

OFFICIAL TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL

BEFORE THE

**COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON EXECUTIVE ADMINISTRATION AND LABOR**

**OFFICE OF THE INSPECTOR GENERAL
FISCAL YEAR 2023 PERFORMANCE OVERSIGHT HEARING**

January 30, 2024

Good afternoon, Chairperson Bonds and members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. My team and I are pleased to appear before the Committee and provide an overview of the OIG, highlight our accomplishments in Fiscal Year (FY) 23 and FY 24, to date, and discuss the OIG's plans for the remainder of this FY.

Before I begin, I want to thank the dedicated and talented OIG staff, who, on a daily basis, demonstrate their integrity, professionalism, and dedication to providing oversight to the District. The successes I discuss today are directly attributable to the OIG staff.

THE OIG'S MISSION

Now, I want to refresh the Committee and the public on the OIG's mission. Specifically, the OIG:

- Conducts independent financial and performance audits,¹ inspections, evaluations, and investigations of District government operations;²

¹ D.C. Code § 1-301.115a(a)(3)(A) (2023).

² *Id.* at (a)(3)(D).

- Keeps the Mayor, Council, and District government department and agency heads fully and currently informed about problems and deficiencies and the necessity for and progress of corrective actions;³
- Reports expeditiously to the U.S. Attorney when we believe there has been a violation of federal or District criminal law;⁴ and
- Provides leadership, coordinates, and recommends policies to promote economy, efficiency, and effectiveness, and to prevent and detect corruption, mismanagement, waste, fraud, and abuse in District government programs and operations.⁵

PUTTING THE OIG'S OVERSIGHT RESPONSIBILITIES INTO PERSPECTIVE

Unlike federal offices of inspectors general, whose oversight is focused on programs and operations of their respective federal agencies, and other state and local offices of inspectors general, with varying oversight responsibilities and functions, the District's OIG is a unique government accountability organization. The District's OIG has a broad range of oversight responsibilities that are typically found across multiple oversight entities.

The OIG's FY 23 oversight responsibility encompasses the District's \$19.8 billion gross operating budget,⁶ \$10.5 billion capital budget,⁷ and a budgeted workforce of approximately

³ *Id.* at (a-1)(3).

⁴ *Id.* at (f).

⁵ *Id.* at (a-1)(2).

⁶ OFFICE OF THE CHIEF FINANCIAL OFFICER, FY 2024 APPROVED BUDGET AND FINANCIAL PLAN, VOL. 1 EXECUTIVE SUMMARY, FIG. 1-1 (Jul. 14, 2023), <https://app.box.com/s/lj2jomu4sy5aosdzj5w1kzu6ajjabz mh> (last visited Jan. 24, 2024).

⁷ *Id.* at Table 5-1.

40,000 employees.⁸ These resources are apportioned across over 140 departments, agencies, offices, boards, and commissions, which collectively execute over 1,400 programs and activities.⁹

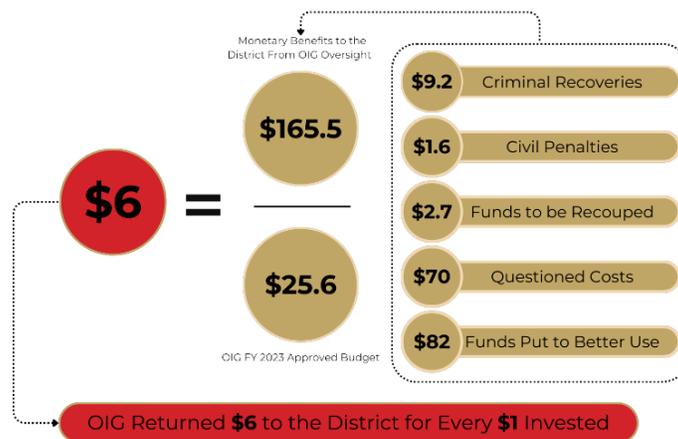
FY 2023 RETURN ON INVESTMENT

With an understanding of the OIG’s mission and oversight responsibilities, I would like to highlight our results during FY 23. Collectively, our work in FY 23 generated \$165.5 million in monetary benefits to the District through (1) criminal and civil judgments obtained through OIG investigations and (2) recommendations to improve District programs and operations that, if implemented, would generate monetary benefits for the District. As seen in Figure 1, when comparing our FY 23 budget to our oversight outcomes, the OIG’s overall return on investment was \$6 to \$1.

Figure 1: OIG FY 2023 Return on Investment

OIG’s FY 2023 Return on Investment

(\$ Figures in Millions)



⁸ *Id.* at Appendix G: FY 2024 Approved Full-Time Equivalent Employment Authority - Gross Funds.

⁹ OIG analysis of the Approved Fiscal Year 2024 Budget by Agency Cluster, <https://cfo.dc.gov/page/approved-fiscal-year-2024-budget-agency-cluster>.

PROMOTING ECONOMY, EFFICIENCY, AND EFFECTIVENESS

The OIG promotes economy, efficiency, and effectiveness of District programs and operations. We do this through our Audit Unit (AU) and Inspection and Evaluation Unit (I&E) that conduct engagements to determine: (1) whether resources were obtained at reasonable costs while meeting timeliness and quality considerations (economy); (2) how well resources were converted into an operational output (efficiency); and (3) the extent to which a District program or operation is achieving its goals and objectives (effectiveness). AU and I&E engagements were identified through a comprehensive risk assessment process and communicated to the District government and residents in our [FY 2024 Audit and Inspection Plan](#). Allow me to highlight AU and I&E outputs and outcomes during FY 23.

Audit Unit (AU). First, AU conducts independent performance audits, financial audits, and attestation engagements of District government operations and programs. AU's successes during the FY 23 performance period include:

- Publishing six reports authored by OIG staff, which included 51 recommendations to improve District programs and operations.
- Identifying over \$150 million in potential monetary benefits.
- Overseeing the administration and release of three individual contractor-prepared reports, and an additional 20 reports from the District's FY 2022 Annual Comprehensive Financial audit. I am pleased to report that in May 2023, the Government Finance Research Center at the University of Illinois Chicago and Merritt Research Services

ranked the District of Columbia first among States and Territories in ACFR audit timeliness.¹⁰

One notable AU report released in FY 23 was the audit of the [District's Department of Employment Services' \(DOES\) processing of unemployment insurance \(UI\) claims during the pandemic](#). This report made 14 recommendations to DOES. If implemented, our recommended corrective actions will: (1) enhance the accuracy and completeness of unemployment claims; (2) leverage data to assess DOES' contractor performance; (3) identify trends or noncompliance that could expose the District to the financial risk of improper billings; and (4) achieve the agency's strategic objective of improving the efficiency, integrity, and performance of UI benefits. Although the report was retrospective, the findings remain timely and can be instructive as DOES transitions to its new UI benefits system.¹¹

Inspections and Evaluations Unit (I&E). I&E conducts inspections and evaluations of District programs to improve the oversight, management, execution of programs, stewardship of resources, and adherence to District and federal laws and policies. During FY 23, I&E published three reports and provided 21 recommendations to District agencies to improve programs and operations.

¹⁰ Deborah A. Carroll, Ph.D. & Richard A. Ciccarone, Public vs. Private Auditors Big vs. Little Issuers: What's Influencing the Timeliness of Municipal Bond Audits (2023), <https://gfrdc.uic.edu/wp-content/uploads/sites/188/2023/05/P2302013-Municipal-Bonds-Audit-Report-FINAL.pdf> (last visited Jan. 26, 2024).

¹¹ Press Release, Department of Employment Services Announces New Unemployment Insurance Benefits System, (Jan. 5, 2024), <https://does.dc.gov/release/department-employment-services-announces-new-unemployment-insurance-benefits-system>. (last visited Jan. 29, 2024).

I want to highlight two I&E reports issued in FY 23: the [Special Evaluation of D.C. Main Streets Program](#) and the [Closeout Letter on District Contracted Services](#).

- First, at the request of the Council, I&E evaluated the administration of the D.C. Main Streets grant application and award process, as well as selected grantees' compliance with grant agreement requirements. The report made 17 recommendations to the District's Department of Small and Local Business Development (DSLBD) to enhance policy, procedures, and processes to increase efficiency, effectiveness, and transparency in the D.C. Main Streets Program.
- Second, our Closeout Letter on District contracted services identified systemic opportunities to strengthen procurement-related internal control systems and improve the oversight and management of contracted services.

I am pleased to see the Council has leveraged these two reports in drafting [B25-0659, the "Public Incentive Transparency and Accountability Act of 2024,"](#) introduced on January 8, 2024. As our oversight work has identified, and as B25-0659 considers, the ability to recapture improper or overpayments is a vital tool to protect the District's finite resources. I look forward to working with this Committee as it deliberates B25-0659 during this Council Period.

**PREVENTING AND DETECTING CORRUPTION, MISMANAGEMENT, WASTE,
FRAUD AND ABUSE**

In addition to promoting good practices in District programs and operations, the OIG works to prevent and detect corruption, mismanagement, waste, fraud, and abuse within the District

Government. Corruption is the use of authority or power for personal gain. While fraud is the intentional use of some dishonest means to deprive another of their money, property, or legal rights. When complaints are brought to the OIG's attention, those allegations are evaluated, investigated, and expeditiously reported to the U.S. Attorney's Office when there are reasonable grounds to believe there has been a criminal violation. Beyond criminal matters, we investigate allegations of government waste, abuse of position or authority, and other activities that may have impeded an agency's ability to accomplish its mission.

To prevent and detect these matters, the OIG's Risk Assessment and Future Planning (RAFP) Unit, Investigations Unit (IU), and Medicaid Fraud Control Unit (MFCU) work together, examining conduct that may constitute a violation governing law, rule, regulation, or policy.

Risk Assessment and Future Planning (RAFP). RAFP operates the OIG's confidential hotline and conducts administrative investigations of non-criminal waste, abuse, and mismanagement allegations. RAFP also supports the OIG's oversight work through data analytics, aggregating and distilling open-source information to inform our oversight work, developing our annual Audit and Inspection Plan, and communicating risks to District agencies through various mechanisms.

During the FY 23 performance period, RAFP evaluated over 900 hotline complaints, which resulted in:

- Assisting 76 complainants to an alternative avenue of redress;

- Referring 19 complaints to District agencies for appropriate action;
- Referring 14 complaints to the Board of Ethics and Government Accountability (BEGA);
and
- Transferring 150 complaints to one of the OIG’s operational units.

The remaining complaints either did not have enough actionable information or the complaint was made anonymously and RAFP could not follow up to ascertain additional details.

Regarding prevention, RAFP aggregated various information sources, including Hotline complaints, to develop the OIG’s [FY 2024 Audit and Inspection Plan](#). The plan includes our annual “High-Risk List,” which identifies opportunities to strengthen internal controls within specific District programs and operations, or areas that may have a heightened vulnerability to fraud, waste, abuse, or mismanagement.

Additionally, RAFP communicated certain matters to District agencies through Management Implication Reports (MIRs), which are issued to inform multiple District agencies of a matter identified during our oversight work. OIG MIRs are transmitted to affected District agencies and are [publicly available on the OIG’s website](#).

Regarding detection, the OIG’s IU and MFCU conduct criminal and civil investigations of misconduct related to District programs and operations.

Investigations Unit (IU). IU’s work during the FY 23 performance period focused on complex public corruption and financial fraud matters. During FY 23:

- IU opened 101 investigations, and
- Successfully referred 32 cases to the United States Attorney’s Office for the District of Columbia (USAO DC) for prosecution.

The outcomes of IU’s work in FY 23 resulted in:

- \$1.135 million in criminal restitution, orders, and fines;
- \$84,000 in referrals to the Office of the Attorney General for civil recoupment, and
- 11 criminal convictions, indictments, or charges.

A significant investigative outcome during FY 23 was the sentencing of the former Executive Director and Director of Operations and Finance for the now-defunct D.C. Children and Youth Investment Trust Corporation (DC Trust).¹² According to court documents, the defendants stole at least \$155,000 from the DC Trust for personal use. The OIG initiated this investigation shortly after DC Trust’s dissolution in 2016. During our investigation, we and our law enforcement partners obtained and analyzed evidence, thoroughly analyzed the DC Trust’s financial records, and presented the case to the U.S. Attorney’s Office for prosecutorial consideration. Through our investigative work, a District of Columbia District Court grand jury indicted both defendants in January 2020, and the OIG supported the USAO’s prosecution

¹² Press Release, U.S. Dep’t of Justice, United States Attorney’s Office District of Columbia, Former Officers of DC Trust, Sentenced for Using Organization’s Funds for Personal Gain (May 11, 2023), <https://www.justice.gov/usao-dc/pr/former-officers-dc-trust-sentenced-using-organization-s-funds-personal-gain> (last visited Jan. 29, 2024).

through the plea agreement hearing in November 2022¹³ and resulting sentencing hearing on May 11, 2023.¹⁴

Medicaid Fraud Control Unit (MFCU)¹⁵. The MFCU conducts criminal and civil investigations of alleged fraud committed against the District’s Medicaid program and allegations of abuse, neglect, and exploitation of individuals who reside in Medicaid-funded facilities or who received Medicaid-covered services. Two MFCU attorney-advisors are designated as Special Assistant United States Attorneys (SAUSAs), who work with the USAO D.C. Superior Court Division’s Major Crimes Section to prosecute MFCU cases.

During FY 23, the MFCU:

- Opened 50 investigations concerning fraud committed against the District Medicaid Program; and
- Opened 37 investigations concerning alleged abuse, neglect, or exploitation committed against District Medicaid beneficiaries.

The outcomes of MFCU’s work resulted in:

- Over \$9.6 million in criminal and civil recoveries for the District; and

¹³ Press Release, U.S. Dep’t of Justice, United States Attorney’s Office District of Columbia, Former Officers of Non-Profit Dedicated to Helping Children Plead Guilty to Using Organization’s Funds for Personal Gain (Nov. 30, 2022), <https://www.justice.gov/usao-dc/pr/former-officers-non-profit-dedicated-helping-children-plead-guilty-using-organization-s> (last visited Jan. 29, 2024).

¹⁴ Supra note 13.

¹⁵ The OIG’s Medicaid Fraud Control Unit receives 75 percent of its funding from the U.S. Department of Health and Human Services under a grant award totaling \$ 3,481,428 for Federal FY 2023. The remaining 25 percent, totaling \$ 1,160,476 for FY 2023, is funded by the District of Columbia.

- 14 criminal convictions, indictments, or charges.

I'd like to highlight two investigations during the FY 23 performance period, which demonstrate the MFCU's investigative *and* prosecutorial mission. Specifically:

- In July 2023, an owner of a mental health services provider pleaded guilty to conspiracy to commit health care fraud in connection with a scheme to pay bribes and kickbacks to District Medicaid beneficiaries¹⁶. As detailed in the defendant's plea agreement, the owner billed the District's Medicaid program for mental health services, including "community support," a service for which community support workers provide rehabilitative and educational support to mental health patients in clinical settings and communities. Based on the amount paid for community support services by the District's Medicaid Program that were not delivered or procured through bribes and kickbacks, the actual loss to the District's Medicaid program was at least \$3.3 million. This investigation highlights the MFCU's strong partnership with the Department of Health Care Finance's Division of Program Integrity, which initially referred this matter and provided support during the investigation.
- In June 2023, a member of the public was sentenced in the D.C. Superior Court to 24 months in prison (suspended) and five years of supervised release on one felony count of

¹⁶ Press Release, U.S. Dep't of Justice, United States Attorney's Office District of Maryland, Owner of Health Care Company Pleads Guilty to Federal Charge for Conspiracy to Commit Health Care Fraud (Jul. 13, 2023), <https://www.justice.gov/usao-md/pr/owner-health-care-company-pleads-guilty-federal-charge-conspiracy-commit-health-care> (last visited Jan. 29, 2024).

financial exploitation of a vulnerable adult or elderly person¹⁷. This matter was initially reported to the District's Adult Protective Services, and subsequently referred to the MFCU by the Office of the Attorney General. According to the court documents, the defendant obtained access to a family member's debit card, who suffered from cognitive impairments and was hospitalized at a skilled nursing facility located in the District. In total, the defendant was able to obtain more than \$51,000 for his personal use, from his hospitalized family member, who could not make decisions for himself or communicate meaningfully. The defendant was ordered to pay \$51,886.31 in restitution. This successful case outcome was investigated and prosecuted by the MFCU's SAUSA, in coordination with the Major Crimes Section of the U.S. Attorney's Office for the District of Columbia.

The outputs and outcomes of AU, I&E, RAFF, IU, and the MFCU would not be possible without the support of the OIG's Business Management, Quality Management, Executive Secretariat, and External Affairs Divisions and the Office of the General Counsel. Collectively, these functions constitute the OIG System -- no part of this system is more important than another, nor could one operate successfully without the others. For additional insights on our FY 23 successes, I recommend reading the OIG's [FY 2023 Report on Activities](#).

¹⁷ Press Release, U.S. Dep't of Justice, United States Attorney's Office District of Columbia, D.C. Man Sentenced for Financial Exploitation of a Family Member (Jun. 20, 2023), <https://www.justice.gov/usao-dc/pr/dc-man-sentenced-financial-exploitation-family-member> (last visited Jan. 29, 2024).

PLANS FOR THE REMAINDER OF FY 2024

In the first four months of FY 24, the OIG has continued to build on the successes I've shared today. Notwithstanding ongoing and planned oversight engagements, the OIG will collectively focus our efforts on the following areas during the remainder of FY 24.

Promoting Economy, Efficiency, and Effectiveness. First, the OIG is engaging District agencies on the implementation status of our recommendations. It's important to note that several OIG findings and corresponding recommendations include quantifiable savings that, if acted upon, would allow the District to recoup funds or enhance the efficiency and efficacy of current programs and operations. An update on implementation efforts will be shared with the District and public once completed later this year.

Second, the OIG released its [Oversight Programs Assessment Survey](#) earlier this month. This survey identified District agencies with internal oversight functions, such as audit, evaluation, or investigation. Armed with these results, later this year, the OIG will establish a District oversight community of practice (CoP). The Oversight CoP will serve as a venue for District oversight practitioners to collaborate and share knowledge across the District government. The goal of the Oversight CoP is to build the District's collective oversight capacity.

Finally, the OIG has developed an Internal Control Assessment Program (ICAP) that leverages the U.S. Government Accountability Office's [Standards for Internal Controls in the Federal Government](#), to assess the maturity of an agency's system of internal control. An effective

system of internal control helps District agencies adapt to shifting environments, evolving demands, changing risks, and new priorities. The benefit to ICAP is that it is not a traditional OIG engagement that results in a formal written report. Rather, ICAP is a consultative and collaborative process between the OIG and the District agency to improve its system of internal control. During FY 24, the OIG will continue to market ICAP to District agencies.

Preventing and Detecting Corruption, Mismanagement, Waste, Fraud, and Abuse. The OIG continues to engage the District community through various outreach events and activities. In FY 24, the OIG will continue its focused engagement with District residents to inform them on issues related to elderly and vulnerable adult abuse, neglect, and exploitation. Unfortunately, these matters are pervasive and go unreported to the appropriate authorities. The OIG's outreach efforts, including our partnership with the [U.S. Department of Justice's Elder Justice Initiative](#), are designed to increase District residents' awareness and understanding of venues to report these types of allegations.

We continue to work with the Executive and the Council on advancing legislative amendments to enhance our ability to investigate allegations of criminal misconduct. Specifically, the OIG has proposed draft legislation that clearly defines OIG criminal investigators in the D.C. Code. This amendment is critically needed to ensure OIG criminal investigators' statutory authorities and limitations are unambiguous, thereby reducing the risk of adverse statutory interpretation should our work or activities be questioned in a court of law.

Later this year, the OIG will initiate a District-wide evaluation to identify fragmentation, overlap, and duplication in programs and operations. The utility of this evaluation is two-fold: first, to ensure District-wide systems, comprised of multiple agencies, are functioning as intended and delivering and maximizing outcomes; and second, the results will be able to inform the preparation and deliberation of future years' budgets.

CONCLUSION

In conclusion, Chairperson Bonds and members of the Committee, as the District faces the potential of reduced resources, the OIG's oversight work has never been more important -- taxpayer dollars must be safeguarded, and District resources must be maximized.

Before I answer the Committee's questions, I'd like to again recognize the hard work and dedication of the OIG staff. I'd also like to acknowledge the Executive and the Council for their unwavering support of the OIG. I look forward to our continued collaboration with this Committee, advancement of the OIG's legislative priorities, and providing world-class oversight of the District government programs and operations.

This concludes my testimony, and I welcome the opportunity to answer your questions.