

**Testimony of Inspector General Jeffrey S. Shapiro Regarding the FY 2025 OIG Budget
Before the House and Senate Committees on Ways & Means
February 7, 2024**

Chairman Rodrigues, Chairman Michlewitz, Vice Chair Friedman, Vice Chair Ferrante,
Ranking Members Senator O'Connor and Representative Smola,
Members of the Senate and House Committees on Ways and Means:

Good day. Thank you for the opportunity to appear before your committees. It is my honor to serve as the Commonwealth's Inspector General. Let me begin by thanking you for the initial investment you, your committees and the House and Senate made in the Office of the Inspector General (OIG) in the FY24 budget. That investment was greatly needed and has allowed me to begin to right-size the Office of the Inspector General to better align with its extensive statutory mandate.

The OIG enabling statute, Chapter 12A of the Massachusetts General Laws, sets forth a vast mandate to "prevent and detect fraud, waste and abuse in the expenditure of public funds, whether state, federal or local ... by agencies, bureaus, divisions ... or political subdivisions created by the general court and including the cities and towns." M.G.L. c. 12A, § 7. This reach includes oversight of vendors, suppliers, service providers and not-for-profit organizations that are engaged by state and local governments or receive funding from these entities.

During the 16 months that I have served as Inspector General, it has become even more apparent to me that the scope of what we cover – \$120 billion in spending and oversight of the work of 300,000 public employees, as well as contractors, suppliers, vendors and not-for-profit recipients of public funds – creates a portfolio with an enormous depth and breadth. As such, I believe that the OIG must be more strategic about how our resources are deployed, thus allowing us to be the most impactful with what we take on.

Prevention

Consequently, the OIG has become more proactive about prevention – that is, through education, training, business continuity, knowledge transfer and best practices. In this way, we can work with colleagues across government – at both the municipal and state levels – so that we are able to strengthen systems, procedures and policies that will allow us to better protect public resources from fraud, waste and abuse.

The work of the OIG touches all aspects of state and local government, and all categories of government work. As such, I am committed to widening our reach through engaging with stakeholders before problems present themselves and have been traveling across the Commonwealth talking with our stakeholders in their communities. I want to hear from them to learn how we can be more helpful and a more thoughtful collaborator with our education and prevention work. While we may never eradicate waste, fraud and abuse, we can go a long way by working with our partners in state and local government to build systems that limit opportunities for waste, fraud and abuse in the first place.

While the OIG's mission and that of state and municipal agencies may differ, I do believe that we share many goals. With our training and outreach, state and municipal officials can learn best practices concerning financial controls and fair procurement protocols that will protect the public's money from fraud, waste and abuse. And we can learn where their pain points are. Good government is a collaborative effort.

Investigations and Compliance

That said, we also remain focused and committed to our investigation and compliance functions, as we know that deterrence works. However, I continuously balance how much of that work is reactive – responding to hotline tips, whistleblower complaints, letters, walk-ins and online tips – versus how much should be proactive based upon our knowledge of public spending, risk analysis or other factors. I am always thinking about where there is risk which may not otherwise come to us for several years, but where can we make a difference today.

Making Government Work Better

As Inspector General, I want to solve problems. I want to make government work better tomorrow than it does today. Therefore, I am shifting the agency to be more proactive, strategic and engaged with our government partners. There is a big difference between the bad actor with nefarious intent who steals the public's money and the individual who makes a mistake because the procurement process is overly burdensome, complicated or lacks clarity. I am mindful that the requirements we put on a municipality for public procurements are the same for Boston as they are for Ashfield, Colrain or Granville. I have made it a point to get out of my office, as former Attorney General Reilly told me, good decisions aren't made at Ashburton Place alone. I regularly meet with the people who are doing the work in their communities so I can better understand how we can support them. As a result of this outreach, I developed a pilot program to offer free procurement training (that I funded out of my operating account), I advocated for a change in the procurement of electric buses, and I supported common sense changes in Chapter 30B, the state procurement law.

I have also worked to not just identify problems, but to find solutions. After hearing from several school superintendents and school business agents about the difficulty they were having with procuring electric buses, I decided to take a proactive approach to learn more about the problem rather than waiting five years and writing reports on what went wrong. After delving into it, I wrote an opinion piece about the need to simplify this process for local school districts. I am pleased that the Governor included it in her Municipal Empowerment Bill.

Our oversight is especially critical when the government is investing significant funds to address an urgent public need, like the pandemic and infrastructure. It is vital that we ensure that those public funds and assets are used for their intended public purposes. With the federal and state governments making significant investments in green energy initiatives and the growing housing crisis, I am concerned that these programs, which involve significant outlays of funds, could be vulnerable to waste, fraud and abuse, with a false narrative that the ends may justify the means. This becomes even more acute when resources become more limited due to economic factors.

Recognizing that FY25 is projected to have financial headwinds, our request for additional resources is not made lightly. Instead, it is made with a recognition that the investment made last year was a critical first step in providing the resources for the OIG to approach its broad mission head on, as was envisioned when this agency was created.

OIG Statutory Units

The OIG has three units that were created by statute and are funded separately. In FY24, they were appropriated \$2,025,000 and have oversight of 17 agencies, including:

Massachusetts Department of Transportation (OIG Transportation Unit/ISAU)

MassDOT

MBTA

Massachusetts State Police (only, not other agencies under Public Safety) (OIG Division of State Police Oversight/DSPO)

Executive Office of Health and Human Services (OIG Human Services/BPI)

DCF

DDS

Elder Affairs

MassHealth

DMH

DPH

DTA

DYS

Commission for the Blind

Commission for the Deaf and Hard of Hearing

Rehabilitation Commission

Office for Refugees and Immigrants

OIG's Main Account – Appropriation # 0910-0200

The main appropriation funds the OIG's work across the rest of the state and municipal agencies and most of our administrative functions. So, after deducting a customary administrative percentage, say 20%, to pay the employees who make the agency run (HR, CFO, IT, Operations) in FY24, the OIG is left with roughly \$4.38 million to cover about 1,700 entities, including:

- 156 state and 67 quasi-public agencies
- 351 cities and towns
- 253 housing authorities
- 102 public pension systems
- Regional, local and charter school districts
- And, well you get the idea.

Clearly, this does not provide the resources to effectively cover all of this ground.

While the OIG was heavily involved with veterans' matters when that work was managed within the Secretariat of Health and Human Services, my commitment is no less strong now that those resources are no longer available for this work. Instead, on my own direction, I have committed to using our operating account to fund a Veterans' Oversight Division.

Please also be advised that in this legislative session alone, there are four bills proposing additional OIG statutory units. While we believe much of what is being asked falls within our existing statute, it does face a prioritization challenge due to competing and limited resources.

OIG Request

We are asking in FY25, despite the fiscal challenges ahead, that the investment in the OIG continue, as we work to right-size this agency. Specifically, we are requesting:

- **Operating Budget** (including operations, data analytics) – \$8,006,606
- **Transportation** (ISAU) – \$1,235,004
- **Human Services** (BPI) – \$789,635
- **State Police** (DSPO) – \$454,285
- **OIG Academy, Education and Training Funding** – we request an increase in the amount we are permitted to keep in a retained revenue account from the tuition we charge to fund the OIG Academy and its staff to \$1,375,710. This portion of the OIG is not funded with appropriated dollars.

This request would bring funding for the OIG to nearly \$12 million.

I thank the Governor for including a significant amount of new funding for the OIG in her budget, most notably for our transportation oversight work. I am, however, asking the Legislature to include her new funding allocation and to also fund our request for the OIG's operating account, which is the only funding available for us to utilize for most of our work.

Concluding Comments

Before I conclude, I would like to comment on the proposals to create exemptions to allow certain job categories to collect Commonwealth or Massachusetts municipality pensions while also earning full-time salaries from the Commonwealth or one of its municipalities. The current statute prohibits such. I have consistently opposed such proposals to create carveouts or exceptions, since I became Inspector General. It is contrary to the purpose of a public pension. I am particularly troubled to hear that there is no one else for the job, that the work is unique, or that we cannot recruit. When the "best and only" person for the job is a retiree, then we have failed to implement basic principles of business succession planning and knowledge transfer, which are essential elements for continuity of operations. Creating exemptions, rather than addressing the root problem, creates different rules for different people, most often those who earn the most money and/or with the know-how to seek such an exemption. This is exactly what causes the public to feel cynical about government. It is never the retired cafeteria worker with a \$25,000 pension who

receives such an exception.

I have included an addendum in my written testimony that summarizes the accomplishments of the OIG in calendar year 2023. I look forward to sharing our Annual Report that will describe that work in greater detail in April.

Thank you for this opportunity to testify and present this budget request on behalf of the dedicated members of the OIG organization. I believe that the OIG should serve as a resource to help make government work better today than it did yesterday and even better tomorrow!

I would like to thank Marcelle Payen, Katie Verma, Susanne O’Neil, Josh Giles, Kerri-Anne Hollingshead, Matt Bruening, Ashley Lindemann, Alyssa Tasha and Carrie Kimball from the OIG, who all contributed to today’s presentation.

With the permission of the Chairs, I am happy to answer your questions that you may have for me today, or at any point in the future. I look forward to our continued collaborations.

Thank you.

Addendum A:

In CY 2023, the Office of the Inspector General:

Received 3,595 hotline and technical assistance calls.

Offered 30 courses and 30 “off-site” trainings.

Trained 2,112 participants, with 488 receiving or renewing their MCPPO designation.

137 communities took advantage of the One Free Designee pilot program. Of those 29 had either a lapsed designation or had not previously participated in that program.

Recovered \$1.76 million.

Issued 9 reports or reviews – including 2 statutorily required reviews of MBTA “Pacheco” contracts:

- A Review of the MBTA’s Police Dispatch Services Contract with IXP Corporation, Supplemental Report
- MBTA regarding its sponsorship agreement with nonprofit MassChallenge, Inc.
- Town of Abington Department of Public Works
- A Review of the MBTA’s In-Station Customer Service Contract with Block by Block
- OIG 2022 Annual Report
- MassHealth and Health Safety Net: 2022 Annual Report
- Internal Special Audit Unit: 2022 Annual Report
- Division of State Police Oversight: 2022 Annual Report
- Mashpee Housing Authority: Review of Contract with Former Executive Director

Public letters issued:

- Colonel John E. Mawn Jr. commending the Massachusetts State Police on its new policies
- Climate Chief, EOEEA Secretary and Chairs of the Joint Committee on Telecommunications, Utilities and Energy regarding recommendations for improvements to retail electricity supplier programs
- State Treasurer Deborah Goldberg and the Massachusetts School Building Authority regarding the mitigation of risks of smart building technology
- Boston Public Schools Superintendent Mary Skipper regarding plans to enter a new bus

transportation contract with Transdev Services, Inc.

- EHS Secretary Marylou Sudders regarding leadership failings at the Chelsea Soldiers' Home

OIG-Involved Matters / Cases in Public Domain:

- Former transit police sergeant to pay restitution in stolen wages case
- Medford contractor sentenced for tax evasion scheme
- Three arraigned for more than \$97,000 collected in pandemic unemployment fraud
- Former Medfield Parks and Recreation director indicted on charges of larceny
- Former buyer for MBTA pleads guilty to larceny, bribery, illegal gratuity and procurement fraud charges
- Former town treasurer of Stow pleads guilty to embezzlement
- Former Ware fire chief indicted for embezzling over \$28,000
- U.S. Attorney's Office files charges against Medford contractor for tax evasion scheme
- Former housing counselor agrees to repay \$109,100 for fraudulently obtained pandemic-era rental assistance
- Two founders and former directors of nonprofit Violence in Boston face nine new fraud charges
- Four former state troopers repay more than \$17,500 for alleged unworked overtime

Testimony:

- Letter to the Chairs of the Joint Committee on Public Service regarding House 2488, An Act Relative to Public Safety Personnel (November 7, 2023)
- Letter to the Chairs of the Joint Committee on Transportation regarding Electric School Bus Procurement (October 16, 2023)
- Letter to the Chairs of the Joint Committee on Public Service regarding House 2546, An Act to Exempt the Executive Director of the Municipal Police Training Committee from Earnings Limitations (October 2, 2023)
- Letter to the Chairs of the Joint Committee on State Administration and Regulatory Oversight regarding the proposed addition of a snow hauling exemption under Section 1 of Chapter 30B (September 27, 2023)
- Letter to Chairs of the Joint Committee on State Administration and Regulatory Oversight regarding the proposed raising of procurement thresholds in Section 4 of

Chapter 30B (September 27, 2023)

- Letter to the Chairs of the Joint Committee on State Administration and Regulatory Oversight regarding proposed corrections to statutory references in Chapter 30B (September 18, 2023)
- Testified before the Joint Committee on Transportation Regarding Safety Oversight of the Massachusetts Bay Transportation Authority (May 8, 2023)

OIG Bulletin – issued 4 quarterly publications that covered various topics, including cybersecurity awareness training for municipalities, what municipalities should know about choosing and monitoring subrecipients of ARPA funds, a warning about misleading “invoices” for website domain registration; and what municipalities need to know about statewide contract vendors.

IG Meetings/Calls with external stakeholders:

- All three living former Inspectors General and the former First Assistant IG to the first Inspector General.
- State agency heads
- Stakeholders on the federal, state and local level
- Current Legislators
- Town administrators/City Clerks/School superintendents
- Participated in two trainings for local boards and commissions (Burlington and Hamilton/Wenham)
- Participated in Story of a Building training co-sponsored by Mass School Building Authority
- Member of the Association of Inspectors General, meet with and communicate with other inspectors general.
- Site visits: Chelsea Veterans’ Home, Boston Public Schools bus depot
- Speeches
 - Massachusetts National Association of Housing and Redevelopment Officials
 - Massachusetts Association Public Purchasing Officers
 - Small Town Administrators of Massachusetts
 - Dorchester Town Hall meeting hosted by Rep. Chris Worrell and Councilor Brian Worrell.