

INDIANA
OFFICE OF INSPECTOR GENERAL

315 WEST OHIO STREET, ROOM 104, INDIANAPOLIS, IN 46202 317.232.3850

September 19, 2012

Mr. Adam Horst
State Budget Director
State Budget Agency
212 State House
Indianapolis, Indiana 46204

Dear Director Horst,

Please find herein the Agency Overview for the Indiana Office of Inspector General (OIG), submitted in conjunction with our budget request for state fiscal years 2014 and 2015.

I. Programs and Functions

The mission of the OIG under IC 4-2-7-2(b) is to address fraud, waste, abuse, and wrongdoing for the Executive Branch of Indiana State Government. In addressing these broad duties, the OIG is specifically charged to:

- (A) Initiate, supervise, and coordinate investigations;
- (B) Recommend policies and carry out other activities designed to deter, detect, and eradicate fraud, waste, abuse, mismanagement, and misconduct in state government;
- (C) Receive complaints of state ethics code violations and criminal offenses involving public corruption;
- (D) Prosecute public corruption criminal offenses;
- (E) Train state officers, employees and special state appointees on the state ethics rules; and
- (F) Recommend changes in public integrity laws to the Indiana General Assembly (IC 4-2-7-3).

Two basic programs exist within the OIG to carry out these duties. First, the OIG educates the state workforce by providing web-based training to employees, issues informal advisory opinions to those who seek advice on the ethics rules, and delivers formal advisory opinions through the State Ethics Commission.

The second program involves investigations by our law enforcement staff. Six OIG special agents, all Indiana Law Enforcement Academy graduates and sworn officers expertly skilled and experienced in all facets of criminal case work, receive assignments to investigate criminal allegations, ethics violations, and waste and abuse matters.

The OIG is divided into four divisions to manage and support these two basic programs. These divisions are: (1) Investigations, (2) Legal, (3) Finance, and (4) Administration.

II. Accomplishments and Challenges

The OIG was created by Governor Mitch Daniels by Executive Order 05-03 on January 10, 2005. The Governor signed Public Law 222 in May 2005, which further defined the office and its responsibilities in Indiana Code 4-2-7.

A. Accomplishments

1. Rule Promulgation

As provided for in IC 4-2-7-3(5), the OIG promulgates the Code of Ethics for the Executive Branch. The Code of Ethics is set forth in 42 IAC 1. The OIG successfully readopted 42 IAC 1 in 2012 and is currently in the process of repromulgating the Code of Ethics to incorporate the legislative changes adopted during the 2011 and 2012 legislative sessions.

40 IAC 2, the administrative rules of the State Ethics Commission, is also being repromulgated to conform to the legislative changes resulting from the creation of the OIG.

2. Legislative Items

The OIG sought and successfully obtained legislative changes in the 2011 and 2012 legislative sessions. Each of these provisions originated from public reports issued by the OIG.

- Depository Rule clarified and duplicate provision repealed in P.L. 107-2011
- Official Misconduct felony offense reorganized and clarified in P.L. 102-2011
- Conflict of Interest felony offense reorganized and clarified in P.L. 110-2011
- Collection of SEC fines and financial loss audit reporting streamlined in P.L. 136-2012
- Criminal offenses located in Titles 4 and 5 recodified in P.L. 126-2012 and P.L. 114-2012
- Nepotism provisions reorganized and moved to IC 4-2-6 in P.L. 105-2012

The last two items are perhaps the most significant and useful of OIG legislative accomplishments. The operating rules for state employees should be clear. They were not. In fact, many criminal acts were buried within Titles 4 and 5 and had never been charged by Indiana prosecuting attorneys. Not only was this format unwieldy but the Indiana Supreme Court had declared unconstitutional this type of statutory structure. The OIG worked with the *Criminal Code Evaluation Commission* in the summer of 2011 to locate and evaluate the crimes within Titles 4 and 5 and to propose a reorganization of these offenses by topic. The Commission's final report was enacted as P.L. 126-2011 and P.L. 114-2012.

The ambiguity of the executive branch nepotism provision had for years caused confusion for state employees and challenged the SEC and OIG advisory and investigative functions. A collaborative effort with the State Personnel Department resulted in the nepotism provision being both clarified and relocated to IC 4-2-6.

3. American Recovery and Reinvestment Act (ARRA)

On February 17, 2009, the United States Government enacted the American Recovery and Reinvestment Act (ARRA). To ensure Indiana's compliance with ARRA guidelines, the OIG, in partnership with the State Board of Accounts (SBoA), conducted compliance reviews on all ARRA-funded projects overseen by state agencies. Each ARRA compliance review culminates in an OIG public report - that tally now exceeds 110 reports posted online. The OIG has absorbed the cost of ARRA compliance reviews without receiving any additional funding from any source.

4. Benefits Fraud

In 2010, the OIG began receiving an influx of cases referred from the State Personnel Department as a result of the dependent eligibility verification audit completed for the state government workforce.

Over ninety individual investigations were conducted in 2011 and 2012 by OIG special agents and corresponding reports are posted on our website. Investigations related to the audit are ongoing and will continue through 2012.

B. Challenges

1. Budget reductions

The constraints placed on all state agencies as a result of declining state revenues has led to change at the OIG. Staff has been decreased by attrition and responsibilities have been consolidated. Currently the OIG has 14 FTEs, a decrease of 7% from its high-point in terms of appropriation/allotment amount and staff size during fiscal year 2008.

Fleet management is a current and future challenge for the OIG. The OIG has an aging fleet of seven vehicles, all but two gifted to the OIG from other state agencies. To better address vehicle needs, the OIG requests a reallocation of funds to the equipment budget. (See Section VI.)

We are confident that quality service and outcomes will continue to be provided by the OIG, despite a shrinking budget and workforce.

III. Objectives for the 2014-2015 Biennium

In addition to fulfilling our statutory duties, below are four basic goals or objectives the OIG will focus on for the remainder of the current biennium and continue into the coming 2014-2015 biennium.

1. OIG in New Administration

The proficiency of the OIG has prepared a solid framework for our goal of continued innovation and usefulness for the incoming gubernatorial administration.

2. Training Expansion

With many training production and deployments now accomplished, we plan to introduce even more training segments in the coming biennium. Future topics include specific rules of the Code of Ethics and the operating rules of state government.

3. Investigator Consolidation

Although the Inspector General shall "...initiate, supervise, and coordinate" investigations in the Executive Branch under IC 4-2-7-3, there remain many executive branch agencies with internal investigation units. The OIG oftentimes works in concert with these groups and they are included in the OIG's annual Legal & Ethics Conference, but a consolidation effort in the 2014-2015 biennium could provide increased efficiencies for investigative outcomes.

IV. Key Performance Indicators

The primary Key Performance Indicator for the OIG is cumulative annual savings as a percentage of expenditures, measured on a calendar year basis. Our annual statewide savings for CY 2011 comprised 100% of our agency expenditures, while our target for this performance metric is 200%.

Other performance metrics reported on a quarterly basis by the OIG include:

- a) the average number of days to complete screening of complaints to the OIG is 10.3 while our target is less than 7 days
- b) the average number of days to complete an informal advisory opinion (by our staff attorneys) is 2.2 while our target is less than 7 days

V. Organizational Chart

Our organizational chart is included with this agency overview letter.

VI. Program reductions or reallocations

The OIG will not request a base budget increase or any new or special initiative change packages. We are unable to propose any program reductions for the upcoming 2014-2015 biennium, although our spending has decreased over the last two fiscal years.

VII. Reallocation of Funds

The OIG requests a permanent reallocation of \$22,000 in funds from Personal Services to Other Operating in our main appropriation fund (12290). This reallocation will allow OIG to plan for the purchase of one vehicle each fiscal year.

Please let me know if you need any further information and thank you for your consideration.

Yours,

David O. Thomas, Inspector General