



## INSPECTOR GENERAL REPORT

July 6, 2007

2006-11-0333

### DOR EMPLOYEE THEFT (BAILEY)

*Inspector General David O. Thomas, Staff Attorney Amanda Schaeffer and Special Agent Chuck Coffin, after an investigation by Special Agent Chuck Coffin, report as follows:*

This investigation commenced in November of 2006 after a report to the Office of the Inspector General (OIG) by Commissioner John Eckert and other employees of the Indiana Department of Revenue (DOR). They reported that they believed a DOR employee was committing theft. They requested a formal investigation and agreed to assist in the investigation.

An investigation commenced and revealed that Linda Lou Bailey, in her capacity as a DOR Tax Analyst, had committed the offenses of the theft of tax money and had also altered tax records.

Documentation produced under OIG subpoena from DOR, the Indiana Treasurer of State, Indiana Auditor of State, J. P. Morgan Chase Bank, Heartland Community Bank, ACE Cash Express, and witness interviews established that Bailey used her password-protected DOR computer on numerous occasions to gain unauthorized access to the DOR Returns Processing System (RPS) files of

eleven individuals, six businesses, and the State of Indiana in order to generate fraudulent tax refund schemes for Bailey's personal and financial gain. The subpoenaed documents also revealed that Bailey made false and fictitious entries in RPS in an attempt to disguise the fraudulent schemes.

Bailey was interviewed and given the opportunity to explain these findings, but she admitted committing the criminal schemes for her personal benefit.

The investigative results were presented to the Office of the Marion County Prosecuting County, which resulted in her arrest on June 25, 2007, for the criminal charges of theft, obstruction of justice and official misconduct, all class D felonies.

Dated this 6<sup>th</sup> day of July, 2007.

A handwritten signature in black ink, appearing to read "David O. Thomas".

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David O. Thomas, Inspector General