

**Department of Planning and Budget  
2011 Fiscal Impact Statement**

**1. Bill Number:** SB1477

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

**2. Patron:** Stosch, W.

**3. Committee:** General Laws and Technology

**4. Title:** Office of the Inspector General

**5. Summary:** Establishes the Office of the State Inspector General (OIG) to examine the management and operation of state agencies and nonstate agencies that receive state funds, conduct independent evaluations of the programs and activities of such agencies, and investigate complaints alleging fraud, waste, abuse, or corruption by state officers and state employees. A record exemption from the Freedom of Information Act is also provided for investigative notes, correspondence, and information furnished in confidence to the State Inspector General during the investigation of a complaint. In addition, the bill would also authorize the Office of Inspector General to create at least four divisions: juvenile justice, corrections, transportation, and behavioral health and developmental services that would essentially incorporate existing divisions currently located in the Departments of Juvenile Justice (DJJ), Corrections (DOC), Transportation (DOT), and Behavioral Health and Development Services (DBHDS). The provisions of this bill will become effective on July 1, 2012.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Minimal. For details see section 8 below.

**8. Fiscal Implications:**

A statewide OIG can be established and be effective with minimal additional funding if the following assumptions are realized:

- 1) The Governor is able to appoint one of the four existing agency inspectors general to lead the statewide office; and,
- 2) Each of the individual IG offices relocates to the newly established statewide IG central office. This means all funding that currently supports these existing staff would follow, including associated lease costs, personal computers, files, office equipment, fax equipment, training resources, and other reasonable and associated operating costs.
- 3) That any nongeneral funds supporting these offices can continue to be used in the OIG.

Table 1 illustrates the funding which currently exists in support of the agency inspectors general.

**Table 1: Current Funding for Existing Agency Inspectors General**

Agency	FTE	Personal Costs	Nonpersonal Costs	TOTAL
Juvenile Justice	16	\$1,280,555	\$43,544	\$1,324,099
DBHDS	4	\$598,819 <sup>(1,2)</sup>	Estimate not provided separately	\$598,819
Corrections	38	\$3,098,888	\$249,906	\$3,348,794
Transportation	41	\$4,045,241	None provided	\$4,045,241
<b>Total</b>	<b>67</b>			<b>\$9,316,953</b>

All estimates FY 2011 except Corrections FY 2010

1. Includes \$116,115 nongeneral funds (Medicaid and insurance reimbursements) that would follow DBHDS OIG to newly established OIG.
2. Costs were not split between personal/nonpersonal expenses.

There likely is no cost avoidance or cost savings realized by centrally locating the four individual OIG offices under a single authority, however new spending would be minimized. Costs related to office space, VITA, and office equipment are assumed to be covered by transferring existing funding for these four individual offices from the four agencies to the newly established statewide OIG.

**9. Specific Agency or Political Subdivisions Affected:** All state agencies, specifically the Departments of Transportation, Juvenile Justice, Corrections, and Behavioral Health and Development Services.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** This substitute bill to establish a statewide OIG would impact all executive branch agencies (including institutions of higher education) and non-state agencies receiving state funds. However, Part 5 of the proposed bill would have an immediate impact on 37 agencies that are already mandated with their own internal audit (IA) functions and responsibilities. Part 5 states that the OIG would, “provide for the development and maintenance of internal audit programs in state agencies and non-state agencies that receive state funds, as provided by §2.2-1509.1, in order to ensure that the Commonwealth's assets are subject to appropriate internal management controls.” Given the size and magnitude of staff and resources currently supporting IA services in state government, it is doubtful all or most of these staff and resources would relocate under one central location. It may be preferable for the newly established OIG to enter into a Memorandum of Understanding (MOU) with all affected agencies that outlines exactly the functions and duties it would carry out and which functions the existing staff would continue to perform for their respective agencies.

**Date:** 2/3/11

c: Secretaries of Administration, Health and Human Resources, Public Safety, and Transportation

