

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 Office of the Inspector General, 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 2016-FY 2017 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.

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ATTACHMENTS:

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

Office of the Inspector General

- Executive biennial budget splits funding 62% GRF, 38% non-GRF
- 83% of proposed biennial funding for payroll costs

OVERVIEW

Agency Overview

The Office of the 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 18. This staff is generally organized into three areas or divisions: (1) Bureau of Workers' Compensation, (2) Ohio Department of Transportation, and (3) General. The first two divisions include statutorily designated deputy inspectors general; the third investigates all other cases and handles daily operations.

Appropriations Overview

The Inspector General's estimated FY 2015 expenditures are compared with the executive recommendations for FYs 2016 and 2017, by fund group, in Table 1 below.

Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
General Revenue	\$1,525,598	\$1,327,759	-13.0%	\$1,327,759	0.0%
Internal Service Activity	\$825,000	\$825,000	-0.0%	\$825,000	0.0%
TOTAL	\$2,350,598	\$2,152,759	-8.4%	\$2,152,759	0.0%

*FY 2015 figures represent estimated expenditures.

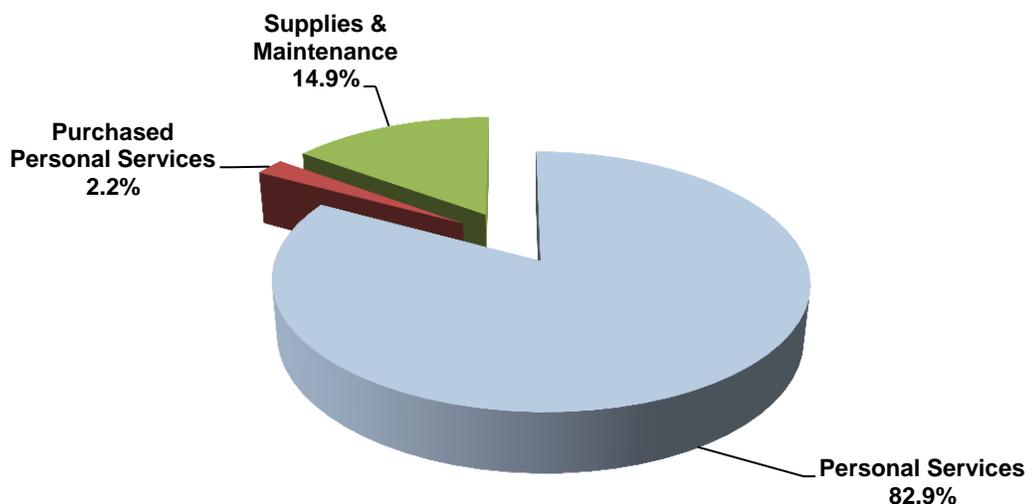
The executive budget recommends, for each of FYs 2016 and 2017, appropriations totaling \$2,152,759. These annual amounts are \$197,839, or 8.4%, less than the total estimated FY 2015 expenditure of \$2,350,598. These recommended

funding levels should be sufficient to cover the annual costs of performing the Inspector General's investigative duties and responsibilities.

The proposed decrease in GRF funding between the FY 2015 estimate and the FY 2016 recommendation reflects repeal of the Inspector General's statutory authority to monitor federal American Recovery and Reinvestment Act (ARRA) grants pursuant to R.C. 121.53, which was repealed effective June 30, 2014. With that repeal, the Inspector General no longer needs GRF money to perform that duty.

As Chart 1 below illustrates, approximately 83% of the Inspector General's expenses planned for the FY 2016-FY 2017 biennium are for the payroll costs associated with 18 full-time staff (personal services). An additional 2% is for purchased personal services. Supplies and maintenance account for 15% of expenses. These are primarily for the costs of complying with records requests for information on investigations and litigation.

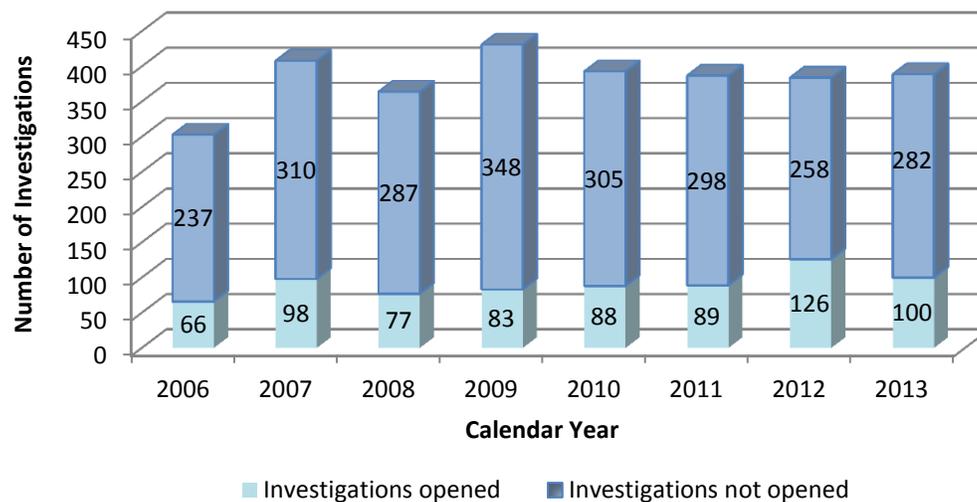
**Chart 1: Executive Biennial Budget Recommendations
by Expense Category, FY 2016-FY 2017**



Investigation Statistics

Chart 2 below displays investigation statistics from calendar years (CY) 2006 to 2013. 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 2006-2013



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 email. 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.

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."

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 2016 and FY 2017 appropriations for the line items that will fund those duties and responsibilities are shown in the table 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 Inspector General to perform its statutorily required duties and responsibilities.

Executive Recommended Amounts for Inspector General				
Fund	ALI and Name		FY 2016	FY 2017
General Revenue Fund				
GRF	965321	Operating Expenses	\$1,327,759	\$1,327,759
General Revenue Fund Subtotal			\$1,327,759	\$1,327,759
Internal Service Activity Fund				
5FA0	965603	Deputy Inspector General for ODOT	\$400,000	\$400,000
5FT0	965604	Deputy Inspector General for BWC/OIC	\$425,000	\$425,000
Internal Service Activity Fund Group Subtotal			\$825,000	\$825,000
Total Funding: Inspector General			\$2,152,759	\$2,152,759

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 and Transportation. The executive recommendation provides funding in the amount of \$1,327,759 for each of FYs 2016 and 2017. These annual amounts represent a decrease of \$197,839, or 13%, from the FY 2015 estimated expenditures of \$1,525,598.

Built into the proposed GRF appropriations for each fiscal year is around \$150,000 for the purpose of making rent payments beginning in FY 2016. Currently, rent payments are being paid by GRF appropriations in the operating budget of the Department of Administrative Services.

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 and Transportation. 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 and Transportation 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 CYs 2012 and 2013 appears in Table 2 below.

Table 2. General Division Complaint and Investigation Statistics, CY 2012-CY 2013		
Action	2012	2013
Complaints Received	402	314
Cases Opened	79	61
No Jurisdiction	105	73
Complaints Declined	124	105
Referrals	64	70
Cases Closed	67	67

Deputy Inspector General for ODOT (ISA line item 965603)

This line item pays more or less for all of the operating expenses associated with the statutorily designated Deputy Inspector General for the Ohio Department of Transportation (ODOT). This Deputy Inspector General is responsible for: (1) investigating wrongful acts or omissions by 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 appropriations for this purpose fully funds the Inspector General's request of \$400,000 in each fiscal year, 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. 64), but rather Section 512.30 of H.B. 53, the transportation and public safety budget bill for the FY 2016-FY 2017 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.

A summary of the Deputy Inspector General for ODOT's complaint and investigations workload over the course of CYs 2012 and 2013 appears in Table 3 below.

Table 3. ODOT Complaint and Investigation Statistics, CY 2012-CY 2013		
Action	2012	2013
Complaints Received	31	28
Cases Opened	12	16
No Jurisdiction	1	0
Complaints Declined	11	12
Referrals	6	0
Cases Closed	14	13

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

This 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 4 of H.B. 52, the workers' compensation budget bill for the FY 2016-FY 2017 biennium.

A summary of the Deputy Inspector General for BWC and OIC's complaint and investigations workload over the course of CYs 2012 and 2013 appears in Table 4 below.

Table 4. BWC/OIC Complaint and Investigation Statistics, CY 2012-CY 2013		
Action	2012	2013
Complaints Received	33	41
Cases Opened	13	21
No Jurisdiction	2	0
Complaints Declined	15	15
Referrals	3	3
Cases Closed	14	23

General Revenue Fund

GRF 965321 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$764,364	\$949,702	\$909,962	\$1,175,598	\$1,327,759	\$1,327,759
	24.2%	-4.2%	29.2%	12.9%	0.0%

Source: General Revenue Fund

Legal Basis: Section 297.10 of Am. Sub. H.B. 59 of the 130th 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.

GRF 965404 Deputy Inspector General for ARRA

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$0	\$314,819	\$350,000	\$0	\$0
	N/A	N/A	11.2%	-100%	N/A

Source: General Revenue Fund

Legal Basis: Section 297.10 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item is used to pay for costs incurred by the Deputy Inspector General for Funds Received through the American Recovery and Reinvestment Act of 2009 (ARRA) in performing statutorily required duties (monitoring state agency distribution of those funds, investigating wrongful acts or omissions with respect to those funds, and conducting a program of random review of related project contracts). This line item replaced ISA line item 965605, Deputy Inspector General for ARRA, which was phased out in FY 2014.

The executive budget for the FY 2016-FY 2017 biennium contains no funding for these ARRA-related purposes, as the Inspector General's statutory authority to perform the duties in the above noted paragraph were repealed effective June 30, 2014.

Office of the Inspector General

Dedicated Purpose Fund Group

5HS0 965609 Casino Investigation

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$23,868	\$24,160	\$747	\$0	\$0	\$0
	1.2%	-96.9%	-100%	N/A	N/A

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

Legal Basis: Discontinued line item (originally established by Am. Sub. S.B. 181 of the 128th G.A.)

Purpose: This line item was used for the performance of the Inspector General's casino-related duties. Beginning in FY 2014, these duties are mainly funded from GRF line item 965321, Operating Expenses.

Internal Service Activity Fund Group

5FA0 965603 Deputy Inspector General for ODOT

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$389,749	\$401,058	\$352,971	\$400,000	\$400,000	\$400,000
	2.9%	-12.0%	13.3%	0.0%	0.0%

Source: Internal Service Activity Fund Group: Transfers of cash from the Department of Transportation's Highway Operating Fund (Fund 7002) typically pursuant to temporary law included in the biennial transportation operating budget

Legal Basis: ORC 121.51; Section 297.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Am. Sub. H.B. 67 of the 127th G.A.)

Purpose: This line item is used to pay for costs incurred by the Deputy Inspector General for the Department of Transportation (ODOT) in performing investigations of wrongful acts or omissions 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 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$445,938	\$425,117	\$409,727	\$425,000	\$425,000	\$425,000
	-4.7%	-3.6%	3.7%	0.0%	0.0%

Source: Internal Service Activity Fund Group: Transfers of cash from the Bureau of Workers' Compensation's Workers' Compensation Fund (Fund 7023) typically pursuant to temporary law included in the Bureau's biennial operating budget

Legal Basis: ORC 121.52; Section 297.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Am. Sub. H.B. 15 of the 128th G.A.)

Purpose: This line item is used 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 committed by officers or employees of the BWC or OIC.

5GI0 965605 Deputy Inspector General for ARRA

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$478,546	\$415,702	\$26,810	\$0	\$0	\$0
	-13.1%	-93.6%	-100%	N/A	N/A

Source: Internal Service Activity Fund Group: Cash transfers from the GRF

Legal Basis: Discontinued line item (fund originally established in ORC 121.53 by Am. Sub. H.B. 2 of the 128th G.A., repealed effective June 30, 2014)

Purpose: This line item was used to pay for costs incurred by the Deputy Inspector General for Funds Received through the American Recovery and Reinvestment Act of 2009 in performing statutorily required duties (monitoring state agency distribution of those funds, investigating wrongful acts or omissions with respect to those funds, and conducting a program of random review of related project contracts). This line item was phased out in FY 2014 and replaced by GRF line item 965404, Deputy Inspector General for ARRA.

FY 2016 - FY 2017 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016 % Change	Introduced FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
IGO Office of the Inspector General								
GRF	965321	Operating Expenses	\$ 909,962	\$ 1,175,598	\$ 1,327,759	12.94%	\$ 1,327,759	0.00%
GRF	965404	Deputy Inspector General for ARRA	\$ 314,819	\$ 350,000	\$ 0	-100.00%	\$ 0	N/A
General Revenue Fund Total			\$ 1,224,781	\$ 1,525,598	\$ 1,327,759	-12.97%	\$ 1,327,759	0.00%
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5HS0	965609	Casino Investigation	\$ 747	\$ 0	\$ 0	N/A	\$ 0	N/A
Dedicated Purpose Fund Group Total			\$ 747	\$ 0	\$ 0	N/A	\$ 0	N/A
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5FA0	965603	Deputy Inspector General for ODOT	\$ 352,971	\$ 400,000	\$ 400,000	0.00%	\$ 400,000	0.00%
5FT0	965604	Deputy Inspector General for BWC/OIC	\$ 409,727	\$ 425,000	\$ 425,000	0.00%	\$ 425,000	0.00%
5GI0	965605	Deputy Inspector General for ARRA	\$ 26,810	\$ 0	\$ 0	N/A	\$ 0	N/A
Internal Service Activity Fund Group Total			\$ 789,507	\$ 825,000	\$ 825,000	0.00%	\$ 825,000	0.00%
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Office of the Inspector General Total			\$ 2,015,035	\$ 2,350,598	\$ 2,152,759	-8.42%	\$ 2,152,759	0.00%