

## Inspector General for Rhode Island

This legislation was prepared with the help of John Gudavich, a Retired Associate Inspector General for Investigations, Office of Inspector General, in Washington, D.C. John has 28 years experience specializing in white color crime.

Introduced each year since 2001, this legislation was modeled after the general laws of Massachusetts, the first state to establish an Office of Inspector General Office (OIG) in 1981. Since that time, at least seventeen other states and Washington, D.C. have established such offices. Some OIGs are statewide, others are for specific departments within the Executive Branch. States with an OIG include: Virginia, New York, Maryland, Pennsylvania, Illinois, Ohio, Louisiana, California, Florida, Texas, Georgia, Colorado, New Mexico, Kentucky, Oklahoma, New Jersey and Indiana.

Recognizing Rhode Island's huge budget deficit, Operation Clean Government suggests that with an OIG, this deficit may not have been as large. Savings in other states have been more than the cost to run the office.

### Examples of Savings by Offices of Inspector General

**Washington DC** – OIG created in 1995. *FY 2009 Annual Report:*

- \$50.3 million in total potential monetary benefits by the Audit Division
- \$127 million in restitution orders by the Investigations Division
- \$2.1 million total recovery for the Medicaid program

**Indiana** – OIG created in 2005. *The 2008 Annual Report:*

- Total Operating Expenses for 2005-2008 at \$4.7 million
- Total Savings & Captures for the same period \$10.3 million

**Ohio** – OIG created in 1988. Deputy IGs have been added for specific agencies in the Executive Branch. *The 2008 Annual Report*, Deputy Inspector General for the Department of Transportation:

- \$29.2 million in fiscal repercussions in the DOT, including improper overtime payments, emergency contract improprieties, bid rigging, contract steering and theft.

**Texas** – OIG created in 1999 for Health and Human Services. *The Annual Report for State Fiscal Year 2009:*

- \$338.5 million in total recoveries which includes actual collections, recoupments, and/or hard dollars

**Pennsylvania** – Pennsylvania OIG webpage “OIG Accomplishments 2008-2009”

- \$57.3 million saved – welfare fraud prevention activities

**Massachusetts** – OIG created in 1981. *2009 Annual Report:*

- \$458 million from Big Dig Contractors in 2008 recovered with efforts of OIG

**New Jersey** – created in 2005. The *2008 Annual Report* lists:

- \$45 million that was either protected from being misspent or was improperly spent and identified for recoupment.

**New York** – Office of the Medicaid Inspector General created in 2006. *2008 Annual Report*

- \$1.66 billion in cost savings activities in 2008

**Maryland** – OIG for the Department of Health and Mental Hygiene. *The Annual Report for Fiscal Year 2008:*

- \$21 million – cost avoidance, recovery and retraction finance

*note:* In addition to identifying monies recovered by OIGs, there are other cost savings that cannot be determined, since all OIGs are proactive as well as reactive, thus preventing fraud and waste from taking place by focusing on preventing problems.

**Reasons cited by different states for having an Inspector General include:**

- maintain public confidence
- need for entity to prevent fraud
- created in the wake of a scandal
- root out fraud, corruption and inefficiency in state government
- cut down on waste of taxpayer money

**Features of the proposed IG legislation**

**Purpose.** The Office of Inspector General (OIG) would be an independent administrative agency charged with detecting and preventing fraud, waste, abuse, and mismanagement in the expenditure of public funds by state and municipal government. The IG would be charged with proactive responsibility to investigate and/or audit any state or municipal agency and any private business entity or official doing business with the state or municipality. A primary focus of the IG would be procurement of materials and services, particularly for major construction projects.

**Appointment.** The IG would be appointed by a majority vote of the Governor, the Attorney General and the General Treasurer. The selection process will include one public forum.

**Term of Office.** The IG would be appointed for one five-year term to begin July 1 and end June 30 five years later, so as to not coincide with any election cycle. There would be no reappointments. This is intended to insulate the IG from political influence.

**Removal from Office.** The IG may be removed for cause by a unanimous vote of the Governor, Lieutenant Governor and the Secretary of State. The IG would have 10 days to submit a written appeal, after which a vote of 2/3 of the senate will be required to dismiss the IG.

**Function.** The IG would:

- supervise, coordinate and/or conduct criminal, civil, administrative and audit investigations and inspections of oversight reviews
- be both proactive and reactive
- review statutes and regulations relating to programs and operations and would make recommendations concerning the effect of such statutes and regulations on the prevention and detection of fraud, waste and abuse.
- recommend policies which will assist in the prevention or detection of fraud, waste, abuse or mismanagement.

**Subpoena power.** The IG would have subpoena power, as have Inspectors General in many other states, including Massachusetts. The IG would rely on the AG to prosecute criminal and civil cases.

**Coordination with other state agencies.** The IG may coordinate with other state agencies that are responsible for investigating, auditing, reviewing or evaluating the management of state agencies for the purpose of sharing information and avoiding duplication of effort.

## **Comparison of an Inspector General with the Attorney General, State Bureau of Audits, Auditor General and the Ethics Commission**

None of these agencies have the primary purpose to detect and prevent fraud, waste and abuse.

The **Attorney General** prosecutes criminal and to a limited extent civil cases. Because the AG office does not do audits, it does not get involved in white-collar fraud unless it is a high profile case. Examples: the lack of attention to the problems in Providence city government until the FBI stepped in and the recent disclosure of \$75 million in wasteful spending and mismanagement at the RIRRC.

The **State Bureau of Audits** cannot keep up with biennial audits of every state department as required by R.I.G.L. For example, the Traffic Court was not audited properly for years. Internal audits are performed, focusing on performance audits (effectiveness and efficiency). Fraud, waste and abuse are not a main focus.

The **Auditor General** is an employee of the Joint Committee on Legislative Services. The budget is controlled by the JCLS. He focuses on the annual post audit of the state and the annual audit of federally-funded programs (a single audit, rather than numerous individual audits.) Again, fraud, waste and abuse are not the main focus.

The **Ethics Commission** does not do audits and has limited power to investigate. It is rarely proactive, and has not demonstrated an appetite or the ability to investigate and prevent malversation in state government.

The **Inspector General** would be an independent investigative agency, charged with the proactive responsibility to investigate and/or audit any state or municipal agency and any private business entity or official doing business with the state or municipality. The office would have human resources and physical resources totally devoted to its mission. It would rely on the AG to prosecute criminal and civil cases. The IG could also investigate/audit the AG, the Ethics Commission and the State Bureau of Audits to determine the effectiveness of these agencies, identifying management issues, political issues, and failures to perform their missions.

### **History of Inspector General on the Federal Level**

The term 'Inspector General' has been historically associated with maintaining and improving operational efficiency. In 1777, the Continental Congress created the office of Inspector General of the Army.

In 1976, legislation was enacted establishing the Office of Inspector General for the federal Department of Health, Education and Welfare.

On October 12, 1978, President Jimmy Carter signed into law the Inspector General Act of 1978, creating an independent audit and investigative office in 12 Federal agencies. As of 2008, thirty years later, over 60 offices of Inspectors General protect the integrity of government, and improve program efficiency and effectiveness.