

**TESTIMONY OF CHARLES J. WILLOUGHBY, INSPECTOR GENERAL**

**BEFORE THE  
COUNCIL OF THE DISTRICT OF COLUMBIA  
COMMITTEE ON GOVERNMENT OPERATIONS  
AND THE ENVIRONMENT**

**FISCAL YEAR 2011 BUDGET REVIEW**

**APRIL 23, 2010**

---

GOOD MORNING CHAIRPERSON CHEH AND MEMBERS OF THE COMMITTEE. I AM CHARLES J. WILLOUGHBY, INSPECTOR GENERAL, AND I AM PLEASED TO TESTIFY TODAY CONCERNING THE PROPOSED FISCAL YEAR (FY) 2011 BUDGET REQUEST FOR THE OFFICE OF THE INSPECTOR GENERAL (OIG). WITH ME TODAY TO ASSIST IN THE PRESENTATION OF THE BUDGET REQUEST IS RANEE PHILLIPS, OUR BUDGET OFFICER.

**AGENCY MISSION**

THE MISSION OF THE OFFICE OF THE INSPECTOR GENERAL IS TO CONDUCT INDEPENDENT AUDITS, INVESTIGATIONS, AND INSPECTIONS TO DETECT AND PREVENT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT, AND TO HELP THE DISTRICT OF COLUMBIA GOVERNMENT IMPROVE ITS PROGRAMS AND OPERATIONS BY PROMOTING ECONOMY, EFFICIENCY, AND EFFECTIVENESS.

## **BUDGET OVERVIEW**

THE BUDGET BOOK SECTION THAT ADDRESSES THE OFFICE OF THE INSPECTOR GENERAL (OIG) REFLECTS NOT ONLY THE OIG'S PROPOSED BUDGET, BUT ALSO THE MAYOR'S RECOMMENDATION REGARDING THE BUDGET. THIS FORMAT COMPORTS WITH A REQUIREMENT IN D.C. CODE § 2-302.08(a)(2)(A) THAT THE MAYOR FORWARD THE OIG'S BUDGET TO THE COUNCIL WITHOUT REVISIONS BUT SUBJECT TO RECOMMENDATIONS. I WILL OUTLINE THE OIG BUDGET FIRST AND THEN REVIEW THE MAYOR'S RECOMMENDED CHANGES.

*THE OIG PROPOSED BUDGET.* THE FY 2010 APPROVED BUDGET FOR THE OIG WAS \$15,457,000. THE LOCAL BUDGET THAT THE OIG PROPOSED FOR FY 2011 IS ALSO \$15,457,000. HOWEVER, FOR FY 2011, FIXED COSTS OF \$1,297,000 FOR RENT AND TELECOMMUNICATIONS ARE TRANSFERRED OUT TO A NEW COST AGENCY, LEAVING A LOCAL BUDGET OF \$14,156,000. OUR FEDERAL BUDGET, WHICH SUPPORTS 75% OF THE COST TO OPERATE THE DISTRICT'S MEDICAID FRAUD CONTROL UNIT (MFCU), IS \$2,333,000. THE OIG'S TOTAL REQUESTED OPERATING BUDGET IS \$16,489,000.

THE FY 2010 APPROVED BUDGET SUPPORTED 124 FTEs; HOWEVER, 6 OF THOSE FTEs WERE UNFUNDED, LEAVING 118 FUNDED FTEs. THE OIG PROPOSED BUDGET AND THE MAYOR'S RECOMMENDED BUDGET FOR FY 2011 ELIMINATED THE 6 UNFUNDED VACANCIES. THE PROPOSED LOCAL BUDGET FOR FY 2011 SUPPORTS 102.8 FTEs, AND THE FEDERAL BUDGET SUPPORTS 17.2 FTEs, FOR A

TOTAL OF 120 FUNDED FTEs. THIS REPRESENTS AN INCREASE OF 2 FUNDED FTEs, WHICH ARE DESIGNATED FOR THE MFCU. AN INCREASE IN THE FEDERAL GRANT WILL SUPPORT 75% (\$167,000) OF THE COST OF THE 2 FTEs, AND THE REMAINING 25% (\$56,000) WILL COME FROM LOCAL FUNDS.

THE OIG PROPOSED BUDGET FOR FY 2011 REPRESENTS NO GROWTH IN THE LOCAL BUDGET AND ABOUT A 10 PERCENT GROWTH IN THE FEDERAL BUDGET OVER OUR FY 2010 APPROVED OPERATING BUDGET. IT SHOULD BE NOTED THAT THE LOCAL BUDGET SUPPORTS THE COST OF CONTRACTING FOR THE AUDIT OF THE DISTRICT'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). THE COST OF THE CAFR IN FY 2010 WAS BUDGETED AT \$3.6 MILLION BECAUSE OF ADDITIONAL WORK NOT COVERED IN THE BASE CONTRACT. FOR FY 2011 THE COST OF THE CAFR WAS RENEGOTIATED AND IS NOW BUDGETED AT \$3 MILLION.

*THE MAYOR'S RECOMMENDATION.* THE MAYOR'S RECOMMENDED LOCAL BUDGET ALSO BEGINS AT \$15,457,000, TRANSFERS OUT FIXED COSTS IN THE AMOUNT OF \$1,297,000, AND MAKES THE FOLLOWING CUTS TO THE BASELINE:

- \$79,000 FOR WITHIN GRADE SALARY STEPS
- \$113,000 FOR CAREER LADDER PROMOTIONS FOR CAREER SERVICE EMPLOYEES
- \$60,000 FOR OFFICE EQUIPMENT INTENDED TO REPLACE WORN COMPUTERS AND COPIERS

- \$17,000 IN PARKING SUBSIDIES
- \$321,000 TO ELIMINATE 4 FTEs.

I AM OBJECTING TO THESE RECOMMENDED CUTS. MY BASIS FOR OBJECTING TO THESE RECOMMENDED CUTS IS TWOFOLD. FIRST, IF FINALIZED, THEY CONTRAVENE FEDERAL AND DISTRICT LAWS THAT PROTECT THE BUDGET PROPOSED BY THE INSPECTOR GENERAL. SECOND, IN THIS INSTANCE, CUTTING THE BUDGET OF THE OIG AS A “WATCHDOG AGENCY” WILL RESULT IN AN INSIGNIFICANT NET SAVINGS WHILE PLACING IN JEOPARDY THE ENORMOUS POTENTIAL OF MONETARY AND OTHER BENEFITS THAT WOULD BE GAINED FROM THE OIG’S PERFORMANCE OF ITS MISSION, WHICH ENCOMPASSES ADDRESSING FRAUD, WASTE, ABUSE, AND MISMANAGEMENT.

EVEN IF THERE WERE NO LEGAL PROTECTIONS FOR OUR BUDGET, THE PROPOSED REDUCTIONS WOULD BE COUNTERPRODUCTIVE, GIVEN THE OIG’S PRACTICAL AND MONETARY CONTRIBUTIONS TO THE DISTRICT’S FISCAL HEALTH. IN FY 2009, THE OIG ACHIEVED MONETARY BENEFITS OF OVER \$50 MILLION (AUDIT DIVISION), \$2.1 MILLION IN MEDICAID DOLLARS WERE RECOVERED BY THE MEDICAID FRAUD CONTROL UNIT, AND INDIVIDUALS CONVICTED AS A RESULT OF OIG INVESTIGATIONS AND JOINT INVESTIGATIONS BY THE INVESTIGATIONS DIVISION WERE ORDERED TO PAY A TOTAL OF \$127,225,237 IN RESTITUTION AND \$4,765 IN FINES. CLEARLY, EACH DOLLAR SPENT IN OIG BUDGETED FUNDS CREATES MONETARY BENEFITS MANY TIMES

MORE THAN FUNDING DOLLARS INVESTED IN TERMS OF RECOVERED FUNDS AND MONETARY BENEFITS.

I WOULD LIKE ALSO TO MAKE THE FOLLOWING OBSERVATIONS WITH RESPECT TO THE SPECIFIC CUTS TO THE BUDGET:

- MY MOST SIGNIFICANT CONCERN IS THE RECOMMENDATION TO ELIMINATE FOUR FUNDED POSITIONS FROM OUR PERSONNEL COMPLEMENT. REDUCING THE OIG COMPLEMENT BY 10 POSITIONS (INCLUDING THE UNFUNDED 6 FTES) ERODES OUR ABILITY TO FULFILL OUR STATUTORY MISSION. FOR THAT REASON, I MADE A REQUEST TO THE OFFICE OF THE CITY ADMINISTRATOR TO RECONSIDER THE ELIMINATION OF THESE EMPLOYEES. BECAUSE THAT REQUEST WAS NOT GRANTED, I AM NOW REQUESTING THAT THE COUNCIL RESTORE THESE FUNDS TO OUR BUDGET.
- WHILE I UNDERSTAND THAT MANY EMPLOYEE RAISES AND PROMOTIONS ARE BEING SACRIFICED UNDER THE NEW BUDGET, THE FAILURE TO PROVIDE THESE BENEFITS ADVERSELY AFFECTS OUR ENTRY LEVEL AND JOURNEYMAN EMPLOYEES, MANY OF WHOM HAVE JOINED OUR RANKS WITH THE EXPECTATION THAT WITHIN GRADE RAISES, COST OF LIVING ALLOWANCES, AND CAREER LADDER PROMOTIONS WOULD EVENTUALLY SUPPLEMENT THEIR ENTRY-LEVEL SALARIES. AS I HAVE

PREVIOUSLY INDICATED, DUE TO THESE FINANCIAL INCENTIVE RESTRICTIONS THE OIG HAS BEEN SERIOUSLY HAMPERED IN ITS EMPLOYEE RETENTION AND RECRUITMENT EFFORTS. WE HAVE SEEN ATTRITION RATES CLIMB AS THESE FINANCIAL INCENTIVES HAVE BEEN TAKEN FROM HARD-TO-FILL POSITIONS, SUCH AS AUDITORS, INVESTIGATORS, AND MANAGEMENT ANALYSTS. SOME OF OUR MOST PROMISING YOUNG EMPLOYEES, RECRUITED AT GREAT EXPENSE AND EFFORT, ARE MIGRATING TO THE HIGHER PAID RANKS OF FEDERAL AND OTHER CITY AGENCIES. IN THE LONG RUN, THE SAVINGS FROM FURTHER CUTTING THESE INCENTIVES WILL DEPRIVE THE DISTRICT GOVERNMENT OF EMPLOYEES WHO HAVE RECEIVED COSTLY TRAINING AND MENTORING AND WHO WILL HAVE TO BE RECRUITED AND TRAINED IN THE FUTURE AT A HIGHER COST.

### **ALLOCATION OF FUNDS**

THE OFFICE OF THE INSPECTOR GENERAL IS A PERFORMANCE-BASED BUDGET AGENCY THAT ALLOCATES FUNDING FOR THE FOLLOWING SPECIFIC PROGRAMS:

- **THE ACCOUNTABILITY, CONTROL, AND COMPLIANCE PROGRAM** WILL HAVE A FUNDING BUDGET OF \$8.5 MILLION, AN INCREASE OF ABOUT \$300,000 OVER THE FY 2010 APPROVED BUDGET OF \$8.2 MILLION. THE CHANGE IN THIS ACTIVITY WAS TO SUPPORT INCREASES IN

PERSONAL SERVICES (STEP INCREASES) AND OTHER RAISES. FTEs ARE REDUCED FROM 56 TO 53 DUE TO THE ELIMINATION OF 3 UNFUNDED POSITIONS IN THIS CATEGORY FOR FY 2011.

- **THE LAW ENFORCEMENT PROGRAM** WILL HAVE A FUNDED BUDGET OF \$5.8 MILLION. THIS PROGRAM IS COMPRISED OF \$3.5 MILLION IN LOCAL FUNDS, AN INCREASE OF ABOUT \$100,000 OVER THE FY 2010 APPROVED BUDGET OF \$3.4 MILLION. THE INCREASE TO THIS ACTIVITY WAS TO SUPPORT INCREASES IN PERSONAL SERVICES (STEP INCREASES AND OTHER RAISES). THIS PROGRAM ALSO INCLUDES \$2.3 MILLION IN FEDERAL GRANT FUNDS, AN INCREASE OF APPROXIMATELY \$250,000 TO SUPPORT 2 ADDITIONAL FTEs FOR THE MFCU. THE GROSS BUDGET SUPPORTS 51 FTEs, WHICH IS THE SAME AS LAST YEAR BECAUSE 2 UNFUNDED FTEs WERE ELIMINATED AND 2 WERE ADDED AS NOTED ABOVE.
- **THE AGENCY MANAGEMENT PROGRAM** WILL HAVE A GROSS FUNDING BUDGET OF \$2.1 MILLION, A DECREASE OF \$1.1 MILLION FROM LAST YEAR'S BUDGET OF \$3.2 MILLION. THE DECREASE IS DUE LARGELY TO THE TRANSFER OUT OF FIXED COSTS. THE GROSS BUDGET SUPPORTS 16 FTEs (RATHER THAN THE 17 FOR FY 2010) BECAUSE OF THE ELIMINATION OF 1 UNFUNDED FTE IN THIS PROGRAM.

## **THE NONDISCRETIONARY BUDGET**

A BRIEF ANALYSIS OF THE OIG BUDGET REVEALS THAT SEVERAL MILLION DOLLARS OF OUR FUNDING ARE DESIGNATED FOR MANDATED ACTIVITIES. FUNCTIONS REQUIRED BY LAW INCLUDE THE FOLLOWING:

- AUDIT OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR);
- AUDIT OF THE HIGHWAY TRUST FUND;
- AUDIT OF PROCUREMENT AND CONTRACT ADMINISTRATION;
- AUDIT OF THE HOME PURCHASE ASSISTANCE FUND;
- AUDIT OF THE HIGHWAY TRUST FUND 5-YEAR FORECAST;
- AUDIT OF THE ANTIFRAUD FUND OF THE OFFICE OF THE ATTORNEY GENERAL;
- AUDIT OF THE PROFESSIONAL ENGINEERS FUND;
- MAINTENANCE OF A LIVE COMPLAINT HOTLINE;
- REFERRAL OF CRIMINAL ALLEGATIONS TO THE U.S. ATTORNEY'S OFFICE; AND CONDUCTING INVESTIGATIONS AS NECESSARY; AND
- FRAUD AND ABUSE INVESTIGATIONS AND PROSECUTIONS REGARDING THE DISTRICT'S MEDICAID PROGRAM.

## **EFFECT OF BUDGET CUTS**

AS THE PRECEDING DEMONSTRATES, A MAJOR PORTION OF THE OIG BUDGET IS CONSUMED BY RESPONSIBILITIES MANDATED BY STATUTE, AND OUR RESULTS IN THIS AREA INCREASE EACH YEAR, ESPECIALLY IN THE LAW ENFORCEMENT PROGRAM. IN THE LAST FISCAL YEAR, COMPLAINTS IN OUR INVESTIGATIONS DIVISION ROSE ABOUT TEN PERCENT, AND REPORTS OF POSSIBLE ABUSE OR NEGLECT AT NURSING AND GROUP HOMES ADDRESSED BY THE MFCU ROSE FROM 3,900 IN FY 2008 TO 4234 IN FY 2009.

DISCRETIONARY WORK CONDUCTED UNDER THE OIG'S COMPLIANCE PROGRAM IS ALSO SIGNIFICANT. FOR EXAMPLE, THE AUDIT DIVISION HAS IDENTIFIED APPROXIMATELY \$50 MILLION IN POTENTIAL MONETARY BENEFITS AND HAS ALIGNED ITS AUDIT UNITS TO ADDRESS HIGH RISK AREAS IN THE DISTRICT, SUCH AS PROCUREMENT, MEDICAID, AND EDUCATION PROGRAMS. MORE SIGNIFICANTLY, DURING FY 2010, OUR AUDIT DIVISION HAS WITH VERY LIMITED RESOURCES BEGUN UNDERTAKING A REVIEW OF DISTRICT STIMULUS EXPENDITURES. THESE EFFORTS ARE CURRENTLY UNFUNDED.

THE INSPECTIONS AND EVALUATIONS DIVISION IS TASKED WITH CONDUCTING INSPECTIONS AND RE-INSPECTIONS OF DISTRICT AGENCIES, AS WELL AS SPECIAL EVALUATIONS REQUESTED BY BOTH THE COUNCIL AND THE MAYOR. SINCE ITS INCEPTION IN 1999, I&E HAS PROVIDED DISTRICT AGENCIES WITH

MORE THAN 913 FINDINGS AND OVER 1327 RECOMMENDATIONS AIMED AT IMPROVING THEIR INTERNAL OPERATIONS AND THE SERVICES THEY PROVIDE.

AS I HAVE PREVIOUSLY STATED AND CONTINUE TO BELIEVE, ALTHOUGH CONGRESSIONAL LEGISLATION PROTECTS THE INSPECTOR GENERAL'S BUDGET REQUEST AS A MEANS OF ENSURING INDEPENDENT AND EFFECTIVE OVERSIGHT OPERATIONS, I BELIEVE THAT OUR PERFORMANCE OUTPUTS AND OTHER CONTRIBUTIONS TO GOOD GOVERNANCE PROVIDE A SEPARATE BASIS TO JUSTIFY OUR BUDGETARY REQUIREMENTS.

THIS CONCLUDES MY TESTIMONY, AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE.