



ANNUAL REPORT

OIG
2018

OFFICE OF THE INSPECTOR GENERAL

LORI A. TORRES
INSPECTOR GENERAL

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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**

The year 2018 was a productive one for the Inspector General's office as we continued our work in advising and guiding state agencies, state employees, special state appointees and elected state officials. We oversaw several high-profile investigations and strove to provide clarity and transparency into challenging matters.

As always, our goal is to work in a non-partisan, non-biased and independent way that, above everything, allows the public to trust our outcomes and decision making. Even when we find agency actors that bring discredit to state government, we will always strive to provide transparency. Allowing the public to view our work consistently will ensure that we work with integrity.

While this report allows the legislative council, agencies and the public to see a summary of our work all in one place, we make a quarterly metrics report to the State Ethics Commission, and the report can be found in the State Ethics Commission packet under the Meeting tab on our website. In addition, we post reports that summarize most of our investigations on our website under the Reports tab, which is organized by year.

So much credit is owed to those visionaries that were willing to create this agency, knowing that the scrutiny of this office shows no favor nor bias in the event of a lapse in judgment or other mistake by those privileged with the responsibility of governing our state.

Thank you for the opportunity to present this Annual Report for calendar year 2018. It is both my and our entire agency's honor to carry out these duties for the benefit of all Hoosier citizens.



Respectfully,

A handwritten signature in black ink that reads "Lori Torres".

Lori A. Torres
Indiana Inspector General

office of the INSPECTOR GENERAL



The Inspector General (OIG) 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 and properly training and advising state employees, special state appointees and state elected officials 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, interview witnesses, serve warrants and examine records, contracts, reports and other documents.

They also coordinate and assist other agencies with investigations when requested. The attorneys file and prosecute ethics complaints before the State Ethics Commission, assist the agents with legal advice, prepare legal documents 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.

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The attorneys also spend hundreds of hours each year advising individual state employees to ensure that they comply with the Code of Ethics. State employees and state-elected officers file Financial Disclosure Statements, when required by statute, with the Inspector General. These statements are available to the public upon request. The OIG also provides support staff to 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, the OIG makes final reports available to the public on the agency website at www.in.gov/ig/2329.htm.

The budget of the OIG for FY2018-2019 is \$1,047,059. 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 OIG.

Indiana state ethics COMMISSION MEMBERS

The State 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 during which it issues advisory opinions and hears 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 Joe Kernan in 2004, and was reappointed by Governors Daniels, Pence and Holcomb. He was appointed as chairman in 2012 and served in this capacity until December 2018, when he retired after a long and honorable term. Mr. Clevenger has practiced law since 1978 and is a partner with the law offices of Wyland, Humphrey, Clevenger & Surrisi, LLP in Plymouth, Ind. He received his bachelor of arts degree from Hanover College and his doctorate of jurisprudence from Indiana University.

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

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 worked as St. Vincent Hospital's vice president of development and executive director of the St. Vincent Foundation until her retirement in 2018. Mrs. Gilroy graduated cum laude from DePauw University with a bachelor of science degree and holds a master's degree in public administration from Indiana University.

Priscilla D. Keith was first appointed to a four-year term by Governor Joe 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.

Katherine Noel was appointed to a four-year term by Governor Eric Holcomb in 2018. Ms. Noel owns her own law firm, Noel Law, in Kokomo, Ind. She received her bachelor of arts degree from Franklin College and her doctorate of jurisprudence from Indiana University Maurer School of Law. Prior to her appointment, she previously served on the State Employees Appeals Commission for six years.

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. The last statewide training was in 2017; hence 2018 was not a refresher training year. In 2018, 8,024 new employees and special state appointees completed the online training module.

Legal & Ethics Conference

The OIG hosted the 11th Annual Legal & Ethics Conference on November 13, 2018. The conference was held at the Indiana Government Center's Conference Center with 204 state employees in attendance. The OIG geared the conference toward state-agency ethics officers and attorneys.

Speakers included Inspector General Lori Torres; Fr. Dave Link, Volunteer Chaplain for the six Northern Indiana prisons, dean and professor emeritus of law, University of Notre Dame Law School; Joe Hoage, general counsel, Indiana Bureau of Motor Vehicles; Rich Bramer, chief legal counsel, Indiana Office of Attorney General; Chris Cotterill, chief operating officer,

Indiana Economic Development Corporation; and the following staff from the OIG: Jennifer Cooper, state ethics director; Tiffany Mulligan, chief legal counsel; Kelly Elliott, staff attorney; and Heidi Adair, staff attorney.

This year Inspector General Torres presented the Inspector General's Award for Excellence to two state ethics officers: Latosha Higgins, managing attorney and ethics officer for the Indiana Family and Social Services Administration, and Deana Smith, attorney and ethics officer for the Indiana State Department of Health.

Auditors & Investigators Conference

For the first time in several years, the OIG resurrected and hosted an educational conference just for state agency auditors and investigators. The OIG hosted the event at the Indiana State Library on June 5, 2018. More than 200 state employees registered to attend. Speakers included Brian Bunner, first sergeant, Indiana State Police; Paul Joyce, CPA, state examiner; Darrell Boehmer, director of investigations; and Mark Mitchell, assistant director of investigations, both from the OIG.



PRESENTATIONS

In addition to the online ethics training program, the **OIG** provides **in-person training sessions on a regular basis**. In 2018, the **OIG** delivered **17 training presentations to more than 2,000 people throughout Indiana**. The participants varied and included members of the executive branch of state government, law enforcement officials, federal employees and active duty officers, foreign officials, local government officials and staff, private citizens and lawyers that do business with the State.

Indiana Civil Rights Commission/Native American Indian Affairs Commission	Indianapolis
Ball State University's Bowen Institute	Indianapolis
Indiana Commission on Hispanic and Latino Affairs	Indianapolis
American Society of Military Comptrollers and Association of Government Accountants - Spring Meeting	Fishers
Indiana League of Municipal Clerks and Treasurers (ILMCT)	South Bend
Auditors & Investigators Conference	Indianapolis
Indiana State Board of Accounts	Indianapolis
Indiana Attorney General's Contract Seminar	Indianapolis
Delegation from Vietnam Academy of Politics	Indianapolis
Hoosier Lottery	Indianapolis
Central Indiana Chapter of Association of Government Accountants	Indianapolis
Indiana Department of Insurance	Indianapolis
American Society of Military Comptrollers and Association of Government Accountants - Fall Meeting	Indianapolis
Legal & Ethics Conference	Indianapolis
Indiana State Police	Plainfield
BGD Legislative Conference	Indianapolis
Indiana Civil Rights Commission Employee Retreat	Indianapolis

TRANSPARENCY

The following outlines the breadth of accomplishments the OIG achieved in 2018. Each performance objective (right column) and its outcome is listed below the respective key performance indicator (KPI).

Website

The agency website allows the public to view State Ethics Commission agendas, meeting packets and meeting minutes online. All formal opinions appear on the website by date and can be researched by key word or applicable rule. Summaries accompany all formal opinions since 2017. Final IG reports are published where consistent with the public interest and after considering the need for confidentiality.

All filed disclosure statements for conflicts of interests can be found on our website. The OIG received 17 disclosures filed for contracts and 67 disclosures filed for decisions and voting. Additionally, state agencies executed and filed 36 gift waivers and six post-employment waivers, all of which are available on our website.

The OIG has added subscription alerts 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, Meeting Information, Formal Advisory Opinions, Rulemaking and News Releases, among others.

Financial Disclosure Statements

In 2018, the OIG received 2,120 financial disclosure statements filed for calendar year 2017 from 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 February 1 each year. The disclosure statements of all seven state-wide executive branch officers are available on the OIG website.

Access to Public Records Requests

In 2018, the OIG received 24 requests for records pursuant to the Access to Public Records Act with an average response time of 4.87 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 Code of Ethics.

KPI 2018 Outcome: 363 requested* and 321 issued.
**(Requested includes those withdrawn or not coming from the 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 serving state employees by quickly completing requests. OIG ethics staff prioritize the issuance of these opinions.

KPI 2018 Outcome: Average of 1.2 business 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.

KPI 2018 Outcome: The OIG made 38 recommendations in 16 different reports in 2018, and addressed recommendations to nine different agencies in 14 public and two confidential reports. The recommendations range from precautions against putting state employees on "advisory boards" of vendor companies, to strengthening time reporting systems and policies, to requiring only direct supervisors be allowed to approve contractor time submissions so as to guard against improper time entries by temporary employees. Several recommendations applied across the board to all agencies.

informal advisory OPINIONS

Thousands of state employees, special state appointees, state officers and persons with a business relationship with the State have sought and relied on the advice our office’s attorneys provide through informal advisory opinions since the OIG’s inception in 2005. In 2018, the OIG issued 321 IAOs, some addressing multiple issues. **The OIG received 363 requests for opinions.**

Some requests are withdrawn before issuance, but many of the withdrawn requests came from local governments or other parties over whom the OIG has no jurisdiction or authority. IAOs cover the topics listed below. The OIG delivered these often-lengthy opinions to the requestor in an average of 1.2 business days. This turnaround time reflects a commitment to our stakeholders and is also a key performance indicator for the agency.

Despite the fact that many IAOs implicate multiple rules, the top three requests generally are about post-employment, outside employment and gifts.

IAOs are exempt from the Access to Public Records Act as deliberative interagency communications. The OIG does not confirm or deny whether a person sought or received an IAO, and an IAO is not shared with anyone but the requestor.

INFORMAL ADVISORY OPINIONS BY TOPIC

Gifts	73
Donor Restrictions	18
Honoraria	5
Political Activity	26
Outside Employment	94
Conflicts of Interests – Decisions & Voting	155
Conflicts of Interests – Contracts	36
Additional Compensation	14
Benefitting from Confidential Information	90
Divulging Confidential Information	90
Use of State Property	105
Ghost Employment	101
Post-Employment	73
Nepotism	9
Other	28

formal advisory OPINIONS

The State Ethics Commission 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 State Ethics Commission receives evidence under oath and issues a detailed legal opinion for each request that it receives. As the ultimate authority on the interpretation of the Code of Ethics, its interpretation cannot be appealed, and there is no judicial review. There is a provision for clarification or reconsideration if brought to the State Ethics Commission within 15 days of receipt of the formal advisory opinion.

In 2018, the State Ethics Commission met 10 times, received 20 requests and issued 18 formal advisory opinions, some addressing multiple issues. It also heard and approved six post-employment waivers signed by agency heads. These are available on the OIG website.

The State Ethics Commission also reviewed and approved one agency-specific policy governing use of state property.



ENFORCEMENT

190

Declined for no jurisdiction

53

Declined to exercise jurisdiction

28

Closed for insufficient cause

26

Referred to an agency

1

Miscellaneous

3

Merged with other cases

6

Efficiency report issued

4

Referred to prosecutor

0

Ethics adjudication resulted

30

Remain open and under investigation

In 2018, the OIG received a total of 341 requests to investigate alleged misconduct or wrongdoing. The OIG's online hotline provides an avenue where anyone can report alleged wrongdoing to our office. The reporting parties can choose to identify themselves or remain anonymous. The OIG also receives complaints via mail, phone, walk-ins or agency referrals.

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

The agency opened 65 cases in 2018 for investigation. The disposition of all 341 investigation requests as of December 31, 2018 are reflected in the left hand column.

In 2018 the agency opened 65 cases for investigation.

The agency completed investigations and closed 52 cases in 2018. These cases were overwhelmingly initiated in 2017 or 2018 but included investigations opened in previous years. This number of closed cases also reflects some of the 341 complaints received in 2018. Thirty-eight of these final reports are posted on our website www.in.gov/ig/2329.htm for public review.

In 2018, all of the remaining defendants previously charged by the Lake County prosecutor with felony theft for double billing the Indiana Department of Child Services for services to families and children pled guilty and are subject to orders of restitution. Other criminal charges filed by the Marion County prosecutor against five different individuals include charges for felony theft, forgery, perjury and dealing in a schedule III controlled substance between 1 and 5 grams. The Cass County prosecutor filed misdemeanor battery charges against a former employee, who pled guilty.

Finally, the OIG brought two complaints against individuals before the State Ethics Commission in 2018. Both included violations of the post-employment rule. Both complaints were settled in favor of the OIG's position and both individuals paid monetary fines.

RECOVERIES

The OIG collects and tracks payments of fines issued by the State Ethics Commission and restitution orders resulting from OIG criminal investigations. In 2018, the OIG collected \$14,964 in criminal restitution and state-ethics violation penalties.

Criminal restitution is not dischargeable in bankruptcy. The OIG continues collection efforts even when restitution orders are old. In most cases, the criminal court orders any restitution that is unpaid at the time of discharge from probation to be reduced to a judgment in favor of the State of Indiana, payable to the OIG. In 2018, the OIG made a concerted effort to collect on older unpaid judgments using the Indiana Attorney

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General's office. While this effort did not significantly increase the amount collected, a number of payments were made by the former employees. As most are now convicted felons, payment potential is not usually very high.

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, Governor Holcomb is a veteran of the United States Navy, served as the state's 51st Lieutenant 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.

Governor Holcomb's fifth pillar of his Next Level Agenda - to deliver great government services at great taxpayer value - is advanced by the work of the Indiana Office of Inspector General.

OIG