



2015 BIENNIAL REPORT
KENTUCKY OFFICE OF THE ATTORNEY GENERAL

Jack Conway
Attorney General

Letter from Attorney General Conway



Dear Governor Beshear,

I am pleased to present to you, the legislature, and my fellow Kentuckians, the following report of the Office of the Attorney General's accomplishments for the biennium July 1, 2013 to June 30, 2015.

My service for two terms as the 49th Attorney General for the Commonwealth of Kentucky has been an honor and one of the most rewarding experiences of my professional life. Despite unprecedented budget cuts, we have not only maintained the mission critical functions of this office, we have implemented new initiatives that reflect my commitment to standing up for Kentucky families.

During this biennium, my Cybercrimes Unit seized more than 335,000 child porn images and videos from the Internet, opened 135 new cases and examined more than 1,900 removable devices and hard drives. We are making the Internet a safer place for Kentucky kids, assisting local law enforcement in processing vital digital and computer evidence, and decreasing the backlog of evidence.

This biennium we also secured \$32 million in settlements from two pharmaceutical companies that misled consumers. The judge ordered the settlements must be used to expand drug treatment in Kentucky. Those funds helped finish construction of a Recovery Kentucky Center near Ashland, kept open three treatment centers for pregnant or parenting mothers, provided scholarships to Recovery Kentucky Centers, created transitional housing for those completing treatment and expanded juvenile treatment in every region of Kentucky through the KY Kids Recovery grant program administered by the Substance Abuse Treatment Advisory Committee.

Through my Keep Kentucky Kids Safe public awareness program, we've alerted more than 50,000 students, teachers and parents across the Commonwealth about the dangers of abusing prescription drugs. We also launched a scholarship program this biennium to provide financial assistance to high school seniors whose families have been negatively impacted by prescription drug abuse. And we continued our public service announcement contest for high school students to help educate Kentuckians about the dangers of prescription drug abuse.

As your Attorney General and the state's chief consumer protection advocate, keeping consumers safe from scams and deceptive business practices is one of my top priorities. I have continued investigations into the questionable business practices of some of Kentucky's for-profit colleges, filed an anti-trust lawsuit against Marathon Oil for allegedly abusing its wholesale gasoline monopoly resulting in higher prices for consumers at the pump, recovered \$23 million for the Kentucky Retirement System from Bank of America, and created an online consumer protection toolkit for Kentucky veterans.

My Medicaid Fraud Unit has recovered more than \$300 million, including nearly \$70 million during this biennium, for the Medicaid Program and for Kentucky taxpayers. My Office of Rate Intervention has helped consumers avoid more than \$1 billion in proposed utility rate increases since 2008.

This biennium my office settled the Tobacco Master Settlement Agreement case, which secured our payments going forward and netted \$57 million more than the state had budgeted for over the next three years.

Of course, I could not have achieved these and many other initiatives without the unwavering dedication of my staff. I would also like to thank Kentucky parents and local law enforcement whose input helped shaped my agenda as Attorney General, as well Governor Beshear and the members of the General Assembly who have been steadfast partners in our efforts to make Kentucky a safer place to live, work and raise a family.

A handwritten signature in black ink, appearing to read "Jack Conway". The signature is fluid and cursive, with a large loop at the end of the last name.

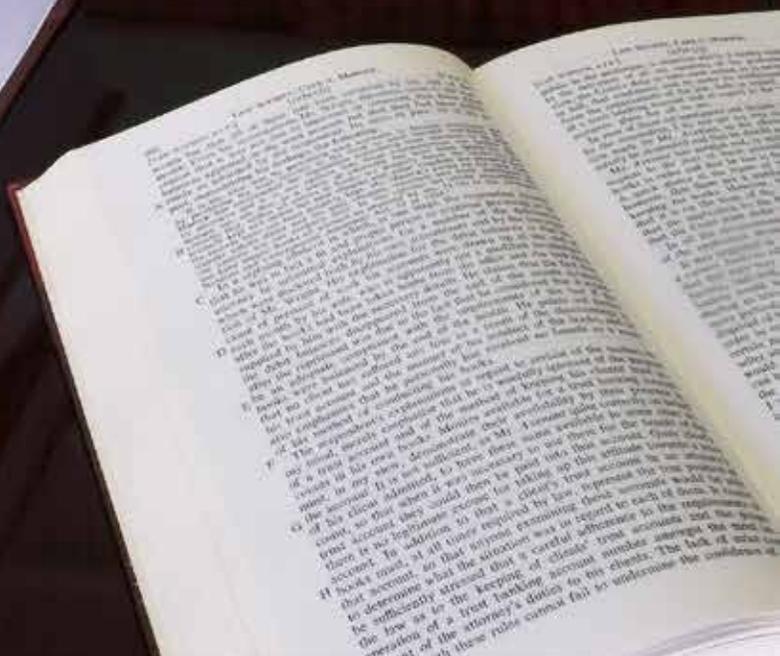
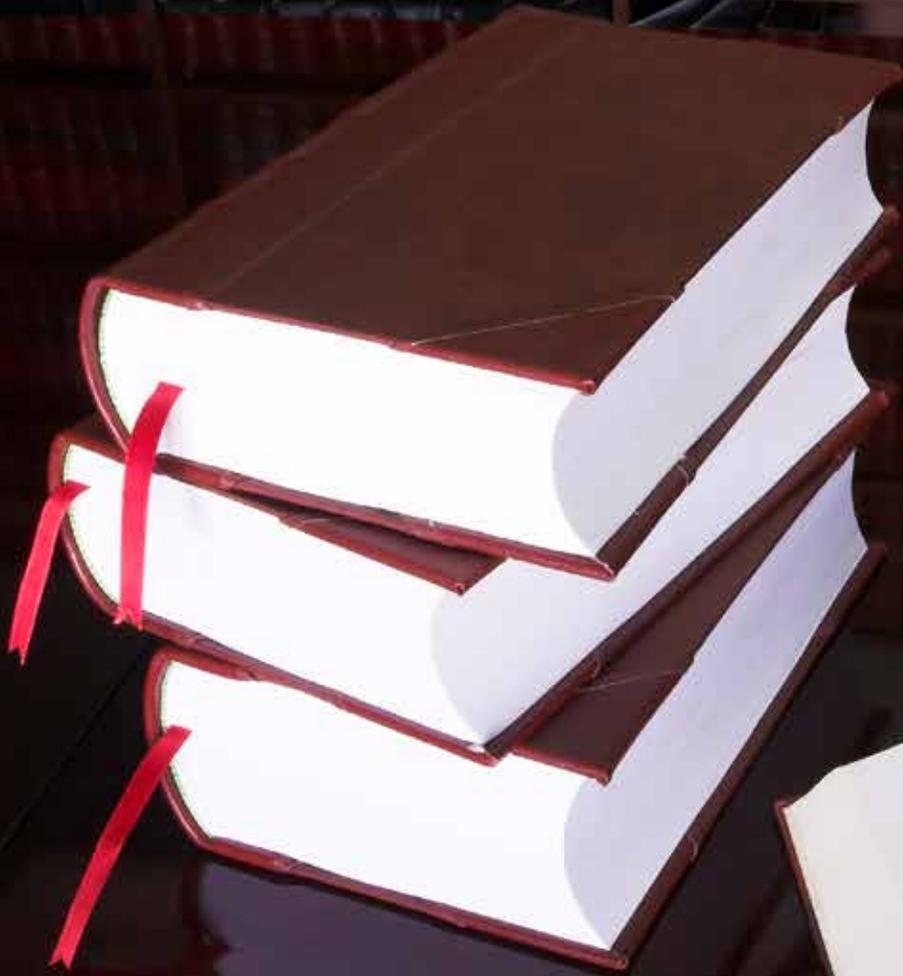
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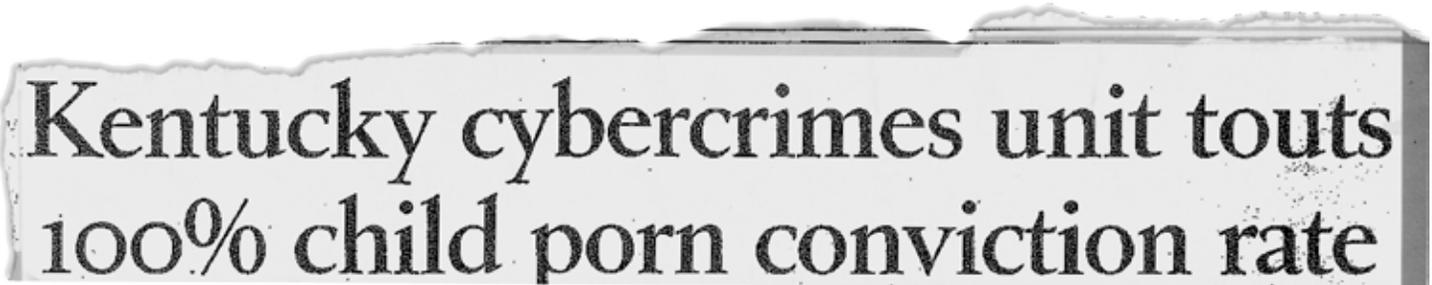
Biennial Accomplishments at a Glance



Despite unprecedented budget cuts, Attorney General Jack Conway and the Office of the Attorney General have worked diligently to help make Kentucky a safer place to live, work and raise a family. The following are highlights of the many accomplishments during this biennium.

Department of Criminal Investigations / Cybercrimes & Cybersafety

- ▶ Created in 2008, the Cybercrimes Unit marked its seventh anniversary in 2015.
- ▶ Seized more than 335,000 child porn images and videos from the Internet during the biennium - nearly three times as many images as the previous biennium. The total number seized since 2008 is 749,000.



- ▶ Opened 135 child porn investigations and examined more than 1,900 hard drives and removable devices this biennium. Since 2008, 530 investigations and 1,474 hard drives have been examined.
- ▶ Performed forensic analysis in the Pappy Van Winkle bourbon heist case.
- ▶ Investigated and filed charges in multiple public corruption cases.

Drug Diversion

- ▶ Opened 45 cases and closed 241.
- ▶ Executed 24 search warrants, received five indictments and made 33 arrests.
- ▶ Launched investigations into some unethical DEA registrants who have diverted pharmaceutical drugs to the illicit market.
- ▶ Since 2010, General Conway's Keep Kentucky Kids Safe drug abuse prevention message has been shared with more than 50,000 students, teachers and parents across the Commonwealth.
- ▶ Participated in the DEA Task Force.
- ▶ Crafted and passed heroin legislation to address the resurgence of the drug in Kentucky.



Consumer Protection

- ▶ Worked with Governor Beshear and the Substance Abuse Treatment Advisory Committee (SATAC) to utilize \$32 million in settlement proceeds from pharmaceutical companies to fight the scourge of prescription drug abuse and the increasing problem of heroin addiction in the Commonwealth. SATAC created the KY Kids Recovery grant program to expand juvenile treatment programs throughout the Commonwealth. It also provided Naloxone Rescue Kits to emergency rooms in Kentucky.
- ▶ Continued an investigation into the questionable business practices of some of Kentucky's for-profit colleges
- ▶ Worked with the U.S. Department of Justice to settle claims with Bank of America and recovered more than \$23 million for the Kentucky Retirement Systems (KRS).



- Reached “mobile cramming” settlements with Verizon, Sprint, AT&T Mobility and T-Mobile totaling approximately \$352 million nationally. Restitution is estimated to be about \$4 million for Kentucky customers and \$764,000 for reimbursement of the Attorney General’s costs of investigation and payment to the general fund.
- Reached settlement with Sirius XM Radio resolving allegations that the company engaged in misleading advertising and billing practices.
- Reached settlement with Google totalling \$17 million — \$245,000 for Kentucky. Google was circumventing Safari web browser users’ privacy settings, which enabled advertising firms to place cookies on consumers’ browsers without their knowledge or consent. Google agreed to change its service, to restore consumers’ privacy.
- Worked with the Federal Trade Commission and Illinois and North Carolina attorneys general to recover \$7.75 million in relief on behalf of consumers following a settlement with Fortune High-Tech Marketing, a Kentucky-based pyramid scheme.



- Obtained \$92 million in debt relief for service members through a multistate settlement with Rome Finance, which targeted military service members for predatory consumer lending practices. More than \$1.2 million in debt relief went to Kentucky service members.
- Launched an online toolkit for veterans.
- Received more than 5,000 complaints from consumers and fielded more than 8,300 calls, helping consumers resolve disputes with businesses and counseling consumers on steps they can take to protect themselves from unscrupulous businesses.
- Recovered more than \$610,000 for consumers through mediating consumer complaints.

Medicaid Fraud and Abuse

- Recovered more than \$300 million, including more than \$70 million during this biennium. Money returned to the Medicaid program and Kentucky taxpayers.
- Participated in civil actions and lawsuits against many of the nation’s biggest pharmaceutical manufacturers and other healthcare providers; including Endo Pharma, Extendicare, Wyeth Pharmaceuticals, Shire, Carefusion and Organon, alleging they defrauded the Medicaid program and consumers. These actions led to significant civil settlements during the biennium.
- General Conway has initiated more abuse and neglect cases than any previous Attorney General. More than 100 fraud investigations were initiated during this biennium.
- The nonprofit watchdog Public Citizen named General Conway’s Medicaid Fraud & Abuse Control Unit one of the most aggressive units in the country.



Civil Cases

- ▶ Filed an antitrust lawsuit against Marathon Petroleum in U.S. District Court in Louisville in May of 2015 alleging that Marathon engages in anti-competitive practices that lead to higher gas prices for consumers across Kentucky. The lawsuit alleges that Marathon violated state and federal antitrust laws by abusing the monopoly created when Marathon entered into a joint venture with Ashland Oil in 1998.
- ▶ Continued litigation against MERS for violating Kentucky's Consumer Protection Act. On December 3, 2013, the court determined that Attorney General Conway had properly alleged violations of the Consumer Protection Act.
- ▶ Continued to enforce \$26 million repayment obligations for 2011 Passport insurance program settlement. These obligations run through 2016.



Keep Kentucky Kids Safe

- ▶ Traveled across the state and continued to warn middle and high school students of the dangers of prescription drugs.
- ▶ Continued the Keep Kentucky Kids Safe Video PSA video contest.
- ▶ Started the Sarah Shay and Michael Donta Memorial Scholarships for Hope and Healing.



L-R: Attorney General Conway with the 2014 recipients of the Sarah Shay and Michael Donta Memorial Scholarship for Hope and Healing, Josh Hollan and Kimberly Barrett

Prosecutors Advisory Council

- ▶ Conducted prosecutor training in DUI and vehicular homicide cases aimed at combating drunken driving and protecting the public safety.

Office of Rate Intervention

- ▶ Since 2008, Attorney General Conway's ORI has helped Kentucky consumers avoid more than \$1.3 billion in proposed utility rate increases. During this biennium, the costs avoided from rate cases in which ORI participated totaled \$234 million.
- ▶ During this biennium, ORI joined three lawsuits challenging the authority of the EPA to write regulations that hurt Kentucky ratepayers, farmers and families who work in the coal industry.



Senior Staff



Sean Riley, Deputy Attorney General

General Conway announced the appointment of Sean Riley as his Chief Deputy Attorney General in June of 2012. As the top appointed position in the Office of the Attorney General, Riley advises General Conway on matters of policy, legislation, and the budget, oversees the day-to-day operations of the office, and helps execute General Conway's priorities and vision for the office.

Prior to his role as Chief Deputy Attorney General, Riley worked as an Assistant Attorney General in the office's Medicaid Fraud Control Unit prosecuting health care fraud in the state's Medicaid system and also served as the director of the office's Civil & Environmental Law Division.

Riley joined the Attorney General's office from Nixon Peabody LLP where he worked in the firm's White Collar Crime and Government Investigations Group. He is a graduate of Duke University and received his law degree from Columbia University.



Mitchel Denham, Assistant Deputy Attorney General

Attorney General Conway appointed Mitchel Denham Assistant Deputy Attorney General overseeing the criminal divisions of the Office of the Attorney General in May of 2011. In this role, Denham manages numerous divisions within the office; including Criminal Appeals, Special Prosecutions, Victims Advocacy, the Department of Criminal Investigations and the Office of Medicaid Fraud and Abuse Control. Mitchel also serves as Attorney General Conway's designee on the KASPER Advisory Council and the Recovery Kentucky Task Force and handles a multitude of legal matters, including complex civil and criminal litigations.



Prior to his appointment as an Assistant Deputy, Mitchel served as the Executive Director of the Attorney General's Office of Medicaid Fraud & Abuse Control where, in addition to his duties as director, he took an active role in the investigation and prosecution of fraud and elder abuse cases.

Prior to his service at the Attorney General's Office, Mitchel worked as a staff attorney for Jefferson Circuit Court and served as an Assistant Commonwealth's Attorney in Jefferson County. Mitchel is a native of Maysville, Ky. and a graduate of Centre College in Danville, Ky. where he received his B.S. in Economics. He graduated from the University Of Kentucky College Of Law in 2003. He is a Trustee of the Louisville Children's Hospital Foundation.

Robyn Bender, Assistant Deputy Attorney General

Attorney General Conway appointed Robyn R. Bender as Assistant Deputy Attorney General overseeing the civil divisions and ethics issues in July of 2012. In this role, Bender manages several divisions including Consumer Protection, Office of Rate Intervention and Civil and Environmental Litigation.

Before she was appointed Assistant Deputy Attorney General, Bender served as the director of the Attorney General's Office of Medicaid Fraud and Abuse where, in addition to her duties as director, she focused on civil pharmaceutical fraud cases.

Prior to joining the Attorney General's Office, Robyn was Senior Counsel in the Enforcement Division of the Securities and Exchange Commission in Washington,



DC, where she investigated and litigated accounting fraud, insider trading and market manipulation cases. For several years prior to her government service, Bender was an associate at a Washington, DC law firm, where her practice focused on complex civil litigation. Bender received her BA in History from Duke University and her JD from the Georgetown University Law Center.

Allison Gardner Martin, Assistant Deputy Attorney General & Communications Director



Allison Gardner Martin is the Assistant Deputy Attorney General for Administration overseeing the daily operations of the front office and Administrative Services. She also continues to serve as General Conway's Communications Director.

Prior to joining the Attorney General's staff in 2008, Martin served as Deputy Communications Director for Louisville Metro Mayor Jerry Abramson. She also worked as a television reporter and anchor for WBKOTV in Bowling Green and WLKY-TV in Louisville.

Martin, a native of Barren County, received her journalism degree from Northwestern University in Evanston, IL. She lives in Louisville with her husband and two children.





Mitchel Denham with the 2014 Outstanding Commonwealth's and County Attorneys. Clockwise from top-left: Edison Banks, Commonwealth's Attorney for the 47th Judicial Circuit; Chris Cohron, Commonwealth's Attorney for the 8th Judicial Circuit; Christian County Attorney Mike Foster; and Adair County Attorney Jennifer Hutchison-Corbin.

Attorney General Conway with members of the 2014 Summer Internship program at the Office of the Attorney General



Office of Consumer Protection



The Office of Consumer Protection enforces the Kentucky Consumer Protection Act to safeguard the state's consumers and combat unethical business practices. The office also counsels consumers regarding inquiries and complaints, issues consumer alerts, and delivers consumer education presentations across the Commonwealth on issues such as cybersafety, identity theft prevention and educating seniors on how to avoid becoming victims of scams.

During this biennium, the Office of Consumer Protection handled more than 5,000 consumer complaints and inquiries on everything from possible price-gouging at the pumps to scams that target Kentucky consumers. Attorney General Conway is pleased to report that his Office of Consumer Protection recovered more than \$63 million during this biennium for Kentucky consumers and taxpayers through dispute resolution services and litigation.

Pharmaceutical Litigation - Combatting Prescription Drug & Heroin Addiction

This biennium, the Attorney General continued to fight for consumers by vigorously pursuing pharmaceutical companies that failed to disclose health risks or overstated benefits of medications.

In 2013, Attorney General Conway reached a \$25 million settlement with pharmaceutical giant Merck. The lawsuit alleged that Merck withheld clinically relevant information regarding the cardiovascular risks of Vioxx (which was ultimately withdrawn from the market) from consumers and health care providers in Kentucky, while engaging in the largest direct-to-consumer advertising campaign of any pharma manufacturer.

Attorney General Conway also reached a \$15 million settlement with GlaxoSmithKline (GSK) over deceptive marketing of the diabetes drug Avandia.

Settlement against drug firms must fund Ky. drug treatment

Working with Governor Beshear and the Substance Abuse Treatment Advisory Committee (SATAC), the Office of Attorney General utilized the Merck and GSK settlements to expand drug treatment in Kentucky. The court ordered that the settlements be used to improve public health in the Commonwealth of Kentucky.

SATAC created the KY Kids Recovery grant program to expand juvenile treatment programs in every region of Kentucky to provide all aspects of evidence-based, substance abuse services for adolescents; including prevention, outpatient counseling, intensive outpatient and residential services. The settlement proceeds also provide \$500,000 to complete construction of a Recovery Kentucky center in Carter County, \$2.5 million for almost 900 scholarships to Recovery Kentucky centers, and \$560,000 to create 14 drug-free homes for people completing and transitioning out of residential substance abuse treatment programs.

KY Kids Recovery Grants

The following entities are receiving funds from the settlement:

- ▶ \$6 million to administer and upgrade KASPER, Kentucky's electronic prescription drug monitoring program.
- ▶ \$1 million to support substance abuse treatment for pregnant women by Chrysalis House in Lexington and Independence House in Corbin.
- ▶ \$1.5 million to the University of Kentucky to develop best practices for adolescent substance abuse treatment providers.
- ▶ \$1 million to develop a school-based substance abuse screening tool with the Kentucky Department of Education to intervene with at-risk children before they enter judicial or social services systems.
- ▶ \$250,000 to evaluate outcomes of adolescent treatment.

Finally, settlement proceeds are also being used by SATAC to provide Naloxone Rescue Kits to emergency rooms with the highest treatment rates of opiate overdoses.



Other Pharmaceutical Settlements

In addition, Attorney General Conway recovered \$1.7 million from GSK after investigating and settling a multistate lawsuit based on the deceptive marketing of Advair, Paxil and Wellbutrin.

An investigation of Wyeth (now owned by Pfizer) regarding the deceptive marketing of an anti-rejection transplant drug (Rapamune) resulted in the Commonwealth collecting \$600,000 as part of a multistate settlement.



Attorney General Conway continues to pursue pharmaceutical companies that have engaged in deceptive marketing and has an active case against Janssen for failing to fully disclose the risks of Risperdal; including weight gain, hyperprolactinemia, cerebrovascular and cardiovascular risks, and risk of death in the elderly. Attorney General Conway is also continuing to litigate a case against Purdue Pharma for misleading health care providers and consumers regarding the addiction potential of OxyContin, and he continues to pursue a claim against Bayer for deceptive marketing of the contraceptives Yasmin and Yaz.

Marathon Antitrust Lawsuit



Attorney General Conway filed an antitrust lawsuit in May of 2015 against Marathon Petroleum in U.S. District Court in Louisville alleging that Marathon engages in anti-competitive practices, which leads to higher gas prices for consumers across Kentucky. The lawsuit alleges that Marathon violated state and federal antitrust laws by using contracting practices to perpetuate its monopoly. The Attorney General's investigation identified a series of anticompetitive practices including; requiring independent retailers to sign unlawful supply agreements that eliminate wholesale competition, forming exchange agreements with horizontal competitors that keep other suppliers from entering the Kentucky market, and writing deed restrictions into sales agreements of some properties sold by Marathon. Attorney General Conway's lawsuit follows requests to the United States Federal Trade Commission and Department of Justice to enforce federal antitrust laws. The agencies failed to act in a timely manner.

The Attorney General also continues to pursue price-gouging litigation against Marathon related to alleged violations the company committed during aftermath of Hurricanes Katrina and Rita.

Protecting Veterans

Attorney General Conway continued to make protecting veterans a priority. General Conway and 12 other state attorneys general obtained \$92 million in debt relief for service members from Rome Finance, which targeted service members with predatory consumer lending practices. More than \$1.2 million in debt relief went to Kentucky service members.

AG Conway announces settlement benefiting servicemembers harmed by predatory lending scheme

FRANKFORT — Attorney General Jack Conway along with 12 other state attorneys general announced a settlement providing \$92 million in debt relief they are owed.” Rome Finance, which also targeted service members with predatory consumer lending practices. More than \$1.2 million in debt relief went to Kentucky service members. The settlement is payment backed by access to a bank account; violations of



Attorney General Conway also continued his work with Consumer Financial Protection Bureau Director of Office of Servicemember Affairs Holly Petraeus. He and Mrs. Petraeus met with Fort Knox soldiers to let them know about their rights during deployment and how to protect their GI Bill benefits. During the event, Attorney General Conway announced an online consumer protection toolkit for veterans that is available on the Office of the Attorney General's website. The toolkit may be found by visiting <http://goo.gl/n8IUBE>.

During this biennium, Attorney General Conway served as the cochairman of the National Association of Attorneys General's Veterans Committee.

Combating Abuse in the For-Profit College Industry

During this biennium, Attorney General Conway continued his investigation into the questionable business practices of some for-profit colleges operating in Kentucky.

In litigation with National College of Kentucky, Attorney General Conway's Office of Consumer Protection was awarded \$147,000 in penalties after arguing that National College violated the Consumer Protection Act in failing to fully respond to the Attorney General's subpoena. National has appealed the ruling.

Attorney General Conway is also leading a national bipartisan effort of 37 states to examine potential abuses within the for-profit college industry. Kentucky, along with 18 other states, issued subpoenas to several of the largest national for-profit education companies, participated in federal regulatory proceedings leading to stronger government oversight of for-profit institutions, and successfully advocated for greater restitution and federal student loan debt relief for students of institutions like Corinthian Colleges, Inc. and the non-profit Mid-Continent University in Kentucky.



Following the close of the biennium, a \$12.4 million settlement with Daymar College and \$195 multistate settlement with Education Management Company, Inc. (EDMC) were reached, providing more than \$16 million in financial relief to Kentucky students. The settlements install a former Tennessee Attorney General (Daymar) and former U.S. Associate Attorney General (EDMC) as compliance monitors and set strict operating standards for both companies going forward that will serve as guidelines for for-profit institutions in terms of appropriate student recruiting and disclosure practices.

Litigation continues between the Office of the Attorney General and National College, Spencerian College, and ITT.

FHTM Settlement

Combining forces with the Federal Trade Commission, and the attorneys general of Illinois and North Carolina, Attorney General Conway settled with the operators of the Fortune High Tech Marketing (FHTM), which brought about the closure of the company and required the operators to surrender personal and company assets totaling at least \$7.75 million. FHTM was one of the world's largest pyramid schemes that operated out of Lexington until it closed after Attorney General Conway and government partners obtained a court order requiring the appointment of a receiver to take over the company's operations and prevent further violations of the Consumer Protection Act. The receiver is now in the process of liquidating the assets



of the company, pursuing litigation against other FHTM managers and selling the other individual defendants' assets to fund a consumer restitution program. Details of the restitution program have not yet been announced.

Protecting Cell Phone Users



Addressing numerous complaints about unauthorized charges appearing on consumers' cell phone bills, Attorney General Conway, other state attorneys general, the Federal Trade Commission, Federal Communications Commission and Consumer Financial Protection Bureau announced multi-million dollar settlements and restitution for millions of customers of leading cell phone carriers. Those settlements totaled \$352 million and included Verizon, AT&T, Sprint, Verizon and T Mobile. The settlements resolved allegations that the carriers permitted third party vendors to bill consumers with monthly charges for "premium" text message subscription services such as horoscopes, trivia and sports scores, which the consumers had never requested or authorized. The settlements required the carriers to implement protections to prevent unauthorized charges by requiring consumers' informed consent. The settlements also required restitution of at least \$290 million for unauthorized charges on their cell phones by third party "crammers" utilizing the carriers billing services. Restitution is estimated to be about \$4 million for Kentucky customers through claims processes administered by the carriers and the FTC. The state receives approximately \$933,500 for reimbursement of the Attorney General's costs of investigation and payment to the general fund.

Protecting Satellite Radio Users

Working with attorneys general from 44 other states, Attorney General Conway settled claims alleging Sirius XM Radio Inc. engaged in misleading advertising and billing practices. In December of 2014, a multistate agreement called for Sirius XM to make major changes to its business practices; including clearly disclosing terms and conditions at the point of sale, providing advance notice of automatic renewals and prohibiting financial incentives for customer service representatives based on keeping customers who attempt to cancel their subscription. The Commonwealth of Kentucky received \$65,480 for its participation in the \$3.8 million settlement. Sirius also set-up a restitution program for consumers. Consumers had to apply for restitution by May of 2015.

Recovering Funds for Kentucky Retirement Systems and Providing Relief for Mortgage Borrowers

Working with the U.S. Department of Justice and other state attorneys general, Attorney General Conway settled claims with Bank of America (BOA) and recovered more than \$23 million for the Kentucky Retirement Systems (KRS). BOA agreed to pay \$16 billion nationally. The investigation related to the packaging, marketing, sale, arrangement, structuring and issuance of residential mortgage-backed securities (RMBS), collateralized debt obligations (CDOs) and the bank's practices concerning the underwriting and origination of mortgage loans. The bank acknowledged that it sold billions of dollars of RMBS without disclosing to investors key facts about the quality of the securitized loans. When the RMBS collapsed during the financial crisis, investors, including KRS and other public pension funds, suffered billions of dollars in losses.



The settlement also provided relief to hundreds of thousands of consumers in the form of principal reduction

and loan modifications that result in homeowners no longer being underwater on their mortgages and finally having substantial equity in their homes. BOA will also provide new loans to credit-worthy borrowers struggling to get a loan, donations to assist communities in recovering from the financial crisis, and financing for affordable rental housing.

Protecting Consumer Privacy

Attorney General Conway continued addressing consumer privacy on a number of fronts. Nationally, he participated with other state attorneys general to investigate data breaches and deceptive acts or practices by companies in the handling of consumers' personal information.



Working with 36 other states, he settled with Google over the company's efforts to circumvent Safari web browser's user privacy settings, which enabled an advertising firm to place cookies on consumers' browsers without their knowledge or consent. Google agreed to correct its service to restore consumers' privacy and paid the states \$17 million for their investigative costs, of which Kentucky received almost \$245,000.

Other multistate privacy-related investigations are pending. At the state level, the Attorney General's Office is working with other state agencies to implement HB 5 (2014), which requires agencies to safeguard personal information in their possession and their contractors.

Alerting Kentuckians to Online Scam Artists & Predators

The Office of Consumer Protection conducts extensive education programs across Kentucky designed to help consumers protect themselves in the marketplace and avoid falling victim to con artists. More than 14,900 Kentuckians have attended these programs during the biennium; which include senior crime colleges, student and parent cybersafety programs, and identity theft prevention presentations.

During this biennium, Attorney General Conway continued his commitment to educating Kentucky children and their parents about the dangers that exist online. General Conway and his staff presented multiple cybersafety programs during the biennium at schools across the Commonwealth.



Office of Civil & Environmental Law



The Office of Civil & Environmental Law oversees a number of branches; including Administrative Hearings, the Uninsured Employers' Fund, Opinions, Boards & Agencies, Environmental, and Litigation. These branches have a wide scope of duties from open records decisions to providing general counsel services to state boards and agencies.

Litigation Branch, Boards & Agencies

The Office of the Attorney General's Litigation Branch provides legal representation to state agencies, boards, officers, and employees in administrative hearings, trial courts, and appellate courts, at both the state and federal level. The branch frequently represents state agencies in front of the Personnel Board, the Board of Claims, and in administrative appeals of agency actions. It also provides representation to state officers and employees who are sued for work-related conduct in either their official or individual capacities for civil damages or declaratory or injunctive relief. The branch files civil suits on behalf of state agencies seeking monetary or equitable relief against private parties.

During the time period of July 1, 2013, through June 30, 2015, the Litigation Branch represented 19 government organizations and 9 licensure boards, in addition to handling litigation for the Office of Attorney General. The total number of active civil litigation cases at the end of the biennium was 1,509. For this time period, 267 of those were new Civil Litigation referrals. Of the 267 new cases, 122 were new civil litigation cases and 145 were received from the Cabinet for Health and Family Services for child support establishment, enforcement, and other legal services associated with the State Child Support Program.

In addition to providing representation to state agencies, officers, and employees, the Attorney General, at his discretion, intervenes in civil actions when challenges to the constitutionality of statutes and regulations are raised by parties who are required to notify the Attorney General when they raise such challenges. The office also initiates ouster actions against state and municipal officers who are not eligible to serve in the offices they hold.

The Boards and Agencies Branch currently represents 39 independent licensure boards and provides general counsel services, as well as prosecution of administrative actions, before the boards.

MERS Lawsuit



In January of 2013, as a result of Attorney General Conway's investigation of mortgage foreclosure issues in Kentucky, the Attorney General's office filed a lawsuit in Franklin Circuit Court alleging that MERS violated Kentucky's Consumer Protection Act by committing unfair or deceptive trade practices. The lawsuit alleged that since MERS' creation in 1995, members have avoided paying more than \$2 billion in recording fees nationwide. Hundreds of thousands of Kentucky loans are registered in the MERS system.

Additionally, the lawsuit alleged that MERS violated Kentucky's statute requiring mandatory recording of mortgage assignments, and that MERS had generally committed fraud and unjustly enriched itself at the expense of consumers and the Commonwealth of Kentucky. MERS had moved to dismiss all of the claims on various grounds.

On Dec. 3, 2013, the court determined that Attorney General Conway had properly alleged violations of the Consumer Protection Act, as MERS engages in trade or commerce, and that the Attorney General had sufficiently alleged unfair, misleading, or deceptive practices. The court also found that the Attorney General had sufficiently alleged its claims that MERS had committed fraud and had unjustly enriched itself at the expense of the public. The only claim dismissed by the court was the Commonwealth's allegation that MERS violated the statute requiring recording of mortgage assignments. The court did not determine whether or not MERS had violated the recording statute. Rather, the court simply found that the recording statute itself lacks an enforcement mechanism. In all, eight of the nine causes of action brought against MERS by General Conway survived MERS' motion to dismiss.



Other states have filed similar lawsuits against MERS, including Massachusetts, Delaware and New York. The Kentucky Office of the Attorney General is the first state Attorney General's office to move past the motion to dismiss stage against MERS.

Since the court's order allowing eight of the nine causes of action to proceed, the Attorney General has engaged in extensive discovery, including taking the depositions of MERS' corporate officers.

Recently, the Office of Attorney General briefed and argued motions for summary judgment. As of this publication date, the case is proceeding on seven of the nine original causes of action.

The Attorney General continues to work to hold MERS accountable for its deceptive practices, which have harmed Kentucky homeowners.

Enforcing of the Tobacco Master Settlement Agreement

On June 10, 2014, Attorney General Conway settled the long-standing series of payment disputes with tobacco manufacturers that participated in the Tobacco Master Settlement Agreement (MSA). The companies claimed Kentucky did not diligently enforce the law and were withholding \$144 million in disputed payments and threatened Kentucky's payments going forward. Attorney General Conway negotiated a settlement that ensured Kentucky received \$110.4 million in disputed payments - combined with the \$48.3 million in payments already received; the total MSA payments for Fiscal Year 2014 totaled \$158.7 million, which is \$67.9 million more than budgeted.

The Tobacco MSA was signed in 1998. This historic agreement between 52 states and territories and the major cigarette companies has resulted in payments of more than \$1.7 billion to the Commonwealth since 1999. The General Assembly has divided the proceeds from the MSA between agricultural diversification (50%), public health (25%) and education (25%).

In addition to the payments, the MSA also helped substantially reduce underage smoking through marketing restrictions and the creation of the American Legacy Foundation, an organization dedicated to developing programs that address the health effects of tobacco use, especially among youth.

Kentucky's participation in the MSA, which results in large payments by the participating tobacco companies to the Commonwealth each year, has required the OAG to monitor and enforce the MSA in terms of both payments and injunctive relief restricting marketing to youth. The Non-Participating Manufacturer (NPM) escrow statute, which was passed in 2000 and amended several times since then, must be diligently enforced to prevent Kentucky from losing a percentage of its MSA payments each year under the MSA's NPM adjustment.





The OAG administers the MSA Compliance Advisory Board established by KRS 15.300, which meets quarterly to monitor MSA enforcement actions. Kentucky has also entered agreements with numerous national retail chains, including Wal-Mart and several major drug store and gasoline corporations, in which these outlets agree to procedures designed to keep cigarettes from being sold to children. The enforcement of the historic marketing terms of the MSA were created to protect minors from many forms of tobacco advertising in an effort to lower youth smoking, which has been achieved but is an ongoing goal.

Environmental Branch

The Attorney General has authority under KRS Chapters 15 & 224 to prosecute environmental crimes and carry out civil enforcement of air and water quality statutes. This branch also monitors environmental issues under its common law and statutory authority, including cleanup of Department of Energy and Department of Defense sites. The branch serves as the Department of Fish & Wildlife representative on the Association of Fish and Wildlife Agencies national and regional Legal and Endangered Species Committees.

Passport Settlement

In July of 2011, Attorney General Conway announced a \$26.4 million civil settlement with the physician and hospital partners of the Passport Health Plan, the managed-care provider for Medicaid recipients in the Greater Louisville area. Final payment by the Passport partners must be made by January of 2016.

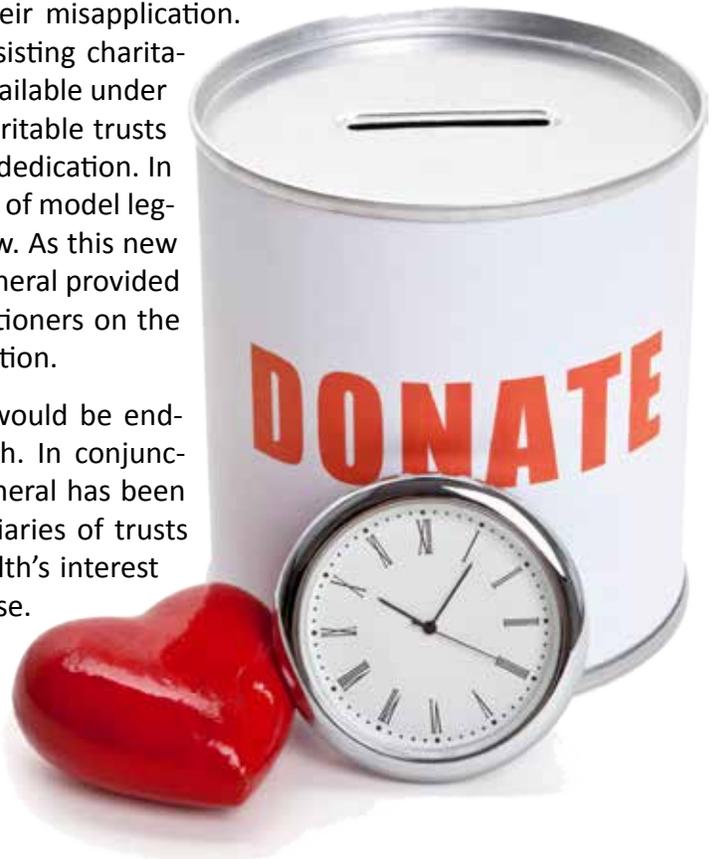
Protecting Charitable Assets & Vulnerable Clients of Nonprofits

The Office of the Attorney General continues to represent the interest of the Commonwealth in matters pertaining to charitable trusts and funds held by charitable organizations. The Attorney General's primary role remains supervising charitable assets to prevent or remedy their misapplication.

The Attorney General's role, however, also includes assisting charitable trusts in obtaining the most favorable tax benefits available under law and assisting in the modification and reform of charitable trusts and nonprofit funds to best meet the purposes of their dedication. In 2014, Kentucky adopted the Uniform Trust Code, a piece of model legislation that updated and streamlined Kentucky trust law. As this new standard came into effect, the Office of the Attorney General provided formal and informal advice to trustees and trust practitioners on the proper application of the law to ensure an orderly transition.

In 2015, JPMorgan Chase and Co. announced that it would be ending trust administration services in the Commonwealth. In conjunction with this departure, the Office of the Attorney General has been working with JPMorgan and various charitable beneficiaries of trusts administered by JPMorgan to protect the Commonwealth's interest in these charitable trust assets during this transition phase.

Through this collaboration, the Office of the Attorney General will continue to ensure that assets devoted to charitable purposes are put to their highest and best use, providing the maximum benefit to the citizens of the Commonwealth.



Medicaid Fraud & Abuse Control



The Office of Medicaid Fraud and Abuse Control investigates and prosecutes fraud perpetrated on Kentucky's Medicaid Program by Medicaid providers, including pharmaceutical companies. The office also investigates, prosecutes, and refers for prosecution allegations of abuse, neglect, or exploitation of vulnerable citizens in Medicaid-funded facilities.

Attorney General Conway has continued his Medicaid Fraud efforts to recover monies lost as the result of fraudulent activities by healthcare providers, most notably large pharmaceutical companies. Since 2008, the office has led or participated in criminal and civil actions that have recovered more than \$300 million in state and federal funds for federally-funded health care programs. During this biennium, success in this area has continued with more than \$70 million being recovered on behalf of taxpayers. In addition, criminal prosecutions have also increased. There were a total of 49 individuals criminally charged during the current biennium, an increase of 145% from the previous biennium. Most notably, during the first seven years of General Conway's tenure as Attorney General, convictions for abuse and neglect of our most vulnerable citizens have risen by more than 35% compared to the seven years before he took office.

During his two terms, Attorney General Conway has investigated or prosecuted more elder abuse and neglect cases than any previous Attorney General.

Significant Actions Taken Against Companies that Defraud Health Care Programs

The Office of Medicaid Fraud and Abuse Control continued to participate in high-profile investigations, which led the nonprofit watchdog agency "Public Citizen" to name it one of the most aggressive offices in the country in 2012. Working with Medicaid Fraud Control Units throughout the United States, the office has recovered settlements with some of the largest healthcare corporations allegedly engaging in fraudulent activities. In addition, the office has worked with the Eastern and Western District of Kentucky United States Attorneys in the following significant cases that resulted in settlements:

- ▶ \$3.7 million federal settlement with Elizabethtown Hematology and Oncology for unnecessarily extending chemotherapy treatments to increase fees billed to federally-funded health care programs.
- ▶ The continuing investigation of the Kentucky-based laboratory services provider Premier Tox for billing Medicaid for unnecessary urine drug screens in addiction recovery treatment that led to a \$15.75 million settlement for all federally-funded health care programs.
- ▶ The continuing investigation of King's Daughters Hospital in Ashland and physicians connected with that hospital for the use of unnecessary cardiac procedures that resulted in a \$40 million federal settlement with that hospital.

Notable Recoveries

- ▶ \$2.485 million from Endo Pharma
- ▶ \$1.248 million from Extencicare
- ▶ \$586,000 from Wyeth Pharmaceuticals
- ▶ \$355,000 from Shire
- ▶ \$290,000 from Carefusion
- ▶ \$235,000 in two settlements with Organon



These settlements included the signing of corporate integrity agreements designed to impose significant compliance requirements on the involved companies. There has been a noticeable decrease in the number of global actions against large pharmaceutical companies during this biennium. This reduction is believed to be a direct result of previous successful actions initiated by the states and the federal government. Attorney General Conway views this decrease as evidence that actions taken by state attorneys general are sending a clear message to healthcare companies that their actions must benefit the nation's healthcare system and not unduly burden consumers.

Criminal Actions against Providers Who Defraud Medicaid

More than 100 fraud investigations were initiated during this biennium. Notable prosecutions brought by the Office of Medicaid Fraud and Abuse Control include:

- ▶ Jessamine County based home-health care provider investigation that led to federal and state felony convictions of four individuals and the collection of \$550,000 in restitution to Kentucky Medicaid.
- ▶ Federal convictions of three doctors who were implanting non-FDA-approved birth control devices and charging Medicaid for the higher cost of FDA-approved devices.
- ▶ Clay County felony indictment of an Arizona doctor for billing Medicaid for procedures he did not perform.
- ▶ Felony conviction of a Barren County mental health therapist for billing Medicaid for services not rendered.
- ▶ Felony conviction of a Whitley County dentist for billing Medicaid for services not rendered.
- ▶ Federal felony conviction of a Covington chiropractor for billing Medicaid for services not performed.
- ▶ Federal felony indictment of a Louisville chiropractor and his billing clerk for fabricating medical records to bill Medicaid for services not rendered.



OxyContin Lawsuit against Purdue Pharmaceuticals Continues

Since taking office, Attorney General Conway has championed the fight against prescription drug abuse across the Commonwealth. In 2007, the office filed suit in Pike County against the manufacturer of OxyContin, Purdue Pharma, alleging the company misled health care professionals about the dangers of the drug, which led to the prescription drug crisis throughout Kentucky. The office also filed suit against Abbott Laboratories, which co-marketed OxyContin in Kentucky. The lawsuit was filed after Purdue officials pled guilty in federal court in Virginia to crimes involving the illegal marketing of OxyContin. As part of the settlement, Purdue paid Virginia \$60 million in compensation. The Commonwealth rejected the insufficient \$500,000 offer of settlement it received and took action in Pike Circuit Court, the epicenter of the prescription pill epidemic in the Commonwealth.



Since the Commonwealth filed the lawsuit, Purdue and its attorneys have used multiple procedural delay tactics for more than seven years to keep a Pike County jury from ever hearing this case. The office successfully returned the case to Pike County in 2013 and continues to litigate the matter for the benefit of all Kentuckians. Since the case returned to Pike County, Purdue has continued its delay tactics in federal and Kentucky courts. In nearly every ruling to date, the courts have ruled in the Commonwealth's favor – at the Circuit Court, the Court of Appeals, and federal court. Attorney General Conway remains steadfast in his efforts to bring Purdue and Abbott before a Kentucky jury and hold them responsible for the devastating impact their conduct has had on Kentucky families.

Other Biennial Accomplishments:

- ▶ Felony conviction of a Christian County woman for striking a nursing home resident.
- ▶ Federal felony charges, including health-care fraud charges, brought against three Kentucky pain-management doctors.
- ▶ Felony conviction of a Franklin County man for sexually abusing developmentally disabled residents at two Frankfort long-term care facilities. The same investigation resulted in felony neglect indictments against four other employees of the facility, including the owner's spouse, for failing to report the abuse.
- ▶ The felony conviction of a Hopkins County nursing home worker who disposed of medication rather than dispensing it to patients.
- ▶ The pending felony indictment of a Clark County caregiver alleged to have stolen Social Security payments from residents of a nursing home.
- ▶ The felony convictions for sexual assault and other mistreatment of residents by three caregivers at a Somerset home for the developmentally disabled.

The Office operates the Elder Abuse Tip Line for Kentuckians to report allegations of abuse and neglect. The hotline number is 877-ABUSE-TIP (877-228- 7384).

The Office of the Attorney General educated the public about elder abuse prevention and awareness, as well as the tipline, at the 2014 Kentucky State Fair.

The Office of the Attorney General's booth at the 2015 Kentucky State Fair



The background of the slide features a close-up, shallow depth-of-field photograph of several pieces of clear glass laboratory glassware, such as test tubes or pipettes, arranged diagonally. The lighting is bright, creating soft highlights and shadows on the glass surfaces. A semi-transparent blue horizontal bar is positioned at the top of the image, containing the text.

Office of Rate Intervention

The Office of Rate Intervention (ORI) serves as a watchdog for consumers in matters relating to natural gas, water, sewer, electric, basic landline telephone and health insurance rates.

The majority of the unit's activity is through participation in filings before the Kentucky Public Service Commission (PSC). ORI has been involved with cases related to health insurance rates before the Kentucky Department of Insurance since 1996. The Attorney General intervenes in matters to represent the interests of all of Kentucky's customers. ORI is also involved in all energy-related matters, including propane complaints and the analysis of the impact of federal regulations on the energy industry.

Fighting for Ratepayers

Since 2008, Attorney General Conway's ORI has helped Kentucky consumers avoid more than \$1.3 billion in proposed utility rate increases. Over the past two fiscal years, the costs avoided from rate cases in which ORI participated totaled approximately \$234 million. Most significantly, ORI's return on investment for expert witness assistance in cases is an undisputed benefit for Kentucky customers. ORI's contracts with various national utility experts since 2008 has resulted in savings of more than \$1,100 for every dollar spent.

Opposing Unreasonable Federal Regulation



Attorney General Conway has represented Kentucky in opposing the federal Environmental Protection Agency's (EPA) actions that would disproportionately affect Kentucky ratepayers. In bipartisan cooperation with attorneys general of other states, Attorney General Conway filed several lawsuits in federal court challenging EPA regulations that would shutter currently operating coal-fired power plants, make building and operating new coal-fired power plants technically impossible, and regulations that improperly limit Kentucky's authority to use its own enforcement discretion when it concerns coal-fired power plants and other large manufacturers. The collective effects of these regulations, were they to go into effect, would significantly increase electricity prices within the Commonwealth of Kentucky and drive large manufacturers employing thousands of Kentuckians out of the state.

Attorney General Conway also challenged the EPA's new Waters of the U.S. regulations, which are overreaching and disproportionately affect Kentucky farmers.

[Current Active Cases Challenging the EPA](#)

West Virginia and Kentucky AG's stand up to EPA overreach

- ▶ **The Clean Power Plan or 111(d) Lawsuit** — EPA's 111(d) rule, part of the Clean Power Plan, assigned Kentucky one of the toughest carbon emissions limits in the country. For a state that relies on large manufacturers powered by inexpensive energy rates to provide many of our jobs, this rule would drastically increase the cost of energy and damage our economy. Attorney General Conway and West Virginia Attorney General Patrick Monihan are suing the EPA to stop this damaging regulation.

- ▶ **Startup, Shutdown, Malfunction Lawsuit** — EPA is attempting to force states across the country to alter their regulations, which have been approved by the EPA many times over decades, in an effort to interfere with a state’s ability under the Clean Air Act to determine how best to achieve air quality standards. This attempt by the EPA to expand its influence into areas of regulation that were intentionally granted to the states by the Clean Air Act would make many power plants and large manufactures in Kentucky vulnerable to unnecessary lawsuits by out-of-state special interest groups. Attorney General Conway and 17 other state attorneys general have sued the EPA to prevent this rule from going into effect.
- ▶ **Waters of the U.S. Lawsuit** — The EPA issued a regulation that fundamentally redefines which bodies of water are subject to regulation under the Clean Water Act. The uncertainty this rule creates and the fundamentally flawed process the EPA used to draft this rule motivated Attorney General Conway and other state attorneys general to sue to have the rule vacated. The rule is over-burdensome and would harm Kentucky farmers.

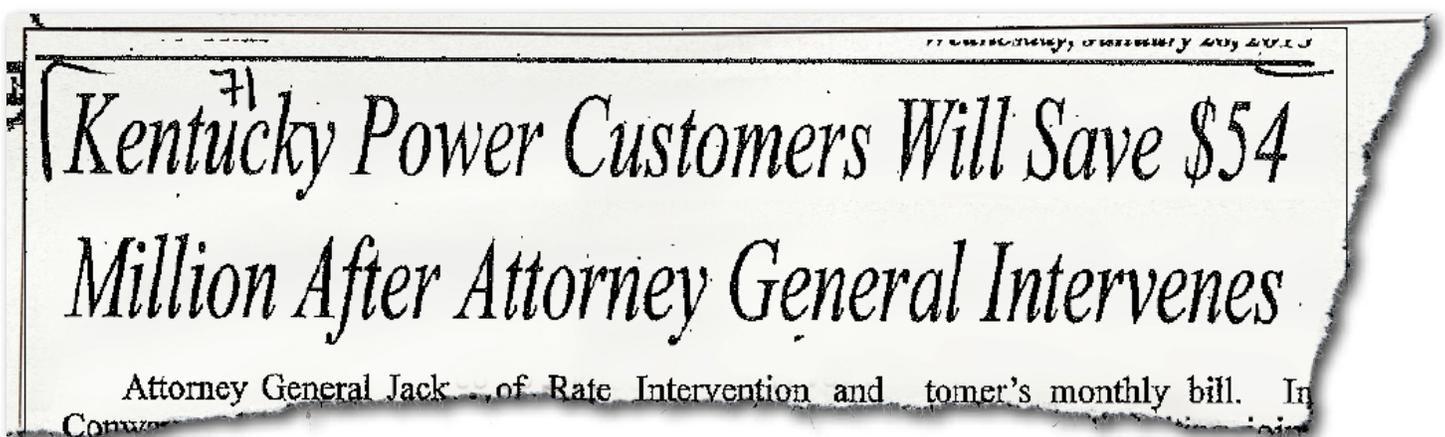


Protecting Least-Cost Power for Customers

During this biennium, the Office of Rate Intervention actively intervened in or was a pending party in an annual average of 118 cases regarding utility matters before the PSC.

ORI intervened in cases where Louisville Gas and Electric (LG&E) and Kentucky Utilities requested rate increases. ORI successfully secured a unanimous settlement involving a dozen parties representing a wide variety of interests. The settlement ensured no increase to the fixed customer charges, more than \$1 million in company contributions to low-income groups, an overall decrease in LG&E electric customers’ bills and a total savings of approximately \$76 million.

ORI intervened in cases involving how two separate electric utility companies, Kentucky Power Company and Big Rivers Electric Corporation, calculated their fuel costs and passed those costs on to their ratepayers. ORI and the Kentucky Industrial Utility Customers jointly filed testimony arguing that the complex methodology used by these two companies was unfair to customers and resulted in an over-collection of fuel costs. The PSC agreed with ORI, which resulted in savings of \$54 million for Kentucky Power’s ratepayers and \$4.3 million for Big Rivers’ retail customers.



ORI also intervened in two rate cases that Big Rivers filed to address the loss of revenue from two large industrial clients. As a result of losing these large customers, Big Rivers developed a plan to idle one or more generating plants, which would require its ratepayers to continue paying the costs for upkeep of those plants. ORI filed expert testimony in both cases, arguing that Big Rivers’ plan would result in fundamentally unfair and unjust rates. The PSC agreed in part with ORI’s argument and ordered that Big Rivers’ requested rate increase be reduced by a combined total of \$54.5 million in these two cases.

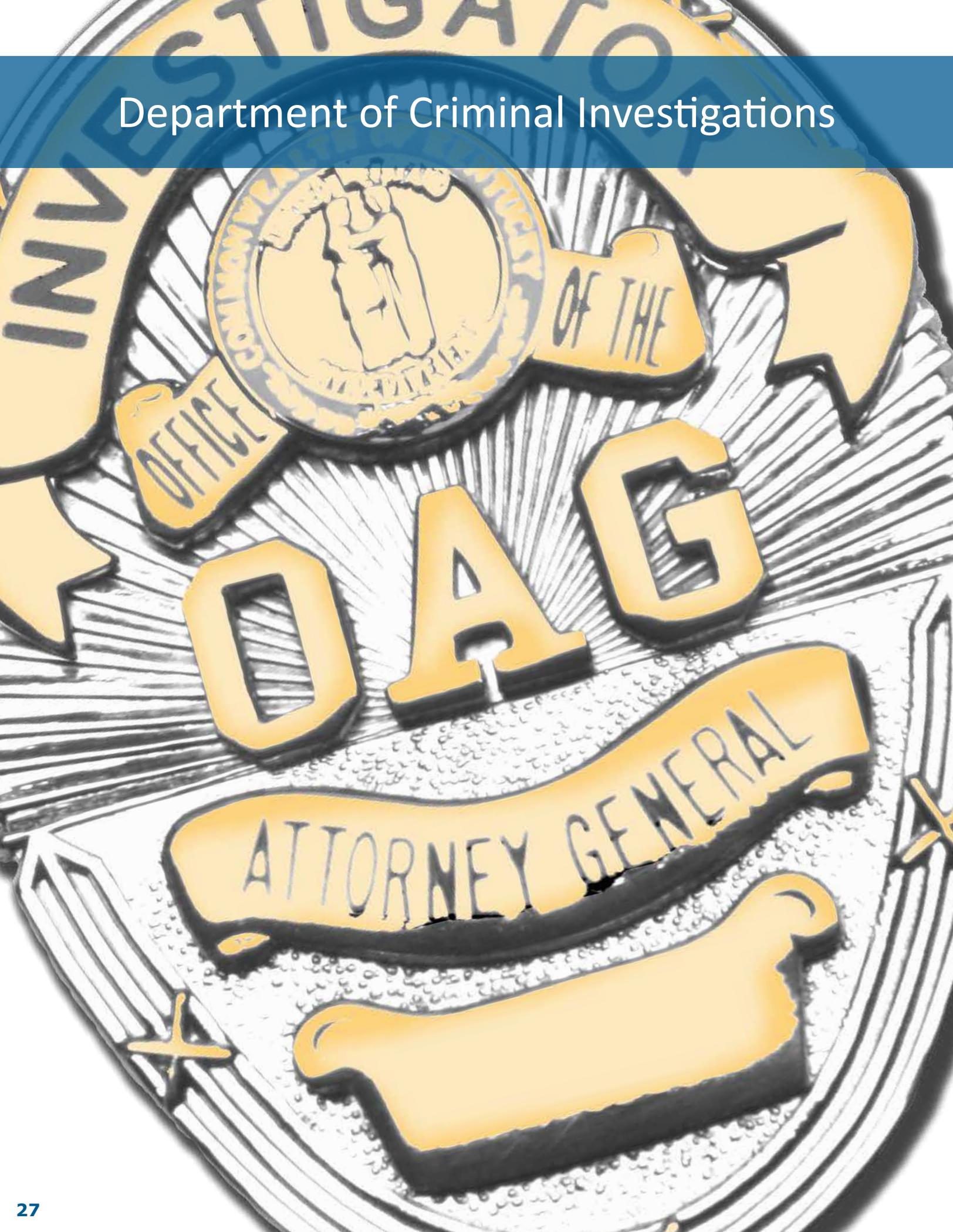
During the biennium, ORI intervened on behalf of Kentucky consumers in various multistate matters pending before the Federal Energy Regulatory Commission. Cases addressed issues such as stranded costs for generators that purchased excess natural gas during the polar vortex crises in the winter of 2014 that they were unable to use; interstate pipeline routes through the Commonwealth; concerns specific to the two regional transmission organizations in the Commonwealth, MISO and PJM; the departure of a group of municipalities from Kentucky Utilities electric service; and proper rates and recovery for distributed generation.

Advocating for KAW Customers

In 2013, ORI intervened in a rate case brought by Kentucky-American Water (KAW). ORI litigated the case to a successful conclusion by the PSC that reduced the rate increase by approximately half and denied two surcharges that would have provided KAW with instant recovery of ordinary operation and maintenance expenses, instead of seeking approval to recover those expenses through the typical regulatory process.



Department of Criminal Investigations



The Department of Criminal Investigations (DCI) is the investigative arm of the Office of the Attorney General. The mission of the DCI is to uphold the law, investigate violations of state criminal statutes, enhance public safety, and provide assistance to state, county and municipal law enforcement agencies by utilizing innovative programs and technologies.

DCI provides expert criminal investigative services in cybercrimes, drugs, and public integrity/special investigations. DCI investigators are sworn law enforcement officers and are certified by Kentucky Peace Officer Professional Standards.

DCI participates in numerous federal task force initiatives; including the FBI Child Exploitation Task Force, USSS Electronic Computer Crimes Task Force, US Department of Homeland Security / ICE Child Exploitation Task Force, BATF Task Force, DEA's Tactical Diversion Squad Task Force and U.S. Social Security Administration / OIG Fraud Task Force. Through DCI's participation in these federal initiatives, the Office of the Attorney General received \$245,983 in federal forfeited assets this biennium.

Cybercrimes Unit

Attorney General Conway's Cybercrimes Unit marked its seventh anniversary in 2015. Since its creation in 2008, the unit has been responsible for the conviction and imprisonment of 139 individuals involved in the online possession and distribution of images and videos depicting the sexual abuse of children. The unit has a 100 percent conviction rate. The Cybercrimes Unit, which is a member of the Internet Crimes Against Children Task Force (ICAC), identified three children who were victims of production and those children are now part of the National Center for Missing and Exploited Children (NCMEC) Child Victim Identification Program. More than 749,000 child sexual abuse images and videos have been seized to date from the unit's investigations.



During this biennium, investigators from General Conway's Cybercrimes Unit have opened 135 cases, closed 202, and executed 44 search warrants for 20 arrests. Investigators have seized 325,396 child porn images and 10,260 videos for a total of 335,656 items of seized contraband. Forensic examiners with the Cybercrimes Unit performed 155 computer forensic examinations on 525 hard drives, as well as conducted forensic exams on 1,051 removable devices, 379 cellular devices, and 4 audio and video devices.

The Cybercrimes Unit conducted cybersafety and digital investigation presentations for more than 1,175 individuals, both law enforcement and public sector audiences. The unit continues to be an investigative resource for any law enforcement agency in the Commonwealth of Kentucky. OAG personnel have provided investigative, consulting, technical, digital forensic, subpoena and search warrant assistance to agencies throughout the state. During the biennium, the branch has responded to 193 requests for investigative assistance from law enforcement agencies within the Commonwealth, including the FBI and ICE.



[Pappy Van Winkle Heist](#)

In April of 2015, the Franklin County Sheriff's Office requested assistance with forensic analysis and examination of a number of cell phones and a laptop computer seized during the course of its investigation into the theft of a number of bottles and barrels of Pappy Van Winkle bourbon whiskey. In the course of these examinations, photos were recovered of bottles and barrels of whiskey, as well as a number of chat messages between the suspects showing links between individuals offering the stolen liquor for sale. The data recovered by the Cybercrimes Unit allowed the Franklin County Sheriff's Office investigators to focus interrogations in specific directions to the point where they obtained incriminating statements that built and supported their investigation.

The Cybercrimes Unit continues to assist law enforcement officials throughout Kentucky with digital forensic support to obtain data from seized devices.

[Cybercrimes Investigations of Interest](#)

Gordon Bowers — Bowers was a state geologist found downloading child pornography in his state office, on his state computer and on state time. Forensics identified more than 41,000 contraband images and files on his laptop.



Gordon Bowers

Robert Belton — Belton was identified after investigators downloaded child porn directly from his computer. When arrested, Belton's computer contained more than 160,000 contraband images and files. Belton was prosecuted through the federal system.

Jason Moss — Moss was identified after investigators downloaded contraband directly from his computer online. The computer seized during the search warrant contained almost 12,000 contraband images and videos. Moss was not home at the time of the search warrant and is currently a fugitive actively sought on warrants taken by the investigator.



[Drug Investigations Branch](#)

The DCI Drug Investigations Branch is tasked with helping combat illegal drug abuse and trafficking in Kentucky communities. One of Attorney General Conway's top priorities is fighting the scourge of prescription drug abuse — a problem that has devastated families in every corner of the Commonwealth. During this biennium, the DCI Drug Investigations Branch opened 45 cases and closed 241. The branch executed 24 search warrants, received five indictments and made 33 arrests. The branch investigators requested 128 KASPER reports. DCI has assisted DEA in working multiple physicians/registrants and prescription drug-trafficking cases throughout the Commonwealth of Kentucky.

In the fall of 2014, the Office of Attorney General Department of Criminal Investigations Drug Branch was selected to command the Appalachian High Intensity Drug Trafficking Area (AHIDTA) Diversion Enforcement Task Force. AHIDTA is operated by the US Department of Drug Control Policy. The task force operates out of the DEA Office in London, Ky. The mission of the task force is to combine local, state and federal resources for drug diversion enforcement.

[Drug Investigations of Interest](#)

Ernest Singleton — Singleton was convicted on drug-trafficking and money-laundering charges. He was sentenced to 20 years in prison. Investigators seized \$427,000 along with firearms, farm equipment, vehicles and livestock.

Commonwealth Pain — Kenneth Lazar, Yvonda Lazar, Andrea Kennedy and Derek Kennedy were charged in Floyd Circuit Court with theft of prescription blanks and obtaining a controlled substance by fraud and forgery of prescription. Their trial date is pending.

Billy Shepherd — Shepherd was convicted in September of 2014 in federal court in the Eastern District of Kentucky. He was involved in a drug conspiracy dealing in heroin, prescription drugs and cocaine. He was sentenced in January of 2015 to 320 months in federal prison.



[Keep Kentucky Kids Safe](#)

In the fall of 2010, Attorney General Conway launched a statewide prescription drug abuse prevention and education initiative called Keep Kentucky Kids Safe. Attorney General Conway has organized two opportunities for students to educate other students and share their stories of prescription pill abuse. The annual Keep Kentucky Kids Safe Video PSA contest encourages students to create a 30-second video to share their stories of the perils of prescription drug abuse for a chance to win prizes, including Amazon gift cards. Additionally, winning videos are posted online and distributed to television stations across the state. Students from Calloway County High School won in 2013 and students from Jefferson County's Atherton High School won in 2014. The winning PSAs can be viewed at <http://ag.ky.gov/rxabuse/Pages/rxpsacontest.aspx>.



The Sarah Shay and Michael Donta Memorial Scholarships for Hope and Healing were launched in 2014 and were awarded to two graduating seniors in 2014 and 2015. The Office of the Attorney General and Prosecutors Advisory Council (PAC) are able to offer two \$1,500 scholarships each year thanks to the generosity of the National Association of Drug Diversion Investigators (NADDI) and private donations. These scholarships were created to help Kentucky students who have excelled in their personal and academic lives despite seeing firsthand the devastating consequences of prescription drug abuse. These students have embraced a positive lifestyle and a brighter future for themselves and their families.

The scholarships are in memory of two young victims of the prescription drug abuse epidemic in Kentucky. Nineteen-year-old Sarah Shay of Morehead died of prescription drug overdose in 2006. Michael Donta of Ashland lost his lengthy battle with prescription painkiller abuse in 2010. He was 24 years old. Sarah and Michael's parents, Dr. Karen Shay and Mike Donta, have traveled with Attorney General Conway to help warn middle and high school students about the dangers of prescription drug abuse through General Conway's statewide Keep Kentucky Kids Safe awareness program. This program has reached more than 50,000 students across Kentucky.

The 2014 winners of the "Sarah Shay and Michael Donta Memorial Scholarships for Hope and Healing" were Kimberly Barrett, a graduate of Owsley County High School, and Josh Hollan, a graduate of Hazard High School. The 2015 recipients were Sydney Fryman, a graduate of Nicholas County High School, and Lennon Reed, a graduate of Logan County High School.

Public Integrity/Special Investigations Branch

The Public Integrity/Special Investigations Branch (PI/SIB) conducts investigations regarding allegations of corruption by state and local public officials. The duty of this branch is to ensure that leaders and government employees across the Commonwealth execute their duties in an ethical and honest manner. The branch investigates numerous areas of corruption including executive, judicial, legislative, vendor contract, law enforcement and regulatory corruption. The branch is also instrumental in investigating allegations of voter fraud. When federal violations are identified, the unit works jointly with the appropriate agency and the U.S. Attorney’s Office in addressing those violations. The branch also conducts investigations for other state agencies as requested.



During this biennium, PI/SIB investigators opened 69 cases and closed 63 investigations, with 18 convictions. PI/SIB made 15 arrests resulting in 116 counts. The PI/SIB received 777 requests from constituents statewide either via email, U.S. Postal Service or by telephone.

The Office of the Kentucky Attorney General entered into a Memorandum of Understanding with the Social Security Administration to form a Cooperative Disability Investigative (CDI) Unit in 2011. The CDI Unit partners with the Social Security Administration to combat Social Security Disability Fraud. In January of 2012, two investigators started with one Agent in Charge from Social Security. The success of the unit led to two additional investigators being added in August of 2014.

Allegations Received	548
Cases Opened	288
Cases Closed	256
Fraud or Similar Fault.....	234
SSA Savings.....	\$14,783,318
Non-SSA Savings	\$12,245,578
Total Savings.....	\$27,028,896
SSA Monies\$81,874

The non-SSA savings of \$12,245,578 is broken down as \$8,278,727 in projected Medicaid savings and \$3,966,851 in projected Medicare savings. The savings are determined based on a denial or termination of benefits and coverage, that demonstrate a direct correlation to a CDI investigation. During the biennium, the Lexington CDI unit identified 234 cases of fraud or similar fault out of the 256 cases investigated. These 234 cases were criminally or administratively adjudicated, based on monetary fraud loss amount, giving the unit a success rate of 91%.

Investigations of Interest

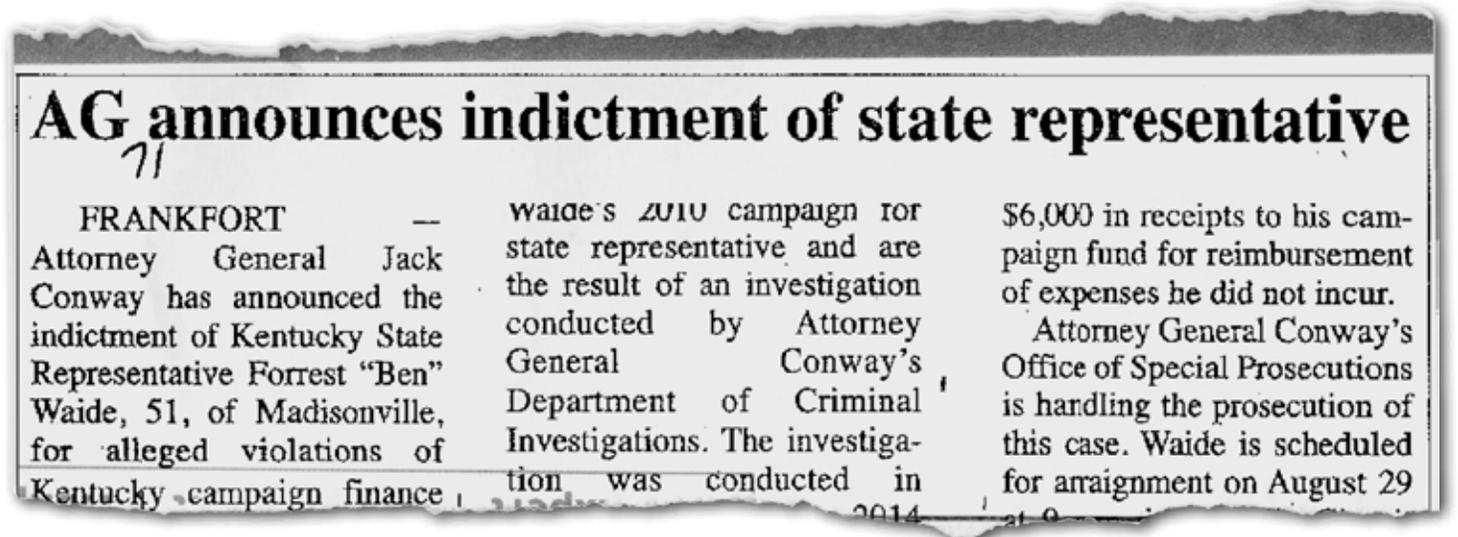
Sid Gabbard — An investigation into Owsley County Clerk was initiated on January 28, 2013. Gabbard was prosecuted after an audit revealed that he had knowingly mishandled state tax dollars and filed false tax returns. Gabbard received eight years probation and was ordered to pay \$61,118 in restitution.



Tim Conley — Investigation into Morgan County Judge Executive was initiated February 5, 2013, jointly with the FBI. Conley was on his third term as county judge and had gained considerable notoriety following the 2012 tornado that destroyed parts of West Liberty and left much of Morgan County damaged. The investigation revealed that Conley had conspired with a bridge contractor, Kenneth Gamble, for several years prior to the tornado to get kickbacks for awarding bridge contracts. Conley also was also found to have mismanaged funds related to the tornado. Conley pled guilty in federal court and received a sentence of 87 months and ordered to pay \$130,000 in restitution.

Kathy Ryan — An employee with Mountain Comprehensive Care, she stole money from the Hart Supported Living Grant that she administered. Ryan falsified grant applications to obtain cash for personal use. The investigation was worked jointly with the Office of the Inspector General in the Cabinet for Health and Families Services. In October of 2013, Ryan entered a guilty plea to four counts of assistance program fraud. She was sentenced to five years on each offense to run concurrently and probated. She was also ordered to pay \$64,993.13 in restitution.

State Representative Forrest Ben Waide — In 2014, State Representative Forrest Ben Waide was investigated for mishandling campaign funds. Waide was indicted for one count of illegal campaign contribution and one count unlawful expenditures. The charges were amended, and Waide was sentenced to 12 months on each count probated for two years. He was also ordered to pay \$5,354.12 in restitution and \$2,400 in investigative costs.



James Hodge — On July 16, 2014, an investigation was opened based on a complaint alleging that Hodge, who lives in Jefferson County, had voted in Spencer County in the primary election. The investigation revealed that Hodge had in fact voted in Spencer County and, though he owned property in Spencer County, he did not maintain a residence. Hodge pled guilty on May 22, 2015, to an amended charge. He was fined \$500.

Scott Eaton — In May 23, 2013, an investigation was initiated into former Northern Kentucky University Athletic Director Scott Eaton. Eaton was subsequently charged with stealing Kroger gift cards that were purchased for use by student athletes. Eaton entered a guilty plea to theft charges and was subsequently sentenced to 10 years in prison and ordered to pay \$311,215 in restitution.



Scott Eaton

Office of Special Prosecutions



The Office of Special Prosecutions (OSP) prosecutes criminal cases pursuant to KRS 15.190 to KRS 15.715. This includes assisting local prosecutors in complex or sensitive cases, handling or appointing another Commonwealth’s or County Attorney in cases when the local prosecutor disqualifies himself or herself because of a conflict, prosecuting thefts affecting the treasury of the Commonwealth, and prosecuting crimes arising from audits of financial administration of local government. The office also investigates and prosecutes election law violations, environmental crimes and ethics law violations as referred by the Executive Branch Ethics Commission.

During this biennium, OSP has:

- ▶ Appeared in criminal court 336 times.
- ▶ Opened 39 new cases.
- ▶ Closed 61 criminal cases.
- ▶ Continued providing legal support to the OAG Cybercrimes Unit and processed 151 requests for services.
- ▶ Coordinated and appointed all special prosecutors in the Commonwealth’s Unified Prosecutorial System. During the biennium, the office processed 930 special prosecutor appointments - almost 300 more requests than the previous biennium.

The Office of Special Prosecutions coordinates election monitoring with the State Board of Elections, Kentucky State Police, U.S. Attorney’s Office and the FBI. Several members of the office participate in the Election Integrity Task Force with these agencies to enhance the coordinated efforts of all agencies to combat election fraud. Special Prosecutions also maintains the Attorney General’s Election Fraud Hotline (1-800-328-VOTE). It operates throughout the year with an expanded presence on Primary and General Election days. In addition to phone calls on the dedicated hotline and the Special Prosecutions direct line, election complaints are also received by mail and email.



Additionally, the office is statutorily required to randomly draw six counties after each Primary and General Election to conduct an independent inquiry for potential irregularities that may have occurred in the election. After the audit conducted by the Department of Criminal Investigations, the Office of Special Prosecutions presents the results to the respective grand juries. Between July 1, 2013, and June 30, 2015, Special Prosecutions presented 12 such audits to various grand juries.

Elections Complaints

2013 (Miscellaneous — no election).....	2
2014 Primary Election.....	243
2014 General Election	372
2015 Primary Election.....	23



The office handles general complaints and questions about the criminal justice and prosecutorial system statewide. These calls range from requests for assistance by local prosecutors to complaints or inquiries from members of the public. During this biennium, 356 complaints (204 written correspondence and 152 telephone calls) and were handled by OSP staff members.

Notable Achievements and Presentations

Presentations on criminal law and procedure were made by OSP staff. OSP staff members also serve on a variety of task forces, advisory groups and training boards, including:

- ▶ Director served on faculty at Kentucky Prosecutors Institute in April of 2015.
- ▶ Since 2008, OSP has been part of a regular task force with the Kentucky Auditor of Public Accounts and other law enforcement to address financial public corruption by state and local officials.
- ▶ Three people in Special Prosecutions participated in the Election Integrity Task Force to enhance coordinated efforts with other agencies to combat election fraud.
- ▶ Two attorneys were appointed as Special Assistant United States Attorneys for the Eastern District of Kentucky to prosecute federal crimes in addition to their roles as Assistant Attorneys General.

Notable Cases

[Comm. v. Michael Jones \(Franklin Circuit Court\) \(six counts of willful filing of false tax returns\)](#)

The defendant failed to report income from corporations he set up to run training programs for Eastern Kentucky University in the area of social services. Jones pled guilty to all six counts and was sentenced to two years on each count concurrent and placed on pretrial diversion for three years with payment of \$15,208.98 in restitution to the Department of Revenue.

[Comm. v. Nils Hamilton \(Shelby Circuit Court\) \(two counts of sodomy\)](#)

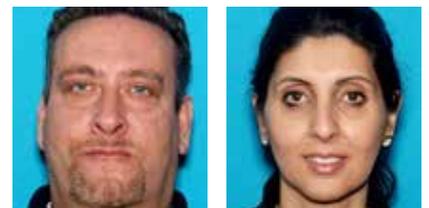
The defendant abused two mentally handicapped adults for whom he was a caregiver in a group home in Shelbyville. He pled guilty to two counts of wanton adult abuse and was sentenced to three years on each count to run consecutive for a total of six years.

[Comm. v. Angela Weatherington and Nicholas Wilson \(Franklin Circuit Court\) \(assistance program fraud by employee\)](#)

Weatherington was a case worker for the Cabinet for Health and Family Services in Campbell County. Wilson, a former Campbell County constable, was assigned to her caseload. The two developed an intimate relationship, and Wilson falsified his income and the number of dependents in his home to obtain Medicaid and Food Stamp benefits. Weatherington had knowledge of the crime. She pled guilty and was placed on pretrial diversion for five to 10 years, on condition of payment of \$64,890 restitution and termination of employment by the Cabinet. Wilson pled guilty and was placed on pretrial diversion for five to 10 years on condition of payment of \$64,890 in restitution.

[Comm. v. Ala and Taghreed Samaan \(Franklin Circuit Court\) \(assistance program fraud\)](#)

The defendants, husband and wife, were indicted for assistance program fraud for falsely reporting income on an application for KCHIP benefits in Jessamine County. Ala Samaan pled guilty, was sentenced to five years, and placed on pretrial diversion for two years with payment of \$33,000 in restitution to the Cabinet for Health and Family Services. The case against Taghreed Samaan was dismissed.



[Comm. v. Thomas Reed Stamper \(Breathitt Circuit Court\) \(sodomy and sexual abuse\)](#)



The defendant was charged with sexually abusing the son of his girlfriend. The offenses occurred when the boy was under the age of 12, but were not reported until he was 19 years old. The victim was not willing to testify and indicated he would recant. The defendant pled guilty to sodomy second degree and received a seven-year sentence. He also pled guilty to sexual abuse first degree and received a six-year sentence. The sentences are to be served concurrently.

[Comm. v. Robert Kraft \(Jefferson Circuit Court\) \(11 counts of theft\)](#)

The defendant, a self-employed salesman for pre-need funerals in the Louisville area, was indicted on 11 felony counts for selling caskets and headstones and cashing the checks rather than putting the money in trust. One of his victims was Representative Tom Burch. While initial plea negotiations were ongoing and while out on bond, Kraft committed additional thefts, including stealing a casket from a Louisville funeral home. He pled guilty to all 11 counts and was sentenced to serve five years in prison. Shock probation was denied.

[Comm. v. Karen Igleheart \(Davies Circuit Court\) \(criminal possession of a forged instrument\)](#)

The defendant, who had previously pled guilty to theft from her employer, a local dentist, forged the signature of the Commonwealth's Attorney on a letter to another local dentist in an effort to obtain employment. The letter stated that the theft case against her lacked evidence. Igleheart pled guilty to criminal possession of a forged instrument second degree and was sentenced to two years, placed on probation for five years, and ordered to pay a \$1,000 fine.

[Comm. v. Robert Morris and Brenda Morris \(Breathitt Circuit Court and Pulaski Circuit Court\) \(six counts sexual abuse, rape\)](#)



Sixty-eight-year-old Robert Morris was indicted on six counts of sexual abuse involving two different child victims — a granddaughter and a great niece in Breathitt County who visited his home regularly and spent the night. He was subsequently indicted for rape and sexual abuse in Pulaski County, involving the same victim, his granddaughter. A jury trial held in the Breathitt Circuit Court in January of 2015 ended in a hung jury (10-2 for guilt). Morris pled guilty in Breathitt Circuit Court to six counts of sexual abuse first and second degree, and pled guilty in Pulaski Circuit Court to rape second degree and sexual abuse first degree. He was sentenced to eight years in prison. Brenda Morris, wife of Robert Morris, pled guilty to facilitation to rape first degree and was sentenced to one year in prison.



[Comm. v. Amanda Waugh, Danny Waugh, and Deborah Waugh \(Boyd Circuit Court\) \(custodial interference\)](#)

The defendants Amanda Waugh, a former Ashland Police officer, and Danny Waugh, a former Kentucky State Police trooper, were indicted for absconding with the young daughter of Amanda Waugh, the granddaughter of Danny and Deborah Waugh, in violation of a custody order entered in 2007. The order gave the child's father sole custody of the child. The three defendants took the child to Texas and later to Georgia where they lived for more than six years. Boyd County Sheriff's deputies ultimately located the child hidden in a closet at the home of a relative on June 28, 2013. Amanda and Deborah Waugh pled guilty and were sentenced to two years and three years respectively and placed on pretrial diversion for five years on condition they have no contact with the child. Danny Waugh's indictment was continued generally, pending his compliance with the same conditions.

[Comm. v. Damon W. Hickman and William C. Howell \(Perry Circuit Court\) \(manslaughter\)](#)

The defendants, deputy jailers at Kentucky River Regional Jail in Hazard, were indicted for first degree manslaughter in August of 2013 following the death of an inmate who was involved in an altercation with them and was later found dead in his cell by another deputy jailer. An autopsy showed that the victim died of a lacerated liver. The F.B.I. and the U.S. Attorney's Office, along with the U.S. Justice Department's Civil Rights Division have an ongoing investigation. The case is set for a pretrial conference on October 15, 2015 in Perry Circuit Court.

[Comm. v. Brenda Hardin \(Muhlenberg Circuit Court\) \(murder\)](#)

The defendant was indicted for the murder of her former husband, Ronnie Hardin. He was shot in the neck while working in a shop building outside his former residence, two days before his scheduled wedding. The defendant left several letters to her son, sister, the victim, and his fiancé in which she explained that if she could no longer have her husband, then no one would have him. Hardin was convicted of murder at trial and the jury recommended life in prison in August of 2015. Hardin's sentencing is scheduled for October of 2015.



[United States v. William Singleton \(US District Court - Lexington\) \(drug trafficking / pill mill\)](#)

The defendant owned and operated two pain clinics — one in Georgetown and one in Grant County. Beginning in October of 2010 and continuing until February of 2013, doctors at the clinics prescribed Diazepam and Ultram outside the scope of professional practice and not for a legitimate medical purpose under the defendant's direction. Additionally, the defendant used the drug proceeds to purchase a house, a farm, boat, farm equipment and other items totaling \$427,834.34. He was indicted in federal court for conspiracy to drug trafficking, money laundering and opening and maintaining a drug-involved premise. After a three-week trial, the defendant was found guilty of all 21 counts. Singleton was sentenced to 240 months in federal prison.

[Comm. v. Ty Doolen \(Boyd Circuit Court\) \(domestic assault\)](#)

The defendant brutally beat his live-in girlfriend in October of 2013. The victim suffered permanent brain injury and has continued significant physical impairments as a result of this assault. Doolen pled guilty to assault first degree with a recommended sentence of 15 years to serve in prison. This is considered a violent offense, and he is not eligible for parole until he serves 85% of that sentence.

[Comm. v. Myra Chenault \(Franklin Circuit Court\) \(abuse of public trust\)](#)

The defendant was the former master commissioner for Montgomery County. She stole approximately \$60,000 that belonged to the Administrative Offices of the Court. Chenault pled guilty to abuse of public trust. She received a sentence of two years diverted for three years. She agreed to pay back the restitution in full and also gave up her law license with the Kentucky Bar Association.

[Comm. v. Mark Posey \(Franklin Circuit Court\) \(abuse of public trust\)](#)



The defendant, the former chief of police for the City of Falmouth, was indicted for abuse of public trust over \$10,000 and other charges for allegedly using commingled money from both the city and state for his personal benefit. Over the course of eight years, the defendant solicited donations from various businesses claiming the money would assist the department in combating drug activity in the county. During this time frame, there was a total of \$20,806 deposited into this account. The defendant also made numerous withdrawals from the account totaling \$21,612.24. However, there was only \$706 worth of documented drug diversion work done, leaving \$20,906.24 in missing and unaccounted for money.

[Comm. v. Mary Lou and Matthew Chandler \(Johnson Circuit Court\) \(drug trafficking\)](#)

The defendant, Mary Lou Chandler, was a local attorney in Johnson County. She and her son, Matthew Chandler, were indicted for several counts of trafficking in a controlled substance. They were selling oxycodone pills to a confidential informant. Both pled guilty and Ms. Chandler received a sentence of two years probated for five years, and her son received a sentence of seven years to serve.

[Comm. v. Scott Eaton \(Campbell Circuit Court\) \(theft\)](#)

The defendant was the former athletics director at Northern Kentucky University. During his time there, Eaton unlawfully took approximately \$311,000 from the university through a procurement card intended for athletes and used gift cards intended for athletes for his own personal benefit. Eaton was sentenced to 10 years in prison.

[Comm. vs. David Salyers & William "Bobby" Rigdon \(Casey Circuit Court\) \(murder\)](#)

Both defendants were separately tried for the 2012 murder of Gleason Pyles. David Salyers was the president of the local chapter of the Iron Horsemen Motorcycle Club and was charged with killing former club member, Gleason Pyles, as he was working at Tarter Gate Company in Casey County. Salyers' case was tried in Green County after a change of venue. He was convicted of murder and sentenced to 20 years in prison. In September of 2015, Rigdon was tried in Warren County, found guilty and sentenced to 38 years in prison.

[Comm. v. Reva Campbell \(Knott Circuit Court\) \(theft\)](#)

The defendant was an employee of the Knott County Water and Sewer District and unlawfully used the district's credit card in excess of \$80,000 for personal use. She was sentenced to five years probation and ordered to pay restitution.

[Comm. v. Michael Schweitzer \(Boone Circuit Court\) \(sodomy, sexual abuse\)](#)

The defendant was a former youth coach in Northern Kentucky. Schweitzer pled guilty to multiple counts of sodomy, sexual abuse and unlawful transaction with a minor for a total of 30 years in prison. He is serving this time concurrently with federal prison time.



[Comm. v. Rachel Osbourne and Timothy Turner \(Harlan Circuit Court\) \(murder, robbery, theft and tampering\)](#)

Turner and Osbourne robbed 58-year-old Steve Gibson inside his Harlan County home. During the robbery, the couple gagged Gibson and restrained him with duct tape. While Turner and Osbourne were stealing items from the home, Gibson suffocated. Police found Gibson's body inside his home on June 2, 2011, while performing a welfare check. In 2015, Turner pled guilty to murder, second-degree robbery, possession of a forged instrument, theft by unlawful taking over \$500, and being a persistent felony offender. Turner agreed to a 40-year sentence. Osbourne, previously pled guilty in June of 2013 to murder and first-degree robbery, and agreed to a 20-year sentence.

[Comm. v. Timothy Terry and James Parrett \(Grayson Circuit Court\) \(burglary\)](#)

In June of 2013, the Higdon family was attending the funeral of their son who had been murdered. While they were at the funeral, Timothy Terry and James Parrett broke into the family home and ransacked the house, stealing various items. When caught, Terry admitted searching through the obituaries in the local paper and deciding on a target to burglarize. Terry pled guilty and was sentenced to serve 25 years in prison. Parrett received a 30-year sentence and is not eligible for parole until he serves at least 10 years in prison.

[United States vs. Erik Hentzen \(Eastern District of Kentucky\) \(possession of child pornography\)](#)



In 2014, the Office of the Attorney General assisted with the successful federal prosecution of Erik Hentzen in the Eastern District of Kentucky. Cybercrimes investigators from the Office of the Attorney General found Hentzen was downloading child pornography from the Internet through his neighbor's unsecured wireless router. He was in possession of more than 1,000 child pornography images. A jury convicted Hentzen, and he was sentenced to serve 240 months in prison and be subject to lifetime supervision.



Office of Victims Advocacy



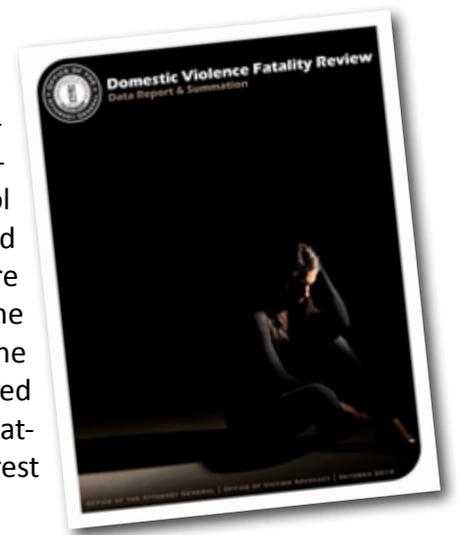
The Office of Victims Advocacy works to ensure justice and healing for Kentucky's crime victims, to assist victims in navigating the sometimes complicated legal process and to implement strategies to reduce the number of crime victims in the future.

Pursuant to KRS 421.500, also known as the Crime Victims Bill of Rights of 1986, the Office of Victims Advocacy works to ensure that the Commonwealth's crime victims are treated with respect and dignity as their cases proceed through the criminal justice system. The Office of Victims Advocacy provides advocates to serve victims in cases that have been referred to the Office of the Attorney General for prosecution, administers the Appellate Notification Program and provides technical assistance to victim advocates and prosecutors, law enforcement and allied health providers across the Commonwealth.

Through the Appellate Notification Program, the Office of Victims Advocacy notified 770 crime victims during the biennium that had their cases appealed. During the biennium, the Office of Victims Advocacy assisted approximately 12,660 crime victims and service providers.

Domestic Violence Fatality Review, Data Report

In 2014, Attorney General Conway through the Office of Victims Advocacy (OVA), brought experts from across the Commonwealth together for the publication of the Commonwealth's first Statewide Domestic Violence Fatality Review Data Report and Summation. This publication is a data collection tool that compiles information regarding domestic violence fatalities that occurred across Kentucky. This report will help advance the mission of preventing future domestic violence fatalities and preserving the safety of victims throughout the Commonwealth. In 2015, OVA applied for and received federal funding from the Violence Against Women Act in the amount of \$17,070. This funding allowed OVA to conduct two regional training sessions for law enforcement. While attending this training, multiple members of law enforcement expressed interest in creating Fatality Review Teams across the Commonwealth.



Training and Continuing Education

Each year, OVA provides free training and continuing education to victim service professionals from across the Commonwealth during the Victim Assistance Conference. In 2014, the conference was held in Lexington, and in 2015 the conference was held in Louisville. Approximately 500 victim advocates and allied professionals received training during the biennium.

In 2014 and 2015, the Office of Victims Advocacy through funding from the Violence Against Women Act, provided specialized training on investigating and prosecuting domestic violence, sexual assault and related crimes for law enforcement officers and prosecutors across the Commonwealth. Topics included human trafficking, investigating stalking cases, and working with victims with disabilities.

Giving a Voice to Kentucky Crime Victims



Attorney General Conway's Office of Victims Advocacy is committed to honoring victims of crime and their families by hosting the annual Kentucky Crime Victims' Rights Day Rally. In 2014, the Victims' Rights Day event was held in conjunction with the annual dedication of names on the Kentucky Victims of Homicide Memorial Wall.

In 2015, the Victims' Rights Day event was held at the state Capitol in Frankfort. It featured special guest speaker John W. Gillis, former director of the U.S. Justice Department's Office for Victims of Crime.

Preventing Child Sexual Abuse

During the biennium, OVA provided staff and support to the Child Sexual Abuse and Exploitation Prevention Board, which administers the Child Victims Trust Fund, as well as the Kentucky Multidisciplinary Commission on Child Sexual Abuse.

The Child Sexual Abuse and Exploitation Prevention Board (CSAEP) is an autonomous agency of the Office of the Attorney General that administers the Child Victims' Trust Fund (CVTF). The mission of the CSAEP Board is to help provide for the safety of Kentucky's children by preventing child sexual abuse and exploitation through educating the public, funding innovative programs and shaping public policy. The CVTF provides funding to local communities for child sexual abuse prevention programs and to state designated Children's Advocacy Centers to reimburse a portion of the expenses associated with child sexual abuse medical exams.

The CSAEP Board sponsors the ICareAboutKids specialty license plates. The sale of the license plates generates revenue for the CVTF to assist in funding child sexual abuse prevention programs and to help offset the portion of child sexual abuse medical exams not covered by private insurance or Medicaid.



- ▶ The CSAEP Board awarded \$203,223 in Fiscal Year 2014 and \$192,001 in Fiscal Year 2015 to fund regional and statewide initiatives for the prevention and awareness of child sexual abuse.
- ▶ The CSAEP Board also provided funds to statewide Child Advocacy Centers by designating \$81,225 in Fiscal Year 2014 and \$88,750 in Fiscal Year 2015 to assist with medical examination reimbursements.
- ▶ The CSAEP Board provided more than \$15,000 in Fiscal Year 2014 and Fiscal Year 2015 to sponsor conferences that educated allied professionals in the areas of child sexual abuse and exploitation.

ICareAboutKids Website

In 2014, the CSAEP Board launched a new ICareAboutKids website through the Office of Attorney General. The website provides specific information regarding prevention programs and services for children across the Commonwealth. The website also allows people to make online donations to fight and prevent child abuse. To view the website, visit icareaboutkids.ky.gov.



Welcome

The Kentucky Child Victims' Trust Fund (CVTF) provides funding for child sexual abuse prevention programs. The

Kentucky now has local training videos on human trafficking available for viewing. The seven-part series can be viewed in the video player below.

The Kentucky Multidisciplinary Commission on Child Sexual Abuse

The Office of Victims Advocacy provides staffing and technical support for the Kentucky Multidisciplinary Commission on Child Sexual Abuse. In 2015, pursuant to KRS 431.660(1)(a), the Kentucky Multidisciplinary Commission on Child Sexual Abuse developed and approved protocols for investigating and prosecuting child sexual abuse for local multidisciplinary teams (MDTs). The commission further supports local MDTs by providing guidance, collecting data on child sexual abuse cases, reviewing complaints and making appropriate recommendations.



Human Trafficking Initiative (HOPE Campaign)

In 2014 the Child Sexual Abuse and Exploitation Prevention Board funded the HOPE Campaign to prevent and educate people about human trafficking. The goals of the Hope Campaign were to increase the identification of child victims of sex trafficking, foster community recognition of child sex trafficking as a form of child sexual abuse, and decrease the number of children charged with prostitution or status offenses. An education video was created and is now available on the Attorney General's website and the ICareAboutKids website. The video may be viewed by visiting <https://goo.gl/6qmsch>.

2015 Victim Assistance Conference



Office of Criminal Appeals



The Office of Criminal Appeals appears for the Commonwealth in all criminal appeals in which the Commonwealth has an interest in both state and federal courts, fulfilling the legislative mandate of KRS 15.020. The Office also advises local prosecutors on legal and trial issues, makes presentations at the Kentucky Prosecutors Conference, the Kentucky Prosecutors Institute, and the Kentucky Capital Litigation Conference, occasionally assists in trials and post-conviction hearings at the request of the local prosecutor or the Special Prosecution Unit, reviews the merits of appeals requested by prosecutors and their requests for certification of the law, and participates in amicus curiae efforts by other states.

Biennium by the Numbers

Briefs filed	1233
Responses to arguments	3829
Oral arguments	83
Issues addressed	221

The Office also responded to requests for assistance from prosecutors in both trial work and post-conviction matters. These requests, unrelated to ongoing appeals, required 94 hours of research in FY 2014 and 75 hours in FY 2013.

Notable Cases Over the Biennium

- ▶ In **Commonwealth v. Johnson**, a case personally argued by Attorney General Conway, the office’s broad investigatory and prosecutorial authority was successfully upheld by the Supreme Court of Kentucky.
- ▶ Successfully argued for the reinstatement of a capital conviction at the US Supreme Court in **Woodall v. White**, a conviction that had been previously reversed by the Sixth Circuit.
- ▶ Successfully defended the capital conviction of Michael St. Clair in the Supreme Court of Kentucky.
- ▶ Successfully defended capital convictions in four federal habeas corpus actions: Victor Taylor, Virginia Caudill, Victor Willoughby, and Leif Halverson.
- ▶ The Kentucky Supreme Court affirmed that the Commonwealth has no burden to prove sanity in **Biyad v. Commonwealth**.
- ▶ In the Kentucky Supreme Court, defended a post-conviction attack on a capital conviction in **Johnson v. Commonwealth**.
- ▶ Successfully defended the capital conviction of Kevin Dunlap in the Kentucky Supreme Court.
- ▶ In **Commonwealth v. Bucalo**, the Kentucky Supreme Court affirmed a conviction with a discussion of proper police stops and investigative procedures.

Notable Achievements

- ▶ Presentations and training provided at the Kentucky Prosecutors Conference, Kentucky Prosecutors Institute and the Kentucky Capital Litigation Conference.
- ▶ Attorneys provided internship opportunities for several law students from Kentucky law schools.
- ▶ Attorneys helped develop Kentucky law by being active in the Criminal Rules Committee, Appellate Rules Committee, and the Kentucky Bar Association’s Appellate Section.



FY 14

<u>Briefs</u>	<u>Filed</u>	<u>Issues</u>
State Circuit Court	24	46
Kentucky Court of Appeals	213	590
KYCA post-conviction collateral attacks (i.e. RCr 11.42)	161	475
Kentucky Supreme Court	120	534
U.S. District Court	75	334
U.S. Court of Appeals, 6Cir.	12	51
U.S. Supreme Court	2	3
TOTAL:	607	2,033
**ORAL ARGUMENTS	45	134
**STATE COURT HEARINGS	8	

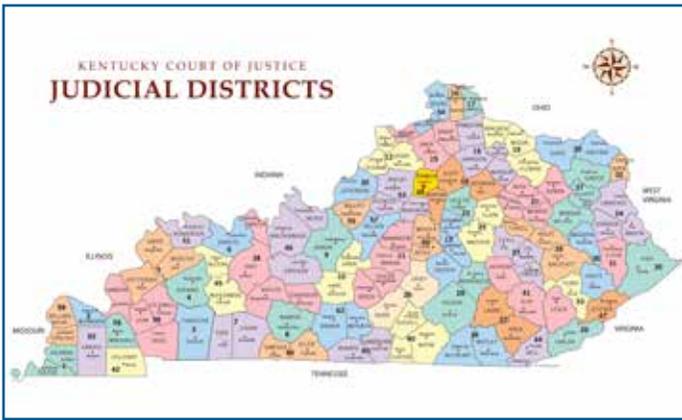
FY 15

<u>Briefs</u>	<u>Filed</u>	<u>Issues</u>
State Circuit Court	24	36
Kentucky Court of Appeals	201	495
KYCA post-conviction collateral attacks (i.e. RCr 11.42)	194	529
Kentucky Supreme Court	131	489
U.S. District Court	63	219
U.S. Court of Appeals, 6Cir.	11	23
U.S. Supreme Court	2	5
TOTAL	626	1,796
**ORAL ARGUMENTS	38	87
**STATE COURT HEARINGS	20	



Prosecutors Advisory Council





The Prosecutors Advisory Council (PAC) administers the budget of the Unified Prosecutorial System and oversees the training of the Commonwealth's prosecutors. The nine-member council is appointed by the Governor and includes the Attorney General, three Commonwealth's Attorneys, three County Attorneys and two citizen members. Attorney General Conway serves as chairman of the council.

PAC presides over the financial administration of the Unified Prosecutorial System, which consists of 177 Commonwealth's and County Attorneys and their employees.

The eight-member administrative staff prepares the budget for the 177 locally-elected prosecutors' offices and develops and coordinates statutorily-mandated training regarding elder abuse, child sexual abuse and domestic violence.

The PAC staff also handles personnel, payroll and benefit services for more than 1,100 employees of the Unified Prosecutorial System (UPS), provides legal research and guidance to the state's elected prosecutors and their staffs, and monitors criminal justice legislation that affects the prosecutorial system.

The PAC and the Office of the Attorney General co-sponsor the annual Kentucky Prosecutors Conference, which is attended by nearly 700 prosecutors and law enforcement officials from across Kentucky. The council also provides basic training courses for newly-elected Commonwealth's and County Attorneys and sponsors the Kentucky Prosecutors Institute, a week-long trial skills course for new prosecutors. The first class of the Kentucky Prosecutors Institute since 2011 was held in April of 2015. Twenty two County Attorneys and Assistant County Attorneys and 24 Commonwealth's Attorneys and Assistant Commonwealth's Attorneys were trained as part of the largest class in the Kentucky Prosecutors Institute history.



Biennial Achievements

During this biennium, Kentucky's prosecutors continued to represent the Commonwealth of Kentucky in combating crime, despite continued funding challenges. As a result of funding provided in the 2014 Legislative Session, operating budgets were restored in Fiscal Year 2015 after being cut for more than four years prior. In an effort to bring technology up to date in Commonwealth's Attorneys' offices, approximately 45 phone systems were replaced with IP capable units. Six Commonwealth's Attorneys' offices were relocated to more suitable space during this biennium. The PAC staff provides support for these moves from working to establish the lease to coordinating all details to ensure a successful move.

As a result of the release of CourtNet 2.0 by the Administrative Office of the Courts, the PAC staff assumed the role of account administrators for more than 1,000 CourtNet user accounts.

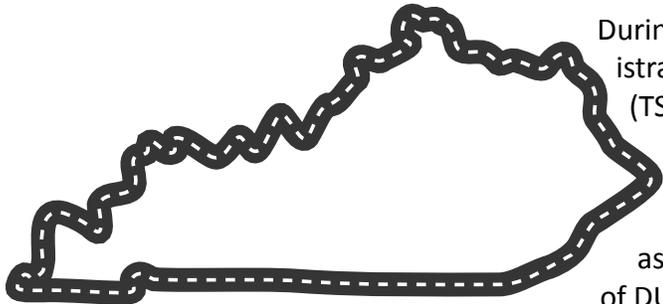
Funds were carved out of a tight budget and approved by the Prosecutors Advisory Council to establish the 52nd full-time Commonwealth's Attorney in the 45th Judicial Circuit — five offices remain classified as part-time.

The PAC staff administer the statutory and regulatory requirements of the Victim and Witness Protection Program enacted in 1998. The program protects victims and witnesses involved in the judicial system. The fund remains critically low and pending claims will likely deplete it in the next biennium. It has not received a budget appropriation since it was created in the late 1990s.

During this biennium, the County Attorneys election cycle took place. As a result of retirements and elections, 23 of the 120 offices changed administrations in 2015. During the transition, the PAC staff coordinated the physical transfer of office inventory, processed hundreds of personnel actions and trained the incoming administrations.

Protecting Public Safety

PAC and the Office of the Attorney General remain focused on combating drunken driving and protecting the public through effective training of prosecutors in DUI and vehicular homicide cases.



During this biennium, the National Highway Traffic Safety Administration continued to fund a Traffic Safety Resource Prosecutor (TSRP) in the Office of the Attorney General. The grant is administered through the Governor's Highway Safety Program and has funded multiple regional trainings across the state. The TSRP trains County and Commonwealth's Attorneys, as well as law enforcement, in the effective prosecution and handling of DUI and impaired-driving cases.

The Attorney General's TSRP, Bob Stokes, conducted two "Protecting Lives, Saving Futures" regional training sessions this biennium, which trained approximately 100 prosecutors and law enforcement personnel. Additionally, in conjunction with the Tennessee District Attorneys Association, he conducted two vehicular homicide trainings entitled "Lethal Weapon," which included staged live vehicle crashes that allowed the student prosecutors and law enforcement officers to learn the procedures for crash reconstruction. The "Lethal Weapon" classes trained 63 prosecutors and law enforcement personnel from Tennessee and Kentucky. Lastly, Bob conducted two drug-impaired driving trainings entitled, "Prosecuting the Drugged Driver," which trained 76 prosecutors and law enforcement officers.

The TSRP program provides and updates the KyTrafficSafety.com website. The website delivers resources for DUI prosecution and information on training opportunities for prosecutors and law enforcement. In the past biennium, membership to the site has increased by 20%. The TSRP, Bobby Stokes serves as the chairperson for the Governor's Task Force on Impaired Driving.

MEMBER LOGIN

EMAIL PASSWORD

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Nationally, traffic crashes of all kinds claim nearly 43,000 lives a year. Traffic fatalities are the number one cause of death for children from the age of 4 up through young adults 34 years of age. In Kentucky in 2007, traffic crashes took the lives of 802 people and injured scores more. Additionally, traffic related prosecutions, particularly DUIs and DUI-fatalities, are among the most complicated cases to handle. Line prosecutors with substantial caseloads need a specialized prosecutor they can turn to for help, a person who focuses solely on traffic issues and prosecutions.

Recent News:

Automakers commit to put automatic brakes in all cars - Wednesday Oct 21

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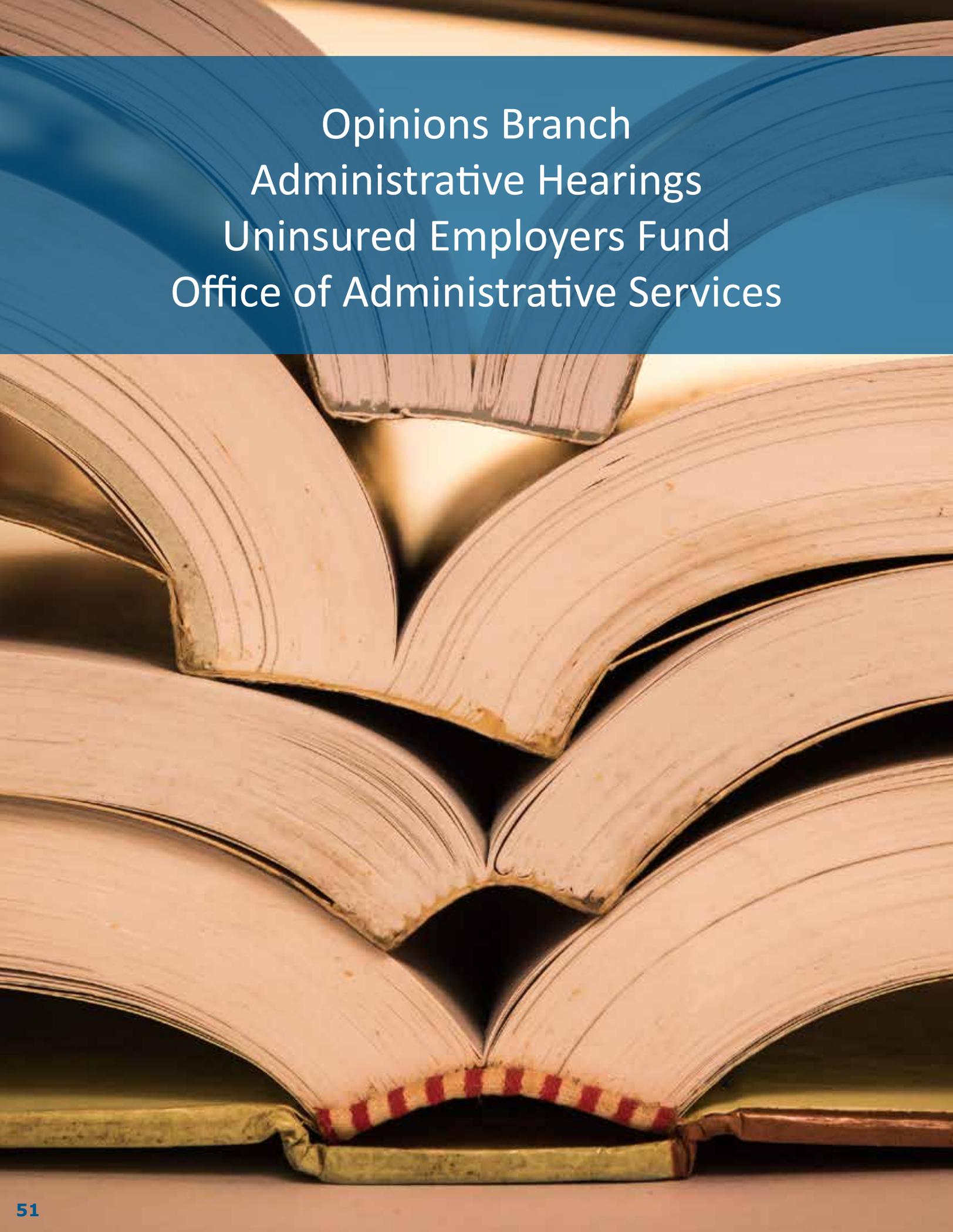
6 States to Target Distracted Driving - Wednesday Oct 21



Attorney General Conway at the 2014 Kentucky Prosecutors Conference

Attorney General Conway with the Black Law Students Association from the University of Kentucky



The background of the slide features a close-up, top-down view of several thick, open books. The pages are aged and yellowed, and the books are arranged in a way that creates a series of overlapping, curved shapes. A semi-transparent blue overlay covers the top portion of the image, providing a background for the white text.

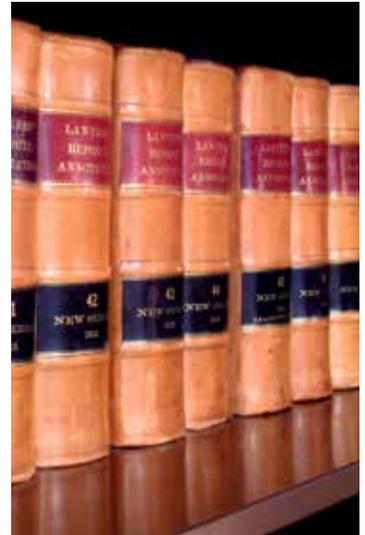
Opinions Branch
Administrative Hearings
Uninsured Employers Fund
Office of Administrative Services

Opinions Branch

[Open Records and Open Meetings](#)

Attorney General Conway promotes both public awareness and public agency compliance of the Kentucky Open Records and Open Meetings Acts. The Opinions Branch adjudicates open meetings and open records appeals, responds to general legal inquiries and drafts formal opinions of the Attorney General. From July 1, 2013, through June 30, 2015, the office received 659 open meetings and open records appeals — 477 were adjudicated and resulted in formal Open Records Decisions and Open Meetings Decisions. Additionally, the branch received 234 requests for advisory opinions during that period, all of which were responded to by a staff attorney either telephonically, by advisory letter, or through a formal opinion. A total of 22 formal opinions were issued in the past biennium.

The Opinions Branch also responds to telephone and e-mail requests from citizens and public officials seeking help with legal issues. Opinions are available online at <http://ag.ky.gov/civil/opinions> and decisions are available at <http://ag.ky.gov/civil/orom>.



Administrative Hearings Branch

The Office of the Attorney General has provided hearing officer services to government boards and agencies of the Commonwealth since the 1980s. This work was expanded and centralized in the Office of the Attorney General by the General Assembly in 1994. This coincided with the legislature’s enactment of the Administrative Hearings Act, KRS Chapter 13B, which took effect in July of 1996. The Administrative Hearings Branch is charged with implementing KRS Chapter 13B.

The Administrative Hearings Branch is assigned several responsibilities by KRS 15.111, with the branch’s two major responsibilities being:

1. To maintain a pool of hearing officers, with the necessary support staff, for conducting administrative hearings for government boards and agencies.
2. To provide training in administrative hearing procedures for hearing officers by developing and offering the training; by contracting with appropriate organizations for the provision of training; and by approving training that has been developed and submitted by the agencies.

The branch currently provides hearing officer services for more than 60 government agencies and boards, resulting in 661 hearings and 14 mediations in this biennium. These services include conducting prehearing conferences, ruling on motions, conducting hearings, and writing findings of fact, conclusions of law, and recommended or final orders. The branch’s hearing officers have specialized training in handling all aspects of administrative hearings.

The branch provides mediation services to government boards and agencies — recognizing that some cases may be more effectively resolved through mediation. The branch’s mediators are hearing officers who have received specialized training in mediation.

Biennial Statistics

Agency Hearing Requests	661
Mediation Requests	14
Hearing Officer Billings	\$507,125
Income from Trainings	\$51,195

Administrative Hearings conducts an annual hearing officer and administrative law training seminar. For this biennium, the branch had 451 participants in its training seminars. The annual seminar is recognized as one of the best for training hearing officers on administrative law. Additionally, the branch approves agency training programs for hearing officer training.

The Administrative Hearings Branch provides its hearing officer and mediator services to government boards and agencies at their request. If you are part of a government board or agency and you are interested in obtaining these services from the branch, or you would like more information regarding these services, you may contact the docket clerk for the branch at 502-696-5442. If someone believes that he or she is entitled to an administrative hearing, he or she should contact the government agency or board involved — only that government agency or board may respond to a request for a hearing.

Uninsured Employers Fund



The Uninsured Employers Fund (UEF) is part of Kentucky’s worker’s compensation program. It is authorized by KRS 342.760. Although the Department of Labor is charged with the fiscal management of the fund, KRS 342.760(5) directs members of the Attorney General’s office to represent the fund in all claims made against it or on its behalf. All expenses necessary to represent the fund, including salaries, are covered by the fund. Significantly, the monies and securities held in trust for the fund by the Department of Labor “shall not be considered a part of the general funds of the state.” All amounts collected as fines or penalties under Kentucky’s worker’s compensation statute (KRS 342 et. seq.) are to be paid into the fund.

UEF is automatically made a party to worker’s compensation claims filed against employers with no insurance coverage on file with the Department of Workers’ Claims. Sometimes the fund’s investigation reveals a simple clerical error that is easily corrected, but more often than not, the fund’s attorneys have to find and join additional defendants with insurance coverage. Kentucky’s worker’s compensation law has a provision for up-the-ladder liability (KRS 342.610), whereby general contractors are responsible for any worker’s compensation benefits owed to the injured employee of an uninsured subcontractor.

In those instances where no up-the-ladder liability can be established, the Uninsured Employers’ Fund defends itself as if the injured worker were its own employee. The fund conducts discovery, presents evidence, attends hearings and works to resolve the claim in a manner that best preserves its assets. If the claim is legitimate, the fund pays the injured worker’s medical bills (lifetime) and disability benefits. Once an injured worker’s claim has been resolved, the fund’s attorneys attempt to recoup whatever they can from the uninsured employer by way of repayment agreement or collection action. The fund also seeks recovery from any negligent third parties that caused the employee’s injuries.

All UEF cases originate at the Department of Workers’ Claims and are tried before administrative law judges. However, the fund’s cases routinely end up before the Kentucky Court of Appeals and/or the Kentucky Supreme Court.

During this biennium, UEF was a party to 125 new worker’s compensation claims. The fund has paid out over \$7 million to injured workers during the biennium.



Office of Administrative Services

The Office of Administrative Services (OAS) is responsible for the fiscal, personnel and technology tasks for the Office of the Attorney General.

OAS assists the agency in areas relating to the development and implementation of the budget, asset management, accounts payable, customer billing, general accounting, cost allocation, grant administration, purchasing, contract administration, records retention, and records destruction guidelines.

Human resource functions provided by OAS include; personnel, payroll and benefits administration, as well as compliance with Equal Employment Opportunity laws, Title VI of the Civil Rights Act of 1964, and the Americans with Disabilities Act. OAS provides guidance to every division related to these functions.

The OAS works in conjunction with the Commonwealth Office of Technology to maintain the computer network, personal computers and software development within the agency.



Attorney General Conway with the 2013 summer interns for the Office of the Attorney General



OFFICE OF ATTORNEY GENERAL

JACK CONWAY



The OAG does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or in the provision of services and provides upon request, reasonable accommodation necessary to afford all individuals with disabilities an equal opportunity to participate in all programs and activities.

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