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GOVERNOR



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State of Louisiana
Office of the Governor
Office of State Inspector General

November 28, 2016

Honorable Cameron Henry
Chairman, Committee on Appropriations
Louisiana House of Representatives
P.O. Box 44486
Baton Rouge, LA 70804-4486

Via email: henryc@legis.la.gov

Dear Chairman Henry:

Per your letter of September 21, 2016 -- as supplemented by House Fiscal Division Staff on November 16, 2016 -- I am writing to provide the information you requested concerning the Office of State Inspector General (OIG) in advance of scheduled hearings on the FY 2017-2018 Budget.

The questions from your letter of September 21 are below, with OIG's responses in italics:

- During the 2016 sessions, what did the department testify would be the effects of the FY 17 budget on services, staffing, and contracts?

On May 9, 2016 the House Appropriations Committee amended HB1 to reduce OIG's budget to zero and effectively close down the office. I testified that closing down OIG, an independent watchdog for the taxpayers, was a terrible idea and a disservice to the citizens of the state, especially given the demonstrated productivity of the office. (Over the previous 3 year period, OIG worked numerous successful criminal cases and averaged more than 5 times the amount of its State General Fund Appropriation in fraud and corruption identified). I also testified that attempting to close down OIG would bring negative publicity to our state, which did in fact happen. On May 12, 2016, the full House unanimously restored OIG funding, but only to 80% of the amount required to fully fund the office. I had previously testified that a 20% cut to OIG would result in the loss of 3 criminal investigator positions. That also in fact happened. The people that have left OIG due to constant budget instability had over 100 years of combined law enforcement experience. In 2015, OIG's T.O. was reduced from 17 to 16. In the last budget cycle, we lost the 3 additional positions. (Although the T.O. for those positions remains, there are insufficient funds to fill them.) We are now down to 13 total personnel, 10 of whom are investigative field personnel. I testified that the loss of experienced personnel would have a negative impact on

OIG investigations, and it has. Many OIG investigations are large, complex and labor intensive, and it has become much harder to efficiently work these cases with reduced personnel. Almost all OIG investigations have criminal prescription deadlines, which are becoming increasingly difficult to meet with reduced staff.

- Compared to FY 16, what reductions, including services, staffing, and contracts, have been made in the department in FY 17?

OIG has no contracts, and given the current budget situation, will have none going forward. As indicated above, the 20% cut implemented in the FY 2017 budget resulted in the loss of 3 additional criminal investigators. To give this context, OIG has suffered a 23.5% reduction in staff since the summer of 2015. Due to the relatively small size of OIG, the impact is magnified greatly. If that percentage were applied to any large state agency, several hundred people would be laid off.

- What reductions would the department make if there are mid-year reductions to the FY 17 budget?

Any further reductions at all to OIG's budget must come from personnel and will therefore effectively cripple the office and prevent us from fulfilling our mission to the taxpayers to root out fraud and corruption. This creates the worst of all scenarios, which is the mere appearance of oversight rather than actual effective oversight by an independent watchdog.

- Provide a brief overview of the FY 18 budget request compared to FY 17 by budget unit. What increases are requested in FY 18 and why are the increases necessary, including any new or expanded programs or services to additional populations? Are there any reductions in the FY 18 budget requests, including those as a result of annualizing reductions made in FY 17?

Because it is my duty to the taxpayers of Louisiana, I have requested an FY 18 budget that allows OIG to be fully staffed to its current T.O. of 16. The budget is still extremely lean, with only about \$100,000 to operate the office for the entire year. The remaining increases are personnel related. This does not constitute an expansion, but merely a return to baseline funding.

- Has the department added any positions, including classified, unclassified, and other charges positions, in FY 17? If so, how many and what positions? Did the department request additional positions in the FY 18 budget request? If so, how many and what positions.

No positions have been added. No additional positions were requested, only the funds to fill 3 existing unfunded positions in our T.O. If approved, all would be filled with experienced criminal investigators.

- Provide a summary of changes in salaries from FY 16 to FY 17, including performance adjustments, promotions, or any other changes in salaries. Provide a summary of requested changes in salaries from FY 17 to FY 18, including performance adjustments, promotions, or any other changes in salaries.

From FY 16 to FY 17, OIG salaries and related benefits decreased as noted above, resulting in the loss of funds for 3 criminal investigator positions and no funds at all for performance adjustments or promotions for remaining staff.

Our FY 18 request includes funds to allow us to fill the aforementioned criminal investigator positions, and where appropriate, provide small retention bonuses in an effort to stem the loss of seasoned law enforcement personnel. There will be no performance adjustments.

On November 16, 2016, House Fiscal Staff asked that we answer the following additional questions:

- What budget adjustments have been made since the initial appropriation to your department? *NONE*. How much in each means of finance has been appropriated to each agency since the initial appropriation? *NONE*.
- Do your spending and staffing levels match the priorities of your department?

At present our spending and staffing levels do NOT match the priorities of OIG, which is to efficiently and effectively investigate fraud and government corruption on behalf of Louisiana's taxpayers. At present, we do not have sufficient personnel to do the job the way it should be done, nor the means to retain the personnel that we do have. We are not asking for an expansion of OIG at this time, only that we be given the baseline resources to do the job effectively. This is an economic positive for the state. Conversely, an underfunded OIG is not only in direct conflict with statutory language that requires the office to be adequately funded, but results in undetected and undeterred fraud and corruption that costs the state exponentially more than the relatively small appropriation for OIG.

- Provide the top 5 performance measures that give the outcomes in your department. How do you rank nationally based on these priority measures?

OIG's primary performance indicators are as follows:

Percentage of dollars identified as fraud and waste compared to the OIG general fund budget using the average of the most recent three years.

Percentage of complaints with a final disposition determined within 30 days of receipt

Percentage of cases with fieldwork completed within 12 months from date opened

Total number of complaints received during the fiscal year

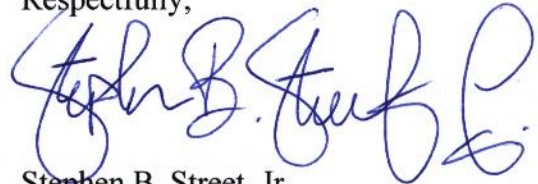
At present, there are no means to measure these indicators nationally. However, the last reported three-year average percentage of dollars identified was 544% of OIG's State General Fund Appropriation. The target figure is 100%.

- Provide a list of all sources of revenue that are not appropriated. *NONE*. These funds could include restricted or off budget accounts. Also, please provide the amount anticipated to be used in FY 17, the amount in FY 18, and any balance or reserve amount for each source or revenue. *NONE*.

I trust that this sufficiently answers the questions posed. I am presently scheduled to appear before the House Committee on Appropriations on December 6, 2016 and look forward to answering questions from yourself or any of the members.

With Best Regards, I remain

Respectfully,



Stephen B. Street, Jr.
Louisiana State Inspector General

SBS/ss

cc: Chris Henry, Budget Analyst, House Fiscal Division, via email: henrych@legis.la.gov
Honorable Franklin Foil, Vice Chair, House Committee on Appropriations, via email: ffoil@legis.la.gov