



Indiana State Government's

PERFORMANCE REPORT

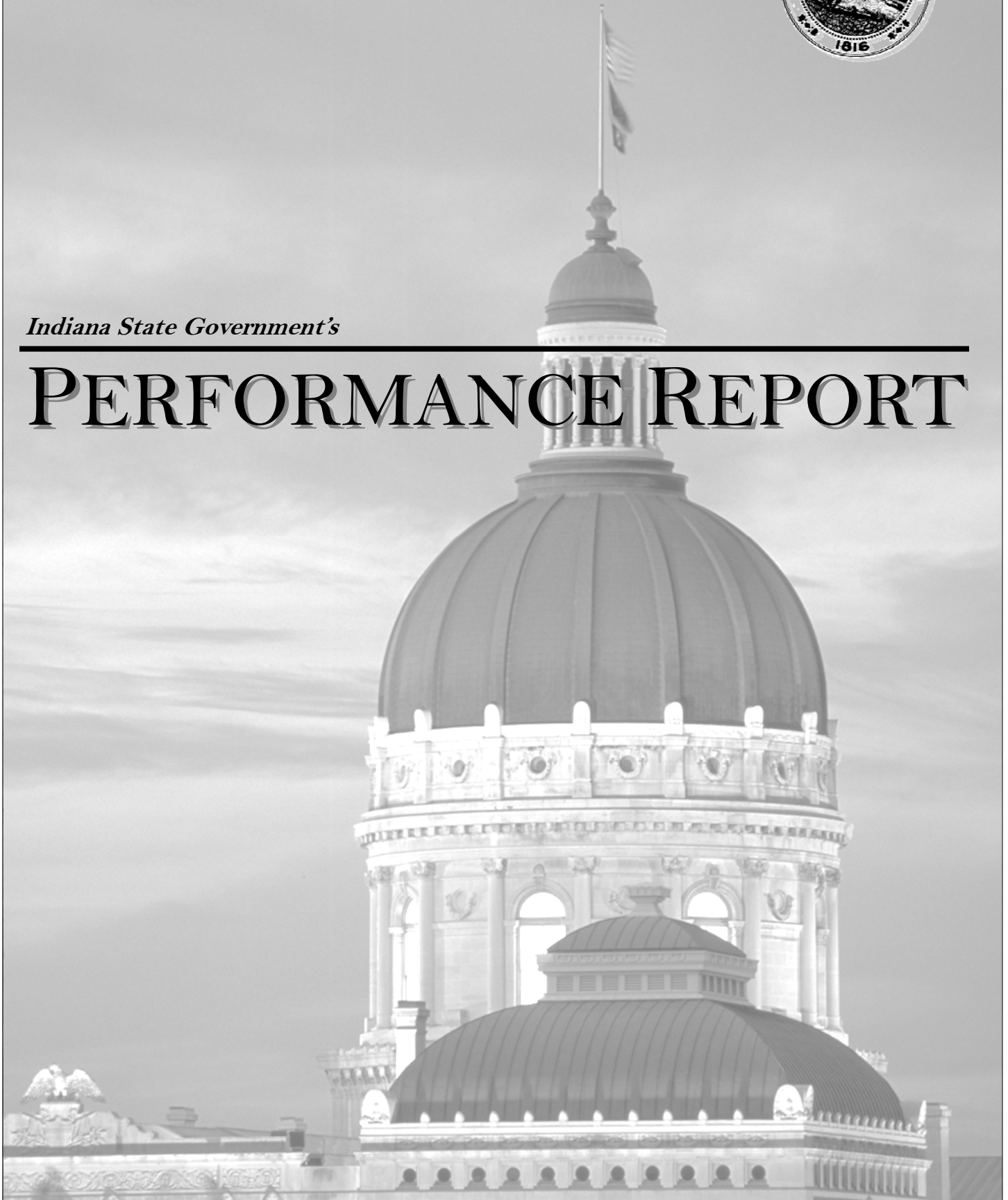




Table of Contents

Memorandum.....	2
Report Highlights.....	2
Department of Administration.....	8
State Department of Agriculture.....	10
Alcohol and Tobacco Commission.....	11
State Budget Agency.....	13
Bureau of Motor Vehicles.....	14
Department of Child Services.....	16
Department of Corrections.....	17
Criminal Justice Institute.....	20
Economic Development Corporation.....	22
Department of Environmental Management.....	23
Family and Social Services Administration.....	25
Finance Authority.....	29
Gaming Commission.....	30
Government Efficiency & Financial Planning.....	31
State Department of Health.....	33
Department of Homeland Security.....	34
Hoosier Lottery.....	36
Office of the Inspector General.....	37
Department of Insurance.....	38
Department of Labor.....	39
Department of Local Government Finance.....	41
Indiana National Guard.....	43
Department of Natural Resources.....	44
State Personnel Department.....	45
Public Employees' Retirement Fund.....	47
Department of Revenue.....	48
State Police Department.....	50
Office of Technology.....	52
Department of Transportation.....	54
Department of Veterans Affairs.....	56
Department of Workforce Development.....	57
Appendix: Performance Metrics.....	





STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor

Mitchell E. Daniels, Jr.
Governor

Memorandum

To: Governor Daniels
From: Betsy Burdick
Director of Cabinet & Agency Affairs
Date: August 19, 2005
Re: Agency performance reports and metrics for the first 6 months.

Upon taking office, you established a set of goals for all state employees and all state agencies to focus on increasing jobs and income growth in our state, improving customer service, reducing waste and spending Hoosier tax dollars in the most prudent way possible. Attached are a narrative report on progress to date and a quantitative evaluation of government performance.

The narrative summarizes achievements, discoveries, successes and shortcomings to date.

The quantitative evaluation was prepared by Indiana OMB's Government Efficiency and Planning Department. It is patterned on the performance metrics system that you pioneered for the federal government during your tenure as Director of the U.S. Office of Management and Budget.

As you know, the creation of a comprehensive system for measuring and reporting agency performance and program results is a first for Indiana state government. *Governing* magazine in its "Grading the States 2005" observed that the State of Indiana was not collecting performance information on a statewide basis and there was inconsistent linkage between managerial action and program results. **Only four states were ranked lower than Indiana in its use of information and technology.** Under Chuck Schalliol's and Cris Johnston's supervision we are now well on the way to correcting this deficiency.

To date, thirty executive branch agencies have begun the process of establishing performance measures with targets that are linked to their core mission and are beginning to report results. All executive branch agencies will have performance metrics by June 2006.

This report contains three sections:

- ◆ Report Highlights – Provides a brief flavor of the information contained throughout the document including descriptions of many of the savings measures begun and in some cases completed during the last six months. **Estimated annual savings, one-time savings and funds redirected toward a better purpose total over \$150,000,000.**
- ◆ Agency Narratives – Provide agency contact information, mission and specific examples of discoveries and actions taken to date.
- ◆ Agency Performance Metrics – Provides actual outcome-based performance measures as well as target ranges to allow agencies to truly measure their success on an ongoing basis. Performance targets have been set at red, yellow and green levels, with green representing best-in-class performance. Over 85% of the reported measures have red or yellow results indicating opportunities for improvement. In some cases, it may take years of unrelenting focus to "get to green" but what is most critical is the year to year improvement in achieving results with the investment of Hoosier tax dollars.

This document is imperfect, but on behalf of your Cabinet and other leaders in state government we look forward to making this periodic report useful to you, the hard-working people of state government, and the public.



Report Highlights

Report Highlights

Cost savings, agency reorganizations, and service improvements to date are estimated at more than \$150 million. Selected examples of these initiatives are presented below:

Cost Saving Initiatives*

- ◆ BMV eliminated the unnecessary process of mailing notices for driver's license renewals, resulting in annual savings of \$200,000.
- ◆ The Department of Correction ceased the practice of paying for a private prison in Kentucky to house 650 Indiana offenders. The DOC brought all 650 inmates back to Indiana with cost savings of \$6.6 million while keeping the tax dollars working in Indiana.
- ◆ The Department of Administration launched an aggressive program to identify and sell surplus vehicles from the State's bloated and inefficient fleet. To date, 1179 vehicles have been identified for surplus, of which 498 have been sold at a net of \$808,207.
- ◆ The Office of Technology is well into a consolidation program that will save the State an estimated \$10 million annually. To date, IOT has already converted nearly 11,000 electronic mailboxes to the state central e-mail system and 9,000 users have been converted to the new, central Service Delivery organization).
- ◆ The Indiana Economic Development Corporation (IEDC) consolidated six regional offices at a savings of \$1.5 million annually.
- ◆ The Department of Correction explored more efficient ways to provide offender food service, and reached an agreement with a third-party contractor to provide the same level of service and meet all nutritional requirements while generating annual savings of \$11 million.
- ◆ PERF cancelled a contract which involved the printing of thousands of unneeded notifications, resulting in annual savings of \$223,000.
- ◆ FSSA, in cooperation with the DOC, accepted a very cost-efficient proposal from dietary employees at Logansport. Their proposal lowered the average meal costs by 1/3, resulting in annual savings of \$700,000 to \$1.0 million. This program was the first time in the state's history that a group of state employees bid for and won the contract to manage their own jobs.
- ◆ Through diligent review of technology requisitions by all state agencies, the Office of Technology has prevented the State from spending in excess of \$12 million that would have been spent in the decentralized management of the past.
- ◆ The Department of Correction merged several co-located facilities with annual savings of \$910,000.
- ◆ BMV renegotiated the contract for the implementation of new computer software with annual savings of \$2.5 million.
- ◆ INDOT has transitioned from a yearly State road map to a two year map which saves tax payers \$175,000 every two years.
- ◆ Risk-based managed care (RBMC) was only implemented in densely populated regions of the state. FSSA has implemented RBMC in southern and eastern Indiana, with statewide implementation completed by November 2005. This plan will generate annual savings of \$8.9 million.
- ◆ The Department of Correction moved all central administration staff into the Government Center facility and out of expensive offices within the Indianapolis area, resulting in annual savings of \$171,700.

* = This section on cost saving initiatives includes one-time savings, annual savings, and funds that are being redirected for a better use.

Government Reorganizations

- ◆ When HEA 1137 transferred the functions of the Intelnet Commission to the Office of Technology, IOT implemented efficiency measures generating cost savings of \$4.6 million in FY05.
- ◆ The Indiana Department of Environmental Management (IDEM) eliminated a complete layer of executive management staff within the Department, resulting in annual savings of \$400,000.
- ◆ The Indiana Finance Authority (IFA) consolidated 13 different authorities with debt issuing powers, resulting in annual savings of \$700,000.
- ◆ The Department of Natural Resources conducted a reorganization to centralize administrative functions that had been decentralized and therefore inefficient. Annual savings are estimated to approach \$1.7 million.
- ◆ The Department of Homeland Security consolidated the Department of Fire and Building Services, SEMA, and the Counter Terrorism Council, resulting in annual savings of \$524,375.
- ◆ The Department of Correction reorganized a top-heavy management structure to a more flat-lined structure, and eliminated several administrative positions and superfluous support. This reorganization will save nearly \$2.8 million annually.
- ◆ The State Personnel Department centralized agency HR activities to improve service, standardize policies, and improve efficiency at a savings of \$5 million.

Agency Discoveries and Improving Government Service

- ◆ The Department of Workforce Development and Department of Revenue changed their schedules to keep their Telephone Helpline and Taxpayer service center open during lunch.
- ◆ The Indiana State Police returned all personnel the rank of Lt., 1st Sgt, Sgt, and Cpl to marked cars and requires headquarters personnel to wear police uniform and perform road duty two days a month to increase police presence on highways.
- ◆ With Medicaid growth projected to increase by more than 10% annually, the previous Administration included a proposed physician fee schedule increase and a 5% increase for Institutional Services. FSSA cancelled the proposed physician fee schedule increase, and reduced the 5% increase for Institutional Services to 3%. These actions will result in one-time savings of \$13.4 million, and estimated annual savings of \$7.3 million.
- ◆ The Department of Agriculture ceased operating a Bed and Breakfast with annual savings of \$100,000.
- ◆ FSSA discovered it had been making duplicate payments for some First Step program services. In January 2005, FSSA implemented proper edits to stop the incidents of double payment and save nearly \$1.4 million annually.
- ◆ BMV canceled the practice of purchasing bottled water for its home office and branches, resulting in annual savings of \$35,000.
- ◆ The Department of Labor ceased the practice of allowing 11 employees that live in counties adjacent to Marion County to work from home (involved paying a multitude of additional expenses including home internet access, long distance phone calls, and mileage reimbursement to drive downtown for meetings). This move will increase employee accountability while saving the Department \$30,000 annually.
- ◆ The Department of Agriculture stopped publishing a cookbook that cost taxpayers \$70,000 annually.
- ◆ The Department of Natural Resources discovered that the Department had previously purchased expensive Expeditions for its law enforcement command staff. DNR decided to replace these cars with less expensive Trail Blazers at a cost savings of \$100,000.
- ◆ The Office of Technology eliminated two projects without any apparent business purpose and no means of financial support in the long-term, resulting in annual savings of \$600,000.

Additional cost savings, reorganizations and service improvements include:

- ◆ The Alcohol and Tobacco Commission (ATC) has focused on enforcing the current gaming laws, resulting in 809 motherboards confiscated and \$89,930 in illegal proceeds seized between January and May of 2005.
- ◆ The Indiana Gaming Commission reverted \$2.1 million to the General Fund from a stagnant account.
- ◆ The Department of Administration estimates a minimum annual cost savings of between \$3.5 and \$5.0 million through more efficient utilization of a smaller vehicle fleet.
- ◆ BMV renegotiated the contract for credit card fees and then entered into a new contract with annual savings of \$500,000
- ◆ The Department of Correction instituted policy changes that require 1) new hires to first pass a drug test before employment, and 2) inmates to start paying for the cost of drug testing if it turns out to be positive. These changes will generate \$272,224 in annual savings.
- ◆ BMV stopped renting floor mats and purchased them directly, resulting in annual savings of \$267,000.
- ◆ The Hoosier Lottery redesigned their bi-monthly, full color newsletter to retailers to a black and white monthly publication at a savings of \$21,670 annually.
- ◆ BMV is consolidating banking relationships for annual savings of \$100,000.
- ◆ INDOT and DOC have identified 15 additional offender work crews that will generate an estimated savings of \$2 million annually.
- ◆ The Department of Correction moved 250 Indiana offenders from Kentucky county jails to unused space at the Westville Correctional Facility, with the vast majority of offenders now residing closer to the family and friends who visit them. This move will save an estimated \$1.6 million annually.
- ◆ BMV reduced inventory levels at branches to 60 days, improving a poor inventory control process and saving \$500,000 annually.
- ◆ The Department of Correction discontinued operations at the Bloomington and Fort Wayne Juvenile Correctional facilities, and is utilizing the other facilities at a greater, more efficient level. This move will result in \$4.3 million in annual savings.
- ◆ The Department of Correction significantly reduced the number of Department cell phones and pagers with annual savings of \$167,000.
- ◆ FSSA re-established control of the Step Ahead council at the county level, resulting in annual savings of \$1.7 million.
- ◆ FSSA implemented a gradual opening of the new Isaac Ray facility for secure forensics patients in Logansport because not all beds are needed for FY06. The facility will be fully occupied by July 2006, but the implementation will have created one-time savings of \$1.5 million.
- ◆ The Office of Technology reset the rates for the use of IOT services based on the cost of delivery (fixing historical practice of excessive overpricing). This action will save state agencies \$6.6 million annually.
- ◆ The Indiana Department of Environmental Management (IDEM) opted to utilize existing staff to review Excess Liability Trust Fund claims (regarding leaking gasoline or diesel tanks) instead of paying a consulting company approximately \$1 million.
- ◆ By introducing competitive bidding into the selection of professional service providers, the Indiana Finance Authority reduced per deal underwriting fees by over 80% and legal fees by 25%. Annual savings are estimated at \$400,000.
- ◆ The Department of Administration discontinued the publication of a State Government Telephone Directory by the State Information Center, instead using an on-line directory with annual savings of \$20,000.



- ◆ The Hoosier Lottery now requires sales staff to utilize State fuel depots for fuel purchases where the cost per gallon is on average \$0.30 less expensive. This policy is estimated to save \$29,727 annually.
- ◆ PERF cancelled contracts deemed to be non-strategic, resulting in annual savings of \$316,000.
- ◆ INDOT implemented a safety program focused on leadership and accident prevention, resulting in the reduction of employee injuries by 30%. While this represents a savings of over \$900,000 per year, the real value is the protection of the welfare of state employees.
- ◆ The Hoosier Lottery reduced or eliminated non-effective and redundant sports and community advertising programs, resulting in first-year savings of \$379,000.
- ◆ The Hoosier Lottery consolidated the agency's mobile phones under a single shared time pool plan saving \$36,000 annually.
- ◆ BMV renegotiated the contract for digital security software with annual savings of \$430,000.
- ◆ The Indiana State Police introduced various cost saving measures, including a decrease in periodical subscriptions, a reduction in issued duty weapons per officer, a reduction in weapons qualifications annually, and numerous others to save \$2.5 million annually.
- ◆ BMV renegotiated the contract for the verification of personal data with annual savings of \$69,000.
- ◆ FSSA filed plan and rule amendments to implement per-child cost sharing on CHIP (Children's Health Insurance Plan) services based on the family's level of poverty and number of children covered. This move will save an estimated \$1.3 million annually. In other states, an additional benefit to cost sharing is participation increases as parents feel a sense of responsibility for their children's health insurance.
- ◆ BMV found a new supplier to provide posters for Federal and State Labor Law Notices with annual savings of \$29,000.
- ◆ BMV discovered unclaimed bureau funds with the Attorney General, and pursued and reclaimed \$22,000.
- ◆ The Hoosier Lottery reviewed community sponsorships and reduced several to more appropriate levels, resulting in first-year savings of \$130,000.
- ◆ The Department of Labor began notifying and aggressively pursuing the payment of over \$7 million in uncollected safety penalties and fines. To date, the Department has collected \$160,353.
- ◆ The Public Employees' Retirement Fund (PERF) renegotiated several professional services contracts which resulted in annual savings of \$623,000.
- ◆ The Department of Revenue recognized savings of \$18,000 based upon the new \$0.06 e-check transaction rate negotiated by the Treasurer's Office. Additional substantial savings are anticipated with the Amnesty program using this new negotiated rate.
- ◆ The Office of Technology has reused \$1.0 million of hardware and software that previously would not have been reused.
- ◆ INDOT worked with the Department of Administration to streamline the process for selling surplus property. To date, four parcels have been sold, redirecting almost \$70,000 to highway construction.
- ◆ BMV renegotiated the contract for registration printers and self-service terminals with annual savings of \$240,000.
- ◆ INDOT shifted the printing of business cards from an outside vendor to the Department of Correction at a savings of 25%. Annual savings are estimated at \$3,000 to \$5,000.
- ◆ The Hoosier Lottery renegotiated their banking and insurance contracts with annual savings of \$57,300.



- ◆ Due to a lack of project management, INDOT cancelled several unnecessary contracts savings over \$1.0 million. In addition, INDOT saved \$1.5 million by calling in several consultant companies to discuss change order requests.
- ◆ The Department of Workforce Development cancelled a contract for an IT contractor who was overseeing the Unemployment Insurance Modernization (UIM) project at a cost of \$270,000 per year. A capable management member of the user group is now overseeing the project with annual savings of \$178,000.
- ◆ The Department of Workforce Development reduced the size of an inherited \$2.5 million Unemployment Insurance administrative projected deficit by restructuring the staff and eliminating unnecessary overhead expenses.
- ◆ The Department of Correction developed a leaner but equally effective staffing plan for the expanded Indianapolis Juvenile Correctional Facility, and took steps to avoid over-utilization of additional new space. These efforts will save an estimated \$3.0 million annually.
- ◆ The Department of Agriculture eliminated the Land Resource Council with annual savings of \$150,000.
- ◆ The Indiana Criminal Justice Institute reorganized its Human Resources / Administrative Division, creating well defined job descriptions and duties while saving \$274,000 annually.
- ◆ The Indiana Gaming Commission restructured the agency staff to better align filled positions with the work that is being done by the Commission. This reorganization will save \$60,000 annually.
- ◆ The Hoosier Lottery conducted an agency reorganization that included the elimination of 8 manager positions as well as changes in hiring practices and training. These actions will save \$501,589 annually.
- ◆ The Department of Local Government Finance completed reorganization with annual savings of \$71,148.
- ◆ INDOT eliminated 1 management level at district locations at a savings of \$1.5 to \$2.0 million annually.
- ◆ IDEM only approved 1 of 105 Combined Sewer Overflow plans in three years. IDEM has a plan to approve all plans in the next three years.
- ◆ IDEM had not properly investigated 3,000 reported leaks from underground storage tanks. IDEM is now currently working on 2,500 of those cases.
- ◆ The Department of Local Government Finance will eliminate the backlog of 5,649 2002 property tax appeals from Lake County by September 15, 2005.
- ◆ The Department of Workforce Development will eliminate the nation's worst backlog in Unemployment Insurance Appeals by the end of the summer at minimal cost.
- ◆ FSSA will eliminate a backlog of 13,500 medical review claims by September 2005.
- ◆ Indiana has seven print centers and seven mail centers which provide similar services. Consolidation is underway.
- ◆ The Department of Correction utilized nine different uniforms. That is being reduced to three.
- ◆ The former Indiana Development Finance Authority owns over 3,000 prints of questionable value that had been used as security on a \$1.5 million loan guaranty that went bad. The new IFA is developing a strategy to recover the greatest amount of funds.
- ◆ The former Department of Commerce had no formal process for evaluating projects and typically awarded the maximum incentive without consideration of a project's merit.
- ◆ The Office of Technology identified surplus of about \$12 million in its accounts derived from overcharging state agencies, and worked with the State Budget Agency to return excess funds for redeployment as necessary.



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Department of Administration

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Commissioner
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The Indiana Department of Administration (DOA) is an umbrella agency that provides support services to other state agencies to aid the smooth functioning of state government. IDOA manages and maintains state-owned facilities and assets, provides construction services to state agencies, and administers the state procurement and professional services contract functions, minority- and women-owned business certification programs, as well as the state motor pool fleet, travel, printing, real estate, and surplus/warehouse operations.

Discovery: The procurement process was lengthy and bureaucratic, such that agencies looked for ways to work around it. In the past the Department of Administration has failed to leverage the buying power of state government as one purchasing unit, and procurement guidelines were poorly conceived and did not focus on utilizing Indiana companies, Indiana employees, best cost, or the best qualified company to provide the work.

Action Taken: Governor Daniels asked DOA to quickly review and place strong emphasis in the State's procurement process on both those businesses headquartered, or with a significant presence in, Indiana AND on the those companies which utilize Hoosiers to do the work – focusing once again on Hoosier jobs. DOA released its Buy Indiana guidelines in May 2005 and for the first time, emphasis on having Indiana residents performing the work has entered into the scoring. Greater emphasis was also put on price and quality, the simple mechanics of filling out the RFP properly were removed from scoring altogether, and that area is now treated as a pass/fail measure. A customer opinion survey has been instituted to allow DOA's customers to provide their thoughts on how to improve the procurement process. This has led to DOA embarking on a major review of the procurement process, including a comprehensive spend analysis and strategic sourcing project that is expected to result in millions of dollars in savings. Efforts to address the process are paying off as DOA successfully directed a \$120 million procurement for food services through the process in under 90 days (past practice would have taken 180-240 days).


Discovery: The existing vehicle fleet is bloated and inefficient in its operations.

Action Taken: The Department of Administration launched an aggressive program to identify and sell surplus vehicles. The size of the fleet exceeded 13,000 as of October 2004, and as a result of our efforts thus far, DOA has identified 1405 vehicles for surplus, of which 498 have been sold at a net of \$808,207. DOA has also discovered over 160 titles without vehicles that correspond to the titles. Additionally a statewide, centralized fleet management system is being implemented which will allow for better tracking of the fleet and more efficient use of these resources by all state agencies. DOA estimates a minimum annual cost savings of between \$3.5 million and 5 million through more efficient utilization of a smaller fleet.

Discovery: The Minority and Women's Business Enterprises certification process was found to be an inflexible process that combined an enforcement culture with the practice of looking for ways not to certify companies as opposed to partnering with them to improve participation. The certification process was months in length.

Action Taken: DOA instituted the first customer opinion survey of minority- and women-owned businesses. The time to certification has been reduced from months to only 8.5 days. Leadership and culture changes occurred within the division and the MWBE division has developed a marketing focus and began working with other partners to provide additional avenues for companies to be certified. In addition, the commission raised the participation targets for both.

Discovery: The state did not have a statewide real estate strategy. A decentralized, transaction-based approach to leasing



decisions was the past practice. In addition, there was poor data management for leasing and real property, and a core strategy around the evaluation and disposal of surplus property was non-existent. The existing contract for leasing professional services focused solely on broker representation and did not leverage enough value in terms of strategic support or cost savings.

Action Taken: A RFP will be issued during the third quarter of 2005 to solicit professional services for real estate, including portfolio management and administration, software improvements, and pilot projects for disposition of surplus property. Future compensation for real estate services will be restructured to include cost savings to the state through fee-sharing and other creative approaches.

Discovery: Administration of state contracts was extremely poor. Opportunities to bid for state business were difficult for interested companies to find and respond to, and state contracts were not easily accessible for the public to view.

Action Taken: Acting on Governor Daniels pledge to make state government more open and transparent, DOA is now posting information on all state contracts on the internet.

Discovery: Inflexible and bureaucratic processes in the area of public works.

Action Taken: Instituted a customer opinion survey. Additionally, the State Office Building Commission's operations were integrated into the state's public works division to assist in the coordination and support of all state government building needs.



State Department of Agriculture

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The newly created Indiana State Department of Agriculture has the vision of making Indiana a global center for food and agricultural innovation and commercialization. The department licenses and inspects grain warehouses to reduce risk for grain producers and works closely with the Indiana Economic Development Corporation to attract agriculture related business and investment to the State.

Discovery: Indiana was one of only four states without a Department of Agriculture.

Action Taken: The Department of Agriculture was established through the passage and signing of HEA 1008 on April 25, 2005. The new department elevated agriculture to its proper importance by naming the Agriculture Director a member of the Governor’s Cabinet. The Department of Agriculture was fortunate to recruit an exceptional team with significant experience in the food and agriculture sector. The team also hired the first Agriculture Economic Development director who brings significant experience from agricultural banking and ventures. These changes occurred while the department’s staffing budget, including all divisions, decreased by \$713,000 or 13%.

Discovery: Although no one disputed the importance of agriculture to Indiana’s economy there was no strategic plan in place identifying economic opportunities and priorities for the agricultural industry within Indiana.

Action Taken: In May, the Indiana State Department of Agriculture established its leadership role with the statewide rollout of *Possibilities Unbound: The Plan for 2025*, Indiana’s Strategic Plan for Agriculture. The plan details aggressive objectives and strategic priorities including the hardwoods industry, bioenergy, revitalizing livestock production, and having Indiana agriculture participate in national and global policy issues. The department will also work to improve regulatory issues involving agriculture. The plan outlines measurable benchmarks along the path toward the vision of making Indiana agriculture a force on a global scale. Early wins include an almost threefold increase in the state’s ethanol production with two new production facilities, the investment in upstream research in log scanning and bioenergy, and economic development initiative that is already yielding increases in swine production and pork processing and packing.

Discovery: The Division of Soil Conservation was operating under the Department of Natural Resources and not taking advantage of federal grant opportunities to the fullest extent possible.

Action Taken: The Division of Soil Conservation was moved to the Department of Agriculture, illustrating that Indiana realizes the importance of soil and water conservation to the agriculture industry. The Soil and Water Conservation Division will be structured to take advantage of public-private partnerships and federal grants to aid farmers in conserving natural resources. Early projections indicate that approximately \$10 million dollars for conservation project, can be generated by taking advantage of federal grants which have a 4:1 or greater federal to state dollar match.



Alcohol and Tobacco Commission

Dave Heath, Chairman
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The general purposes of the Alcohol and Tobacco Commission's (ATC) work, as defined by law, are to protect the economic welfare, health, peace and morals of the people of this state; to regulate and limit the manufacture, sale, possession, and use of alcohol and alcoholic beverages; and to provide for the raising of revenue. The commission licenses and regulates nearly 10,000 permits for the manufacture, operation or sale of alcoholic beverages at all restaurants, breweries, wineries, grocery stores, hotels, drug stores, package stores, stadiums, civic centers, social and fraternal clubs, horse tracks and river boats throughout the state. In addition, the Commission also licenses and regulates the permits of every bartender, waiter, waitress, salesperson and clerk associated with the sale or service of alcoholic beverages in the state - almost 100,000 in number. The ATC is responsible for raising revenue of approximately \$42 million for the citizens of Indiana.

The Indiana State Excise Police are the law enforcement division of the ATC. State Excise Police officers are empowered by statute to enforce the laws and rules of the Alcohol and Tobacco Commission as well as the laws of the State of Indiana. Our agency's primary goal is to reduce the access and availability of alcohol and tobacco products to minors.

Discovery: There was a one-year backlog on tobacco violations.

Action Taken: A new attorney was hired by the ATC and has cleared the entire backlog. Additionally, all new violations are cleared within 30 days.

Discovery: There were 16 cases from 2003/2004 that were left by the previous hearing judge to be resolved.

Action Taken: A new hearing judge has cleared 11 of the 16 cases. Twenty new cases have been filed. The goal of the hearing judge is to reduce the total case load to 10 cases by late October 2005.


Discovery: Illegal gambling consumes approximately 35% of excise officers' time. From January to May of 2004 enforcement of the gaming laws resulted in no motherboards being confiscated and seizure of only \$29,058 in proceeds.

Action Taken: Although illegal gambling still consumes 35% of the excise officers' time, the ATC has focused on enforcing the current gaming laws, resulting in 809 motherboards confiscated and \$89,930 in illegal proceeds seized between January and May of 2005.

Discovery: The Indiana State Excise Police, the enforcement division of the ATC, has been underfunded and understaffed for over a decade.

Action Taken: HEA 1666 increased funding to the Excise Police by \$3 million annually. This additional funding will be used to hire more excise officers. In fact, the ATC plans to increase the number of excise officers from 63 to 89. The hiring process for excise police has begun. The testing took place in July and the start date for the academy is January 9, 2006. Approximately 800 applications for employment have been received.

Discovery: The ATC was not customer friendly. Phone calls were often answered by voicemail, and the permitting



process was cumbersome and costly for the applicants because permits are only valid for a year at a time.

Action Taken: The ATC installed a new telephone system that will reduce the number of callers who receive voicemail. Now calls will be answered personally and directed to the appropriate party. HEA 1666 contained a provision that makes the permit process more customer friendly as permits are now issued for two years instead of one which drastically reduces the administrative and advertising costs at the local level.

Discovery: Excise officers spend nearly 35% of their time on paperwork because there is no records management system.

Action Taken: Through the use of a \$200,000 grant awarded by the Criminal Justice Institute, a new law enforcement records management system will be purchased that will significantly reduce the amount of time officers must spend on paperwork. The grant will also allow firearms replacement, training, and additional 800mhz radios for improved communication.



State Budget Agency

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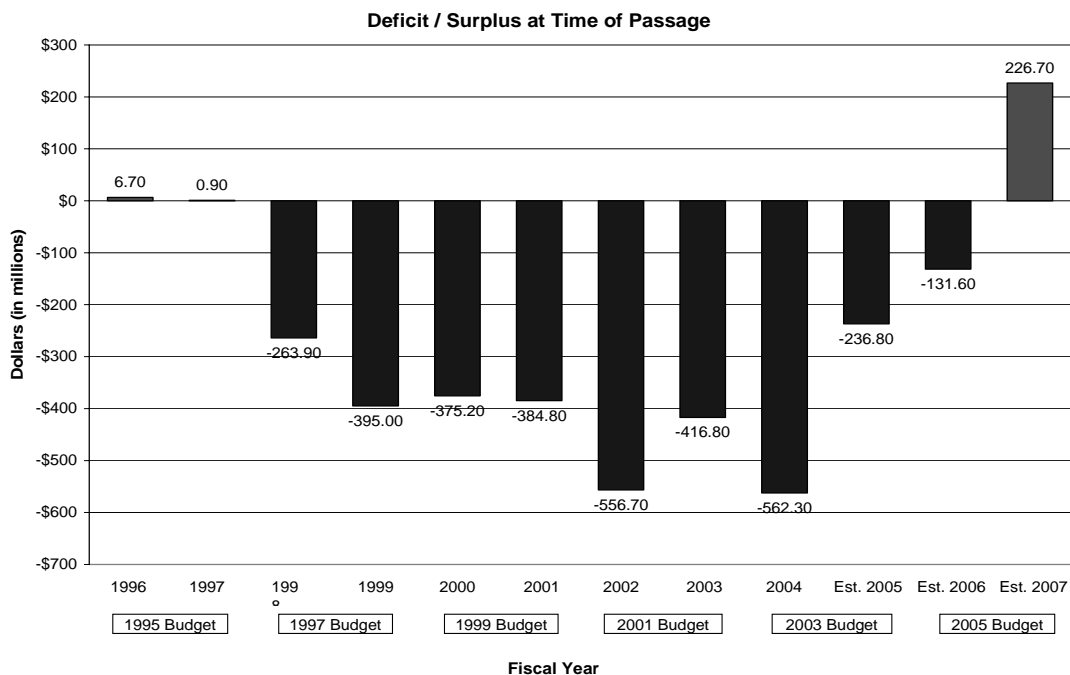
The mission of the Indiana State Budget Agency is to achieve excellence in financial decision making and fiscal results on behalf of the Governor and in support of the General Assembly. The State Budget Agency facilitates the processes of revenue forecasting, budget development, and budget implementation. The Budget Agency evaluates and communicates the fiscal impact of legislative proposals with the objective of providing decision makers with accurate and timely information.

Discovery: There was no accountability within state government regarding agency budgets or financial performance.

Action Taken: Under Executive Order 05-02, Governor Daniels established the Office of Management and Budget (OMB) and placed the State Budget Agency and numerous other agencies within the OMB. The order confers dual roles on the Director of OMB as he/she also serves as the Director of the State Budget Agency. Functionally, the order causes greater oversight of the state's fiscal operations and introduced accountability for the state's financial situation to the agencies within state government.

Discovery: The Daniels administration inherited an operating budget deficit of well over \$550 million and payment delays greater than \$725 million.

Action Taken: Governor Daniels proposed the first honestly balanced budget in a decade. The General Assembly took the proposal seriously and enacted the first balanced biennial budget in 10 years. In fact, the rate of growth in the biennial appropriations, just over 2%, is the lowest in more than 50 years. The budget agency is committed to managing the budget to ensure prudent, efficient spending.



Note:
 Excludes payment delays, GF subsidies or spending shifts to other funds.



Bureau of Motor Vehicles

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The Indiana Bureau of Motor Vehicles provides licenses for qualified drivers and registers and titles motor vehicles. The bureau also maintains records related to these functions and discharges the policies of the Indiana Bureau of Motor Vehicles Commission, which operates Indiana's license branches.

Discovery: Excessive amounts were being paid for the implementation of the new computer software.

Action Taken: Renegotiated the contract. (Estimated annual savings = \$2,500,000)

Discovery: Excessive amounts were being paid for credit card fees.

Action Taken: Renegotiated the contract for the remainder of the contract and entered into a new contract. (Estimated annual savings = \$500,000)

Discovery: Poor inventory control process for license plates and inventory levels of up to six months.

Action Taken: Reducing inventory levels at branches to 60 days (Estimated annual savings = \$500,000)

Discovery: Excessive amounts were being paid for the digital security software.

Action Taken: Renegotiated the contract. (Estimated annual savings \$430,000)

Discovery: Paying \$322,000 per year to rent floor mats for the BMV branches.

Action Taken: Purchased the mats directly. (Estimated net annual savings this year \$267,000)

Discovery: Excessive amounts were being paid for registration printers and self-service terminals.

Action Taken: Renegotiated the contract. (Estimated annual savings = \$240,000)

Discovery: Unnecessary mailings of notices for drivers license renewals.

Action Taken: Eliminated the process. (Estimated annual savings = \$200,000)

Discovery: Multiple banks across the state handling transactions from the branches.

Action Taken: Banking relationships are being consolidated. (Estimated annual savings = \$100,000.)

Discovery: Excessive amounts were being paid for verification of personal data.

Action Taken: Renegotiated the contract. (Estimated annual savings \$69,000)

Discovery: Purchasing bottled water for its home office and branches.

Action Taken: Canceled this service. (Estimated annual savings = \$35,000)

Discovery: Posters purchased for Federal and State Labor Law Notices were excessively priced.

Action Taken: Found new supplier. (Estimated annual savings = \$29,000)

Discovery: Discovered unclaimed bureau funds with the Attorney General.

Action Taken: Pursued the funds and reclaimed the amounts. (Estimated recovered amounts = \$22,000)

Discovery: The BMVC was very unstructured and operating with an employee handbook that was 8 years old.

Action Taken: The entire handbook was rewritten, paying special attention to the progressive disciplinary policy and vacation, sick and personal time off, and dress code provisions.

Discovery: There was no fiscal accountability by branch and there were no budgets or financial statements.

Action Taken: Budgets were prepared for each branch detailing payroll and expense by month. This becomes the basis for financial responsibility at the branch level.

Discovery: Visiting a BMV branch is often described as frustrating and a time-consuming experience.

Action Taken: Multiple styles of surveys seeking customer opinion have been developed including an in-branch survey to be completed at the time of a visit; a post-visit survey that is mailed to a customer's home; and a secret shopper survey mailed to a customer prior to their transaction taking place. The BMV tested this program in May/June and went live with it in July. The BMV now has the ability to score what the customer shares and will utilize this information to better address customers' needs.

Discovery: There were backlogs of up to four months in documentation processing (legal, checking, entry and storage) in three of the four driver and vehicle services departments at the BMV.

Action Taken: Processes were revised and performance quotas were established. To date the backlog has been eliminated in all but one of the four areas.

Discovery: Lack of security and safety measures at the branches.

Action Taken: Developed and implemented an intense emergency response manual addressing security issues and personal safety for employees.



Department of Child Services

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The Department of Child Services (DCS) is a new department within Indiana State Government, created by Governor Daniels' executive order in January 2005 and formally authorized by the Legislature in SEA 529. The Department has responsibility for child protective services (abuse and neglect of children), child support issues, foster care, independent living and certain prevention services. There are DCS offices in Indiana's 92 counties serving children, families and communities.

Discovery: Child welfare services staff struggled to ensure child safety with limited resources, information system problems, lack of accountability and poor management decisions. Consistency and congruency in service delivery was the exception, not the rule. This contributed to the deaths of 57 children last year in Indiana due to abuse and neglect.

Action Taken: Through the efforts of Governor Daniels, and with the support of the Legislature, DCS is addressing the staffing issue of high caseloads. Over the next three years, 800 new case managers will be hired to get the caseload standards down to Child Welfare League of America's recommendations. To date DCS has hired 27 new caseworkers. The recommended caseload standards are of 12 new investigations per month for a Child Protective Services worker and 17 children for an ongoing case manager.

Discovery: DCS discovered that there were monetary penalties from the federal government in excess of approximately \$350 million resulting from unresolved issues in previous years. These include the method of child support establishment and enforcement, the computer information system for purposes of tracking child abuse and neglect issues and the financing of those services, and several other penalties that have not been addressed and resolved for many years.

Action Taken: DCS has worked closely and cooperatively with the appropriate federal agencies to address those areas that will mitigate the previously assessed penalties.

Discovery: Indiana ranks 47th in the country in collecting the child support due the custodial parent. In fact, Indiana collects only half the dollars owed single parents.

Action Taken: Child Support Services staff is working on revamping the collection of child support payments with the goal of quicker and more efficient collection resulting in timely disbursement of the funds. Additionally, DCS is working with the Department of Information Technology to make additional system modifications which will streamline the paternity and support process, allowing for the collection of more child support at a central location. This will ensure effective and efficient service for those children who deserve the support ordered by the courts.

Discovery: Case managers often lacked proper education and training to adequately and effectively perform their jobs.

Action Taken: New minimum qualifications for hiring case managers have been implemented-- a college degree in an appropriate field is now required. Comprehensive mandatory training programs for new family case managers will be instituted. Training dedicated to supervisory issues and uniformity in practice are in place and ongoing.



Department of Corrections

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The mission of the Indiana Department of Correction (DOC) is to maintain public safety and provide offenders with self-improvement programs, job skills, and family values in an efficient and cost effective manner for a successful return to the community as law abiding citizens. The following summarizes the significant initiatives to improve the quality of service or the efficiency of operations with respect to the Department of Correction.

Discovery: The DOC's management structure was top-heavy with executive level administrators, the department was failing to share common services between facilities, and the department was over-utilizing inefficient temp employees.

Action Taken: Reorganized to a more flat-lined structure, regionalized some services, and eliminated several administrative positions and superfluous support. (Estimated annual savings = \$2,781,900)

Discovery: Indiana is experiencing a critical problem with methamphetamine use. Every year more labs are busted by law enforcement, as this illicit drug spreads. This problem has resulted in close to 1,000 offenders currently held in prison for crimes directly related to meth, and many more for offenses such as theft and burglary that are indirectly related to methamphetamine sale or use.

Action Taken: Developed and opened the first prison-based meth treatment units in the United States. Both the Miami and Wabash Valley Correctional Facilities have developed intensive therapeutic communities within housing units designed and dedicated to educating and treating meth addiction, with the goal of improving inmate behavior for successful transition back to the community at the end of their period of incarceration.

Discovery: There was unused space at Westville that could operate at a much lower per diem than the \$35/day paid to out-of-state sheriffs to hold 250 Indiana inmates.

Action Taken: Moved these Indiana inmates back to the Hoosier state back under the DOC's direct control, with the vast majority now residing closer to the family and friends who visit them. (Estimated annual savings = \$1.6 million)

Discovery: The D was not communicating very well with leaders of the communities within which its facilities operate.

Action Taken: Directed all facilities to form "Community Advisory Boards," and to invite local lawmakers, judges, county/city council members, representatives from the faith community, media representatives, members of law enforcement, and others to sit as members of these boards.

Discovery: The Department maintained over 1,200 vehicles.

Action Taken: Ordered the fleet reduced by 30%. Some were given to other agencies to utilize, while others have been placed in the state's surplus inventory for eventual sale. A report generated in July showed the DOC's fleet reduced to 879 vehicles.

Discovery: The staffing plan at the expanded Indianapolis Juvenile Correctional Facility was significantly higher than required.

Action Taken: Developed leaner but equally effective staffing plan and took steps to avoid over-utilization of additional new space. (Estimated annual savings = \$3 million).

Discovery: Several co-located correctional facilities operating completely independently

Action Taken: Merged the Maximum Control Facility into the Westville Correctional Facility; combined services at the Atterbury Correctional Facility with the Edinburg Correctional Facility. Merged the Reception & Diagnostic Center with the Plainfield Correctional Facility. (Estimated annual savings = \$908,000).

Discovery: Certain divisions within the department's central administration were not located within the Government Center or a correctional facility, but rather in expensive offices within the Indianapolis area.

Action Taken: Moved one division out of its office space and into the Indiana Government Center, and secured a substitute tenant. (Estimated annual savings = \$171,700).

Discovery: While Indiana's adult prison population continues to increase by 90-100 inmates per month, the number of juveniles sent to the department has steadily decreased. This excess capacity has made operating 10 facilities unnecessary and expensive for the state and the counties that must pay half the cost of their incarceration.

Action Taken: Discontinued operations at the Bloomington and the Fort Wayne Juvenile Correctional Facilities and are utilizing the other facilities at a greater, more efficient level. (Estimated annual savings = \$4.3 million)

Discovery: The procurement process for inmate health care services underway at the time of transition was too restrictive, and did not offer vendors the flexibility to propose various ways to meet the department's entire health care service needs.

Action Taken: The procurement process was halted, and a new RFP was issued that allowed vendors the flexibility to provide the entire array of required offender health care services in a more efficient manner. New offender health care contracts are now in place.

Discovery: Through recommendations from a group of facility staff, discovered that nine different uniforms are used within the Department of Correction, and some of these required uniforms are uncomfortable and expensive to maintain.

Action Taken: Assembled a team that includes some of the field staff who made the recommendation to review this issue. Identified that only three uniforms were needed, and helped redesign the department insignia, so that the uniforms required are more comfortable and professional looking. To avoid unnecessary extra expenditures, these uniforms will be phased into commission over time.

Discovery: There was no easy and direct way for line staff to communicate good recommendations and ideas for change to top level administrators who could make change.

Action Taken: Within the first two weeks of transition, established a communication network that allows staff to send good "Ideas for Change" via telephone, e-mail, or written correspondence to a dedicated P.O. Box, that will be reviewed by top-level administrative staff, and reported directly to Commissioner Donahue. Every employee received a letter from the Commissioner announcing this "Ideas for Change" communication network.

Discovery: The DOC was paying for a private prison in Kentucky to house 650 Indiana offenders, while a new facility in

Indiana stood almost empty.

Action Taken: Brought all 650 inmates back to Indiana and redirected the funding to utilize the new Indiana facility while keeping the tax dollars working in Indiana. (Estimated savings to the Department is \$6.6 million)

Discovery: The cost of offender meals varied widely from facility to facility, and ranged from \$1.21 to as much as \$4.90 per meal, with an average cost per meal of \$1.41.

Action Taken: Explored more efficient ways to provide offender food service, and reached an agreement with a third-party contractor to provide the same level of service, and meet all nutritional requirements, at an average of just 99 cents per meal. (Estimated annual savings = \$11 million per year)

Discovery: Staffing patterns at facilities are not appropriate or aligned properly. For example, some facilities use too many secretaries but not enough custody officers in critical posts, while others post custody staff in areas where they are simply not needed.

Action Taken: Through a technical assistance award, hired experts selected by the U.S. Department of Justice's National Institute of Corrections to conduct a staffing analysis of two sample facilities, and to train key staff on how to conduct such analysis on the remaining facilities. These reviews are currently underway.

Discovery: Though the primary goal of the DOC to help restore offenders to a law-abiding lifestyle upon release, it did not even track recidivism (the percentage of inmates that engage in criminal conduct after release and return to the penal system), it did not evaluate the effectiveness of its restorative programs, it did not provide inmates with the tools for successful transition upon release, and it did not help introduce the offender to available community-based program and treatment opportunities.

Action Taken: Initiated model practices to transition inmates from prison back to their communities, utilizing evidence-based practices and engaging community services that reduce the chances that offenders will resume a life of crime.

Discovery: That key staff who work in prisons and detention facilities were not required to pass a drug screen before qualifying for employment, and that the test being given to offenders was simply too expensive.

Action Taken: Made two changes in department policy; one requires new hires to first pass a drug test before employment; and the other requires inmates to start paying for the cost of drug testing if it turns out to be positive. (Estimated annual savings = \$102,264, and an additional \$169,960 will be collected from inmates that tested positive)

Discovery: There were no offender housing units that focused on faith or character development as a method to improve the prospects of entering the community as a law-abiding citizen.

Action Taken: Started three pilot programs for inmates who volunteer to live in a correctional housing unit that emphasizes spiritual or character development as a central theme of its program curriculum. Will evaluate these programs, report the results, and spread to other sites as fast as practical.

Discovery: An excessive number of Department of Correction employees were assigned pagers and cellular telephones, and many of them assigned both a cell phone and pager.

Action Taken: Significantly reduced the number of department cell phones and pagers. (Estimated annual savings = \$167,000)



Criminal Justice Institute

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Guided by a Board of Trustees representing all components of Indiana's criminal and juvenile justice systems, the Indiana Criminal Justice Institute serves as the state's planning agency for criminal justice, juvenile justice, traffic safety, and victim services. The Institute develops long-range strategies for the effective administration of Indiana's criminal and juvenile justice systems and administers federal and state funds to carry out these strategies.

Discovery: Staffing and organization inefficiencies in the human resources /administrative division were identified. This division had five employees with scattered and undefined duties that included human resources, procurement, travel, and office administration which left much room for error and disorganization in the completion of duties.

Action Taken: Reduced number of employees to two full-time and one part-time employee with well defined job descriptions and duties, including the consolidation of procurement/office management under one part-time employee, and additional office changes. (Estimated annual savings = \$274,000).

Discovery: By some estimates, Indiana had the worst methamphetamine problem in the country. 139 meth labs were seized by the Indiana State Police in March, 2005 alone – the highest recorded number in state history.

Action Taken: The Indiana Criminal Justice Institute is coordinating the work of the Meth Free Indiana Coalition, a group of over 30 state agencies, non profit organizations, and private sector businesses, brought together by the Governor's Office to address every facet of this multidimensional public safety problem. Since the creation of the Meth Free Indiana Coalition and the announcement of the Governor's methamphetamine initiative, meth lab seizures are down 65% and arrests are down 70%.

Discovery: ICJI currently uses antiquated and cumbersome computer software to track all financial transactions, including the administration of over \$50 million in federal grant funds. There is a lack of agency-specific accounting procedures in a documented format.

Action Taken: ICJI staff has conducted a comprehensive audit of both past and current expenditures and accounting procedures for the agency. The results of this audit were presented to the ICJI Board of Trustees on May 20, 2005. The audit revealed a substantial amount of federal grant funds that if not properly used would have to be returned to the federal government (\$2,219,171.65, 1999-2002). ICJI is researching and will be procuring financial management software that will bring the agency's fiscal management into best practice standards and will ensure that funds are disbursed and administered in an efficient manner.

Discovery: ICJI has uncovered evidence that providers were either billing both Medicaid and ICJI for services provided to victims of violent crime or billing ICJI for the balance not paid by Medicaid. This is illegal by federal Medicaid regulations, as providers must accept Medicaid payments as payment in full and cannot bill any other source.

Action Taken: ICJI staff are partnering with the Medicaid office for the first time and have developed a system to cross-reference past payments made to victims from the state Victims Assistance Fund and those paid through Medicaid. This action will determine whether service provider agencies and/or hospitals have in fact been double billing both Medicaid and the Fund. To ensure that this situation does not continue in the future, the Medicaid office and ICJI are developing a constant interface that will allow ICJI staff to determine a victim's Medicaid eligibility at the onset, thus reducing the likelihood of duplicate payments.

Discovery: There are two different sex offender registries within the state causing substantial confusion among the public and even the law enforcement community. Neither system provides the level of comprehensive sex offender data necessary to achieve best practice standards or meet federal requirements.

Action Taken: ICJI has approached this issue proactively and aggressively to push forward the development of a comprehensive and consolidated system of sex offender registration that will provide the public with a useful and user-friendly tool to promote community safety. ICJI has developed a proposal for the consolidation of the Sex and Violent Offender Directory and the Sheriff's Sex Offender Registry to bring the state system up to best practice standards.

Discovery: ICJI was identified as top-heavy in executive level staff.

Action Taken: The number of deputy directors was reduced from three to two. (Estimated annual savings = \$57,770).



Economic Development Corporation

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The Indiana Economic Development Corporation (IEDC) is the chief state agency responsible for economic development. IEDC is the primary point of contact for all domestic and international businesses considering expanding or relocating in the state. Other key responsibilities of IEDC include creating the State of Indiana's strategic plan for economic development and marketing Indiana to businesses and individuals inside and outside the state.

Understanding that Governor Daniels' number one priority is job creation and economic growth, the IEDC has gotten off to a great start. Year to date the IEDC has closed 48 deals which collectively result in the creation of 4,997 new jobs, the retention of 5,920 existing jobs, and the commitment of up to \$669 million in private investment in Indiana.

Discovery: The Department of Commerce had no formalized process for evaluating projects and frequently committed substantial state resources without considering a project's economic merits or competitive situation. Incentive offers were previously approved with minimal business case analysis and no management oversight. Under the Department of Commerce incentive award process, companies typically received the maximum awards that they were eligible for under each program without consideration for the competitive landscape of the project.

Action Taken: IEDC has established a process whereby projects are reviewed based on a cost-benefit analysis and approved by management before any state funds are committed to a project. On larger and more complicated projects, IEDC receives additional counsel from OMB and the Economic Policy Committee of the Board of Directors.

Discovery: IEDC inherited several incompatible databases which hindered efforts to track project status and gain meaningful information on deal metrics.

Action Taken: IEDC has established a comprehensive web-based database that contains all information needed to readily track current project status and analyze deals for the purpose of determining incentive offers. This new system has the benefits of ease of use as well as the internal controls necessary to protect confidential information. The prior information gathering infrastructure was severely inadequate in both of these respects.

Discovery: Responsibility for executing the missions of several affiliated economic development entities was transferred to IEDC. In some cases, these affiliated entities had been mismanaged and were in financial distress. These entities operated on multiple financial and accounting systems which would have been inefficient to maintain separately within IEDC.

Action Taken: IEDC has nearly completed the assimilation of all previously separate affiliated economic development entities. One such entity, the Business Modernization and Technology Corporation (BMT), was in serious financial distress at the time IEDC assumed its assets and liabilities pursuant to HEA1003. BMT has since been abolished, and IEDC has contracted with Purdue University to carry out BMT's statutorily required mission. As part of that contract, Purdue has agreed to assume substantially all of the assets and liabilities of BMT. IEDC is in the process of incorporating the financial statements of the other previously separate entities. This process is expected to be completed in September when IEDC migrates its human resources and accounting systems to the state's PeopleSoft enterprise resource planning system.



Department of Environmental Management

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IDEM implements federal and state regulations to protect human health and the environment. IDEM provides permits to allow the environmentally sound operation of industrial, agricultural, commercial and government operations vital to a prosperous economy. IDEM provides compliance assistance, incentive programs and educational outreach to aid and encourage businesses and citizens in protecting and improving Indiana's environment. IDEM pursues enforcement action when a party disregards environmental regulations.

Discovery: The department was top heavy in terms of management positions.

Action Taken: Reorganized the department and eliminated a complete layer of executive management staff. (Estimated annual savings = \$400,000)

Discovery: When the Governor arrived in January, IDEM had significant backlogs of unresolved issues in a number of areas including:

- ◆ Resolution of enforcement actions-- Approximately 120 unresolved actions that were over two years old.
- ◆ Approval of long term control plans to address Combined Sewer Overflows (CSO's)—these are municipal sewer systems that discharge untreated sewage during rain events. Only 1 of 105 plans was approved between 2002 and January 10, 2005.
- ◆ Major (Title V) Air Permits for electrical power plants had not been issued since their 1996 application deadline.
- ◆ A number of major water pollution (NPDES) permits had not been renewed since 1990.
- ◆ Over 3,000 reported leaks from underground storage tanks had not been properly investigated.

Action Taken: Progress has been made on each of the backlog issues by identifying the cause of the backlog and taking steps to address these issues.

- ◆ 90 of the 120 unresolved Resolution of Enforcement Actions have been resolved to date.
 - ◆ Additional staff were assigned to review and approve long term control plans to address CSO issues as IDEM recognizes this to be a serious environmental issue. To date, IDEM has approved 3 more plans and has developed a schedule to approve at least 80 plans within the next 2 years with the remaining plans to be approved within 3 years.
 - ◆ On January 11, 2005, there were 10 electric power plants that had not yet received their Title V Operating Permits. All of the major utility companies had appealed the permits that had previously been issued, and the remaining 10 were sure to be appealed if issued with the same conditions. There are more than a dozen issues included in these "global appeal issues." IDEM is negotiating new positions on these issues which will address those permits currently in litigation under appeal and will allow IDEM to begin issuing Title V permits in the future without the threat of an automatic appeal.
 - ◆ IDEM has been working thru major issues with USEPA and as part of the new Environmental Performance Partnership Agreement both parties have committed both agencies to backlog completion by September 2006. To date, sixty-five (65) of the major NPDES permits have been administratively extended and two have expired. Sixty-seven (67) have not yet been renewed.
 - ◆ The original leaking underground storage tank (LUST) universe was approximately 8,000 of which 5,000 have been closed. Of the remaining 3,000, IDEM has initiated a response, either direct investigation or written correspondence, to approximately 2,500 and have plans to address the remaining 500.
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Discovery: A consulting company was used by IDEM to review Excess Liability Trust Fund claims. These are claims regarding leaking gasoline or diesel tanks.

Action Taken: IDEM has decided to utilize existing staff to review these claims. (Estimated annual savings = \$1 million).

Discovery: The Environmental Performance Partnership Agreement which details U.S. EPA's and IDEM's commitments to each other on federally funded environmental programs for 2003-2005 was 167 pages and contained commitments that were not met.

Action Taken: IDEM worked closely with EPA and the 2005-2007 agreement was reduced to only 36 pages and IDEM is confident that it can meet all the goals and commitments contained in the agreement.

Discovery: Fifty-six (56) wells were improperly closed under contracts previously administered by IDEM.

Action Taken: IDEM is working to properly close all 56 wells to protect drinking water aquifers. The cost to properly close these wells is estimated at \$500,000.

Discovery: IDEM receives over \$50 million annually in primarily federal grants; however, because there was no coordination of the grants process within the agency some grant money has not been spent and had to be returned to the federal government.

Action Taken: IDEM has consolidated grants management and is working with the newly formed Office of Federal Grants and Procurement within Governor Daniels office to be certain it is making full and proper use of every federal dollar it receives.



Family and Social Services Administration

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The Family and Social Services Administration was created in 1991 by the Indiana General Assembly to better integrate the delivery of social services to Indiana's most vulnerable citizens – those with mental and/or developmental disabilities, the uninsured, the elderly and children.

FSSA administers federal programs such as Medicaid, vocational rehabilitation, food stamps, temporary assistance for needy families (TANF), Social Security and Disability Insurance (SSDI), Supplemental Security Income (SSI), First Steps, Children's Health Insurance Program (CHIP), among several others.

Discovery: As a large agency – with a budget of \$6.3 billion and nearly 10,000 employees – plagued with abuse, scandal, and antiquated processes, the new administration had a limited understanding of the depth and scope of problems.

Action Taken: FSSA hired an outside audit firm to perform an operational review of the agency. This review identified 185 problems, including 87 high-risk problems requiring near immediate attention. Staff is in the process of developing project plans to fix these problems.

Discovery: While Medicaid fiscal growth over the next biennium was projected to grow at over 10%, the previous administration included a proposed physician fee schedule increase and a 5% increase for institutional services.

Action Taken: Removed the proposed physician fee schedule increase. (Estimated one-time savings = \$13,400,000) Reduced the 5% increase for institutional services to a 3% increase. (Estimated FY06 savings = \$7,300,000).

Discovery: Risk-based managed care (RBMC) was only implemented in densely populated regions of the state. Rural areas were still functioning on a fee-for-service basis.

Action Taken: Implement RBMC statewide by 11/1/05. RBMC was implemented in the more rural southern Indiana on 4/1/05 and eastern Indiana on 7/1/05. (Estimated annual savings = \$8,900,000)

Discovery: FSSA has not had a medical director to oversee the nearly \$5 billion Medicaid program.

Action Taken: Dr. Judy Monroe, Indiana State Department of Health Commissioner was appointed by Governor Daniels to also serve as the Medicaid medical director. Dr. Monroe works very closely with Jeanne LaBrecque, the state's Medicaid director. Their appointments ensure that our state's medical expertise and our health care financing expertise are combined. Indiana is the first state to develop this kind of joint appointment, and several other states are considering following suit.

Discovery: Though FSSA is responsible for a \$6.3 billion state agency, the agency did not have a central accounting system. This makes the accounting and reporting of funding, expenditures and payments extremely difficult.

Action Taken: FSSA's fragmented accounting systems will be consolidated into an enterprise system by July 1, 2006. Until this time, FSSA is manually maintaining its databases to fulfill necessary financial reporting.

Discovery: The Medical Review Team (MRT) had a backlog of 13,500 claims and was at-risk of failing to meet the Thornton lawsuit requirement that all claims must be reviewed within 90 days, as mandated by the federal government.

Action Taken: The backlog has been reduced to less than 5,000 pending cases, and MRT anticipates eliminating the case back log before September 2005.

Discovery: The closure of Muscatatuck State Development Center had been delayed three times.

Action Taken: Muscatatuck is now closed; the ceremony was held on Sunday, June 5. All former residents are now being served in other facilities or through home and community-based services. The former annual budget of \$36 million is currently zero. FSSA utilized those savings to cover deficits at the Fort Wayne Development Center and to cover the costs associated with the transfer from residential services to Medicaid Assistance through waivers.

Discovery: Divided and limited funding for Step Ahead, a program established to coordinate existing social services and create partnerships to fulfill unmet needs, rendered the State's support of this program outdated, ineffective and virtually useless.

Action Taken: Eliminate all funding and re-establish control of Step Ahead Council at the county level. (Estimated annual savings = \$1,700,000)

Discovery: FSSA had been making some duplicate payments for some First Steps program services. The First Steps (FS) early intervention program had been paying twice for covered services.

Action Taken: Proper edits were implemented in January 2005 to stop the incidents of double payment. The estimated annual savings will be nearly \$1,400,000.

Discovery: The Children's Health Insurance Plan II (CHIP II), which expands Medicaid coverage to children between 150-200% Federal Poverty Level requires the family to pay a small premium for their children's health insurance. The premium had not increased since the program's inception six years ago.

Action Taken: Filed plan and rule amendments to implement per-child cost sharing on CHIP services based on the family's level of poverty and number of children covered. In other states, an additional benefit to cost sharing is that participation increases as parents feel a sense of responsibility for their children's health insurance. (Estimated annual savings = \$1,300,000)

Discovery: TANF rolls have been rising in Indiana while they are decreasing in other states. Though this is a multi-faceted issue especially related to the state's economic environment, FSSA discovered that we had no tangible TANF rules and were instead operating under old AFDC (Aid to Families with Dependent Children) rules from 1996.

Action Taken: Exploring ways to turn TANF from its current operations as an entitlement program to its foundation as a temporary program. Potential changes may include:

- ◆ Sanction recipients for noncompliance
- ◆ Tightly connect TANF to child support payments and paternity establishment
- ◆ Count SSI income as family income
- ◆ De-link the automatic Medicaid eligibility for zero-block grants

Discovery: The new Isaac Ray facility for secure forensics patients in Logansport will have 105 beds, 39 beds more than the previous facility. Not all beds were needed for FY06.

Action Taken: Gradually open the new facility. The grand opening, which included 60 patients moving from the old facility, was July 27. Twenty more patients will move into the facility on 1/1/06 with the facility fully occupied by 7/1/06. One-time projected savings for this plan are \$1,500,000 for SFY 06.

Discovery: During the calendar year of 2004, Food Stamp participation grew by 7%, to 557,686 participants each month. However, total program costs expanded by 18%, with monthly coupon costs growing by nearly \$8 million to \$52.6 million in January 2005. The average coupon cost increased from \$85.81 to \$94.38, a 10% growth in payments.

Action Taken: Total participation and coupon costs have successfully remained flat since February 2005. Economic conditions, of course, have had considerable impact on food stamp usage. However, new controls have been implemented to monitor program participation. Further, plans are being implemented to redesign the eligibility process for public assistance. The initial RFP has been released.

Discovery: Administrative and food services costs at Logansport State Hospital were too expensive and much higher than standards. Annual expenditures of \$3 million consistently exceeded the budget.

Action Taken: FSSA, in cooperation with the Department of Correction, accepted a very cost-efficient proposal from dietary employees at Logansport. By reducing the size of government, their proposal lowered the average meal costs by one-third. (For further details see the Government Efficiency and Financial Planning page).

Discovery: A significant number of negative events continued to occur at the Fort Wayne Developmental Center – residents were not being treated appropriately, the Department of Justice had intervened and budgets were over spent. Staff reductions had not occurred, even though the number of residents had declined.

Action Taken: An experienced management company was contracted in May to assume direction of the facility. Resident care policies have been changed, a facility downsizing plan is being formulated, and proper placement plans are under way for each resident. Staff positions will decline 30%, and 20% of the residents will relocate before November 2005. A facility replacement plan is being considered by the community, with final transition of all residents by the end of fiscal year 2007.

Discovery: There are over 27,000 Hoosiers receiving benefits through the home and community-based waiver services, which accounts for over \$400 million in expenditures annually. These individuals are developmentally disabled, mentally fragile, autistic or they receive medical support services. There are currently over 29,000 people on the waiting list for these services. Many have been on the waiting list for nearly 10 years.

Action Taken: FSSA is aggressively developing programs to lower the costs of these programs, so that more Hoosiers can benefit from waiver services. FSSA is asking that Hoosiers help us create a more equitable, compassionate program, by agreeing to live in homes with multiple tenants or for those on waiver services to forego services they may be getting that are not medically necessary. New policies and procedures will go into effect by September 2005.

Discovery: Indiana's public assistance eligibility service model is badly broken. Public assistance is distributed based on an obsolete, 25-year-old county-funded welfare model. FSSA's clients, some of Indiana's neediest and most vulnerable citizens are required to jump through too many hoops as they negotiate their way through or maze of assistance requirements.

Action taken: FSSA has developed a new service model for public assistance eligibility determinations. The first step to this

transformation, writing and awarding an RFP to a vendor to manage the transition to the new model, is complete. FSSA anticipates handing over the entire eligibility system to an outside vendor by mid-2006.

Discovery: Quality Control Data showed a 35% error rate among the Medical Nursing Home applications. Forty percent of those errors resulted from failure to utilize or follow up on information in the case file. Complex policy in some cases with community spouses is also a factor.

Action Taken: The Consolidated Training Unit, along with Medicaid Policy and Quality Control, has developed mandatory training for each caseworker across the state. FSSA's legal department is presenting the more complex cases to the Medicaid Policy Unit for adjudication.

Discovery: FSSA has identified over 90 IT applications with multiple redundancies, lack of standards and oversight, little or no documentation, poorly written supporting contracts, no back-up support, and "black market" projects.

Action Taken: FSSA is in the process of identifying all IT contracts and developing a contract administration process that will improve contract execution. FSSA is also consolidating redundant applications in claims processing and reviewing case worker management systems overlap.

Discovery: FSSA has no central data warehouse for tracking clients across the variety of programs offered within the agency. Thus, client data in some cases may be duplicated or unreliable. The agency also employs multiple reporting tools across its business units.

Action Taken: FSSA has begun the process of contracting with a private vendor to determine how data warehouse activities can be integrated and which reporting tools will best serve the agency.

Discovery: FSSA has no coordinated project management processes for tracking/monitoring the progress of projects.

Action Taken: A formal tracking system has been developed with internal resources to monitor IT projects on a weekly basis. This system was expanded to include all major projects within the agency.

Discovery: Current system of paying for services to the Developmentally Disabled providers is burdensome and ineffective.

Action Taken: Moving to daily rates and annual contracts with performance standards. Projected savings will allow us to move people off waiting lists.



Finance Authority

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IFA is the financing arm of State government, managing \$3 billion of State-backed debt used to build State prisons, hospitals, office buildings, roads, and park lodges. IFA also coordinates debt issuance for low-income housing programs and makes loans to local governments for wastewater and drinking water projects through the EPA funded State Revolving Fund. IFA administers the State's federal volume cap (tax-exempt debt) allocation and state economic growth programs including Brownfields, Shovel-Ready Sites and Broadband Access programs.

Discovery: There were 13 different state authorities with debt issuing powers.

Action Taken: During the past legislative session, the Indiana Finance Authority was created. The consolidation of these fragmented authorities and the centralization of their functions has already produced over \$700,000 in annualized savings. The IFA structure also provides better oversight of the State's finances and allows the State to speak with one voice to rating agencies and investors.

Discovery: Competition had not been used to select professional service providers

Action Taken: IFA uses a Request for Qualification process followed by bidding from those deemed qualified, seeking to Buy Indiana whenever possible. By introducing competition, Housing Finance was able to reduce per deal underwriting fees by over 80% and legal fees by 25%. (Estimated annual savings =\$400,000)

Discovery: The plans to expand the Convention Center and build a new stadium were stalled. The City proposed a financing plan would have cost \$66 million per year for 30 years.

Action Taken: IFA used sophisticated financial tools to craft a financing plan that included regional participation. The State's financing plan that ultimately passed by the General Assembly, and therefore revived the convention center and stadium project.

Discovery: The Indiana Development Finance Authority was found to own over 3,000 paintings/ prints of questionable value that had been stored in Michigan for many years. These prints had been pledged as security on a transaction that went bad and therefore the IDFA took possession of the prints.

Action Taken: IFA developing a strategy to sell these paintings and will be sending the proceeds to the State General Fund to help balance the budget.



Gaming Commission

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The mission of the Indiana Gaming Commission is to license and regulate riverboat gambling in Indiana and ensure the compliance with applicable statutes, rules and regulations in a manner that promotes the integrity of gaming, and the best interest of the State of Indiana and its citizens.

Discovery: An Indiana Gaming Commission dedicated account had a balance of \$2.1 million and the account had been stagnant for some time.

Action Taken: The State Board of Accounts determined that the funds in the dedicated account could not be used by the Gaming Commission and therefore Commission worked with the Office of Management & Budget and returned the \$2.1 million to the State's general fund.

Discovery: There were legal problems with the Trump Casino application for the Orange County Casino Project.

Action Taken: Worked to reopen the bidding for the Orange County Casino Project. Blue Sky won the bid and has plans to renovate both the French Lick Springs Resort and West Baden Hotel. The capital investment estimated for this project by Blue Sky is \$312 million.

Discovery: The agency staffing within the Commission was in disarray when the Daniels administration took office. There were staff vacancies in key positions, expensive contractual employees, and numerous administrative staff.

Action Taken: The agency staff was restructured to better align filled positions with the work that is to be done by the Commission. (Estimated annual savings = \$60,000)

Discovery: The Indiana Gaming Commission did not have a records management system or retention schedule in place; therefore, over 10 years worth of paper records were stored in boxes and file cabinets throughout the office and anywhere where available space was found.

Action Taken: The Gaming Commission worked with the Commission on Public Records to develop a proper retention schedule for its work and has developed a plan to properly destroy or store them with the state archives.



Government Efficiency & Financial Planning

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Governor Daniels created the Department of Government Efficiency and Financial Planning (GEFP) in January when he created the Office of Management and Budget by Executive Order in January 2005. GEFP's mission is to identify opportunities to reform State government and save Hoosiers' tax dollars through cost savings and improved service. GEFP's objectives include:

- ◆ Make State government more accountable to Hoosier taxpayers through transparent performance measurement.
- ◆ Help State agencies and quasi-governmental agencies provide best-in-class performance for services they *should* provide, and help State agencies cease those activities that are duplicative or wasteful.

During the 2005 legislative session the General Assembly followed the Governor's lead, mandating that GEFP, under the auspices of the Office of Management and Budget, conduct a review of all executive level agencies. The objective of the reviews will be to identify opportunities for aggressive government-wide reforms. These reforms will both improve State government's service to Hoosiers, and create a more transparent, performance-informed budgeting process.

Discovery: State government had no uniform performance measurement system. Few State agencies reported results produced from Hoosier tax dollars.

Action Taken: Governor Daniels tasked GEFP with creating State agency performance metrics for the 30 largest executive branch agencies (and selected quasi-governmental entities). GEFP and the heads of each selected agency created 5-10 performance metrics which will be reported quarterly to Governor Daniels. The performance measurement system will be expanded to include all state agencies during the agency review process described above. State agencies will be accountable to the results cited in quarterly performance reports.

Discovery: State government was rife with wasteful spending.

Action Taken: GEFP has reviewed various expenditure categories to help State government better manage costs that have run out of control. These expenditure types include mileage reimbursement, express mail, travel, print and mail centers, and legal subscriptions. For example, the State of Indiana has at least seven printer centers and another seven mail centers, each of which provide similar services in isolation. This past year, the State spent more than \$3 million on access to legal resources (both on-line and printed), and at least \$9 million on mileage reimbursement payments. The savings in these categories may reach as high as 50%, with several million dollars estimated in total savings.

Discovery: The collective buying power of the State was severely under-utilized. State agencies that purchased the same goods and services rarely coordinated purchasing. Even worse, State government had no means to answer questions such as, "How much paper does State government purchase? How many pencils?"

Action Taken: GEFP and the Department of Administration (IDOA) will begin a strategic sourcing initiative in August 2005. The goal of the strategic sourcing initiative is three-fold: 1) accurately capture what State government spends across *every* category of goods and services, 2) leverage the state's buying power and lower the cost of goods and services purchased, 3) reform State government's purchasing processes to create value for Hoosiers going forward. The strategic sourcing initiative will save Indiana an estimated \$10 million in FY2006

alone, and savings are expected to vastly exceed that number in future years.

Discovery: No one seemed to be asking questions such as, “should State government be doing this? Is there a better way to do it?”

Action Taken: GEFP is helping agencies to identify opportunities to improve services through competition. A recent success story in this area is the assistance to FSSA with the Logansport State Hospital food service competitive sourcing.

The Logansport State Hospital Food Service Story

The food service employees of Logansport State Hospital were challenged to reduce the \$6.36 cost per meal at the hospital. Governor Daniels created an opportunity for the employees to compete directly with bids from private sector food service providers. Employees seized the opportunity, embraced a new culture, and won the bid by developing a proposal that cut costs by 33% or \$2.50 per meal. Food costs were reduced by 25%, while labor costs were cut by 30%.

A committee of five food service workers, elected by their co-workers, devoted considerable personal time to gather data, learn the business, and write the proposal. They recommended adjusting staffing, modifying menus to save money while providing quality nutritious meals, and improving purchasing methods. They also proposed providing approximately 630 meals per day for the two DOC juvenile facilities located in Logansport, allowing them to spread the fixed costs of the food service operation over more meals. As a result of these changes, the state expects to save \$700,000 - \$1,000,000 per year, depending on hospital population. This program, which became effective July 1, 2005, was the first time in the state’s history that a group of state employees bid for and won the contract to manage their own jobs.



State Department of Health

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The mission of the Indiana State Department of Health (ISDH) is to promote, protect, and provide for the public health of the people in Indiana. The ISDH:

- ◆ monitors disease incidence, hospital discharge, births and deaths, and other health-related data,
- ◆ supports local and state health-related programs through grants and technical support,
- ◆ oversees state and local bioterrorism preparedness, and
- ◆ operates three special institutions.

The following are a few of the significant problems that have been identified within the Indiana State Department of Health within the first six months of the Daniel's Administration and steps that ISDH has begun to take to bring positive change.

Discovery: Indiana's national rankings: obesity # 4, smoking # 6, high cholesterol #7, diabetes #15.

Action Taken: ISDH is performing a complete review of current resource allocations against the state's health measures to determine where measurable outcome improvements could be made. ISDH is developing a grassroots initiative to recognize community and other groups that provide wellness programming. InShape Indiana, Governor Daniels state-wide wellness campaign, was launched on July 14 to challenge all Hoosiers to lose weight, eat more fruits and vegetables, exercise more, and quit smoking. Towns, communities, churches, employers, and other groups are challenged to provide resources and incentives for participants and to compete for the healthiest group.

Discovery: Medicaid pays for the health care of 13% of Indiana citizens; it has operated with little medical policy and health outcomes oversight.

Action Taken: The Commissioner of the State Department of Health will serve as the Medical Director of Medicaid. This dual role is a great step toward acknowledging the link between the health of the individuals served by the Medicaid program and the cost of their medical care.

Discovery: The efforts of the ISDH bioterrorism response group were not fully integrated with those of both the Counter Terrorism Counsel and the State Emergency Management Agency .

Action Taken: ISDH has begun efforts to perform grant-writing, auditing, training, and policy-making in close concert with the newly created Department of Homeland Security.

Discovery: An avian flu outbreak would strain existing planning and public health resources.

Action Taken: ISDH prepared a pandemic influenza outbreak response plan has been reviewed by local health departments and the Centers for Disease Control. Based on those comments, we are revising the plan so we can conduct a test exercise in the fall.

Discovery: The Indiana State Department of Health does not model healthy behaviors.

Action Taken: Smoking cessation and walking programs are implemented at ISDH. A wellness program expansion is underway as a model for other state agencies to follow.



Department of Homeland Security

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The Indiana Department of Homeland Security is responsible for the development of a single homeland security strategic plan for the state; serves as the single emergency operations coordinator; coordinates public safety training; provides assistance to local fire departments; inspects public facilities for fire and building safety; and, oversees the application and disbursement of federal homeland security funds.

Discovery: IDHS discovered in mid-May that a \$23 million state deficit existed for Homeland Security grant awards submitted to Indiana counties and jurisdictions from Federal Fiscal Year 2001 through Federal Fiscal Year 2004.

Action Taken: Counties and jurisdictions were instructed on May 25, 2005, to submit receipts for their expenditures in order for the state to receive federal reimbursement or return unspent funds for obligation next fiscal year. As of June 23, 2005, IDHS has accounted for all \$23 million in grant funds to the counties.

Discovery: There was a lack of coordination among interested agencies regarding Government Center campus security.

Action Taken: The Daniels Administration has begun to coordinate campus security on an unprecedented level. Representatives from multiple state agencies, the Indiana General Assembly, and the City of Indianapolis are joining together under the leadership of the Indiana Department of Homeland Security and are taking a proactive stance addressing the security of the two Indiana Government Center buildings and the State House in downtown Indianapolis. The overall project has many facets, including vehicular traffic and parking around the buildings, delivery vehicle protocols, security personnel, safety and evacuation plans, and increasing the security awareness and identification of state campus employees.

Discovery: The State's vehicle inventory was excessive and abuses were occurring as IDHS had staff with state vehicles that did not meet the requirements.

Action Taken: Immediate reduction of 5 state vehicles returned to the Department of Administration for sale, seven staff members no longer having take home privileges and the reassignment of four vehicles to field staff for use in Districts throughout the state results in a total savings for three Divisions of \$8,900. Additional savings are ongoing as Department completes review.

Discovery: Indiana did not have any Mass Casualty Response Teams.

Action Taken: Through the use of Federal Homeland Security funding, IDHS equipped the state's first two mass casualty response teams – in Hamilton County and Knox County. Funding is available for a third team in northern Indiana.

Discovery: Federal grant funding was going unused and being returned to the federal government.

Action Taken: IDHS began spending \$1.2 million of reallocated Federal grant funds on IDHS priorities including: the Muscatatuck Urban Training Center, National Guard response to state readiness, interoperable communications and HAZMAT.

Discovery: Fire and Building inspection and enforcement operated separately with little to no coordination which often resulted in violations being determined late in the construction process, thus causing costly delays.

Action Taken: Fire and Building inspection and enforcement were combined under one branch of the division in order to eliminate conflicts during plan review, building inspection, and fire inspection processes. This coordinated approach will reduce cost for design and construction officials.

Discovery: Public safety training among agencies was uncoordinated and inefficient.

Action Taken: The Training Division has completed a major re-organization of statewide public safety training, certification and exercise functions by creating and staffing the Indiana Homeland Security Training Institute. The IHSTI brings together the training and certification functions from the fire service, emergency medical services, emergency management, search and rescue, community emergency response teams, radiological emergency response, WMD/Terrorism, building/fire code enforcement and HAZMAT into a combined organization. The intent is to eliminate the "silos" within these public safety disciplines which previously existed, streamline the various processes, promote collective training, and encourage inter-disciplinary interaction, training and exercises.

Discovery: Indiana did not have a sufficient tracking and reporting system for bomb and arson incidents.

Action Taken: The Indiana Counter-Terrorism and Security Council, in partnership with the Indiana Office of Technology, U.S. Bureau of Alcohol Tobacco and Firearms (ATF), and IPD have created a statewide, web-based communications system for bomb and arson investigators called the Indiana Bomb Incident Reporting System (BIRS). Indiana BIRS enables investigators to report and track improvised explosive device (bomb) incidents and activities, in addition to allowing access to information from all bomb squads throughout the state. Information an investigator enters into the system is stored securely, thereby creating a paperless system of data. This system is the first of its kind in the nation, and has attracted the attention of several federal agencies, including the ATF and the National Institute of Justice, and several other states. Training for all bomb squads in the State of Indiana has been completed and use of the system began in June 2005.



Hoosier Lottery

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Discovery: The Hoosier Lottery was top heavy and overstaffed in many areas.

Action Taken: Through an agency reorganization that included changes in hiring practices, and training, eight manager positions were eliminated. (Estimated annual savings = \$ 501,589)

Discovery: The Hoosier Lottery is a sponsor of numerous community events, often at very expensive levels.

Action Taken: The community sponsorships were reviewed and the importance of community participation was acknowledged. However some sponsorship were reduced to more appropriate levels. (Estimated savings = \$130,000 in fiscal year 2005 and \$153,000 in fiscal year 2006)

Discovery: The fuel costs associated with the sales staff were very high.

Action Taken: Required sales staff to utilize state fuel depots for fuel purchases where the cost per gallon is on average \$0.30 less expensive. (Estimated annual savings = \$29,727)

Discovery: Discovered multiple expensive contracts for services.

Action Taken: Renegotiated banking, insurance contracts. (Estimated annual savings = \$57,300)

Discovery: The Hoosier Lottery was providing its 4,400 retailers a bi-monthly, 16 page full color newsletter.

Action Taken: The newsletter was redesigned to a black and white, monthly publication. (Estimated annual savings = \$21,670)

Discovery: There was a large amount of redundancy in the agency's advertising program.

Action Taken: Non-effective and redundant sports and community advertising programs were reduced or eliminated resulting in projected savings of \$379,000 for FY 2006 and an additional \$110,000 in FY 2007.

Discovery: There was not a coordinated mobile phone plan utilized by the agency.

Action Taken: Consolidated the agencies mobile phones under a single shared time pool plan. (Estimated annual savings = \$36,000)



Office of the Inspector General

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The Office of Inspector General (OIG) was newly created by Governor Daniels' Executive Order on January 10, 2005. Subsequently confirmed by action of the General Assembly the OIG has three main missions: (1) investigating allegations of misconduct, fraud, waste, or inefficiency in state government; (2) promulgating changes to Indiana's ethics code; and (3) representing the state in administrative actions before the Ethics Commission against employees, appointees, or contractors who violate the state's ethics laws.

Discovery: Before taking office, Indiana had no structure or process for investigating allegations of wrongdoing in state government. The State Ethics Commission had one investigator whose only jurisdiction was to investigate reported violations of ethics laws. Reporting was sporadic and incomplete. There was no system to proactively investigate allegations of wrongdoing and, as a result, no effective deterrent against future wrongdoing.

Action Taken: HEA 1501, one of the cornerstones of Governor Daniels' legislative agenda, codified the Inspector General's authority to investigate any allegations involving violations of state ethics laws or for specific public criminal offenses. HEA 1501 also closed several significant loopholes in Indiana's ethics laws, by expanding the coverage of those laws to meet the highest standards set by nonpartisan good government groups, and to require compliance by all state agencies and all state employees, appointees, and officers.

- ◆ The OIG immediately created an anonymous reporting hotline, which has received over 350 complaints/ allegations to date – more than three times what the Ethics Commission received in 2004. Those allegations have involved nearly every state agency and range from simple violation of state ethics laws to crime and fraud by state employees. The OIG will expand the on-line reporting system to include a telephone reporting system in the near future.
- ◆ Of the investigations completed to date, the Marion County Prosecutor formally filed charges against a state contractor who attempted to bribe a DNR employee in order to obtain a contract a several state parks. This is the OIG's first criminal case and it has already reached successful completion as the vendor pled guilty to the charges in Marion County Superior Court.
- ◆ The office currently has roughly 50 active investigations, and to date 15 felony accounts have been filed on five arrests.
- ◆ Three arrests have been made in the large welfare fraud charges in the FSSA Electronic Benefit Transfer Card Case. The total amount of fraud uncovered to date related to this case exceeds \$200,000.
- ◆ Several other open investigations involve allegations of criminal wrongdoing including fraudulent mileage reimbursement and falsifying time sheets.
- ◆ The office is also responsible for promulgating, interpreting, and enforcing state ethics laws. The Inspector General hired Mary Lee Comer, former Hendricks County Superior Court Judge, to serve as the state's ethics director. Judge Comer has been developing many other key policies and rules which are part of Governor Daniels complete ethical reform of state government. Among those completed is a very restrictive rule of state employees receiving "gifts" of any kind, referred to as the "Daniels Gift Rule," and a set of executive branch lobbying rules that were published on August 1, 2005. She has also issued several hundred informal advisory opinions on ethics matters and conducts meetings of the State Ethics Commission. Requests for ethics opinions have increased 50% over this time last year.
- ◆ The OIG is in the process of hiring its own group of investigators. The budget from the Bureau of Investigation at FSSA was transferred to the OIG in the 2005-2006 budget bill. And as of July 1, the office began hiring between 10-12 investigators.
- ◆ The OIG will release the first series of government efficiency reports for further actions by other agencies in mid-July. These reports bring to light issues of concern found in state government that do not rise to the level of criminal or ethical violations, but should be addressed in an effort to provide the most efficient and cost effective service to the taxpayers. The first series of reports addressed: Worker's Compensation Loans at the Port Commission, evidence backlogs at the Indiana State Police Labs, the Indiana Criminal Justice Institute's Victims' Compensation Fund, and the growing number of disability plates and placards issued by the Bureau of Motor Vehicles.

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The Department of Insurance (DOI) enforces statutes and regulations applicable to the operation of approximately 1,780 insurance companies, the issuance of insurance policies, the handling of complaints, and the dissemination of public insurance information. The Department of Insurance collects the state-required premium taxes and fees paid by insurance companies. The department licenses over 113,000 resident and nonresident insurance agents and administers laws governing the licensing and regulation of third-party insurance administrators, health maintenance organizations, insurance holding companies, reciprocal, preferred provider organizations, and various other entities.

Discovery: There were backlogs ranging from six months to a year in the Health Division.

Action Taken: DOI hired a new Health Deputy with over twenty-five years of experience in the health insurance arena to help reduce the backlogs in the Health Division. DOI has deployed more resources to this area to reduce the backlog as quickly as possible and staff is talking with the industry to streamline and improve the filing process without sacrificing the required standards. DOI's goal is to reduce the backlog to less than 30 days by year end.

Discovery: Passage of the Interstate Compact legislation had failed for the last two years and Indiana was therefore not properly addressing the serious speed to market issues facing the industry.

Action Taken: The new Commissioner of DOI helped to lead the charge for the successful passage of the Interstate Compact legislation, SEA 634. In summary, this bill authorizes Indiana to join in an Interstate Compact to provide for a single point of filing for certain new insurance products which then must comply with uniform national standards set by the members of the Compact. This legislation could have a very positive impact on economic development for Indiana's life insurance industry and provide consumers with more responsive insurance products.

Discovery: The Indiana Department of Insurance did not have a focus on helping to attract new jobs to Indiana's insurance industry.

Action Taken: The Department of Insurance has partnered with the Indiana Economic Development Corporation to create the position of Director of Insurance Initiatives. This person will market Indiana's positive environment for insurance job creation and spread that message nationwide. As we work together to convey this attitudinal shift externally to the industry, DOI is implementing significant internal reforms to make this shift a reality.

Discovery: 10% of every consumer's insurance premium dollar goes to pay for the costs associated with insurance fraud, and Indiana is one of only a few states in the nation without a dedicated anti-fraud unit within its Department of Insurance.

Action Taken: DOI has created a task force consisting of local, state and federal law enforcement officials, consumers and insurers to work on developing legislation which empowers the DOI to create an anti-fraud unit and facilitate strong lines of communication between all the key players in the fight against insurance fraud.



Department of Labor

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Working to make Indiana businesses clean and safe and wages fair and competitive is the mission of the Indiana Department of Labor (DOL). The DOL team is dedicated to making Indiana the safest state in the nation in which to work. This is accomplished through efforts in Indiana Occupation Safety and Health Administration (IOSHA), Child Labor, Wage and Hour and the Bureau of Mines.

Discovery: The Department of Labor had divisions without leadership and the divisions were floundering on their own without direction. Executive offices were physically located in another area of the Government Center complex, away from the rest of the Department of Labor, and behind locked doors.

Action Taken: A complete reorganization of the Agency was conducted resulting in a new executive staff. Executive offices were cleaned out and are now being used for the first time in more than two years and the executive staff was relocated with the rest of the Agency, allowing for much better communication and service to the taxpayer.

Discovery: Over \$7 million in safety penalties and fines issued over the last five years had gone uncollected. In fact, during the two years preceding the Daniels Administration the Department of Labor had one full-time employee whose responsibility was to collect these fines, and records indicate that not a single collection letter had been sent to the more than 700 companies against whom fines and penalties had been imposed.

Action Taken: The Department of Labor began notifying and aggressively pursuing the payment of these fines and penalties in mid-May of 2005. To date, the Department has recovered \$160,353; determined \$1,109,485 to be uncollectible either because the two year statute of limitations has expired or because, upon further investigation, the fines were erroneously reported as uncollected; \$5,116,837 in fines and penalties are still being actively pursued by the Department; and \$1,302, 602 in fines and penalties are being verified by the Department to ensure each was properly imposed.

Discovery: The Bureau of Safety Education & Training (BuSET) had formed “partnerships” with small, privately owned “training companies” to provide safety training around the state. These “training companies” charged participants to attend these training seminars despite the fact that the seminars were taught by Department of Labor staff at no cost to the “training company” but at a \$200 to \$300 cost to participants. In effect, training that should have been given for free was costing the attendees money that was going into the pockets of these “training companies.”

Action Taken: These “partnerships” were immediately terminated by Commissioner Rivera. Now BuSET employees provide these same safety training classes throughout the state to businesses at no cost to the participants. Additionally, a true partnership has been formed with the Indiana Chamber of Commerce to provide safety training and fully paid training scholarships for small businesses across the state.

Discovery: The five member Board of Safety Review had not been fully staffed for over three years, and they have a 300 case backlog going as far back as 1998 and representing some \$4 million in fines and penalties.

Action Taken: Governor Daniels made the necessary appointments to fill out the membership of the Board of Safety Review, and they held their first meeting with all five members present on June 29, 2005. Lawyers from the Department of Labor and the Attorney General’s Office provided training to all five members (the first training any of the veteran members of the Board had ever received) and the Board has set the goal of eliminating the 300 case backlog by the end of 2005.

Discovery: There is a shortage of young people and workers in Indiana interested in pursuing jobs in the mining industry. It is estimated that Indiana will have a need for 3,000 new mining jobs over the next five years. Miner safety and training is of paramount importance when filling these jobs. Indiana has no organized effort to train miners or to fill the pipeline with Hoosiers to fill these good paying jobs.

Action Taken: With the encouragement of Governor Daniels, Commissioner Rivera has worked with representatives from the coal industry, legislators, local officials and Vincennes University to establish a formal miner education and training program to address future employment needs. Bringing together industry and academics, the DOL will work with the Department of Workforce Development and other local agencies to ensure that every effort is made to attract Hoosiers to these jobs and to ensure that a qualified pool of workers is available as these new jobs come on line.

Discovery: The DOL process for generating random safety inspection targets yielded a 40% false target rate. This caused safety inspectors to drive many miles and spend hours of wasted effort.

Action Taken: The DOL has begun using software and a web enabled process and system, provided free by the federal government, to generate random inspection targets which will make the safety inspectors much more efficient with their time.

Discovery: Eleven (11) employees who lived in counties adjoining Marion County had been working from home and the DOL had been paying a multitude of additional expenses for them including \$30.00 per month for each employee to have phone lines and internet access from home, long distance phone calls, office equipment and mileage to drive to Indianapolis for meetings. Additionally, almost half of the DOL's workforce worked from home with little opportunity for appropriate management or supervision and costing the state the same additional expenses for each employee.

Action Taken: These eleven (11) employees now work out of the DOL's offices located in the Government Center South. Additionally, DOL is working with INDOT to co-locate the remainder of the "work-from-home" crew to provide them with office space, phones and computer services. This move will increase employee accountability while saving the State an estimated \$30,000 per year.



Department of Local Government Finance

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The DLGF provides guidance, training and oversight for local units who administer the property tax system, including the certification of local budgets, tax rates and tax levies.

Discovery: Overly expensive school construction throughout the State, contributing to high property tax rates in many communities.

Action Taken: Pursuant to Governor Daniels Executive Order 05-19 issued in January, the DLGF spent the first four months researching and developing thresholds on school construction financing costs in Indiana and comparing those costs to other states in the Midwest and across the nation. The research revealed that in 2003, \$835 million was approved for school construction in Indiana and this increased to \$931 million in 2004. Indiana's \$160.11 cost per square foot of construction projects in K-12 schools was 15.3% higher than the national average of \$138.82 per square foot. Indiana's average size of 57,570 square feet per project was 26.6% larger than the national average of 45,485 feet per square foot. Indiana's average construction cost of \$9,217,758 per project was 46% higher than the national average of \$6,314,393. Guidance was developed regarding school construction projects and released by the DLGF in May. Although DLGF has received some feedback that some areas within the guidance need more clarity which they are working diligently to provide, the early response to the guidance has been positive.

The guidance facilitates the Department's review of proposed school construction project financings with a focus on the ratio of academic to non-academic facilities in the cost structure of each project. The guidance is broad enough to allow school corporations the opportunity to develop and pursue projects that fit the academic needs, financial constraints and taxpayer wishes in the school district. School corporations exceeding the thresholds for new construction and additions to facilities will be subject to greater scrutiny.

Discovery: There was a large backlog associated with personal property abatements from 2003 through 2005. The backlog consisted of over 2,500 applications on hand.

Action Taken: The Department was successful in its attempts to obtain legislation designed to eliminate the backlog associated with personal property abatements for 2003, 2004 and 2005. As of June 1, 2005, the backlog associated with the period of 2003 through 2005 has been eliminated. The Department maintained responsibility for completion of outstanding abatements associated with the 2002 filing year. By July 31, 2005 the Department should complete its review of the remaining 25 applications. Additionally, the legislation provides more simplified filing requirements for personal property abatements beginning in 2006 pay 2007. Beginning in 2006, personal property abatements will be filed with the township assessor removing the responsibility from the DLGF. The legislative changes result in a more efficient and timely process with less paperwork and more local control.

Discovery: There were still 5,649 property tax appeals from Lake County as a result of the 2002 reassessment.

Action Taken: In February of 2005, out of a total of 6,329 appeals filed for the 2002 assessment year, 5,649 were still outstanding. At that time, DLGF contracted with Ad Valorem Systems (AVS) to conduct preliminary reviews of the appeals and to contact all taxpayers who still had outstanding appeals. The assignment given AVS was to educate the taxpayers on the appeal process, obtain any evidence of value they might possess, and settle the appeal without a hearing if the evidence warranted. As of this date, 2,513 appeals are still outstanding, with

an expected completion date of September 15, 2005. As a result of this effort, in the past 5-1/2 months, we have closed 3,136 appeals either through stipulation, hearings held before the IBTR, or taxpayer withdrawal.

Discovery: The organizational structure of the Department did not reflect the needs of the Department by having the right people in the right positions and did not adequately serve constituents. Performance evaluations of employees in some instances had not occurred in years.

Action Taken: The organizational structure has been changed. The Department reduced the number of attorneys from five to two. Additionally, the positions of legislative liaison and public information officer were combined into one position. The Department added a Policy Analyst position to focus on implementation of a statewide software system and other large assessment-related projects. All employees will have completed employee performance evaluations by the end of 2005. (Estimated annual savings = \$71,148 and expected to increase).



Indiana National Guard

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The Indiana National Guard has made significant contributions to the defense of the United States both at home and abroad during the past six months. At home, the Guard provided support from the City of Anderson south to Vincennes and Hazleton in fighting and recovering from the effects of extensive flooding. Overseas, the Indiana National Guard performed a critical role in establishing fledgling democracies in Iraq and Afghanistan. Since 9/11, the Indiana Army and Air National Guard has mobilized 6,688 soldiers and airmen in support of the Global War on Terrorism. Currently, 2,749 are serving their country around the world. Soldiers from 76th Infantry Brigade will be deployed home from their mission of training the Afghanistan National Army, while three of our separate company size organization prepare to mobilize over the next couple of months.

Initial reports from the Base Realignment and Closure (BRAC) process have been received and reviewed. The biggest changes are within the Air National Guard with the 122nd Fighter Wing in Fort Wayne receiving nine additional F-16 aircraft and a manpower increase of 125 full-time and 280 drilling positions. The 181st Fighter Wing in Terre Haute will be losing their aircraft but maintaining the expeditionary combat support elements for a manpower decrease of 192 full-time and 496 part-time positions. Our leadership is engaged in talks with National Guard Bureau to obtain future missions and force structure at Terre Haute as the BRAC process will not be finalized until November 2005. The Army force structure remains fairly constant at 11,203 through 2008 with no real affects from the BRAC Process.

The Indiana National Guard continues to play a major role in the economic well-being of the state as it continues its development of the Muscatatuck State Development School into an urban training center, poured millions of dollars into local communities surrounding its bases and armories, and finalizes the agreement with the Gary/Chicago Airport for the construction of a new flight facility on its premises. The Guard assumed control of Muscatatuck on 1 July 2005 with plans to be initial operation capable by September 2006 and fully operation capable by October of 2008.

Camp Atterbury continues its mission as a major mobilization and training site preparing U.S. Army forces for deployment to areas of conflict located around the world. Currently 1,283 soldiers are in the mobilization process at Camp Atterbury and to date over 20,000 soldiers have mobilized and/or demobilized through this facility. In recognition of its exceptional performance, Camp Atterbury was recently named as the winner of the Chief of Staff, Army's Deployment Excellence Award for 2005. The federal payroll for personnel at Camp Atterbury this fiscal year (1 Oct 04 thru 30 Apr 05) has been \$17,237,269. The total economic impact of Camp Atterbury and its mobilization operation has been \$37,114,550 during this period with \$29,946,966 directly impacting Indiana.

The Atterbury and Jefferson Proving Grounds Air to Ground Ranges continue to provide quality training opportunities for Air National Guard units of IN, IL, MI, OH and KY as they prepare to deploy, with over 700 aircraft missions flown year to date.

As part of an ongoing effort to strengthen its ability to provide good stewardship of public resources, the Indiana National Guard in conjunction with our Strategic Plan have developed a balanced scorecard that includes 134 performance measurements. These performance measures will be used to link performance with our plan while simultaneously identifying and exploiting cost efficiencies. The Staff is working with National Guard Bureau and Department of The Army to place our Strategic Measurement System on CORVU Software as the test State for the National Guard. Our Joint Force Headquarters is developing a submission for the Army Communities of Excellence Award again this year which is due in August. This award is based on The Army's Performance Indicator Criteria. Our first submission last year received Honorable Mention in the National Guard category.

Our 38th Aviation Brigade, Detachment 1, 1256th Medical Company (Air Ambulance) and the 2/238th General Support Aviation Battalion were awarded the United States Army Accident Prevention Award of Honor in safety for 36 and 24 months without a class A, B or C accident.



Department of Natural Resources

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The Indiana Department of Natural Resources is responsible for the natural and cultural resources of the State of Indiana. This responsibility includes the operation and maintenance of state parks, fish & wildlife areas, state forests and reservoirs. The DNR has regulatory authority over water usage, floodway activities, oil and gas exploration, and coal mining. The DNR is charged with the protection of the wildlife of the State and with combating invasive species.

Discovery: The Department was overstaffed in several areas including executive level and administrative positions, and administrative functions were decentralized and therefore inefficient.

Action Taken: The Department went through a reorganization. A reduction of 37 positions was determined to be appropriate under a centralized approach to administrative functions for the Department. (Estimated annual savings = \$1,677,570).

Discovery: DNR had an excess number of motor vehicles. As of January 10, 2005, DNR had 1905 vehicles.

Action Taken: Following the request of Governor Daniels to reduce the State's excessive vehicle fleet, a top-to-bottom review of vehicle requirements for the DNR was initiated and DNR began the process of reducing its fleet. As of June 30, 2005, the fleet had been reduced by approximately 29% to 1350 vehicles. At an average cost avoidance of \$20,000 per vehicle every 5 years (\$4,000 average per year for each vehicle no longer in the fleet), the total cost avoidance per year comes to about \$2,220,000 (and this amount does not include fuel and repairs).

Discovery: While conducting the vehicle review, it was determined that previously the DNR had purchased expensive Ford Expeditions for its law enforcement command staff.

Action Taken: The determination was made to replace these expensive cars with less expensive Trail Blazers. (Estimated savings = \$100,000)

Discovery: A complete lack of useful financial reports, data, and accountability among the division within the agency.

Action Taken: The creation of financial reports and the capturing of appropriate data was started immediately. Beginning July 1, 2005, divisional budgets and forecasts, monthly financial statements division management reports will be required and utilized to better plan and manage the operations of the DNR.

Discovery: There is \$350 million of deferred maintenance projects on DNR facilities.

Action Taken: The DNR is undergoing a department-wide top-to-bottom assessment to prioritize its capital project needs. After discussions with OMB, the DNR will be able to receive \$6.1 million in previously-reverted funds to begin the process of addressing deferred maintenance projects.



State Personnel Department

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The State Personnel Department supports the Governor and the heads of agencies in meeting their goals and objectives by proactively providing integrated human resource services.

Discovery: Duplication of HR services being provided statewide with inconsistent adherence to policies and best practices. Initial research finds annual personal service costs of statewide HR staff of approximately \$25 million.

Action Taken: Developed a plan with the involvement of the agencies' human resource directors to centralize HR services within the State Personnel Department, with certain resources embedded in the agencies. Anticipated results include reductions in costs and duplicative efforts, improved methods of workforce planning, and improved employee morale and performance outcomes. We also anticipate more consistent adherence to employment laws and policies, thereby reducing Indiana's risk. (Estimated savings = \$10 million over the next two years).

Discovery: Inconsistent adherence to policy on background checks of potential employees.

Action Taken: Solicited and negotiated contract with an Indiana company that specializes in providing background checks. Established contract as a QPA (Quantity Purchase Agreement) through the Dept. of Administration in order to facilitate and monitor consistent usage by all State agencies

Discovery: Underutilization of PeopleSoft HR system. Determination made that system is used as a transaction processor, but little or no development has been made with modules that will support strategic workforce administration. Approximately 12 HR modules owned by Indiana have been identified that are either installed but not in use, or not installed.

Action Taken: A utilization plan has been developed to provide a single portal for viewing job vacancies, facilitate an online application, recruitment screening, and selection process, and create a paperless environment. Self-service data entry by employees is also being implemented at this time. Four other key modules identified for implementation will support career development and performance of state employees.

Discovery: Underutilized and inadequate performance appraisal system.

Action Taken: The team is currently developing an appraisal system, which will be based on employee achievement of measurable stretch goals that are tied to agency objectives. Separate annual performance appraisal periods will be established respectively for executives, professionals, and non-exempt employees to insure timely, consistent submission of appraisals necessary for the successful implementation of "Pay for Performance".

Discovery: Benefits department critically understaffed with a corrections/exceptions backlog of 120 days. Failure to receive proper documentation for resolution of many backlog requests and lack of adherence to Plan requirements and guidelines by the agencies accounted for nearly the entire backlog.

Action Taken: We immediately resolved "emergency" corrections for employees needing medical treatment. The backlog

of corrections/exceptions is now eliminated. SPD developed a plan and prioritized changes to PeopleSoft that will support the design and implementation for the “Self-Service” system feature, allowing for new hire self-enrollment, and employee qualifying event and demographic changes. The eventual seamless processing of transactions, from employee to the respective systems (PeopleSoft HR and Auditor of State Payroll) will eliminate errors and duplicative data entry.

Discovery: Certain personnel policies hindered the effective management of agency business. Currently one-third of the state’s workforce (nearly 12,000 employees) has paperwork on file for Family Medical Leave. Most of the paperwork is for intermittent leave and the State has applied the provisions extremely liberally.

Action Taken: Revised most standardized policies to facilitate management of our facilities. These include the policies on overtime assignment, family medical leave, military leave, workplace harassment prevention, and discipline. The changes to the family medical leave policy allow the state’s 24/7 facilities to better plan their staffing needs, which should significantly reduce overtime costs. The military leave policy also incorporates the mechanism for paying differential pay to state employees called to serve in the military. The changes are enabling state agencies to develop workforce organizational strategies and solutions tailored to their individual business needs.

Discovery: Discovered that State Personnel is handling a number of claims from collection agencies that related to payments initially paid by Medicare, which should have been paid by one of the health plans the state offers. The Federal Government has been withholding the amount owed directly from grant monies being sent to various state agencies and this practice has been going on for at least two years. To date the Treasurer of State has worked with SPD to identify \$185,000 in federal money that has been deducted from what Indiana agencies should have received.

Action Taken: State Personnel is establishing a system that ensures future deductions will not be taken randomly from federal grants. Additionally, SPD is continuing to match the previous grant deductions with payments that the State has made. SPD will ultimately file a claim for reimbursement from the federal government.



Public Employees' Retirement Fund

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The Indiana Public Employees' Retirement Fund (PERF) is a \$12 billion system. The six separately managed retirement funds are designed to provide secure, long-term benefits for employees who choose careers in public service. PERF currently works through more than 1,000 participating employers in Indiana to serve more than 230,000 active members and 55,000 benefit recipients and their families.

Discovery: The State Board of Accounts in its annual audit of PERF has cited 30 audit findings relating to people, process and technology. Most of these findings are repeat findings that have been identified in many previous reports. Examples of findings include:

- ◆ No reconciliations of the checking account were made during Fiscal 2004
- ◆ Benefit payments were inaccurate with payees being overpaid as well as underpaid
- ◆ Procedures were not in place for investment transfers of funds
- ◆ \$212,000 settlement payment made to former employee where a final action was not taken at a public meeting.

Action Taken: Hired the former State Examiner with the Board of Accounts to head up financial operations of PERF. He is putting in place the proper organizational, process and technological changes necessary to properly manage the financial organization and address the findings of the State Board of Accounts.

Discovery: Service and wage information certification by the employer is the bottleneck to processing a retirement. Given the importance of this information, PERF did not have any organizational focus on this area. PERF simply sent the information out and waited for the employer to respond.

Action Taken: PERF has created a service credit department to begin to address this issue. PERF is also working with employers to identify proactive methods to authorize service and wage information. PERF has a pilot program in place with Purdue University.

Discovery: PERF's Customer support is limited to phone support between the hours of 8-5, making an appointment in Indianapolis M-F between the hours of 8-5 or mailing a request or form. Members today cannot access their account and receive only a quarterly statement.

Action Taken: Developed a technology plan that includes providing member access to their account via the internet and after-hours phone support. This plan is currently being implemented.

Discovery: PERF did not understand its customers and their expectations. There was very little interaction with active members, retirees or employers.

Action Taken: Surveys were conducted with retirees, active members and employers to determine what they like, what needs to be improved and what additional services are needed from PERF. Additionally, focus groups were held as well. Customer service initiatives for FY06 were developed based upon the customer feedback..



Department of Revenue

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The Department of Revenue is responsible for the administration, collection and enforcement of designated State taxes.

Discovery: The taxpayer services call center was closed between 11:30 a.m. and 1:00 pm, so that employees could go to lunch.

Action Taken: Recognizing that over the lunch hour is when many taxpayers will be trying to contact and resolve their issues with the DOR, the call center hours have been expanded. Now employee breaks and lunch periods are being scheduled allowing the phones to remain open for service.

Discovery: Huge backlogs of work have been identified in many areas dating back several years. Three years of Federal/State discrepancies in individual income tax had not been billed. Six thousand inheritance tax cases were awaiting determination and final resolution.

Action Taken: Processes and timelines are being put in place to eliminate the backlog plus ensure future accountability and timeliness. The three years of Federal/State discrepancies in individual income tax have been identified and billed, making them eligible for the Amnesty program. A business plan is being implemented to take advantage of numerous compliance projects that can be run utilizing the IRS data available to the Department on a quarterly basis. The 6,000 inheritance tax cases are being addressed by restructuring the area. The restructuring includes a business plan with a maximum four month turnaround. (This allows time for the audit of the inheritance tax return and a determination by the probate court.)

Discovery: There was a backlog of over 700 maintenance orders within the IT Division.

Action Taken: The IT Division has been totally reorganized and the original backlog has been reduced to 475. This has allowed for the issuance of tax bills previously held due to program issues. Completion of these maintenance orders and data fixes has enabled the Department to issue billings worth \$700,000,000 in additional tax revenue. The goal is to have the backlog eliminated by year end. Enhancement requests will remain in a backlog status until all data fix orders have been eliminated.

Discovery: Millions of dollars in uncollected taxes. Total accounts receivable are more than \$1.3 billion.

Action Taken: Passage of HEA 1004 – Tax Amnesty – provides the opportunity for the Department to aggressively address the accounts receivable due the State utilizing various collection methods.

A custom mailing to 265,000 taxpayers/businesses is scheduled for September 1, 2005 with Amnesty information and specific liabilities listed, inviting taxpayers to participate in the Amnesty program.

The Department has added additional Collections positions-13 new positions for a total of 47 – to enhance collection efforts of outstanding taxes.

Beginning in September a recently trained phone pursuit section armed with custom information from our partnership with Sallie Mae will aggressively pursue new debt during enhanced evening and Saturday hours.

A blended collection approach has been implemented using: phone pursuit; 17 additional field investigators; Sallie Mae's resources (with a focus on out-of-state taxpayers and skip tracing); a multi-media advertising campaign and an extensive public relations outreach to the commercial and tax professional communities. Greater utilization of our partnerships with and resources of other state agencies is being pursued.

Discovery: Expensive credit card and e-check services.

Action Taken: Sought to reduce the cost of these financial services. The new \$0.06 e-check transaction rate negotiated by the Treasurer's office on our behalf results in a known savings of \$18,000.00 (this savings is for INtax e-checks only.) Additional substantial savings are anticipated with the Amnesty program using this new negotiated rate.

Discovery: DOR found 19,000 individual tax returns dating back to 2001 with \$5.3 million in refunds not processed.

Action Taken: All 19,000 individual income tax returns have been reviewed and refunds issued. Procedures and reporting mechanisms have been established to alert staff of any future computer glitches or incomplete work plans.

Discovery: Reduced customer service due to flexible shifts and the majority of staff working early shifts.

Action Taken: To reflect the emphasis on customer focus, new business hours for the Department were announced: 8:00 a.m. – 4:30 p.m. Monday-Friday effective August 15, 2005.

Discovery: The Department of Revenue (DOR) was a poorly operated agency whose approach to business was both reactive and task oriented. DOR was not focused on providing the taxpayer (the customer) quality service in a timely and customer friendly fashion.

Action Taken: DOR has developed a new culture which puts the taxpayer first, where decisions are made on the business case presented, employee performance will be measured and success will be defined by the results achieved. Management is now being encouraged to anticipate and look for opportunities to incorporate changes that will improve service. One example of being proactive is the creation of business plans for the Amnesty and Streamline Sales Tax projects.



State Police Department

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Serving Indiana since 1933, the State Police performs a wide variety of duties. Those duties include working with communities to improve public safety, enforcing traffic and drug laws, investigating crimes and enforcing the laws and regulations pertaining to commercial motor vehicles.

Integrity, Service, and Professionalism is the State Police motto and we strive to put it into action as we provide the citizens of Indiana with high quality law enforcement service.

Discovery: The presence of the Indiana State Police (ISP) was missing on Indiana roadways.

Action Taken: All personnel the rank of Lt, 1st Sgt, Sgt, and Cpl were immediately returned to a marked squad car. All personnel, detectives excluded, will be returned to marked squad cars as attrition overtakes the fleet. This will result in 1,200 marked State Police cars on the road by 2007.

Discovery: Headquarters personnel sidestepped police duties with civilian clothes, plain cars and exclusively office responsibilities.

Action Taken: ISP headquarters personnel now wear police uniforms. They are being refitted with marked police cars as attrition permits, and are sent out for road duty at least 2 days of each month.

Discovery: 120 state police officers were assigned to the Gaming Commission to provide public safety and security services for the state's riverboats.

Action Taken: Under the direction of Governor Daniels these state troopers are being pulled off the riverboats and are being returned to positions within the State Police force.

Discovery: ISP had no lateral transfer program in place. Lateral transfer programs are currently in use all across the U.S. Such programs enable police agencies to stay competitive and add personnel in a time efficient and cost efficient manner.

Action Taken: ISP now has a lateral transfer academy established. The lateral academy is 14 weeks in length - half the usual academy length. The lateral academy is projected to save \$10,000 in training costs per officer.

Discovery: ISP had lost effective control of the State highways and activity was low.

Action Taken: A heavy emphasis was put on establishing a working police presence on the roadways. ISP activity is up 12,000 traffic arrests alone over last year at this time.

Discovery: ISP was incurring many unnecessary costs in day-to-day business.

Action Taken: Various cost saving measures have been implemented including: a change in phone usage a reduction in weapons qualifications annually, a reduction in issued duty weapons per officer, a decrease in periodical subscriptions, encouragement of purchasing fuel at the post where it is \$0.30 per gallon less expensive, and more. (Estimated annual savings =\$2.5 million)

Discovery: The Department suffered from low morale and decisions were made only at the highest levels within the department.

Action Taken: The Department was streamlined and personnel were moved and realigned for effectiveness of the ISP as a whole. A staff approach to agency problems and solutions was established and Post Commanders and others throughout ISP were given greater authority to make decisions and responsibility for their work.

Discovery: Personnel evaluations were produced every quarter involving much repetition and little value. The performance appraisal system provided for rankings on a scale of 1-10.

Action Taken: Evaluations were reworked to occur twice a year for civilian and police personnel. The system is being reworked to allow for greater latitude in scoring/evaluations between best and worst performance.

Discovery: Promotion tests were regarded to be ineffective, having little relevance to department positions and involving the cost and use of books that were necessary for the test but of little value to police work.

Action Taken: New tests are being generated that draw questions from Department's Standard Operating Procedures, Criminal Law References and Lab Bulletins. No cost is associated with the materials required for testing, and all questions pertain to police functions.



Office of Technology

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The Indiana Office of Technology (IOT) was established by Governor Daniels to reform the use of technology by state government in order to realize substantial savings and improve the quality of services. Following the Governor's executive order creating the IOT, the General Assembly codified the creation of the Office of Technology as a separate agency reporting to the Governor by enacting HEA 1137 effective July 1, 2005.

Previously, management of information technology management was highly decentralized resulting in overspending, duplication and underachievement in this critical government function. The new Office of Technology quickly identified four problem areas that required immediate action:

- ◆ Mission Focus
- ◆ Cost reduction – the decentralized operation was bloated
- ◆ Establish a program to take advantage of the state's massive investment (without results) in the PeopleSoft enterprise computer software
- ◆ Eliminate the Intelenet Commission

Discovery: Because technology management was decentralized throughout state government, technology purchases were not being considered under a statewide technology strategy and were not being made in the best interest of the taxpayer.

Action Taken: With the creation of the Indiana Office of Technology, a government-wide technology strategy has been developed and the mission to make decisions from the point of view of the taxpayer is practiced regularly. Through diligent review of technology requisitions by all state agencies, the IOT has prevented the State from spending in excess of \$12 million that would have been spent in the decentralized management of the past.

Discovery: Prior to the Daniels Administration, multiple technology departments within state government resulted in overstaffing.

Action Taken: The IOT conducted a review of workload and staffing within the department and removed 25 positions for which there was insufficient work to support the workforce. (Estimated annual savings = \$1.5 million)

Discovery: The IOT identified several expensive projects in process without any apparent business purpose and no means of financial support in the long-term.

Action Taken: Two projects were eliminated based on a review that there was no business case supporting them. (Estimated annual savings = \$600,000)

Discovery: New procurement and renewals of hardware and software were done whenever requested. Little or no effort was made to reuse existing state assets.

Action Taken: All renewals and new procurement of information technology is subjected to a business case analysis prior to being permitted to move forward. To date, IOT has been able to reuse \$1 million of hardware and software. This is \$1 million that would have been spent in new procurement.

Discovery: \$2.4 Million had been held in "contingency" accounts for over two years.

Action Taken: This money was returned to the Budget Agency.

Discovery: IOT identified a \$12 million surplus in its accounts derived from over-charging state agencies.

Action Taken: IOT has stopped the practice of overcharging state agencies and worked with budget agency to return excess funds for redeployment as necessary.

Discovery: Rates charged other state agencies for the use of DoIT services were based on generating internal "profit." Telecommunications and basic voice telephone services are two examples of overpricing.

Action Taken: Effective July 1, 2005, rates for the use of IOT services were reset to be based on the cost of delivery. (Estimated annual savings = \$6.6 million to agency budgets)

Discovery: The State has not tested its ability to recover from a disaster, has not audited its security procedures, and does not have a compliance program in place for changes to computer systems. These are basic and essential functions for a technology organization.

Action Taken: The IOT has entered into an agreement for a security assessment, has engaged a professional disaster recovery firm to assist in assuring a usable plan, and is implementing a compliance program for computer change management. The implementation of these basic computer operating controls will ensure the safety and integrity of state information.

Discovery: The decentralized way in which technology services were being provided was both costly and inefficient.

Action Taken: Governor Daniels has given the Office of Technology the huge task of consolidating the technology needs of all state agencies. This effort is paramount in providing high quality service to the taxpayer in a cost effective manner and for state government to act and function as one instead of many inefficient silos. The IOT is well into a consolidation program. To date, 9,000 users have been converted to the new, central Service Delivery organization. Another 12,000 are expected to be consolidated by the end of 2005. Nearly 11,000 electronic mailboxes have been converted to the state central e-mail system. Another 10,000 e-mailboxes are expected to be consolidated by the end of 2005. (Estimated annual savings = \$ 10 million).

Discovery: During the past five years Indiana has spent tens of millions of dollars acquiring and implementing an enterprise financial management information system with little to show for the expenditure.

Action Taken: The IOT has reorganized this effort to migrate most of the executive branch agencies onto the central management information system. This will provide the Governor with solid information from which to make decisions. A governance board has been established with representation by the appropriate state agencies including treasury, administration and personnel. A quarter-by-quarter plan is being implemented that will complete most conversions by FY 2007. A funding strategy has been implemented to provide for the long-term maintenance of the PeopleSoft system and to provide for the implementations.

Discovery: The Intelenet Commission was plagued by accusations and scandal over the last two years.

Action Taken: HEA 1137, which was part of Governor Daniels' legislative agenda, transfers the functions of the Intelenet commission to the Office of Technology, effective July 1, 2005. The staff was reduced from twenty-five people to one without a loss in service. All of the efficiency measures implemented at Intelenet generated \$4.6 MM savings in FY 2005. The leaner, more focused Intelenet functions were transferred to the Office of Technology and resulted in a reduction in the rates charged to state agencies and libraries mentioned above.



Department of Transportation

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INDOT's mission is to build, manage and operate a superior transportation system enhancing safety, mobility and economic growth.

Discovery: INDOT was an agency with serious management problems. There was no overall strategic direction and most decisions were not based on data or objective criteria. Employees expended huge amounts of valuable talent on process rather than measurable output.

Action Taken: To correct these deficiencies INDOT is realigning the department's core businesses to foster economic development and be responsive to customer needs. INDOT's goal is to be one of the top five departments of transportation in the country. While there is no formal ranking system of state departments of transportation, INDOT's performance improvement will be recognized by peer recognition as a member of the "best in class" To track the agency's transformation, INDOT is implementing a performance management system of over 60 Organizational Performance Indicators. Some of the nationally recognized measurements include: Safety (accidents/ vehicle miles traveled) and road and bridge surface conditions. Other metrics include tracking customer satisfaction in the newly established Customer Service Center and the cost – value ratio of our road system conditions in our asset management inventory.

Discovery: No logical, data-driven processes to select new highway construction projects were being utilized. Projects were promised arbitrarily without regard to available funding or substantiated need.

Action Taken: INDOT is developing a 10-year fiscally responsible project plan to help stabilize the project planning and construction process. The agency has solicited the assistance of elected officials and the public to help rate and prioritize projects. In early August, public meetings will be held across the state to collect additional feedback. In September, INDOT will introduce a draft 10-year project plan for new construction projects and will work with state legislators to identify options to fund the plan.

Discovery: A \$2.1 billion funding gap was identified between the number of new construction projects promised and the funds available to build them.

Action Taken: Following Governor Daniels request to find and evaluate all common and creative financing options, INDOT, the Office of Management and Budget and outside financial experts have examined funding options and procedures used in other states and countries around the world. Thirty ideas are being actively investigated.

Discovery: INDOT was paying an outside vendor to print business cards.

Action Taken: INDOT shifted the printing of business cards to the Department of Corrections at a savings of 25% . While the estimated annual savings is only \$3,000 - \$5,000, it exemplifies the new culture of fiscal accountability and interagency synergy. INDOT saves money and the Department of Corrections can operate more efficiently.

Discovery: INDOT owned two houses that had been the focus of previous ethics investigations.

Action Taken: INDOT has vacated the houses and is working with Department of Administration to sell these houses. The

appraised value of these two properties is \$197,000.

Discovery: INDOT has identified more than 600 parcels it owns on 800 acres across that state that are not needed.

Action Taken: INDOT has worked with Department of Administration to streamline the process for selling excess property. New processes are now in place and the first four parcels have been sold, redirecting almost \$70,000 to highway construction.

Discovery: In 2004, recordable injuries rose 30% when compared to 2003. Annual worker's compensation and medical-related expenses are \$2.75 million. Currently, 58 employees are receiving worker's compensation.

Action Taken: INDOT immediately implemented a safety program focused on leadership and accident prevention. Employee injuries have already been reduced by 30%. While this represents a savings of over \$900,000 per year, the real value is that more state employees go home at the end of the work day uninjured.

Discovery: There were significant ethical problems with the design consultant selection process including documents being doctored and backdated which resulted in the selection of consultants not recommended by the professional review committee as the most qualified.

Action Taken: INDOT immediately corrected this by canceling the selection of those consultants inappropriately chosen and awarding those contracts to the rightful consultants. Additionally, INDOT completely overhauled the consultant selection process to prevent such abuse and ensure fairness and ethical selection of consultants. The new process, just rolled out to the consultant industry was applauded as a professional and fair process to prevent arbitrary and unethical selection.

Discovery: INDOT had over 2,000 passenger vehicles.

Action Taken: INDOT immediately reduced the passenger vehicle fleet by over 200 vehicles. INDOT has revised its vehicle use policy and eliminated more than 150 additional vehicles. The savings realized as a result of the reduction of vehicles will be redirected to road construction projects.

Discovery: There was no effective process for project management. The result was uncontrolled change orders, cost overrun, and unnecessary project scope growth.

Action Taken: INDOT cancelled several unnecessary contracts saving over \$1 million. INDOT also called several consultant companies in to discuss change order requests saving another \$1.5 million. Most importantly, INDOT implemented new project management standards, accountability and processes to control project costs. This has already identified over \$200 million of unnecessary project enhancements that will be avoided.

Discovery: There were many tasks that INDOT employees were performing that could be done with Department of Corrections offenders.

Action Taken: Working closely together, INDOT and DOC have identified 15 additional offender work crews. Implementing proven procedures, more crews are working with INDOT. This has already saved \$175,000. This program will generate an estimated savings of \$2 million annually.

Discovery: The Indiana State road map distributed by INDOT was reprinted every year, even though there were relatively few changes year to year.

Action Taken: INDOT has gone to a two year map which saves our customers and tax payers \$175,000 every two years.



Department of Veterans Affairs

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Director
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The mission of the Indiana Department of Veterans Affairs is to train and certify the County Veterans' Service Officers (CVSO) in order for them to better serve the veterans of Indiana; to administer all state veterans' benefits programs; advise the commissions for the Indiana Veterans' Home, the Soldiers' and Sailors' Children's Home and the Indiana War Memorial, and oversee the operation of the Indiana Veterans' Memorial Cemetery at Madison, Indiana.

Discovery: County Veterans' Service Officers were not well informed.

Action Taken: The Department has produced and distributed to the 91 County Veterans' Service Officers a more comprehensive and all-inclusive quarterly newsletter, called the IDVA Update, which better informs the CVSOs of the changes in veterans' benefits as they affect Hoosier veterans.

Discovery: New County Service Officers could go many months without receiving any training.

Action Taken: The Department of Veteran's Affairs has instituted a monthly New Service Officer Orientation for new service officers hired by the counties, at which time they are informed of the differences between the federal and state VAs, where to send claims and applications, things they can do in the counties to keep the veterans better informed, and methods they can use to develop, organize and conduct Veteran's Day and Memorial Day programs which will be well received by veterans and the public. Three monthly orientations have so far been conducted, one for each month following the hire of a new CVSO by the county commissioners.

Discovery: Veterans throughout the State were not kept informed of changes in veterans' benefits.

Action Taken: The Department has researched sources of veterans news and will soon begin to send news releases directly to daily, weekly and other periodic newspapers throughout the state; an effort which will ensure veterans all across the State of Indiana are, first, getting the same information and, second, be made aware of the benefits to which they might be entitled

Discovery: Poor coordination with other organizations.

Action Taken: The Department of Veteran's Affairs coordinated with various organizations for an expanded parking lot at the Roudebush VA Medical Center; a new Commissary/Post Exchange complex at the former Fort Benjamin Harrison; inclusion of this Department in the briefing process of Indiana Guardsmen in the process of being deployed as well as inclusion in the retirement counseling given those about to end their military careers. As part of the latter counseling, the Department offered a comprehensive list of the benefits available to Guard and Reserve personnel who have reached 20 years for retirement but are not yet age 60 and eligible to begin receiving their retired pay (gray-area reservists), as well as a list of the benefits they are eligible for after reaching age 60. We've also coordinated with organizations whose focus is on homeless and indigent veterans and offered our support in launching programs in support of those endeavors.

Discovery: Too many documents on file in offices.

Action Taken: We have begun the process of scanning our filing cabinets-full of military discharges into digital files, which will better facilitate their storage and retrieval. The original paper documents will be transferred to the State Archives.



Department of Workforce Development

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The Indiana Department of Workforce Development (IDWD) is the agency that administers Indiana's employment programs, training programs and unemployment insurance system. In serving our various customers and operating over a dozen distinct programs. Under Governor Daniels, IDWD is focused on three overarching priorities: growing Hoosier jobs and increasing employment, growing the personal income of Hoosiers, and delivering premier customer service.

Discovery: Unemployment Insurance (UI) appeals backlog is the worst in the nation. Department had been cited as such by US Department of Labor. The backlog is approximately 5,500 appeals.

Action Taken: IDWD has entered into agreement with Indiana University Law School, in which tenured law students receive credit for serving as non-paid intern Administrative Law Judges (ALJs). To date the backlog has been greatly reduced to 3,200 and will be nearly eliminated by end of this summer with very minimal cost. UI Review Board appeals backlog has been entirely eliminated.

Discovery: Inherited \$2.5M UI administrative projected deficit for current program year. Three years ago, there were \$5.5M in surplus funds for this function, but these were reduced due to excess spending over past two years.

Action Taken: IDWD eliminated several UI positions through attrition, centralized UI claims deputies, reducing headcount by 50, proposed administrative rule change to allow for UI electronic payment via debit cards rather than paper check, implemented the student ALJ program, which has eliminated full-time ALJ overtime pay, and eliminated unnecessary overhead expenses. (Estimated annual savings = \$2 million).

Discovery: Customer Helpline closed for lunch from 11:30 a.m. to 1:00 p.m. each day, with callers receiving recording to call back after 1pm.

Action Taken: Upon learning this from a disgruntled customer, corrective measures were taken within 24 hours. Calls are now answered by Helpline staff during all business hours.

Discovery: IT contractor who was overseeing the Unemployment Insurance Modernization (UIM) project was paid approximately \$270,000 in 2004.

Action Taken: Contract has been cancelled and a capable management member of the user group (per best practice) is now overseeing project. (Estimated annual savings = \$178,000).

Discovery: There are 16 workforce regions which have been in place for over 23 years. These regions are no longer aligned to match workforce opportunities with economic development centers throughout the state

Action Taken: IDWD has proposed consolidating and redefining the 16 workforce regions to 11. The Indiana Economic Development Corporation will realign boundaries to match these new workforce development regions. Realignment will foster more regional approach to workforce development, result in substantial administrative cost savings, and will allow for more meaningful coordination among regional partners. (Estimated annual savings = \$2 million)

Discovery: There are currently \$53 million in delinquent UI taxes.

Action Taken: A cross-functional IDWD team has evaluated an UI tax collection process and proposed a host of improvements to existing collection efforts which will bring additional dollars in to the UI Trust Fund.

Discovery: There was a backlog of 30,000 Work-Opportunity-Tax-Credit (WOTC) cases. WOTC is a credit to businesses hiring disadvantaged individuals.

Action Taken: IDWD has begun attacking the WOTC backlog of 30,000 through revised work flow and process and reallocation of resources. Backlog will be reduced to --8,000 by end-of-year.

Discovery: No standard agency performance management/review process or updated job descriptions are in place. Several employees report that they have not had a performance review completed in over 12 years.

Action Taken: Updated job descriptions to be completed by June 30th. Standard process and forms have been developed, and all employees will have initial performance reviews by August 15th. Reward and recognition system was be rolled-out in June.

Discovery: In initial discussions with employer and employee customers around the state IDWD received feedback on poor customer service and professionalism.

Action Taken: IDWD underwent an exhaustive exercise in which the Department interviewed over 400 internal and external customers to collect feedback and ask for suggestions. As a result, the Department implemented the following policies:

- ◆ Introduction of the customer guarantee that pledges all emails and phone calls will be answered within 48 hours during the normal course of business.
- ◆ Implementation of alternative business hours to ensure Hoosiers who need IDWD assistance and services and work during core business hours have a service alternative.
- ◆ Introduction of a revamped website with improved functionality.
- ◆ Implementation of a new dress code policy for all IDWD and WorkOne employees to ensure employees are easily identifiable and dressed in a professional manner.
- ◆ Introduction of a performance management system and secret shopper program to foster greater accountability in serving customers.