



# DAVID CRAIG

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STATE REPRESENTATIVE  
CHAIRMAN, ASSEMBLY COMMITTEE ON FINANCIAL INSTITUTIONS

Senate Committee on Labor and Government Reform  
Public Hearing, 10 December 2015  
Senate Bill 368  
Representative David Craig, 83<sup>rd</sup> Assembly District

Chairman Nass and Committee Members,

Thank you for hearing testimony on Senate Bill 368,

Senate Bill 368 is an attempt to increase legislative oversight of government agencies and allows citizens an additional avenue by which to contest agency action. Unfortunately, the statutory process under which the Legislative Audit Bureau (LAB) operates is a reactive process. Too often, by the time a potential problem in government has been identified, an audit is ordered, and the audit report comes back to the legislature, the political will to pursue reform is lost. The Legislative Office of Inspector General created by this legislation would complement the Audit Bureau, by providing a proactive organization that will pursue waste, fraud, and abuse continually. Under the bill, this program would be funded using already appropriated funds. I have little doubt that this investment in government oversight will more than pay for itself in taxpayer savings.

This legislation would expand on the work of the LAB by placing Inspectors General, who work for the legislature, inside select state agencies. These Inspectors General would have carte blanche to investigate waste, fraud, and abuse within agencies, and at the joint direction of the committee chairs of jurisdiction in the Assembly and Senate. Additionally, the Assembly Speaker and the Senate Majority Leader working in concert could also direct an Inspector General to look at specific issues within an agency. An additional benefit of this bill is that it would make legislative committees more engaged in overseeing their agencies of jurisdiction. In addition to this new oversight, citizens affected by agency action will gain the ability to petition an inspector general to determine if the action was consistent with the law or administrative rule. In closing, this new oversight authority will help make our government more responsible not only to the legislature, but also to our constituents who deal with our executive agencies on a daily business.

Again, I appreciate your hearing of this bill today and I look forward to answering any questions you may have.

# Stephen L. Nass

Wisconsin State Senator

**Testimony of Senator Steve Nass  
2015 Senate Bill 368 – Legislative Office of Inspector General  
December 10, 2015**

Thank you members of the Senate Committee on Labor and Government Reform for the opportunity to discuss Senate Bill 368 with you. This legislation creates another tool in the state's ongoing fight against waste, fraud and misconduct within state government.

SB 368 creates the Office of Inspector General as a nonpartisan service agency of the Legislature. The bill does the following:

-The Legislative Office of Inspector General would consist of 13 inspectors general and their staff. The inspectors general would be assigned to the following state agencies:

- 1.) Department of Administration
- 2.) Department of Agriculture, Trade and Consumer Protection
- 3.) Department of Children and Families
- 4.) Department of Corrections
- 5.) Department of Financial Institutions
- 6.) Department of Health Services
- 7.) Department of Natural Resources
- 8.) Department of Public Instruction
- 9.) Department of Revenue
- 10.) Department of Safety and Professional Services
- 11.) Department of Transportation
- 12.) Department of Workforce Development
- 13.) Government Accountability Board
- 14.) University of Wisconsin System
- 15.) Wisconsin Economic Development Corporation
- 16.) Wisconsin Housing and Economic Development Authority

-The Joint Committee on Legislative Organization appoints each inspector general for a six-year term expiring March 1 of the odd-numbered year.

-Each state agency must make office space available for use by the inspector general assigned to that agency. It requires each agency to pay for the services provided by the inspector general.

-Each inspector general and their staff serve as unclassified employees within the state civil service system.

*"In God We Trust"*

11th Senate District

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-Upon request of an inspector general, the Legislative Audit Bureau shall provide assistance to the inspector general in carrying out their duties.

-An inspector general may examine the accounts and other financial records of the agency to which they are assigned. They may also review the performance and program accomplishments within the assigned agency. The bill specifies that an inspector general must at all times have access to all records of the agency with or without prior notice requesting access.

-An inspector general is required to report any indications of fraud in an agency to the Department of Justice. They are also charged with investigating incidents of waste, abuse or inefficiency in their assigned agency and filing a report detailing the finding of those investigations with the appropriate legislative standing committee. Also, the Office of Inspector General must file with each house of the Legislature an annual report summarizing the activities of the inspectors general.

-The Speaker of the Assembly and the Senate Majority Leader, jointly, may direct the inspector general in an agency to conduct a review of a specific matter within a program or relating to financial expenditures. This same power applies to the chairs of the standing committee in each house, jointly, making such a request on matters under the committees' jurisdiction.

-At the discretion of each inspector general, they may review claims by any person that an agency action or order has adversely impacted a substantial interest of that person. The individual making such a request must do so prior to the commencement of a contested case or other similar state agency review process. If an inspector general commences a review of this type, he or she must determine whether the agency action or order was inconsistent with any law or administrative rule. All determinations of inconsistency must be reported to the chair of each standing committee with jurisdiction, the Joint Legislative Audit Committee, and the Joint Committee for Review of Administrative Rules.

All levels of government struggle with developing procedures for preventing and addressing waste, fraud, inefficiency and misconduct. While in Wisconsin we already have a significant contributor to these efforts in the Legislative Audit Bureau, their mission often relates to conducting a thorough study of the problem in the aftermath and identifying potential policy recommendations for the Legislature.

SB 368 attempts to create a more proactive authority aimed at prevention and more timely intervention in ongoing situations of waste, fraud and abuse in state government. Properly functioning inspectors general could limit taxpayer losses, more rapidly identify fraud cases requiring involvement of law enforcement/Department of Justice, and lead to a more timely sharing of information on such situations with the Legislature.

We envision the Office of Inspector General working in a complimentary manner with the Legislative Audit Bureau. Each will have functionally different duties, while sharing an overall mission of combating waste, fraud, inefficiency and misconduct in state government operations.

The bill envisions a financing system for the Office of Inspector General based on assessing costs of the inspectors general activities to each agency for the investigations. This financing mechanism would be the most cost effective for taxpayers.

Since the 1980s, the Legislature has permitted the executive branch to increase its administrative powers and spending authority, but repeatedly failed to utilize the oversight powers of the legislative branch to protect the interests of the taxpayers. Regardless of the party in control of the two houses, legislators both knowingly and unwittingly have empowered the executive branch to resist our oversight authority. These long term structural changes have increased the potential risks of waste, fraud and abuse in state government. Taxpayers have often been frustrated with the Legislature's plodding response to serious problems within state government.

Passage of SB 368 and the creation of the Office of Inspector General would be a major step forward for the Legislature in developing a more aggressive approach to our constitutionally obligated oversight duties. Confronting waste, fraud and abuse should not be seen as a Democrat or Republican issue. It should be a bipartisan obligation of every member of the Legislature to protect the interests of the people we serve.

I respectfully ask for the committee's support of SB 368.