

TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL

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

APRIL 13, 2018

Good morning Chairperson Todd and Members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am pleased to appear before the Committee to review the Office of the Inspector General (OIG) fiscal year (FY) 2018 and 2019 budgets. With me today to assist in the presentation are Ms. Jaime Yarussi, Deputy Inspector General for Business Management and Dr. James Hurley, Agency Fiscal Officer.

Today, I'd like to touch on five specific areas: (1) the OIG's unique budget process; (2) previous FY's enhancement requests; (3) FY 2018 expenditures; (4) our FY 2019 Budget Request; and (5) Mayor Bowser's request to the OIG in response to issues related to the District's education system.

BUDGET PROCESS

First, I would like to discuss the uniqueness of the OIG's budget process as compared to other District agencies. The OIG's enabling legislation states that the OIG "shall prepare and submit to the Mayor . . . annual estimates of the expenditures and appropriations necessary for the operation of the [OIG] for the year." These estimates are then "forwarded by the Mayor to the Council . . ., without revision, but subject to . . . recommendations on reallocating any funds from the Inspector General's estimates to other items in the District Budget."

As an OIG professional standard, budget autonomy is imperative to ensure an OIG operates with integrity, objectivity, independence – in both fact and appearance – and to combat corruption, fraud, waste, abuse, and mismanagement. All Inspectors General who do their jobs correctly will come under criticism at some point in time – it is the nature of the job. These critiques often result in efforts to diminish IG authority and access, and arbitrary reductions in funding. The transparency of an OIG’s budget request is essential to inform stakeholders, who rely on the OIG to safeguard tax payer resources, of any veiled attempts to obstruct the OIG’s mission through budget manipulation.

PRIOR FY’s BUDGET REQUESTS

As articulated in prior performance and budget oversight hearings, I have kept my promise to both the Mayor and Council to carefully evaluate the OIG’s performance and to improve the efficiency and effectiveness of the Office, only requesting additional resources when and where absolutely necessary. While many of the improvements I have made since 2015 are cost neutral, I have identified several areas that require additional resources to support continued improvement. During the past three budget seasons (FYs 2017-2019), the OIG’s budget has included several enhancement requests to address the OIG’s ability to meet its mission in response to an ever-growing District budget. While I appreciate the time that both the Executive and the Council spent considering OIG enhancement requests in previous years, the fact remains that as the District’s budget grows, so does my Office’s oversight responsibility. However, necessary budget enhancements to meet the growing responsibility have gone largely unmet. Any process improvement, increase in efficiency, and monetary recovery my staff makes is a win for the District. However, they may go unidentified due to the resource limitations we have tried to address for much of my term.

FY 2018 BUDGET EXPENDITURES

During FY 2018, we have and continue to spend our resources in the most efficient and effective way possible. Through the second quarter of FY 2018, the OIG has expended approximately 33% of its PS and 44% of its NPS local budget. I would like to highlight initiatives we either continue to work on or began in FY 2018.

- First the OIG continues to improve its IT infrastructure. This includes both software and hardware improvements, and efforts to digitize our records and move to a cloud-based network. These improvements will not only improve the efficiency of OIG operations, it will do much to improve the OIG's ability to maintain continuity of operations, recover from a disaster, and safeguard protected information.
- Second, the OIG continues to invest in its staff through technical and leadership training. Thus far in FY 2018, OIG staff have received training offered by both the U.S. Government Accountability Office (GAO) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Additionally, all OIG supervisors will participate in an internal leadership development training program. These trainings will ensure OIG staff is prepared to address the District's oversight needs, while addressing and developing the next generation of OIG leaders.
- Third, the OIG has been more proactive in community and District government outreach. This has included both the design and production of marketing materials; as well as providing training at District agencies and presentations at various community events (such as Advisory Neighborhood Commission Meetings). Our materials educate District employees and District residents about the OIG and how we safeguard the District's finite resources.

- Finally, as enhancement requests went unmet, the OIG judiciously used and saved surplus funds in order to ensure operational oversight efforts continued and that business continuity was recognized. Two examples of this are: (1) in the absence of additional staff to complete time-sensitive work, we used surplus funds to engage outside consultants to conduct an evaluation of the Office of Tax and Revenue’s commercial real property assessments and retained forensic accountants to support ongoing investigations; and (2) using surplus funds to begin a capital fund account in order to pay for IT infrastructure upgrades that were largely ignored over the past 15 years. The OIG requested both FTEs and money to support capital improvements in previous budget years.

THE OIG’S FY 2019 BUDGET REQUEST

For FY 2019, the OIG’s gross budget request is \$21.2 million, which comprises \$18.45 million in local funds and \$2.82 million in federal grant funds. This represents a 15.8-percent increase over the OIG’s FY 2018 approved gross funds budget of \$18.37 million. The OIG’s proposed FY 2019 budget request includes four distinct enhancement requests:

- **Enhancement 1:** Six hundred seventy-nine thousand dollars (\$679,000) in PS funds to provide an additional five Full-Time Equivalent (FTE) positions. These positions would be used in the Audit Unit (1.0 FTE), the Investigations Unit (2.0 FTE), the Office of the General Counsel (1.0 FTE), and the Business Management Division (1.0 FTE). These additional FTEs would allow the OIG to provide greater oversight coverage to the District and improve the time in which we conduct our work and report our conclusions to the District.

- **Enhancement 2:** Five hundred thousand dollars (\$500,000) in NPS funds to conduct a Grant Risk Assessment. Similar to the OIG’s Procurement Risk Assessment conducted in FY 2018, the OIG seeks to contract with an independent auditor to evaluate the District’s award and administration of grant funds. After conducting a series of recent engagements, it has become apparent the District requires a systemic look at the way it grants resources to various entities and verifies that the desired outcomes are achieved. The results of this risk assessment will be provided to stakeholders and also used to define future OIG projects.
- **Enhancement 3:** Five hundred sixteen thousand dollars (\$516,000) in PS funds for Special Agent overtime. Investigative tasks such as conducting surveillance, executing search warrants, and participating on joint task forces require OIG Special Agents to often work beyond the standard 40-hour work week. Adequate funding for overtime will ensure that OIG Special Agents are appropriately compensated for time worked without adversely affecting OIG investigations.
- **Enhancement 4:** Eight hundred ten thousand dollars (\$810,000) in NPS funds for Strategic Plan initiatives. Starting in early FY 2015, the OIG developed a comprehensive 5-year strategic plan. These funds will assist the OIG in implementing several resource intensive requirements of its Strategic Plan. These initiatives include: (1) expansion of our proactive oversight activities by acquiring additional hardware, software, and training; (2) improving our information security; and (3) implementing an OIG-wide management information system that will help turn information into knowledge to improve OIG operations.

In her proposed Budget, the Mayor did not recommend the OIG receive any of its proposed enhancements. I am well aware that District agencies all vie for limited resources. However, to put our request into perspective, the OIG's work in FY 2016 and 2017 identified roughly \$105 million in recoveries and monetary benefits; thus far in FY 2018, we have identified roughly \$9.1 million in recoveries and monetary benefits for the District – and an additional \$500,000 in benefits in soon to be published reports. From FY 2016 to FY 2019, my Office has requested \$7.3 million or 7% of total recoveries obtained and monetary benefits identified for the District. Of that \$7.3 million, \$1.8 million has been granted. At its most simplistic form, investing in OIG is investing in the District.

This budget, as it stands, leaves the OIG without resources to address the issues identified above. I am requesting that the Committee reevaluate the OIG's enhancement requests and apportion the requested funds to my Office.

THE MAYOR'S REQUEST TO THE OIG

Subsequent to submitting the OIG's FY 19 budget, the Mayor requested the OIG's assistance in addressing issues related to the District's education system. Specifically, the Mayor has requested the OIG's help in "identifying system weaknesses and proposing appropriate solutions" related to adverse issues affecting the District's education system. I have since responded to the Mayor and outlined a two-pronged approach to meet her request. The OIG would first conduct an education-wide risk assessment, and subsequently maintain continuous oversight of the District's education system. To accomplish this plan of action, I submitted an FY 2018 supplemental budget request of \$1 million to immediately contract outside expertise to conduct the risk assessment, and an additional \$500,000 in an FY 2019 enhancement for 4 FTE

positions to conduct continuous oversight activities within the various entities that make up the District's education system. Since the Mayor's request arrived after the OIG's FY 2019 budget submission, these enhancements are not reflected in the OIG FY 2019 Proposed Budget and Financial Plan.

The OIG has discussed this supplemental budget request and FY 2019 enhancement with members from the Executive Office of the Mayor, and, based on discussions with the Director, Office of Budget and Performance Management, the OIG is expecting an FY 2018 reprogramming to immediately fund the risk assessment, and FY 19 funding for the additional 4.0 FTEs – via the Mayor's FY 2019 budget errata letter. In order to address issues that are present in the District's education system, I ask that the Committee approve these additional requests.

CONCLUSION

In conclusion, Chairperson Todd and members of the Committee, we will continually seek opportunities to enhance the value we provide to the District, and enhance our practices to ensure we identify and mitigate risks that pose the most serious challenges to District agencies and stakeholders.

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