

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

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

FISCAL YEAR 2019 PERFORMANCE OVERSIGHT HEARING

January 16, 2020

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, and Karen Branson, my General Counsel. Also with us are members of my staff who 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 accomplishments in Fiscal Year (FY) 2019 and FY 2020, to date; and discuss the OIG's plans for the remainder of this FY. FY 2019 was one of our most successful years to date, but my team and I know there is more work to be done to achieve our vision.

Before I begin, I would be remiss in not thanking 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. Through their work, the OIG has continued to transform into a world-class Office of the Inspector General. I am proud to say that the goals I presented to the Council at the beginning of my term, have been substantially realized; however, opportunities for improvement remain in future years.

THE OIG'S MISSION

For those unfamiliar with the OIG's mission, we:

- 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, 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 the OIG into four (4) inter-related divisions (Risk Assessment and Future Planning (RAFP), Operations (which includes the OIG's four (4) external facing units), Business Management (BM), and Quality Management (QM). The Office of the General Counsel (OGC) ensures our staff, processes, programs, and products comport with applicable

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).

legal standards. This arrangement facilitates resource allocation and synergistic information flow to ensure we accomplish the OIG's mission in the most efficient and effective manner.

OIG'S FY 2019 AND 2020 ACCOMPLISHMENTS TO DATE

My staff has been diligent in producing outputs and delivering outcomes to the District of Columbia, I would like to discuss these key results from the OIG's FY 2019 performance.

AUDIT UNIT (AU)

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

During FY 2019, AU:

- Published 7 reports authored by OIG staff;
- Made 48 recommendations to District agencies to remedy findings discovered during our work; and
- Oversaw completion of 20 reports written by contractors.

The outcomes of AU's work resulted in:

- \$14.6 million in funds that could be recovered by District agencies; and
- \$8.3 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, and germane to this Committee's oversight role, was the Report entitled *OCTO's Oversight of Information Technology*

*Acquisitions Needs Improvement to Ensure the District Realizes Intended Benefits.*⁶ During this audit, one of our findings was several agencies did not obtain OCTO's approval before initiating purchases over \$25,000. As a result, approximately \$152 million in information technology and telecommunication system purchases did not receive the proper review by OCTO, which may mean that the District did not receive the full value and intended benefits of these purchases.

INSPECTIONS AND EVALUATIONS UNIT (I&E)

Second, OIG's Inspections and Evaluations Unit (I&E). I&E also conducts proactive work through inspections and special evaluations.

I&E published:

- 7 reports; with
- 61 recommendations made to District agencies.

A notable evaluation published during the performance period was the report entitled *Office of Contracting and Procurement: District-wide Participation in the Surplus Property Program Could be Improved.*⁷

⁶ D.C. OFFICE OF THE INSPECTOR GENERAL, OCTO'S OVERSIGHT OF INFORMATION TECHNOLOGY ACQUISITION NEEDS IMPROVEMENT TO ENSURE THE DISTRICT REALIZED INTENDED BENEFITS (OIG Project No. 18-1-19TO April 2019), available at: <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG+Final+Report+No%2E+18%2D1%2D19TO+%2D%2D+OCTO+Oversight+of+Information+Technolo%2E%2E%2E%2Epdf&mode=audit&archived=0&month=00000&agency=0> (last visited January 13, 2020).

⁷ D.C. OFFICE OF THE INSPECTOR GENERAL, DISTRICT-WIDE PARTICIPATION IN THE SURPLUS PROPERTY PROGRAM COULD BE IMPROVED (OIG Project No. 19-1-03PO July 2019), available at: *Available at:* <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOCP+Surplus+Property+Division%2Epdf&mode=release&archived=0&month=20196&agency=0> (last visited January 13, 2020).

We initiated this project based on our District-wide Procurement Risk Assessment.⁸ The District’s surplus property was one of eight risk areas identified in the assessment, which noted: “OCP’s online property surplus disposal program is not consistently utilized across the District, which reduces potential revenue opportunities, and increases the chance for material obsolescence, and opportunities for fraud, waste, and abuse.” *Id.* at 2.

I&E worked collaboratively with OCP during this engagement and provided 10 recommendations to help OCP improve District agency participation in the program, enhance data destruction practices in coordination with OCTO, and consider opportunities to bring additional revenues back to the District. Just last week, the Committee on Facilities and Procurement held an oversight roundtable on our report and the subsequent actions taken by OCP.

INVESTIGATIONS UNIT (IU)

Third, IU conducts reactive work through criminal and administrative investigations. During the performance period, IU focused on complex public corruption and financial fraud matters. These complex matters require tremendous support from OIG staff as well as our external partners, such as the FBI and the U.S. Attorney’s Office (USAO).

IU results during FY 2019 were:

- 64 investigations opened;
- 18 investigations accepted by the USAO for prosecution; and

⁸ D.C. OFFICE OF THE INSPECTOR GENERAL, GOV’T OF THE DISTRICT OF COLUMBIA FISCAL YEAR 2017 PROCUREMENT PRACTICES RISK ASSESSMENT (OIG Project No. 16-1-17MA July 2017), available at http://app.oig.dc.gov/news/PDF/release10/District_Procurement_Practices_Risk_Assessment.pdf (last visited January 5, 2020).

- 3 matters referred to the Board of Ethics and Government Accountability.

The outcomes of the work resulted in:

- \$4.6 million in restitution, orders, and fines;
- \$63 thousand in referrals to the Office of the Attorney General for civil recoupment; and
- 45 criminal convictions, indictments, or charges.

A notable investigation during the performance period involved two now-former Department of Human Service (DHS) employees. These two former employees, operating separate fraud schemes, were able to collectively embezzle over \$1.8 million in Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) benefits meant for the District's most vulnerable. In coordination with the FBI and the U.S. Attorney's Office for the District of Columbia, we were able to take this investigation from initial notification from DHS leadership to two successful sentencings in just over 12 months. On July 17, 2019, the first individual was sentenced to 84 months incarceration and ordered to pay \$1.457 million in restitution and an additional \$150 thousand in forfeiture money judgement.⁹ On August 8, 2019, the second individual was sentenced to 18 months incarceration and ordered to pay \$404,800.31 in restitution and forfeiture.¹⁰

Consistent with our oversight approach, as the investigation was underway, the OIG initiated a separate internal control evaluation of DHS' Economic Security Administration. This evaluation

⁹ OIG, <http://app.oig.dc.gov/news/view2.asp?url=release10%2FMcMillanDemetrius+07%2E17%2E2019%2Epdf&mode=release&archived=0&month=00000&agency=0> (last visited January 13, 2020).

¹⁰ OIG, <http://app.oig.dc.gov/news/view2.asp?url=release10%2FHollidayGary+08082019%2Epdf&mode=release&archived=0&month=00000&agency=0> (last visited January 13, 2020).

was designed to identify and help DHS mitigate the internal control deficiencies related to these two fraud schemes.¹¹ The OIG again worked collaboratively with DHS leadership during this project, the results of which should be publically available on the OIG's website next month.

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 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.

MFCU results during FY 2019 were:

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

¹¹ OIG, <http://app.oig.dc.gov/news/view2.asp?url=release10%2FAnnouncement+Letter+%2D%2D+Inspection+of+the+Economic+Security+Administratio%2E%2E%2E%2Epdf&mode=letters&archived=0&month=00000&agency=0%20target=> (last visited January 13, 2020).

The outcomes of MFCU' s work resulted in:

- Continued coordination with other MFCUs regarding ongoing matters and participating in multi-jurisdiction qui tam cases. As a result of these qui tam cases, the MFCU brought back just over \$79 thousand in civil recoveries for the District.
- \$13.1 million in criminal and civil recoveries, and 18 criminal convictions, indictments, or charges.

A notable investigation resulted in the guilty plea of a former dentist who admitted to defrauding the District's Medicaid program of more than \$5 million. After surrendering his dental license, the individual operated a company that employed dentists on contract work. The individual, with the assistance of his dental manager, applied to be a Medicaid provider. After becoming a provider, the individual began to increase the dental practice's profits by recruiting Medicaid recipients as patients. Both the individual and the office manager then billed D.C. Medicaid for thousands of provisional crowns not provided to the District Medicaid patients. They collectively shared the fraud proceeds, totaling more than \$5.4 million paid by the District Medicaid program. This individual is scheduled for sentencing next week in District Court.¹²

THE OIG'S BALDRIGE PERFORMANCE EXCELLENCE JOURNEY

Since 2014, the OIG has undergone a transformation, all to drive us towards our vision of becoming "a world-class Office of Inspector General that is customer-focused, and sets the standard for oversight excellence!" During the performance period, we decided to have an

¹² OIG, <http://app.oig.dc.gov/news/view2.asp?url=release10%2FAhmedBilal%2Epdf&mode=release&archived=0&month=00000&agency=0> (last visited January 13, 2020).

objective assessment of our progress in meeting our vision. As such, we engaged the Virginia/D.C. Chapter of the United States Senate Productivity and Quality Award (SPQA) to assess OIG operations using the *Baldrige Excellence Framework*.

In preparing our application, we self-evaluated our operations across the Baldrige Framework's seven categories – Leadership; Strategy; Customers; Measurement, Analysis, and Knowledge Management; Workforce; Operations; and Results. Following our self-evaluation, the SPQA elected to conduct a site visit of the OIG. The SPQA examiners provided the OIG with an evaluation of the maturity of the OIG's operations across the Baldrige framework's seven categories. As a result of our application and site visit, the OIG received the Progress in Performance Excellence Award. This award is a testament to the OIG staffs' hard work in creating a high-performing Office of the Inspector General – driving us towards attaining our vision of setting the standard for oversight excellence.

Greater detail on both external and internal activities within the OIG may be found in the OIG's *FY 2019 Report on Activities*.

PLANS FOR THE REMAINDER OF FY 2020

With the FY 2020 performance period underway, we have already realized several successes.

During the first quarter of FY 2020:

- The OIG hosted District agency leaders and oversight practitioners at our first annual Oversight Symposium on October 8, 2019. The three goals of the symposium were to: facilitate a shared understanding of oversight responsibilities in the District; create a synergistic oversight environment such that leadership, internal oversight, and external

oversight entities are working as a collaborative system; and build oversight capacity through strategic partnerships with agencies to ensure the best oversight work for the District and its residents. The symposium featured presentations from Mayor Bowser, Chairman Mendelson, Attorney General Racine, and Chief Financial Officer DeWitt. Our keynote presentation was from Dr. Kelly Richmond Pope, who provided a post-mortem of the \$53 million municipal fraud that occurred in Dixon, Illinois.¹³

- The OIG’s Communication and Public Relations Staff attended seven (7) ANC meetings during FYs 2019 and 2020, with our goal of attending at least another four (4) ANC meetings this FY year. Additionally, we continued our commitment to providing “OIG 101” training at all New Employee Orientation sessions and completed an in-person training to one (1) District agency in FY 2019 with the hopes of deploying this training District-wide, both in-person and through Skillport.
- We are currently working to contract with the District’s next CAFR Auditor. The OIG, as required by D.C. Code § 1–301.115a(a)(4), is required to enter into a 5-year contract with an independent auditor to audit the District’s financial statement. FY 2019 will be the last fiscal year audit for the current auditor, and the OIG, through the Executive, will be providing the next CAFR contract for consideration and approval to the Council in the next few weeks. I anticipate a smooth transition between the two auditors.
- To help District leaders in assessing their internal control environment, the OIG is finalizing the development of an internal control capability maturity matrix assessment

¹³ OIG, <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG+Press+Release+Oversight+Symposium%2Epdf&mode=release&archived=0&month=00000&agency=0> (last visited January 13, 2020).

program. This program will help District leaders assess their agency's internal control environment, and subsequently make improvements as needed. We anticipate piloting this program at a District agency in the second quarter of 2020.

- Finally, we are working to address staffing challenges and fill vacant positions. The OIG's investigators, auditors, and analyst positions have varying educational and experiential requirements, which narrow the candidate pool. The OIG, as the District's oversight leader, also has very high expectations for staff conduct, further increasing the scrutiny we place on potential and current employees. Our high expectations mean that we will not hire for the sake of filling a vacancy. Rather, we are deliberate in our recruitment strategy to get the best candidates, who in turn provide the best level of oversight to the District.

CONCLUSION

In conclusion, Chairperson Todd and members of the Committee, the OIG, enjoyed a productive 2019. The successes I have touched on this morning are attributable to the entire OIG team. These results would not be possible without the work of 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.

Internally, we have seen vast improvements in how we conduct our work. Externally, we have seen the value that OIG work provides to the District. I am excited to build upon these accomplishments, to identify and mitigate risks that pose the most serious challenges to District operations, and to create an OIG that continually seeks opportunities to improve its performance.

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