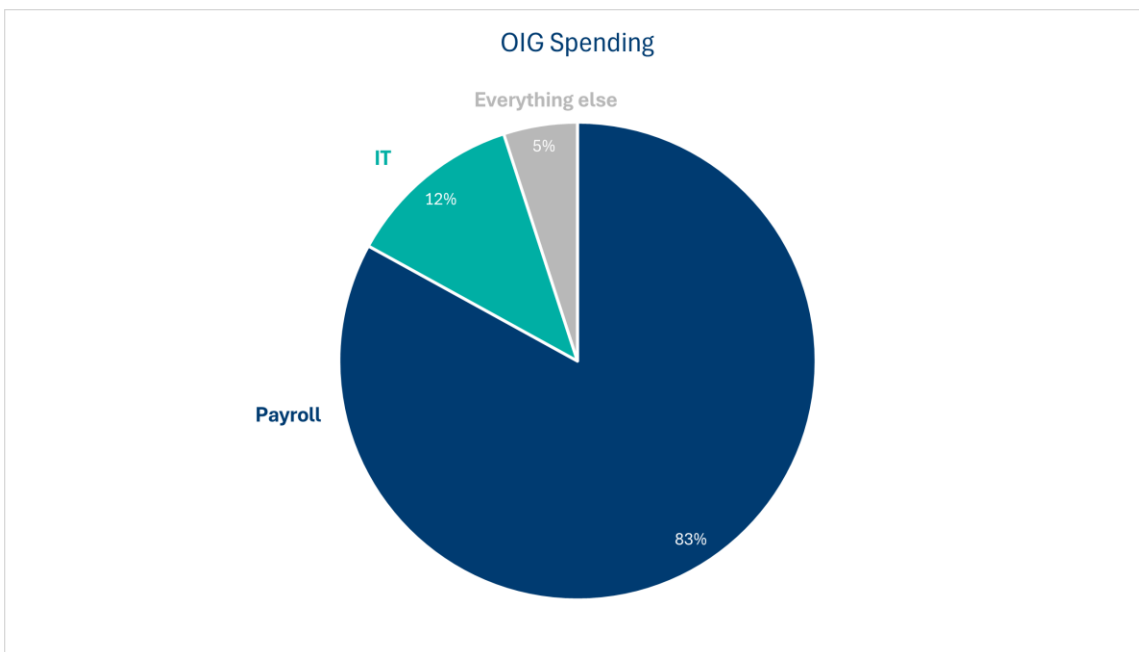


**OIG FY26 BUDGET SUBMISSION TO THE
WAYS AND MEANS COMMITTEES
MARCH 6, 2025**

Thank you for the opportunity to present the Office of the Inspector General (OIG) FY26 budget request. Over the last two fiscal years, the OIG has received significant investments through the budget process. As detailed in our annual reports, I hope that you will agree that these increases have been a solid investment in our oversight work and the Commonwealth. I appreciate the funding you have provided to the OIG in the past.

Over the last year, the OIG issued 77 public letters and 10 reports commented on numerous pieces of legislation. We worked jointly with the Administration and Legislature to pass a solution for municipalities to use when purchasing electric vehicles. We have continued to extend our municipal outreach and solve problems, as we did with a municipality that had trouble procuring a fire vehicle. The OIG has made a number of recommendations regarding ways that the MBTA can and should be a better fiscal steward of public dollars. Our goal is to provide the good actors with the right information and tools to do their jobs successfully while providing strong oversight to deter the bad actors from taking nefarious actions. For us, intent matters, and our impact needs to be far-reaching.

As the only statewide OIG in the country that has both state and municipal oversight authority, we must regularly analyze and set priorities to balance funding and resources among state and municipal oversight. The majority of our costs relate to personnel and IT expenses, as demonstrated in the chart below. The OIG is also continuously working to prevent losing ground on salary competitiveness across Commonwealth agencies, due to bargaining and management raises that the Administration implements. The OIG does not benefit from any salary reserves to pay its staff, so any salary adjustments must be proactively reserved and built into our line items.



Our IT costs, including data storage and cybersecurity, are increasing as we make the necessary updates to address end-of-life systems and incorporate technology into inefficient processes (Appendix A). Historically, the OIG lacked a comprehensive IT strategy and underinvested in technology (Appendices B and C). A number of critical systems have been at the end of their useful life for some time now. I have dramatically changed our approach to how we use and invest in technology. As a seasoned public administrator, I believe fixing this approach is one of the reasons the appointers looked to me to serve as Inspector General.

The OIG systems that needed upgrading or are at end of life include a:

- Learning Management System,
- Case Management System,
- eDiscovery System, and more.

Additionally, under the advice and direction of the Executive Office of Technology Services and Security (EOTSS), the OIG created a cloud storage environment in AWS during FY25. Maintaining agency servers is no longer a service EOTSS offers and thus it was necessary for us to move to AWS. In FY26, we will need to continue to invest in modern systems and upgraded hardware, including power backups and Wi-Fi.

Most significantly for FY26, EOTSS has changed its billing model, which has drastically increased the chargeback for the services they provide to us. This billing change was not shared with the OIG or other independents before our maintenance request was filed with the Executive Office for Administration and Finance. Thus, the modest increase shown in House 1 does not cover any of the OIG identified fiscal needs.

The FY26 House 1 budget recommends a 3% increase across all direct appropriations. The 3% increase is equal to an increase of approximately \$260,000. However, of that, \$103,000 is related to an increase in the EOTSS chargeback. This increase is not for any additional services but is a maintenance-level increase, representing a 70.3% increase from FY25 costs (Appendix D). A 70.3% increase in one year is an enormous amount and very difficult to absorb without cutting other critical needs. After accounting for the increase in the EOTSS chargeback, approximately \$157,000 (1.8%) is left across the remaining direct appropriations, which does not support funds needed to simply try to stay competitive with salary adjustments provided to managers and staff for those covered by the Human Resources Division. Nor can we support our IT needs outside of EOTSS services.

Recognizing that the financial headwinds have changed for the year ahead, our request focuses on protecting and keeping our technological infrastructure up to date and maintaining our current staff. As detailed below, **we are requesting a 6% increase across all directly appropriated accounts, for a total increase of \$520,354 in FY26.** With a 6% increase, we will be able to continue to make the investments in IT to upgrade and modernize our systems and hardware. We are also requesting an increase to the ceiling on our retained revenue account, to \$1,680,000, as well as some language changes which are detailed below.

Operating Account. The OIG's operating account (0910-0200) supports the majority of the OIG's investigative work, as well as our operational support. The FY25 budget funds the OIG's operating account at \$5,584,969. **For FY26, the OIG's request for this account is \$5,920,067, an increase of \$335,098, or 6%, over FY25.** These additional funds will be used to modernize the agency's IT resources and cybersecurity. In particular, the OIG needs to modernize our case management system and invest in an e-discovery tool, two vital systems for an investigatory agency. The OIG has already purchased some new systems this fiscal year and has created an AWS environment, which will have an annual cost going forward.

Bureau of Program Integrity. The Bureau of Program Integrity (BPI) within the OIG has a statutory mission to both prevent and detect fraud, waste and abuse in public benefits programs and collaborate with the Executive Office of Health and Human Services (EOHHS) and its child agencies on better approaches to its work. The FY25 budget funded BPI (0910-0220) at \$789,635. The Governor funded this account at \$813,324. **For FY26, I am requesting \$837,013, an increase of \$47,379, or 6%, over FY25.** This increase will support additional staff to expand the number of EOHHS reviews BPI will be able to conduct.

Data Analytics. The FY25 budget funded the Data Analytics Division within the OIG (0910-0230) at \$608,673. The Governor funded this account at \$626,933. **For FY26, I am requesting \$645,193, an increase of \$36,520, or 6%, over FY25.** This increase will be used to support the Data Analytics Division as it develops a data warehouse utilizing AWS. This will lead to better data management and operational efficiency. Additionally, funds will be used to ensure that the data warehouse is properly secured.

Internal Special Audit Unit. The Internal Special Audit Unit focuses on transportation issues at MassDOT and the MBTA. This line item (0910-0300) supports the work of a division charged with oversight of more than \$6 billion in spending. The FY25 budget funded this line item at \$1,235,004. The Governor funded this account at \$1,272,054. **For FY26, I am requesting \$1,309,104, an increase of \$74,100, or 6%, over FY25.** This increase is necessary as the OIG attempts to increase capacity in this unit to an appropriate size to manage the significant number of projects, investigations and studies within MassDOT and the MBTA.

Division of State Police Oversight. Additionally, the OIG operates the Division of State Police Oversight (DSPO). The DSPO's mandate is to (a) monitor the quality, efficiency and integrity of the State Police's operations, organizational structure and management functions; (b) prevent, detect and correct fraud, waste and abuse in the expenditure of public funds; and (c) monitor policy changes initiated as a result of the State Police's process for certification or accreditation. The FY25 budget funded DSPO (0910-0330) at \$454,285. The Governor funded this account at \$467,914. **For FY26, I am requesting \$481,542, an increase of \$27,257, or 6%, over FY25.** This increase will be used to support IT costs.

Retained Revenue Account. Through the OIG Academy, the OIG educates public officials, state and municipal employees and other stakeholders across the Commonwealth on good governance, including fraud prevention, contract administration, public construction and how to make the most responsible procurement decisions for their jurisdictions. For a fee, the Academy also provides training for construction, design and procurement professionals in the

private sector who do public work. The OIG retained revenue account (0910-0210) is funded through fees collected from participants. **I am requesting that the current cap be increased from \$1,375,710 to \$1,680,000.** In House 1, the Governor set the cap at \$1,680,000.

Moreover, due to the nature of the OIG Academy we are looking for added flexibility to roll funding, up to the ceiling amount, between fiscal years, rather than have it revert to the General Fund when the fiscal year is closed. The reversion is small compared to General Fund revenue but would have a major impact on the OIG Academy operations. State finance law does not allow students to register and pay for courses in one fiscal year that will be taken in the next fiscal year. In order to allow greater flexibility for our students, account for the timing of registering and taking courses, and to help offset the lost opportunity cost of providing the One Free Designee initiative, we are requesting to add language to this line item to allow this to happen annually. This change would greatly enhance our ability to meet the needs of our students and not require an appropriation for this purpose.

This language addresses the fiscal year issue I mentioned above by allowing students to register in May and June for courses provided in the following fiscal year. Without this language, students cannot register for July, August or beyond until July, which limits the number of classes we can offer as well as the flexibility for students when registering. The language also addresses the fact that it is difficult to receive payment for classes in May and June and then expend those funds by the end of the fiscal year, as we collect revenue through June 30. Under this language, funds will be available for administration of the program at the start of the fiscal year.

As you know, in FY24 and FY25, the OIG has run a pilot One Free Designee (OFD) program with the goal of developing at least one employee in every municipality who is certified in public procurement. The cost of this pilot is absorbed by the OIG through its retained revenue account, specifically by tuition paid for students of other OIG Academy programs. However, any funds left in this account are sent to the General Fund at the end of the fiscal year, rather than rolling forward. If they rolled forward, the OIG would be able to use these funds to further its OFD goal. In fact, as part of the FY24 closing, the OIG sent over \$900,000 of its earned revenue to the General Fund from fees we earned and collected. Because we have not had this requested language, annually we lose the seed funding that would be critical to any effort to move the OFD beyond a pilot.

We anticipate that FY25 will be the last year we offer the One Free Designee program, as it is not sustainable for the OIG going forward. This is unfortunate given the program's success in having more certified procurement professionals within the Commonwealth's municipalities. In FY24, 165 individuals registered for the OFD pilot and 51 earned their certification. To date in FY25, we have had 28 individuals register for the OFD pilot with 67 earning their certification. There are still 154 municipalities that have not yet taken advantage of this program.

House 1 includes this needed language, and I also ask that you include this language. I have highlighted the requested language below.

0910-0210

For the office of the inspector general, which may expend revenues collected not more than \$1,680,000 from the fees charged to participants in the OIG Academy, including the Massachusetts public purchasing official certification program for the operation of such programs; provided, that notwithstanding any general or special law to the contrary, for the purpose of accommodating timing discrepancies between the receipt of retained revenues and related expenditures, the office may incur expenses and the comptroller may certify for payment amounts not to exceed the lower of this authorization or the most recent revenue estimate as reported in the state accounting system; provided further, that notwithstanding any general or special law to the contrary, funds may be collected in the prior fiscal year for service programs or activities delivered during the next fiscal year; and provided further, that any unspent balance at the close of the current fiscal year up to the ceiling shall remain in the account and may be expended for the item in the following fiscal year

Oversight of Healthcare Spending. I would also like to request that you include language similar to section 231 of the FY25 budget in the FY26 budget. In 2004, legislation authorized this Office to use funds from the Uncompensated Care Pool Trust Fund, now the Health Safety Net Trust Fund, to create a pool audit unit. Subsequent budgets have authorized the continued expenditure of those funds. Since 2004, the mandate has expanded dramatically, from reviewing hospital emergency room practices to now analyzing both the Health Safety Net (HSN) and MassHealth, the Massachusetts Medicaid program. House 1 included this as section 127.

Thank you.

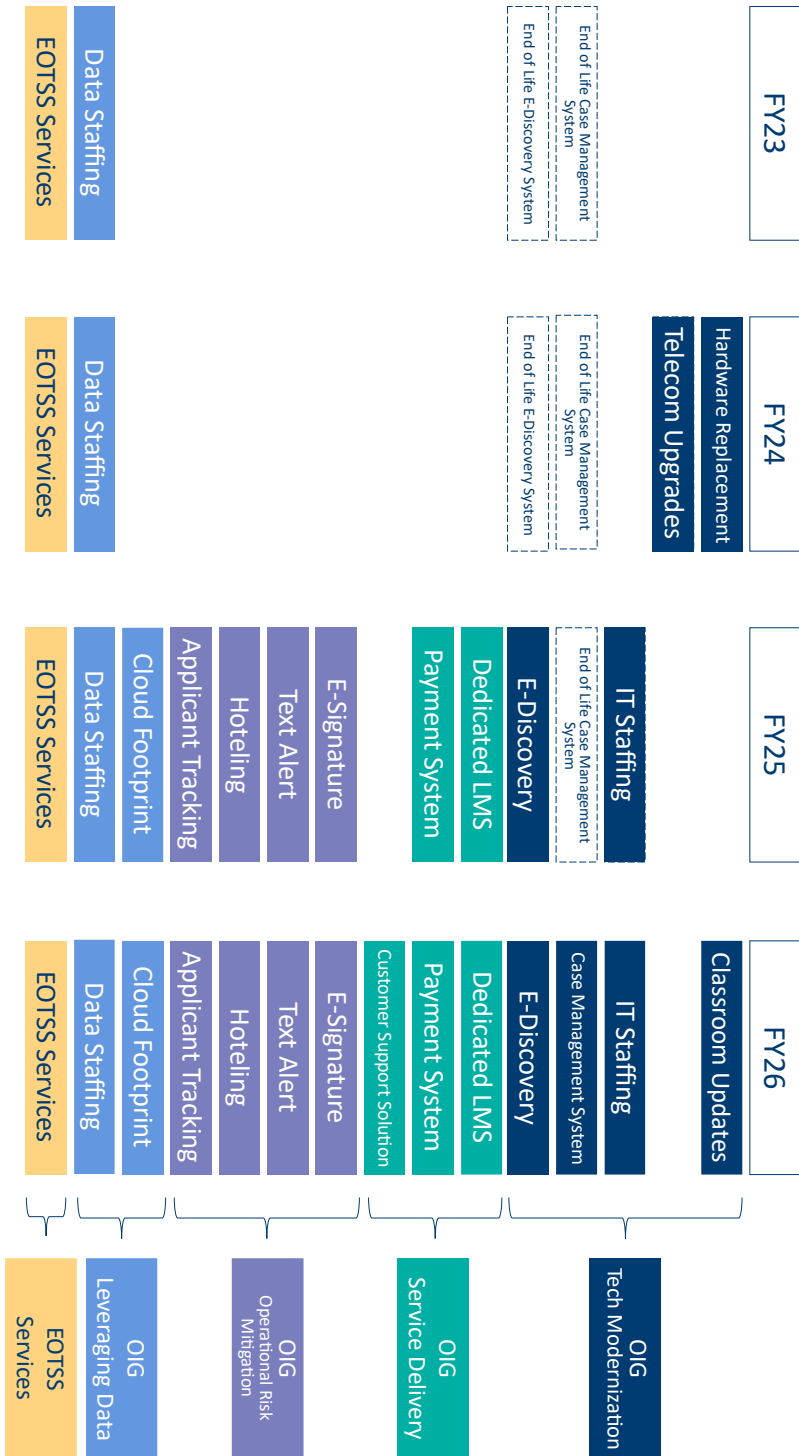
Appendix A.



Jeffrey S. Shapiro, Esq., CIG
 Inspector General

March 2025

OIG Technology Landscape

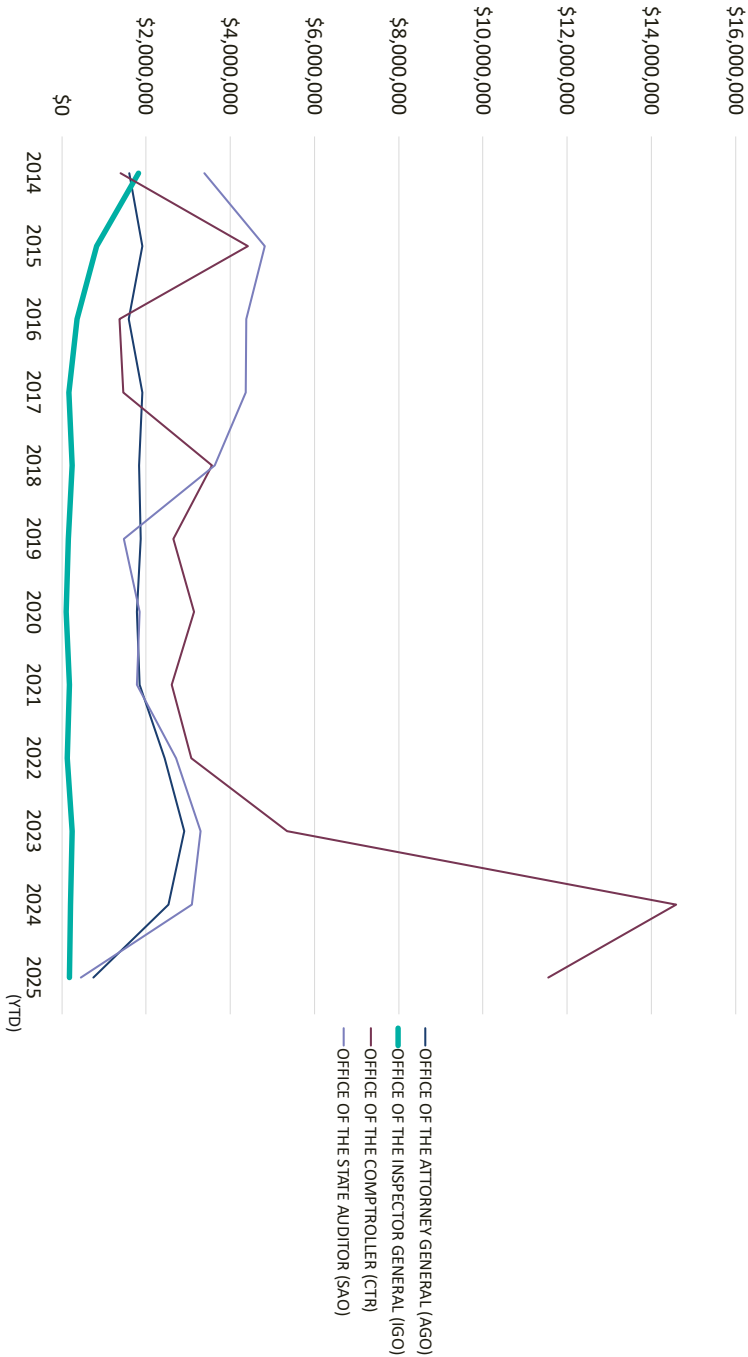


Appendix B.



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Technology Budget Over Time
 Similar Mission

March 2025



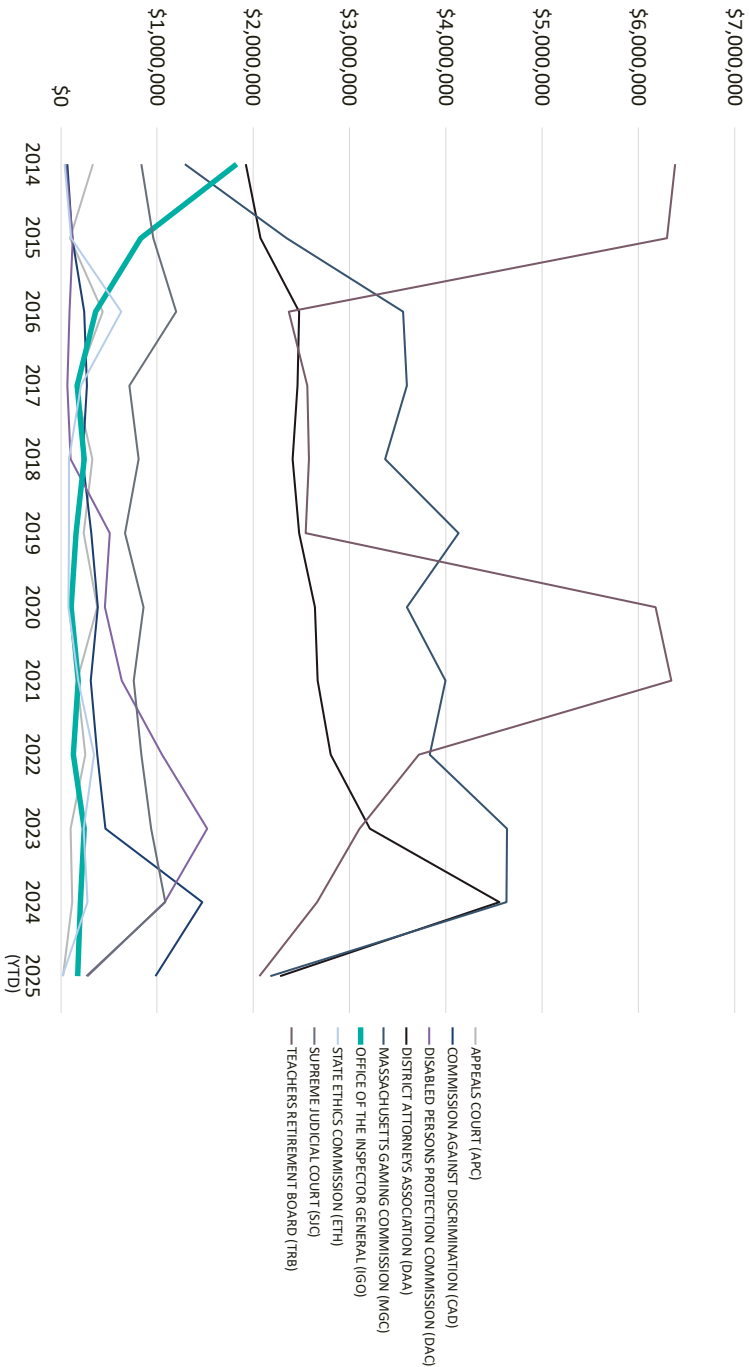
Appendix C.



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March 2025

Technology Budget Over Time Similar Staffing Level



Appendix D.



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March 2025

EOTSS Chargeback, 2024-2026

