

INDIANA OFFICE OF
INSPECTOR
GENERAL

2008

ANNUAL
REPORT



OIG: THE FIRST FOUR YEARS

Four years have passed since Governor Mitchell E. Daniels, Jr. and the Indiana Legislature created the Indiana Office of the Inspector General. This annual report reviews the progress of this experiment which contrasts with the other eight state and sixty federal inspectors general by combining criminal, ethics and efficiency jurisdictions within the same office.

This unique Indiana model has produced:

- Over 60 criminal arrests
- Over 25 additional ethics complaints filed with the State Ethics Commission
- Over 30 efficiency reports yielding implemented recommendations
- A 580% increase in ethics advisory opinions by the State Ethics Commission and additionally more than 1500 advisory opinions to state workers seeking ethics advice
- Inaugural and continuing ethics and investigative summits for state workers
- Computerized ethics training of over 30,000 state workers for the first time in state history, and
- Resulting savings exceeding our operating expenses.

Indiana has also been selected by our peers to host the National Inspector General conference in May of 2010. We urge you to review the following pages and share with us your comments and suggestions.

TIMELINE OF EVENTS

200506

- January 10
Governor Daniels signs Executive Order 05-03 to create the Office of Inspector General.
- April 12
OIG first arrest (bribery, class C felony).
- May 11
Public Law 222 is passed and statutorily defines the office and its responsibilities.
- July 18
First Inspector General report published.
- December 2
Inaugural Public Integrity Summit for Indiana Auditors & Investigators. Governor Daniels attends and participates.

- January
New Code of Ethics is adopted. For the first time, all Executive Branch ethics rules are codified by the OIG into a uniform set of rules in 42 IAC 1-5.
- January 19
First quarterly meeting for Indiana Auditors & Investigators.
- March
New website launches with OIG and Ethics Commission information together for the first time.
- June 8
Ethics admissions by two agency leaders.
- August 15
1st SEC trial in 2 years, resulting in ethics finding against INDOT Deputy Commissioner.
- December 4
Second annual Summit for Indiana Auditors & Investigators. Governor Daniels attends and participates.

07/2008

- January
Development for the first statewide computerized ethics training begins.
- March 22
1000th Informal Advisory Opinion issued to state worker on ethics advice.
- April
Indiana OIG chosen as Spring 2010 host for National Association of Inspectors General Conference.
- July 12
50th Formal Advisory Opinion issued by SEC, compared to only 10 issued from 2001-2004
Over 35,000+ state employees have completed ethics training.
- July
Jury trial conviction in Gary, Indiana.
- September
Jury trial conviction in Gary, Indiana.
- November
Computerized statewide ethics training begins.
- December
Uniform Government Code launches on OIG website.
- December 1
OIG hosts and coordinates the first Legal & Ethics Conference.
- December 10
Third annual Summit for Indiana Auditors & Investigators. Governor Daniels attends and participates.
- December 3
Fourth annual Summit for Indiana Auditors & Investigators. Governor Daniels attends and participates.

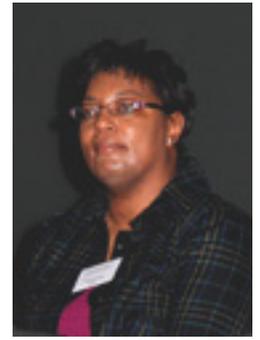
WE ESTABLISHED

LAW

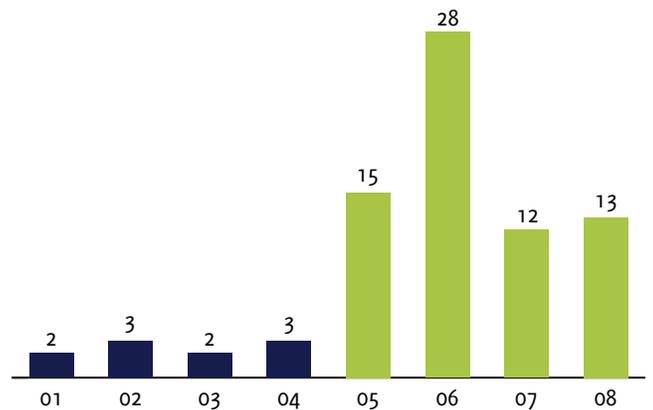
FOR THE FIRST TIME IN
STATE HISTORY, A CODE OF
ETHICS WAS PROMULGATED
TO CONSOLIDATE ALL 15
ETHICS RULES INTO A SINGLE
UNIT IN 42 IAC 1-5.

The State Ethics Commission as the ultimate authority in interpreting the Indiana Code of Ethics has issued 68 opinions from 2005-2008. This is a 580% increase from 2001-2004. These are all categorized, summarized, and available on the OIG website.

Each of the 68 opinions requires substantial work. This includes the receipt of the request, legal research, a public hearing to receive evidence and arguments, and then the drafting and issuance of the formal advisory opinion.

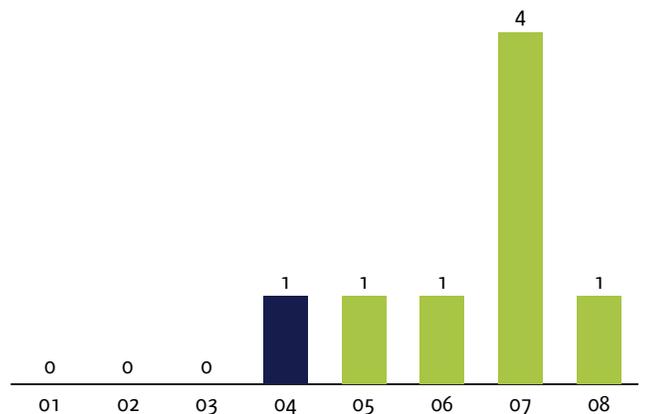


Commissioners clockwise from top left: Clare Kraegel Nuechterlein, Jim Clevenger, Priscilla Keith, Ed Charbonneau, Jim Williams, and V. Sue Shields. Commissioners from 2005 also included David Hadley and Thomas Brunner.



STATE ETHICS COMMISSION FORMAL ADVISORY OPINIONS

There has also been an increase in ethics complaint litigation. A respondent is a person alleged in a written complaint as violating an ethics rule. If an agreement is not reached as to the admission and penalty for the filed complaint, the respondent and the Inspector General staff may litigate the case before the Commission.



STATE ETHICS COMMISSION LITIGATION

RECOMMENDATIONS

One of the hallmarks of an effective Inspector General Office is the recommendation process. The highlights below show Indiana Inspector General recommendations which have been successfully implemented, resulting in greater efficiency, integrity, and improvement in the Executive Branch of Indiana government.

Recommendations to the Indiana Legislature:

Inspector General recommendation that the Legislature address the authorization of the State Museum Foundation to work with the Department of Natural Resources in operating the State Museum. Implemented with the passage of HEA 1121-2008 (in Public Law 66-2008).

Inspector General recommendation in support of GEF that the Legislature eliminate the General Fund line item appropriation from INCOLSA and move the oversight of these funds to the State Library, permitting more state control of cooperative, statewide library services with improved accountability. Implemented in HEA 1001-2007.

Inspector General recommendation that the Legislature address and clarify employment status requirements for Worker's Compensation Board members. Implemented in Public Law 134-2006 in IC 22-3-1-1(c).

Inspector General recommendation that Department of Corrections seek legislative authority to create a benevolent foundation to support correctional workers in times of emergency and to allow for a scholarship program for children of correctional employees. Implemented with HEA 1132, IC 11-8-2-14.

Recommendations to the Governor and State Agencies:

Inspector General recommendation approved by the Governor and Indiana Criminal Justice Institute that agency leader and second in command of the Indiana Criminal Justice Institute be removed for improper awarding of grants and other activities. Implemented.

Inspector General recommendation to change Department of Transportation design firm selection process, prohibiting Commissioner from by-passing selection process to award design contracts to favored firms. Implemented with new written policy controlling selection process.

Inspector General recommendation that lights in Government Centers North and South be turned off after work hours to save money. Implemented. Re-implemented after non-compliance.

Inspector General recommendation that funds in Bureau of Motor Vehicles accounts in Indianapolis branch be seized. Implemented with return of \$1.8 million to State Treasury.

Inspector General recommendation to PeopleSoft that vendor files not disclose procurement officer social security numbers to avoid identity theft. Implemented with masking of first five numbers of state worker's social security numbers.

Inspector General recommendation that Bureau of Motor Vehicles end its relationship with Fleetmax Corporation which was participating in titling process in violation of Indiana law. Implemented with cancellation of Fleetmax contract by BMV.

Inspector General recommendation that Department of Correction (DOC) Community Corrections develop a database to track financial controls. Implemented.

Inspector General recommendation that Department of Correction (DOC) Community Corrections (CC) monitor and audit project income granted to local CC boards. Implemented, resulting in millions of dollars being returned to the Department of Correction.

Inspector General recommendation that Department of Correction Community Corrections (CC) audits commence immediately on all local CC accounts, with special scrutiny to the spending of Project Income. Implemented.

Inspector General recommendation that Department of Correction Community Corrections (CC) compile and make available for audit inventories of all assets held by local CC Boards. Implemented.

Inspector General recommendation that Department of Correction Community Corrections (CC) formulate a policy of specific controls on Project Income spending and distribute this written policy to the local CC Boards. Implemented.

Inspector General recommendation that Department of Correction (DOC) Community Corrections local boards timely file reports and grant applications with DOC. Implemented by DOC sending notices, tracking filings, and giving preference in grant awards going to local boards which timely file.

Inspector General recommendation to State Personnel Department (SPD) that minimum skill levels be developed for personnel who administer Family Medical Leave Act within their agencies to enhance and correctly interpret and administer the SPD's new policy. Implemented.

Inspector General recommendation that advisory opinions issued to state employees and interpreting the Code of Ethics receive enabling authority to specifically authorize Informal Advisory Opinions. Implemented with promulgation in 42 IAC 1-8-1.

Inspector General recommendation after investigation with State Board of Accounts that State Police Pension funds diverted to private not-for-profit Memorial Fund be recovered. Implemented with assistance from Attorney General, returning over \$90,000 to State Treasury.

Inspector General recommendation that Lake County Division of Department of Child Services change the role of its "homemakers" so that they are not exclusively transporting children for foster visits in order to prevent fraudulent mileage claims. Implemented.

Inspector General recommendation that the Governor appoint the third statutory Commissioner of the Indiana Board of Tax Review (IBTR) pursuant to IC 6-1.5-2-1 and that a single Chair be selected to lead the IBTR, similar to that of an agency Director to better manage agency operations. Implemented.

Inspector General recommendation to the Bureau of Motor Vehicles that the STARS computer system be implemented in all BMV branches to avoid fraud in test scoring. Implemented.

Inspector General recommendation that, absent written policy by Department of Administration (DOA), non-state employees be prohibited from using state travel program. Implemented with new DOA written policy.

Inspector General recommendation to Family and Social Services Administration (FSSA) that there be compliance with a Budget Agency Financial Circular regarding CFO's expenses. Implemented with waiver issued under Financial Circular.

Inspector General recommendation that better controls on the change-order process at the Indiana Department of Transportation be implemented, so as not to circumvent procurement, contracting or budget rules. Implemented with new written policy.

Inspector General recommendation that Indiana Department of Transportation implement documentation to justify change orders. Implemented with new written policy.

Inspector General recommendation that Indiana Department of Transportation (INDOT) prohibit private work by a contractor working on an INDOT project for the project engineer or family members. Implemented with new written policy.

Inspector General recommendation that Indiana Department of Transportation prohibit project supervisors from having contact with contractors prior to the completion of the job bidding process. Implemented with new written policy.

Inspector General recommendation that Indiana Department of Transportation create and maintain a written inventory of all purchases during the course of projects. Implemented.

Inspector General recommendation that Indiana Department of Transportation return to the policy of leasing mobile homes for field offices as opposed to purchasing real property to avoid abuse. Implemented.

Inspector General recommendation that Indiana Department of Transportation seize and inventory the house and other purchases in Ellettsville project in order to avoid further financial loss to INDOT and the State of Indiana. Implemented.

These recommendations are included in the OIG reports which may be found on the OIG website.

WE HAVE

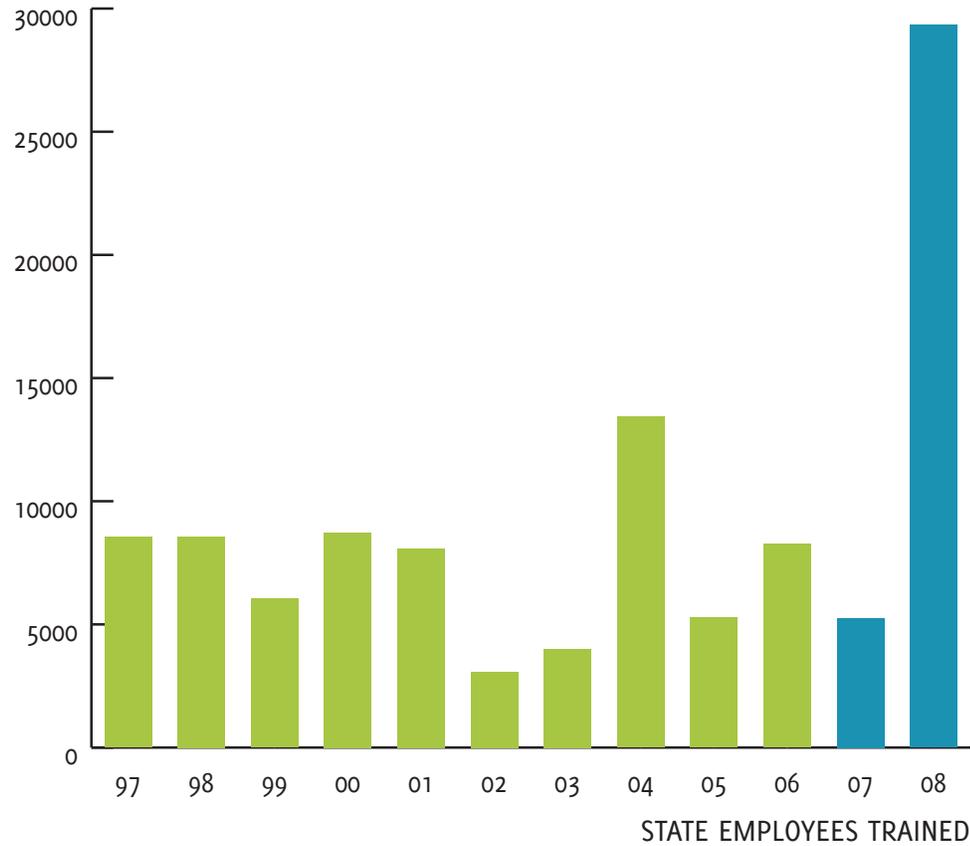
EDUCATED

FOR THE FIRST TIME IN STATE HISTORY, OVER 30,000 STATE EMPLOYEES HAVE COMPLETED ONLINE TRAINING.

ETHICS TRAINING

The Office of Inspector General’s computer-based ethics training, led by Ethics Director Cyndi Carrasco, has successfully trained over 30,000 state employees and special state appointees across the state.

This record number was accomplished in less than seven months. It also immediately monitors and reports by agency those who have and have not completed the training to insure better accountability.



LEGAL ETHICS CONFERENCE

Created and led by Ethics Director Cyndi Carrasco, the inaugural Legal Ethics Conference was held in December of 2008. Over 250 lawyers from state government and the private sector met and addressed common legal ethics issues.

Presenters included Keynote Indiana Supreme Court Chief Justice Randall Shepard and Court of Appeals Chief Judge John Baker, Judge Mary Lee Comer, Ethics Commission members Clare Nuechterlein, Priscilla Keith, and Jim Clevenger, Secretary Don Lundberg of the Indiana Disciplinary Commission, Susan Brooks, Ed Feigenbaum, IU Law School Professor Maria Pabon Lopez, Office of the Governor General Counsel Mark Massa, John Hammond of Ice Miller, and Jason Barclay of Barnes & Thornburg.





INDIANA AUDITORS & INVESTIGATORS SUMMITS

We have also held annual summits, addressing the combined efforts and common issues between the various state agency auditing and investigating units.



2005



2006

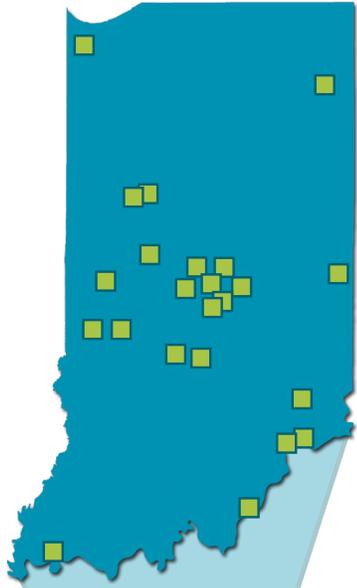


2007



2008

SPEECHES & PRESENTATIONS



Indiana speeches and presentations have been made by Inspector General staff in Indianapolis and across Indiana. (These do not include the additional county contacts made through investigations reported on page 21.)

International public corruption units have also been received in our Indianapolis office, with ideas exchanged from across the globe.



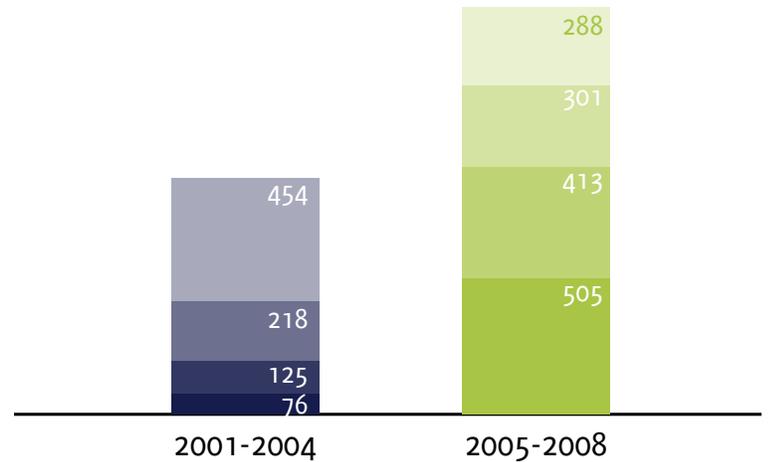
WE HAVE

ADVISED

THE OIG STAFF HAS ISSUED
OVER 1,500 WRITTEN INFORMAL
ADVISORY OPINIONS TO STATE
WORKERS.

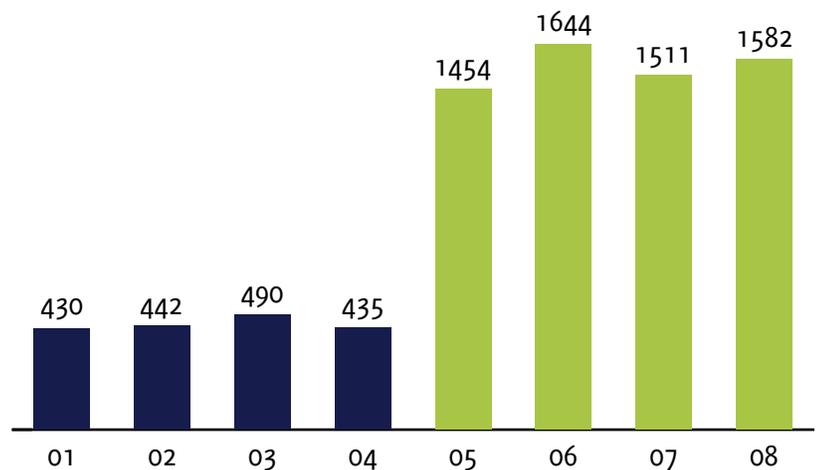
ETHICS ADVISORY OPINIONS & FINANCIAL DISCLOSURE STATEMENTS

In addition to the Commission Advisory Opinions, the OIG staff has also issued over 1,500 written advisory opinions to state workers seeking ethics advice.



OIG INFORMAL ADVISORY OPINIONS

The OIG and Ethics Commission are also charged with collecting Financial Disclosure Statements from various state officers and workers. The past four years have resulted in a spike in the number of Financial Disclosure Statements filed with our office.



FINANCIAL DISCLOSURE STATEMENTS FILED

UNIFORM GOVERNMENT CODE

The OIG has also developed a resource for state government entitled the Uniform Government Code (UGC), outlining the many applicable rules to state workers. This is available on the OIG website.

UGC

UNIFORM GOVERNMENT CODE

INTRODUCTION

CRIMINAL

ETHICS

FINANCIAL

CONTRACTS

UGC

UNIFORM GOVERNMENT CODE

<p>INTRODUCTION</p> <p>CRIMINAL</p> <p>ETHICS</p> <p>FINANCIAL</p> <p>CONTRACTS</p> <p>HOME</p>	<p>Criminal</p> <p>Contents</p> <p>§100 In General</p> <p>§101 Procedures in criminal cases</p> <p>§151 Official misconduct</p> <p>§152 Conflict of interest</p> <p>§153 Profiteering from public service</p> <p>§154 Bribery</p> <p>§155 Retaliation</p> <p>§156 Cashbook rule</p> <p>§157 Depository rule</p> <p>§158 Itemization rule</p> <p>§159 Federal Theft or Bribery</p>
	<p>In General</p> <p>§100 In general</p> <p>Most Indiana criminal offenses are defined by the Indiana Legislature in Title 35 of the Indiana Criminal Code. However, criminal offenses applying to the transaction of business by state executive branch employees are in various titles as demonstrated below.</p>

Only search the IG website

SUBMIT A REVISION

WE HAVE
INVESTIGATED

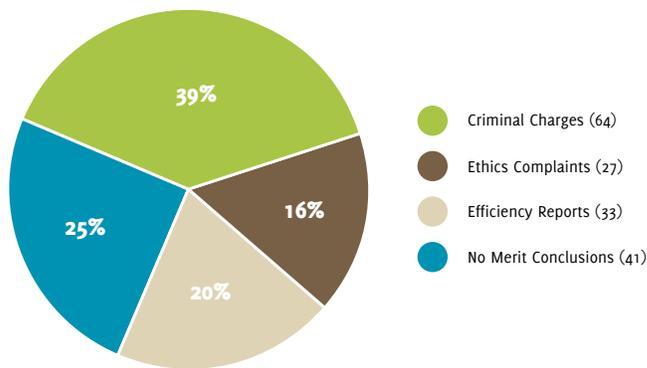
**RESULTING IN:
64 CRIMINAL ARRESTS,
27 ETHICS COMPLAINTS,
AND 33 EFFICIENCY REPORTS
YIELDING IMPLEMENTED
RECOMMENDATIONS.**

INVESTIGATIONS

OIG criminal charges and investigations have occurred across the state and in other midwest counties as well.

The results of these investigations are as follows:

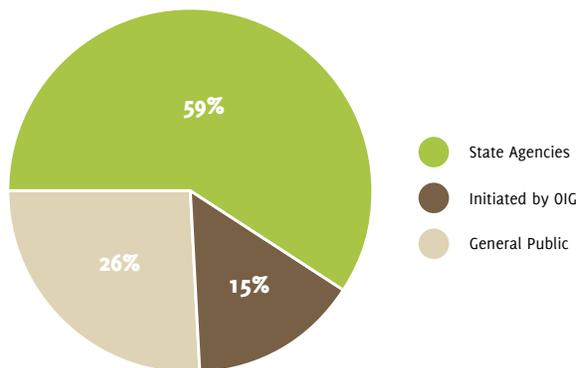
153 OIG INVESTIGATIONS, 2005-2008
(165 TOTAL DISPOSITIONS)

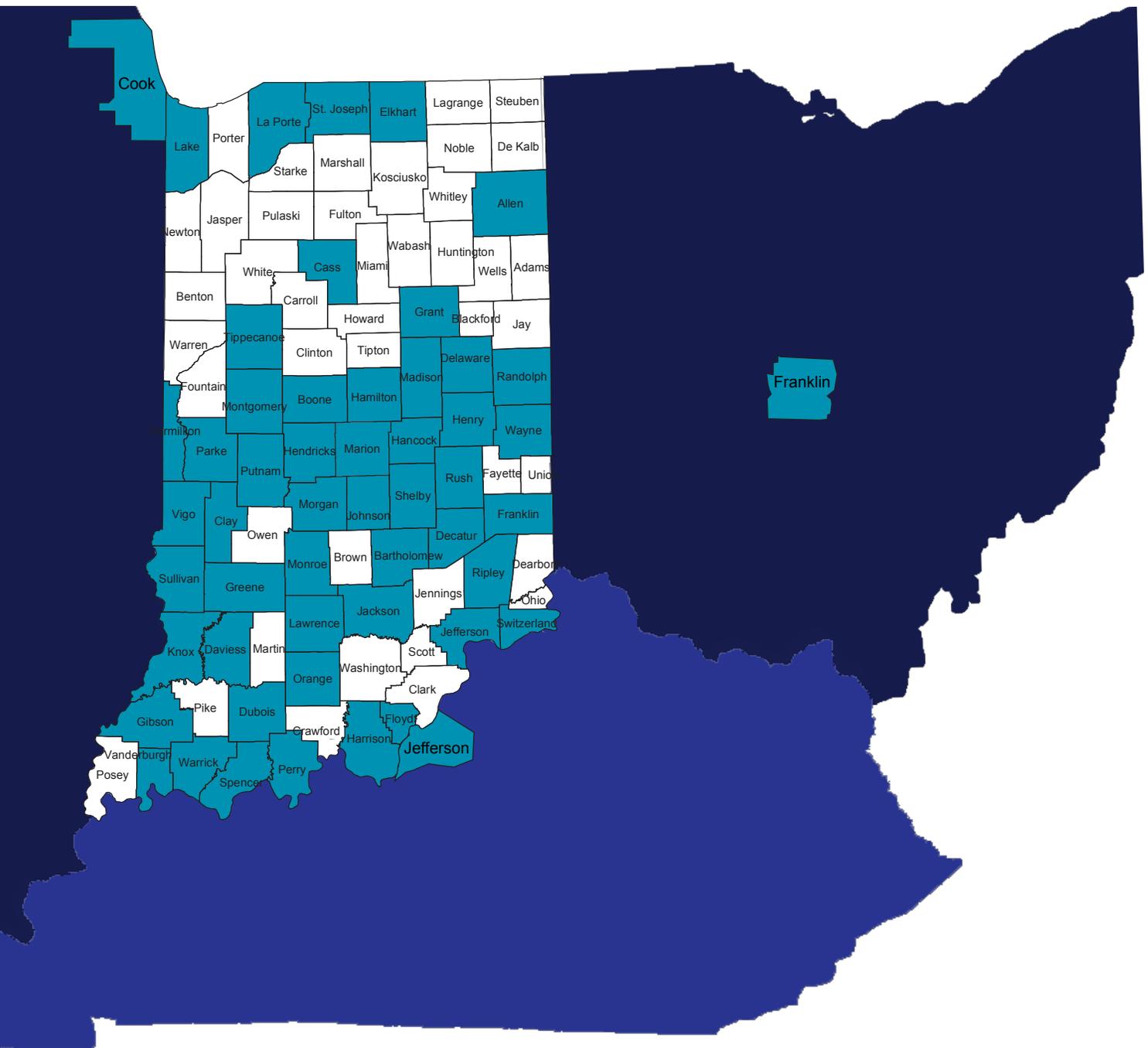


COLLABORATION WITH AGENCIES

Many of these OIG investigations originated from requests from state agencies.

OIG INVESTIGATIONS BY REPORTING PARTY, 2005-2008





INVESTIGATIONS

The investigations of the seven Inspector General Special Agents for 2008 resulted in 14 criminal arrests, probable cause approvals for the filing of eight Ethics Commission complaints, and an additional eight efficiency reports.

PERSONS CHARGED	CASE
1	Warrant arrest
1	INDOT Fuel Theft
1	Sexual predator charged in two counties
1	Spencer County murder
1	Clay County double homicide
1	Lake County Medicaid fraud
1	DOC employee benefits fraud
1	CSEPP Fund fraud
1	DOC employee benefits fraud
1	DCS bus tickets theft
1	LaRue Carter bidding fraud
1	EBT fraud
1	DCS employee perjury
1	DCS mailroom theft
14	TOTAL

ACTION	RESULTS	EXPLANATION
Persons Charged	14	Persons charged by Indiana Prosecutors in 2008
Ethics Adjudications	8	Cases submitted to Ethics Commission and probable cause found
Efficiency Reports	8	Cases resolved by efficiency reports
Cases of Insufficient Cause	147	No merit to investigate or refer
Cases of No Jurisdiction	73	No jurisdiction to proceed
Cases Merged or Referred	60	Investigations with duplicated complaints or referred to other entity
TOTAL CASES RECEIVED IN 2008	329	REQUESTS FOR INVESTIGATIONS IN 2008

Reports on these investigations are available on the Inspector General website.

CONCURRENT JURISDICTION

One of the benefits of the Indiana OIG model is the ability to simultaneously address criminal, ethics, and efficiency matters. The other state inspector generals do not have similar concurrent criminal and ethics jurisdiction. The Indiana model permits training efforts to be uniform and investigations to continue without interruption when a set of facts often involves all three areas of law.

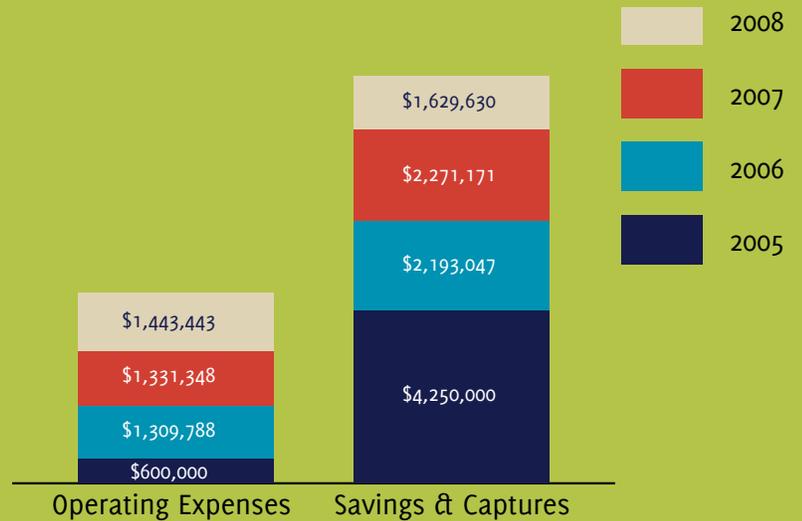
The below chart demonstrates how specific OIG investigations often implicate the different areas and migrate between criminal, ethics, and efficiency issues. The full investigative reports may be found on the OIG website.

CASE	CRIMINAL	ETHICS	EFFICIENCY
2005-02-0058 (INDOT Design)	●	●	●
2005-02-0072 (ISP Hard Drives)	●	▶	
2005-03-0194 (ISP DROP)	●	●	●
2005-04-0231 (ISP Memorial Trust)	●	●	●
2005-05-0286 (BMV Fleetmax contract)	●	●	●
2005-06-0303 (EBT fraud)	●	▶	
2005-07-0343 (Gary mileage & overtime charges)	●	●	●
2005-09-0485-A (Grant money theft)	●	▶	
2005-09-0485-B (DCS misuse of welfare funds)	●	▶	
2005-10-0534 (DNR State Museum)		●	▶
2006-02-0056 (CJI investigation)	●	●	●
2006-03-0128 (Delaware Co. TANF fraud)	●	▶	
2006-06-0206 (Lottery Commission)		●	▶
2006-10-0287 (State employee banned from work)	●	●	●
2006-11-0321 (FSSA caseworker barred from work)	●	●	●
2006-11-0331 (Identity theft)	●	▶	
2006-11-0333 (DOR theft/Employment Ban)	●	▶	
2007-02-0046 (Marion Co. EBT fraud)	●	●	●
2007-03-0055 (FSSA caseworker barred from work)	●	●	●
2007-03-0062 (FSSA caseworker barred from work)	●	●	●
2007-04-0084 (DOR Harless)	●	▶	
2007-04-0085 (DOR Causey)	●	▶	
2007-06-0121 (FSSA chaplain)		●	▶
2007-09-0193 (DOR theft 4)	●	●	●

SAVINGS

TOTAL OPERATING EXPENSES, 2005-2008:
\$4,684,579

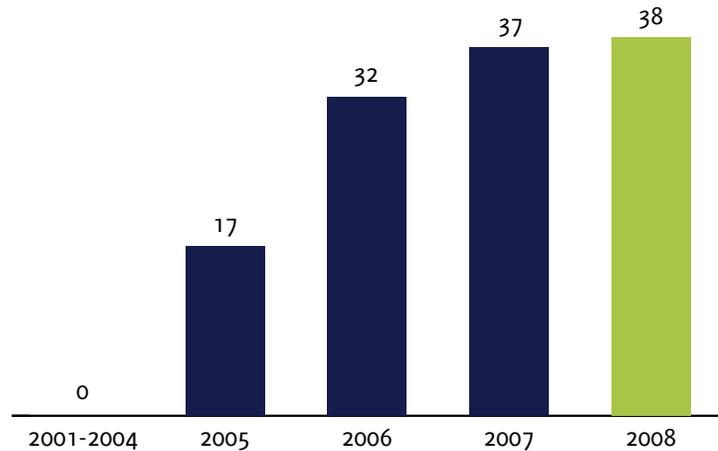
TOTAL SAVINGS & CAPTURES, 2005-2008:
\$10,343,848



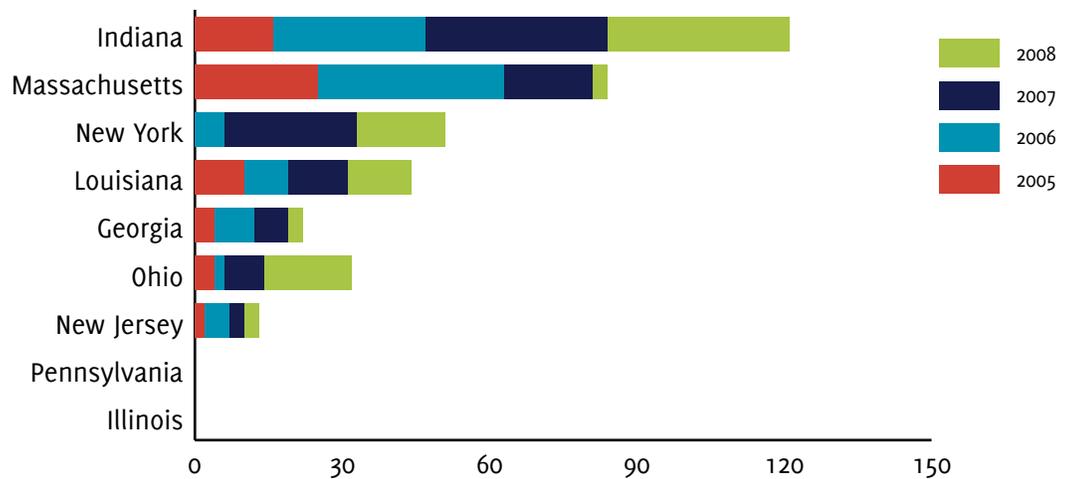
CASE	TITLE	SAVINGS & CAPTURES	AGGREGATE FRAUD ACTIVITY	SYNOPSIS
2005-05-0273	Business Theft	\$20	\$20	Stolen money
2005-03-0209	DNR Bribe	\$500		Bribe money forfeited
2005-03-0209	Community Corrections	\$1,300,000		Additional carryover funds captured
2005-07-0345	Contractor Gifts	\$300	\$300	Ethics Commission fine recovered
2005-02-0072	ISP Computer Hard Drives		\$5,000	Amount of property impaired
2005-02-0085	PLA Compensation	\$300	\$500	Bribe money forfeited
2005-04-0231	ISP Memorial Foundation		\$93,000	Amount of initial fraud
2005-04-0231	ISP Memorial Foundation	\$156,000		Additional money recovered for Treasury
2005-06-0303	Marion Co. PAF 1	\$5,000	\$5,000	Restitution ordered
2005-06-0303	Marion Co. PAF 2	\$9,818	\$9,818	Restitution ordered
2005-06-0303	Marion Co. PAF 11	\$200	\$200	Restitution ordered
2005-12-0601	Lake Co. PAF	\$12,706	\$25,412	Restitution ordered
2005-07-0343	Gary Mileage & Overtime	\$30,306	\$30,306	Restitution ordered
2005-12-0594	Nurse Overbilling	\$2,563		Restitution ordered
2005-12-0594	Nurse Overbilling	\$6,720		Restitution ordered
2005-12-0594	Nurse Overbilling	\$8,595		Restitution ordered
2007-03-0062	Allen Co. EBT Fraud	\$30,470		Restitution ordered
2007-04-0085	DOR Employee Theft 3	\$12,138	\$12,138	Restitution ordered
2005-12-0595	Gift Violations	\$500	\$500	Ethics Commission fine recovered
2005-08-0392	Computer Business	\$200	\$200	Ethics Commission fine recovered
2007-03-0055	Ft. Wayne FSSA Caseworker	\$11,957	11,957	Restitution ordered
2007-03-0055	Ft. Wayne FSSA Caseworker	\$5,810	\$5,810	Restitution ordered
2007-02-0046	Marion Co. EBT Fraud	\$24,000	\$24,000	Restitution ordered
2007-08-0175	ISDH Mileage	\$100	\$1,000	Ethics Commission fine recovered
2008-05-0129	DOC Employee Benefits		\$1,497	Amount of fraud
2008-06-0163	CSEPP Fund		\$19,196	Amount of fraud
2008-07-0183	DOC Benefits	\$8,627	\$8,627	Restitution ordered
2008-08-0207	DCS Bus Tickets		\$3,000	Amount of fraud
2005-09-0485	DCS Use of Property 1	\$1,200	\$2,800	Ethics Commission recovered
2005-09-0485	DCS Use of Property 2		\$2,893	Ethics Commission fine
2006-08-0247	LaRue Carter Bidding	\$600	\$600	Restitution ordered
2007-12-0274	Ethics Violation	\$1,000	\$1,000	Ethics Commission fine recovered
2008 TOTALS		\$1,629,630	\$264,774	

REPORTS

With 38 reports published in 2008, the OIG currently has over 120 investigative reports on its website.



Among the nation's state Inspector Generals, the Indiana OIG publishes more reports than any other.



OFFICE OF THE INDIANA INSPECTOR GENERAL
150 WEST MARKET STREET, ROOM 414
INDIANAPOLIS, IN 46204
317.232.3850