

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

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

FISCAL YEAR 2020 PERFORMANCE OVERSIGHT HEARING

February 25, 2021

Good morning 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) 20 and FY 21, 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 we were successful in accomplishing many of our objectives in FY 20, the COVID-19 Public Health Emergency was problematic on several levels. However, the OIG team quickly pivoted to an all-remote environment and continued our vital oversight mission.

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

OIG'S FY 2020 ACCOMPLISHMENTS

During the performance period, the OIG has been diligent in delivering outputs and producing outcomes for the District of Columbia. Although no one could have forecasted the impacts of the COVID-19 Public Emergency, the OIG was prepared to pivot to a new operating environment. Before the pandemic, we made considerable investments in technology to support teleworking and developed and exercised our Continuity of Operations Plan (COOP). As we

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).

entered the new normal, OIG leaders planned and developed a risk matrix to help guide decisions to protect OIG staff while meeting mission requirements. Additionally, throughout the Public Emergency, we have made continuous workforce engagement a top priority. This has included bi-weekly live chats with staff, a weekly newsletter, and multiple workforce-engagement virtual events. The hard work leading up to – and during – the Public Emergency has resulted in considerable success for the OIG. I would like to now touch on each of the OIG’s four operational units and their accomplishments during the performance period.

AUDIT UNIT (AU)

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

During FY 20, AU:

- Published 9 reports authored by OIG staff;
- Made 82 recommendations to District agencies to remedy findings discovered during our work; and
- Administered the District’s Comprehensive Annual Financial Report audit contract, which resulted in 24 reports.

The outcomes of AU’s work resulted in:

- \$5.23 million in funds that could be recouped by District agencies; and
- \$66.5 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 contracting and procurement oversight role, is the Report entitled [Prime Contractor for the Streetcar Program Billed and Received \\$5.2 Million in Improper Payments from the District](#).⁶

This project reviewed over \$55.3 million in contractor billings and payments made by the District’s Department of Transportation (DDOT) related to Streetcar’s prime contractor. Our review of the prime contractor’s certified invoices and related supporting documents indicated that DDOT should recoup \$5.2 million in improper payments made to the prime contractor. The conditions that contributed to these improper payments are discussed in our November 2019 Report entitled [DDOT Struggled to Manage Streetcar Construction Program and Could Not Adapt and Respond to Changes in the Project Scope, Schedule, and Budget](#).⁷ The good news is that DDOT leadership agreed with our findings and is actively working to recoup these dollars on behalf of the District.

INSPECTIONS AND EVALUATIONS UNIT (I&E)

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

⁶ D.C. OFFICE OF THE INSPECTOR GENERAL, PRIME CONTRACTOR FOR THE STREETCAR PROGRAM BILLED AND RECEIVED \$5.2 MILLION IN IMPROPER PAYMENTS FROM THE DISTRICT, (OIG Project No. 19-2-22KA September 2020), available at:

<http://app.oig.dc.gov/news/PDF/release10/OIG%20No.%2019-2-22KA%20--%20Final%20Report%20on%20the%20Audit%20of%20the%20Streetcar%20Program%20....pdf> (last visited February 18, 2021).

⁷ D.C. OFFICE OF THE INSPECTOR GENERAL, DISTRICT DEPARTMENT OF TRANSPORTATION STRUGGLED TO MANAGE STREETCAR CONSTRUCTION PROGRAM AND COULD NOT ADAPT AND RESPOND TO CHANGES IN PROJECT SCOPE, SCHEDULE, AND BUDGET (OIG Project No. 18-1-04LA 2020), available at: *Available at:*

<http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG+Final+Report+No%2E+18%2D1%2D19KA+%2D%2D+DDOT+DC+Streetcar+Construction+Program+Audit%2Epdf&mode=release&archived=0&month=201910&agency=0> (last visited February 17, 2021).

I&E published:

- 4 reports; with
- 41 recommendations made to District agencies.

A notable evaluation published during the performance period, which also addressed procurements in the District, was the [*District of Columbia Retirement Board \(DCRB\) – Evaluation of Procurement Practices and Selected Contracts*](#).⁸ This evaluation was a continuance of an OIG initiative to review District procurement processes and contracts for vulnerabilities to fraud, mismanagement, waste, and abuse. DCRB procurements carry heightened risk because DCRB is an independent agency that is not subject to District procurement laws or the Office of Contracting and Procurement (OCP) authority. We found that DCRB had not established effective internal controls over its procurement processes, and these deficiencies manifested themselves with specific procurements. In total, we made 18 recommendations to improve DCRB’s control environment. During FY 21, we will follow up with DCRB to ascertain the implementation status of our recommendations.

INVESTIGATIONS UNIT (IU)

Third, the Investigations Unit (IU) conducts reactive work through criminal and administrative investigations. During the performance period, IU focused on complex public corruption and financial fraud matters. 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

⁸ D.C. OFFICE OF THE INSPECTOR GENERAL, DISTRICT OF COLUMBIA RETIREMENT BOARD – EVALUATION OF PROCUREMENT PROCESSES AND SELECTED CONTRACTS (OIG Project No. 20-I-02DY June 2020), Available at: <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG+No%2E+20%2DI%2D02DY+%2D%2D+Evaluation+of+DCRB+Procurement+Processes+and+Selected+Contracts%2Epdf&mode=iande&archived=0&month=00000&agency=0%20target=> (last visited February 17, 2021).

violation of federal or District law,⁹ adjudication of our cases progress as quickly as prosecutors' and courts' throughput will allow. As such, the COVID-19 Public Emergency delayed our investigations' progress due to grand jury empanelment and previously scheduled hearings.

Nonetheless, during FY 20, IU's results included:

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

The outcomes of the work resulted in:

- \$671 thousand in restitution, orders, and fines;
- \$117 thousand in referrals to the Office of the Attorney General for civil recoupment; and
- 4 criminal convictions.

A significant criminal investigation during the performance period resulted in the December 2020 sentencing of the Office of Tax and Revenue's (OTR) former Chief of Collections. Our investigation found the former Chief of Collections paid bribes to another OTR official to reduce District taxpayers' tax liabilities.¹⁰ The former Chief of Collections obtained OTR information on District taxpayers with outstanding tax liabilities and would help reduce these tax liabilities for a fee. For one such referral, the former Chief of Collections then paid \$5 thousand in bribes

⁹ D.C. Code § 1-301.115a(f).

¹⁰ OIG,

<https://oig.dc.gov/release/former-office-tax-and-revenue-head-collections-sentenced-paying-bribes-otr-official-help>
(last visited February 19, 2021).

to an OTR official in exchange for that official wiping out nearly \$150 thousand in tax liability for a business organization operating in the District of Columbia. The former Chief of Collections was ultimately sentenced to 14 months, 2 years of supervised release, and fined \$10 thousand.

In a separate but ongoing criminal investigation, another former OTR official plead guilty to a bribery charge in connection with a corruption scheme in which he accepted at least \$75,000 in exchange for fraudulently erasing tax liability. Our investigation found that the District lost more than \$3 million in tax revenue due to these actions.¹¹ The investigation into the OTR official's schemes also identified four District taxpayers and another former D.C. government employee, who all have ongoing cases in District Court.

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 and Human Service's 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.

¹¹ OIG, <https://oig.dc.gov/release/former-dc-tax-official-pleads-guilty-accepting-bribes-erase-millions-tax-liability> (last visited February 18, 2021).

MFCU results during FY 20 were:

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

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 \$2.6 million in civil recoveries for the District.
- \$2.213 million in criminal recoveries, and
- 5 criminal convictions.

One notable MFCU outcome was the investigation and subsequent sentencing of a now-former personal care aide (PCA), who defrauded the District's Medicaid program of over \$260 thousand for services she did not render.¹² Our investigation revealed the former PCA claimed she: provided services during times she was working at her federal job; worked over 20 hours in a given day on more than 300 occasions; and provided services on days when she was traveling abroad. The former PCA also acknowledged that she paid kickbacks to Medicaid beneficiaries to get them to sign timesheets saying she provided services that she did not render. The former

¹² OIG, <https://oig.dc.gov/release/maryland-woman-sentenced-committing-health-care-fraud-government-continues-crackdown-people> (last visited February 19, 2021).

PCA was sentenced to 13 months in prison, ordered to serve 3 years of supervised release and pay restitution of \$269 thousand, and received a forfeiture money judgment of \$119 thousand.

Since October 2019, as a result of investigations conducted by the MFCU and its law enforcement partners, a total of six former PCAs have been sentenced in U.S. District Court for defrauding the District's Medicaid program. These six sentencing have resulted in \$3.1 million in restitution and \$2.1 million in forfeiture money judgments. In 2021, we will be looking at the system in which PCAs operate to determine what improvements can be made to reduce and/or prevent these fraudulent activities from occurring.

PLANS FOR THE REMAINDER OF FY 2021

For FY 21, we will continue our work to deliver the level of results we experienced in FY 20.

Additionally, I want to note several plans that are in the works for the remainder of FY 21.

- We currently have several ongoing engagements that address the District's COVID-19 Public Emergency response. In one project, we are looking at how the D.C. Public Schools (DCPS) Distance Learning Program meets both the availability and equity of its students' educational needs.¹³ In another project, we are looking at District emergency procurements during the Public Emergency¹⁴ to determine whether the District received goods and services according to agreed-to terms and conditions and if services and supplies were procured at fair market value.

¹³ OIG, <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG+No%2E+21%2D1%2D02GA+%2D%2D+Engagement+Letter+on+the+Audit+of+the+DCPS+Distance+Learning+Program%2Epdf&mode=letters&archived=0&month=00000&agency=0> (last visited February 17, 2021).

¹⁴ OIG, <http://app.oig.dc.gov/news/view2.asp?url=release10%2FOIG+No%2E+21%2D1%2D01MA+%2D%2D+Engagement+Letter+on+the+Audit+of+the+District%27s+Procurement+During+COVID%2D19+Public+Emergency%2Epdf&mode=letters&archived=0&month=00000&agency=0> (last visited February 19, 2021).

- This year, the MFCU will begin to leverage its ability to prosecute cases in the Superior Court of the District of Columbia.¹⁵ Shortly, we will have two MFCU attorneys designated as Special Assistant United States Attorneys (SAUSA), who will prosecute Medicaid fraud and patient abuse and neglect cases in Superior Court.
- The OIG will continue to work on three initiatives impacted by budgetary constraints and the COVID-19 Public Emergency. First, the OIG is building a knowledge management infrastructure, which will ensure knowledge is shared freely throughout the agency and enable OIG staff to access, store, and query District data sources. Second, we are building on our marketing and public relations plan to enhance awareness of the OIG’s mission. The District and its residents can expect a revamped OIG website to debut later this year. Finally, we plan to pilot our Internal Control Assessment Program (ICAP) with a District agency. ICAP is designed as a proactive partnership to assess an agency’s internal control maturity levels and provide actionable feedback to improve its control environment.

CONCLUSION

In conclusion, Chairperson White and members of the Committee, the OIG enjoyed a productive 2020 despite the COVID-19 Public Emergency. 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

¹⁵ D.C. Code § 4-804 (a).

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