

TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL

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

**BUDGET OVERSIGHT HEARING ON THE
OFFICE OF THE INSPECTOR GENERAL'S
FISCAL YEAR 2021 BUDGET REVIEW**

June 12, 2020

Good morning Chairperson Todd and Members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. Due to the ongoing COVID-19 pandemic, I am pleased to appear virtually before the Committee to review the Office of the Inspector General (OIG) budget. Joining me to assist in the presentation are Ms. Jaime Yarussi, Deputy Inspector General for Business Management, and Dr. James Hurley, Agency Fiscal Officer.

Today, I would like to touch on three specific areas related to the OIG's budget: (1) our unique budget process; (2) fiscal year (FY) 20 budget expenditures to date in response to the COVID-19 public emergency; and (3) the FY 21 budget request.

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, including recommendations on

reallocating any funds from the Inspector General’s estimates to other items in the District Budget.”¹ Funding the OIG’s budget estimates without revision affords the OIG a measure of autonomy over its budget.

As an OIG professional standard, budget autonomy is imperative to ensuring an OIG operates with integrity, objectivity, independence – in both fact and appearance – and without fear or favor in combatting corruption, fraud, waste, abuse, and mismanagement.

OIG’s FY 20 BUDGET EXPENDITURES, TO DATE

Since the Mayor declared a Public Emergency in response to the COVID-19 pandemic, the OIG has worked collaboratively with the Executive to reduce our expenditures and where appropriate, return funds. We understand that it is imperative to assist the District in its effort to close the budgetary shortfall caused by this unprecedented event. To date, the OIG voluntarily offered approximately \$1.3 million in Personal Service (PS) funds to the District for this FY.

Additionally, the OIG agreed to do the following to support the District’s efforts to improve its financial position:

- Freeze the recruitment of several positions;
- Reduce all non-essential travel for OIG staff; and
- Freeze all personnel-related adjustments and payments, excluding within-grade increases for Career Service staff.

¹ D.C. Code § 1-301.115a (a)(2)(A).

To date, the OIG has spent 55% of our overall budget. We will continue to spend the necessary funds to support the OIG's mission in the most effective and efficient way possible so that any available balance at the end of the FY will further assist in closing the District's funding gap. As mentioned at the beginning of my testimony, the OIG recognizes that we must address the impact of the COVID-19 Public Emergency, but we must also be mindful of the bad actors who seek to exploit these types of emergencies.

THE OIG'S FY 2021 BUDGET REQUEST

For FY 21, the OIG's budget MARC was decreased due to the COVID-19 budget shortfall. Currently, the OIG's FY 21 proposed gross budget is \$18.9 million, which includes \$15.85 million in local funds and \$3.06 million in federal grant funds. FY 21's budget represents a decrease of about 1.5 percent from our approved FY 20 budget. While the decrease may not seem significant, this reduction will impact the amount of oversight the OIG provides to the District.

A 1.5% budget reduction in FY 21 means we will freeze six (6) positions and delay any planned salary increases for staff. It also will result in decreases to non-personnel spending on supplies, travel, training, and subject matter experts and consultants. The impact of the FY 21 budget reduction on OIG operations may result in issuing fewer reports, extended time frames to issue reports, delays in investigative activities, and decreases in investigative outcomes. The OIG has and will continue to look for ways in which we can reduce the impact of this budget reduction on our operations.

Notwithstanding COVID-19 related budget cuts in FY 21, the OIG submitted proposed legislation to the Budget Support Act – the “Inspector General Authority and Support Fund Establishment Act of 2020.” This Fund would support two specific OIG initiatives: (1) funding a strategic marketing and public relations plan; and (2) funding an Internal Control Assessment Evaluation Program. The marketing and public relations plan would be used to help the OIG increase customers seeking our services and enhance the way our work assists the District. The Internal Control Assessment Evaluation Program would be used to proactively assist District agencies in evaluating and improving their respective internal control systems. When implemented, the Fund will allow the OIG to keep 25-percent of receivables and recoveries derived from our investigative work and may reduce the need to seek enhancements of local dollars in future years’ budgets.

My statutory mandate is to prepare and submit “estimates of the expenditures and appropriations necessary for the operation of the [OIG] for the year,”² Over the past several FYs, the OIG has submitted several enhancement requests that were carefully calculated to reconcile the OIG’s baseline budget with the operational requirements we felt were necessary to provide oversight of the District’s programs and operations. Unfortunately, while the OIG has received one-time enhancements for specific projects, we have not received increased local funding to meet the actual operational cost of the OIG.

This year we proposed the Fund because it will allow us to keep funds recovered by our specific investigative work to fund important programs for the OIG. These additional resources allow the OIG to increase our oversight efforts without requesting additional local dollars in this

² *Id.*

constrained budget environment. Although we provided the draft legislation to the Executive when submitting our estimated FY 21 budget, it was not included in the *Fiscal Year 2021 Budget Support Act of 2020* transmitted to Council on May 18, 2020.

Although there is support for the Fund in theory, we were told the Fund request was not put forward because it had a negative fiscal impact of approximately \$97,000, as calculated by OCFO's Office of Revenue Analysis. My team is working with the Executive to update our Fund request to address this fiscal impact, and we will be resubmitting the request through this Committee for consideration before the budget mark up session next week.

CONCLUSION

In conclusion, Chairperson Todd and members of the Committee, we find ourselves in unprecedented times as we continue to respond to the COVID-19 Public Emergency and begin to reconstitute normal District government operations. One condition is certain – these unfortunate circumstances create opportunities for bad actors to attempt to take advantage of the District. The OIG has and will continue to help safeguard the District's finite resources and to prevent and detect corruption, fraud, waste, abuse, and mismanagement.

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