

LSC Redbook

Analysis of the Executive Budget Proposal

Office of the Inspector General

Maggie Wolniewicz, Budget Analyst
Legislative Service Commission

February 2013

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 Office of the Inspector General (IGO), which includes the following three sections.

1. **Overview:** Provides a description of the Inspector General's existing functions and staffing, and an overview of the Inspector General's executive recommended budget for the FY 2014-FY 2015 biennium, and notes other important budgetary matters.
2. **Analysis of Executive Proposal:** Provides a summary of the executive budget recommendations for the line items that fund the Inspector General's operations.
3. **Attachments:** Includes LSC's Catalog of Budget Line Items (COBLI), which describes each line item's purpose, revenue, and expenditures, and the LSC budget spreadsheet, which summarizes each line item's recent expenditure and appropriations history.

TABLE OF CONTENTS

OVERVIEW	1
Agency Overview.....	1
Complaint Filing and Investigation.....	1
Appropriation Overview	2
Investigation Statistics.....	3
ANALYSIS OF EXECUTIVE PROPOSAL	4
Operating Expenses (GRF line item 965321).....	4
Deputy Inspector General for ODOT (GSF line item 965603)	5
Deputy Inspector General for BWC/OIC (GSF line item 965604)	6
Deputy Inspector General for ARRA (GRF line item 965404, GSF line item 965605).....	7

ATTACHMENTS:

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

Office of the Inspector General

- Executive biennial budget splits funding 66% GRF, 35% non-GRF
- 82% of proposed biennial funding for payroll costs

OVERVIEW

Agency Overview

The Office of Inspector General (IGO), created by executive order in 1988, investigates fraud, waste, abuse, corruption, and conflict of interest within the executive branch of state government and, as appropriate, issues a report with recommendations.

The jurisdiction of the Inspector General includes the Governor (and staff), state agencies, departments, boards, commissions, and any other entities appointed, employed, controlled, directed, or subject to the authority of the Governor. Specifically excluded from the Inspector General's jurisdiction are the Ohio General Assembly, Ohio courts, the offices of Secretary of State, Auditor, Treasurer, Attorney General, their staff and employees, and state community colleges.

The Inspector General employs a full-time staff of 20. This staff is generally organized into four areas or divisions: (1) Bureau of Workers' Compensation, (2) Ohio Department of Transportation, (3) American Recovery and Reinvestment Act of 2009 (ARRA), and (4) General. The first three divisions include statutorily designated deputy inspectors general; the fourth investigates all other cases and handles daily operations.

Complaint Filing and Investigation

An investigation is typically triggered by the filing of a complaint, which could come via a telephone call, facsimile, mail, or e-mail. Complaints are filed by private citizens, public employees, or public agencies or officials.

Upon receiving a complaint, an intake committee determines whether the complaint is "credible and reasonable." If it is, an investigation is initiated to determine if the complaint is "founded." That means the complaint is 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. If it is not, an investigation is "declined," the matter is closed, and a final

report is issued.¹ If it is determined that the complaint is "founded," a final report is issued with recommendations; it is delivered to the Governor and the subject of the investigation.

Appropriation Overview

The Inspector General's estimated FY 2013 expenditures are compared with the executive recommendations for FY 2014 and FY 2015, by fund group, in Table 1 below. The executive budget recommends FY 2014 appropriations totaling \$2,500,598, a decrease of \$171,535, or 6.4%, from the total estimated FY 2011 expenditure of \$2,672,133. For FY 2015, the executive budget recommends appropriations totaling \$2,350,598, or 6.0%, less than the FY 2014 recommendation. Absent a sudden and unpredictable increase in workload, these recommended funding levels should be sufficient to cover the annual costs of performing the Inspector General's investigative duties and responsibilities.

A notable highlight of the Inspector General's budget is the increased reliance in the FY 2014-FY 2015 biennium on GRF funding; the proposed split is 65% GRF and 35% non-GRF. For FY 2013, that split is estimated at 58% GRF and 42% non-GRF. The change reflects moving the financing of the Inspector General's ARRA and casino investigative duties and responsibilities to the GRF and away from a mix of money appropriated from the General Services and State Special Revenue fund groups.

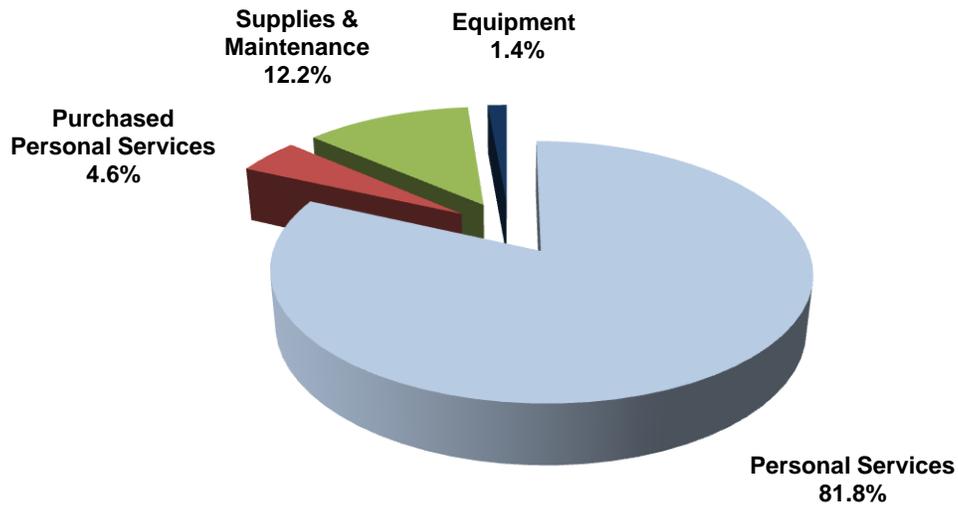
Fund Group	FY 2013*	FY 2014	% change, FY 2013-FY 2014	FY 2015	% change, FY 2014-FY 2015
General Revenue	\$1,125,598	\$1,650,598	46.6%	\$1,525,598	-7.6%
General Services	\$1,346,535	\$850,000	-36.9%	\$825,000	-2.9%
State Special Revenue	\$200,000	\$0	-100.0%	\$0	0.0%
TOTAL	\$2,672,133	\$2,500,598	-6.4%	\$2,350,598	-6.0%

*FY 2013 figures represent estimated expenditures.

As Chart 1 below illustrates, approximately 82% of the Inspector General's expenses planned for the FY 2014-FY 2015 biennium are for the payroll costs associated with 20 full-time staff (personal services). An additional 4.6% is for purchased personal services. Supplies and maintenance account for 12.2% of expenses. These are primarily for the costs of complying with records requests for information on investigations and litigation.

¹ An investigation of a complaint is "declined" if: (1) the Inspector General has no jurisdiction, (2) there is insufficient cause, (3) it is more appropriate to be handled by another authority, or (4) it is designated "not applicable."

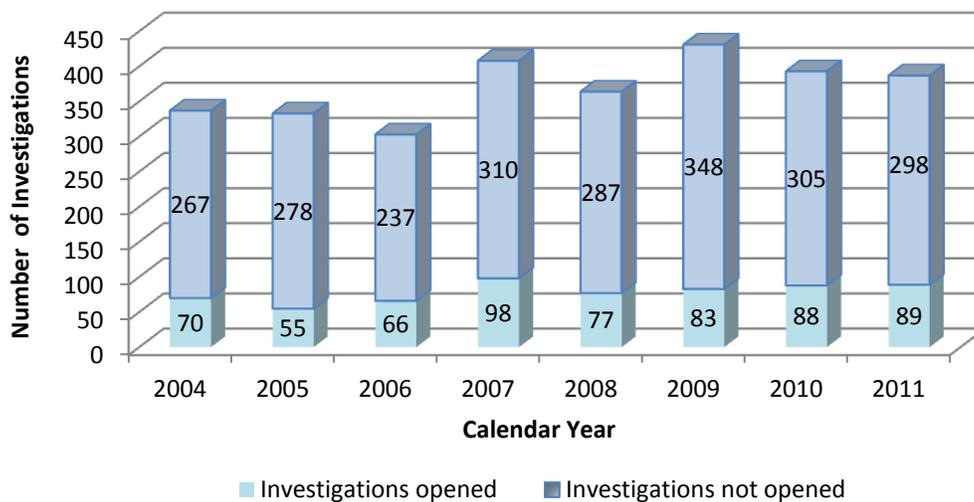
Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2014-FY 2015



Investigation Statistics

Chart 2 below displays investigation statistics from 2004 to 2011. The total number of investigations is broken down into two categories: (1) the number of complaints in which the Inspector General declined to investigate and (2) the number of complaints in which an investigation was opened.

Chart 2: Investigation Activity, Calendar Years 2004-2011



ANALYSIS OF EXECUTIVE PROPOSAL

This section provides a more detailed discussion of the appropriations that finance the Inspector General's duties and responsibilities. The recommended FY 2014 and FY 2015 appropriations for the line items that will fund those duties and responsibilities are shown in Table 2 below. Assuming that the number and complexity of the complaints filed and investigations initiated do not noticeably increase in the next biennium, the executive recommendations should be sufficient for the Office of the Inspector General to perform its statutorily required duties and responsibilities.

Table 2. Executive Recommended Amounts				
Fund	ALI and Name		FY 2014	FY 2015
General Revenue Fund				
GRF	965321	Operating Expenses	\$1,175,598	\$1,175,598
GRF	965404	Deputy Inspector General for ARRA	\$475,000	\$350,000
General Revenue Fund Subtotal			\$1,650,598	\$1,525,598
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
5GI0	965605	Deputy Inspector General for ARRA	\$25,000	\$0
General Services Fund Group Subtotal			\$850,000	\$825,000
Total Funding: Inspector General			\$2,500,598	\$2,350,598

Operating Expenses (GRF line item 965321)

This GRF line item generally pays for operating costs of the Inspector General's General Division. This more or less means costs not directly attributable to the work of the statutorily designated deputy inspectors general for Workers' Compensation, Transportation, and the American Recovery and Reinvestment Act of 2009. The executive recommendation provides funding in the amount of \$1,175,598 for each of FY 2014 and FY 2015. This amount represents an increase of \$50,000 from FY 2013 estimated expenditures of \$1,125,598.

Public records requests for information on closed investigations and litigation are also paid from this line item. This includes requests from the Department of Public Safety, as well as investigations involving the deputy inspectors general for Workers' Compensation, Transportation, and the American Recovery and Reinvestment Act of 2009. This tends to be a time and labor intensive process, as the Inspector General must at times redact certain (e.g., personal) information from these records. Where costs of public record requests and litigation involving the deputy inspectors general for Workers' Compensation, Transportation, and the American Recovery and Reinvestment

Act of 2009 cannot be supported by their respective funds, the costs will be allocated to the GRF.

It is also likely to be the case that the Inspector General will continue the practice of reallocating a portion of the costs associated with the Deputy Inspector General for Transportation to this GRF line item. These are costs that would typically be charged against money appropriated to the Deputy Inspector for ODOT Fund (Fund 5FA0). It is the Inspector General's view that the cash balance in Fund 5FA0 is not sufficient to cover all of the Deputy Inspector for ODOT's annual operating expenses.

A summary of the General Division's complaint and investigations workload over the course of calendar years (CYs) 2010 and 2011 appears in Table 3 below.

Table 3. General Division Complaint and Investigation Statistics, CY 2010-CY 2011		
Action	2010	2011
Complaints Received	364	352
Cases Opened	42	74
No Jurisdiction	89	139
Complaints Declined	164	116
Referrals	52	18
Not Applicable	17	5
Cases Closed	40	54

Deputy Inspector General for ODOT (GSF line item 965603)

This GSF line item pays more or less for all of the operating expenses associated with the statutorily designated Deputy Inspector General for Transportation. This deputy inspector general is responsible for: (1) investigating wrongful acts or omissions by Ohio Department of Transportation (ODOT) employees and (2) conducting a program of random review of the processing of contracts associated with building and maintaining the state's infrastructure.

The recommended appropriation in each fiscal year is identical to the FY 2013 estimated expenditure of \$400,000, and will be supported by cash transfers totaling \$400,000 in each fiscal year from the Department of Transportation's budget to the Deputy Inspector for ODOT Fund (Fund 5FA0). Note that the transfers, however, are authorized not in the main operating appropriations bill (H.B. 59), but rather Section 512.30 of H.B. 35, the transportation and public safety budget bill for the FY 2014-FY 2015 biennium. Section 512.30 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). The appropriation for this purpose has remained at \$400,000 annually since Fund 5FA0 was created in 2007.

The executive recommended funding level is \$100,000 less than the Inspector General requested in both FY 2014 and FY 2015. The Inspector General's budget request indicated that the purpose of the funding increase was to permit it to discontinue a recent practice of reallocating a portion of ODOT-related investigative costs to GRF line item, Operating Expenses. Presumably, the Inspector General will continue to reallocate some portion of these costs to the GRF during the FY 2014-FY 2105 biennium.

A summary of the Deputy Inspector General for Transportation's complaint and investigations workload over the course of CYs 2010 and 2011 appears in Table 4 below.

Action	2010	2011
Complaints Received	44	24
Cases Opened	27	12
No Jurisdiction	1	3
Complaints Declined	9	8
Referrals	7	1
Not Applicable	0	0
Cases Closed	25	24

Deputy Inspector General for BWC/OIC (GSF line item 965604)

This GSF line item pays more or less for all of the operating expenses associated with the statutorily designated Deputy Inspector General for the Bureau of Workers' Compensation (BWC) and the Ohio Industrial Commission (OIC). This deputy inspector general is responsible for investigating wrongful acts or omissions that have been committed by, or are being committed by, officers or employees of BWC or OIC.

The recommended appropriation for this purpose fully funds the Inspector General's request of \$425,000 in each fiscal year. This appropriation is supported by a temporary law provision that essentially requires the Director of Budget and Management to transfer \$425,000 from the Workers' Compensation Fund (Fund 7023) to the Deputy Inspector General for the Bureau of Workers' Compensation and Industrial Commission Fund (Fund 5FT0). That provision is in Section 211 of H.B. 34, the workers' compensation budget bill for the FY 2014-FY 2015 biennium.

A summary of the Deputy Inspector General for BWC and OIC's complaint and investigations workload over the course of CYs 2010 and 2011 appears in Table 5 below.

Action	2010	2011
Complaints Received	29	33
Cases Opened	9	13
No Jurisdiction	0	2
Complaints Declined	17	15
Referrals	3	3
Not Applicable	0	0
Cases Closed	6	14

Deputy Inspector General for ARRA (GRF line item 965404, GSF line item 965605)

These GRF and GSF line items pay more or less for all of the operating expenses associated with the statutorily designated Deputy Inspector for Funds Received through the American Recovery and Reinvestment Act of 2009 (ARRA). This deputy inspector general is responsible for: (1) monitoring relevant state agencies' distribution of funds received from the federal government under ARRA, (2) investigating all wrongful acts or omissions committed by officers or employees of, or contractors with, relevant state agencies with respect to ARRA money, and (3) conducting a program of random review of the processing of contracts associated with ARRA projects.

For GRF line item 965404, the executive recommendation provides funding in the amount of \$475,000 in FY 2014 and \$350,000 in FY 2015. For GSF line item 965605, the executive recommendation provides funding in the amount of \$25,000 in FY 2014. As previously mentioned, the executive recommendation shifts funding for the Deputy Inspector General for ARRA from the GSF to the GRF. As a result, funding for GSF line item 965605 is eliminated in FY 2015.

A summary of the Deputy Inspector General for ARRA's complaint and investigations workload over the course of CYs 2010 and 2011 appears in Table 6 below.

Action	2010	2011
Complaints Received	19	6
Cases Opened	10	4
No Jurisdiction	3	1
Complaints Declined	5	0
Referrals	1	1
Not Applicable	0	0
Cases Closed	7	2

General Revenue Fund

GRF 965321 Operating Expenses

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$1,102,156	\$1,025,563	\$764,364	\$1,125,598	\$1,175,598	\$1,175,598
	-6.9%	-25.5%	47.3%	4.4%	0.0%

Source: General Revenue Fund

Legal Basis: Section 305.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established by Am. Sub. H.B. 117 of the 121st G.A.)

Purpose: This line item is used to pay for the Office of the Inspector General's operating expenses (personal services, purchased personal services, supplies and maintenance, and equipment).

GRF 965404 Deputy Inspector General for ARRA

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$0	\$0	\$475,000	\$350,000
	N/A	N/A	N/A	N/A	-26.3%

Source: General Revenue Fund

Legal Basis: Newly-created in Section 297.10 of H.B. 59 as part of the executive-recommended budget for the FY 2014-FY 2015 biennium

Purpose: This line item will be used to pay the costs incurred by the Deputy Inspector General for Funds Received through the American Recovery and Reinvestment Act of 2009 for performing statutorily required duties, including: (1) monitoring state agency distribution of funds received from the federal government under the American Recovery and Reinvestment Act of 2009, (2) investigating all wrongful acts or omissions committed by officers or employees of, or contractors with, relevant state agencies with respect to money received under the federal act, and (3) conducting a program of random review of the processing of contracts associated with projects to be paid for with such money. This line item replaces the phasing out, in FY 2014, of money appropriated from GSF Fund 5GI0 to related line item 965605, Deputy Inspector General for ARRA.

General Services Fund Group

4Z30 965602 Special Investigations

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$11,028	\$0	\$0	\$0	\$0	\$0
	-100%	N/A	N/A	N/A	N/A

Source: General Services Fund Group: Transfers of cash from the Controlling Board's Emergency Purposes appropriation

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

Purpose: This line item is used for the purpose of paying costs of investigations conducted by the Inspector General.

5FA0 965603 Deputy Inspector General for ODOT

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$348,292	\$385,345	\$389,749	\$400,000	\$400,000	\$400,000
	10.6%	1.1%	2.6%	0.0%	0.0%

Source: General Services Fund Group: Transfers of cash from the Department of Transportation's Highway Operating Fund (Fund 7002); Section 512.30 of Am. Sub. H.B. 114 of the 129th G.A. (1) requires that, on January 1 and July of each year of the FY 2012-FY 2013 biennium, or as soon as possible thereafter, \$200,000 in cash be transferred from Fund 7002 to the Deputy Inspector General for ODOT Fund (Fund 5FA0) and (2) permits, if additional amounts are necessary, the Inspector General, with the consent of the Director of Budget and Management, to seek Controlling Board approval for additional transfers of cash and to increase the amount appropriated to associated line item 965603; similar cash transfer provision for the FY 2014-FY 2015 biennium is included in Section 512.30 of H.B. 35, the executive budget for transportation and public safety programs.

Legal Basis: ORC 121.51; Section 305.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established by Am. Sub. H.B. 67 of the 127th General Assembly)

Purpose: This fund and related line item are statutorily required to pay for costs incurred by the Deputy Inspector General for the Department of Transportation (ODOT) in performing statutorily required investigations of wrongful acts or omissions that have been committed or are being committed by ODOT employees, and to conduct a program of random review of the processing of contracts associated with building and maintaining the state's infrastructure.

Office of the Inspector General

5FT0 965604 Deputy Inspector General for BWC/OIC

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$338,890	\$351,632	\$445,938	\$425,000	\$425,000	\$425,000
	3.8%	26.8%	-4.7%	0.0%	0.0%

Source: General Services Fund Group: Money received from the Administrator of Workers' Compensation and the Industrial Commission; Section 221 of Sub. H.B. 123 of the 129th G.A. (1) requires the Director of Budget and Management, in each of FY 2012 and FY 2013, to transfer amounts equaling \$425,000 in cash from the Workers' Compensation Fund (Fund 7023) to the Deputy Inspector General for the Bureau of Workers' Compensation and Industrial Commission Fund (Fund 5FT0) and (2) permits, if additional amounts are necessary, the Inspector General to seek Controlling Board approval for additional transfers of cash and to increase the amount appropriated to related line item 965604; similar cash transfer provision for the FY 2014-FY 2015 biennium is included in Section 211 of H.B. 34, the executive budget for workers' compensation programs.

Legal Basis: ORC 121.52; Section 305.10 of Am. Sub. H.B. 153 of the 129th G.A.

Purpose: This fund and related line item are statutorily required to pay for costs incurred by the Deputy Inspector General for the Bureau of Workers' Compensation (BWC) and Industrial Commission (OIC) in performing investigations of wrongful acts or omissions that have been committed by or are being committed by officers or employees of the BWC or OIC.

Office of the Inspector General

5GI0 965605 Deputy Inspector General for ARRA

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$410,153	\$456,655	\$478,546	\$521,535	\$25,000	\$0
	11.3%	4.8%	9.0%	-95.2%	-100%

Source: General Services Fund Group: Cash transfers from the General Revenue Fund (GRF); Section 305.10 of Am. Sub. H.B. 153 of the 129th G.A. requires the Director of Budget and Management, in each of FY 2012 and FY 2013, to transfer amounts equaling \$450,000 in cash from the GRF to the Deputy Inspector General for Funds Received through the American Recovery and Reinvestment Act of 2009 Fund (Fund 5GI0)

Legal Basis: ORC 121.53; Section 305.10 of Am. Sub. H.B. 153 of the 129th G.A.

Purpose: This fund and related line item are statutorily required to pay for costs incurred by the Deputy Inspector General for Funds Received through the American Recovery and Reinvestment Act of 2009 in performing certain duties, including: (1) monitoring state agency distribution of funds received from the federal government under the American Recovery and Reinvestment Act of 2009, (2) investigating all wrongful acts or omissions committed by officers or employees of, or contractors with, relevant state agencies with respect to money received under the federal act, and (3) conducting a program of random review of the processing of contracts associated with projects to be paid for with such money. Under the executive budget for the FY 2014-FY 2015 biennium, money for this purpose will be appropriated to newly-created GRF line item 965404, Deputy Inspector General for ARRA.

State Special Revenue Fund Group

5HS0 965609 Casino Investigation

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$23,868	\$200,000	\$0	\$0
	N/A	N/A	737.9%	-100%	N/A

Source: State Special Revenue Fund Group: License fees paid by casino operators and 3% of the receipts from gross casino revenue tax

Legal Basis: ORC 3772.01(B) and 5753.03(A)(8); Section 305.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established by Am. Sub. S.B. 181 of the 128th G.A.)

Purpose: This line item is required to be used solely for the performance of the Inspector General's casino-related duties. Related temporary law reappropriates the unexpended, unencumbered balance of the line item's appropriation from FY 2011 to FY 2012, and similarly, from FY 2012 to FY 2013. The executive budget for the FY 2014-FY 2015 biennium appropriates no money to this line item, presumably shifting such costs to GRF line item 965321, Operating Expenses.

FY 2014 - FY 2015 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2012	Estimate FY 2013	Introduced FY 2014	FY 2013 to FY 2014 % Change	Introduced FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
IGO Office of the Inspector General								
GRF	965321	Operating Expenses	\$ 764,364	\$ 1,125,598	\$ 1,175,598	4.44%	\$ 1,175,598	0.00%
GRF	965404	Deputy Inspector General for ARRA	\$ 0	\$ 0	\$ 475,000	N/A	\$ 350,000	-26.32%
General Revenue Fund Total			\$ 764,364	\$ 1,125,598	\$ 1,650,598	46.64%	\$ 1,525,598	-7.57%
5FA0	965603	Deputy Inspector General for ODOT	\$ 389,749	\$ 400,000	\$ 400,000	0.00%	\$ 400,000	0.00%
5FT0	965604	Deputy Inspector General for BWC/OIC	\$ 445,938	\$ 425,000	\$ 425,000	0.00%	\$ 425,000	0.00%
5GI0	965605	Deputy Inspector General for ARRA	\$ 478,546	\$ 521,535	\$ 25,000	-95.21%	\$ 0	-100.00%
General Services Fund Group Total			\$ 1,314,233	\$ 1,346,535	\$ 850,000	-36.88%	\$ 825,000	-2.94%
5HS0	965609	Casino Investigation	\$ 23,868	\$ 200,000	\$ 0	-100.00%	\$ 0	N/A
State Special Revenue Fund Group Total			\$ 23,868	\$ 200,000	\$ 0	-100.00%	\$ 0	N/A
Office of the Inspector General Total			\$ 2,102,464	\$ 2,672,133	\$ 2,500,598	-6.42%	\$ 2,350,598	-6.00%