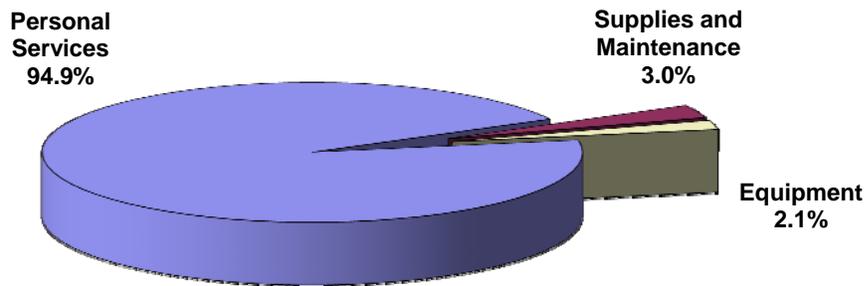
Table 1 below illustrates IGO's executive recommended appropriations, totaling \$1,989,218 in each fiscal year. Overall, this is 8.1% below FY 2009 appropriations of \$2,164,903, largely because of a decrease in GRF funding. The appropriations for two appropriations within the General Services Fund Group, which pay for the operating expenses of the Deputy Inspector General for ODOT (\$400,000 in each fiscal year) and the Deputy Inspector General for BWC/OIC (\$425,000 in each fiscal year) remain unchanged from the FY 2009 amounts.

Table 1. Executive Budget Recommendations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009*	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Revenue	\$1,339,903	\$1,164,218	(13.1%)	\$1,164,218	0%
General Services	\$825,000	\$825,000	0%	\$825,000	0%
TOTAL	\$2,164,903	\$1,989,218	(8.1%)	\$1,989,218	0%

*FY 2009 figures represent adjusted appropriations.

As Chart 1 below illustrates, approximately 95% of IGO's expenses planned for the FY 2010-FY 2011 biennium are for payroll associated with the 19 staff. Supplies and maintenance account for 3.0% of expenses. This is primarily for the costs of complying with records requests for information regarding investigations and litigation. Equipment costs account for 2.1% of IGO costs. This is mostly for planned computer system upgrades in the upcoming biennium.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2010-FY 2011



Issues of Interest

New Funding Mechanism for Deputy Inspector General for ODOT and BWC/OIC and Positions

The main operating budget act provides two General Service Fund (GSF) appropriation items to pay for the Deputy Inspector General for ODOT and Deputy Inspector General for BWC/OIC positions. Both positions were created in FY 2008 and were originally funded by payments remitted from ODOT and BWC and deposited in the Special Investigations Fund (Fund 4Z30). In turn, IGO would request Controlling Board approval to appropriate these funds. Under the Governor's proposed budget, the Deputy Inspector General for ODOT Fund (Fund 5FA0) and the Deputy Inspector General for BWC/OIC Fund (Fund 5FT0) have been created to receive these payments. See the Analysis of Executive Proposal for more detail on this subject.

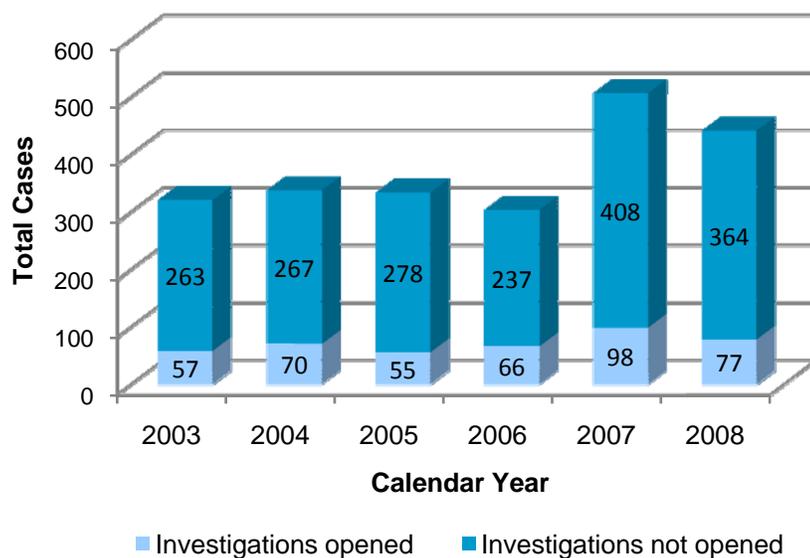
Deputy Inspector General for the American Recovery and Reinvestment Act of 2009

H.B. 2, the transportation budget bill for FY 2010-FY 2011 currently pending before the Senate, creates another Deputy Inspector General position to oversee the use of transportation funding received through the American Recovery and Reinvestment Act of 2009 (ARRA). While H.B. 2 creates this position and funds it through GRF transfers totaling \$400,000 to the newly created Deputy Inspector General for Funds Received through the American Recovery and Reinvestment Act of 2009 Fund (Fund 5GI0), it requires that these amounts be appropriated in H.B. 1, the main operating budget bill.

Inspector General Complaints and Investigations

The chart below displays the total number of complaints received by IGO from 2003 to 2008. The total number of complaints is broken down into two categories: those that resulted in opening an investigation, and those that did not. As the chart illustrates, the number of cases remained relatively constant from calendar years (CY) 2003-2006. However, with the creation of the Deputy Inspector positions in CY 2007, there was a noticeable increase in both complaints received and investigations opened.

Complaints Received, Calendar Years 2003-2008



ANALYSIS OF EXECUTIVE PROPOSAL

Governor's Recommended Amounts for the Inspector General				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	965321	Operating Expenses	\$1,164,218	\$1,164,218
General Revenue Fund Subtotal			\$1,164,218	\$1,164,218
General Services Fund Group				
5FA0	965603	Deputy Inspector General for ODOT	\$400,000	\$400,000
5FT0	965604	Deputy Inspector General for BWC/OIC	\$425,000	\$425,000
General Services Fund Group Subtotal			\$825,000	\$825,000
Total Funding: Inspector General			\$1,989,218	\$1,989,218

Operating Expenses (965321)

This GRF line item pays for all the administrative costs of the IGO's office, including payroll for 11 employees, and all investigation costs not directly attributable to ODOT or BWC. In the last two calendar years, IGO has received 947 complaints and opened 175 investigations.

Public records requests for information stemming from closed investigations and litigation are paid from this line item. This includes requests from the recently completed IGO investigation of the Office of the Attorney General, as well as investigations involving BWC and ODOT. Because IGO must at times redact personal information from these records, this tends to increase administrative costs to the office. The executive recommendation for this line item is \$1.1 million in both FY 2010 and FY 2011, a decrease of 13.1% from FY 2009 adjusted appropriation levels. According to the IGO, this funding level will result in two vacant positions remaining unfilled.

Deputy Inspector General for ODOT (965603)

This line item pays all the costs associated with the operations of the Deputy Inspector General for ODOT. It includes payroll costs for four employees. The appropriation for this purpose is \$400,000 in each fiscal year. This amount would be supported by transfers totaling \$400,000 in each fiscal year from the Department of Transportation. Note that the transfers, however, are authorized not in this bill, but rather Section 512.40 of H.B. 2, the transportation budget bill for FY 2010-FY 2011. Section 512.40 of that bill requires the Director of Budget and Management to make transfers on January 1 and July 1 of each year from the Highway Operating Fund (Fund 7002) to the Deputy Inspector General for ODOT Fund (Fund 5FA0) appropriated in this bill.

Deputy Inspector General for BWC/OIC (965604)

This line item pays all the costs associated with the operations of the Deputy Inspector General for BWC/OIC, including four employees. This line item funds four employees. The funding source that supports this appropriation is a transfer of up to \$425,000 in each fiscal year from the Workers' Compensation Fund (Fund 7023) to the Deputy Inspector General for BWC/OIC Fund (Fund 5FT0). This amount is based upon quarterly billings submitted by IGO to BWC, beginning on October 1, 2009. Fund 5FT0 would also be capitalized by a \$106,000 cash transfer in early FY 2010. The language directing this transfer can be found in Section 211 of H.B. 15, the workers' compensation budget bill for FY 2010-FY 2011.

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General Revenue Fund

GRF 965321 Operating Expenses

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$1,298,810	\$1,309,289	\$1,178,244	\$1,339,903	\$1,164,218	\$1,164,218
	0.8%	-10.0%	13.7%	-13.1%	0.0%

Source: GRF

Legal Basis: ORC 121.48 (originally established by Am. Sub. H.B. 117 of the 121st G.A.)

Purpose: Moneys appropriated to this line item pay for personnel, maintenance, and equipment costs for the Office of the Inspector General.

GRF 965403 BWC Investigation and Prosecution

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$153,185	\$2,013	\$0	\$0	\$0
	N/A	-98.7%			

Source: GRF; one-time transfer from Controlling Board appropriation item 911-401, Emergency Purposes/Contingencies

Legal Basis: Discontinued line item (originally established by Controlling Board on June 26, 2006)

Purpose: Appropriations were used to cover the costs associated with the investigation of the Bureau of Workers' Compensation investments program and any subsequent prosecutions.

General Services Fund Group

4Z30 965602 Special Investigations

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$63,284	\$109,738	\$325,563	\$0	\$0	\$0
	73.4%	196.7%			

Source: GSF: Transfers from Controlling Board line item 911-401, Emergency Purposes/Contingencies

Legal Basis: ORC 121.481 (originally established by Am. Sub H.B. 283 of the 123rd G.A.)

Purpose: Moneys in this account pay the costs of investigations conducted by the Office of the Inspector General in the event of extraordinary investigative activity.

5FA0 965603 Deputy Inspector General for ODOT

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$0	\$308,488	\$400,000	\$400,000	\$400,000
		N/A	29.7%	0.0%	0.0%

Source: GSF: Transfers from the Department of Transportation's Highway Operating Fund occurring on January 1 and July of each year, and totaling \$400,000 in each fiscal year

Legal Basis: Proposed by the Executive Budget

Purpose: This line item pays the expenses of the Deputy Inspector General for ODOT. It funds all employees necessary to carry out these duties as well as any other operating costs necessary to perform the necessary investigative functions.

5FT0 965604 Deputy Inspector General for BWC/OIC

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$0	\$0	\$425,000	\$425,000	\$425,000
			N/A	0.0%	0.0%

Source: GSF: Transfers from the Bureau of Worker's Compensation based upon quarterly billings from the IGO to BWC beginning on October 1, 2009. This line item is also capitalized by a \$106,000 cash transfer at the beginning of FY 2010

Legal Basis: Proposed by the Executive Budget

Purpose: This line item pays all the necessary operating expenses for the Deputy Inspector General for BWC/OIC, including costs for all necessary employees and all investigation costs.

LSC Budget Spreadsheet by Line Item, FY 2010 - FY 2011

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2008</i>	<i>2009</i>	<i>As Introduced 2010</i>	<i>% Change 2009 to 2010</i>	<i>As Introduced 2011</i>	<i>% Change 2010 to 2011</i>
IGO Office of the Inspector General								
GRF	965321	Operating Expenses	\$ 1,178,244	\$ 1,339,903	\$ 1,164,218	-13.1%	\$ 1,164,218	0.0%
GRF	965403	BWC Investigation and Prosecution	\$ 2,013	\$0	\$0	N/A	\$0	N/A
General Revenue Fund Total			\$ 1,180,256	\$ 1,339,903	\$ 1,164,218	-13.1%	\$ 1,164,218	0.0%
4Z30	965602	Special Investigations	\$ 325,563	\$ 0	\$ 0	N/A	\$ 0	N/A
5FA0	965603	Deputy Inspector General for ODOT	\$ 308,488	\$ 400,000	\$ 400,000	0.0%	\$ 400,000	0.0%
5FT0	965604	Deputy Inspector General for BWC/OIC	\$0	\$ 425,000	\$ 425,000	0.0%	\$ 425,000	0.0%
General Services Fund Group Total			\$ 634,051	\$ 825,000	\$ 825,000	0.0%	\$ 825,000	0.0%
Total All Budget Fund Groups			\$ 1,814,308	\$ 2,164,903	\$ 1,989,218	-8.1%	\$ 1,989,218	0.0%