

INDIANA  
OFFICE OF INSPECTOR GENERAL

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September 10, 2010

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

Dear Director Horst,

Please find herein the Agency Overview for the Indiana Office of Inspector General (OIG), submitted in conjunction with our budget request for state fiscal years 2012 and 2013.

***I. Programs and Functions***

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

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

There are two basic programs existing within the OIG to carry out these duties. First, the OIG educates the state workforce by providing web-based training to employees, issuing informal advisory opinions to those who seek advice on the ethics rules, and delivering formal advisory opinions through the State Ethics Commission.

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

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

## ***II. Accomplishments and Challenges***

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

### ***A. Accomplishments***

Accomplishments of the OIG in our six years of existence include:

#### ***1. Investigations and Filings***

An OIG investigation analyzes wrongdoing in three ways, namely through (a) state and federal criminal codes, (b) the state ethics rules in the Indiana Code of Ethics, and (c) waste and fraud not otherwise addressed in the criminal or ethics codes.

Over 80 individuals have been criminally charged by Indiana Prosecutors in multiple counties as a result of OIG investigations. The sentencing orders from resulting guilty pleas or verdicts in these cases often include restitution payments to the State.

It is also significant to note the acceptance of the OIG by the prosecutorial community in Indiana. Support from Indiana Prosecutors is evident in our felony filing rate, as well as the formal motion of support by the Indiana Prosecuting Attorneys Council in 2005. Criminal charges resulting from OIG investigations have been filed in over 25 different jurisdictions.

#### ***2. Opinions and Education***

The OIG promulgates the Code of Ethics for the Executive Branch under IC 4-2-7-3(5) and provides staff support to the State Ethics Commission (SEC) under IC 4-2-7-2. An integral aspect of staffing the SEC is the informal advisory opinions issued by OIG staff attorneys.

OIG staff attorneys provide an average of 28 informal advisory opinions each month (342 per year) for a wide audience composed of current and former state officers, employees, special state appointees and persons with a business relationship with the State. The OIG has made a concerted effort to promote and make readily available this advisory resource that is unique to State government. The informal advisory opinions are confidential unless made public by the requestor.

As the ultimate authority in interpreting the Code of Ethics under IC 4-2-6-4, the SEC also advises members and former members of the Executive Branch. The SEC issues formal advisory opinions regularly at its monthly meetings. Formal advisory opinions are public and are posted on the OIG website as an additional educational resource for interested parties. The SEC continues its high level of productivity as evidenced by the fact that it issues an average of 12 advisory opinions every year. See *Attachments A & B* for graphics depicting formal opinions and informal opinions issued since the OIG was created in 2005.

Delivering relevant education and training to the state workforce is an important function of the OIG, to the extent that it can serve to reduce the likelihood of wrongdoing. In addition, this is required under IC 4-2-7-3(16). The OIG continues to utilize the Enterprise Learning Management component of the PeopleSoft system to deliver comprehensive training on the Code of Ethics.

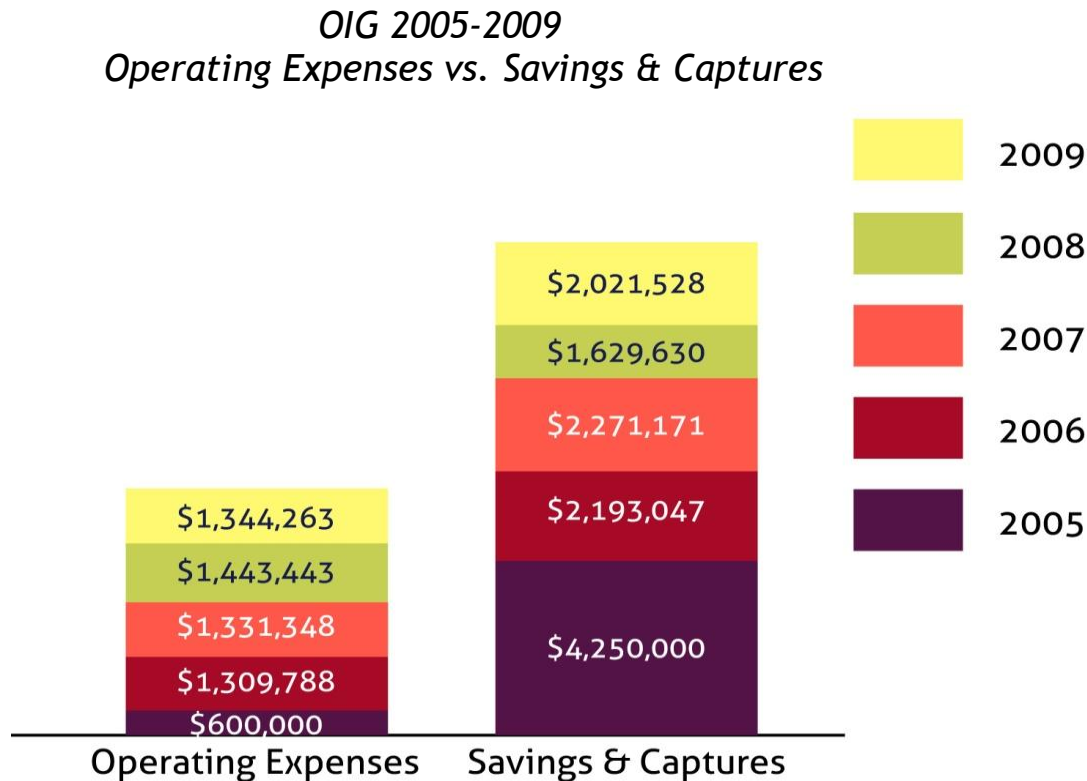
Additional online training modules produced by OIG staff are available online at [www.in.gov/ig](http://www.in.gov/ig) and include topics such as: Financial Disclosure Statements required under IC 4-2-6-8; duties of the agency Ethics Officer; Evidence Rule 617 for investigators; and procedural rules for investigators/auditors.

Inspector General David Thomas and Ethics Executive Director Cynthia Carrasco continue to initiate periodic meetings with leadership at large state agencies. These meetings started in 2007 with the purpose of pointing out the most common areas of wrongdoing in criminal, ethics, financial and contracting matters, in order to prevent future violations.

The need for OIG outreach to agency leadership teams is due in part to the difficult nature of the learning curve that any new agency leader is faced with in any governmental environment. The administrative law and processes with which an agency head must be familiar ranges from various Indiana Code citations, to Indiana Administrative Code, State Budget Agency Financial Management Circulars, to the state agency accounting manual issued by the State Board of Accounts. The OIG has gathered the most important elements of these sources, pertaining specifically to ethical and law-abiding conduct in state government, and distilled them into a discussion that can be easily understood and absorbed by agency leadership teams.

### 3. Savings

OIG savings and captures continue to exceed operating expenses, making the Governor’s OIG model financially beneficial to the State of Indiana. ‘Captures’ include the collection of fines imposed by the State Ethics Commission, funds forfeited by a defendant in an OIG-related court proceeding, or restitution payments made by a defendant in an OIG-related court proceeding.



#### **4. May 2010 AIG Conference**

The OIG hosted the (National) Association of Inspectors General spring conference, held in Indianapolis in May 2010. Led by Cynthia Carrasco, OIG staff produced and managed all aspects of the 3-day conference, which was a resounding success. The conference provided an opportunity for IGs across the nation to network and share success stories and ideas to support and advance the Inspector General concept and community.

Members of the IG community from across the country, and from all levels of government, convened in Indianapolis to hear from featured speakers such as California ARRA Inspector General Laura Chick, Pulitzer Prize journalist Brett Blackledge, Kentucky Auditor Crit Luallen, and Governor Mitch Daniels.

The OIG is frequently contacted by inspector general offices in other states, due to our unique composition as a law enforcement agency with criminal, ethics and prosecutorial authority. The inclusion of criminal and ethics investigations, coupled with prosecutorial powers in the OIG enabling statute, has made Indiana a model inspector general structure.

#### **5. Uniform Government Code (UGC)**

The OIG has developed an online resource for state government entitled the *Uniform Government Code*. The UGC provides a centralized and concise resource of laws, rules, and policies addressing state business for the executive branch of Indiana government. <http://www.in.gov/ig/2332.htm>.

The goal of the UGC is to educate all persons on state business, and in the process, prevent wrongdoing. The UGC is an evolving resource with live hyperlinks and cross-references. Its users are invited to notify the OIG of additional information needed or if any errors are found.

### **B. Challenges**

#### **American Recovery and Reinvestment Act (ARRA)**

On February 17, 2009, the United States Government enacted the American Recovery and Reinvestment Act (ARRA). The ARRA intended to provide a stimulus to the United States economy by providing \$787 billion in program funding and tax credits. Indiana's portion stands at over \$4 billion in ARRA-awarded funds, most of which are required to be expended or obligated by 2012. State governments have never experienced an influx of federal funds of this magnitude. The primary challenge presented by ARRA to Indiana State Government - and all levels of government - was that it required increased output and productivity concurrent with managing the resulting projects in an efficient and consistent manner.

To ensure Indiana's compliance with ARRA guidelines, the OIG, in partnership with the State Board of Accounts (SBoA), conducts compliance reviews on all ARRA-funded projects overseen by state agencies. Each ARRA compliance review culminates in an OIG public report - that tally now exceeds 50 reports posted online. The OIG has absorbed the cost of ARRA compliance reviews without receiving any additional funding from any source.

Compliance reviews are performed in phases. Phase I verified general compliance with Federal guidelines concerning the establishment and management of the basic accounting framework and public reporting required by the Act. No significant findings resulted from Phase I compliance reviews. Phase II compliance reviews are more investigative in nature and feature a deeper tracking of expenditures and obligations, also in concert with the SBoA. Both the OIG

and SBoA continue to confer, research, and seek education regarding ARRA. Substantial guidance has been provided by the Indiana Office of Management and Budget and, in particular, Cris Johnston of the Government Efficiency and Financial Planning office.

### ***III. Objectives for the 2012-2013 Biennium***

In addition to fulfilling our statutory duties, below are three basic goals or objectives the OIG will focus on for the remainder of the current biennium and continue into the coming 2012-2013 biennium.

#### **1. ARRA**

Continued oversight and review of ARRA-funded projects, with site inspections included in Phase III compliance reviews.

#### **2. False Claims**

Although available at the federal level since the Civil War, state-level false claims actions were not available to plaintiffs until 2005 under IC 5-11-5.5. The Indiana model allows a person to file civil action on behalf of the state to recover money owed the state due to the filing of a false claim. The Indiana Office of Attorney General (OAG) is given the option of intervening in such an action, and the OIG may pursue the false claim if intervention is declined by the OAG.

Starting in 2010, OIG legal staff began an in-depth review of false claims actions filed by various plaintiffs across the country, with the intentions of increasing OIG involvement in false claims litigation. The false claims filings forwarded to the OAG (with a copy to the OIG) are initially filed under seal and typically remain confidential until the expiration of a statutorily specified time period. The OIG and OAG are creating procedures to document communications relating to false claims. We plan to nurture this evolving process in the 2012-2013 biennium.

### ***IV. Key Performance Indicators***

The primary Key Performance Indicator for the OIG is cumulative annual savings as a percentage of expenditures, measured on a calendar year basis. Our annual savings for CY 2009 comprised 150% of our agency expenditures, while our target for this performance metric is 200%.

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

- a) the average number of days to complete screening of complaints to the OIG is 10.6 while our target is less than 7 days
- b) the average number of days to complete an informal advisory opinion (by our staff attorneys) is 2.4 while our target is less than 7 days

### ***V. Organizational Chart***

Our organizational chart is included with this agency overview letter.

***VI. Program reductions or reallocations***

The OIG will not request a base budget increase or any new or special initiative change packages. We are unable to propose any program reductions or reallocations for the upcoming 2012-2013 biennium, although our spending has decreased over the last two fiscal years.

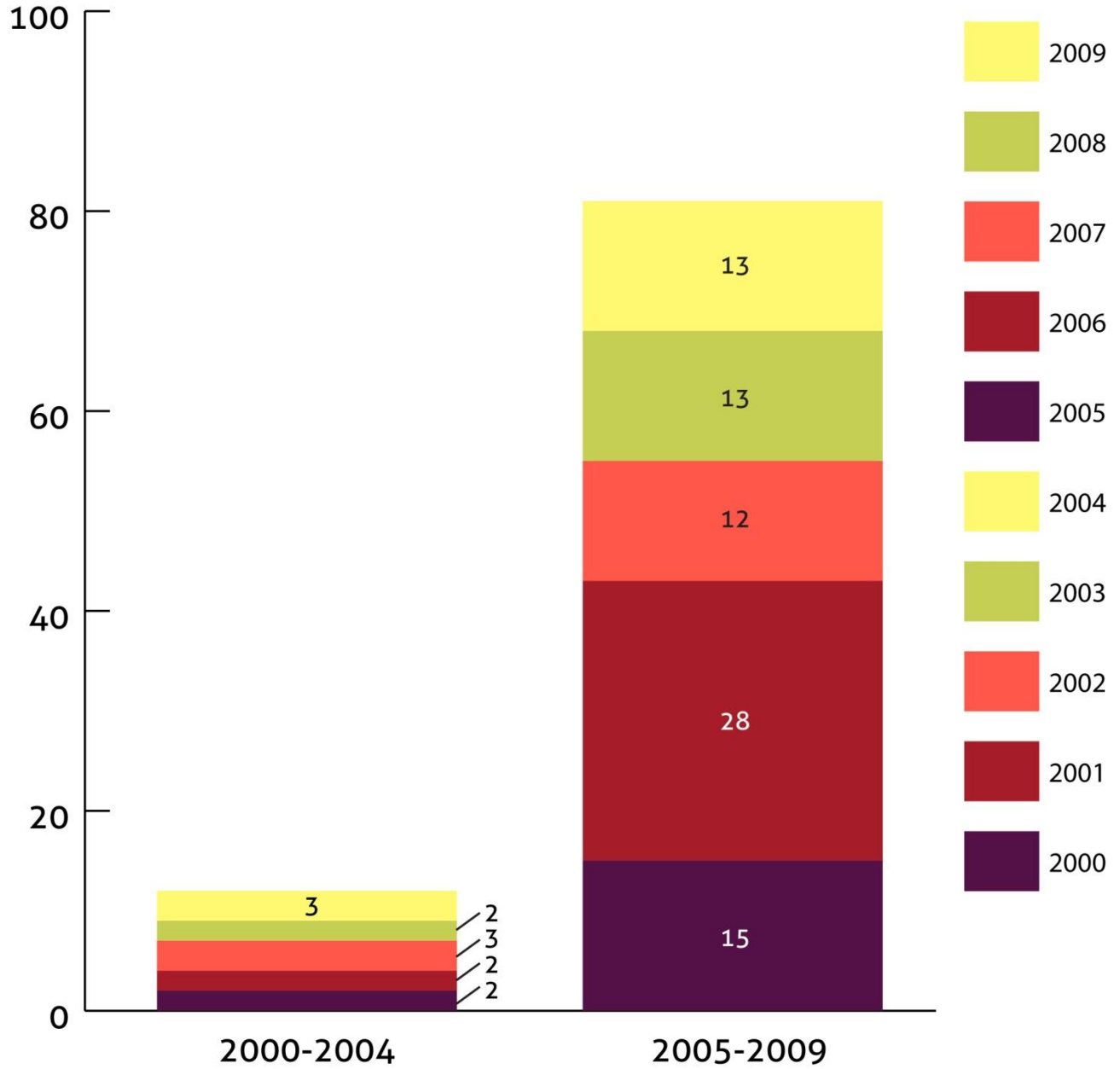
Please let me know if you need any further information and thank you for your consideration.

Yours,

David O. Thomas, Inspector General

Attachment A

Formal Advisory Opinions (issued only by State Ethics Commission)



**Attachment B**

**Informal Advisory Opinions (issued by OIG staff attorneys)**

