

**Testimony of Inspector General Jeffrey S. Shapiro
Regarding House 7027, An Act Relating to State Affairs
and Government - Inspector General**

**Before the Rhode Island House Finance Committee
May 22, 2024**

First Vice Chair Slater and members of the House Finance Committee:

Good day. I would like to thank Minority Leader Chippendale, Deputy Minority Leader Nardone and Chief of Staff Sue Stenhouse.

Thank you for the invitation to testify before your committee today. My name is Jeffrey Shapiro, and I am the Inspector General for the Commonwealth of Massachusetts.

Your Neighbor

I understand that the Association of Inspectors General has submitted written testimony that details the key elements which define an Office of the Inspector General, including independence, confidentiality, and professionalism. I urge you to review that testimony and consider the AIG a resource as you move forward. While I am a member of the AIG, and hold their certification, I do not represent them today. Rather, I am here as your neighbor to offer my comments on the structure and elements of the agency I lead and on my own experience serving as Inspector General. My comments are not directed at your specific proposal but I hope they will provide some unique, lived experience, along with the AIG's testimony, which will serve as a guide as your proposal moves through the legislative process.

To save time, I will not detail my professional experience, education or credentials here, as much was shared in the introduction and a professional biography was provided to the Committee staff. Suffice to say, I have over 30 years of experience in a variety of government legal, financial and administrative capacities.

OIG Overview

Created in 1981, the Massachusetts Office of the Inspector General is the first statewide inspector general's office in the country. It was created in response to a series of corruption scandals related to public construction, most notably the initial development of the UMass Boston campus. In those days, these things were addressed by "blue ribbon commissions" that were formed and then disbanded once the report was written. The Ward Commission, in its wisdom, recommended that an Office of the Inspector General be established to be actively engaged in fighting fraud, waste and abuse of public dollars and assets.

Specifically, in its recommendation the Ward Commission noted that there was a space between where the State Auditor and the State Attorney General were focused in which a State Inspector General would be an effective oversight tool. The Auditor conducts audits based on accepted standards and procedures within a defined period. The Attorney General can investigate and prosecute but is limited in what it can proactively review due to the breadth of its mandate. The new agency they proposed has specific investigative powers and can initiate investigations based upon tips, complaints or proactively in real time and make real time referrals. Additionally, this new agency can have broader authority around procurements, training and compliance.

While the Legislature ultimately accepted the recommendation and the bill was signed into law by the Governor, the first statute required the appointment to be by a unanimous vote of the Governor, Auditor and Attorney General. The story goes that for a year they could not get unanimity, so the law was changed to a majority vote. Once appointed, the inspector general serves a 5-year term and can be reappointed once, for a total of 10 years, and can only be removed for cause.

While the first Inspector General, Joseph Barresi, has passed away, I have spoken with his former First Assistant and with his son, to learn about the early years of the office. It took years for the office to be established, to have a meaningful budget, to recruit and hire staff and to build a record and following. While other IGs have from time to time had to fight to prevent defunding efforts or to address statutory changes, overall, the OIG is a well-established agency with a respected record of accomplishments. As an IG who is actively involved with the profession, I am fortunate, as compared to others, because we have a strong statute, are reasonably funded and do not fear being eliminated as an agency.

Today's OIG

The OIG has oversight of \$120 billion in municipal and state spending and about 300,000 public employees. Currently, the Office has a budget of approximately \$10 million and a staff of 90 employees.

Mission / Case Selection / Tools

The Office has a broad mission to prevent and detect fraud, waste and abuse in government spending and the misuse of public assets at the state and local levels. Simply put, we are the state's watchdog over all public resources used in the Commonwealth on the state and municipal level.

Under the OIG's enabling statute, MGL Chapter 12A, in order to carry out our mandate, we can obtain information from all agencies, secretariats, constitutional offices, departments, and branches of government at the state and local levels, except for the Legislature. We can subpoena records and individuals to investigate suspected waste, fraud or abuse.

Three of the OIG's divisions were created by statute and have specific oversight of the quality, efficiency, and integrity of transportation, health and human services, and the state police.

The Inspector General Council is composed of the Attorney General, State Auditor, State Comptroller, and Secretary of Public Safety and Security or their designees, as well as members appointed by the Governor, the Attorney General, Auditor. The Council meets at least quarterly with the IG. Among other functions, the Council approves summonses for witness testimony and sets the Inspector General's salary.

The IG may open investigations proactively, or in response to the thousands of tips we receive on our hotlines. An outside entity can make a request, but short of a statutory requirement, the IG cannot be made to investigate or not investigate something. Ultimately, the discretion regarding what we investigate resides with the Inspector General.

An OIG investigation may result in a criminal referral to the US Attorney, to the Attorney General or to a local District Attorney. Those agencies then use their independent discretion to determine if prosecution is appropriate. The OIG may seek a civil recovery of the funds that were fraudulently obtained, pursue repayment of funds, or cancel improper contracts. The OIG may also propose legislative changes, work with executive agencies to improve their controls and program integrity as well as identify areas for improvement. The OIG regularly issues public reports and letters.

A Significant Focus on Training

Under my leadership, we have expanded training through the OIG Academy on public procurement, contract administration, fraud awareness, proper use and management of federal pandemic relief funds and many other topics. In 2023, more than 2,000 people registered for one of our classes. The Academy also offers the Massachusetts Public Purchasing Official designation. The MCPPO Designation is a widely recognized credential indicating an individual's knowledge of Massachusetts procurement laws and best practices. We also operate a technical assistance hotline on procurement for municipalities. This preventative piece is as important as the detection piece and can often have a larger impact.

Impact on Agency Activity When Under IG Review

Anecdotally, we have seen that our scrutiny can be impactful and serve as a deterrent. For example, our investigation into overtime fraud in the now abolished Troop F of the Massachusetts State Police resulted in civil recoveries of the unearned overtime pay. As importantly, we reviewed overtime policies across the whole agency and made specific recommendations to MSP to prevent fraud in the future and to better manage overtime so as to prevent waste as well.

Legislative Leadership & Constitutional Officers

The Inspector General does not decide how public money is allocated. The Governor and Legislative leadership set the state budget and establish the public policy framework for the Commonwealth. The key role for the OIG is to help ensure that these public dollars are used where and how the elected and appointed leaders of state and municipal government intended. Nonetheless, what we investigate and report upon is determined exclusively by the IG.

OIG Annual Report

Our Office recently issued its 2023 Annual Report which describes the work of the office. We have provided a copy for the Committee, and you may also access the report on our website.

In 2023, the OIG fielded more than 3000 hotline complaints, answered more than 1200 procurement technical assistance requests, offered over 30 different training classes to over 2100 people. We issued 7 reports, 13 public letters, 10 private letters, provided testimony on 8 bills and held more than 90 meetings with federal, state and local stakeholders. Our investigations resulted in six indictments and five guilty pleas and led to the recovery of more than \$1.7 million on behalf of the Commonwealth.

Return on Investment

I understand that a measure of an agency's "value," in some instances, is calculated by its return on investment. While the OIG regularly returns funds to the Commonwealth or its municipalities, its statutory mandate requires the office to look in a broader and deeper manner. Therefore, it would be an incomplete measure to evaluate the Massachusetts OIG's value solely on the dollars returned to the treasury.

Key Principles

An inspector general's office should be independent with the ability to follow the facts, wherever they lead. The statute must lay out the qualifications for the inspector general and staff. The OIG must have the authority to compel document production and agency heads must be required to cooperate with the office. Investigations must be kept confidential until completion. The statute should also provide whistleblower protections for those who have information that could be pertinent to the OIG's work. And supporting the idea of independence, the inspector general must have a term that is not co-terminus with its appointing authority. These are key elements of a true inspector general's office.

Unfortunately, many jurisdictions seek to create an inspector general's office in name only, without the proper funding or independence and lacking the tools I just mentioned. An inspector general's office must be rooted in transparency and fair dealing. It provides oversight of the government on behalf of the people. Ultimately, having a strong inspector general's office helps to instill a feeling of confidence in government as a whole.

In Conclusion

In closing, I applaud Rhode Island's interest in creating an inspector general's office. With the proper statutory framework and the appropriate level of resources, an OIG can have a real positive impact on the way government works.

Before I close I want to thank Josh Giles from our office who helped me prepare my testimony.

Second Vice Chair Marszalkowski – with your permission and consistent with the committee’s practice, I would be happy to answer any questions that you or members of the Committee may have.

Thank you.