

**OFFICIAL TESTIMONY
OF
DANIEL W. LUCAS, INSPECTOR GENERAL**

**BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON FINANCE AND REVENUE**

FISCAL YEAR 2015 PERFORMANCE OVERSIGHT HEARING

MARCH 8, 2016

Good morning Chairman Evans and members of the Committee. I am Daniel W. Lucas, the Inspector General for the District of Columbia. I am joined today by Marie Hart, my Principal Deputy Inspector General, and Karen Branson, my General Counsel. Also seated behind us are other members of my staff who directly support the OIG in executing its mission.

I am pleased to testify at this performance hearing to share with the Committee my assessment of the OIG over the past 15 months, our FY 2015 and FY 2016 accomplishments, and our plans for the remainder of FY 2016.

ASSESSMENT OF THE OIG

Before I discuss the OIG's performance over the past fiscal year and our plans for the future, I want to share my overall assessment of the Office since I became the Inspector General in November 2014. During my tenure, I have spent most of my time evaluating OIG operations, meeting with our stakeholders, and working to improve the overall value we provide the District. For the past 15 months, we have expended considerable resources to improve overall OIG operations and enhance all OIG services and products. I would like to thank the OIG staff for their contribution during this time. I have realized we can only do so much internally.

Several issues require the support of both the Council and the Executive to assist the OIG.

During the remainder of FY 2016, I will work with both the Committee and the Executive to help the OIG overcome the following three areas:

- **Lack of independence.** In 1995, the District was insolvent and Congress established the District of Columbia Financial Responsibility and Management Assistance Authority (Control Board) to eliminate the city’s budget deficit and management inefficiencies. In addition to creating the Control Board, Congress created the Office of the Chief Financial Officer, and increased the responsibilities of the District of Columbia Office of Inspector General to conform with the regulations and criteria of federal inspectors general. Congress’ intent was clear that the District needed a “truly independent inspector general.” Indeed, Congress stated, “we have taken special care to make sure the IG has the political independence and financial resources to act as a strong watchdog over the city government.” Further, Congress emphasized, “we in Congress must continue our vigilance to ensure the independence of both the (CFO and the IG).”

However, the OIG’s complete independence never came to fruition. Since 1995, the OIG has remained under the statutory purview of District agencies such as the Department of Human Resources, the Office of Contracting and Procurement, and the Office of the Chief Technology Officer. These statutory constraints put the OIG in a precarious position when conducting sensitive oversight work. Ultimately, the lack of independence, as it was envisioned by Congress, greatly limits the OIG’s ability to efficiently and effectively address risks to the District.

- **Resource Growth and Improved Fiscal Planning.** FY 2017 will mark the first time in recent history that the OIG has requested a budget enhancement. In FY 2017, we are asking for additional resources to bring us up to a funding level that is proportional to the growth of the District since FY 2010. Rather than relying on lapsed salaries to fund OIG initiatives, we are prospectively identifying resource requirements in concert with development of our strategic plan. The OIG plans to use its FY 2017 enhancement to support the following initiatives: (1) obtaining additional staff training to enhance and sustain critical skills and competencies; (2) solidifying our IT infrastructure to ensure the protection of sensitive data; (3) assisting the OIG in meeting its core statutory requirements, and (4) gaining OIG organizational independence. I look forward to further discussing this request with you at our FY 2017 Budget Oversight Hearing next month.
- **Affecting positive change in the District.** Previously the OIG issued numerous recommendations to District agencies, but failed to track and follow-up on implementing these recommendations. When I took office, there were over 200 unimplemented OIG recommendations. This was very troubling because the OIG expended resources to produce recommendations to enhance the economy and efficiency of District programs and operations, but the District never realized the value of those recommendations. To rectify this issue, I worked with the Office of the City Administrator and the Office of Risk Management to help ensure that District agencies implement our recommendations. In the near term, I will proactively seek additional opportunities to collaborate with the Council Committees to ensure there is greater awareness of corruption, fraud, waste,

abuse, and mismanagement risk areas, and provide information on the implementation status of OIG recommendations.

Although there is still work to be done in collaboration with the Council and the Executive, these efforts will put the OIG on a trajectory to enhance the value we provide the District. I would now like to discuss OIG accomplishments over the performance period.

OIG'S FY 2015 AND FY 2016 ACCOMPLISHMENTS TO DATE

FY 2015 was a transformative year for the OIG. We underwent significant changes to address several areas as I previously mentioned. Echoing my statements from our FY 2014 Performance Hearing, I continue to make improving OIG operations a priority.

We have seen initial success in creating two new divisions in FY 2015 – the Risk Assessment and Future Planning Division (RAFP) and the Quality Management Division (QM). These Divisions play an integral and synergistic role within our overall OIG system. Specifically:

- RAFP continually surveils activities and issues affecting the District. RAFP ingests this information and synthesizes it into risk areas. Knowing these risk areas helps to more precisely apply our finite oversight resources, both on an emergent basis and in development of the OIG's annual Audit and Inspection Plan. RAFP also serves as the central intake point for all contacts received by the OIG.
- QM ensures that the OIG's products and procedures adhere to all standards. QM is also tasked with cataloging and tracking the implementation of all OIG recommendations to ensure our work affects positive operational change for the District.

In organizing the OIG using a systems design approach, information will flow from RAFP into the Operations Division to synergize efforts across the entire OIG portfolio of services. The Operations Division encompasses the Audit Unit, Inspections and Evaluations Unit, Investigations Unit, and the Medicaid Fraud Control Unit (MFCU). Outputs of operational efforts will then flow through QM to ensure that the information we provide our stakeholders is both timely and of the highest quality. Supporting the OIG is the Business Management Division, which handles all support operations that include IT, contracting and procurement, resource management, and human resource management. And finally, providing legal counsel to the OIG, is the Office of General Counsel.

Because we realigned some of our resources and FTEs in FY 2015 to stand up both RAFP and QM, the OIG did not realize its anticipated performance outputs for the performance period. A complete summary of our performance, including an in-depth review of all OIG activities for FY 2015, is available in our *FY 2015 Report on Activities*. This report and our other products are available on the OIG's website at <http://oig.dc.gov>. I will now briefly touch on the contributions of the OIG's Units during the performance period.

AUDIT UNIT

During this performance period, the Audit Unit issued both performance and financial audits. Of note was the *Audit of Remediation Efforts in Response to Significant Deficiencies Identified in the FY 2014 Independent Auditors' Report*. This report, coupled with the remediation efforts undertaken by the Office of the City Administrator and the Office of the Chief Financial Officer, resulted in the audit of the District's FY 2015 Comprehensive Financial Statements identifying no material weaknesses or significant deficiencies. For FY 2016, the OIG will build upon this

success by independently examining District-agency remediation efforts related to conditions identified in the Independent Auditors' *FY 2015 Management Letter Report*.

INSPECTIONS AND EVALUATIONS UNIT

During the performance period, the Inspections and Evaluations Unit issued both reports of inspection and special evaluations. Of note was the OIG's *Report of Inspection at the Office on Returning Citizen Affairs* (ORCA). The OIG inspection team found that while ORCA's staff worked diligently to provide direct services and client referrals, key organizational elements to fulfill its overall mission, goals, and duties were not in place. The Inspections and Evaluations Unit also provided a District agency assist visit. During the visit, the OIG provided an independent assessment of Office of the Chief Medical Examiner (OCME) operations to assist in preparing for accreditation.

INVESTIGATIONS UNIT

During the performance period, the Investigations Unit conducted criminal investigations, which resulted in criminal prosecutions and civil recoveries. The Investigations Unit also conducted administrative investigations, which resulted in recommendations to the District agencies involved. During FY 2015, the Investigations Unit obtained 10 convictions, collected \$1.29M in receivables and recoveries, and made 11 referrals to District agencies.

MEDICAID FRAUD CONTROL UNIT

During the performance period, the MFCU investigated and prosecuted two distinct categories of offenses: (1) fraud committed against the District Medicaid program by healthcare providers; and (2) physical abuse, sexual abuse, criminal neglect, or financial exploitation of persons who receive Medicaid-funded services or reside in healthcare facilities that receive Medicaid funding.

In FY 2015, the MFCU obtained 8 civil resolutions, 18 criminal convictions, and recovered over \$2.29M in criminal and civil recoveries.

PLANS FOR THE REMAINDER OF FY 2016

We have a great vision for the next 5 years – to be a world-class, customer-focused Office of the Inspector General that sets the standard for oversight excellence. As we work to attain our vision, we will need to overcome the previously discussed areas that hinder our effectiveness and efficiency. Our efforts will include:

- **Finalizing our strategic plan and continuing to transform our organization.** With our finalized strategic plan, we will have a clear road map for the next 5 years. This plan will assist in transforming the OIG into an agile organization poised to respond to the most complex oversight needs of the District.
- **Revising our enabling legislation.** We will work with both the Council and the Executive to obtain the statutory changes to operate as envisioned – a fully independent OIG. Further, we will work to address other statutory limitations that have historically impeded our oversight work.
- **Becoming a more efficient and effective oversight provider for the District.** We will continue to build our capabilities to proactively identify risk areas and apply our finite resources. Further, we will seek to build our own capabilities through the enhanced use of technology, increased training and development opportunities for our staff, and strengthening our relationships with stakeholders and oversight partners.

CONCLUSION

In conclusion, Chairman Evans and Members of the Committee, the OIG's best work lies ahead of us. I am excited to build upon these accomplishments for the remainder of FY 2016 and into FY 2017, to identify and mitigate risks that pose the most serious challenges to District agencies and stakeholders. This concludes my testimony, and I will be happy to answer questions .