



OFFICE OF THE INSPECTOR GENERAL

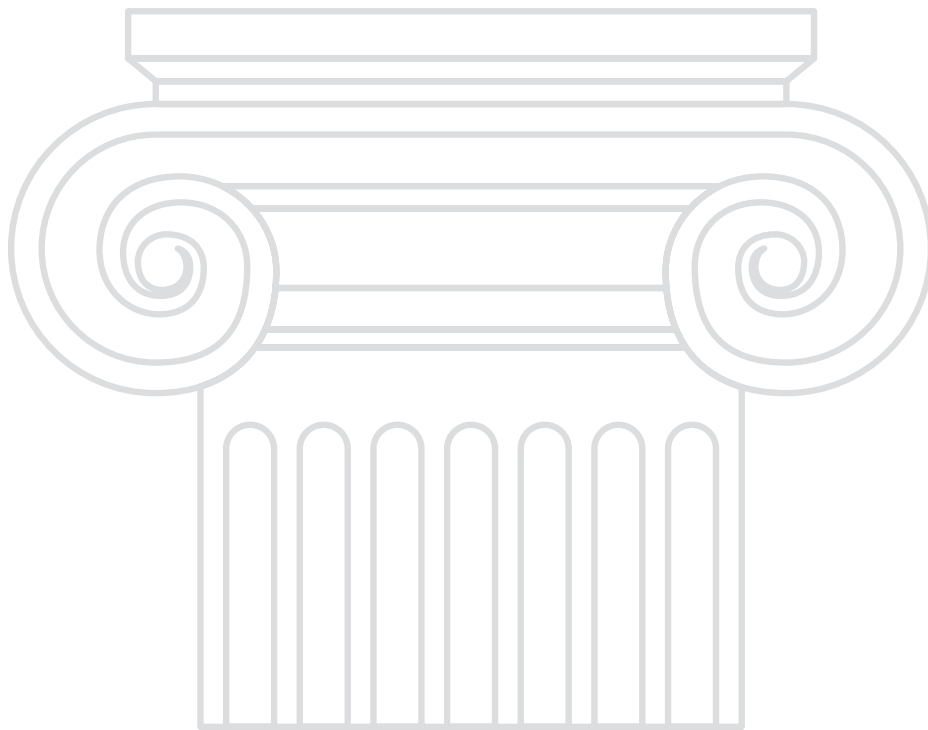
OIG 2017

LORI A. TORRES
INSPECTOR GENERAL

ANNUAL REPORT

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MISSION STATEMENT

The **mission** of the Inspector General and staff is to **reduce fraud, waste, abuse, mismanagement and wrongdoing** in state executive branch agencies. Through education, advice, investigations, prosecutions and legislative recommendations, the Inspector General **fosters a culture of integrity** that contributes to public confidence in state government.

A MESSAGE FROM THE INSPECTOR GENERAL



It's been a year since Governor Eric Holcomb placed his trust in me as the state's third Inspector General. As with all new roles, there was a learning curve. Yet the office was well-positioned to absorb the change and has continued to produce results to help take Indiana to the #NextLevel.

One of those changes is our mission statement, which we've revised to reflect the core purpose of the office, which is to foster a culture of integrity that contributes to public confidence in state government.

We're using all the tools available to us — education, advice, investigations, prosecutions and legislative recommendations — to reduce fraud, waste, abuse, mismanagement and wrongdoing in state executive-branch agencies.

In 2017, the office produced a record number of informal advisory opinions in an average turnaround time of less than two days. This demonstrates the priority we give to offering guidance to state employees, state elected officials and special state appointees. The increase in requests is reflective of the culture in state government — indicating people are proactively seeking to abide by the Code of Ethics and reaching out for assistance.

At the same time, where individuals are found to have intentionally violated the Code of Ethics or committed criminal acts, our office has held them accountable. We filed three cases with the State Ethics Commission in 2017, and all were settled or tried with results in favor of the Inspector General's position. Our investigations also led to multiple criminal charges, resulting in thousands of dollars recovered for the benefit of the state. In addition, we have developed deep relationships with state agencies and federal officials to move our mission forward. Our service to the state can only be achieved by the dedicated men and women who serve the Office of the Inspector General.

In 2017, we bid farewell to several highly regarded and accomplished special agents who helped found the office and establish the firm foundation from which we can further build. As we move forward into 2018, we will continue to re-think and re-engineer the how and why of our practices, measures and results.

Thank you for the opportunity to share our achievements with you. We look forward to taking Indiana to the #NextLevel in a way that fosters integrity and confidence among Hoosier citizens — as we strive to serve the State of Indiana.

Respectfully,

A handwritten signature in black ink that reads "Lori Torres". The signature is written in a cursive, flowing style.

Lori A. Torres
Indiana Inspector General

OFFICE OF THE INSPECTOR GENERAL

The Inspector General is charged with the responsibility of recommending policies and carrying out activities that deter, detect and eradicate fraud, waste, abuse, mismanagement and misconduct in state government. Those activities include conducting investigations, properly training state employees and state-elected officials, and advising employees, state-elected officials and agencies on how to comply with the Code of Ethics. The OIG also develops effective procedures to prevent or reduce the risk of fraudulent or wrongful acts within state government.

The OIG consists primarily of attorneys and special agents. Special agents are sworn law-enforcement officers that conduct investigations, serve warrants, and examine records, contracts, reports and the like. They also coordinate and assist other agencies' investigations when requested. The attorneys file and prosecute ethics complaints before the State Ethics Commission, assist the agents with legal advice and help present cases to state and federal prosecutors for criminal prosecution. Attorneys and law enforcement work cooperatively under one umbrella to advance the mission of the agency.

The attorneys also spend hundreds and hundreds of hours each year advising individual state employees to ensure that they comply with the Code of Ethics. Financial disclosure statements, when required to be filed by state employees and state-elected officers, are filed with the Inspector General and are available to the public upon request. The office also staffs the State Ethics Commission.

The investigative records and final reports of the OIG may be kept confidential in whole or in part at the discretion of the Inspector General. Where the Inspector General believes it advances the agency's mission and contributes to public confidence, final reports are often made available to the public on the agency website at www.in.gov/ig/2329.htm.

The budget of the Inspector General's office for FY2016-2017 and for FY2017-2018 is \$1,147,059. The State Ethics Commission has its own budget of \$12,543 per year which pays per diem and travel if necessary for the commission members. There are five commission members appointed by the governor, and 12 full-time employees at the Inspector General's office.



INDIANA STATE ETHICS COMMISSION MEMBERS

The Ethics Commission consists of five commissioners. They are appointed by the governor of Indiana and serve for four-year staggered terms. The commission holds monthly public meetings where it issues advisory opinions and receives complaints filed by the OIG. Members may not be elected officials, state employees, or lobbyists. No more than three may be from the same political party.

James Clevenger, *Chairman*, was first appointed to a four-year term by Governor Kernan in 2004, and was reappointed by Governors Daniels, Pence and Holcomb. He was appointed as chairman in 2012 and has continued to serve in this capacity. Mr. Clevenger has practiced law since 1978 and is a partner with the law offices of Wyland Humphrey & Clevenger, LLP in Plymouth, Indiana. He received his B.A. from Hanover College and his J.D. from Indiana University. He currently holds the position of county attorney for Marshall County.

Priscilla D. Keith was first appointed to a four-year term by Governor Kernan in 2004 and was reappointed by Governors Daniels and Pence. Ms. Keith currently serves as executive director of Community Benefit for Community Health Network. Prior to joining Community Health Network, Ms. Keith served as adjunct professor and director of research and projects for the Hall Center for Law and Health at the Robert H. McKinney School of Law in Indianapolis, Indiana.

Dr. Daryl Yost Dr. Daryl Yost was appointed to a four-year term by Governor Daniels in 2010 and was reappointed by Governor Pence in 2013. Dr. Yost taught in and later served as superintendent for East Allen County Schools before moving into private higher education at Taylor University. He received his Ed.D from Ball State University in 1966. Dr. Yost served on the State Ethics Commission through December 2017 when his term expired.

Bob Jamison was appointed to a four-year term by Governor Daniels in 2009 and was reappointed by Governor Pence in 2013. He retired from the Indianapolis Office of the Federal Bureau of Investigation and served as a special agent and senior-resident agent in New Albany. Mr. Jamison served on the State Ethics Commission through December 2017 when his term expired.

Peter Nugent was appointed to a four-year term by Governor Daniels in January 2012 and was reappointed by Governor Pence in February 2016. He is a native of Indianapolis and received his B.S. in accounting from Indiana University in 1984 and his J.D. from the John Marshall Law School in Chicago in 1987. He has practiced law since 1987. Mr. Nugent served on the State Ethics Commission until September 2017 when he resigned to accept the governor's appointment as judge of the Johnson Superior Court No. 2. The commission acted with four members for the remainder of 2017.

Corinne Finnerty was appointed to a four-year term by Governor Holcomb in 2018. Ms. Finnerty has practiced law since 1981 and owns her own law firm, McConnell Finnerty PC, in North Vernon, Indiana. She received her B.A. from Indiana University and her J.D. from the Indiana University Maurer School of Law. She previously served on the Indiana Supreme Court Disciplinary Commission for 10 years and has served as a director of First Financial Bancorp, a publicly traded regional bank headquartered in Cincinnati, Ohio, since 1998.

Katherine Noel was appointed to a four-year term by Governor Holcomb in 2018. Ms. Noel has been an attorney since 2001 with Noel Law, in Kokomo, Indiana. She received her B.A. from Franklin College, and her law degree from Indiana University Maurer School of Law. Ms. Noel previously served on the State Employees Appeals Commission for six years.

Sue Anne Gilroy was appointed to a four-year term by Governor Eric Holcomb in 2018. Mrs. Gilroy served as Indiana Secretary of State from 1994 to 2002. She currently serves as St. Vincent Hospital's vice president of development and executive director of the St. Vincent Foundation. Mrs. Gilroy received her bachelor's degree cum laude from DePauw University, and holds a master's degree in public administration from Indiana University.

EDUCATION

The OIG is charged with developing and delivering education and training programs to all members of the executive branch of state government to prevent wrongdoing and to ensure an understanding of the Code of Ethics.

Online Ethics Training

State workers are required to complete ethics training within the first six weeks of starting their service with the state and every two years thereafter. In 2017, the OIG successfully administered the mandatory Code of Ethics biennial training to all members of the executive branch of state government. In total, 29,318 individuals completed this training. This number includes more than 28,000 state employees in 76 state agencies, 1,023 special state appointees across 176 state boards and commissions, and all seven elected state officers (Governor, Lt. Governor, Attorney General, Auditor of State, Treasurer of State, Superintendent of Public Instruction, Secretary of State).

Legal & Ethics Conference

The Office of Inspector General hosted the 10th Annual Legal & Ethics Conference on November 14, 2017. The OIG changed the format of the annual conference from previous years to make it more cost-effective, while still providing three hours of continuing legal education credit, including 1.5 hours of CLE ethics credit. The conference was held at the Indiana Government Center's Conference Center with 216 state employees in attendance and was geared toward state-ethics officers and state-agency attorneys.

Speakers included Inspector General Lori Torres; Calvin Bellamy, former CEO and chairman of Bank Calumet and Bank Calumet, Inc. and partner within Krieg DeVault's Financial Institutions, Estate Planning and Business Practice Groups; Meg Christensen, Bingham Greenbaum Doll; Steven Hunt, supervising deputy attorney general with the Medicaid Fraud Control Unit, Office of Indiana Attorney General; James Clevenger, chair, State Ethics Commission; and the following staff from the Inspector General's Office: Jennifer Cooper, state ethics director, Tiffany Mulligan, chief legal counsel, Matt Savage, staff attorney, and Kelly Haltom, staff attorney.

This year the Inspector General's Award for Excellence was presented to two state ethics officers. Receiving the awards were Erica Sullivan, chief counsel for Legal and Internal Affairs of the Indiana Department of Child Services, and Marsha Bugalla, general counsel of the Indiana Department of Education.

PRESENTATIONS

In addition to the online ethics training program, the OIG provides in-person training sessions on a regular basis. In 2017, the OIG delivered 16 presentations to various groups throughout the State of Indiana and also in Canada. The audiences varied greatly and consisted of members of the executive branch of state government, federal-government officials, law-enforcement officials, private entities, non-profits, and fellow inspectors general.

2017 PRESENTATIONS	LOCATION
IPAC Spring Conference	Indianapolis, IN
IN Attorney General's Contract Seminar	Indianapolis, IN
IN State Board of Accounts Annual Meeting	Indianapolis, IN
Indiana State Police- Motor Carrier Inspectors	Indianapolis, IN
IN Department of Insurance Seminar	Indianapolis, IN
Central IN Chapter of Association of Government Accountants (AGA)	Indianapolis, IN
Indianapolis Bar Association	Indianapolis, IN
Indiana State Police New Recruit	Plainfield, IN
IN Civil Rights Commission	Indianapolis, IN
Legal & Ethics Conference	Indianapolis, IN
US Attorney Southern District Indiana	Indianapolis, IN
Catholic Business Exchange	Indianapolis, IN
Council on Governmental Ethics Laws (COGEL) Conference	Toronto
Indiana Economic Outlook Luncheon	Muncie, IN
FBI	Indianapolis, IN
BGD Legislative Conference	Indianapolis, IN



Inspector General Torres (*left*) discusses issues related to public corruption as the keynote speaker at the Ball State University Center for Economic Research Economic Forecast 2017. Photo courtesy of Muncie Fine Portraits.

TRANSPARENCY

The following outlines the breadth of accomplishments the Office of Inspector General achieved in 2017. Each performance objective (right column) and its outcome is listed below the respective KPI.

Website

The agency website was completely revamped in 2017. The public can now review State Ethics Commission agendas, meeting packets and meeting minutes online prior to a commission meeting, and formal opinions can be researched by key word or applicable rule. Final case reports, where public, are published on the site, and published more frequently than in recent past years.

All filed disclosure statements for conflicts of interest can be found on the website. There were 26 disclosures filed for contracts and 50 disclosures filed for decisions and voting. Additionally, 48 gift waivers were executed and filed and are available on the website.

Subscription alerts have been added to many of the OIG web pages, allowing interested parties to receive auto alerts when new information is added to the website. OIG subscription web pages include Reports, Formal Advisory Opinions, Rulemaking and News Releases, among others.

Financial Disclosure Statements

In 2017, there were 2,029 financial disclosure statements filed for calendar year 2016 by state employees and elected officials across 69 agencies. Indiana law requires all agency heads, all state-elected officials, employees with final purchasing authority, and various other state employees to file an annual financial disclosure statement. These are due by Feb. 1 each year.

Access to Public Records Requests

In 2017, 30 requests under the Access to Public Records Act were received with an average response time of 3.16 days.

KEY PERFORMANCE INDICATORS

Informal Advisory Opinions – This KPI measured the number of informal advisory opinions (IAOs) requested. We measured performance against the number of requests, rather than the number of completed opinions, to better measure the cultural mentality among state executive-branch employees. As we have seen the number of requests increase year over year, we believe this is indicative of state-government culture becoming more focused on integrity and compliance with the state ethics code.

2017 Outcome: 396 requested* and 371 issued.

* (Requested includes those withdrawn or not from state executive branch)

Completed Informal Advisory Opinions – This KPI measured average number of days it took OIG staff to provide an IAO. This is a key customer-service metric, measuring good government service. OIG maintained its recent record pace and commitment to serve state employees by quickly completing requests. OIG ethics staff prioritized the issuance of these opinions.

2017 Outcome: Average of 1.4 days to complete an IAO request.

Recommendations – This KPI tracked the number of recommendations made to reduce waste, inefficiency, fraud and improve integrity. To be effective, the OIG needs to do more than just be critical of current processes. It should offer concrete suggestions to improve and reform government. Recommendations included everything from avoiding the appearance of conflicts of interest when using contractors, additional training on nepotism rules and improving integrity by following stated policy or changing policy to match practice.

2017 Outcome: In responding to eight cases specific to seven executive-branch state agencies, 20 recommendations were made in 2017. Additionally, two recommendations were published and made generally applicable across all executive-branch agencies regarding special state appointees and an Administrative Law Judge Code of Conduct.

ADVISORY OPINIONS

Informal Advisory Opinions

The number of informal advisory opinion requests has consistently increased every year since 2005. In 2017, the OIG issued 371 IAOs, some addressing multiple issues. There were 396 opinions requested. Some requests were withdrawn before issuance, and some came from local governments or other parties over whom the OIG has no jurisdiction or authority. IAOs cover topics listed below. These often lengthy opinions were delivered to the requestor in an average of 1.4 calendar days. This turnaround time reflects a commitment to our stakeholders, and is also a key performance indicator for the agency.

INFORMAL ADVISORY OPINIONS BY TOPIC	
Gifts	67
Donor Restrictions	15
Honoraria	7
Political Activity	17
Outside Employment/Moonlighting	95
Conflicts of Interest--Decisions & Voting	164
Conflicts of Interest -- Contracts	27
Additional Compensation	16
Bribery	1
Benefitting from Confidential Information	111
Divulging Confidential Information	111
Use of State Property	110
Ghost Employment	100
Post-Employment Restrictions	86
Nepotism	18
Other	32

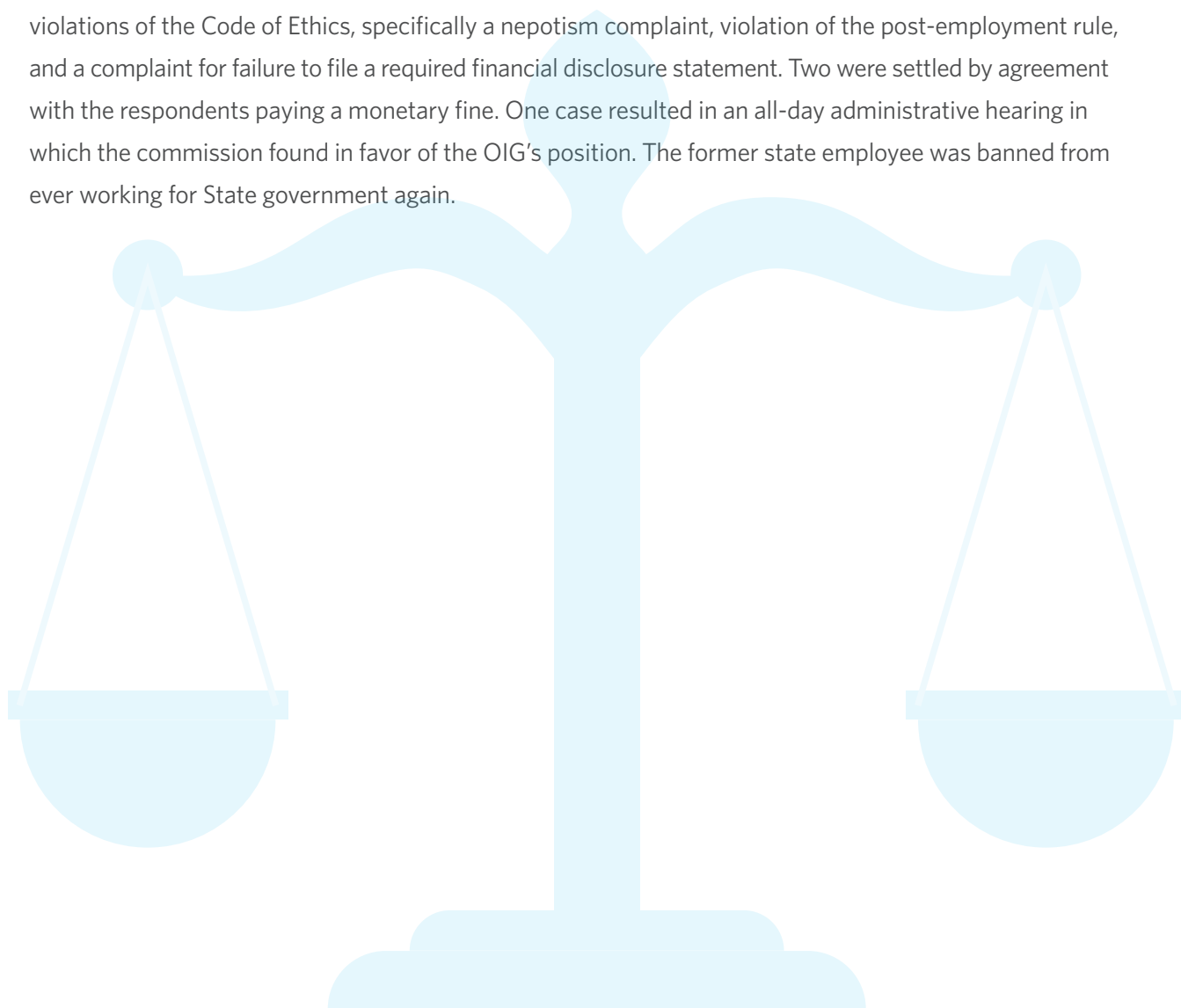
Formal Advisory Opinions

The State Ethics Commission (SEC) is the ultimate authority in interpreting the Code of Ethics. Those interpretations are issued in the form of formal advisory opinions at monthly commission meetings. Unlike informal advisory opinions, formal advisory opinions are public and are posted on the OIG website at www.in.gov/ig/2338.htm. The commission receives evidence and issues a detailed legal opinion for each request that it receives.

In 2017, the SEC met eight times throughout the year, receiving and issuing 14 formal advisory opinions, some addressing multiple issues. It also heard and approved 13 post-employment waivers signed by agency heads. These are available on the OIG website.

Three policies were approved by the commission, including a policy allowing commission members to attend some meetings electronically rather than in person. Agency-specific policies governing use of state property were also reviewed and approved.

Finally, the OIG brought three complaints against individuals before the SEC. All were allegations of violations of the Code of Ethics, specifically a nepotism complaint, violation of the post-employment rule, and a complaint for failure to file a required financial disclosure statement. Two were settled by agreement with the respondents paying a monetary fine. One case resulted in an all-day administrative hearing in which the commission found in favor of the OIG's position. The former state employee was banned from ever working for State government again.



ENFORCEMENT

In 2017, the OIG received a total of 297 requests to investigate alleged misconduct or wrongdoing. The OIG's online hotline provides an avenue where anyone can report an alleged wrongdoing to the OIG. The reporting party can choose to identify themselves or remain anonymous. The OIG also receives complaints via mail, walk-ins or agency referrals.

The subjects of complaints the OIG receives vary greatly. Each hotline is screened carefully and can be assigned for investigation, closed for insufficient cause, or referred to another entity if the report involves a matter that is outside the jurisdiction of the OIG. The jurisdiction of the OIG is limited to violations of the Code of Ethics, criminal allegations, mismanagement, abuse in executive branch agencies, and to a limited extent, those entities with or seeking a business relationship with an agency.

The agency opened 54 cases in 2017 for investigation. The disposition of all 297 cases are reflected on the chart below:

Requests to Investigate Disposition

170 Declined for no jurisdiction	30 Declined to exercise jurisdiction	38 Closed for insufficient cause	17 Referred to an agency	4 Miscellaneous
2 Merged with other cases	6 Efficiency report issued	1 Referred to prosecutor	1 Ethics adjudication resulted	28 Remain open and under investigation

The agency completed its investigation and closed 70 cases in 2017. These cases were overwhelmingly initiated in 2016 or 2017, but included investigations opened in previous years. This number of closed cases also reflects some of the 297 cases opened in 2017. Twenty-five of these final reports are posted on the OIG website www.in.gov/ig/2329.htm for public review.

In 2017, the Lake County prosecutor filed charges against six individuals who were each charged with one count of felony theft for double billing the Indiana Department of Child Services for services to families and children. These charges were determined after OIG special agents conducted an extensive investigation. At the time this report was published, three defendants had pleaded guilty and made full restitution, two defendants had guilty pleas scheduled in the near future, and one defendant remained set for trial.

RECOVERIES

The OIG collects and tracks payments of fines issued by the State Ethics Commission and restitution orders resulting from OIG criminal investigations. The number of dollars recovered on or from OIG investigations significantly increased in 2017. The chart below contains information related to cases in which criminal defendants or SEC respondents paid restitution or a civil fine during 2017.

**Please note that the restitution orders, in some cases, were issued before 2017.*

TYPE	TOTAL PENALTY ASSESSED	AMOUNT COLLECTED IN 2017
Restitution	\$79,489.00	\$495.00
Restitution	\$20,160.00	\$800.00
Restitution	\$1,646.00	\$1,646.00
Restitution	\$26,625.40	\$6,500.00
Restitution	\$3,500.00	\$1,160.00
Restitution	\$15,000.00	\$525.00
Restitution	\$2,437.50	\$2,437.50
Restitution	\$318.33	\$318.33
Restitution	\$11,002.10	\$11,002.10
Restitution	\$8,557.89	\$8,557.89
Restitution	\$12,402.40	\$100.00
Restitution	\$24,805.00	\$50.00
Restitution	\$44,890.00	\$80.00
SEC Civil Penalty	\$2,500.00	\$500.00
SEC Civil Penalty	\$1,270.74	\$872.00
SEC Civil Penalty	\$750.00	\$750.00
SEC Civil Penalty	\$2,000.00	\$2,000.00
Totals	\$257,354.36	\$37,793.82

In addition, the work of the OIG also impacts how the State does business. Those impacts can include recommendations that result in improved policies, improved compliance with existing policies, or termination of employees or vendors that do not adhere to state statutes or policies. These actions can deliver monetary results through better compliance, efficiencies, and reduced fraud and loss of taxpayer dollars.

GOVERNOR ERIC J. HOLCOMB



Eric Holcomb is the 51st governor of Indiana. A lifelong Hoosier, Gov. Holcomb is a veteran of the United States Navy, served as the state's 51st Lt. Governor, was a trusted advisor to both Governor Mitch Daniels and Senator Dan Coats, and was a former state chairman of the Indiana Republican Party. He was elected governor in November 2016, following an unprecedented 106-day campaign and was sworn in on January 9, 2017.

He has allowed the Inspector General to operate independently. Governor Holcomb's fifth pillar of his Next Level Agenda - to deliver great government service at great taxpayer value - is advanced by the work of the Inspector General.

OIG