

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

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

FISCAL YEAR 2021 PERFORMANCE OVERSIGHT HEARING

February 10, 2022

Good afternoon, Chairperson White and members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am pleased to appear virtually and share with the Committee an overview of the OIG; highlight accomplishments in Fiscal Year (FY) 21 and FY 22, to date; and discuss the OIG's plans for the remainder of this FY.

Before I begin, I would be remiss if I did not highlight the incredible OIG staff, whose dedication to the District and the OIG mission has resulted in the successes I'm about to share with the Committee and the public. Although FY 21 continued to present difficulties to all in the District, the OIG has continued its vital oversight mission by improvising, adapting, and overcoming numerous obstacles during the pandemic.

THE OIG'S MISSION

Before I discuss the OIG's FY 21 performance, I would like 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
- 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, to prevent and detect corruption, mismanagement, waste, fraud, and abuse in District government programs and operations.⁵

OIG'S FY 2021 ACCOMPLISHMENTS

The OIG's accomplishments during the performance period occurred while successfully operating in a hybrid work environment. Following the Mayor's return to work guidance in July 2021, the OIG began reconstituting in-person operations. However, due to our ongoing office relocation, we were unable to welcome back 100 percent of our staff into the building. To realize the benefits of in-person collaboration, we rotated staff back into our office as much as possible given our capacity restrictions and in response to the evolving pandemic.

¹ D.C. Code § 1-301.115a (a)(3)(A) (Supp. 2018).

² *Id.* at (a)(3)(D).

³ *Id.* at (a-1)(3).

⁴ *Id.* at (f).

⁵ *Id.* at (a-1)(2).

To fill the void of our partial in-person return, we continued to make workforce engagement a top priority. Throughout the performance period, we hosted bi-weekly live chats with staff, published a weekly staff newsletter, and our Engagement Committee hosted multiple learning and development opportunities and held both virtual and in-person workforce morale events. Our focus on workforce engagement has directly impacted the successful outcomes I will now highlight for the Committee.

AUDIT UNIT (AU)

First, OIG's Audit Unit (AU) conducts proactive work through financial and performance audits.

During FY 21, AU:

- Published 8 reports authored by OIG staff;
- Made 65 recommendations to District agencies to remedy findings discovered during our work; and
- Administered the District's Annual Comprehensive Financial Report (ACFR) audit contract, which resulted in 24 reports.

The outcomes of AU's work resulted in:

- \$2.47 million in funds that could be recouped by District agencies; and
- \$10.36 million in funds that could be put to better use, meaning that these resources could be used more efficiently by District agencies.

A notable report published during the performance period was the audit report entitled *D.C. Department of Human Resources [DCHR] Designed Controls Over Employee Benefits but Certain Controls Were Not Operating Effectively*.⁶ We initiated this audit because of interest expressed by our stakeholders, particularly the Executive. This audit reviewed the controls employed by DCHR to ensure District employees received the correct benefits. We found that DCHR designed policies and procedures for District agencies; however, District agencies did not always follow these policies and procedures when administering employee benefits and processing benefits for payments. The OIG identified instances where internal controls did not adequately reduce the risks of inaccurate benefit payments or identify and correct errors promptly. As a result, the OIG made 27 recommendations for DCHR to identify and address non-compliance and control weaknesses. This audit exemplifies the work of the OIG and its bearing on District operations.

Subsequent to the OIG issuing this report, the District's ACFR independent auditors issued a significant deficiency over the District's 401(a) Plan, in which new plan participants received benefits before being eligible.⁷ Both the OIG's work, as well as that of the independent auditors, highlight the need for strengthened controls to reduce the risk of improper benefit disbursement and the resulting costs borne by the District, as well as reducing the possibility of future adverse

⁶ D.C. OFFICE OF THE INSPECTOR GEN., DEPARTMENT OF HUMAN RESOURCES [DCHR]: DCHR DESIGNED CONTROLS OVER EMPLOYEE BENEFITS BUT CERTAIN CONTROLS WERE NOT OPERATING EFFECTIVELY (OIG Project No. 20-1-25MA September 2021), <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG+Final+Report+No%2E+20%2D1%2D25MA+%2D%2D+Audit+of+DCHR+Employee+Benefits+Controls%2Epdf%0A%0A&mode=audit&archived=0&month=2021&agency=0>.

⁷ D.C. OFFICE OF THE INSPECTOR GEN., DISTRICT OF COLUMBIA 401(A) DEFINED CONTRIBUTION PLAN, FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT YEARS ENDED SEPTEMBER 30, 2021 AND 2020 (OIG Project No. 22-1-22AT February 2022), <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG%5FNo%2E%5F22%2D1%2D22AT+%5F401a+FY+2021+FSAudit%2Epdf&mode=release&archived=0&month=20221&agency=0>.

ACFR audit opinions. In light of these findings, the [OIG recently announced](#) it will examine overtime use across the District.⁸

INSPECTIONS AND EVALUATIONS UNIT (I&E)

The second Unit I would like to discuss is the OIG's Inspections and Evaluations Unit (I&E). I&E also conducts proactive work through inspections and special evaluations.

During FY 21, I&E published:

- 5 reports; with
- 40 recommendations made to District agencies.

A notable evaluation published during the performance period, and germane to this Committee's oversight, was the [Evaluation of Contracting Procedures at the Office of Contracting and Procurement \[OCP\] and the Department of Behavioral Health \[DBH\]](#). This project evaluated how DBH and OCP work together to provide health services to District residents with mental illness and/or substance use disorders. We found that split responsibilities in the two agencies contributed to deficiencies in contracting practices, such as executing contract documentation containing flawed or missing information. Further, DBH did not have adequate controls to monitor contract compliance or vendor performance, and OCP did not have a consistent method for resolving vendors' payment disputes. In total, we made 12 recommendations to both DBH and OCP. These recommendations should be insightful for both the Executive and the Council as it considers ways to improve the District's procurement system.

⁸ D.C. Office of the Inspector Gen. Engagement Letter, Audit of District Agency Overtime Usage (Jan. 31, 2022), <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG%5FEngagement%5FLetterAudit%5Fof%5FDistrict%5Fagencies%5FOvertime%5FUsage%2Epdf&mode=letters&archived=0&month=00000&agency=0%20target=>.

INVESTIGATIONS UNIT (IU)

Third, the Investigations Unit (IU) conducts reactive work through criminal and administrative investigations. IU focused on complex public corruption and financial fraud matters during the performance period. Because we are statutorily required to expeditiously report to the U.S. Attorney's Office (USAO) when we have reasonable grounds to believe there has been a violation of federal or District law,⁹ adjudication of our cases progresses as quickly as prosecutors' and courts' throughput will allow. Unfortunately, the January 6th insurrection and subsequent criminal prosecutions undertaken by the USAO impacted the movement of the OIG's criminal cases. However, I am pleased to report to the Committee and the public that I have met with the new U.S. Attorney for the District of Columbia, and we have renewed our collective commitment to pursue corruption and fraud committed against the District's operations and programs.

During FY 21, IU's results included:

- 31 investigations opened;
- 6 investigations accepted by the USAO for prosecution; and
- 4 matters referred to the Board of Ethics and Government Accountability.

The outcomes of the work resulted in:

- \$282 thousand in restitution, orders, and fines;

⁹ D.C. Code § 1-301.115a (f).

- \$345 thousand in referrals to the Office of the Attorney General for civil recoupment; and
- 4 criminal convictions, indictments, or charges.

A significant investigative outcome during the performance period was the August 2021 sentencing of a former District contractor who paid bribes to two federal employees and an employee of the District's Office of the State Superintendent of Education (OSSE).¹⁰ Specific to the District, the former District contractor admitted to paying bribes to an OSSE official to process fraudulent invoices that ultimately cost the District more than \$480 thousand. The former OSSE official was sentenced to 56 months in prison for accepting over \$53 thousand in bribery payments.¹¹

This case demonstrates a successful large-scale financial crime investigation that involved bribery of a District employee, which resulted in hundreds of thousands of dollars stolen from District school children. Further, it highlighted the OIG's dual mission to ensure District funds benefit District residents while also holding District employees and contractors accountable for protecting those funds.

MEDICAID FRAUD CONTROL UNIT (MFCU)

Finally, the OIG's Medicaid Fraud Control Unit (MFCU) is one of 52 MFCUs that operate in individual states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The MFCU receives a portion of its operating budget through a grant from the U.S. Department of Health

¹⁰ Press Release, U.S. Dep't of Justice, Businessman Sentenced to 14 Months in Prison for Paying Bribes to Federal and D.C. Employee (Aug. 31, 2021). Available at: <https://www.justice.gov/usao-dc/pr/businessman-sentenced-14-months-prison-paying-bribes-federal-and-dc-employees> (last visited February 7, 2022).

¹¹ Press Release, D.C. OIG, Former District of Columbia Government Employee Sentenced To 56 Months in Prison for Bribery Schemes (Jul. 17, 2018). Available at: <http://app.oig.dc.gov/news/view2.asp?url=release10%2FHarley%2C+Shauntell+7%2D17%2D18%2Epdf&mode=release&archived=0&month=00000&agency=0> (last visited February 7, 2022).

and Human Service Office of the Inspector General (HHS OIG). Its mission is complementary to the other OIG Units in that it conducts investigative work for 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.

Like IU, the MFCU refers criminal cases to the USAO for criminal prosecution. Additionally, the MFCU's two attorney-advisors are designated as Special Assistant United States Attorneys (SAUSAs), who work with the USAO D.C.'s Superior Court Major Crimes Section to prosecute District Medicaid provider fraud, as well as Medicaid beneficiary abuse, neglect, and exploitation cases.

MFCU results during FY 21 were:

- 38 investigations opened concerning fraud committed against the District Medicaid Program; and
- 43 investigations opened concerning alleged abuse, neglect, or sexual assault committed against District Medicaid beneficiaries.

The outcomes of MFCU's work resulted in:

- \$12.86 million in criminal and civil recoveries for the District.
- 13 criminal convictions, indictments, or charges.

Three notable MFCU outcomes included the sentencing of three personal care aides (PCA). These now-former PCAs collectively defrauded the District's Medicaid program of over \$1 million in billing for services they did not render. In one investigation, the former PCA admitted to filing false time sheets showing that she worked overlapping hours, alleging to have provided services for different beneficiaries at the same time.¹² In another investigation, the former PCA admitted to filing timesheets showing that she provided services to District Medicaid beneficiaries when, in fact, she was traveling outside of the country or working at a federal agency.¹³ In the last investigation, the PCA admitted to submitting false timesheets to various home health agencies alleging that she had worked 24 or more hours in a single day.¹⁴

As a result of investigations conducted by the MFCU and its law enforcement partners, a total of 11 former PCAs have been sentenced in U.S. District Court for defrauding the District's Medicaid program since August 2018.¹⁵ The ability for these Medicaid service providers to fraudulently bill the District's Medicaid program is indicative of weak internal control. As a result, in September 2021, we announced an evaluation at both the District Department of Healthcare Finance (DHCF) and DBH. This evaluation will look into DHCF and DBH's processes for paying Medicaid service providers.¹⁶ The results of this evaluation will assist both

¹² See Press Release, D.C. OIG, Maryland Woman Sentenced for Committing Health Care Fraud; Government Continues Crackdown on People Who Defraud Medicaid (Jan 21, 2021), <https://oig.dc.gov/release/maryland-woman-sentenced-committing-health-care-fraud-government-continues-crackdown-people>.

¹³ *Id.*

¹⁴ See Press Release, U.S. Dep't of Justice, Maryland Woman Sentenced to Prison for Defrauding Medicaid Program Out of Hundreds of Thousands of Dollars (May 12, 2021), <https://www.justice.gov/usao-dc/pr/maryland-woman-sentenced-prison-defrauding-medicaid-program-out-hundreds-thousands>.

¹⁵ See Press Release, U.S. Dep't of Justice, Licensed Attorney Pleads Guilty to Defrauding Medicaid in Scheme Involving Personal Care Services (Nov. 19, 2021), <https://www.justice.gov/usao-dc/pr/licensed-attorney-pleads-guilty-defrauding-medicaid-scheme-involving-personal-care>.

¹⁶ D.C. Office of the Inspector Gen. Engagement Letter, Evaluation of Payment Processes for Behavioral Health and Substance Use Treatment Providers (September 2021), <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG+Engagement+Letter+%2D%2D+Evaluation+of+Pa>

agencies in improving their internal controls, which should ultimately reduce opportunities for Medicaid providers to bill for services not rendered.

PLANS FOR THE REMAINDER OF FY 2022

While the results I just discussed concern our FY 21 results, we continue our work to deliver built upon these successes in FY 22. I would now like to briefly touch on our current and planned activities for the remainder of the FY.

Realignment and Filling Vacancies: First, as I discussed during last year’s Budget Oversight Hearing, the OIG has initiated an agency realignment.¹⁷ This realignment will help maximize the effectiveness and efficiency of our finite resources and will enhance our value proposition of fighting fraud, waste, abuse, and mismanagement in District programs and operations.

While this realignment is not complete, we continue to work with DCHR to ensure that positions impacted by the realignment have accurate and certified position descriptions. Currently, several positions await DCHR classification and certification prior to recruitment. We anticipate that DCHR will complete its work and allow the OIG to recruit and fill these vacancies shortly.

Notwithstanding the ongoing realignment, like other District agencies, the OIG is also experiencing the effects of the “great resignation.” While not ideal, resignations do provide us with the ability to assess the position against the current and future needs of the OIG. When

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¹⁷ TESTIMONY OF DANIEL W. LUCAS BEFORE THE COMMITTEE ON GOVERNMENT OPERATIONS AND FACILITIES, BUDGET OVERSIGHT HEARING ON THE OFFICE OF THE INSPECTOR GENERAL’S FISCAL YEAR 2022 BUDGET (Jun. 16, 2021), https://oig.dc.gov/sites/default/files/dc/sites/oig/release_content/attachments/OIG-FY-22-Budget-Oversight%20Hearing.pdf.

possible, we work to quickly fill these positions so as not adversely impact our oversight mission.

Pandemic Oversight Program (POP): Next, thanks to the support of the Executive and this Committee, the OIG received its enhancement request for both full-time equivalent (FTE) and non-personal service resources to provide oversight of the more than \$2.5 billion federal pandemic appropriations. Currently, we have 10 term positions in recruitment that will directly support various pandemic-related oversight projects. We expect to conduct several pandemic oversight engagements this FY.

Office Relocation: As mentioned previously in my testimony, the OIG is undergoing an office relocation. The Department of General Services is working diligently to oversee the build-out of our new office space in Southeast. Unfortunately, supply chain issues have delayed our planned move-in date. We expect to reconstitute in-person operations in our new office location this summer.

Improving OIG Effectiveness and Efficiency: The OIG has and continues to evaluate its operations and make necessary improvements to maximize our return on investment for the District. However, our ability to provide oversight to the District also requires the support and responsiveness of other District agencies. Recently, we have seen an increase in District agencies' subjective requirements following requests in furtherance of our oversight work. The OIG continues to track these instances and address them on an as-needed basis. Later this year we plan to work with the Committee on potential legislative solutions to help remedy these issues.

Legislation: Finally, as we shared in our pre-hearing responses, the most critical matter for the remainder of this FY is the OIG’s proposed Bill 24-0129, the “Inspector General Enhancement Act of 2021.” As discussed during our Public Hearing before this Committee last summer, the proposed legislation will bring congruence to the OIG’s criminal investigation mission and the authorities required for the OIG’s criminal investigators. It is important to reiterate for the record that the proposed legislative changes will reduce risks to the District, protect OIG staff and allow them to independently conduct court-authorized law enforcement activities, and improve our ability to hold bad actors accountable.

CONCLUSION

In conclusion, Chairperson White and members of the Committee, the OIG enjoyed a productive 2021. The successes I have touched on this afternoon are attributable to the entire OIG team. These results would not be possible without our dedicated staff, who work tirelessly to help District agencies improve efficiency and effectiveness, and find and eliminate fraud, waste, abuse, and mismanagement in District programs. This concludes my testimony, and I welcome the opportunity to answer your questions.