

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

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

FISCAL YEAR 2017 PERFORMANCE OVERSIGHT HEARING

FEBRUARY 22, 2018

Good morning Chairperson Todd and members of the Committee. I am Daniel W. Lucas, 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 with us are members of my staff who directly support the OIG in executing its mission.

I am pleased to testify at today's Performance Hearing to share with the Committee an overview of the OIG; highlight several accomplishments in Fiscal Year (FY) 2017 and FY 2018, to date; and briefly discuss the OIG's plans for the remainder of FY 2018.

THE OIG'S MISSION

Before I present our accomplishments during the performance period, I'd like to summarize the OIG's mission, and how I've organized the Office to meet this mandate.

The OIG's mission is to:

- Conduct independent financial and performance audits,¹ inspections, evaluations, and investigations of District government operations,²
- Keep 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
- Report expeditiously to the U.S. Attorney when we believe there has been a violation of federal or District criminal law,⁴ and
- Provide leadership, coordinate, and recommend 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

THE OIG'S ORGANIZATIONAL DESIGN

To meet our mission, I organized my Office into three (3) inter-related divisions (Risk Assessment and Future Planning (RAFP), Operations (which includes the OIG's four (4) external facing units), and Quality Management (QM)). These divisions are supported by Business Management and the Office of the General Counsel (OGC). This arrangement facilitates information flow among the divisions to ensure the OIG's mission is accomplished in a cost-efficient and coordinated manner.

¹ D.C. Code § 1-301.115a (a)(3)(A) (Supp. 2016).

² *Id.* at (a)(3)(D).

³ *Id.* at (a-1)(3).

⁴ *Id.* at (f).

⁵ *Id.* at (a-1)(2).

OIG'S FY 2017 AND FY 2018 ACCOMPLISHMENTS, TO DATE

I would like to highlight how the OIG's organizational design has contributed to our successes during the performance period and will briefly touch on the OIG's four external facing Units and highlight some of their successes during the performance period.

MEDICAID FRAUD CONTROL UNIT

The first external facing Unit – The Medicaid Fraud Control Unit (MFCU) – investigates and prosecutes two distinct categories of offenses: (1) fraud committed against the District Medicaid program by healthcare providers; and (2) physical and sexual abuse, criminal neglect, and financial exploitation of persons receiving Medicaid-funded services or residing in Medicaid-funded healthcare facilities. MFCU's performance is measured by the number of criminal convictions, civil resolutions, and criminal and civil recoveries. Successes during the performance period include:

- MFCU continued to build relationships with its counterparts in both the District and federal government. These efforts included meeting with representatives from the Department of Healthcare Finance and the U.S. Health and Human Services Office of the Inspector General on a regular basis to discuss risk areas facing the District's Medicaid system; periodically meeting with representatives from the United States Attorney's Office (USAO); and working with other state MFCUs regarding ongoing matters and participating in multi-jurisdiction qui tam cases. As a result of these qui tam cases, the MFCU brought back \$1.98 million in civil recoveries in FY 2017.
- During the performance period, the MFCU participated in several outreach events designed to inform District residents of the MFCU and its ability to investigate matters

related to the District's Medicaid program. As a result, there is now a better understanding of how the OIG helps some of the District's most vulnerable residents.

INSPECTIONS AND EVALUATIONS UNIT

The second external facing unit – the Inspections and Evaluations Unit (I&E) – issues both reports of inspection and special evaluation. I&E's performance is measured by the number of projects conducted, findings identified, recommendations made and agreed-to by District entities, and ultimately the subsequent improvements in agency or program operations within the District. Successes during the performance period include:

- Leveraging I&E analysts to quickly assess large amounts of information and to identify risk areas, which was in direct support of ongoing investigative work as part of a task force. While using I&E resources to support ongoing task force projects has meant that overall production of I&E reports was down compared to previous fiscal years, the results of the resources dedicated to these task forces will be seen in coming years through criminal convictions and civil recoupments.
- New to I&E's portfolio during the performance period are focused contract and grant reviews. Based on a deliberate risk assessment, specific contracts and grants were identified during the performance period and examined for corruption/fraud indicators. Additionally, we used these opportunities to identify areas for improvement in awarding, administration, and oversight of contracts and grants in the District. The issues identified by the OIG during these projects were provided to oversight and administrative bodies to ensure prompt action was taken during the life of the contract/grant.

INVESTIGATIONS UNIT

The third external facing unit – the Investigations Unit (IU) – conducts both criminal and administrative investigations. IU’s performance is measured by the number of referrals made to our oversight partners and the outcomes – such as administrative action, restitution, recoupment, and convictions – as a result of our investigations. Successes during the performance period include the following:

- Since becoming the IG, there has been considerable growth in the complexity and scope of OIG investigations. As a result, I set out to ensure our Special Agents have the requisite structure, training, tools, and skills to successfully execute our investigative mission. Starting in FY 2017, IU was deliberate in reviewing and revising its position descriptions, seeking and obtaining training and development opportunities, and carefully recruiting for vacant positions. While this work doesn’t immediately correspond with measures during the performance period, it will pay dividends in future years as the OIG and its Special Agents are prepared to tackle the most difficult investigative matters facing the District.
- IU worked with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and other Offices of Inspectors General to obtain greater access to training, and develop partnerships that enhance our capabilities. Again, these efforts won’t immediately translate into improved performance metrics, but they will in the future.
- IU continued to meet regularly with representatives from the USAO to discuss, and ultimately refer, OIG investigations for prosecution. Since the start of FY 2017, IU in concert with the USAO, affected 16 arrests and obtained 2 convictions and 8 guilty pleas.

This work resulted in an additional \$890-thousand in fines, restitutions and recoveries.

The OIG also worked with representatives from the Office of the Attorney General to refer matters best suited for civil recoupment. This resulted in \$199-thousand in civil recoupment. Additionally, IU worked with representatives from the District's Board of Ethics and Government Accountability (BEGA) to periodically discuss ongoing investigations and to refer ethical misconduct matters to BEGA for action.

AUDIT UNIT

Finally, the fourth external facing unit – the Audit Unit (AU) – conducts both financial and performance audits. AU's performance is measured by the number of projects conducted, findings identified, recommendations made and agreed-to by district agencies, and ultimately the subsequent improvements in agency or program operations. Some successes we saw during FY 2017 include:

- When I became the IG in November of 2014, we had 17 ongoing audit projects. The averaged elapsed days of these projects was 457 days – all without a final report. Since then, I've worked to improve our processes to ensure the products get delivered in a more timely fashion. Currently, all ongoing OIG projects were initiated in FY 2017 or FY 2018, and have an average 127 elapsed days. Due to these process improvements, the OIG is issuing final reports in a timelier manner to affect positive changes in District operations and programs. The goal for the OIG is to complete projects contained in our annual audit and inspection plan within the same fiscal year to the greatest extent possible.

- Besides administering the District's CAFR contract, we also leveraged surplus dollars to hire additional consultants to complete other reports. This included contracting with two firms to evaluate management and valuation of commercial real property assessments and the process, and to conduct a District-wide procurement risk assessment. Both projects ensured the OIG met statutory mandates, afforded the OIG the ability to apportion its finite resources elsewhere, and ultimately provided the District with useful information in an innovative way.
- Finally, during the performance period, AU identified \$11.5 million in monetary savings and funds that could be put to better use.

The successes I've touched on are attributable to the entire OIG system. These results would not be possible without the hard work of the OIG staff, all of whom work tirelessly to help the OIG realize our vision of being a world-class Office of the Inspector General that is customer-focused, and sets the standard for oversight excellence. I encourage everyone to look at the OIG's *FY 2017 Report on Activities* for our statistical highlights and an in-depth review of all FY 2017 activities. This report and other public OIG reports are available from the OIG's website at <http://oig.dc.gov>.

PLANS FOR THE REMAINDER OF FY 2018

Now, I'd like to discuss the OIG's plans for the remainder of FY 2018. These six initiatives represent the greatest priorities to the OIG and are all related to our strategic goals.

1. Organizational Performance Excellence (OPEX). As discussed during my FY 2016 Performance Oversight hearing, the OIG has embarked on a deliberative process to fully integrate all of the OIG's programs into one system – the system I discussed earlier in

my testimony. During the remainder of the year, the OIG will continue OPEX through initiatives that codify policy, procedures, and processes and ensure the full implementation throughout the OIG.

2. Revising our Enabling Legislation. Also mentioned during my FY 2016 Performance Oversight hearing, the OIG is currently reviewing and revising its enabling legislation. The revisions enhance our independence and the authorities of our Special Agents. We are currently working with the Office of the Attorney General to review our enabling legislation and proposed amendments. Our goal is to provide a draft bill to the Committee by mid-summer.
3. OIG Climate and Culture. During the performance period, the OIG deployed a workforce survey and held focus groups to determine what issues may be affecting our performance and what actions may improve our organizational culture and climate. The information obtained through these interrelated efforts identified opportunities for improvement in certain areas. As a result, the OIG will charter several working groups during the rest of the year to make recommendations to improve our culture and climate.
4. Recommendation Follow-up. All the work we do and the corresponding recommendations we provide have negligible effect on the District if not implemented. Between January 2010 and January 2018, the OIG made 917 recommendations that have considerable monetary benefits available to the District.

Overall, agencies have embraced OIG recommendations and expeditiously moved to implement them accordingly. However, for those recommendations we show as open and/or unresolved, the OIG will continue to determine implementation status through

either follow-up work or DIRECTLY ENGAGING agencies on actions taken. As we conduct our recommendation follow-up, we will continue to update the City Administrator on the status of these recommendations, as his office has been integral in addressing OIG findings and implementing our recommendations.

5. Seeking Additional Resources. Understanding we will discuss the OIG's FY 2019 budget request during our upcoming Budget Hearing in April, I would like to put on the record that the OIG has asked for and will discuss four specific enhancement requests for FY 2019. These enhancements include: (1) additional FTEs to support the OIG's ongoing and future work; (2) a one-time enhancement to fund a District-wide grant risk assessment; (3) additional funding to secure overtime pay for OIG special agents; and (4) funding to support initiatives related to the OIG's strategic plan. I look forward to working with and gaining the Committee on Government Operations' support to ensure these enhancement requests are approved.

6. Emergent Request. Finally, separate and apart from the additional enhancements just described, the Mayor has requested the OIG look into the issues affecting the District's education system. I have notified the Mayor that the OIG anticipates meeting her request using a two-step approach. The first is conducting an educational system-wide risk assessment specifically designed to identify the root causes of current conditions in the District education system. The second step is securing additional FTEs to follow up on the root causes identified by the risk assessment and ensure continued oversight of the educational system. I have asked the Mayor for an FY 2018 supplemental budget enhancement to fund the risk assessment, and submitted a supplemental FY 2019 budget enhancement request for additional FTEs to get our efforts underway. Having my

Office undertake this work ensures full independence and integrity with the information reported to decision makers.

CONCLUSION

In conclusion, Chairperson Todd and Members of the Committee, the OIG has experienced numerous successes during the performance period. Internally, we've seen vast improvements in how we conduct our work. Externally, we've seen the value that OIG work provides to the District.

Again, I must thank the OIG team for all their hard work – we truly had a tremendous FY 2017.

I am excited to build upon these accomplishments for the remainder of FY 2018 and into FY 2019, to identify and mitigate risks that pose the most serious challenges to District agencies and stakeholders, and to create an OIG that continually seeks opportunities to improve its performance.

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